



The Truth About Green Business

Gil Friend

FT Press

\$11.99 (\$8.79 for Kindle) 230 pages

Reviewed by Paul Harmon

The world population reached 6 billion people this year and will reach 9 billion people – a 50% increase -- within 25 more years. The growing middle classes of China, India and Brazil already have cell phones and are now interested in acquiring their first homes, cars, and computers. All of these individuals are now competing with those of us in the developed world for the resources needed to build and operate their new possessions. The good news is that the world's living standard is slowly but surely rising, creating new customers and new demands. The somber news, however, is that the competition for resources continues to rise as well. Companies that can learn to do more with less will surely be richly rewarded in the near future.

Three years ago BPTrends began to publish articles on how companies might approach reducing their energy use. Two years ago we published our first article on how companies were working to reduce water usage, and this past year we published an article on how companies were joining into groups to recycle chemicals, so that bi-products in one industrial operation would become the inputs in some other process and ultimately get recycled back to the original company in a form it could use again. Anyone who is following the popular press has encountered a similar variety of articles that talk about how important it is to reduce our demands for energy raw materials while simultaneously making better use of what we do use. For awhile all this conservation activity was popularly referred to as Green, but increasingly, it is referred to as Sustainability. Smart process designers need to increasingly consider how to design sustainable processes -- processes that will use resources at a sustainable rate.

Gil Friend is the founder and President of Natural Logic, Inc. and has been a thought leader in the field of sustainable business for many years. His book, *The Truth About Green Business*, is a popular text among those who are focused on building sustainable businesses. I got to know him in conjunction with a visit to the Bay Area of Chinese executives who were shown a dozen companies that are exploring different sustainability efforts. The Chinese executives were interested because the Chinese government has passed laws requiring companies to become more sustainable, and the roadmap they have developed will require Chinese companies to work diligently to constantly improve over the course of the next decade or two. The Chinese know that many key resources are likely to become much harder to acquire in the years ahead and

want their companies to begin now, to learn to do more with less.

Friend's book is broken up into very short sections – usually 3-5 pages long – each addressing a single topic. In most cases each section focuses on making just one point – which the author refers to as a Truth. Thus, 52 chapters and 52 truths, ranging from Truth 1. What is a Green Business? through to Truth 52. Future Proofing.

The emphasis in this book is on convincing managers that they can make their businesses sustainable while also continuing to make a profit. It may not sound like a big point, but it's the key, in many cases, to getting organizations to move. As long as senior executives figure that any move toward sustainability is a move toward reduced profits, they are going to resist. For most executives, the price of the stock at the end of this quarter is much more important than the viability of the business in 5 years. It's not that executives don't think about the future; it's just that their incentives are so solidly stacked in favor of short term results. Thus, any book that explains how an executive can have most of his or her cake while eating it too is bound to attract their attention.

Unfortunately, Friend's case isn't as strong as he would have us believe. For example, he argues that it's just good business to save money – and of course that is so. Unfortunately, many of the things he would have businesses substitute, at this point cost more. To reduce the price of solar power, or to increase the cost of water or gasoline, governments need to intervene with taxes and incentives to “adjust” prices, as China has obviously done. Too much of this depends on assumptions about what will become scarce and when.

Take one example. A while back we began to see the new generation of light bulbs that looked like twisted florescent tubes. These bulbs were said to last much longer, but they cost more. Moreover, they made a slightly different light (“colder”) that some find less enjoyable. Over the past few years there have been several programs to encourage their adoption. Unfortunately, the balance between increased initial cost and the lifetime of the bulb is just close enough that it's a hard decision, and easy to put off. Recently a second generation bulb, based on LED technology has begun to appear. These bulbs cost about the same but have an even longer lifetime, making the decision much easier. Should a company have bought the second generation bulbs when they first came out, or have waited for the new generation that is really much more cost effective? Every manager with a building or plant that has several thousand bulbs faces decisions like these. And many of the decisions managers face are much more complex.

We all know that a finite resource must eventually be exhausted. Eventually there will be no more oil that can be obtained at a cost any company could afford. But, at the moment, that time is several decades off. One can make an argument that it is best to keep using oil as we are now, while looking for an alternative fuel (hydrogen) and meantime letting the price of oil drift up, as it becomes more scarce, to nudge us to convert when the time is right.

My own position, for what it is worth, is that we should pursue a balanced policy, letting the government tax and offer incentives to encourage a transition towards a future that the current consensus deems most likely. That approach depends, however, on

government groups identifying the correct trends, and that's open to error, so I suspect that governments ought to be pretty judicious about what they attempt to promote. Still some policies seem so very likely that it makes sense to push in an obvious direction. Unfortunately, if different governments pursue different policies, then companies will naturally choose to operate in environments that provide the greatest advantages – and in the current economic environment, most would choose to operate in a polity that imposed less taxes, because business is under pressure to reduce costs.

Don't get me wrong. Friend makes many good points and offers a number of interesting suggestions. Some of his ideas could be implemented today and save your company money. But he also makes a lot of assumptions that are open to doubt. Smart business people are trying to figure out how quickly the world will change and when they will need to adjust. However, few companies can afford to take risks by attempting to choose a high cost option over a low cost option in hopes that it will improve the position of their organization in the next decade.

I am confident that companies will find it increasingly wise to design processes that use less energy, less water, and fewer resources. Moreover, I suspect that many will want to try to develop recycling options – although this approach will work best if you are building a new factory from scratch and can arrange to locate other companies that can recycle your factories wastes nearby. The question, however, is the speed with which this needs to occur. If your organization is within a political entity that is prepared to offer guidelines or tax incentives, then the time to act may be now. In other cases, however, you will more likely choose to plan and study rather than implement. In either case Friend's book will certainly give you a lot to think about. It's straight forward business approach make it a perfect book for a series of discussions among planning managers as they think about where the organization should be in five years.

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Ps. After starting on this review I came across a publication of www.kyotoplanet.com, *The Sustainable Enterprise Report*, which I also recommend.

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