

Recession Pain Relief

Surviving the World's First... Green Recession

By John H. Atkins, Jr.

In a world economy Going Green and going to economic hell at the same time, this is not your garden-variety economic downturn. Despite Barack Obama's presidential victory and its great promise for sustainability and restoring our global competitiveness, the Green Movement in the US may be trampled as anxious firms slash costs for the recession.

It's a critical factor... unless American companies do better at Going Green, US business may remain less than globally competitive during economic recovery and could fall even further behind when economic recovery starts.

Blame this recession on the Wall Street fiasco... or the energy bomb. Maybe it's the 20% electric rate jolt or the ineffective banking system. Is it runaway material inflation or shifting global economic clout? Those who claim to know say this is a recession of the first order, bigger than Boomers can recall or Generation Next'ers can imagine.

It's also the first *Green recession*. For the first time, environmental sustainability and energy conservation are key factors in economic development and prosperity. It's the first serious downturn to occur amidst unprecedented changes in environmental awareness, manifested in a blizzard of new energy, toxin and recycling regulations, scarcities of natural resources, market-disruptive Green technologies, shifting job sources, waning economic influence, and changing consumer preferences.

"Wait a minute", you say. "The US hasn't gone Green. We don't have a lot of smothering new regulations or costly energy caps or expensive mandates to recycle and so on. We're just the way we always were." And that's just the point.

A World Going Green

More than 170 other nations have already moved on¹. European Union (EU) members in particular have made significant changes to stop things widely deemed to be wasteful or harmful to people and places. Now circling the globe are their new standards for about 100 chemical toxins, air and water pollution, energy efficiency, "extended producer responsibility" (mandatory product recycling by manufacturers) and others. US producers are mostly not yet subject to such rules, but they mostly don't comply with them, either.

While the US leaders bemoan "excessive" regulation and exorbitant costs, other nations have been investing heavily in things that make them... yes, Greene, but more importantly... more efficient and less oil-dependent. Some, notably EU members, offer truly compelling incentives for renewable energy, like solar. Amazingly, cloudy ol' Germany, about the size of Illinois and Indiana, is the runaway leader with installed solar capacity twelve times that of the entire US. When these systems are paid for in a couple years, they will deliver zero cost energy to businesses that own them, while US competitors still face unlimited energy cost. And that's just one new competitive advantage.

¹ This includes China, India and Australia, even though they have not signed the Kyoto Accords on CO₂ emissions.

This may be the first recession where Going Green means faster recovery and being able to outpace the competition in follow-on growth. So, let's look at "Green".²

Green in the USA

Actually, Green has been doing well in the USA. Sure, not as Green as some of us want and the US still lags much of the world, but sustainable buildings and business practices, renewable energy, consumer preferences, environmental regulation and just plain Going Green have been catching on very well, thank you, despite some powerful opposition. Lots of Green-tech industries, among them wind and solar energy, are among our fastest growing industries, just like in the rest of the world.

Today, most US consumers believe the mandate for sustainability is here to stay, but in the face of a looming recession, have recently slowed their purchases of Green products and organic and healthy foods. The 200 or so architects and building industry professionals this writer surveyed in 2007 agreed strongly, even if they are still timid about pushing Green design. Similarly, over 65% of private businesses have started some sort of Green program, but most now fear for their very survival.

About 150 or so leading corporations and organizations are showing the way by turning their Green programs into power tools for greater market share and profitability. Their Call for Action (and lawsuit) urges the federal government to get with it faster³. Nine hundred mayors signed up to pledge Kyoto Accord-type Green House Gas policies. Over 700 colleges and universities agree, issuing Green policies to reduce energy and waste costs.

Thus, the Going Green picture has been sorta rosy, but we are now facing a recession. So, let's go back to the recession.

A Green Recession Strategy

The Classic Business Response to recession is well known: *before* a recession, cut costs, sell harder to build market share, reduce risk from the outside. *During* a recession, streamline operations and make plans and internal investments to position for when the recession is over, because recessions do end. *After* a recession expect winning competitors to blast out of the gate full tilt. Snoozers lose. It's never business as usual, but business according to new market rules created by those who prepared themselves better during the downturn.

It may seem ironic that actions that help companies survive a recession are the very same actions that help them Go Green, trigger fast growth and increase global competitiveness, but it's just good, conservative business management!

Similarly, recession and Going Green both relate to the same business issues — competitiveness, efficiency, profitability, access to markets and attractiveness of products and services — except that those who Go Green simultaneously develop new assets that position them well as Green companies. Thus, Green organizations may well recover faster, and in the process develop significant competitive advantages, while non-Green organizations may recover more slowly, some not at all.

Even so, a lot of business managers will not connect these dots and will fail to take the Green actions in their best interest. If experience is any indicator, an estimated 10% of the companies in a given industry will see the light, including about 10% of small and mid-size businesses. That's enough to

² A bit unclear what "Green Business" means? Get our white paper "*The Real Reasons Businesses Should Go Green... Now*"

³ See US Climate Action Partnership <http://www.us-cap.org>

re-shuffle the leadership in nearly every industry and a major opportunity for agile businesses to rise to the top.

For the rest, who still believe that Going Green is an unfair, expensive penalty to be avoided, they'll hunker down and probably do little else.

To Green Companies and those who advise businesses on growth and sustainability, the most effective recession strategy is clear, even obvious. *If a business would simply Go Green with reasonable diligence, they would likely weather the recession well, become a more efficient and profitable company in the process and emerge with all the business advantages that Being Green means.*

Some Direct Benefits Of Being Green

- 50% of CEOs say Green benefits outweigh costs.
- Green companies are 16 % more profitable
- Energy Savings 35% - 30%
- Productivity increases 2% - 18%
- Share prices 45% higher
- Green office buildings see:
 - Lower operating costs 8% - 9%
 - Increased building value 7.5%
 - ROI 6.6 % better
 - Occupancy 3.5% greater
 - Rents 3 % higher

References available on request

Is Green in danger?

Will the US Green Movement survive this recession and continue to grow? The likely answer is “yes” on both accounts, for the simple reason that energy, waste, water, raw materials cost money and are not getting cheaper or more plentiful. Those who buy or use less also pay less and incur immediate advantages that only get bigger over time.

Worldwide, sustainable business practices and regulations relating to waste, water, energy, toxins, human ecology, and about a dozen other “Dimensions of Green”, are already well integrated into the local business and regulatory fabric. Some policies have been in place now for years. They are already the new “normal” way of doing business. Most of these new norms are reinforced by law, regulation and policy, and, increasingly by Green-oriented customer preferences. Recently the European Union, the world’s largest economy, confirmed again its commitments despite the current economy.

US firms doing business in these countries *must comply* with their regulations or risk losing sales, even access to those markets. Even so, US companies have generally not adopted these practices, nor has the US government in particular, current administration included.

Nevertheless, similar ideas are emerging here in the USA in the form of new regulations, policies and initiatives, led mostly by 22 states and major corporations. The aforementioned mainstream corporations and organizations are adopting them as part of their overseas business, and increasingly, home base strategies. The 700 colleges and universities and 900 cities previously cited are implementing many of them to balance budgets and recruit students or businesses.

Clearly, what some have seen as a Green “bubble ready to burst” with the next oil price drop, has a greater life, more like a “bell that cannot be un-rung”. A large number of US firms, organizations and governmental units have yet to take Green seriously. Many observers — both for and against Green — say that Green is inevitable, since recession and sustainability now relate to the same fundamental business issues. Even if energy drops to \$1 a gallon, businesses cannot go back to the old sloth, since eager Green competitors are already more efficient. If non-Green organizations really do pull out of the recession more slowly, and Green organizations recover quicker and develop permanent competitive advantages, there will be little question that sustainable business is the most viable path.

Reaching the Tipping Point

Though the world picture of sustainability is robust, the danger to America’s Green advocates and vendor businesses is real.

Green advocates, advisors, suppliers and organizations make sustainability a realistic option for the organizations and operating companies that depend on their products and services. The Greenies, in turn, depend on their clients and customers, for without them, their economic opportunities would evaporate. Green markets are still thin and until they reach a self-sustaining tipping point, even a small slowdown can devastate individual players. A major slowdown could put the ongoing supply of Green products and services at risk.

It's happened before. In the mid-80's "Green Movement I" crashed due to lack of equitable tax policy and marketplace support, leaving 50,000 job casualties in the US (but not in places, like Japan and Israel), including this writer's solar distributorship servicing five states. Such once-burned skeptics began to trust "Green Movement II" once it became clear that the international driving forces are too powerful and well entrenched for a single US entity, industry or government effort to overwhelm it again. So the Green Movement will continue – Green issues are driving the world economy and will eventually drive the US economy, too — but there are dangers for Green advocates and vendors.

It has been less than helpful that the well-funded “global warming” messengers that business people hear most are themselves stuck in their thinking. When it comes to business, the US Chamber of Commerce and the Sierra Club both get it wrong. By addressing only big social issues, like saving the planet and global warming, and whether humans are responsible for the mess, they fail to recognize the realities of American business: businesses cannot address such broad issues in daily business operations, nor can they simply abandon assets and resources to a social cause.

For business it is not global warming that matters. It is the responses that governments and competitors around the world make to environmental issues, and how they are manifested in the form of new regulations, business practices and market preferences. A manager can deal with these.

Realizing this, many senior business managers are tired of the discussion. They greet sustainable business practices, Green and renewable energy with a big yawn, while, of course, responding vigorously to the energy bomb and electricity price jolts, and complaining about regulations abroad, but otherwise minimizing environmental thinking and spending.

Yet, the need for Green steams on, playing out on the continually changing fields of competition, profitability, efficiency, product attraction, market access and environmental sustainability. Companies and organizations need to change, adapt and lead to stay in the increasingly complex game. Large organizations have internal resources to respond, IF they have sufficient interest and vision.

Small and mid-size businesses — the ones that generate the most jobs, wealth, exports and innovations in the US — are still pretty much on their own to sort out a business strategy that keeps them healthy and growing in the recession and rapidly changing Green business markets. Fortunately for the building industry and agriculture, a number of well-established Green standards, guidelines and products address their concerns, and they receive lots of attention from the government and media.

However, *operating businesses* are still on their own with virtually no standards or guidelines. Even if they do not export, these businesses need to match world competitors, but the programs commonly offered by trade associations, chambers of commerce, municipalities, etc. fall short of world standards, like ISO 14001, that they need in order to compete internationally or even domestically with global products.

Until clear market and technical guidelines emerge, smaller and mid-size businesses would benefit greatly by tuning into the world Green Movement, forming their own Green Team, becoming trained in technical and business-related Green issues, seeking out qualified, credentialed consultants and developing a clear management strategy. They should also communicate with local educators about their future Green employee skill needs. They should sit down with their local government officials and encourage them to develop the Green infrastructure that Green businesses need to compete and prosper.

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