

Green entrepreneurship



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Today, the ethical high ground is held by those companies which appreciate environmental and social responsibilities. Especially in the Western countries that are prosperous and educated, there are increasingly interest by the society in environmental responsibilities. The entrepreneurs who are able to cultivate this trend and create organisations based on environmental awareness are considered innovators.

They challenge conventions and create new arrangements of people and resources (Baden, 2000) Some examples of companies that has successfully achieved competitive advantage by going green are Body Shop of UK and Tom of Maine's in USA. Some companies also shifts to more environmental friendly solution to their products. These companies, that are also called "green differentiates" (Andersen, 2000), are those who take advantage green marketing as their sales parameter. Toyota is one of them in which they promote their cars to contain low dangerous exhaust fumes that are safer to communities. Green business is defined as a business that operates in ways that solve - rather than cause - environmental and social problems. These businesses adopt principles, policies and practices that improve the quality of life for their customers, employees, communities, and the planet.

(Co-op America, 2001) Green entrepreneurship is about integration of techno and environment knowledge integrated with economic issue to create valuable innovation to society. In simplest term, the vision of green entrepreneurship is for environmental issues may be integrated into business practices profitably and that a strong environmental profile eventually will become a market standard that is valued by their customers. The purpose of this paper is to highlight some of the opportunities and the

advantages of entrepreneurs to adopt environmental friendly practices.

Some barriers and ways to the implementation part of the practice are also outline in the body of this essay.

Bansal and Roth (2000) have identified motives for corporate “ greening,” such as regulatory compliance, competitive advantage, stakeholder pressures, ethical concerns, critical events, and top management initiative.

One of the major driver for green entrepreneurship is the increasing economic challenges that intensify business competition force companies to find better ways to do business and strategize. The new knowledge society also act as a prominent driver to green entrepreneurship phenomena. People are becoming more and more aware of the bad impact of the traditional ways of doing business to the environment, thus they shifts to value environmentalism efforts.

As a result of both main driver, companies strive towards building new form of competition based on knowledge, one of them being green entrepreneurship. The current state of economy and environmental problems present few opportunities for entrepreneurs who are willing to innovate “ green products” or apply “ green solutions” in their enterprise. Some ways that small businesses impact on the environment include their usage of raw material; engagement in recycling activities, consumption of energy, water and fuel resources; the packaging they give to the consumer. (Schaper, 2002) Many people argue that environmental awareness is something that is expensive to do and is far from the reality of the economic of a firm. However, a construction company by the name of Turner Corporation have proved otherwise.

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The company brought about a new meaning of 'sustainable construction', which Atkisson (2003) called a contradiction in terms at first. "Construction of new buildings is one of the least sustainable activities currently under way on planet Earth" (Atkisson, 2003). Yet, change is happening at a large scale given out by one Turner corporation's project. The project was the Rose Garden project, in which they as the contractor agreed to implement a state-of-the-art recycling program. To date, the program has recycled over 95 percent of the construction waste - nearly 45, 000 tones of concrete, steel, gypsum, paper and other materials, at a saving of more than \$150, 000 compared to what landfill disposal would have cost. The example shows that going green could be a competitive strategy to be pursued by a business.

The construction company above lead the industry and set new standards for construction and recycling and by doing that, Turner Corp is helping to create the market and build corporate image, and save cost, and even they don't have to be paid with a great price. The other potential advantage of environmental based strategy are described by Andersen (2000) as: sales parameter, image/stakeholder relations, ahead of environmental regulation, human resource management and lower production costs. Business opportunities for green companies are greater in Western society than in its Eastern counterparts. It is resulted because of the existence of social background institutions with an environmental preservation agenda.

One particular environmental friendly business opportunity is by promoting towards recycled, natural and organics consumer products. Recycling activities has been one major government and social institution education agenda these past decade. Thus the simple idea and practice has been

widely accepted by the educated society in general. This presents a good opportunity for entrepreneurs who want to take the simplest form of social responsibilities by providing goods or solutions that are environmental friendly. The idea is simple compared to the high tech firms that innovate expensive gadgets which are complicated to use for reducing environmental impact.

Yet, because it is simple, it can be learned and adopted easily by the consumers. One niche to pursue for green entrepreneur in consumer goods is by establishing a company that sells green products such as environment theme books, wooden toys, nature board games, dolls made of natural and recycled materials, hand made eco products, chocolates that are made of organic milk, hemp clothing, or any other products that are derived from ecologically sustainable companies for children. Children are a prospectable niche to pursue because environmental education is to be enforced to people starting from a young age. Once the children are taught to do that, they will develop environmental awareness understanding and develop habits that promote them, which will be reflected by the things they buy, wear and attitudes later on in their lives. The competitive aspect of it includes the green marketing and their promotion of ecoproducts. Such an example provides a framework that ecological responsiveness can be used to improve competitiveness and long term profitability.

According to the research of small business firms (Bansal ; Roth, 2000), ecological responses in the process that improved competitiveness included energy and waste management, source reductions resulting in a higher output for the same inputs (process intensification), ecolabeling and green

marketing, and the development of “ ecoproducts. ” Tom of Maine’s, a US based consumer good company has been successful in its practice of establishing green company and build a strong reputation using their prominent green marketing program. The company have created natural care products, using pure and simple ingredients from nature. They pride themselves in their “ natural care” and their commitment to the public and environmental issues. They pursued a specific market niche in the health conscious customers and serve them effectively by their natural products. How firms deal with environmental issues is now a growing arena of management.

Each small business today are forced to ask themselves to comply with environmental standards. “ The steps includes ecological responsiveness as a set of corporate initiatives aimed at mitigating a firm’s impact on the natural environment”. Bansal and Roth (2000) further explain that those initiatives can include changes to the firm’s products, processes, and policies, such as reducing energy consumption and waste generation, using ecologically sustainable resources, and implementing an environmental management system. “ The concept of corporate ecological responsiveness refers not to what a firm should do, but to the initiatives that reduce the firm’s “ ecological footprint” (Hart, 1997) As with every innovation, green entrepreneurship begin with knowledge acquirement. In this case, environmental awareness and commitment is a must. The knowledge needed is technological and environmental understanding which is then incorporated into the firm’s production process.

Many company today employs the EMS (Environmental Management System) program that consists activities such as resource planning and conservation, cost reduction in the areas of consumption of Raw Materials, energy, waste treatment and disposal in order to be qualified for the Certification to the ISO 14001 standards for Environment Management Systems. Entrepreneurs who do not have the skill or the knowledge to go green, but have the commitment to be ecological responsible can outsource an environmental expertise, who for a fee can design an ecological conservation system or a program to fit the business. Environmental awareness is better to be applied from top to bottom. In small to medium businesses, most of the cases the owner or manager have great role in the performance of the business.

As a result of that, individuals have the opportunity to put their environmental values into practice in their workplace, also to influence the behaviour of their employees, consumers, and stakeholders to be more socially responsible. As backed by Andersson; Bateman (2000), environmental innovations, like other types of innovations, are often formulated and promoted by single individuals working in the operating cores of organizations. Although the idea of green entrepreneurship sounds perfect, there are barriers to the application, operation and acceptability to the society. Schaper (2002) claims that identifying and measuring the environmental performance of small firms can be somewhat problematic activity because small and medium sized enterprises have only a limited individual impact on the environment. Small business owners often thinks that their do not have as much impact to the environment as large firms.

However, the sum of small businesses combined actually accounts for most of the damaged in the environment. Stokes (2000) added that the poor environmental performance of small businesses is attributed to the low level of awareness of the environmental impact, which is the hindrance to change. In building green entrepreneurship trend, there has to be an integration of environmental issues into the economy and awareness by the society, including the stakeholders to act towards saving the environment. However, that kind of integration and awareness is complicated in the sense that it requires a major technology knowledge and economic point of view shift that could be costly and slow to be adopted. Furthermore, it involves the risk of failing for companies and their stakeholders. A company that decides to go green has to at least have the knowledge about technology combined with environmental knowledge, which could be hard and long to acquire.

If that is accomplished, there come the next problem which is to educate the consumer and making them accepting their innovation, that is if they ever care about the innovation. In essence, there is too much investment to be done and too much time to be spent to adopt green technology when at the same time each company is faced with the pressure to be efficient and effective in their process. As Andersen (2000) quote, " There are consequently generally very high shifting costs in turning towards environmentally friendly technologies and business practices" According to Andersen (2000), the green trend differs from other innovations for its strong policy element, its radicality (including strong normative and cognitive elements), its complexity and its broadness in scope. His theory is holds true in the way that green trend requires shift in perception in the context strong

environmental commitment by its adopter (normative elements) and technology solution knowledge be used (cognitive elements).

The lack of adequate institutional organisation both governmental and non governmental, such as Greenpeace, Environmental, Health and Safety Department, etc. that supports the activity of green entrepreneurs is also a barrier to the trend. Institutional bodies existence promote the activity in the way that they provide acknowledgements and incentives to those companies that applies green principles in their practice, at the same time pressure for other companies to comply with an environmental benchmark. Those kinds of organisation also provides information, sometimes seminar to help companies includes environmental issue into their process. They help the process by providing means or steps to be more ecologically responsible.

Co op America, for example, they build a listing of companies name that include environmental agenda in their process. They also provide information about sustainability and examples of how businesses can be one. " NGOs (Non governmental organisations) are now the Fifth Estate in global governance-the true credible source on issues related to the environment and social justice" (Vogl, 2003). Chapas (2003) further confirmed, " A coalition of business schools, non-profit organizations, governments, and industry is needed to accelerate true sustainability by providing credibility, market information, and shared learning" So far, many advantages of green entrepreneurship have been lined out. However, in practice, green entrepreneurship does not always able to create competitive advantage, rather it depends more on the circumstances and the external factor in which the industry competes. Christmann (2000) suggests that whether or
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not a firm can gain differentiation advantage from being environmentally responsible primarily depends on external contingencies, such as the structure of the industry and characteristics of the product market in which a firm competes.

Further study by Teece's (1986) suggests that firms need to possess complementary assets to gain competitive advantage from the implementation of the best practices of environmental management. Complementary assets are defined as resources that are required to capture the benefits associated with a strategy, a technology, or an innovation. So there is no direct relationship between environmental practices to competitive advantage, rather the success of it is more dependent on the company's ability to manage external factors of the company with the adopted environmental program. The theory is further backed by Chen (2001) by quoting " green product development and stricter environmental standards might not necessarily benefit the environment and company". Managers sometimes are faced by external pressure from shareholders for profit improvement which sometimes shorten the planning of managers, making green technology or environmental practices are hard to apply. Furthermore, pressures for reengineering and efficiency can cause managers to focus on the cost side of the company.

In this era of stiff competition and the rise of knowledge society, businesses are strained to look for environmental friendly solution in its process. The opportunities lie in those who are able to cultivate the greening trend and incorporate them to value adding proposition to their businesses. The paper has highlighted some advantages to be gained when a company is adopting

environmental's best practice. Those include the sales/marketing parameter, image that it creates, process/production cost it saves, etc. However, business owners are also faced with some risks associated with going green, whether that is the cost issue, time constraint and failure risk.

The key to successfully maximizing the opportunities is to carefully manage the environmental practice process to each company's external factor and build core foundations from that. There are many examples of companies that have successfully adopt environmentally friendly approach, and in the future, it is predicted that green business will eventually become a standard. Therefore, every business owner must realize that the benefit of going green exceed the difficulties the firms endure in the first stages of it. While the first idea and the knowledge seems hard to be learned at first, in the long run, a business will benefit from the energy they save, the image they carry and at the same time living harmoniously with mother Earth.