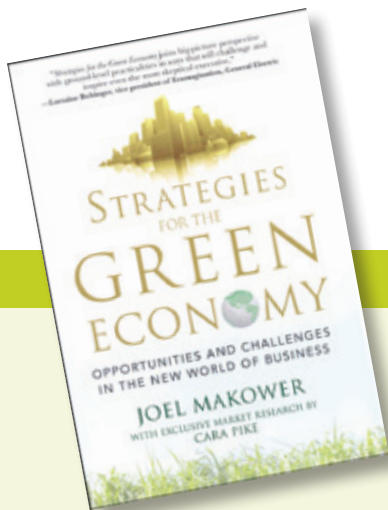


# What's a Green Business?

Joel Makower



Excerpt from—*Strategies for the Green Economy: Opportunities and Challenges in the New World of Business*

Joel Makower, whom the Associated Press has called “the guru of green business practices,” is the author of the pioneering book *Strategies for the Green Economy: Opportunities and Challenges in the New World of Business* (McGraw-Hill, 2008). In this excerpt, he considers the challenge of answering, “What is a green business?” and warns that without clear metrics and standards, organizations may not be able to address business-specific environmental impacts appropriately.

One of the big problems companies confront when they set out to devise, implement, and communicate their green strategy is that there is little agreement about what it means for a company to be seen as green. It’s funny when you think about it. For all the newspaper articles, magazine cover stories, television specials, Web sites, blogs, consultants, conferences, speakers, and other efforts that promote the notion of environmentally responsible business, the definition remains in the eye of the beholder.

We know what it means to be a *green building*. There’s a voluntary industry standard for that, called the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, in the United States and Canada, and it has counterparts in many other countries. We know what it means to be a certified *organic tomato*—there’s a law defining that and other organic products, at least in the United States.

But we don’t know what it means to be a *green business*.

This is a big problem. Nearly every emerging product, idea, trend, or market requires norms and standards to achieve public acceptance and scale. Think about the standards we use every day: your computer’s USB connection (which allows it to connect seamlessly with most printers, mice, and other devices), the unique International Standard Book Number on the back cover of this book (which allows it to be ordered from nearly any computer or bookstore), the rules governing who can call themselves a certified public accountant (enabling them to be licensed and able to provide to the public attestation opinions on financial statements), or even a company’s membership in the Better Business Bureau (which attests that the company is in good ethical standing and is committed to resolving disputes with customers). All these provide some level of assurance to customers, business partners, employees, and others, and that, in turn, allows markets to grow and prosper more efficiently.

So what’s the standard for determining whether a business can be called *green*? What set of environmental commitments should it make? How should it operate? Is there some minimum standard for waste, energy use, transportation, toxic ingredients, and so forth? How open should the company be about its impacts? How does it know that it is meeting society’s expectations? In short, how does it know that its environmental policies, programs, and progress will be viewed as “good enough”?

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It's a daunting challenge. Is it even possible to create a single standard, or even a series of standards, that defines an environmentally responsible business—a standard that can be applied to a large or small company in any type of business? Is there a uniform standard that can be applied to a local restaurant, nail salon, or bank, as well as to a multinational chemical company or a major retail chain?

The answer, so far, has been no. Each company is different, even two companies in the same city doing essentially the same thing. Sure, most companies have commonalities, such as maintaining offices that use computers and paper or having employees who need to get to and from their jobs. However, the environmental impacts of such activities may be significant for one company and trivial for another.

There are green business certification programs, mostly for smaller firms operating at the local level. Several cities and counties have programs in which local businesses that meet a set of criteria can receive a certification attesting to their environmental commitment and performance. But few larger firms apply for these, and certification rarely carries over from one jurisdiction to the next, meaning that a company doing business in several cities, counties, or states may be required to apply to several independent programs, each with its own standards. ... There is an international standard for environmental management systems, known as ISO 14001, that defines the way a company should establish an organized approach to systematically reduce the impact of the environmental aspects that the company can control. But it applies to specific facilities, not to a company as a whole. And it only certifies that there's a system in place, not that the system is effective. A company could be out of compliance, sued by major environmental groups, and make toxic toys for kids—and still pass ISO's muster.

And there are dozens of standards for individual product categories, such things as sustainably harvested wood, shade-grown coffee, chlorine-free paper, dolphin-safe tuna, free-range beef, cruelty-free cosmetics, biodegradable packaging, and on and on. ... Some of these standards are highly credible, vetted by respected scientists, environmental activists, business leaders, and others. Others are less so, having been promulgated by a single organization with relatively little involvement from interested parties. But few, if any, of these apply to a company, only to specific products.

The lack of a uniform standard, or set of standards, defining environmentally responsible companies means that anyone can make green claims, regardless of whether their actions are substantive, comprehensive, or even true. Want to put solar panels on the roof of your toxics-spewing chemical company? You can be a green business! You can encourage your employees to take mass transit, print on both sides of the paper, and toil amid furnishings manufactured from certified sustainable materials in your offices, from which your company imports cheap, radioactive metal trinkets from across the ocean—and deem yourself green! You can do almost anything you want.

I'm being a little facetious here—but only a little.

The ability of any company to call itself green means a high potential for stretching the truth, however well intentioned, and for customers to become frustrated and cynical, unable to separate hype from reality. And it means that companies that truly *are* leaders—those that have integrated environmental thinking deep into their operations in a substantive and strategic way—can't easily distinguish themselves to those they most want to influence: customers, employees, job seekers, the media, investors, and others.

Since the 1990s, government, industry, and nonprofit entities have created dozens of voluntary environmental and social standards that focus on products, facilities, and company operations. These cover a wide spectrum of policies, practices, and performance on such issues as marine and forest stewardship, energy efficiency and climate change reduction, sweatshop labor and worker rights, business ethics, minority purchasing, community investment, board diversity, and many others. But there remains no easy way to assess the full measure of a company's environmental, let alone social, performance.

It's hardly surprising that no such standard exists. Creating a comprehensive standard for green business is a complex and challenging proposition, but it is not impossible. A number of groups have been working on such a scheme, although few have been launched, and none has yet achieved widespread adoption.

In 2004, a small group of green business leaders in the San Francisco Bay Area was approached by a staffer from a state legislator in Sacramento, California's capital, and was asked to support a bill that would give state procurement preference to "sustainable businesses." I was a member of that group, and we declined to offer support because the bill lacked definitions of that term, but the episode started a conversation among a number of us. Thus began a focus on the question of how to develop a "level playing field" ratings system that would lead to ratings, benchmarking, and learning opportunities to help companies improve their environmental and social performance.

The product of that exercise was the Sustainable Business Achievement Rating system (SBAR), a means for comprehensively assessing a company's environmental, economic, and social performance. Modeled in part on the LEED green building standard, which offers good-better-best ratings across a wide spectrum of issues related to the built environment—SBAR covers five dimensions of sustainability: environment, workplace, marketplace, community, and governance. With funding from a progressive Alameda County, California, public agency, our small SBAR team spent three years developing the rating system and built portions of it. Lack of funding, as of this writing, has limited progress.

The emergence and success of LEED is telling. Prior to LEED, just about anyone could declare that a building was green and get away with it. "We've got energy-efficient windows, low-flow toilets, and recycled carpeting—we're a green building!" All good, of course, but barely scratching the surface of what building professionals believe is adequate to invoke the green moniker.

LEED answered the question, "How good is good enough?"—at least for buildings. It established a comprehensive set of standards and has been credited with the sharply increased demand for green buildings in recent years. By creating a unified standard, it has enabled product manufacturers, architects, developers, city planners, landlords, and tenants alike to speak the same language and operate on the same playing field. And the green building marketplace has skyrocketed and will continue to do so.

... SBAR was propagated on the notion that creating comprehensive standards similarly could boost the market for green businesses, a foundation on which to build a robust and competitive marketplace. Such a standard may yet find its way into the marketplace, but none, including SBAR, is in the offing. For now, companies will have to learn how to operate in a world without standards, defining for themselves what they believe is "good enough" for their customers, employees, communities, and the natural environment. ■