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Audience: Users of the Small Business Development Center

Should Entrepreneurs Go Green?

In modern society, there is a growing fascination with going green, environmentally friendly products, and eco-friendly businesses. However, in the world of business and entrepreneurship, you must wonder if it is worth it to join the craze and go green. This idea isn't simple because there are many implications that come with integrating environmentally friendly ideas into any business realm whether it is an already existing Fortune 500 company or a small business entrepreneur. Specifically, since I hope to someday start my own business with my accounting and marketing background, I decided to focus on all of the bases that you would need to cover if you wanted to start a business. Nowadays, starting a business involves considering the advantages and disadvantages of incorporating environmentally friendly practices, products or services, and being able to advertise such awareness of the current sensitivity toward the earth. Some of you risk takers are concerned with the costs involved in implementing green technology and production, but studies have shown that over time the gain outweighs the initial cost. You are also often times unaware of how they can even contribute to this cause. Despite all of the uncertainties of the new idea, you small business starters would benefit from going green in the long run due to the lowering of

production costs, being able to raise prices of such eco-friendly products, and creating a competitive advantage.

In order to understand why integrating green products and practices into your company is an important issue for you as business people, you must understand the advantages associated with doing just that. Based on an article in the *Journal of Targeting, Measurement and Analysis for Marketing*, “Green products have to represent a significant achievement in reducing environmental impact; they may also have to incorporate strategies of recycling, recycling content, reduced packaging or using less toxic materials (D’Souza, Khosla, and Taghian, 70).” Basically, green products are any product that either reduces a person’s carbon footprint or addresses the issue of sustainability. For example, the new coiled light bulbs are considered to be a green product because they last much longer and use much less energy than a regular light bulb. This in turn addresses the idea that people need to reduce their carbon footprint because the more coiled light bulbs used the less old-fashioned light bulbs available to occupy landfills. Therefore, since concern for the environment is a growing trend, you should do your best to get on board with “going green.”

Profits are your most important goal because you are beginning in the red due to start-up costs and incurring losses to try to make your brand name known. Presently, there are many advantages of adopting the idea of becoming environmentally friendly especially in the business community. For example, in the article “It’s Not Easy Going Green,” Wharton Faculty and analysts say that, “Whether motivated by desire to do what is right, or to polish their public image and fend off government regulation, companies can profit from well-designed strategies that embrace environmental goals

(Knowledge@Wharton).” These professionals indicate that despite a company’s or organization’s motives, going green provides the advantage of being more profitable. Therefore, you should pay close attention to any idea that could increase your revenues. Also, in an article in the *Journal of Targeting, Measurement and Analysis for Marketing*, the authors have declared that the consumers’ demands are becoming more occupied with the idea of eco-friendly products by saying, “Consumer pressure on protection of the environment [influences business decisions] (D’Souza, Khosla, and Taghian, 70).” This indicates that consumers are not only increasing their knowledge the environmental products that are available, they are in some cases pressuring already existing companies to adopt the idea. In return, if consumers are placing these demands on already established industries, entrepreneurs like you must meet if not exceed these desires by entering the market with green initiatives. Going green also offers a competitive advantage for companies in most industries. Like in the article titled, “Competitive Environmental Strategies: When Does It Pay to Be Green,” Orsato says, “Academics and practitioners have claimed that environment-related investments can become sources of competitive advantage (Orsato).” This demonstrates the clear understanding that currently the green craze is new and can be considered a competitive advantage. Therefore, there are several benefits for you to adopt eco-friendly practices and production.

Even though at the moment going green can offer a competitive advantage, environmentally sound businesses are beginning to be expected. Instead of setting companies apart from others as being ahead of the times, researchers predict that soon sellers who are not eco-friendly will suffer because they will be behind in the trends.

One of the reasons that this is true is because consumers are becoming more educated on the subject matter due to the current events in the news and worldwide. In the article, “It’s Not Easy Going Green,” Wharton Analysts state that, “Consumers are much more aware of [environmental] issues than they were (Knowledge@Wharton).” This is only one reason that consumers expect to be provided with such products. However, the idea that eco-friendly tactics are permanent can be better represented in a quote later in the same article. Wharton management professor, Lawrence Hrebiniak says with concern for green strategies, “It’s inevitable. The government is going to do something. So Companies can either react, or be proactive and control what’s going to happen (Knowledge@Wharton).” From this, you should conclude that they might as well begin with a proactive attitude instead of eventually having to change their initial set-up due to probable government regulations of business’ carbon foot print. Therefore, you should begin now with a head start into the future by integrating eco-friendly agendas into your business plans.

Although engaging in environmentally friendly business is beneficial for entrepreneurs, you could possibly face some challenges with actually following through with the idea. It is hard for small business starters to determine how their efforts to comply with the new demands of being eco-friendly will be received. For example, the authors of the *journal of Targeting, Measurement and Analysis for Marketing* said, “Businesses find it difficult to predict consumers’ reaction towards green products with a degree of accuracy...(D’Souza, Khosla, and Taghian, 70)”. This shows that researchers who study the market and its changing trends acknowledge that in addition to the risk involved with starting a business, you are also faced with the difficulty of determining if

their target customer group will even care about an eco-friendly business facade.

Another obstacle that some entrepreneurs face is the amount of time and money involved in studying and researching the market. Some assume that it is not worth their time because they are too busy trying to figure out the minute details of their business plan. This idea is described better in the article, “SMES Not Convinced of Need to Go Green,” when the author writes, “Many of the owners of small firms who were questioned did not feel there was enough time in their day to pursue environmental measures that were not a natural by-product of their core management activities (‘SMES not...’).” This author effectively captures the skepticism that entrepreneurs might have about going green being worth their efforts. If you are busy trying to address the different aspects of your soon to be company, you might lose sight of involving every competitive advantage you could possibly gain.

Although you might have reasonable doubts concerning taking time and spending financial assets to fund a not fully warranted issue, researchers and analysts refute such concerns. Instead, they provide several examples of how businesses like yours can do their part in addressing environmental issues. In the USATODAY.com article, titled “You Win, We All Win When Entrepreneurs Go Green,” Rhonda Abrams provides a laundry list of several ways companies can go green. For instance, some of the items on her list include but are not limited to, “Reduce waste, Replace high energy-use light bulbs, fixtures, and equipment, Buy recycled products, Buy environmentally friendly products, or Offer environmentally-friendly alternatives (Abrams).” These suggestions are simple. Some entrepreneurs complain that going green is too expensive and time consuming; however, not all eco-friendly adoptions are difficult to implement. For

example, you can take small steps by buying energy saving light bulbs or looking for suppliers who offer recycled products. Because there are many examples of how a business can be eco-friendly, you should be more open to trying such suggestions.

One specific example of how going green has impacted a company or organization is to consider the X Prize Foundation. Their mission statement says, “We believe that a small group of people with passion for a cause can achieve that which has never been attained. This is why we stage competitions that challenge issues that matter most.” This group of individuals who started this foundation fund competitions for entrepreneurs. Currently, they are supporting a specific group of people who can develop an environmentally savvy automobile that can get at least 100 miles per gallon with very little emissions into the environment. The specifics as stated on their website are based on this information, “Peter Diamandis, the founder and chief executive officer of the X Prize Foundation, is issuing a worldwide challenge for teams to come up with an efficient car model that can be mass produced. The prize will be officially launched later this year, and teams will have about a year and a half to build their vehicles before the first qualifying race in 2009.” This foundation is just part of the many individuals who are making environmentally sound practices work for their business. Therefore, you should jump on the bandwagon and join these entrepreneurs and make the benefits of going green be a part of your success (“Revolution Through...”).

After an entrepreneur decides to go green, he or she must decide if and how they will market their asset of being considered eco-friendly. However, based on the article in the *Journal of Targeting, Measurement and Analysis for Marketing*, the researchers D’Souza, Taghian, and Khosla have investigated the different elements involved with

actually marketing the idea of an environmentally friendly product. By collecting data, they determined the profile of the average consumer who actually would be interested in green products. This is shown when they write, “[They] have been able to categorise them as being young, well educated and affluent urban dwellers...[and] persons over the age of 50 (D’Souza, Khosla, and Taghian, 70).” These findings make sense because the younger generations are probably concerned with the current events involving environmental awareness. Therefore, they pay attention to the Al Gore speeches about the actual application of global warming, drought, and the idea that there is a finite amount of natural resources on earth and want to reduce the negative impact of their surroundings. The older group, however, would most likely be interested in such products because they are typically well educated and want what is best for their children and future generations. Education is also an important factor when finding the target market. In the same article, it states that, “There is, however, a belief that environmental concern is directly related to a consumer’s level of education (D’Souza, Khosla, and Taghian, 71).” Therefore, education is a determining factor when finding who to target. Altogether, when researching who the target market for the entrepreneurs would be, you need to address these groups of individuals.

However, one major concern that you must address up front after you decide to go green is being honest about the information you present about your green practices. Like in his article titled, “The Greening of P.R.: Read All About It,” Makower says “[Researchers] found that consumers appear to be wary of companies who label their products as being ‘green,’ or environmentally friendly. The study found that seven in ten Americans either ‘strongly’ or ‘somewhat agree’ that when companies call a product

‘green,’ it is usually just a marketing tactic (Makower).” Since going green is gradually becoming the status quo, you must be able to overcome uncertainties of your consumers. In another article called “Addressing Sustainability in Your Promotional Efforts,” Michelle Van Schouwen addresses all of the concerns associated with the idea that consumers are becoming more educated and second guessing businesses who claim to have environmentally sound practices. She says, “The public has become educated and is skeptical about marketing claims. Making an environmental claim that isn’t backed up by your product testing and consumer feedback will create a bigger problem—one that could damage your reputation (Van Shouwen).” Hence, you should never falsely advertise the degree to which your products are environmentally friendly. Van Shouwen correctly addresses this problem by saying that “Half the battle is making an honest and unbiased evaluation of the product or service you are attempting to market (Van Shouwen).” My suggestion would be to not only address the skepticism of your consumer, but you should go above and beyond their expectations of researching the impact of your eco-friendly initiatives.

After reviewing all of the information, I have decided that it is definitely worth it for entrepreneurs like you to go green. All of the benefits that arise from green initiatives definitely outweigh the starting costs. Despite your negative thoughts and being worried about how consumers will react to your potential green efforts, you should engage in eco-friendly practices for other reasons. Eventually, researchers predict that the government will place regulations on the size of each business’ carbon footprint. Instead of dealing with having to alter the way a new you do, you should get a head-start by incorporating environmentally friendly tactics into your plans and daily routines. As shown above,

there are countless ways that each owner, employee, and consumer can do his or her part. So now the question changes from “Is it worth it for entrepreneurs to go green?” to “How does it make sense for any business in any industry to not do their fair share of saving the environment?”

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