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Green Business Model Innovation - A shortcut to green growth & competitiveness

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Background

- First initial investigation on green business models – the green paper (2010).
- Initiated by the Danish chairmanship of the Nordic Council of Ministers 2010 as part of the “Green Valley of Europe”-vision.
- Green Business Models is now part of the Nordic Common Co-operation Programme 2011-13 and of the Prime Minister’s task force in the Nordic Globalization Forum (f. e. public procurement).
- FORA is starting a new project on Green Business Models Innovation in collaboration with the OECD, Nordic innovation agencies, international experts and Nordic Innovation Center.
What is green business model innovation?

Definition

No common definition – but in the Green Paper we use:

“Green business models are business models which support the development of products and services (systems) with environmental benefits, which reduce resource use/waste and which are economic viable. These business models have a lower environmental impact than traditional business models”.

- In the green paper we focus on business models such as
  - product service systems / functional sales models

- but also touches on:
  - Industrial symbiosis
  - Green supply chain management
  - Cradle to cradle
What is green business model innovation?

Example

- Instead of selling refrigerators the producer sells a number of cubic feet of space with a lowered temperature for a certain period of time (the costumer need) and the producer owns the refrigerator.

- The producer thus has incentives to minimize total life-cycle-costs including energy consumption, maintenance and disposal/waste. This spurs innovation to think in new and other competitive solutions.
Key points

- Key points:
  - GBMI gives companies a **competitive advantage** due to four main reasons:
    - Resource efficiency equals higher resource productivity (long run)
    - GBMI spurs innovation which gives companies an edge
    - Creates a customer loyalty (allegiance)
    - Fewer players on market (blue ocean ctr. red ocean)
  - GBMI is a **shortcut to green growth**. *Everybody* focuses on technology driven (green) growth, but few - so far - focus on non-technological (green) growth (innovation).
    - Technological innovation = incremental product changes
    - Non-technological innovation = systemic/radical changes
  - Non technological innovation may occur across **all sectors**
  - Focus is on **value of use**, minimizing costs and maximizing innovation (growth)
Untapped potential!

- International experts, public and private actors and Nordic companies agree that green business models constitutes a very promising **platform for innovation** which can
  
  - Create **new business opportunities** and **new jobs** in a growing international market
  - **Lower environmental impacts** significantly
  - Improve company **branding** - both for suppliers and customers
  - **Increase motivation** amongst workers, and thereby attract and sustain the brightest minds
  - Create an **international stronghold** for the Nordic region
Prevalent green business models in the Nordic region with common characteristics

ESCO – Energy Saving Companies

Functional sales - generic model for all green business models

DBFO - Design, Build, Finance and Operate

CMS – Chemical Management Systems

Sharing
What are the challenges (from green paper)?

- Green business models are so far **not very disseminated** in the Nordic region.
- **Knowledge gap** about the real benefits and costs among customers, suppliers, finance institutions, and public authorities
- Policy efforts needs to be **coordinated**
- Need for a **change of mindsets** for both companies and public institutions to be more open to create new solutions in partnerships their clients and through public-private partnerships
- Public institutions need to promote green business models through **public procurement** and **regulation**
Next steps

Deliverables of new project:

1) Definition report - **internationally acknowledged definition** regarding Green Business Model Innovation (September 2011)

2) Effect report - **economical, environmental and innovative benefits** involved for suppliers, customers and society - benchmarking with traditional business models (end of 2011)

3) Case report - **best** (next) international **practice** (beginning of 2012)

4) Policy report - **best policy practices** and coordinate Nordic policy makers efforts to design strategic policies (beginning of 2012)

5) Practical tools - **help Nordic companies to benefit** from the new market opportunities and spur the ‘green transition’ (bottom up) (mid 2012)
Thanks!

- The Green Paper on green business models in the Nordic region can be downloaded at:

  www.foranet.dk

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