

## Are We Ready to Embrace the Needs of the New Green Economy?

The green economy—one that is focused on more than just moving from fossil fuels to clean, renewable resources—is poised to become the fundamental economic catalyst of the 21st century. Its impact on how society will design, manufacture, sell, and even dispose of products will, in a very short-time, affect every industry and business around the world. But, are we ready for it? Do the leaders of today, or more importantly, tomorrow, have the foresight needed to fully understand the impending changes?



Lois Quam, founder and chief executive officer of Tysvar LLC, offered this as her challenge to the management education community at the recent AACSB Sustainability Conference in Minneapolis, Minnesota, USA. Internationally recognized as a visionary on the emerging new green economy, Quam opened by highlighting what she perceives to be the four key accelerators to society's "green" transformation. In addition, she identified important skills that will be needed in order to address and embrace this new economy, many of which are lacking in leaders today.

### Where Are We?

The green economy is still at its early stages. Yet even in its infancy, it is positioned for immeasurable growth. For example, in 2006 renewable energy and energy-efficient industries together generated almost 1 trillion USD in revenue in the United States alone and employed 8.5 million workers<sup>1</sup>. According to a Pew Study<sup>2</sup>, green jobs grew at a 9% annual rate between 1998 and 2007—more than twice the average growth rate for jobs in general. And, in the last four years, General Electric's revenue from the sale of eco-friendly technology has quadrupled to 17 billion USD<sup>3</sup>.

"The new clean energy transformation presents enormous opportunities and an extraordinary sense of reward," said Quam. "The pioneering countries, industries, companies, and individuals driving this transition will be the greatest leaders and innovators of our time."

### How Will We Get There?

While the world is beginning to respond to the challenges posed by climate change, Quam identified the following as key accelerators needed to propel society's transformation to the new green economy:

- **New Energy Mindsets:** In recent years, the business sector has made great strides in introducing innovative, new products and processes that drive energy efficiency. "As a result, the new economy will come from businesses that are willing to incorporate this mindset into the very DNA of their organization and rethink their business practices," said Quam. "Just as companies utilize process reengineering and restricting to drive down costs, they increasingly need to look to energy efficiencies as tools to strengthen their bottom line."
- **A Price on Carbon by Government:** As with any new market, risk can be a powerful catalyst for progress and growth—when approached responsibly and rigorously. The new energy market is no exception. "Investors see potential in complex, multi-faceted and fast-changing environments," stated Quam. "However, effective risk-taking should be based on an accurate analysis of the risks at hand. This process works best when risk factors are adequately priced, especially when external risk factors are well-incorporated into the pricing."

To speed the transformation to clean energy, Quam urged that policymakers need to send more consistent signals on prices through available policy options; such as Norway's adoption of a carbon tax in 1993, or setting caps on carbon emissions to create a marketplace for resulting permits.

- **A More Accurate Way of Analyzing Risk by Investors:** "Investment strategy is rooted in the accurate assessment and pricing of financial risk. Historically, fossil fuel has been a good investment, but that doesn't mean that it will always be so," indicated Quam. "In the green economy, accurate risk assessment requires investors to take a fresh look."

She suggested that rather than pursuing "old energy" opportunities, investors have more to gain by exploring new energy frontiers, such as wind, solar power, carbon capture, and storage services. Such emerging industries are already attracting strong interest—and money—from the very best venture capital firms in the business.

- **Ecologically Sensitive Business Leaders:** "In the face of this new economy, business leaders who are not continually improving the value proposition of their products and services, aggressively monitoring new developments in the marketplace, and constantly adapting their business models to meet newer greener challenges will be swept aside," stated Quam.

The ability for leaders to be able to adapt to change will be of critical importance described Quam. But, of even more importance will be the commitments made by corporate leaders to ensure that their organizations are socially responsible in their business practices and behave as good corporate citizens.

## Management Education's Role

While focusing on the soft skills that tomorrow's business leaders will need, Quam challenged the audience that "given your leadership positions in the world's leading business schools, you are all in a unique position to help develop and nurture ecologically sensitive business leaders who are prepared to operate their businesses in an entirely new way."

In addition to the skills described in Thomas Friedman's book, *The World Is Flat*, Quam further described that the true leaders of the new green economy must have courage to think boldly, and the ability to inspire their workforce.

In addition, she states that students must:

- **Effectively communicate a vision for their organization and create a workable path to achieve that vision.** The ability to communicate effectively is the hallmark of any great leader, and effective communications are of primary importance during times of crises or change. The transformation to a green economy will be a period of unwavering change. The successful business leader must be able to communicate how its organization will move forward and must support that message with a strategic plan.
- **Embrace change, anticipate it, and project its broader implications by proactively adapting institutions structures, practices, and services.** The pace of change in the new green economy will be driven by the rapid advances in technology. Leaders of the new green economy must be able to understand how this change can, and will affect core business models. For example, not too long ago Blockbuster, Inc. (a U.S.-based video and game rental outlet) had a firm grasp of the video and game rental market before being eclipsed by Netflix. Now, with the advent of on-demand video available online, Netflix is scrambling to modify its model to avoid being overtaken by YouTube and Hulu.
- **Commit to corporate social responsibility, with a deep understanding of the product life cycle and the environmental impact suppliers and distributors will have.** Consumers in the new economy will require that businesses understand the full impact of their products and services. Businesses will soon need to know where their materials come from, how they are transported, and what happens to the product after it is discarded. If corporate leaders are not aware and concerned with the ecological issues that surround a product's supply chain and its life cycle, others certainly will be.

- **Work effectively with a variety of stakeholders in complex, multi-faceted environments, characterized by significant governmental involvement, non-governmental organization (NGO) engagement, and advocacy.** Over the years, government has often worked effectively with private enterprise to spur investment and innovation in the marketplace. Tomorrow's leaders need to look to government and NGOs as partners in the new economy, not adversaries. Leaders should provide counsel, and understand when it is appropriate to speak and when to listen. Such engagement will provide opportunities for everyone to participate in a productive and ongoing dialogue regarding current and future policy issues.

In summary, Quam highlighted that the green economy has presented itself to be, on many levels, the opportunity of a lifetime. Comparable to the Industrial Revolution, which ushered in a period of enormous innovation and progress for human civilization, the green transformation will be an equivalent historical era.

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## Article References

<sup>1</sup> American Solar Energy Society. (2008). [ASES Green Collar Jobs Report](#).

<sup>2</sup> The Pew Charitable Trusts. (2009). [The Clean Energy Economy](#).

<sup>3</sup> GE Ecomagination. (2009). [GE Ecomagination 2008 Annual Report](#).