

# Going green dramatically benefits businesses – it should be central to their coronavirus recovery strategy

August 17 2020, by Jagannadha Pawan Tamvada and Mili Shrivastava

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Credit: Yoyo Dy/Unsplash, FAL

The onset of the pandemic and the ensuing lockdown have imperilled businesses worldwide. It will be [tempting](#) for firms to put any commitment to the environment in the back seat as they attempt to recover, especially as some governments [reduce](#) requirements and undermine environmental [protection](#).

This is short-sighted: businesses do not have to sacrifice their environmental goals for protecting their growth. Greening initiatives like offering green products or services, introducing green processes internally, hiring employees to promote [sustainable practices](#), or going beyond compliance requirements, can actually help firms.

Using data on 9,236 small and medium businesses in 35 countries across Europe and the US, [our research](#) suggests that on average, businesses benefit from going green, although the type of greening that gives the most significant benefit may differ between firms.

Here are four main ways that greening can benefit businesses.

## **1. Innovative market niches**

By offering new green products or services, a [business](#) is more likely to cater to an emerging trend or niche market, which can make it more competitive. Frugalpac, a UK-based [company](#) that makes paper-based packaging for liquids that cut [carbon footprints](#), received a [£2 million investment](#) during the pandemic—a time when most other companies [were struggling](#) for finance.

Already seeing widespread success for their recycled paper coffee cup, Frugalpac's innovative [paper wine bottle](#), also made from 94% recycled paper, has led to [new opportunities](#) and partnerships.

Companies focused on sustainability can rapidly expand by catering to new niche markets internationally. Consider [D'light](#), a company that offers [innovative lighting solutions](#) for [people who do not](#) have access to electricity. The company has transformed the lives of more than 100 million people across 70 countries through its green product offerings while raising [US\\$197 million \(£150 million\)](#) in investment.

Earlier this year, the Danish energy supplier Ørsted, formerly known as Danish Oil and Natural Gas, [was named](#) the most sustainable company in the world. This success followed from its transformation to a [green energy supplier](#) – which went hand in hand with [accelerated profits](#).

By catering to new niche markets using [green products](#) and services, these businesses have emerged as future leaders in their sectors. Of course, not all companies are suited to finding such niches. But sustainability can be promoted in other ways like green [working practices](#) and [processes](#), for example.

## 2. Employee motivation

Job seekers are [increasingly attracted](#) to companies that care for the environment. The employees of firms that promote sustainability are [more likely to believe](#) that their employer will care for them, and are [more satisfied](#) with their jobs.

Such companies create a higher sense of personal and organisational [purpose](#) that makes [work meaningful](#). A recent poll shows that millennials and Gen Z's [are more concerned](#) about the environment than any [previous generation](#). This means they [prioritise employers](#) who put sustainability at the forefront.

By some estimates, companies that follow green practices have a [16% boost](#) in employee productivity. Although establishing a direct causal link can be difficult, some of the [greenest companies](#), such as Cisco, [Tarmac](#) or [Stantec](#), are also considered the [greatest companies](#) by employees.

## 3. More engagement

Greening initiatives signal to external stakeholders, such as investors and

customers, that a business is committed to doing good. This can lead to increased investment, customer and stakeholder loyalty. This is pertinent in the aftermath of COVID-19 as there is [heightened awareness](#) about the need to protect the environment.

For example, highly sustainable companies benefit from superior stock market performance in the long run, according to research looking at American companies in the period 1993-2009. Investors are increasingly [questioning firms](#) on their commitment to sustainability, and expecting meaningful steps from them for integrating consideration of such issues into their investing criteria. This is reflected by the [tenfold increase](#) in global sustainability investment to US\$30.7 trillion by April 2019 since 2004.

More recently, Polysolar, a company that makes glazed windows that generate electricity, has secured [more than double](#) the investment it sought on crowdfunding platform Crowdcube. And large companies such as Unilever have benefited from increased stakeholder engagement and [loyalty](#) by adopting [greening practices](#) and [products](#), addressing a dark history of [environmental exploitation](#).

## **4. Increased efficiency**

Greening processes can result in efficiency gains by reducing energy costs, allowing businesses to secure [green tax credits](#), improving operational efficiency, and embedding [circular economy](#) principles internally.

Such gains directly translate into commercial benefits. As many as [75% of UK businesses](#) that invested in green technologies subsequently enjoyed commercial benefits, even if financial concerns pose barriers to making these green investments in the first place. For large companies such as Procter & Gamble, these gains can [run into billions](#) of pounds.

Conversely, in cases where businesses harm the environment, they have to be prepared to incur significant costs. A prominent example is the famous case of Volkswagen, which has even [adversely impacted](#) the performance of other German car manufacturers like BMW and Mercedes Benz.

For all these reasons, time is ripe for business to go green.

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