

The background features a teal color with a repeating geometric pattern of interlocking lines forming a grid-like structure. A dark teal horizontal band is positioned in the middle, containing a faint, intricate pattern of floral and scrollwork motifs. A white rectangular border is centered on the page, framing the text.

# What is Green Entrepreneurship?

## 2: What is Green Entrepreneurship?

A business is the activity of buying and selling goods and services to make a profit (i.e., having an income or revenue that is greater than costs). All businesses must be **financially viable**. Without this basic pre-condition they cannot sustain themselves, pay their staff, and continue to produce products or offer services to the market.

Some businesses **ONLY** care about this. Or they may only care about their staff's well-being or their environmental impact where it affects their production, reputation, and sales, and therefore, their profits.

### So where does sustainability fit in?

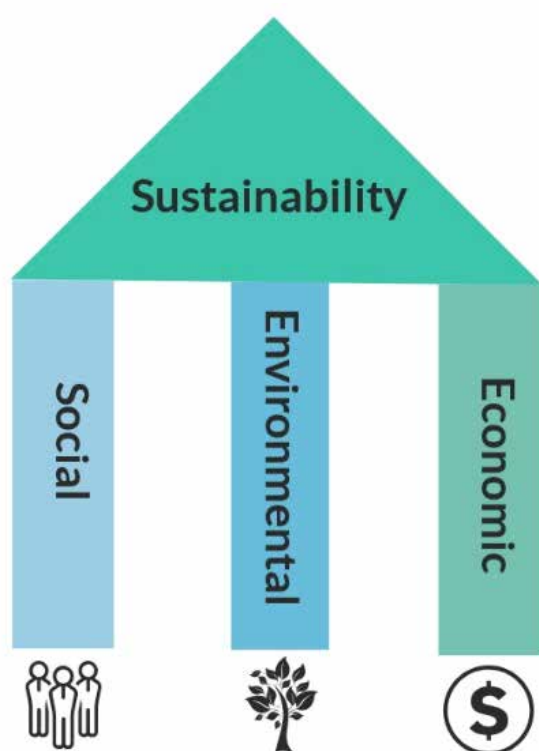
Sustainable development (and sustainable business development) has been defined in many ways. A frequently quoted definition is: *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*<sup>6</sup> In the past, development of businesses, and the economic growth they drive, have generally been unsustainable from an environmental perspective.

Fossil fuels, including oil, diesel, kerosene, and natural gas, which the current economic system depends on, are finite. Burning them for energy damages the environment and contributes to climate change. Extractive industries, such as logging and mining, remove resources in minutes that took hundreds of millions of years to form. Almost everything we buy is packaged in plastics that do not decompose, but will stay in landfills, or worse, in oceans, long after the person who used them is gone.

Businesses must be part of the solution to these problems.

A sustainable business strives to balance the economic (financial), social (people), and environmental (biodiversity, ecosystems) benefits of the business as part of its core business objective. For a business to be sustainable, it must not exploit resources or people to improve profit margins.

A sustainable business knows that if it depletes the resources that it is using faster than they can be generated, it cannot go on indefinitely. Similarly, viewing itself as part of the broader community, it ensures that its staff are paid fairly and have a good quality of life.



The three pillars of sustainability<sup>7</sup>

6 Gro Harlem Brundtland, Our Common Future: Report of the World Commission on Environment and Development (Oxford University, 1987), <http://www.un-documents.net/our-common-future.pdf>.

7 Graphics by Margaret Seruvatu, GGGI.



## What is a green business?

There is no single definition of a green business, but generally, it's a business whose core business model addresses an environmental or social issue – this is, it improves energy or resource efficiency, reduces greenhouse gas emissions, decreases waste or pollution, protects or restores ecosystems, promotes local culture, or supports communities.

A green business will typically do any or all of the following:

- Incorporate principles of sustainability into its business *decisions and* actively monitor them.
- Pay staff a fair wage for the work they do and ensure that they are able to maintain a good work-life balance.
- Distribute benefits equitably across the value chain.
- Maximise the social benefits of the business (e.g., by employing marginalised groups). Some businesses set up foundations to assist with this – but a sustainable business doesn't confine its social activities just to charitable donations – it looks for every opportunity to increase the social benefits of the business in its day-to-day operations.
- Supply environmentally-friendly and/or local products and services that replace demand for non-green or imported products and services.
- Help its community become more sustainable (e.g., by reducing energy use or water use, or reducing waste or pollution).
- Make efforts to reduce resource use (energy, water, materials), and replenish, enhance, or substitute an environmental resource that is used by the business (e.g., replanting trees, enhancing soil fertility, using renewable energy).
- Make an enduring commitment to environmental principles in its business operations. These will often be detailed in a publicly available and regularly updated Sustainability or Environmental Policy.







[Green Banana Paper](#) in the Federated States of Micronesia makes vegan wallets and other products from banana plants that are the waste products of the banana harvest. They also address social sustainability by ensuring liveable wages and safe, comfortable conditions for their staff.<sup>8</sup>

## What is a social enterprise?

A social enterprise exists to generate revenue (and sometimes profits) to sustain socially-beneficial activities. A social enterprise can be for profit or non-profit. At its core is a purpose to improve lives and/or the environment. It has determined that it can best do that by creating a stream of revenue from producing and selling products or services to sustain its activities and programmes.

The difference between a social enterprise and a green business largely stems from the motivations behind their existence rather than what they do.

As a hypothetical example, two businesses that produce construction material from crushing recycled glass have been established with different motivations. Business A has seen the amount of glass going to the landfill and decides to explore ways to address this issue. They have looked at various uses for recycled glass – repurposing the glass into other products such as vases, lights, and jewellery, and crushing it for use as an aggregate in the construction sector. Weighing these different options, Business A decides that crushing glass for construction is the best business solution to this waste management issue.

Alternatively, Business B developed because the founders wanted to find employment for young unemployed

<sup>8</sup> Green Banana Paper, <https://greenbananapaper.com/>.



labourers in their neighbourhood, and developing a glass crushing business is a viable option. These motivational differences mean that the two businesses may make very different strategic decisions. For instance, if the demand for construction material changes so that crushing glass for construction products is no longer viable, Business A may consider repurposing recycled glass into other products, but Business B may decide to stop recycling and crushing glass, and look for other options to employ labourers. In this example, Business A is mainly a green business, while Business B is a social enterprise.



Kiribati Organic Producers making organic products



**EXAMPLE:** The [Kiribati Organic Producers \(KOP\)](http://www.organicpasifika.com/poetcom/for-farmers-and-growers/members/kiribati-organic-producers-kop/)<sup>9</sup> is a social enterprise selling organic coconut products. Formed in 2012, KOP helps families in the Outer Islands earn money for school fees and other needs through the sales of niche products such as virgin coconut oil, coconut sap sugar, and coconut syrup. KOP also provides training, quality control, and marketing in Tarawa.

## Standards and certification programmes

Many certification programmes exist to help companies distinguish themselves as green and/or sustainable (see Box 1). However, the costs involved with certification can prevent smaller sustainable businesses from becoming accredited. The Pacific Organic Standard is addressing this by developing a standard, accredited by the International Federation of Organic Agriculture Movements, that can be used as part of Participatory Guarantee Schemes in which members of a group assess each other's compliance with the standard. If you are considering getting certified, it is important to look at which certifications are most well-known by your target customers when choosing which one to apply for.

<sup>9</sup> Pacific Organic and Ethical Trade Community, "Kiribati Organic Producers (KOP)," <http://www.organicpasifika.com/poetcom/for-farmers-and-growers/members/kiribati-organic-producers-kop/>.



## Links to Standards and Certification Programmes

- The Marine Stewardship Council (<https://www.msc.org/>) has an ecolabel and fishery certification programme that recognises and rewards sustainable fishing practices.
- The Global Sustainable Tourism Council (<https://www.gstcouncil.org/>) is a global accreditation body for certification programmes that certify hotels/accommodations, tour operators, and destinations with sustainable policies and practices. Certified programmes include Earth Check (<https://earthcheck.org/>) and EcoTourism Australia (<https://www.ecotourism.org.au/>).
- The Pacific Organic Standard (<https://ird.spc.int/pacific-organic-standards>) provides a mechanism to define the expectations for organic production. It enables producers to label their products as organic if they comply with the standard. The standard does not cover procedures for verification, such as inspection or certification of products. The island of Abaiang is certified under this standard.

## The language of business

If you have never run a business before, you may not be familiar with the standard terms that the private sector uses regularly. Box 2 explains some of the most commonly-used business terms.



## Common Business Terms

- **Business-to-Business** – Trade between businesses, e.g., a tour operator booking a hotel on behalf of their client.
- **Business-to-Consumer** – Trade between a business and the end user, e.g., a traveller booking a tour.
- **Capital** – Money invested in a business by the owner(s) to generate income.
- **Contract** – A legal document outlining the intent to buy or sell a specific product or service.
- **Financial Statement** – A formal record of business finances, including all revenue and costs, showing profit or loss.
- **Invoice** – A legal document issued by a seller to a buyer that identifies both the trading parties; lists, describes, and quantifies the items sold; gives the date of shipment and mode of transport; shows prices and discounts (if any); and provides delivery and payment terms. Tax authorities usually specify what information must be included in an invoice.
- **Marketing** – Activities you undertake to promote (or market) your product.
- **Product** – The good or service you are selling.
- **Profit** – The amount by which revenue or income exceeds costs or expenses.
- **Purchase Order** – A buyer-generated document that authorises a purchase transaction. When accepted by the seller, it becomes a contract binding both parties.
- **Revenue** – The money that you earn when you sell your product. This is sometimes described as income or turnover.
- **Supplier** – A person or firm that supplies a product to your business.
- **Terms** (stated in a contract) – Payment details and any other requirements of the buyer or seller. For example, many companies will only pay for goods and services up to 30 days after the delivery of those goods and services. They can also include any prerequisites for completing the sale (e.g., insurance provision for tour operators, delivery conditions, and quality conditions).
- **Value Chain** – The breakdown of the value (in dollar terms) of the final selling price of a product to all those in the chain that benefitted from that sale. Also all of the steps that are taken to manufacture or deliver your product or service.
- **Wholesaler** – An entity that buys a good or service with the intention to sell it to another business (a retailer) that sells (retails) to a final customer.