



# Innovations in Sustainable Enterprise

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Center for Sustainable Enterprise  
 Kenan Institute of Private Enterprise  
 Kenan-Flagler Business School  
 University of North Carolina  
[www.cse.unc.edu](http://www.cse.unc.edu)



## Featured Faculty Research

### "How a Non-Profit Corporation Creates Value for the Private Sector"

By Dennis A. Rondinelli and John E.P. Morrison

*Excerpted and Modified from: "How a Non-Profit Corporation Creates Value for the Private Sector: Advanced Energy and the Environments for Living® Program", Corporate Environmental Strategy: International Journal for Sustainable Business, Volume 12 (2005) forthcoming.*

Corporations are increasingly working with nonprofit organizations to tackle problems of business and environmental sustainability. How can corporations make the best use of the expertise and capabilities of nonprofit organizations? And how can nonprofits most effectively assist corporations to improve their environmental performance without compromising their "public interest" objectives and do so in a cost-efficient way? Advanced Energy, a nonprofit corporation in Raleigh, NC, has been collaborating with the private sector for more than a decade, and the results of its experiments offer lessons that can help both private firms and nonprofits shape more effective strategies of mutual assistance.

### Background

Advanced Energy (AE) is a nonprofit organization founded in 1980 that works to promote energy efficiency and conservation. AE works with both utility companies and their industrial and residential customers to support the development of innovative energy technologies, energy conservation strategies and science, and advanced construction practices for energy-efficient buildings.

With successful experience in the commercial and industrial building sectors, AE began looking for ways to use its expertise in building sciences to improve the quality of home construction for residential customers. The organization quickly discovered that consulting with individual homeowners, while effective, would not reach large numbers of people. To reach a larger audience, AE explored several different private-sector partnership options.

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*("How a Nonprofit Creates Value for the Private Sector", continued from page 1)*

After several small-scale partnerships and false starts, AE finally developed a highly successful partnership with Masco Contractor Services (MCS) through a joint program called the **Environments For Living® Program** (hereafter, "EFL Program"). *(For a more detailed history of AE's earlier partnerships, read full article.)*

MCS is the division of Masco Corporation (a Fortune 500 buildings product conglomerate) that sells and installs building materials. Through a national network of insulation installers, for example, MCS installs insulation in well over half of all of the new houses built in the U.S. each year.

#### **The Environments For Living® Program**

Together, AE and MCS designed the EFL Program in 2001. The program helps builders design homes that are more durable, comfortable, and energy efficient than conventional ones by recommending specifications for heating, ventilation, air-conditioning, ductwork and the outer shell that encases a home's living quarters. Builders participating in the EFL Program design and construct their homes according to program requirements and criteria, ensure that subcontractors understand and follow the program requirements, and make any adjustments in the sequencing of trades needed to ensure that program requirements are followed. Because the EFL Program is performance-based and homes are evaluated through random testing by trained and certified contractors, the homes of participating companies receive guarantees on heating and cooling energy-use. Homes certified as "Gold" and "Platinum" also are issued a comfort guarantee.

The AE-MCS partnership roles are as follows: MCS promotes the program, signs up builders, and contracts with them for the delivery of services. AE provides training for MCS and builders, reviews builder's house plans, and oversees quality assurance, including random post-construction testing that confirmed that all parts of the "house system" are performing properly.

In 2003, two years after its start, the EFL Program certified 15,000 homes and was projected to grow to 25,000 homes in 2004.

#### **Why the Collaboration Works – Creating Value**

AE experienced most of the problems that a nonprofit organization faces in trying to persuade profit-making companies to change the way they think and operate. AE's eventual success, however, relied on a strategy of adding value for its private sector partner and their customers. AE worked not only with MCS in developing the EFL Program but also with Masco's customers and with builders and installers outside of the MCS network. By creating a win-win arrangement, AE not only pursued its own public interest objectives (promoting more energy efficient homes) but also created value for its clients by allowing them to create value for their customers.

The AE-MCS collaboration created value in several ways:

- AE's advice on building science and energy conservation helped Masco increase its market share in building materials and installation, particularly among large-scale construction firms. In a highly competitive industry, MCS began to compete on dimensions other than price alone.
- AE's collaboration in the EFL Program helped MCS and builders deal with growing liability problems. AE's design review helped catch problems before they were likely to occur.
- Masco and its customers benefited from AE's advice about products that could cause energy inefficiency, indoor pollution, or potential health and safety problems. On AE's recommendation, for example, MCS stopped installing vent-free fireplaces.
- AE and MCS provided services that made MCS's customers more competitive. The EFL Program was attractive to large home-building firms in differentiating themselves in a competitive market place, in reducing liability, and in improving overall quality.

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ENVIRONMENTS FOR 

For more information on the EFL Program, visit [www.eflhome.com](http://www.eflhome.com).

#### **Lessons Learned from Advanced Energy's Environments For Living® Partnership**

- ❖ Speak the same language, live in the same world, and provide real solutions.
- ❖ Be persistent: fail early and learn.
- ❖ Know the industry structure and strategic fit.
- ❖ Find, work with, and support a "champion."
- ❖ Create and maintain open lines of communication.
- ❖ Adjust to organizational cultural differences.

(“How a Nonprofit Creates Value for the Private Sector”, continued from page 2)

### Sustaining Collaboration: Lessons of Experience

The AE-MCS partnership yields important lessons for both nonprofit- and profit-making- corporations seeking to influence business practices, environmental quality, and public health and safety.

- **Speak the same language, live in the same world, and provide real solutions.** For AE, the most important lesson of experience was to learn how to provide its clients with valued solutions. Although AE's focus was on energy and efficiency, and MCS's was on growing its business, only when both organizations learned to address the issues of concern to their clients did their influence expand.
- **Be persistent: fail early and learn.** Although some of AE's initial contacts looked like sure bets, success came from recognizing quickly those forays which would not pan out, learning from experience, and trying something different.
- **Know the industry structure and strategic fit.** The EFL Program works because both AE and MCS were attuned to the specific nature and dynamics of the supply chain in the residential construction industry. The builders are highly fragmented, but the building products manufacturers are not. Approaching the most concentrated portion of the industry was critical to AE's success. Understanding the strategic intentions of its clients and customers was essential for both AE and MCS.
- **Find, work with, and support a “champion” within client companies.** The success the EFL Program to influence the design and construction of homes to achieve higher levels of quality and energy conservation depended on a “champion” of building science principles in the companies AE and MCS sought to influence to make contacts, advocate the value of the program, and make adoption and implementation the program possible. To succeed, each of the champions also needed the support and commitment of the company's chief executive and top management.
- **Create and maintain open lines of communication.** In any collaboration, but especially in a new venture, each member of the collaboration is susceptible to the missteps of its partner. Creating open lines of communication helped during periods of inevitable turbulence.
- **Adjust to organizational cultural differences.** Organizations have different operating styles or cultures, which can create tension in a collaborative relationship. AE's ability to recognize how and when to adapt to the culture of its partner while still keeping its own objectives in focus accounts for its success with the EFL Program and many of its other collaborations with private companies.

### Conclusion

AE has not fully recovered the costs of its participation in the EFL Program and continues to look for ways to support a program that achieves its objective of improving energy efficiency in the housing industry, but has nonetheless been a financially losing service. Despite some uncertainties, however, AE continues to experiment with fee-for-service collaborations with the private sector to achieve its public interest objectives.

The lessons of AE's experience yield crucial insights into how nonprofit organizations can extend their influence and impact by creating value for private companies. As more nonprofit corporations seek ways of increasing their influence and funding the costs of their programs, AE's experience can provide useful guidelines for shaping and implementing collaborative programs with the private sector. ❖

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### CSE & Sustainability Events



Speakers, CSE advisory board members, and guests met at the CSE Symposium on Feb. 23-24.

#### Apr. 15 & 22

Workshop: "Systems Thinking for Sustainable Enterprise"  
Drew Jones, Sustainability Institute  
Chapel Hill, NC

#### Apr. 20

Robert F. Kennedy, Jr.:  
"A Contract with Our Future"  
2005 Robert and Helen Siler  
Distinguished Lecture  
Chapel Hill, NC  
[more info](#)

#### May 5-6

Workshop: "Helping the Food Industry Fight Obesity"  
Chapel Hill, NC  
[more info](#)

#### May 30 – June 3

Workshop:  
"Biologists at the Design Table"  
Janine Benyus,  
Biomimicry Guild  
Chapel Hill, NC  
[more info](#)

#### Mar. - May

UNC Sustainability Film Series  
[more info](#)

[CSE Events Calendar](#)

[UNC Sustainability Coalition  
Events Calendar](#)



UNC Kenan-Flagler won first place at the **2005 Leeds/Net Impact International Case Competition** held in Boulder, Colorado. This competition brings together students from top MBA programs to address a business sustainability or social responsibility case. This year, teams from 25 schools competed to develop a viable greenhouse gas emission strategy for Diageo PLC. UNC Kenan-Flagler won second place in the 2004 competition, making UNC the only school to place in the top three for two years running. Congratulations go to the four first-year MBAs responsible for this year's prestigious win: **Jeremy Dobbie, Tara Harrington, Deb Parsons, and David Teixeira.**

MBA students and recruiters gathered for a very successful **2005 Sustainable Enterprise Career Fair**. Organizations represented at this year's fair included: Self-Help, Cherokee Investment Partners, Sustainable North Carolina, Advanced Energy, U.S. EPA, Chemonics International, Bordeaux Development, World Resources Institute, and RTI International, among many others.



**Ted London**, adjunct assistant professor and director of UNC Kenan-Flagler's Base of the Pyramid Learning Laboratory recently joined Hewlett Packard's (HP) global advisory board for their e-inclusion program which works to close the digital divide in developing countries.

**Ted London** was also featured in an interview with Development Gateway on Doing Business in Base of the Pyramid Markets. Available [online](#).

Professor **Jim Johnson** presented a talk to the Public Executive Leadership Academy. His presentation, "People and Jobs on the Move: Implications for North Carolina Leaders and Communities," discussed globalization and outsourcing trends and their effect on a changing US workforce.

Professor **Paul Bloom** will speak about social marketing by corporations and topics in corporate responsibility at the 2005 Responsible Retailing Forum in Santa Fe, NM this month. The forum addresses chain-based and community-based responsible retailing as well as policy work.

Six Kenan-Flagler MBA students traveled to China in Dec. as part of a practicum project for the **Global Suppliers Institute (GSI)**, a new management training program for Chinese suppliers. Managed through the **Kenan Institute-Washington**, the project had students examining the market for this training program and developing criteria for its success. The GSI will test the link between improved operations processes and improved workplace CSR compliance, delivering training for managers at Chinese firms supplying global brands, major retailers, and manufacturers.

**Deb Parsons**, MBA 2006 and next year's Net Impact Club President, was selected to be a Carolina Venture Fellow for 2005 working with SJF Ventures, a firm that promotes sustainability.

SJF Ventures Managing Director **David Kirkpatrick**—CSE Advisory Board member and UNC Kenan-Flagler MBA Class of 1991—was named Practitioner of the Year by the Community Development Venture Capital Alliance (CDVCA).

"How a Non-Profit Corporation Creates Value for the Private Sector: Advanced Energy and the Environments for Living Program," by professor **Dennis Rondinelli** and John E.P. Morrison from Advanced Energy will be published in the CES Journal (excerpted above in this newsletter).

## CSE Program News

### CSE Annual Report

The 2005 Annual Report of the Center for Sustainable Enterprise is now available in PDF format [online](#).

### Winter Symposium

The CSE hosted a successful Winter Symposium & Advisory Board Meeting. Over 50 people attended the meeting, which featured presentations from practitioners, faculty, and students, in addition to keynote speaker Marc Gunther, senior writer at *FORTUNE* magazine. Notes & videotapes available by request.

### White Papers

Visit the [CSE website](#) to download newly posted white papers on sustainability topics written by UNC Kenan-Flagler MBA students.

### EMBA Class

This semester, the Sustainable Enterprise elective was offered for the first time in the Executive Weekend MBA Program. The class was taught to 65 students by professors Al Segars, Jim Johnson, and Ted London.

### New Classes

This spring, Al Segars is teaching a new class called Technology Innovation & Sustainable Enterprise. We are also offering a seminar class in April on Systems Thinking for Sustainability, taught by Andrew Jones of the Sustainability Institute.

### "Eradicating Poverty Through Profit" Conference

The CSE was a sponsor of the World Resources Institute (WRI) conference "Eradicating Poverty Through Profit," held in December in San Francisco. The CSE was represented at the conference with a booth at the business expo, and Ted London presented the work of the BOP Lab in one of the program tracks. The CSE also sponsored the attendance of PhD and MBA students at the conference.



## Around Campus



UNC-Chapel Hill was awarded the **2005 N.C. State Government Sustainability Award**, presented at the NC Sustainable Energy Conference on Mar. 22. The award is sponsored by N.C. Project Green, an initiative former Gov. James B. Hunt Jr. created in 1999 to challenge state agencies to set an example of environmental

stewardship in how they operate and conduct business... [more](#)

The new UNC-Chapel Hill **Center on Poverty, Work and Opportunity** held its first event on Mar. 22 – a panel discussion on the obstacles people in poverty face in trying to build assets. The new center is led by former U.S. Senator and vice presidential candidate John Edwards... [more](#)

The 26th Annual Minority Health Conference, sponsored by the School of Public Health and titled "**Health and the Built Environment: The Effects of Where We Live, Work and Play,**" was held in February... [more](#)

The 2nd Annual UNC-Chapel Hill Science Spectrum Symposium will be held in April for NC high school students. Titled, "**Global Climate Change: Human Causes and Human Responses,**" the symposium will focus on how scientists study and model climate change, how they predict the effects on human and ecosystem health, and how policy-makers use these predictions to design responses to climate change.

This spring, UNC is preparing to dedicate **two new building projects with green components**. The [Carrington Nursing School addition](#) and the [Rams Head Center](#) both feature green rooftops. The Carrington addition will be the first LEED-certified building on UNC's campus.



**Dr. Joseph DeSimone**, UNC chemistry professor and specialist in "green chemistry" was recently elected to membership in the National Academy of Engineering.

In related news, UNC is the newest participant in the **NC Fuel Cell Alliance** through the laboratory of Dr. DeSimone. The alliance explores renewable and efficient energy sources, like the Proton Exchange Membrane (PEM) fuel cells studied in Dr. DeSimone's lab which use hydrogen or methanol as fuel. In developing this energy source, UNC researchers will work with **DuPont**, the leading manufacturer of PEMs.

CSE Director **AI Segars** participates on the **UNC-Chapel Hill Vice Chancellor's Sustainability Advisory Committee**, composed of faculty and administrators from across UNC's campus. The Committee will recommend long-term sustainability goals for the University and identify the means to achieve them.

Dr. Spenser Havlick, a national expert in transportation and sustainable campus communities, gave a lecture at UNC-Chapel Hill in March titled, "**Transportation and Sustainable Campus Communities – Yes, We Can Reduce Auto-Dependency.**"

"Culture Clash: Celebrating the World's Fashion Trends" is the theme of the fourth annual **Harambee Fashion Show** organized by the UNC Kenan-Flagler Alliance of Minority Business Students. The event will raise money for tsunami relief efforts... [more](#)

## Sustainability in NC: Events

### Mar. 30-31

One NC, Naturally Conference  
Raleigh Convention Center,  
Raleigh, NC  
[more info](#)

### Apr. 13

i7 Futures Forum  
Western Carolina University  
Center for Regional Development  
Cullowhee, NC  
[more info](#)

### Apr. 15

Cradle to Cradle Design Workshop  
Raleigh Marriott, Raleigh, NC  
[more info](#)

### Apr. 23

NC Sustainable Building Design  
Competition Finals/Awards  
Raleigh, NC  
[more info](#)

### Apr. 26

Industries of the Future  
Conference: Growth Opportunities  
for North Carolina Industries  
McKimmon Center, NCSU,  
Raleigh, NC  
[more info](#)

### Apr. 27

Conference: Renewable Energy  
for Economic Development: A  
Partnership for the Future  
McKimmon Center, NCSU,  
Raleigh, NC  
[more info](#)

### May 2-4

Southeast Green Energy Summit  
Orlando, FL  
[more info](#)

### May 6

First International Hydrail  
Conference  
Charlotte, NC  
[more info](#)

### June 5-7

NC Economic Developers  
Association Annual Conference  
Sheraton Atlantic Beach, Atlantic  
Beach, NC  
[more info](#)

### June 12-14

"Rising Together": The Summit on  
the Rural South  
Point Clear, Alabama  
[more info](#)



The Mar. 3 edition of *The Wall Street Journal* featured **cradle-to-cradle design innovations** ("Beyond Recycling: Manufacturers Embrace 'C2C' Design"), citing examples from manufacturers **Steelcase**, **Shaw Industries**, **BASF**, and **Herman Miller**... [more](#)

The **Sea Change Investment Fund**, launched in March and backed by the Packard Foundation, will help to advance the sustainable fisheries industries while providing a return to investors... [more](#)

*Time Magazine* highlighted the benefits of **car-sharing ventures** like **Flexcar** (Feb. 21, "Clearing the Roads"), which can have advantages for individuals, corporate fleet-owners, and cities... [more](#)

With partner Alliance Star Energy, **Starwood Hotels & Resorts** is launching projects to use **fuel cell power** at its hotels—the first will provide one megawatt of fuel cell power to the Sheraton San Diego Hotel & Marina... [more](#)

The Enterprise Foundation and its partners have launched the **Green Communities Initiative**, a 5-year, \$550 million initiative to build more than 8,500 environmentally healthy homes for low-income families... [more](#)

**Amazon.com**, in partnership with Stanford Business School's Center for Social Innovation, has launched a **Nonprofit Innovation Award**. Ten finalists will be profiled on Amazon, where the public will "vote" with financial donations. The winner will receive a matching grant of up to \$1 million... [more](#)

**HSBC** is the first big bank to commit to being **climate-neutral**... [more](#)

**ED&F Man**, the world's leading merchant of cocoa, sugar and coffee, has created a new U.S.-based supplier of organic, natural, and Fair Trade certified ingredients... [more](#)

A Skoll Award for Social Entrepreneurship was awarded to **OneWorld Health**, the first nonprofit pharmaceutical company in the U.S., which develops new medicines to cure infectious diseases that affect the world's poor... [more](#)

The **Digital Solidarity Fund**, aimed at financing the spread of information technology in developing countries, held its first meeting in Geneva... [more](#)

In its packaging for boxed chocolates, **Cadbury Schweppes Australia** will use a tray made from environmentally-friendly **Plantic**—a new plastic substitute that dissolves instantly on contact with water... [more](#)

*Fast Company's* **2005 Social Capitalist Awards** recognized social entrepreneurship organizations that are using the disciplines of business to tackle daunting social problems. New winners this year include **Rare**, **SEED Foundation**, **TransFair USA**, **Social Venture Partners**, **Verité**... [more](#)

**Saks Fifth Avenue** is retailing a new line of clothing: Edun, "hip fashion with a social conscience"... [more](#)

**CleanTech Venture Forum IV** happened in March in San Francisco... [more](#)

Natsource Asset Management Corp. has launched the **Greenhouse Gas Credit Aggregation Pool**, the world's first private-sector mechanism to help corporations and governments manage GHG compliance requirements... [more](#)

**Procter & Gamble's** Dir. of Corp. Sustainable Development talks about serving base of the pyramid markets in an interview with Development Gateway... [more](#)

**Gap**, **Dell**, and **Clif Bar** were among the winners of the **16th Annual Business Ethics Awards**... [more](#)

**Pepsi Cola** has installed the Northwest's largest solar electric system... [more](#)

## Reading & Resources

**Sustainable Motivation: Attitudinal and Behavioral Drivers for Action**  
Report categorizes public attitudes towards environmental issues, and discussed implications for consumer purchase decisions and investment decisions.

**Active Living and Social Equity: Creating Healthy Communities for All Residents**  
Guide to help local governments design healthy communities for residents of all income, race, gender, age, or ability (Jan. 2005).

**Questions and Answers for Investors on Climate Risk**  
Brief on investment risks associated with climate change, prepared for the Investor Network on Climate Risk Research Consortium by CERES and WRI (Dec. 2004).

**Regional Perspectives on "Sustainable Livelihoods & Business"**  
WBCSD publication summarizing observations on doing business with the poor in Argentina, Brazil, Costa Rica, India, and South Africa (Feb. 2005).

**Faith and Fortune: The Quiet Revolution to Reform American Business**  
Book by *FORTUNE* magazine senior writer Marc Gunther that profiles practices from companies including Starbucks, Timberland, Southwest Airlines, and UPS, among others (Oct. 2004).

**Ecosystem Marketplace**  
News, analysis, and contacts for the markets for ecosystem services, including markets for: ecosystem-based carbon, water and watershed services, biodiversity, and wetlands and endangered species in the US.