Energy, Environment & Business Strategy

Professor Rebecca Henderson

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Who am I?

- Senator John Heinz Professor of Environmental Management, Harvard Business School
- 20 years at the MIT Sloan School as the Eastman Kodak LFM Professor of Management.
- Research focus: Responding to discontinuous technological change: why is it so hard and what can be done?
Wait, isn’t this a policy problem?

If we had a price for carbon, wouldn’t the business issues fix themselves?
(At least) four reasons to look at business strategy:

- **Shaping policy**
  - Effective policy should be informed by a rich understanding of the nature of competition and the structure and interests of firms
  - Private firms often have real effects on public policies

- **Implementing policy**
  - Building multi-stakeholder initiatives that work
  - Actually transforming the firm
Firms have trouble with transitions

- It won’t work
- Our customers don’t want it
- It won’t make any money
- We’ll never be able to execute
We’re very, very busy....
And the capital markets won’t let us make long term investments
In summary:

- “I see”, he said, “you’re suggesting that we invest millions of dollars in a market that may or may not exist but that is certainly smaller than our existing market, to develop a product that customers may or may not want, using a business model that will almost certainly give us lower margins than our existing product lines. You’re warning us that we’ll run into serious organizational problems as we make this investment, and our current business is screaming for resources. Tell me again just why we should make this investment?”

- Divisional Manager, Telecommunications Equipment Provider
What can be done?
Successful firms:

- Get the strategy “right”
  - Create real value through linking great technologies to real customer & consumer needs
  - Capture the value through a deep understanding of potential business models and competitive realities

- Keep the organization from getting in the way
  - Actively embrace the tension between “entrepreneurial energy” and “coordination”
  - Grapple with overload & recognize the reality of “worse before better”