GREEN BUSINESS MODELS

Sustainability as the Driving Force of Your Business

german cooperation
DEUTSCHE ZUSAMMENARBEIT

IMPLEMENTED BY:

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The SEDEP project is co-financed by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Government of Switzerland and implemented by Deutsche Gesellеschaft für Internationale Zusammenarbeit (GIZ) GmbH. The project component "Strengthening of Vocational Education and Training in Bosnia and Hercegovina" (SVET) aims to strengthen the vocational education and training system to ensure the qualified labour force necessary for the country's sustainable economic development. The project component "Private Sector Development" (PSD) is primarily targeting the transformation of businesses towards a more digital and green economy ensuring a competitive and innovative economic ecosystem.

Introduction

Welcome to the world of green business models!

This brochure, **"Green Business Models: Sustainability as the Driving Force of Your Business"**, provides key insights into green business models, their significance for society, and the impact they can have on your business. Whether you aim to make your current business practices more sustainable or are considering launching a business grounded in sustainability from the outset, this brochure offers a clear overview of green business fundamentals, guiding you toward the best solutions for your company.

What are Green Business Models? 1

Green business models are environmentally responsible approaches to business operations. Companies that adopt these models significantly reduce their environmental impact compared to traditional practices and successfully upgrade and/or develop products and services with measurable environmental benefits. Beyond efficient resource management, cleaner production processes, the use of renewable sources, waste reduction, and minimizing harmful emissions, it is essential to highlight that these companies build all their business processes, policies, and activities around sustainability, focusing on a circular economy as a fully environmentally responsible business model.

A green business model enables a company to create and deliver additional environmental, economic, and social value through its core business activities, offering products and/or services that customers prefer over other alternatives.

Why Embrace a Green Business Model? 2

Global and local changes, including increasingly strict regulations, requirements for sustainable practices, and growing awareness of climate change, are presenting new challenges for businesses. Integration of sustainable practices has become essential for successfully adapting to these new conditions.

The European Green Deal, adopted in late 2019, is the European Union's strategy for achieving climate neutrality by 2050. The plan covers initiatives in areas such as climate, environment, energy, transport, industry, agriculture, and sustainable finance, all of which are closely interconnected. While all EU countries have committed to contributing to the plan's goals, companies from non-EU countries must also comply with the resulting regulations to continue operating in the EU market. Furthermore, Bosnia and Herzegovina, as a signatory to the Sofia Declaration, has committed to aligning its laws with EU climate regulations.

It is important to note, however, that regulatory and market pressures are not the only reasons to adopt green business models. Numerous benefits provide additional motivation for companies to embrace this approach.

Beyond reducing negative environmental impacts, **adopting a green business model opens up access for companies to new markets and innovative products that appeal to environmentally conscious consumers.** Additionally, companies can achieve cost savings through more efficient resource use and waste reduction, which in the long term contributes to greater profitability and competitiveness.

In conclusion, the green transition is not just a trend — it is both a necessity and an opportunity to access new markets and significantly enhance the international competitiveness of BiH companies across various industries.

Advantages of Embracing Green Business Models 3

Today, more than ever before, green business practices are crucial for building productive and sustainable companies, as well as for benefiting society as a whole. By adopting green business practices, companies demonstrate their commitment to achieving business goals while preserving and protecting the environment, helping them to build a reputation as a company that actively contributes to environmental protection.

ECONOMIC EFFICIENCY

The constant rise in energy prices poses a significant challenge for many companies, particularly manufacturing firms where energy costs directly impact the final product price. The solution lies in optimizing energy consumption and transitioning to renewable energy sources as core practices of energy efficiency and sustainability. By implementing energy-efficient technologies and practices businesses can achieve energy cost savings of 10-30%, positively affecting their long-term stability and profitability.

COMPETITIVE ADVANTAGE

In an era where consumers are increasingly aware and conscious of the environmental impact of their buying choices and company activities, companies that implement sustainable practices become more attractive. Companies offering environmentally conscious products and services enjoy a significant market advantage, primarily due to customer loyalty.

LONG-TERM FINANCIAL STABILITY

The rise in energy and raw material prices presents a significant risk for many companies. Green business models provide a solution to mitigate this risk by using renewable energy sources and raw materials from sustainable sources, making companies less vulnerable to fluctuations in fossil fuel prices, thereby ensuring long-term stability.

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

When companies adhere to current sustainable business regulations, such as environmental conservation standards, greenhouse gas emission regulations, waste management, and the use of recycled materials, the risk of violating environmental laws is significantly reduced. In addition to avoiding potential fines, companies gain the status of a reliable partner and maintain access to the European Union market.

ACCESS TO FUNDING

Green financing is becoming increasingly available due to support from various international donors that aim to promote sustainability. Favorable loans, grants, and technical assistance make green financing more cost-effective for businesses..

POSITIVE BRAND IMAGE

Companies that adopt sustainable practices send a clear message to their customers, investors, and communities about their environmental commitment and dedication to protecting and conserving the environment. In addition to the direct benefits of green business practices, such as improved energy efficiency, there is a significant positive impact on the company's image and reputation.

Perspectives on Green Business Models 4

Every business model can be viewed from **different perspectives**, with **the economic and organizational perspectives being the most common.** The economic perspective focuses on profit generation as the primary purpose of a company's existence, while the organizational perspective considers how a company allocates resources to achieve its goals. When discussing green business models, **the strategic perspective is particularly important as it encompasses all key elements of business operations** and provides answers to many questions.

The most important of these are how to make an existing product and/or service green, how to create an entirely new green product and/or service, who the customers of such a product and/or service are, what value is delivered to the market, and which existing procedures need to be revised or new procedures introduced.

The following section explains some of the main elements of business operations in the context of green business, which can help companies identify what could be the foundation of their green business model.

What are Green Products and Services? 4.1.

Green Products

Green products are sustainable products designed and manufactured with minimal negative environmental impact throughout their entire life cycle, even after they are no longer in use.

To be considered green, these products must be made from renewable, recycled, or biodegradable materials that are environmentally safe. Additionally, their production processes should be based on sustainability principles, such as reducing fossil fuel usage compared to traditional manufacturing methods or utilizing energy from sustainable sources. Moreover, finished green products are typically more durable, consume less energy during use, and come in eco-friendly packaging. At the end of their life cycle, they are easier to recycle, and their carbon and plastic footprint is reduced or non-existent.

EXAMPLE OF GREEN PRODUCTION: Production of natural and eco-friendly wool products

Wool-Line d.o.o., based in Sarajevo, is one of the leading companies in Bosnia and Herzegovina in the production of insulation panels made from natural materials for the construction industry. They specialize in wool products with a focus on environmental sustainability, using materials that are in harmony with nature, unlike traditional, often harmful substances. Since 2017, Wool-Line d.o.o. has been producing wool insulation panels that serve as a premium alternative to conventional materials such as expanded polystyrene (EPS) and mineral wool. These panels not only offer excellent insulation but are also fully biodegradable. Using wool as the main material exemplifies eco-friendly practices since wool is a renewable resource that can be processed without chemicals. Unlike synthetic insulation materials made from non-renewable sources, which often negatively impact the environment, wool provides an environmentally sustainable alternative. Additionally, by sourcing wool from local farmers, the company adds value to the region, supporting the sustainability of agricultural enterprises.

Green Services

While there is no single definition of green services, the EU clearly outlines the characteristics that qualify services as green. **Primarily, a business model that offers green services must be sustainable, and these services should enhance processes and make business operations more environmentally friendly, representing part of a process that directly or indirectly makes products green.** Services in the green economy are crucial as they create added value for existing products and services, while entirely new types of green services bring additional benefits, such as increased employment.

EXAMPLE OF GREEN SERVICES:
E-bike and e-scooter sales and rental services

As Bosnia and Herzegovina's first specialized retailer offering a leading range of e-scooters, e-mopeds, e-motorcycles, e-bikes, and accessories, eBike Center Sarajevo provides its customers with an eco-friendly mode of transportation around the city. Electric bikes reduce the need for cars, thereby helping to lower harmful gas emissions. Studies show that the environmental impacts of the rental business model are lower than the ownership business model by 29–46%. Additionally, eBike Center Sarajevo offers maintenance and repair services for electric bikes, promoting product longevity and reducing waste.

What are Green Processes in Companies? 4.2.

Business processes include all the activities a company undertakes to achieve its business goals, such as procurement, production, sales, and marketing. When these processes are planned, organized, and executed in a way that minimizes harmful environmental impact while still achieving business objectives, they are referred to as **green processes.**

The focus of these processes extends beyond the final product and/or service to encompass the overall way of conducting business and its environmental impact. Adhering to sustainability principles throughout the entire chain of business activities is essential to achieving a truly green product and/or service. Below are some examples of core business processes.

Green Production

Green production involves integrating eco-friendly practices and technologies into the manufacturing process to minimize environmental impact. Beyond its environmental benefits, green production offers economic advantages, such as reducing energy costs, enhancing the company's image, and opening access to new markets.

It is defined by the efficient use of resources, including optimizing the use of raw materials, energy, and water, as well as implementing processes that reduce waste and facilitate recycling.

Green production also promotes the use of renewable energy sources like solar, wind, hydro, and biomass to decrease reliance on fossil fuels.

Green Procurement

Green, or sustainable procurement involves acquiring raw materials, products, and services that have a reduced environmental impact throughout their life cycle. **The aim of this process is to lessen the company's environmental footprint while supporting the adoption of sustainable practices.** In green procurement, preference is given to products with minimal and environmentally friendly packaging, recyclable items, and those made from recycled materials. Reducing waste also involves choosing services that use resources sustainably.

Marketing Green Business Models

The principles of marketing green business models are essentially similar to those of traditional product marketing. The main difference is that **green marketing promotes environmentally safe and sustainable products and/or services.** The marketing message emphasizes the environmental and social benefits of the product and/or service, appealing to environmentally conscious consumers who seek sustainable choices in the market.

How to Transition Your Business to Green? 5

Implementing green business models requires the involvement of professionals who can conduct audits according to current and internationally recognized methodologies, provide recommendations for goal setting, and develop a detailed action plan.

Steps for Implementing Green Business Models 5.1.

1 ASSESS THE CURRENT SITUATION

The first step is to evaluate the environmental impact of your company's current business operations. It is crucial to pinpoint where the most significant sources of waste, energy consumption, water use, and other resources are within your operations. Reliable and accurate data on resource consumption and greenhouse gas emissions are essential for tracking progress.

2 SET CLEAR GOALS

Define clear, measurable targets for reducing emissions, waste, and resource use. These targets should align with the company's mission, business objectives, and market requirements. It's also important that these targets adhere to international standards, such as ISO 14001 for environmental management.

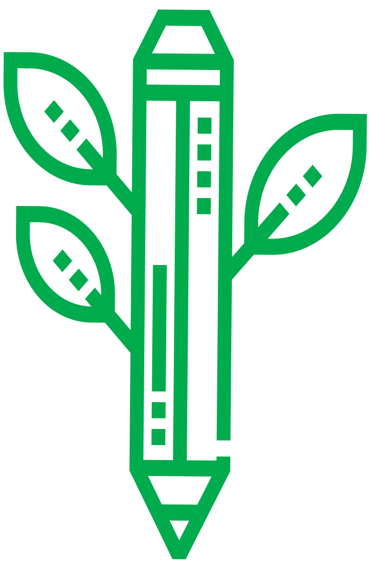
3 PLAN AND IMPLEMENT

Develop a comprehensive plan to integrate green practices into your business activities. This plan should outline the necessary actions to achieve the set goals, evaluate the resources needed (human, technological, and other), establish a detailed timeline, and clearly define the phases of implementation.

4 MONITOR AND REPORT

Regularly monitor the progress against the planned goals to allow for adjustments to the strategy for integrating green business models as needed. Keep stakeholders informed of the results through annual sustainability reports.

Designing Green Products and Services 6



Eco-design involves creating products with minimal environmental impact, both now and in the future. Designing environmentally friendly products and services requires a holistic approach that considers the entire life cycle of the product, from sourcing raw materials to disposal or recycling.

The first step in designing eco-friendly products is to **choose renewable, recycled, or biodegradable materials.** For example, instead of using hard-to-decompose plastics, materials like bamboo, recycled metal, or bioplastics can be used. Particular focus should be placed on **optimizing processes to maximize the efficiency of energy,** water, and other resource consumption, while simultaneously reducing negative impacts such as carbon dioxide emissions.

The product design should **facilitate reuse, recycling, or repair, extending the product's lifespan and reducing waste.** This approach not only protects the environment but also creates additional economic value through secondary markets.

To ensure the final product meets market demands and needs, it is recommended to gather feedback from customers and end users. By identifying their sustainability preferences, the design process for a marketable eco-friendly product can be streamlined.

How to Communicate Your Green Busines Practices to Clients

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Effective communication between a company and its internal and external audiences is essential for creating and maintaining a positive image and reputation. In today's digital era, where customers are highly informed and demanding, and competition is more intense than ever, consistent, transparent, and clear communication is more crucial than ever, whether dealing with traditional or green business models.

Adhering to the principles of modern business communication, companies that are already green or aspire to become green should follow these guidelines:

TRANSPARENCY AND EDUCATION

A company's openness with its audiences is the foundation of successful communication. By regularly providing concrete information about the steps being taken to reduce environmental impact, including specific indicators and results as well as future plans, the company builds a strong image and market position. At the same time, by showcasing its actions, the company has the opportunity to educate the public and raise awareness about environmental conservation

HIGHLIGHTING CERTIFICATIONS AND LABELS

The company should inform the public about all the environmental certifications and labels it has received from relevant authorities and agencies, affirming its commitment to sustainability in its operations.

SHARING REAL-LIFE STORIES AND EXAMPLES

Positive stories about green initiatives, shared in an authentic way, help create an emotional connection with clients. These examples do not necessarily have to be from the company's own experience.

USING A MIX OF ONLINE AND OFFLINE CHANNELS

By leveraging various communication channels, the company can reach all audience groups. Online channels, such as social media, blogs, and websites, allow for quick and efficient sharing of information about green initiatives. At the same time, offline channels like promotional events, media engagements, and even packaging can play a crucial role in messaging.

ENGAGING IN TWO-WAY COMMUNICATION

Continuous two-way communication fosters greater audience engagement and provides the company with valuable insights into their expectations and demands.

MAINTAINING CONSISTENT COMMUNICATION

It is vital that communication about green initiatives is ongoing, rather than a one-time effort. Regular updates on the progress of planned green initiatives, new achievements, and future plans help sustain customer interest, build trust, and increase loyalty.

Financing Green Initiatives 8

When introducing green business models, companies, especially small and medium enterprises, face numerous challenges, with financing being one of the most significant. Although financing for green initiatives is increasingly available through international and local institutions as well as commercial banks, funds are often spread across various sources, making the implementation of planned activities more challenging.

Below is an overview of financing sources available in Bosnia and Herzegovina offering financing for greening initiatives.

International Organizations and Funds

The European Union provides significant funding for green projects through various funds and programs such as the **Instrument for Pre-Accession Assistance (IPA) and the EU Energy Support Package.** These funds are designated for projects that promote energy efficiency, renewable energy sources, environmental protection, and climate change mitigation.

The World Bank is active in financing green projects in Bosnia and Herzegovina, particularly in sectors such as **energy efficiency, waste management, and sustainable development.** Projects often include technical assistance and infrastructure investments.

The EBRD is implementing SME Go Green programme, helping eligible SMEs in Bosnia and Herzegovina for improving their competitiveness and trade potential via targeted investments in sustainability practices and the adoption of internationally recognised quality standards, scaling up green economy investments and in particular, greening of agribusiness supply chains and promoting more equitable access to climate and other finance to women-led SMEs.

European Investment Bank (EIB) supports small businesses, helping them to build the key infrastructure in water and wastewater management, energy and transport, among other business areas.

KfW Development Bank implements different programs financing projects in the field of energy efficiency and environment protection.

State and Entity-Level Funds

Federal Ministry of Development, Entrepreneurship and Crafts and **Ministry of Economy and Entrepreneurship of Republica Srpska** are financing improving the competitiveness of the SMEs on regular, yearly basis.

Development Bank of the Federation of Bosnia and Herzegovina and the **Investment and Development Bank of the Republic of Srpska** are providing support to SMEs by providing credit lines of for energy efficiency, energy from renewable sources, the IT sector and digital transformation.

The Environmental Protection Fund of the Federation of Bosnia and Herzegovina and the **Fund for Environmental Protection and Energy Efficiency of Republika Srpska** are key sources of financing for projects related to environmental protection, energy efficiency, waste management, and renewable energy sources. Funds are allocated through competitions for projects carried out by local communities, non-governmental organizations, and the private sector.

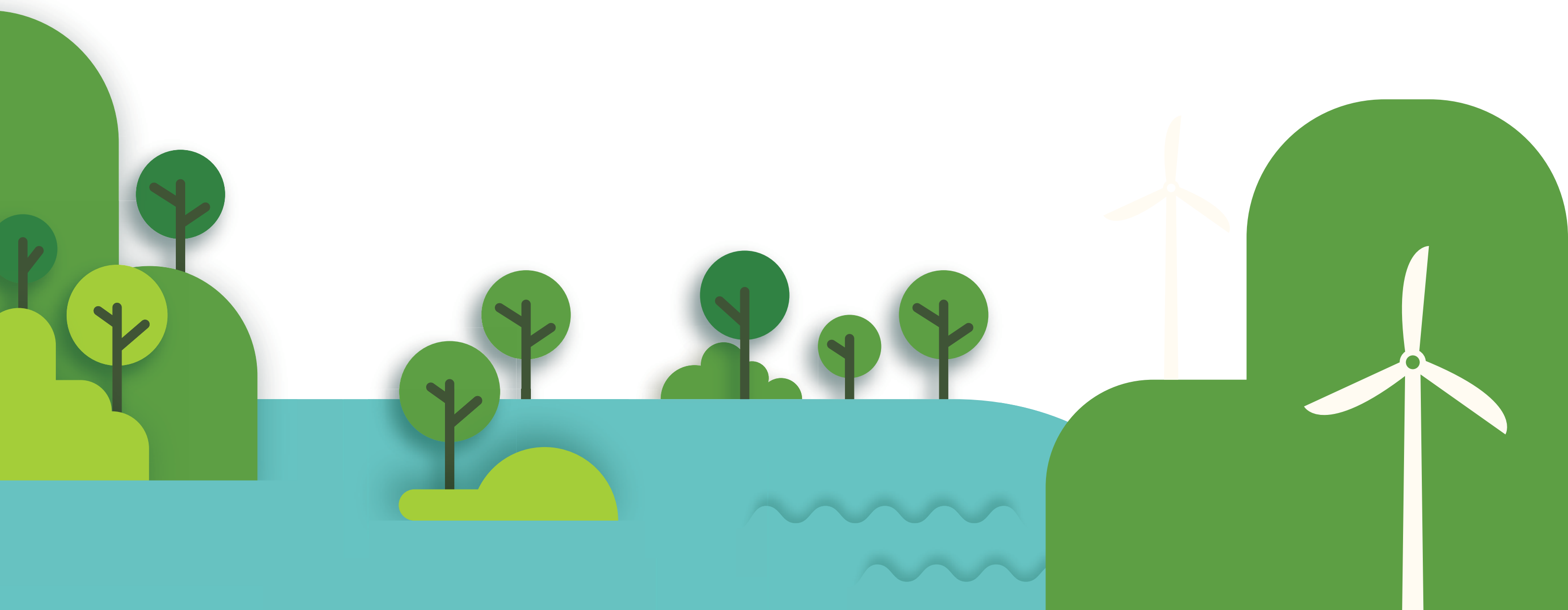
Private Sector

Some domestic and international commercial banks offer specialized green loans for companies and individuals who wish to invest in energy-efficient projects, renewable energy sources, or green infrastructure.

International Donors and Bilateral Assistance

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH actively supports sustainable private sector development initiatives in BiH. Namely, through the Sustainable Economic Development and Employment Promotion in BiH (SEDEP), it targets the transformation of businesses towards a more digital and green economy, through both financial and technical assistance.

The United Nations Development Program (UNDP) finances projects related to the environment, energy, and climate change. These projects often involve cooperation with local authorities and communities.



Circular economy practices

RCB Nanotechnology, based in Vogošća, has achieved a closed-loop circular economy by producing recovered carbon black with no environmental impact. Carbon black is a specific component in many products containing black pigment, including automobiles, furniture, IT equipment, clothing, and footwear. RCB Nanotechnology manufactures it using a self-sustaining production model that is entirely environmentally safe. By incorporating this material across various industries, CO_2 emissions are reduced by 2.5 tons for every ton of product produced, which is equivalent to planting 100 trees.

Ekotvorine.ba is a small workshop dedicated to eco-friendly innovations, where the principles of upcycling are applied to design unique, durable products or to create new, environmentally friendly items, offering sustainable choices for everyday habits. The workshop's goal is to creatively and practically influence a change in mindset and attitudes toward waste, either by reducing its generation or by transforming it into something useful.

Focus on Renewable Energy Sources

Farm Spreča, located near Kalesija, is a modern dairy farm with a stable capacity of 2.500 cows. The farm's main activity is fresh milk production, but it also produces plants, fruits and honey. This farm is one of only three biogas plants in Bosnia and Herzegovina that produce electricity from renewable energy sources, more precisely from agricultural biomass (different raw materials, chicken and beef manure, corn silage). The plant's capacity is 600 kW per hour, composed of four engines with a power of 150 kW per hour. Thermal energy is also produced from biomass and used for heating, while the fermented manure is further used for fertilizing the plots. Producing electric and thermal energy from waste makes this high-tech farm a pioneer in implementing green business models. At the same time, costs are dramatically lower, enabling the Farm to become self-sufficient while rising energy prices threaten agriculture.

Innovative Start-up

Magbago is a fashion brand that creates clothes using biodegradable plant-based materials, such as silk made of orange and banana peel fibers. The company›s strategy is based on applying circular economy principles in all business segments, which enables it to set standards for a more sustainable, healthy and stylish future. Recycling and using biodegradable materials are incorporated into every single process, together with the concept of “slow fashion” enabling the company to reduce the impact of plastic fast fashion on the environment.

The Future of Green Business Models 10

We are living in a time when the effects of climate change are impossible to ignore—loss of biodiversity, extreme temperatures, wildfires, and floods are becoming more frequent. This has spurred many countries to acknowledge the urgent need for sustainable practices. In the midst of this global environmental crisis, sustainability is not just about protecting the planet; it is also an opportunity to create innovative solutions that improve our quality of life.

Trends and predictions of the future of sustainable business highlight several key areas, influencing how companies operate and create value. While some of these trends are already integrated into the every-day practices of many companies, others will soon need to follow suit.

CIRCULAR ECONOMY

Unlike the traditional ‘take, use, dispose’ model, the circular economy emphasizes recycling and reusing materials, extending the lifespan of products.

DECARBONIZATION

Reducing the carbon footprint by mitigating its effects has long been important, but there is now a greater focus on preventing emissions entirely. This shift is driven by the adoption of renewable energy sources, energy efficiency practices, and application of the latest technologies.

ESG PRINCIPLES

(ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

This comprehensive approach to business, which includes environmental, social, and governance principles alongside economic ones, is recognized as positive by customers and the market. Companies adhering to ESG standards are seen as socially responsible.

SUSTAINABLE SUPPLY CHAINS

Sustainable Supply Chains: Green companies know that sustainability is not confined to a single company. Rather, it spans the entire economic ecosystem. As a result, sustainable procurement practices are essential.

GREEN TECHNOLOGIES

Technological advances and innovation, especially in renewable energy sources, waste reduction, and recycling, are enabling companies to reduce their environmental impact while developing new sustainable products and services.

CONSCIOUS CONSUMERISM

Environmentally conscious consumers are more likely to choose eco-friendly products and services, challenging companies to meet these demands through transparent, sustainable, and responsible practices.

LEGISLATIVE AMENDMENTS

Governments worldwide are enforcing stricter regulations, pushing companies to lower their environmental impact. This includes setting emission reduction targets, minimizing waste, and promoting sustainable consumption.

Resources and Tools

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Useful links:

- Agenda održivog razvoja
- Centar za održivu energetsku tranziciju – RESET
- Climate Policy Database
- EIT Climate-KIC
- European Circular Economy Stakeholder Platform
- European Environment Agency
- Evropska unija i Zelena tranzicija
- Evropski zeleni plan (izvor: Fondacija Heinrich Böll)
- Fond za zaštitu okoliša i energetsku učinkovitost Republike Srpske
- Fond za zaštitu okoliša Federacije BiH
- Informacioni sistem energijske efikasnosti Federacije Bosne i Hercegovine (ISEE)
- Izgradnja održive budućnosti: Poslovni priručnik za ESG standarde
- Platforma Zelena tranzicija
- The European Green Deal
- The Green Growth Knowledge Partnership (GGKP)
- Udruženje za zeleni hidrogen i obnovljive izvore energije «UzH20IE»
- Zelena ekonomija

Guides:

- Green Certification Guide, Green Recovery Project, September 2023
- Building a sustainable future: Business manual for ESG standards, AIRE Center and UNDP in Bosnia and Herzegovina, 2023
- Guide for harmonizing policies and instruments that promote and support the green transformation of small and medium-sized enterprises in Bosnia and Herzegovina, Eda - Agency for Enterprise Development, 2023