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The Monthly Resource Guide For Startup Businesses

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Going Green Should It Be in Your Business Plan?

Making your business green takes work. It involves turning the soil, planting, nurturing, watering and pruning to get the results you want. And it all has to make business sense to succeed. To explore going green, we turned to **Michael Drazan**, CPA, of Drazan, Henke and Associates; **Michelle "Mitch" Hedlund**, of eco-profiles.com; **Lee Gabler** of Xcel Energy; and **Jill Kolling**, Paydirt LLC.

Going Green

Should It Be in
Your Business Plan?



From the Publisher: What exactly does it mean to have a green company? It could be you recycle when you can because you have strong convictions. Or it could mean that you want to be bolder and are willing to invest time and money to do it. Whatever you do, it's going to have to make business sense. Is there a return on the investment through savings or tax credits? Will it help you grow your business if you are able to market yourself as "green?" Can you sustain being sustainable?

New Business Minnesota approached the experts on these pages to present a variety of compelling and informative columns that will help you explore the issues.

The authors will share more information in a free interactive workshop in September. For more information, and to RSVP, go to www.newstartupmeetup.com. New Business Minnesota will hold its monthly Startup Meetup networking event immediately following.

You Oughta Audit As Part of Your Energy Plan

Developing an Energy Strategy Early On Leads to Long-Term Savings That Makes Going Green A No Brainer.

By Lee Gabler

Special to New Business Minnesota

I'm sure every new business reading this is concerned with achieving a successful launch. You're busy planning your marketing strategy, developing your web site, setting up your books and opening your business bank account. It's a long task list.

But do you have an energy strategy? I'm not trying to overwhelm you, but with the ongoing concern of conserving energy, preserving natural resources and protecting our environment, the definition of a successful business should be expanded to include the presence of an energy strategy.

For more than two decades, Xcel Energy has worked with businesses large and small to help them save energy and manage its use as part of our long-standing commitment to environmental leadership.

What we've learned during that time is that every effort at energy efficiency helps the cause, whether it's a major manufacturer installing a high-tech boiler or a consultant turning off the lights at their home office at the end of the day.

That's great for the environment, of course. But it's fair to ask "what's in it for me?" as most businesses do. The answer is simple: savings, tax credits, rebates and more.

First there are savings from cutting energy use and reducing environmental impacts. We have developed more than 50 residential and business programs to help everyone from the smallest home to the largest corporation find ways to save. (www.Responsible-ByNature.com)

As for hard financial numbers, in the last 20 years, we have given tens of thousands of rebates for a total of \$151 million. That represents a serious boost to businesses throughout Minnesota.

Our rebate programs are tailored to the most common equipment in your facility or even innovative solutions that are new to the market and some study funding levels are up to 75 percent (or up to \$25,000) of the study cost.

It's worth giving a hard look at the benefits for having an energy strategy:

- Lower energy bills.
- Lower operating and maintenance costs.
- Increase lifetime savings.



- Increase efficiency of operation.
- Lower energy-efficiency project costs.
- Faster paybacks.
- Lower up-front costs.
- Higher return on investment.
- Reduce emissions.
- Prevent pollution.

If it's Ok to ask what's in it for you, it's fair to ask what's in it for Xcel Energy.

In the last twenty years, with the help of businesses and residents, Xcel Energy has avoided building 11 medium-sized power plants in our eight-state service territory. We have significant goals in the years to come and a government-approved plan that will guide our efficiency plans through 2012 in Minnesota.

Getting Started

If I have you thinking about the need for a strategy, it wouldn't be fair to leave you hanging. So here are some steps you can take to explore your energy options.

Xcel Energy is partnering with local energy auditors to offer free one-hour presentations on energy efficiency. (Contact: ryan.d.schunk@xcelenergy.com). Topics covered include: lighting, building envelope (doors, windows, etc.), heating, ventilation and cooling (HVAC), hot water, low-cost and no-cost energy-saving tips.

We also provide great information on audits and action plans and how we can help. Visit http://www.responsiblebynature.com/business/save/low_cost_options to receive

your copy.

Online Energy Assessment

And we also offer a free Online Energy Assessment. It can help you quickly uncover potential energy savings for your facility with a free online energy assessment. Designed for your business, this half-hour do-it-yourself analysis helps you discover potential ways to save up to thousands of dollars on annual energy bills.

As the infomercial says, "But wait there's more." Our online analysis recognizes that every business uses energy differently and allows you to customize your online analysis for your industry, location, energy use history and building specifics.

The analysis will help you:

- Determine how much energy you use for heating, cooling, water heating and other equipment in your facility
- Identify ways to lower your energy bills
- Estimate the savings of various energy-conservation projects
- Compare your facility's energy use and costs to other facilities of similar size, type, and region

On-Site Energy Assessment

Taking things to the next level, you can also do an on-site energy assessment. We send an energy engineer to your facility to conduct a comprehensive audit of your facility and its energy use. It's valued at more than \$1,500 but we cover most of that cost. You pay \$200 for buildings less than 25,000 square feet, and \$300 for buildings 25,000 to 150,000 square feet.

Our on-site energy assessment provides:

- An on-site assessment and written report, completed by an independent engineer that helps you prioritize energy conservation projects that fit your business plans and objectives
- A list of electric and natural gas energy conservation opportunities and how quickly each improvement might pay for itself in energy savings
- Opportunities may include lighting, heating, cooling, refrigeration systems, as well as motor and compressed air use
- Information and estimated amounts of applicable Xcel Energy rebates
- Estimated equipment inventories

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Start Greening Your Business with These Simple Steps

Savings, Rebates and Opportunities Are Available to Every Business, Even Startups Like You.

By Michelle "Mitch" Hedlund

Special to New Business Minnesota

You hear it everyday, "We've gone green!" But what does that really mean? With so many other things to think about while running a business, should greening be a priority? And where does one begin?

To start, let's identify the top three benefits of "greening" your business:

- **Gain Market Share Advantage:** According to national and global studies, with all other things considered equal, 85 percent of consumers will switch their loyalty to support businesses that are improving their impact on the environment over those that are not.
- **Reduce Your Expenses:** Most environmental actions are about waste reduction, which result in cost reductions that can be easily quantified e.g. reductions in your: electric bill, water bill, landfill waste taxes, labor costs, packaging costs, material costs, etc.
- **Preserve Natural Resources:** Regardless of your position on global warming, it's an unarguable fact that the world's population is expected to increase by 2.5 billion people before 2050. At the same time, many of the natural resources we rely on are diminishing.

Your Greening Plan

So now that we've identified the benefits, here is a very simple yet *meaningful* "greening" plan that works for any type or size of organization:

Recycle: Consumers consider recycling the most recognizable "green" action. Aside from having tremendous environmental benefits, when you reduce the waste that goes to the landfills, you reduce the taxes you pay for landfill waste.

Efficient Lighting: Switch out your old light bulbs and replace them with CFLs, LEDs, T8s or T5s. You could save 30 percent to 90 percent in your lighting energy costs. Take advantage of government incentives and refund programs.



Temperature Management: Install auto thermostats and program them to Energy Star rated standards (68 degrees in winter and 80 degrees in summer).

Hibernate Computers: Energy Star recommends setting computers to hibernate at 5 minutes of inaction, but if you or your employees aren't using the computers, shut them down. This can reduce related energy costs 30 percent.

Eliminate Plastic Bottled Water. Have your tap water tested for drinking quality and if necessary install a filter. Many studies have shown that some tap water is just as good as bottled water. The savings are significant.

Buy Locally when Possible (within 100 mile radius): Aside from the outstanding environmental benefits, this is a great way to become connected to your local producers who often become your customers.

Buy Green: Try to be environmentally conscientious when purchasing products that you use as well as products you offer. Choose organic, sustainable, renewable products whenever possible. With your savings from other green actions, you will be able to offset the sometimes-higher costs of buying "green" certified products.

Energy Audit: Check with your energy

providers to receive an audit of your business, even if you rent. You'll be amazed at the incentives that are available to improve your energy consumption.

Transportation: Considering offering incentives to your employees and customers who are choosing to use low or no CO2 transportation e.g., if they present their bus pass, they get a discount on your coffee, etc.

Unwanted Mail and Phone Books: Remove your name from phone book distribution lists and unwanted mailings. There are a number of websites that will do this for you (free).

Don't be a drip: Don't let a good thing go to waste. Fix the drip, fix the leak and stop your toilets from running. If they are broken, get new fixtures that are high-pressure, but low-flow. You'll save water costs and prevent nasty looking water stains.

Buy Recycled Paper: If you are still a "paper pushing" business, choose post-consumer-waste recycled office paper, business cards, letterhead, marketing materials, etc. Try to reduce your use of paper all together e.g., make double-sided copies.

Give and Get: Donate or volunteer in your local community. It's a great way to do good and connect with your community, aka your customers.

Inspire Others: Inspire your employees, customers, vendors, suppliers, etc. to do these actions as well.

Be transparent: Communicate your actions. Make it part of your brand and tell the world.

There's always more to do, but this is a very good place to begin -- you will attract a new breed of customers, you will measurably reduce your expenses and you will know that you are part of the solution!

Michelle "Mitch" Hedlund, Founder & CEO - Eco-Profiles.com (an UPonGREEN solution), an online greening plan and transparency tool to display the environmental actions of businesses, schools, organizations and people. She can be reached at:

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strategy will have over time.

The most important thing? Whatever you do, get started.

Lee Gabler is Director, Energy Efficiency Operations with Xcel Energy. For more information, you can call the Business Solutions Center at (800) 481-4700 and ask for

an Energy Efficiency Specialist. Or visit www.responsiblebynature.com and click on the "Business" tab for a full list of programs and resources.

Let Your Numbers Tell Your Green Story

From Business Plan to Your Chart of Accounts,
Make Sure Your Green Efforts Add Up.

By Michae Drazan, CPA

Special to New Business Minnesota

Ask most “green” business owners what makes them so and you’ll likely hear a lot of talk, get a tour or be directed to their website for a video presentation. But if you ask to see their business plan or budget, will you find any green evidence?

If something is important to a business, you’ll find indications beginning with the mission statement, which is then translated into specific intent in the business plan.

And if it’s in the plan, surely you’ll see line items in the budget. If they are truly serious, you’ll see more supporting evidence in their chart of accounts, the accounting mechanism that is harnessed to track and record the data that will support the mission.

One of my major clients for many years was an environmental visionary who was heavy into venture funding. He would test systems in his house, geothermal, solar and landscaping (water collecting). He wanted to know the full impact.

We had to set up the accounting system to track and measure everything, including tax benefits and financing. He turned his home into a scientific experiment, took advantage of green tax credit opportunities and promoted his home for business.

It wasn’t enough for him just to be green. He wanted to compare different solar panel arrays to find the most cost efficient and eco-efficient ones. With the data plugged into the budget, we could compare performance to budgeted goals, measure the return on investment and eventually decide which system best met his financial goals.

The Green Business Plan

Every business plan is a document that sets out goals, mission, attitude and purpose. It’s a narrative that tells your story to investors, bankers, partners, managers and other valued observers. This is where you should include your plan – in general terms – for being green.

You might, for example identify your intent to control energy consumption, lessen your carbon foot print, buy locally, reduce waste, support green causes or whatever it is you hope to do.

Then you talk about time frame. Something as simple as stating you’ll start small



and increase your efforts as your business growth allows. Do CFL bulbs in year one. The massive solar panel is five years out.

Over time, you want to consult your business plan to see if you are following it. It serves as a reminder and if you have shared it with others, it helps hold you accountable. If reality gets in the way of your plan, it’s advisable to re-evaluate your thinking and make adjustments to the plan.

The Green Budget

Now you’re getting serious. The budget is a concrete expression of your green plan. Let’s say you want to manage your auto mileage. As a new business you’ll have to estimate how many miles you expect to drive and put it in your budget. An established business can use prior-year numbers.

You budgeted for 8,000 miles in your first year, for example. Your green goal is to do what you can to reduce it to 6,000 miles. Include how you’ll do that in the budget. It might require allocating expenses for bus or light rail passes or even teleconferencing.

Go through the list of things you are able to address and place them in the budget. Lighting, utilities, bottled water reduction, recycled ink/toner/paper, etc.

If you want to switch to CFL bulbs, you have to account for the initial outlay and then track your savings down the road. The same goes for an automatic thermostat or a water filtration system to replace bottled water. You have up-front costs and lower utili-

ties in future years.

Remember that if your goals require an initial investment, you’re going to have to fund it with your own cash, borrowed money, through savings or increased revenue. Budgeting is like energy in that you can’t get something for nothing.

Chart of Accounts

At the bookkeeping level is where your commitment to green takes shape. The business plan and budget are still planning documents for goal and path setting. Your day-to-day bookkeeping is where you collect the data, assign it to an account and answer “How am I doing compared to goal?”

Properly set up, your accounting software can code a purchase as green or not. Office supplies, for example: recycled ink, toner or paper vs. non-recycled.

You can set up your accounting system to track almost anything:

- Percentage of expenses that is green or eco-friendly.
- Revenue that is from green initiatives.
- New customers due to your business being green.
- Cumulative savings from initiatives.
- Performance compared to budget goals.

In the end, compiling the data has to be doable. Overwhelming data gathering is not useful.

Conclusion

You should consult with a CPA/business advisor to find the best way to set up your green accounting. When it comes to sharing your financials with a bank to get a loan, or a prospective investor or a buyer, your books should tell your story. And if someone is interested in buying your business because it’s green, the true value will only be recognized if you have created a record of it.

Michael Drazan, CPA, PFS, CFP, is a partner in the CPA firm of Drazan, Henke and Associates PLLC. He specializes in tax and financial planning and has extensive experience with budget structure and internal controls for a variety of businesses, including green enterprises. He can be reached at:

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—NBM

Green Marketing Is About Telling Your Story

Share What You Are Doing.
Build Customer Loyalty, Attract New Clients..

By Jill Kolling

Special to New Business Minnesota

Whatever steps you take to make your business greener, make sure to maximize that investment by including it in your marketing strategy. Some of your customers and prospective customers, as well as your current and prospective employees, will care about your environmental efforts and you'll want to share your story with them.

My firm, Paydirt, works with a variety of large and small businesses to not only establish their green strategy, but develop a marketing communications plan to capitalize on their successes. A plan should take into account the target audience (e.g., customers, employees, business partners), what's important to them, and how to best reach them.

Take Inventory of your Environmental Initiatives

1) Consider your own operation and how you do business. Do you recycle, do you conserve energy, do you lease space in an ENERGY STAR or LEED certified building?

2) Look at your procurement policies. Do you require your vendors to be eco-friendly? Do you consider the eco-attributes of products you buy? As a small business you have the power to choose who you do business with and what you purchase.

3) Then there is what you sell. Are there environmentally-friendly aspects of the product or services you sell or in how you provide them?

This provides the content for your communications.

Be Transparent

With all of the "green" claims companies are making, there is some skepticism among buyers today. A key to effective green marketing is authenticity and transparency. Make sure your green message can be substantiated with data and quantitative metrics. For some businesses, energy use is a good metric to start and you can report how much energy you consume monthly or annually. If you've gone through an energy audit and made improvements, you can communicate your energy savings.

You don't have to do it all at once. Although there are numerous green initiatives you could take on, it may be more practical to focus on two or three in your first year. Consider focusing on areas where you can have the biggest impact – and where you have the most control. If you're leasing space you prob-



ably don't have much control over the energy efficiency of the heating system, but you do have control over how much paper you use and whether you leave your computers and office equipment on overnight.

Your audience will find your communications more believable if you're also sharing areas where you aren't as eco-friendly and why. For example, if you've considered buying locally, but didn't do because the local option is more expensive, tell your stakeholders about your decision-making process. Keep in mind no company is totally green. Not every eco-friendly option makes good business sense and, at the end of the day, you're running a business.

Speak Their Language

When you communicate your successes, put things in terms that the average person can relate to. Rather than just saying you've reduced your annual electricity consumption by 7500 kilowatt-hours, add that is the equivalent of taking one car off the road for a year. This makes your efforts more compelling and meaningful to people. The EPA has a free online greenhouse gas equivalency calculator that makes this easy to do.

Engage in a Dialogue

People want to have a dialogue with companies they buy from. They don't just want to hear from you, but they also want a way to give you feedback and share their ideas.

You can encourage dialogue through your web site or have comment cards available at your place of business. Social media (e.g., LinkedIn, Facebook) is great way to communicate with your customers and members

of the community in which you do business. Free tools like SurveyMonkey can be an effective way to solicit feedback.

Although most of these tools are free or inexpensive, holding a dialogue will require your time. If you're asking for suggestions, plan on responding and taking action where it makes sense. You could post quarterly updates on your web site and include the comments you've received and what you're doing (or can't do) in response.

Case Study

Paydirt engaged with a small law firm that was seeking green opportunities. We worked with an internal green team to assess their environmental impact and found they were using 50,000 pieces of paper per employee per year. We reviewed their internal processes to identify opportunities to print less and to use electronic options.

At the same time, we began talking to their clients about receiving their correspondence electronically, (e.g., draft documents, invoices, the firm newsletter.) Much to the surprise of some attorneys, many clients jumped at the chance to participate.

The firm set a goal to reduce paper use by 25 percent and a paper-reduction competition soon broke out.

They communicated their progress on their web site and in their client newsletter. As the message started getting out, more of their clients wanted to join in.

In addition to saving paper (and money), the program proved beneficial for recruiting. For the Gen Y crowd, being green is important and they are inclined to work for an employer that is a good steward of the environment.

As a result of the initial success, the green team began looking for other challenges such as eliminating foam cups and working with their landlord to install occupancy sensors in the conference rooms to automatically turn off the lights. After all, being green is an ongoing project.

Perhaps the most important thing you can do when considering going green is to just start.

Jill Kolling is founder and president of Paydirt LLC, a sustainability consulting firm that help businesses implement green strategies and capitalize on their efforts through marketing and communications. She can be reached at (612) 840-5673 or jkolling@thinkpaydirt.com. www.thinkpaydirt.com.