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Outsourcing Journal

February 2006 Issue

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Outsourcing Enables Renewable Energy Factories

By Bryce Canfield, Business Writer



Pollution and public health issues have spurred increased research and development (R&D) initiatives focused on ridding the environment of harmful exhaust gases associated with coal, petroleum, and other conventional fuels. It has resulted in several start-up companies developing and deploying innovative solutions.

One such company is GreenFuel Technologies Corporation in Cambridge, Massachusetts, which offers revenue-generating emissions-to-biofuels™ systems for stationary combustion sites. According to Julianne Zimmerman, Director, Business Development, the patent-pending system takes exhaust gases from any kind of smokestack (an electricity generation plant,

industrial facility, or refinery) and uses the carbon dioxide in the smokestack gases to make new fuel.

GreenFuel grows algae, which have a very high oil content. These photosynthetic single-cell organisms essentially eat the carbon dioxide and multiply very quickly, becoming a continuous source of renewable fuel. The algal biofuel is generated at a cost that is competitive with conventional petroleum fuels. The solution is a win-win-win-win by helping companies generate new value from their existing waste gases, reduce their fuel costs, create an opportunity to sell fuel to someone else, and meet their emissions targets

Like other start-ups and companies developing and deploying innovative products, GreenFuel must operate lean--and all the more so in order to capitalize ongoing costly R&D. That's where outsourcing comes in.

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Support for the Core Business

GreenFuel, a quickly growing 15-person firm, was successful in proving its technical milestones ahead of schedule during its first year of operation and undertook its first round of customer field trials in August 2005.

Zimmerman attributes part of that success to the company's outsourcing strategy. "We have a circle of suppliers that we use to provide a tremendous amount of support. That enables us to focus intently on our core business and has contributed in a significant way to helping us meet and exceed our targets. For instance, we outsource our payroll process to Paychex, and that has alleviated some burdens from our personnel staff."

GreenFuel also outsources its need for general counsel legal services. Jon Levitt, a Principal with Outside GC, headquartered in Boston, Massachusetts, says the provider's typical client--like GreenFuel--is growing, has a lot going on, and isn't big enough yet to hire its own full-time lawyer but would like access to a senior legal professional who could be an extension of the management team.

Outside GC handles around 90 percent of GreenFuel's legal issues, which tend to be general business issues; and it helps manage counsel in other firms for work that is outside the general scope, such as patent work or litigation.

Levitt says Outside GC lawyers are often onsite at their clients' facilities, and many have email and telephone extensions at their clients' offices. "We also go to a lot of the management meetings and board meetings. We play more of a role as part of the senior team." The same lawyer works with a particular client all the time so there is continuity and institutional knowledge.

He adds, "Every one of us has been a C-level executive in at least one company, so we can relate more to what our clients are going through and help balance risk and reward more effectively."

Zimmerman says GreenFuel also outsourced its Web site development to a Boston graphics and technology services firm, ArtMediaLab. "They needed a Web site quickly, and we were able to accommodate that," says Dusan Koljensic, the firm's founder. The provider, who continues to maintain the site, also is responsible for various "corporate identity" projects, such as developing information graphics that describe GreenFuel's processes.

Outside Specialized Skills

"We've strategically chosen to keep all of our technology in house, as that is core to our business," states Zimmerman at GreenFuel. "But we use an engineering services firm, George S. Drummey Co., to do our fabrication and a lot of our mechanical systems implementation. It saves us an enormous amount of effort and enables us to keep our staff focused on R&D and technology development."



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Located in Randolph, Massachusetts, design/build firm George S. Drummey is best known for its work on sensitive, high-level contamination laboratories and implementing changes to correct any problems.

Steve Drummey, the firm's President, recalls, "GreenFuel gave us an outline specification of what they wanted as the end result. We were responsible for the structures; the selection of pumps, piping, heaters, coolers, and controls; and then arranging these components in the most effective arrangement."

The Drummey firm constructed the modules offsite, then installed them at customer sites for GreenFuel's field trials. Steve Drummey points out, "Unlike most situations where GreenFuel would hire separate companies to engineer, fabricate, install, and finally service the equipment, George S. Drummey Company provided all these services." Another advantage of working with the George S. Drummey Company is the contractual arrangement, allowing GreenFuel to inject its own crew into the construction and assembly phase. This gives the crew valuable construction experience as well as intimate knowledge of the equipment.

The plan is for the two companies to do future implementations together.

Waste Not and Profit More

GreenFuel's goal is to have at least one full-scale system in operation for a client before the end of the decade, which Zimmerman says is really quick for large industry. At that time, the system will be offered as an outsourced service, or a customer could directly purchase the equipment for its facility.

GreenFuel's motto is "waste not, profit more," and it refers to its breakthrough system as "smart emissions management." From its outsourcing of non-core operations, it's clear the firm knows a lot about waste versus profit and about managing resources beyond just emissions.

Lessons from the Outsourcing Journal:

- Outsourcing non-core operations is an effective strategy for start-ups and companies developing and deploying innovative products, which must operate lean in order to capitalize their costly R&D and product initiatives.
- Relying on outsourcing suppliers for support of non-core processes enables a company to focus on its core business and meet and exceed its timelines for product development.

Publish Date: February 2006

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