

# Sustainable Innovation

by David Cooperrider

I had what I call my “Drucker moment” in March 2003, when I had my last conversation with business visionary Peter Drucker. I visited his home to ask his advice regarding a new research program on social responsibility that we were launching at Case Western Reserve University’s Weatherhead School of Management in Cleveland—a program that would become the Center for Business as an Agent of World Benefit (B.A.W.B.).

Excited and passionate, I talked to him about the moral argument for social responsibility; I shared inspiring stories of business acting as a force for achieving peace and eradicating extreme poverty. I argued that our research would answer the perennial question, “Can social responsibility also be profitable?”

Drucker, then 93, smiled and laughed at my misdirected enthusiasm—he told me I was asking the wrong question. It’s not whether social responsibility can be profitable to business, he said, but rather how profitable business can make social responsibility. That day, he declared to me something we should all remember: “Every single social and global issue of our day is a business opportunity in disguise.”

More businesses are now discovering the truth of Drucker’s statement, and as they do, business schools also are taking giant leaps in promoting sustainability. More programs are teaching socially responsible business leadership, driven, in large part, by three pivotal ideas:

*It may have been a long time coming, but business is embracing the opportunities that sustainability and design have to offer—and business schools are rising to the challenge.*



■ Future business schools will look more like design schools—alive with design studios, interdisciplinary teams, and rapid prototyping—where managers act as designers who recognize disruptive, unexpected innovation opportunities.

■ Management is a noble profession that could be the decisive player in the world's massive transition to a sustainable economy.

■ Sustainable value creation is the business opportunity of the 21st century.

More important, these schools are realizing that there is much to be done at the intersection of management

education, sustainability, and design (See “What Can B-Schools Learn from Design?” below). The concept of sustainable value provides business schools with a unifying ideal and a much needed vision of progress. It is a new vision for management education, a field that former AACSB president Scott Cowen once said is still “in search of its soul.”

### A Great Time for Business

What a great time to be a student—or a professor—of management! Factories are being designed that return more

## What Can Business Schools Learn from Design?

**W**hat can managers learn from an architect such as William McDonough or a design firm such as IDEO? How far could design concepts enlarge our conception of good managing, especially as it relates to corporate citizenship and the breakthrough potential of sustainable value?

Dean Mohan Reddy wanted to explore these questions fully at Case Western Reserve University's Weatherhead School of Management, where we recently redesigned the MBA program to integrate two primary themes: *sustainable value* and *managing as designing*. In this curricular redesign, Weatherhead has committed to building design thinking, skills, and experience into the heart of its MBA and research.

In the process, Weatherhead is discovering the power and promise of design. We, like business

itself, are turning to architects, artists, graphic specialists, product designers, open source communities, and performing artists as inspired models for innovation, improvisation, and collaborative designing. After all, as technologies become more complex and as markets experience faster rates of change, managers will require a broadening and strengthening of their design skills. Only then will they be prepared to cope with the ill-behaved problems they will encounter.

### Sustainability + Design = Innovation

To introduce our MBA students to the idea of managing-as-designing, we ask them: “When you hear the word ‘designer,’ what is the first image that comes to mind?” Many think of the traditional images of a designer as an inventor developing a new product, an artist



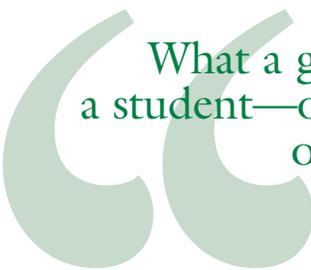
creating a memorable logo, an architect sketching plans for a dramatic building, or a sculptor shaping a piece of public art. But we want them to think of another important group of designers that don't often come to mind—the managers who give form to our organizations and economic systems.

To teach our students the idea of “sustainable value,” Weatherhead has created the MBA Institute in Sustainable Value and Social Entrepreneurship. The institute is an intensive

weeklong MBA student immersion at the end of the first year, where students learn concepts such as cradle-to-cradle product design, green supply chain management, the application of blue ocean strategy to sustainability, and stakeholder value analysis.

Next, students begin two semesters of client-centered design studios—a concept we call a “sustainable design factory.” In this phase, they work on collaborative design teams made up of students, faculty, and the internal and external stakeholders of a company seeking to create sustainable value. During these yearlong projects, students design solutions that apply sustainability to social entrepreneurship.

For example, one team worked with Fairmount Minerals, a sand mining



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energy to the grid than they use. Microenterprise strategies are eradicating poverty through profitability. Supply chains are getting greener, and venture capitalists are pouring billions into alternative energy sources such as wind and solar. Breakthroughs in sustainability are happening in every

industry: LEED-certified buildings; plug-in hybrids; organic foods; carbon offsets; nano-solar startups.

Sustainability, in fact, has swiftly become mainstream. Retail giant Wal-Mart is advancing sustainable value creation across multiple industries, from the design of sustainable fisheries and farming to the advancement of organic apparel to the greening of the electronics industry. Its CEO, Lee Scott, has noted that the company intends to completely eliminate waste in its operations. Consulting firm McKinsey & Company has created a new practice in the areas of climate change, carbon, and social impact management. And

company, to find a new business opportunity for its core product, fine silica sand. The idea? To use the sand in a water filtration process in developing regions where millions of lives are lost because of putrid water. The prototype worked—the low-cost water filter is now being distributed in 44 countries.

Other students have worked with the Dalai Lama and the United Religions Initiative to create a worldwide alliance of 400 networks to end religious conflict and create interfaith cultures of peace. Another team brought Case faculty and students together with faculty and students from the University of Arkansas to work with Wal-Mart to make its supply chain and operations “waste-free”—a project that might be the largest sustainable design project in the world. Another team helped us design Kofi

Annan’s first U.N. Global Compact Leaders Summit—and they were thrilled to be at the table with CEOs from BP and Novartis.

In many ways, each of these projects has been life-changing for the students involved. They learn that managers are not just situation analysts and decision makers, as they are often portrayed. Managers are also true designers, who design ad campaigns, project teams, incentive systems, financial instruments, sustainable business models, and the processes through which these projects are integrated into an organization’s success.

### **B-Schools of the Future**

Many businesses and business schools are discovering how design can transform 21st-century corporations and inspire innovation and sustainable value creation. Exciting

collaborations are emerging, for example, at Stanford University between the design and business schools. The University of Toronto’s Rotman School of Management in Canada has centered its curriculum on integrative thinking and design. McGill University’s Desautels Faculty of Management in Montreal, Quebec, has a long history of using the arts to teach leadership. And Ira Jackson, dean of Claremont Graduate University’s Drucker School in California, sees a future where design thinking, multistakeholder strategy, and sustainability all combine to “link innovation to social progress.” (See Jackson’s commentary in “Your Turn,” page 62.)

These curricular shifts are generating important questions: What might b-schools of the future look like if they incorporated the best strate-

gies of our d-schools? How might cross-fertilization between the two serve to inform, strengthen, and enliven interdisciplinary education? And what could be the transformative effects of such collaboration on business, especially in the areas of sustainability, social entrepreneurship, and global citizenship?

The positive effects of more integral collaborations between design and business—in companies and business schools—promise to be great. What should be clear to managers everywhere is that designers have developed skills for responding to complex situations creatively, holistically, and productively. Designers approach problems with the desire to create innovative, long-lasting solutions that not only fulfill requirements, but also improve on the way things are done in unexpected but valuable ways.

## Students spontaneously shift their attention from the question ‘What do we want?’ to ‘How do we do it? How do we turn the social and global issues of our day into bona fide business opportunities?’

Toyota, says its president Katsuaki Watanabe, plans to design “a vehicle that purifies the air we breathe.”

A few short years ago, each of these developments would have been scoffed at, at least from an oversimplified perspective of shareholder value or profit maximization. Today, we are finding sustainable value leaders emerging as the top-rated stars in every industry.

In October 2006, the United Nations Global Compact and the Academy of Management partnered with Case Western Reserve University to establish The Global Forum for Business as an Agent of World Benefit. The B.A.W.B. Global Forum brought together more than 1,000 of the world’s most visionary business executives, management scholars, policy makers, and young student leaders. It was a remarkable summit, which launched the global initiative creating the “Principles for Responsible Management Education” (see “The PRME Essentials,” page 18).

On the second day of the forum, we asked people to step beyond today’s innovations to imagine their ideal world of 2020. They envisioned a world that:

- has created a bright-green restorative economy that purifies the air we breathe.
- has eliminated the waste and toxic byproducts.
- has eradicated extreme poverty and preventable disease.
- is powered through renewable energy innovations.
- has made empowered prosperity accessible to everyone in the world.
- is supported by positive market incentives aligned with the long-term social good.
- has eliminated “perverse incentives” that work against not just society, but business itself.

### An Invitation

The Second Global Forum for Business as an Agent of World Benefit, held June 3 to 6, 2009, will cover topics of sustainable design and explore the theme “*Managing as Designing in an Era of Massive Innovation.*” Visit [www.worldinquiry.org](http://www.worldinquiry.org) for information about its call for papers and the list of speakers, which includes designer William McDonough and visionary economist Jeffrey Sachs.

■ has inspired a corporate citizenship movement, which in turn has united sustainable design and business strategy into a positive race to the top.

■ is a globally inclusive system that respects and replenishes the health of people, diverse communities, and the wealth of nature.

■ has built its economy on a network of institutions that are trusted to elevate, magnify, and refract our highest human strengths into the world.

■ celebrates those who create sustainable value and global solutions.

In many ways, this vision reflects an unprecedented and increasingly shared global vision, one that is uncoordinated but emerging everywhere. But how can we achieve it?

In a nutshell, management will help us achieve it—the management of innovation.

### From “What?” to “How?”

In each of my classes, I ask students to reflect on and improve the 2020 scenario envisioned at the B.A.W.B. forum. Invariably, students spontaneously shift their attention from the question “What do we want?” to “How do we do it? How do we turn the social and global issues of our day into bona fide business opportunities?”

It’s a new question. It’s loaded. It suggests that adopting sustainable practices is not an obligation for businesses—it’s a contemporary differentiator, a foundation for success. It promises to lead businesses to surprising new discoveries, stronger profits, and greater significance to society.

Recently, a group of Weatherhead students and I worked with a local Fortune 500 company to hold a 300-person Appreciative Inquiry Summit on “the ten largest global problems facing humankind.” Machine operators, C-suite executives, customers, and suppliers went to work, asking important questions: How can we use the lens of sustainable value creation to spark innovation in new products and operations, open new markets, ignite customer passion and loyalty, energize an entire workforce, accelerate learning, build better supply chains, reduce risks? How can we radically bring down energy costs, strengthen brand loyalty, and generate higher market cap?

Participants prototyped and showcased game-changing innovations—everything from a fuel-cell hybrid truck to factories designed to achieve radical increases in resource conservation and energy productivity. Today, this company has what it calls “the innovation room,” a space designed to encourage collaboration and inspire multistakeholder innovation.

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I believe that students and faculty in business school classrooms and laboratories everywhere should be engaging in this kind of process, designing for a sustainable world. As Drucker noted, management's essence is all about directing vision and resources toward inspiring the strongest joint performance and achieving the greatest results. Think of the Marshall Plan or the global eradication of smallpox or John F. Kennedy's call to put a man on the moon. Management's greatest moments are when the call to collective action is clearest—when we turn our attention from the question “What could we...?” to the question “How might we...?”

### Our Finest Hour

Which brings us back to what Drucker said to me in 2003: “Every single social and global issue of our day is a business opportunity in disguise.” This statement leaps over and completely transcends “the great tradeoff illusion,” which holds that socially responsible firms must inevitably sacrifice financial performance. It reunites management strategy and

### The Manager's Design Library

A growing genre of management books is emerging to help business managers—and faculty—learn ways that design concepts can help them envision, create, and innovate within an increasingly uncertain and dynamic world:

*Managing as Designing* by Richard Boland and Fred Collopy, 2004

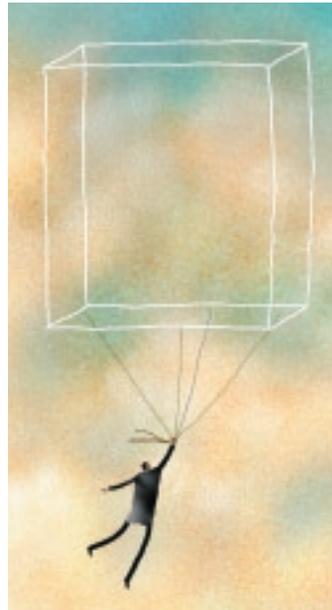
*Artful Making: What Managers Need to Know About How Artists Work* by Robert Austin and Lee Devin, 2003

*Discovering Design* by Richard Buchanan and Victor Margolin, 2000

*Designing Information and Organizations with a Positive Lens* by Michel Avital, Richard Boland, and David Cooperrider, 2008

*Sustainable Value* by Chris Lazslo, 2008

*Appreciative Inquiry* by David Cooperrider and Diana Whitney, 2005



social responsibility into a powerful and integral whole. Most important, it points to opportunities that mutually benefit society and business.

More than 20 years ago, my colleagues and I predicted that sustainability might well transform management education more than anything that has come before. We wrote about its promise to change how we teach accounting, strategy, marketing, organizational development, operations, economics, and information systems.

It took a bit longer than we had anticipated, but in 2008, we are here. Business has the technologies to redesign the world energy economy and stabilize climate change. It has the capacity to eradicate extreme poverty within a generation or two. It has new, emerging approaches to turn all of these issues, and many more, into business opportunities for tomorrow's industry leaders.

After nearly 30 years as a management educator, I have never seen a time when our students, corporate partners, and faculty have been so excited. Management education is on a world stage and has an important role to play. Millions of students graduate annually from our undergraduate, MBA, doctoral, and executive education programs. These students will make billions of decisions each day. As business educators, our influence on those decisions is huge.

Teddy Roosevelt once said, “Our chief usefulness to humanity rests on our combining power with high purpose.” In my view, this fundamental combination is the goal of business schools today. It is essential that we enable our young people to see themselves as participants in one of the most creative episodes in management history. We can instill in them an overarching perspective and sense of purpose in relation to the sustainable value revolution.

We are on the eve of management education's finest hour. 

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