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Center for Sustainable Global Enterprise

# Creating Sustainable Value

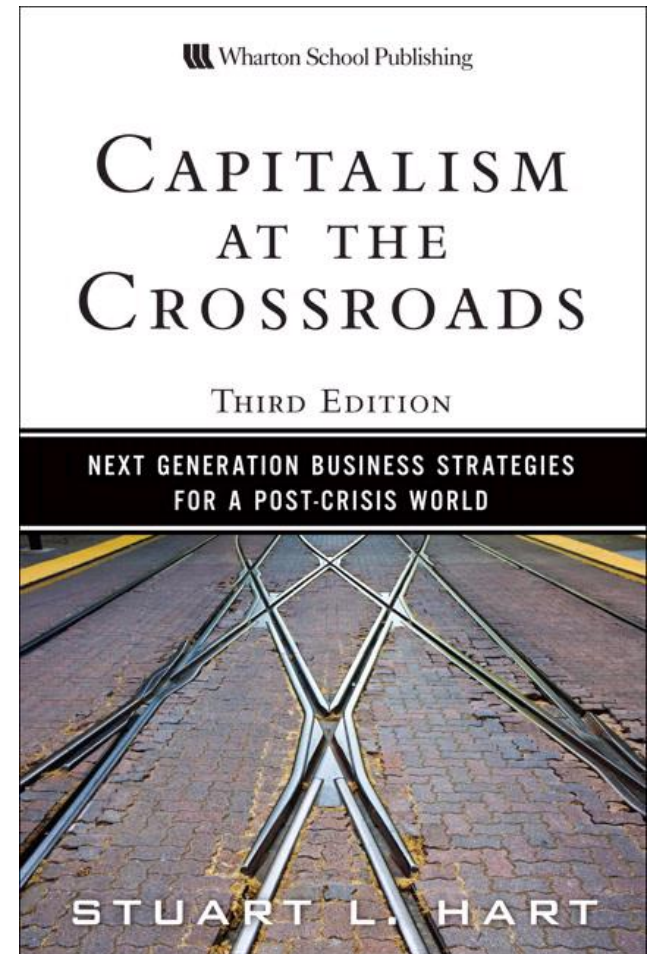
**Stuart L. Hart**

S.C. Johnson Chair in Sustainable Global Enterprise,  
Johnson School of Management

President, Enterprise for a Sustainable World



**“...global capitalism stands at a juncture similar to the one faced in 1914. Between 1914 and 1945, world war, depression, fascism, and communism almost succeeded in eliminating capitalism from the face of the Earth. The problems global capitalism now faces (global-scale environmental change, economic inequity, financial meltdown) are no less daunting. Constructively engaging these challenges will be the key to ensuring that capitalism continues to thrive in the coming century—to everyone’s benefit.”**





$$I = P \times A \times T$$

Human  
Impact

Population

Affluence  
(Consumption)

Technology

7.5

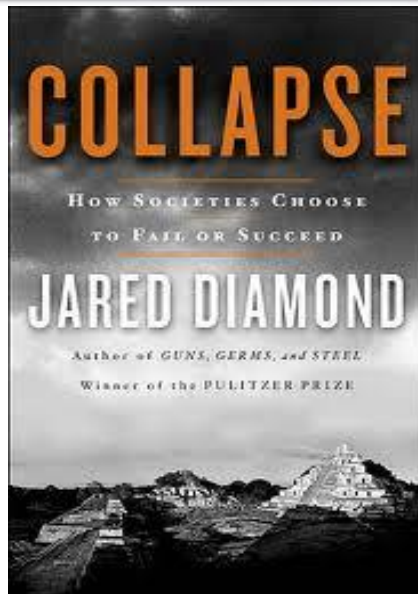
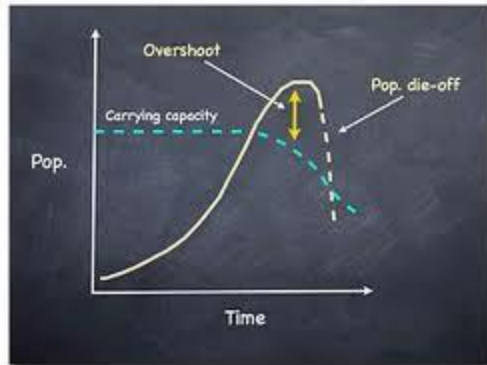
1.5

5

1



# Environmental Meltdown?



1986 = 1 Earth    Today = 1.4 Earths



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# Moving Technology to the Denominator

$$I = \frac{P \times A}{T}$$

T

$$T = 10x? \quad 20x? \quad 40x?$$

Biggest Business Opportunity in the History of the World



“Sustainability is as foreign a concept to managers in capitalist societies as profits are to managers in the former Soviet Union.”

*William Ruckelshaus  
CEO, Browning Ferris*



# The Long and Winding Road

**1945-1960s**

**Pollution**

Denial

“Smell of money”  
(oblivious)



Obligation

**1970-80s**

**End-of-pipe  
regulation**

“Pay to reduce  
negative impact”  
(trade-off)



Opportunity

**2000's- Present**  
**Beyond Greening**

•clean technology  
•base of the pyramid  
“Eco-effectiveness”  
(positive force)



Reorientation

**Mid 1980s-1990s**

**Greening**

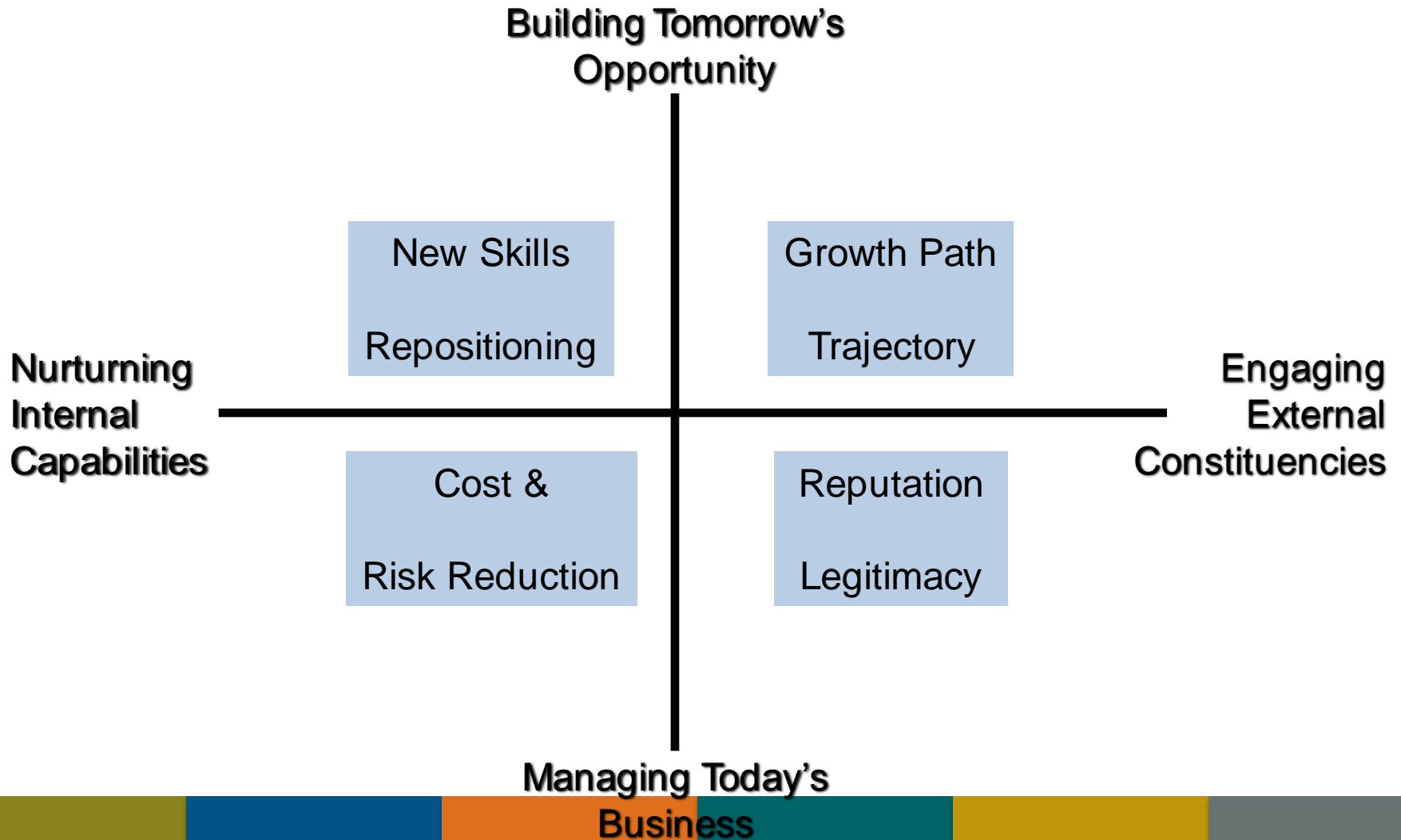
•pollution prevention  
•product stewardship  
“Eco-efficiency”  
(win-win)



# Buzzwords

- Environmental Management
- Corporate Social Responsibility
- Greening
- Industrial Ecology
- Stakeholder Management
- Life-Cycle Management
- Pollution Prevention (P<sup>2</sup>)
- Sustainable Development
- Design for Environment (DfE)
- Green Design
- Urban Reinvestment
- Brownfield Redevelopment
- ISO 14001
- Waste Reduction
- Closed Loops
- Resource Productivity
- Sustainable Technology
- Radical Transactiveness
- Systems Thinking
- Corporate Governance
- Clean Technology
- Eco-Efficiency
- Eco-Effectiveness
- Biomimicry
- Triple Bottom Line
- Inclusive Capitalism
- Base of the Pyramid
- Community Capitalism
- Corporate Citizenship
- Voluntary Regulation
- Civic Entrepreneurship
- Full Cost Accounting
- Pro-Poor Business
- Risk Management
- Leapfrog Technology
- Cradle to Cradle
- Restorative Technology
- B24B
- Take-Back
- Transparency







# The Buzzword Sort

- Eco-Effectiveness
- Biomimicry
- Leapfrog Technology
- Sustainable Technology
- Knowledge
- Creative
- Closed Loops
- Restorative Technology
- Systems Thinking

## Clean Technology

- Sustainable Development
- Pro-Poor Business
- Urban Reinvestment
- Brownfield Redevelopment

## Base of the Pyramid

- Civic Entrepreneurship
- Radical Transactiveness
- B24B

Tomorrow

Innovation & Repositioning

Growth Path & Trajectory

Internal

External

Cost & Risk Reduction

Reputation & Legitimacy

- Greening
- Emission Reduction
- Eco-Efficiency

- Life-Cycle Management
- Design for Environment (DfE)
- Green Design
- Stakeholder Management

## Pollution Prevention

- ISO 14001
- Waste Reduction
- Resource Productivity

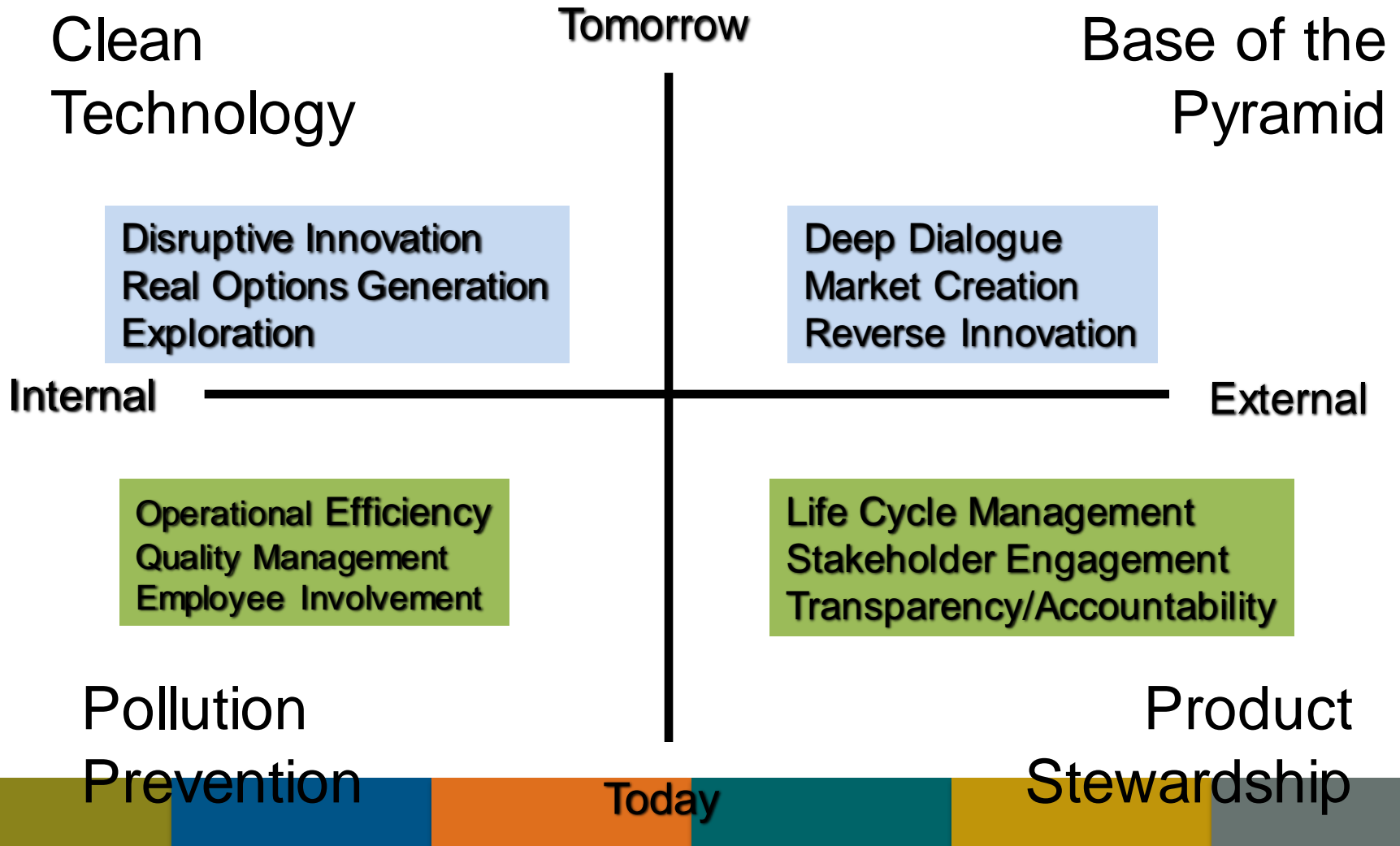
## Product Stewardship

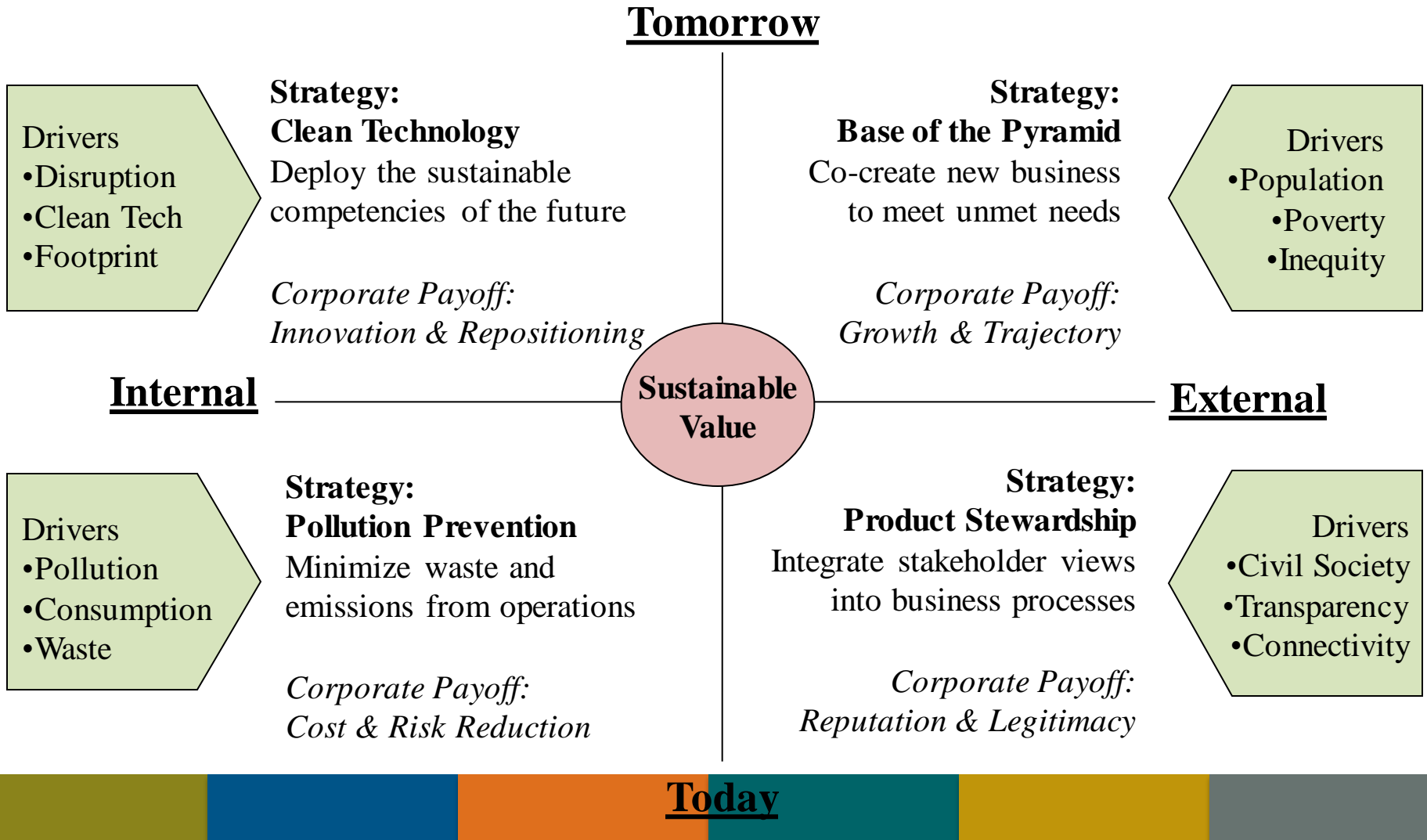
- Take-back
- Transparency
- Corporate Governance

Today



# New Capabilities







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CREATIVE  
DESTRUCTION

A graphic illustration with a black background. The words 'CREATIVE' and 'DESTRUCTION' are written in large, white, 3D block letters. The letters are positioned as if they are breaking through a surface of shattered glass, with numerous sharp, white cracks radiating outwards from the point where the letters meet. The lighting creates highlights and shadows on the letters, giving them a three-dimensional appearance.

*in-Spiro*  
IN-SPIRO.DEVIANTART.COM | 2010

Joseph Schumpeter  
Prophet of Innovation



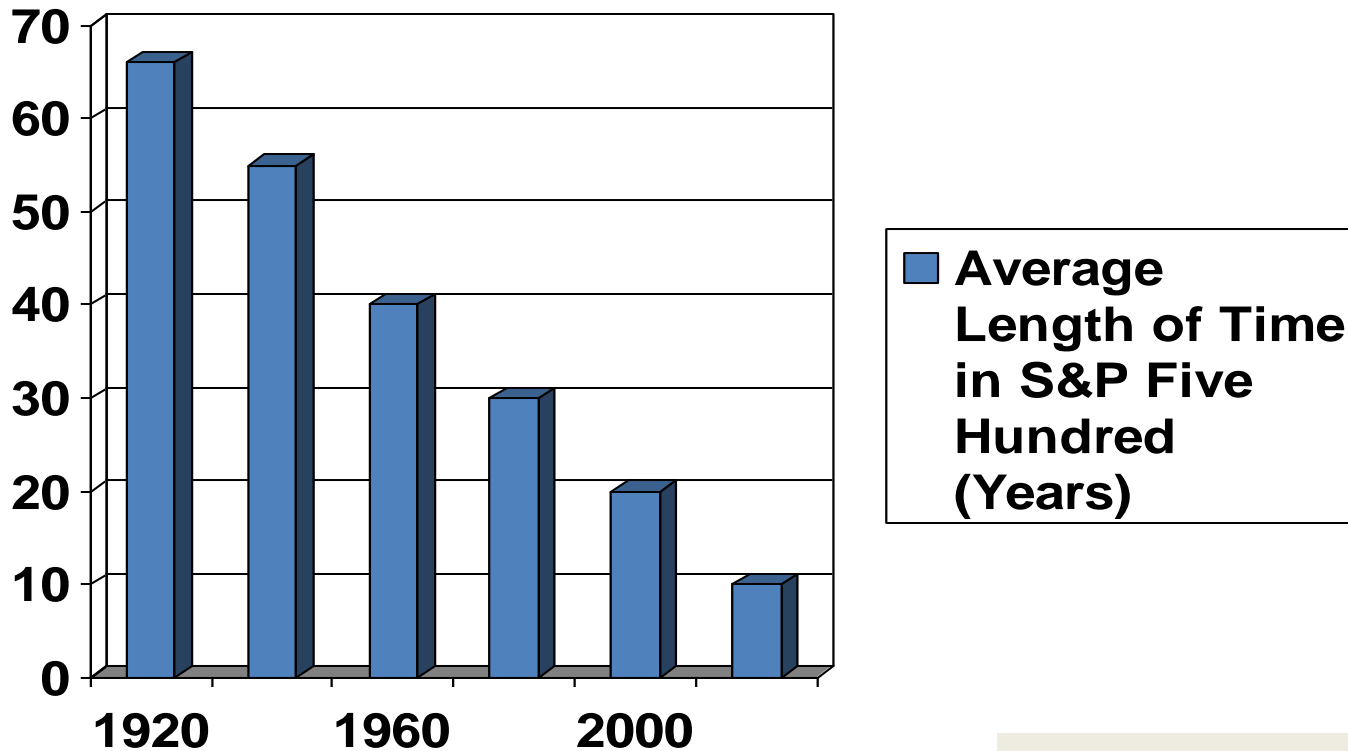


“... the problem that is usually being visualized is how capitalism administers existing {industrial} structures, whereas the relevant problem is how it creates and destroys them.”

Joseph Schumpeter, 1942  
Capitalism, Socialism and Democracy



# Creative Destruction is Accelerating



Turnover Rate:  
1920: 1.5% per year  
2020: 10% per year

Source:  
Foster, R. and Kaplan, S.  
Creative Destruction, 2001



“By 2020, more than three quarters of the S&P 500 will consist of companies we do not know today.”

Source:  
Foster, R. and Kaplan, S.  
Creative Destruction, 2001





## Strategies for Greening

### ***Focus on Existing:***

*products  
processes  
suppliers  
customers  
shareholders*

### ***Characteristics:***

*Incremental  
Continuous Improvement  
Rationalizes Industry*

## Strategies for Beyond Greening

### ***Focus on Emerging:***

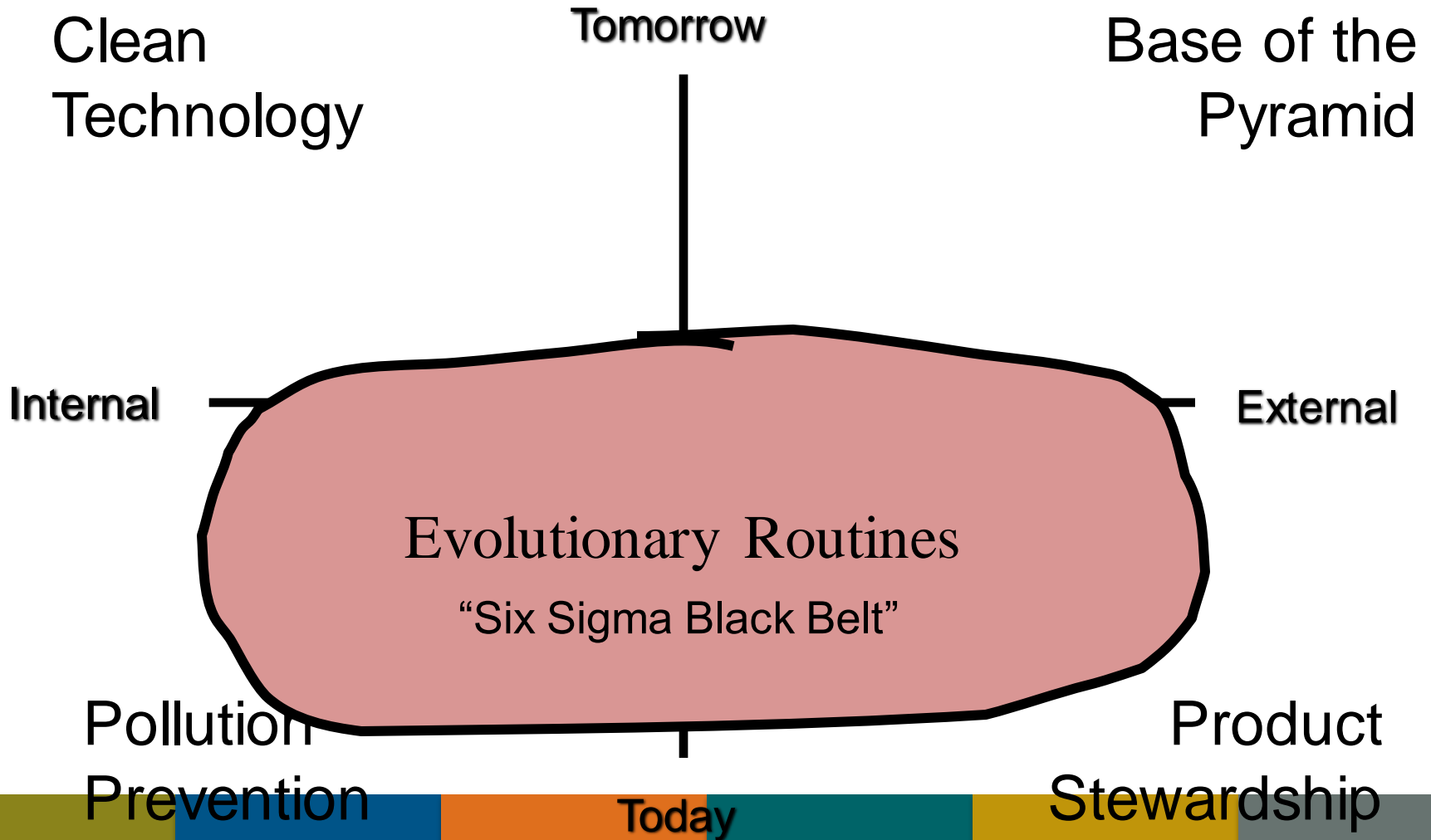
*technologies  
markets  
partners  
needs  
stakeholders*

### ***Characteristics:***

*Discontinuous  
Creative Destruction  
Restructures Industry*

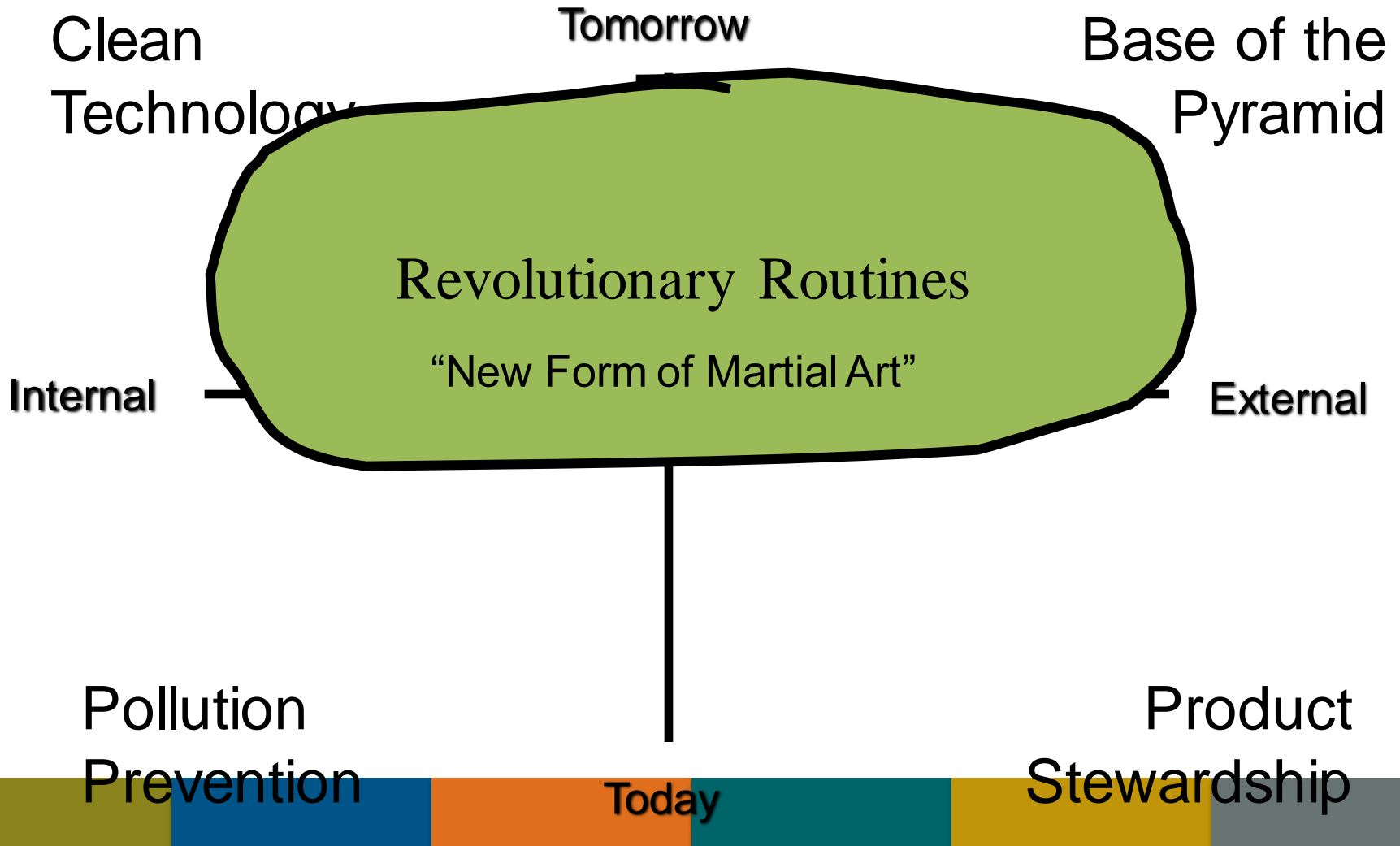


# What is the Typical Corporate Portfolio Today?





# Tomorrow's Opportunity





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# Launching the Corporate Lifeboats?





# Charting the Sustainable Value Portfolio

tomorrow

Clean technology

Is the sustainability of our products limited by our existing competency base?

Is there potential to realize major improvements through new disruptive technology?

Base of the Pyramid

Does our corporate vision direct us toward the solution of social and environmental problems?

Does our vision focus us on serving the unmet needs at the base of the economic pyramid?

today

Pollution prevention

Where are the most significant waste and emission streams from our current operations?

Can we lower costs and risks by eliminating waste at the source or by using it as useful input?

Product stewardship

What are the implications for product design and development if we assume responsibility for a product's entire life cycle?

Can we build reputation and legitimacy by engaging a broader range of stakeholders?

internal

external



# What is Your Portfolio?

