THE FELDBERG LAW OF PERPETUAL MOTION  Dean Meyer Feldberg—his leadership and his legacy • Reduce, reuse, recycle? Architect William McDonough has a better idea: Redesign • Why Professor Bruce Greenwald teaches business
ONLINE:

Virtually New: Our new home on the Web is smarter, sharper and easier to use.
www.gsb.columbia.edu

Value Added: Browse around the Heilbrunn Center for Graham & Dodd Investing, a hub offering investors exclusive resources on the value approach.
www.gsb.columbia.edu/valueinvesting

Managing Up: Take a virtual tour of the Management Division—courses, faculty, research, events and news.
www.gsb.columbia.edu/management

COVER PHOTOGRAPHY: JON ROEMER
After stepping down as dean, Meyer Feldberg will stay on as the Sanford C. Bernstein Professor of Leadership and Ethics.

**Departments**

Dean’s Message . . . . . . .2
NewsMakers . . . . . . .3
Class Notes . . . . . . .21

**FEATURES**

6 **The Feldberg Law of Perpetual Motion**  
by Leslie Limon  
A profile of Meyer Feldberg that reflects on the legacy he will leave Columbia Business School in June, when he will end his 15-year tenure as dean.

12 **Seeing Green**  
by Diana Katz  
Architect William McDonough describes his vision of a world without waste—where businesses nurture a sustainable planet as well as sustainable growth. BASF, Ford, Gap and Nike, among other clients, are already part of his saved new world.

16 **The Good Life: How Managers Made the Modern World**  
by Bruce Greenwald  
From the renowned finance expert, a brief history of the world as we know it, or why he teaches at Columbia Business School.
Dear Friends:

Each autumn, as I have welcomed entering MBA students as the “best class ever,” I note that transition offers an opportunity to make the best even better. This is true in our individual lives and on the grandest possible scale. Managers have continually seized such opportunities, improving quality of life for millions of people, as Professor Bruce Greenwald writes in this issue of HERMES. We also discover in an interview with visionary architect William A. McDonough that innovative design does the same—and could quite literally save the planet.

As many of you have already learned, this academic year is indeed one of transition. After serving for 15 years as dean of Columbia Business School, I will step down, effective June 30, and stay on as the Sanford C. Bernstein Professor of Leadership and Ethics.

As dean, I have been focused on raising the currency of the Columbia MBA degree and enhancing the intellectual capital of the School. Today Columbia is a leading, world-class business school in every respect. As a result, all key disciplines are now globally ranked. The faculty is more diverse in expertise and greater in prominence than ever before, and both teaching quality and research productivity have soared. Our students are the most heterogeneous, cosmopolitan, interesting and successful MBAs in the world. Among our alumni, we number some of the world’s most respected and innovative business leaders. By June, our endowment will have increased 15-fold.

Throughout the transition to new leadership, I am confident that our School will not miss a step or skip a beat. Just as each MBA class that enters the School is “the best class ever,” I expect my successor to set an even higher standard for this deanship. I will not settle for anything less, and I know that as members of the School community, neither will you.

Thank you for being part of making my tenure as dean the most professionally and personally rewarding period of my career.

Sincerely,

Dean Meyer Feldberg ’65
Sanford C. Bernstein Professor of Leadership and Ethics
A New Berlin Hosts Sixth Pan-European Reunion

The School’s sixth Pan-European Reunion was held in Berlin on October 17–19, bringing together alumni from around the world, members of the board of overseers, faculty members and senior executives from diverse industries. Nearly 500 alumni from 30 home countries attended, a record number for the Pan-European event. The highly successful weekend fostered social networking, intellectual discussion and cultural enrichment.


Alumni, board of overseers members and other experts participated in panel discussions about such topics as the future of Berlin, biomedical innovation in Europe, international real estate and the global automotive industry. The reunion also featured a day of touring cultural venues highlighting Berlin’s extraordinary architecture and the melding of the old and new, from the German Historical Museum exhibition hall designed by I. M. Pei to the new DZ Bank designed by Frank Gehry.

Berlin, now emerging as a diverse, dynamic world capital, was an ideal setting for the most recent Pan-European Reunion. First held in Paris in 1992, this stellar alumni event also has been hosted in Brussels, London, Venice and Monte Carlo.

Chazen and SIPA Launch European Speaker Series

A new European speaker series brought top executives on the Continent to campus this fall: Manfred Gentz, CFO of DaimlerChrysler, John Heimann, founding partner of Warburg Pincus, and Jan von Haeften, CEO of Metro AG in Eastern Europe and Russia. Topics included the European economy, transatlantic business and international banking. The series was a collaborative effort between the School’s Chazen Institute of International Business and the Institute for the Study of Europe at the School of International and Public Affairs (SIPA).

Symposia Highlight Successful Social Ventures

The 2003 Global Social Venture Competition symposium, held on October 10 at the School, focused on how successful social-venture entrepreneurs have managed to pursue both a social and financial mission. Panel discussions explored such topics as “Double Bottom Line Investing: Is It a Fad or an Asset Class?” and “Entrepreneurial Solutions: If I Had a Chance to Do It Again.”

The keynote was given by Julius Walls, Jr., CEO of Greystone Bakery, which was founded to employ low-income and unemployed minorities in southwest Yonkers and “to be a catalyst for community development.”

Presented by the School, the Goldman Sachs Foundation, the Haas School of Business and London Business School, the symposium was a community-building opportunity for social-venture entrepreneurs, board members, academics, students and investors.

On October 24, the School held the second annual Social Enterprise Conference, “Doing Well by Doing Good: Achieving Blended Value in Business,” which highlighted efforts in the corporate, not-for-profit and government sectors to generate financial and social wealth through innovative business practices and partnerships. Gary Hirshberg gave the keynote address.
New Books by Faculty Members Cover Strategy and Change

Eric Abrahamson, professor of management, is the author of a new book on managing change, Change Without Pain: How Managers Can Overcome Initiative Overload, Organizational Chaos and Employee Burnout (Harvard Business School Press, 2003). Although change is necessary for companies to grow, writes Abrahamson, following the “creative destruction” credo often brings overload, chaos and low morale. He advises that companies learn to change more efficiently. Drawing on years of research and examples from industry, he describes how to implement sustainable, continuous transformation that is more cost effective and less traumatic.


Graham & Dodd Investors Look Ahead

At the 13th Annual Graham & Dodd Breakfast on October 29, Leon Cooperman ’67, chairman and CEO of Omega Advisors, Inc., and a member of the School’s board of overseers, gave the keynote address on “A Cogent Value Strategy for the Coming Year.” Cooperman, who was introduced by fellow board member and value investor Mario Gabelli ’67, suggested that the market “warrants careful monitoring” because of the geopolitical situation, the “jobless” recovery and the disparity between real consumption and real wages and salaries, among other factors. But he also expressed cautious optimism, noting that “the government has returned to policies that encourage stock ownership.”

Professor Bruce Greenwald, director of the Heilbrunn Center, opened the event by noting the School’s expansive course offerings and faculty in value investing, and he recalled that the program was originated by only two professors, Benjamin Graham and David Dodd, MS ’21, who taught one course on a science they invented—security analysis.

Building Better Banks

On October 2–3, the Chazen Institute of International Business and the Federal Reserve Bank of New York jointly held a conference titled “Beyond Pillar 3: Disclosure and Market Discipline of Financial Firms.” Frederic Mishkin, the Alfred Lerner Professor of Banking and Financial Institutions at the School, developed the event with Donald Morgan of the New York Fed, where the two-day event was hosted. They organized the conference in anticipation of the substantial changes that the new Basel accord will bring about.

“There’s going to be a major change in the way bank regulation and supervision is done—and a key element of that change is the importance of market discipline,” Mishkin says. “There is a need for greater understanding about using market discipline to make the international banking system healthy—and we brought together some of the world’s leading experts to analyze the key issues.”

Participants included Charles Calomiris, the Henry Kaufman Professor of Financial Institutions at the School, Jean-Charles Rochet, professor of economics and mathematics at Toulouse University, and Jeremy Stein, professor of economics at Harvard University.

Quotable: “If managers do badly, stores are empty, lights do not go on, cars fall apart and, ultimately, people everywhere lead shorter, more unpleasant lives. To the extent that they—and I—do a good job, progress will continue to spread throughout the world.”

Bruce Greenwald, the Robert Heilbrunn Professor of Finance and Asset Management, on the rewarding challenge of teaching and doing research at Columbia Business School (“The Good Life,” page 16)
The School community was deeply saddened by the loss of Alfred Oxenfeldt, professor emeritus of marketing, who died on May 26 at the age of 85 following a serious illness. Oxenfeldt, who began his tenure at the School in 1956 and was a member of the Marketing Division for 29 years, was recognized as a world-renowned authority on marketing and pricing.

Following his retirement in 1985, Oxenfeldt authored his 20th book and continued consulting. He focused on socially worthwhile causes, lending his expertise to environmentally friendly companies seeking solutions to global problems.

One such company was Genoil Inc., which developed a proprietary technology for increasing oil production output by roughly eight million barrels a day while reducing pollution. “Alfred was a forward thinker; he was among the first to recognize the dangers of having the world’s oil supply caught up in such a politically unstable region,” says David Lifschultz, CEO of Genoil. “The marketing plans he constructed for us are being implemented today.”
The Feldberg Law of
PERPET
Meyer Feldberg ’65 has never stood still. And during his 15-year tenure neither has Columbia Business School. The dean arrived in 1989, bringing with him the certainty that whatever he expected to achieve for the School could be done and the commitment that it would be done. Since then he has never stopped pushing the limits—and convincing others to do the same. “You cannot say no to Meyer Feldberg,” laughs Shelly Lazarus ’70, chairman and CEO of Ogilvy & Mather Worldwide and a member of the School’s board of overseers. “He is so compelling, so passionate, that it just gathers you up. You look into his eyes and know it will get done. So you have to say yes.”
It CAN be done

Once a world-ranked swimmer, Feldberg credits his grueling training for his ability to focus and persist. It was sheer will to win, not pleasure, that pushed him to “swim up and down, staring at a black line.” Today he still competes with the same tenacity: “I wake up every morning and assume that all the other high-level business schools in the nation are actively competing against me that day. And every night when I go to sleep, I think about how we’ve got to build our institution in the face of that competition.”

His competitiveness is in itself extraordinary. Couple it with his perpetual optimism and the effect is monumental. He calls himself a “congenital optimist.” Several years ago, Glenn Hubbard, the Russell L. Carson Professor of Economics and Finance who was then senior vice dean, gave Feldberg his trademark “No Whining” sign. It sits on Feldberg’s desk next to one that bears the words “It CAN be done.” The sign faces incoming visitors, but he sometimes turns it toward himself, he says. Beyond the sign, on the wall, hangs an eye-popping Warhol lithograph of the perpetually grinning marionette Howdy Doody. Howdy, he says, “tells me to ‘buck up and pull up your socks,’ as my mother used to say when I complained about getting up early on cold mornings to swim.”

Banking on the assets

Competitive swimming also taught Feldberg a lesson in identifying and capitalizing on assets where others might perceive only drawbacks. As a teen he competed against swimmers with large hands and feet, which he lacked, yet he prevailed with natural athletic ability and determination. And his determination to create a distinctive presence, even in a roomful of six-footers, is what gave rise to his impeccable style of dress. His sartorial flair—often punctuated by an iridescent tie and suspenders—is the first thing one notices, but it is his energy that induces people to work for him.

When Feldberg arrived, his electric personality set the tone for the work that lay ahead in boosting institutional presence worldwide. Those who couldn’t—or wouldn’t—keep up went elsewhere. Some, like Hubbard, loved the ride. Tapped to serve on the dean’s strategic planning and curriculum review committees, he notes that no one had taken a hard look at the curriculum since the early ’60s: “One of the first things Meyer did was ask, ‘Why are we doing this?’ That’s when I realized he was rethinking the School.”

Captivated by his energy and his charisma, a cadre of high-powered alumni then began climbing on board—literally—by joining the board of overseers. Lazarus, for example, got hooked when the dean told her that there were no women on the board, even though women comprised nearly 40 percent of Columbia’s MBA students. It was preposterous, he said, and it was her responsibility to help him start to do something about it.

Visions of success

Feldberg had already started envisioning New York’s possibilities when he arrived in 1989, while others bemoaned the city’s rising crime and unemployment.

“New York is the ultimate global city,” he asserts. “There’s more opportunity and more capacity to attract and retain talent than in any other city on earth.” Focusing on two of its most bankable assets, finance and internationalism, he set out to rebuild the School. His decision to focus on finance sprang from his conviction that, even in troubled economic times, it offered the best opportunity to build the School’s visibility and reputation.

Channeling resources into the vision of a global business school perched on the shoulders of an international university was Feldberg’s first bet. He placed his second bet on the finance and economics program. Well ahead of the pack, he saw globalization as “a freight train coming down the track. I wanted to be at the front end, driving it.” Meeting with Jerome A. Chazen ’50, former chair of the board of overseers, he discovered they shared that international vision. The outcome of their conversation was a generous gift that made the Chazen Institute of International Business a reality. Today Feldberg and Chazen continue to work together to ensure that globalism permeates every corner of the School: students, faculty, staff, curriculum and beyond. The vitality of the London Alumni Club, for example, has much to do with resources the dean commits. After New York and the San Francisco Bay Area, London is the third most popular destination for graduates, notes club president Jeffrey Orenstein ’97.
Feldberg extends his vision to a fund-raising approach that focuses on “what is it that we need to do?” not “how much more money can we raise?” His strategy also involves knowing when to say no: the School has walked away from numerous gifts not central to its vision. Perhaps the hardest to walk away from was a gift that could have named the School after the donor, yet that is exactly what Feldberg did. With brand identity at stake, he stopped asking what the right number was and began asking if any number was the right number. Key board members, such as Henry R. Kravis ’69, founding partner of Kohlberg Kravis Roberts & Co., and Russell L. Carson ’67, general partner at Welsh, Carson, Anderson & Stowe, reinforced the decision—the answer was no. It was gutsy and emblematic of a lead-from-strength approach that, by June, will have produced a 15-fold increase in the institution’s endowment, from $16 million to nearly a quarter of a billion dollars.

Focusing on two of New York’s most bankable assets, internationalism and finance, the dean set out to rebuild the School.

The best class ever

Internationalism, finance and fund-raising all entail making what Feldberg terms the big calls. When made right, he felt, the rest would fall into place. It’s a conviction that benefits all constituencies, none more than students and alumni. For as the reach and resources of the School grow, the caliber of applicants rises. When the dean says to each entering class, “This is the best class ever,” he reaffirms his pride in having built a critical mass of outstanding alumni who will represent the School for decades to come. Students shine, individually and collectively, in all dimensions: diversity, academics, talent and character.

Extraordinary students, asserts Feldberg, deserve an extraordinary education. To that end, he has hand-picked a team of people like Vice Dean Safwan Masri, who was a faculty member with a deep commitment to students. “The student experience is really my passion,” says Masri, “and it was easy to see that the dean would give me all the support I needed to get things accomplished.” He adds that the institutional culture today “emphasizes learning as well as teaching, and also responsibility. People take ownership. They fix things when they break. They’re involved.”
“Meyer . . . has inspired a competitive ethos matched perfectly with the academic discipline he oversees.”

Lee Bollinger, president, Columbia University

“You have always insisted that my gift to Columbia was a transforming gift and enabled you to start on the School’s road to greatness . . . . The gift has been even more meaningful to me in terms of my ongoing relationship to the School.”

Jerome Chazen ’50, founder and chairman, Chazen Capital Partners, LLC, and board of overseers member

“You have made us all feel proud of belonging to what is probably the most dynamic business school globally.”

César Alierta ’70, chairman and CEO, Telefónica, S.A., and board of overseers member

“You have made us all feel proud of belonging to what is probably the most dynamic business school globally.”

César Alierta ’70, chairman and CEO, Telefónica, S.A., and board of overseers member

“Your mark . . . will be permanent, and the fact that you are stepping down now is yet another indication of why you are such a great leader.”

Morton Janklow, senior partner, Janklow & Nesbit Associates

“Your contributions are almost innumerable. . . . You instilled a huge measure of pride in the School. You have bequeathed a powerful, enduring legacy. Si monumentum requiris, circumspice.”

Richard Goeltz ’66, former vice chairman and CFO, American Express Company, and board of overseers member

“Your talent played a great part in making Columbia Business School the world-class institution it is today.”

Ivan Seidenberg, president and CEO, Verizon Communications Inc.

S enior Vice Dean Robert Hodrick and Professor Laurie Hodrick are among four senior professors who joined the Finance and Economics Division in 1996. “It takes a lot of resources to hire four senior people in a year,” Bob Hodrick comments. “And bringing them all into the same division creates a huge difference in the environment.” Today all four distinguish themselves at the School with award-winning teaching and research. Bob Hodrick also keeps the teaching mission paramount by recruiting and developing faculty members who excel in both teaching and research.

Perhaps the dean’s most dramatic return on faculty investment to date is Professor of Finance and Economics Joseph E. Stiglitz, who, within 60 days of his hiring in 2001, won the Nobel Prize in economics. Stiglitz praises the Business School as “remarkable in that it is both well run and incredibly intellectual. Meyer has a rare combination of fund-raising prowess, a commitment to scholarship and the management expertise to run the business of an academic institution.”

Dimensions of a leader

“Why are we doing this?” is just one example of the way the dean uses a pointed question to set direction and expectations. “What’s the endgame?” is another. It asks people to define the outcome and conveys his confidence in them to deliver. Questions like these also signal his enormous focus. He is both an executor and a conceptualizer, able to take three things on his plate, execute them perfectly, take the next three, execute them perfectly, and not be deterred from that.

That the dean runs the institution like a business is what faculty members often cite as the best and the worst aspect of his leadership style. Through both good and bad economies, he champions frugal self-discipline. So while faculty members may itch to open purse strings when times are good, they don’t feel the pinch quite so badly when money is tight. Professor Emeritus of Professional Practice John Whitney, who developed the Turnaround Management course, praises Feldberg’s

When the dean says, “This is the best class ever,” he reaffirms his pride in having built a critical mass of outstanding alumni who will represent the School for decades to come.
no-nonsense approach to the turnaround that has been Columbia Business School. “He did everything just perfectly,” comments Whitney. “He assigned priorities to what he was going to deal with, dealt with those priorities and waited till he had a chance to do the others.”

One by-product of this no-nonsense approach is a hands-on management style. The author of a recent e-mail message to Feldberg recounts an early example of his attention to detail. They were walking together in the lobby of the School building during the dean’s first week. On the floor lay a paper cup. “Probably 200 people had walked past that paper cup,” writes the author. “You were the new dean, but you stooped down, picked it up and put it in your pocket. That told me everything.”

Despite the no-nonsense approach, humor plays a huge part in the dean’s leadership style. “If you take yourself too seriously, you become very tedious,” he observes. “You have to have a sense of the ridiculous. Sometimes, when I’m talking with colleagues, the absurdity of something is so hysterical that we all crack up. We’ll be sitting here just weeping with laughter.” He loves to laugh at himself—as when he points out that the Meyer Feldberg of 1963 would never make it into the Business School today.

**Tying the knots**

laughter is just one of the ways Feldberg maintains the ties that remain a source of enormous satisfaction. Perhaps the most prominent professional network he has cultivated is the School’s 75-member board of overseers, a group of high-powered but loosely connected alumni who cared for the School but, according to Ray Viault ’69, vice chairman of General Mills and a board member, “needed to be brought together in a critical mass to propel the Business School forward. It’s a prime example of the power of the individual. Without him, all these forces would not have been brought together.”

Many, like Associate Dean for Finance and Administration Ed Henry, feel that bringing constituencies together to achieve a common objective is what Feldberg does best. “Beyond the tangibles, so much of what he has done revolves around building relationships,” explains Henry. “The teams he’s built, working independently and together, are really what run the School.”

Even some family ties have Business School roots. It was on his way to Columbia as an MBA student in 1963, for example, that Feldberg met his wife Barbara, a Londoner. And on the Columbia campus, on his graduation day, they became engaged. Today, two children (one an alumnus) and five grandchildren later, he does not spare the hyperbole: “I have a million photographs of my grandchildren in my office. Being a grandparent is the best thing in the whole world.” When he announced he was stepping down to spend more time with them, some thought the perpetually driven dean was joking. He’s not.

**Not a sprint but a marathon**

When Feldberg stopped swimming competitively, he stepped out of the pool and never looked back. After he steps down as dean, however, he is not about to disappear. As Sanford C. Bernstein Professor of Leadership and Ethics, he will continue to shape leadership innovation in the MBA curriculum.

With respect to the influence he already exercises on the institution, the dean speaks of his tenure as not a sprint but a marathon. “You can’t come in with quick fixes, walk away and assume you’ve done any lasting good,” he explains. “You’ve got to build a base for the institution to stand on. Otherwise, success is fleeting.”

One striking measure of Feldberg’s lasting good has been the School’s brand equity. “By any way you value it, the brand has increased exponentially during his tenure,” notes Viault. “That benefits not only students and the faculty, but the whole alumni base. It is so much more valuable today than it was 15 years ago to say you come from Columbia Business School.”

And 15 years from now? The systems are already in place to ensure that the brand will only get better. And some are betting that the marathoners Feldberg works with today—no matter where in the world they happen to be—will still be saying, “No whining. Buck up. And pull up your socks.”
Columbia Business School awarded the 2003 Botwinick Prize for Ethical Practice in the Professions to William A. McDonough, founding partner and principal of William McDonough + Partners Architecture & Community Design. Renowned for its ecologically, socially and economically sustainable architecture and planning, the firm has attracted such clients as BASF, British Petroleum, Ford Motor Company, Gap, Nike and Unilever. McDonough is also the cofounder and principal, with German chemist Michael Braungart, of McDonough Braungart Design Chemistry, a product and systems development firm that assists client companies in implementing sustainable-design solutions, including treeless paper, earth-friendly sneaker soles and nontoxic shower gel. McDonough spoke with HERMES about how his ideas are revolutionizing business practices at the most fundamental level—by changing how things are made.

“Today the fundamental question of quality is, unfortunately, ‘Is my product destroying the planet or making people sick?’”

William A. McDonough, recipient of the 2003 Botwinick Prize for Ethical Practice in the Professions

Architectural renderings and illustrations provided by William McDonough + Partners Architecture & Community Design.
In your book Cradle to Cradle: Remaking the Way We Make Things, you and Dr. Braungart wrote about “The Next Industrial Revolution,” laying out a new strategy for transforming business and industry. What are you telling MBAs and the business community to convince them of how imperative this transformation is? Anyone in business understands that there are fundamental issues that must be addressed at the executive level, and they include quality and customer relationships. These are the sine qua non fundamentals of any value proposition: a product and a customer. So when my colleague Michael Braungart and I talk about the next industrial revolution, we’re talking about product quality. Today the fundamental question of quality is, unfortunately, “Is my product destroying the planet or making people sick?” If it is doing either, regardless of its merits, it is not a quality product. So, for businesspeople it becomes imperative to ask, “What are my intentions?” Design, in fact, is the first signal of human intention. And so the pursuit of quality has to begin in the design process with some simple questions about intention. If your product contains carcinogens, heavy metals and persistent toxins, is the chief executive officer ready to specifically state that it is his company’s intention to cause cancer, birth defects, brain death, endocrine disruption or destruction of immune systems?

Is addressing these problems therefore a matter of the right people needing to be confronted with the right information?

Well, in terms of convincing people of the imperative of the next industrial revolution, I think one could use what we might call “the stick” of potential liability to convince an executive that doing the right thing is the right thing to do. But the imperative we use with our clients is not the stick—it’s the “carrot.” We see commerce as the primary engine of change. And we have seen that commerce can be immensely profitable when it produces materials that are healthy and safe, when it is powered by renewable energy, when products are conceived to replenish the earth after their useful commercial lives or be perpetually recovered and remanufactured in what we call cradle-to-cradle cycles. This represents a positive agenda, a transformation of industry that can take a company way beyond complying with regulations to avoid liability. So we don’t browbeat a company. We come in saying, “Look how magnificent you can be. Look how profitable and satisfying it can be to do the right things right.”

Might MBAs be the perfect catalyst for such a radical transformation?

I think most MBAs, when they stop and look at what’s ahead, can’t imagine any other way. Are they planning a career in toxification? Are they planning a career in global warming? I don’t know that any of them would say that’s
part of their career path. So, once they see there's an alternative, it's an attractive thing. Because we're not saying, "Don't be profitable." We're saying, "Don't be ignorant." And we're not saying, "Limit your activity." We're saying, "Let's make your business 100 percent positive, vital and good."

Is that a mistaken assumption that people make, that profitability and working with the ecosystem are at odds with each other?
Absolutely. That is the smoke screen that influences the view of many businesspeople. Few see, for example, that the Kyoto Protocol is one of the great business opportunities of all time.

When you speak to business students, do you find they are receptive to your ideas?
Their responses to my ideas tend to fall into three categories. One is that people say, "Well, that was common sense." And I agree with that completely. Nobody sets out at the beginning of their career to destroy their children's health. The next reaction is "I thought I just had to get a job and then get paid and retire. I didn't know that I had to be connected to a higher order of things than economic reward." These students are struck by the recognition that they are going to be dealing with issues of ethics when they thought they were just in it for the business. And then the third reaction is one of joy, a sense of excitement in the prospect that there is meaning in commerce beyond the bottom line, that there's a rich social and cultural dimension to business that ennobles commercial activity and gives it a higher value and purpose.

You also make the point that past efforts just don't go far enough toward figuring out how industry can work well within the earth's ecosystems.
Merely trying to be "less bad," trying to slow down destruction, doesn't really generate the transformation we need today. So there's a great sense of urgency here. Scientists are expecting that within 10 years it might be too late to turn off the switch on the climate change. Doing the wrong things more efficiently, being less bad, is not going to cut it. I'm talking about business strategies and products designed to generate and grow economic, social and environmental health. Let's make this a positive mission with inspiring goals. That's why people go into business: to achieve positive goals.

We also like to encourage the idea that growth is good. For most environmentalists, growth is bad. Well, the reason growth is typically bad is because we grow asphalt that destroys the fecundity of the earth's surface. We grow businesses that foul the water and air. When our designs follow the laws of nature, which is the standard for our design protocol, growth is good. Why not grow healthy prosperity and cultural wealth? Why not grow social fairness and ecological renewal? Every design can aim for all of that. And that's not just wishful thinking. With Ford Motor Company we conceived an auto manufacturing plant with the world's largest living roof—a roof topped with soil and succulent plants—and a network of constructed wetlands that together absorb and filter storm-water runoff for $35 million less than a conventional water-treatment plant. Thirty-five million—that's the equivalent of an order for $900 million worth of Ford Tauruses. And it begins to suggest the value of positive, principled design. It serves my client and the planet, growing habitat and wetlands and clean water while saving $35 million. It delivers a wide spectrum of ecological, social and economic revenue. This is not bottom-line management of destruction. It's top-line management of restoration and good growth, both economic growth for Ford's shareholders and ecological growth for Dearborn, Michigan.
Some policymakers advocate using market incentives to decrease pollution. Do you agree that such measures are effective, and can they work well with your ideas?

Market incentives are important. That’s why I mentioned the Kyoto Protocol—it can be seen as a powerful market incentive. Using market incentives to make things less bad is better than just hoping they’ll be less bad without incentives. And being less bad is probably better than being arrogantly destructive, though it isn’t necessarily the dramatic solution we need. But market incentives can also stimulate a change of course, and I think they’re key to the success of our agenda.

In order for there to be a market for, say, an ecologically friendly sneaker, would consumers have to start demanding them? Or are businesses and managers in a more powerful position right now than consumers in terms of instigating change?

I think many people are looking for one single answer to that question. But there isn’t one. Answers will come from both business leadership and customer demand. Customers are not in a position to ask for something that doesn’t exist. There was no massive demand for personal computers before there were personal computers. So I think it’s both supply and demand that drive change, and that’s the marvelous dynamic about commerce.

What else would you like Columbia MBA students and alumni to be thinking about as executives and entrepreneurs?

I think there’s a new form of commerce evolving that we find astonishingly important and, in a sense, revolutionary. It exists between the conventional commerce practiced by corporations and the social and cultural endeavors of nonprofit organizations. It’s hard to characterize because it is still so new, but let’s, for the moment, call a company operating in this realm a green-blue company—that’s the name of our new institute, which is set up to help promulgate this strategy and the cradle-to-cradle design agenda. It is a new kind of enterprise that uses the speed and vitality of the marketplace to deliver positive change. A green-blue company, for example, might be set up to deliver high-quality health care to the greatest number of people at the lowest possible cost, while serving needy children and elders for free. Green Blue, our institute, is designed to offer support to companies that are driven by this socially aware, entrepreneurial spirit so that they can focus on delivering services rather than begging for foundation money every year.

We can reward people who are doing things that are good for the world instead of overly rewarding the things that are only for self-indulgence or self-aggrandizement. The fundamental nature of capitalism is shifted to a place that allows well-meaning people to do well-meaning things that are highly profitable. And the question changes from “How much can I get for how little I give?” to “How much can I give for all that I get?” That is the ethical design question for 21st-century business.

Inside Nike’s European headquarters in The Netherlands, heat pumps regulate warmth by comparing interior temperature fluctuations with the earth’s relatively constant temperature. Storm water is collected for gray water functions in the building or absorbed into the campus’s porous surfaces. Nike also hired MBDC to help develop a “healthy” (nontoxic) alternative to its most popular rubber sole.

McDonough’s 295,000-square-foot factory for furniture maker Herman Miller increased the plant’s productivity by 24 percent, worth $60 million a year. The building itself cost only $15 million. Says McDonough, “Ask any CEO if he’d accept a 400 percent return on an investment.”
Bruce Greenwald, the Robert Heilbrunn Professor of Finance and Asset Management, has been described by the New York Times as “a guru to Wall Street’s gurus.” Lauded by students as well (he has won numerous teaching awards), he is known for his provocative classroom discussions and trademark plainspokenness. Here he contends that managers have had a larger influence on humankind—a radically beneficial one—than is commonly understood. He also considers the implications that follow for teaching MBA students.

by Bruce Greenwald

From roughly the period of the Roman Empire until the end of the 18th century, the average standard of living of human beings failed to increase significantly. Throughout that time, most people ate only staples—rice, wheat, some meat, some dairy products—in relatively limited amounts. Shelter was rudimentary. Clothing was basic and unvarying. Travel, medical care and personal care were nonexistent. Recreation, gender aside, was infrequent and uncomplicated. Only a small fraction of the population—the rich and powerful—enjoyed a varied diet, excess (and sometimes comfortable) living space, multiple changes of clothes, significant entertainment and some travel, which was dangerous and inconvenient.

Between 1800 and 1850, living standards began to rise, although only slowly at first. In the late 1800s, living standards began to rise more rapidly in Europe, North America, Australia and New Zealand—a rate of growth that accelerated in the 20th century. By 1950, even working people in those favored areas began to enjoy standards of living previously available only to aristocrats. In the last half of the 20th century, these benefits spread to large numbers of human beings in Asia and elsewhere. Today a vast number of people enjoy varied diets (rich in formerly exotic fresh foods), comfortable shelter, multiple (seasonally appropriate) sets of clothes, global travel, effective personal and medical care and recreational opportunities undreamed of in earlier times.
What accounts for this extraordinary revolution? It appears to have arisen largely from the application of sustained management attention to everyday enterprise.

The timing of the rise in living standards is suggestive. While market economies, especially for agricultural products, had been common since the 1600s, the late 19th century saw the beginning of scientific management—by Frederick Taylor, among others—and the development of large-scale enterprises, starting with the railroads.

Studies of the determinants of growth at the aggregate economic level have consistently found that capital accumulation accounts for only a small part of the increase in incomes. And while economists have typically ascribed the determinants of growth at the aggregate economic level to disembodied “technology,” the force at work has not been technical innovation itself, since advances like the widespread use of steam power and electricity typically follow the scientific developments involved by many years. The application of technology in a systematic and sustained way in business is a function of management.

At the industry level, advances have also most commonly come from intervention by management institutions, whether public or private. The most notable example of this historically has been the extraordinary effectiveness of the United States Agricultural Extension Services.

Finally, microlevel studies at firms and even plants have consistently shown that most improvements in operating efficiency are attributable to the small, steady benefits of day-to-day management intervention, not to dramatic technological innovations or capital investments.

Thus, if today we live extraordinarily well by historical standards, professional managers are the predominant cause. This has, moreover, been accomplished by a remarkable extension of human freedom.

Organizational effectiveness and the problem of controlling individual behavior—whether at the level of society as a whole, local communities or particular institutions like companies—has, since classical Greece, been a central subject of intellectual and public concern. The historical answer has always been to rely ultimately on coercion in some form. The dominant view, certainly prior to the 20th century, has been that force or the threat of force is essential for keeping people in line and that material incentives—the withdrawal of necessities in the face of noncompliant behavior—are critical to economic performance. Yet force and the threat of deprivation have obvious downsides, especially when unsatisfactory individual performance is due to external circumstances or plain bad luck.

It is a blessing that most modern economic institutions offer substantial safety nets: fixed salaries and extensive protection against dismissal. Their ability to do this rests on intellectual innovations that came directly from the management community and business schools. Starting with Roethlisberger, Dickson and Mayo in the 1920s, business schools and scholars of management have produced a mass of research—translated into widespread practice—on how to motivate workers without the force of material coercion. “Professional” standards, training, attention to working conditions and context, team structures, organizational status hierarchies and a range of other tools have been steadily deployed throughout the 20th century to sustain a high level of business performance and an environment in which firing is widely viewed as a last resort.
In the inadvertent experiment that was run at the end of World War II, many societies were artificially separated into East and West. The differences in life expectancy and standard of living that emerged across this divide have been extraordinary. In Europe, the Eastern countries were as rich or richer than their Western counterparts prior to the war. After the demise of the Communist regimes in 1991–93, there was an almost 3-to-1 difference in per capita income and about five years’ in life expectancy.

As important, the degree of coercion maintained in the East was immeasurably greater than that in the West.

All these benefits—high standards of living, nonoppressive working environments, shopping that is a consumer sport, not a chore, and others that are now seen developing in India and China—depend ultimately upon the performance of management. Even in medicine, the greater part of the therapeutic value of treatments comes from the much-maligned drug companies, which in return collect only about one-eighth of medical expenditures.

This is to say, improvements in the standard of living throughout the world depend on the kinds of people I teach at Columbia Business School. If managers do badly, stores are empty, lights do not go on, cars fall apart and, ultimately, people everywhere lead shorter, more unpleasant lives. To the extent that they—and I—do a good job, progress will continue to spread throughout the world.

Therefore, I cannot conceive of a greater, more rewarding challenge than teaching and doing research at a business school like Columbia.

Bruce Greenwald is the Robert Heilbrunn Professor of Finance and Asset Management and director of Columbia Business School’s Heilbrunn Center for Graham & Dodd Investing. He received the 2000 Columbia University Presidential Teaching Award and the 1997 Margaret Chandler Memorial Award for Commitment to Excellence in Teaching, and he also is a two-time recipient of the Singhxi Prize for Scholarship in the Classroom. He earned immediate acclaim from both individual and professional investors for his most recent book, Value Investing: From Graham to Buffett and Beyond (John Wiley & Sons, 2001).
“There is a certain enthusiasm in liberty that makes human nature rise above itself.”
ALEXANDER HAMILTON

Another Columbian ahead of his time

COLUMBIA 250
www.c250.columbia.edu
2004 REUNIONS
CLASSES OF 1978 • 1979 • 1993 • 1994 • 1998 • 1999

April 16–18, 2004

FRIDAY
All-Class Cocktail Party

SATURDAY
Faculty- and Alumni-Led Panel Discussions and Luncheon
Class Cocktail Party and Dinner
All-Class Dessert and Dancing

SUNDAY
All-Class Family Brunch

FOR MORE INFORMATION, PLEASE CONTACT
THE ALUMNI RELATIONS OFFICE AT 212.854.8815