Leping Supplement
Managing for Ambiguity
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Managing for Ambiguity

Sustainable enterprise is increasingly relying on artful thinking and Eastern philosophy to innovate Western business models for global practice.

BY NOBUYOSHI OHMURO

How can effective sustainable enterprises tackle social issues and, in the process, employ the important contributions that Eastern philosophies can make in this area? The model proposed here can stimulate innovation and concurrently address social issues while working toward important global priorities such as the United Nations’ Sustainable Development Goals (SDGs), a collection of 17 global goals covering social and economic development issues, set by the United Nations General Assembly in 2015. However, this model requires flexibility and even a certain level of ambiguity in areas that cannot be explained by theory and rationality. At the same time, there is still a need for the “science” of Western business practices. In other words, the best model combines Eastern and Western approaches.

OPEN INNOVATION AND ART THINKING

We face a range of complex and diverse social issues across the globe. This situation also provides a range of opportunities to modify certain social structures. Solutions that make use of market mechanisms have come into the spotlight.

Solving social issues is not solely the province of government and nonprofits. In principle, the role of government is to serve the public good, but government is often unable to see the details of social problems. As a result, government tends to focus on symptomatic treatment of social issues and does not have the tools to solve them at a fundamental level. This can also be seen, however, as a great opportunity for business to flourish while tackling social issues. Also, given that a lot of social problems have been created by the market, often it is ultimately only the market that can resolve them.

At the same time, a recent evolution in innovation—from a closed model to a more open one—is in the process of becoming more ecosystem-centric. Of note is the trend away from the maximization of corporate value and toward maximization of social value, as shown in “The Evolution of Innovation” (opposite page). Thus, innovation emerges from relationships with society and diverse stakeholders, and corporations must adapt to this by integrating social awareness and economic values. Such a change brings a new perspective to innovation theory.

Analysts of innovation theory are beginning to pay attention to a concept known as “art thinking,” explored in depth by New York University professor Amy Whitaker in her book, Art Thinking: How to...
The Evolution of Innovation

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<tr>
<th>Factor</th>
<th>OI 1.0</th>
<th>OI 2.0</th>
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<tr>
<td>Purpose</td>
<td>Improving the efficiency of research and development</td>
<td>Solving the common social issues</td>
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<td>Creating a startup business</td>
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<td>Collaboration</td>
<td>One-on-one relationship</td>
<td>Ecosystem of various parties concerned collaborate in a multilayered way</td>
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<td>Initiative</td>
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<td>Build a win-win relationship</td>
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Carve Out Creative Space in a World of Schedules, Budgets, and Bosses. Previously, what was known as “design thinking” had been favored, but its rigid adherence to logic left a feeling that something was lacking in this era of open innovation. The importance of ambiguity came into focus. Art thinking involves depicting the future as we want it to be and applying art production processes to the field of business. Innovation can be born out of this ambiguity. This approach has had an impact on corporate models, as “Points of Contrast” (above) shows. Stimulation of innovation requires identification and interfacing with social issues. The corporate world cannot afford to ignore this.

As approaches to innovation and the tackling of social issues have come to embrace vision and ambiguity, effects can be seen in corporate business models. Currently, corporate modeling is becoming more of a hybrid of economic concerns and social ones. This movement started in the 1980s with the concept of stakeholder management, in connection with development of the “corporate social responsibility” (CSR) concept. Since the 2010s, other models, such as Michael Porter and Mark Kramer’s “creating shared value” (CSV) as a business strategy, and Rosabeth Moss Kanter’s “great company” and John Mackey and Raj Sisodia’s “conscious company” as corporate models, have emerged.

The latest corporate model, known as “sustainable enterprise,” is defined as one in which the corporation contributes to the building of a sustainable society through its management style while minimizing conflict between stakeholders. This style does not deprioritize stakeholders, but it still works toward the important development goals such as SDGs. The key principles revolve around the provision of a product or service that addresses social issues, causes no unnecessary harm, and contributes to the enlightenment of minds. Among these three elements, the emphasis is on avoiding generating new social problems rather than solving existing ones—see “Three Elements of Sustainable Enterprise” (below).

From an innovation perspective, business models featuring this kind of management style make sense. Current innovation theories favor collaboration between a variety of stakeholders (Open Innovation 2.0). The emphasis in open innovation has shifted away from maximization of economic value in the corporation toward finding resolutions to common social problems. Accordingly, it has become crucial to nurture relationships with society and position the businesses as entities that help deal with social issues, or, at the very least, don’t contribute to them.

This business model is more mission oriented than the model to maximize profit. There are several examples of sustainable enterprises worth looking at in depth, notably Patagonia from the United States, Lush from the United Kingdom, Eko Plaza from the Netherlands, and Ikeuchi Organic from Japan. Ikeuchi is one of the best-known towel makers in East Asia: It manufactures only 100 percent organic cotton towels. The cotton it uses is grown organically, and most of it has been sourced from the same farms for many years. It uses low-impact dyeing methods, which are deemed suitable for babies and toddlers under 3 years of age. The products are made with wind-generated power at the first 100 percent wind-powered factory in Japan since 2002.

As these cases demonstrate, there has been a global diffusion of this business model. What these examples have in common is a commitment not to create social problems or harm. For example, Ikeuchi Organic defines its mission as “making textiles with the utmost safety and minimal environmental burden.” Patagonia’s company philosophy includes “Build the best product” and “Cause no unnecessary harm.” It is clear that doing no harm is considered to be as important as endeavoring to solve existing problems—and in reality existing problems are not being tackled. This is because it is extremely difficult to focus on issues that are hard to visualize and are consequently virtually incomprehensible.

This is largely due to a predilection for separating the economy from society. Under these conditions, society and economics are dealt with separately in accordance with such schools of thought as CSR or CSV. Ultimately, the integration of business and society needs to be considered if both are to thrive. As a result, this has created a need for a business philosophy that does not create new social problems, does not cause harm or loss to stakeholders, and integrates economics and society.

We need an approach that involves a business model that tackles social problems, and a business model that encompasses society and business and integrates the two.

Integrating Eastern Philosophy

One way of making headway on this conundrum has been the exploration of Eastern philosophies. Business leaders such as
Creating a Vibrant Social Innovation Ecosystem

Nurturing current and future leaders and improving governance in Singapore is transforming the entire business community and their collective social responsibility.

BY SWEE SUM LAM & LING HAN

Growing up in Singapore, CEO and cofounder of Manila-based BagoSphere Zhihan Lee loved solving problems through research. When he was an engineering science major at the National University of Singapore (NUS), however, the experiments conducted inside the walls of a lab didn’t grip him with the same excitement. He wanted to find solutions to the problem of unemployment, and specifically how to create the most direct and efficient pathway to employment for high school graduates.

BagoSphere prepares underprivileged youth in rural areas of the Philippines with the skills needed for jobs in high demand. The social enterprise offers a four-week vocational training program in English, as well as education to learn the relevant technical and soft skills required to transform these youths into employable workers in the service sector, especially at call centers. Lee’s entrepreneurial path illustrates how immersive experiences during his university years became instrumental in his founding of BagoSphere.

Universities in Singapore understand that cultivating a socially conscious business culture on a national level requires hands-on immersive experiences for young people. Exposure to the global startup culture helps motivate young Singaporeans to envision their contributions beyond the country. In Lee’s case, the National University of Singapore Overseas Colleges (NOC) program gave Lee the opportunity for extensive travel and learning experiences. During this time, he realized how doing business with a social consciousness could benefit communities in Singapore and beyond. Before launching BagoSphere, Lee led a youth expedition in Laos, took classes at Stockholm School of Entrepreneurship from NOC Stockholm, and participated in NOC India, working with a social enterprise in rural IT sourcing. All these overseas experiences provided by the universities helped to cultivate this young Singaporean’s socially conscious mind-set when starting his own business.

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