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THAT SINKING FEELING

As builders slash prices, homeowners are getting slammed

by MARA
DER HÖVANESIAN
& CHRISTOPHER
PALMERI
(PAGE 32)

A RADICAL TWIST ON SOLAR ENERGY (PAGE 68)

DESIGN: CORPORATE TALENT HUNT (PAGE 54)

The Business Week

30 News You Need to Know

The market's October surprise; tremors at GM plants; Nokia nabs Navteq; Commerce Bancorp's new Canadian owner: and more

News & Insights

40 The Choking at Cerberus

The private equity firm bit off more than it bargained for by buying 51% of GMAC last year: Namely, a huge chunk of the subprime mess

42 The FON Phenom

The Madrid-based startup has quietly built up a giant Wi-Fi-based network, via member-hosted hotspots

44 Microsoft Wants Your Medical Records

With HealthVault, it hopes to overcome the obstacles to digitizing health care history-and lay the groundwork for a billion-dollar business

Global Business

49 Made in India

Thanks to attractive special economic zones, the subcontinent is becoming a manufacturing alternative to China for companies that sell everything from sneakers to SUVs

52 Bottlenecks in Toyland

With Beijing cracking down on unsafe exports, new inspections are slowing shipments and clipping profits for Chinese suppliers

MORE GLOBAL COVERAGE:

For additional insights into European and Asian business, please go to businessweek.com/globalbiz

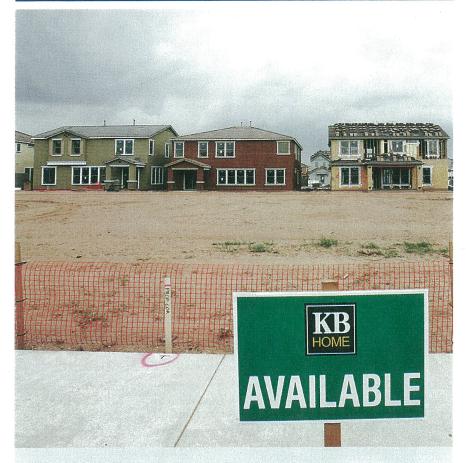
Economics

27 Business Outlook

Iim Cooper says that while the consumers who have driven the economy have been hit, they haven't been dealt any knockout blows

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BusinessWeek



Cover Story

32 That Sinking Feeling All across the country, builders are offering massive price cuts on new homes. It's a costly strategy aimed at moving inventory and shortening the industry's downturn. Whether or not it means a faster recovery for the housing market, the bargain pricing is slamming homeowners



54 The Talent Hunt

With innovation and globalization top priorities, corporations are designing programs for the next generation of creative managers

60 Forging Steelcase's Strategy A talk with CEO James Hackett

62 Top Design Schools

66 Eastern Ascent

Asia catches up in design education

Design



BY ELIZABETH WOYKE AND MAHA ATAL

DESIGN
PROGRAMS ARE
SHAPING A NEW
GENERATION
OF CREATIVE
MANAGERS

ON THE CAMPUS OF THE UNIVERSITY OF CINCINNATI, Procter & Gamble Co. employees are brainstorming with design students to create a fictional green-leaning family of three that lives in an energy-efficient solar-powered home. "We imagined a prototypical family that might live in a house like this and want to live sustainably," says Bob Schwartz, associate director at P&G's Global Design Organization. "What products might support that lifestyle 24/7?"

P&G already employs lots of innovative minds. So why is its global design unit looking to a troop of University of Cincinnati students for ideas? "Students bring naive innovation and alien eyes," says Schwartz. "They can inspire in a fashion that is more difficult to do in big companies. That's probably why a lot of big companies engage in relationships with design schools."

The Second Annual *BusinessWeek* survey of the best design schools highlights the growing role they play in supplying creative managers to corporate and nonprofit organizations. Our list includes joint programs among business, engineering, and



JICKY BONNE/REDUX



design schools as well as revamped curricula within traditional design programs. The driving forces of innovation and globalization are pushing companies to revamp their managerial ranks and hire people with new skills. Surprised by the rise of consumer power, companies are seeking people who can connect with customer cultures online and overseas. And in an era of constant change, they want people who are comfortable with complexity and uncertainty. Schools that teach design thinking, with its emphasis on maximizing possibilities rather than managing for efficiency, are in high demand.

Once again, *BusinessWeek* turned to a panel of innovation consultants, design academics, and corporate executives to select programs that have curricula they respect and whose graduates they hire. Then we conducted interviews with professors, students, and alumni to narrow down their recommendations to a list of the top global 60. Finally, in making our choices, we asked them to look for programs that combined design with business, engineering, or marketing, and we treated this mixture as essential to their teaching.

Who made the cut? Programs that enabled students to engage with the real world through sponsored projects and internships; that were tuned in to contemporary business issues, such as sustainability; and those whose graduates have proven themselves to be creative designers, strategists, and leaders.

TEAMWORK WORLDWIDE

MANY SCHOOLS ARE BEGINNING to go global. To share resources, ideas, best practices, and academic talent, European, American, and Asian universities are setting up joint programs. Among the schools on our list, many are offering dual degrees from two or more programs or schools.

These programs zero in on one of business' major problems—the difficulty managers and creative types have working together. Innovation may now be as important as efficiency, yet people responsible for each function rarely understand one another and work poorly together on teams.

One obvious solution is to throw them together and teach them design thinking jointly. The Royal College of Art, for example, has a new program with the Tanaka Business School and the Imperial College London engineering school. Carnegie Mellon University puts design, engineering, and business students into teams to work on projects. And the University of Toronto's Rotman School of Management pairs MBAs with design students in product development classes.

Another program that focuses on collaboration is Adcenter, the Virginia Commonwealth University graduate advertising program run by Richard Boyko. In his 30-year career at ad shops Ogilvy & Mather, Leo Burnett Worldwide, and TBWA\Chiat\Day, Boyko found that "advertising creatives and account managers never spoke to one another." He says that "the businesspeople are the ones who pay the checks, but they aren't trained to look at creative content." Worst of all, "they aren't trained to collaborate, to rub elbows with those unlike themselves."

At Virginia Commonwealth, Boyko launched a new master's degree in creative brand management, which is an alternative





THESE **DESIGN-ORIENTED**PROGRAMS ZERO IN ON THE **DIFFICULTY** MANAGERS AND CREATIVE TYPES HAVE **WORKING TOGETHER**

MBA for those interested in careers as chief marketing officers or advertising account managers.

Sometimes managers need to get two kinds of training—technical and design—from two institutions to do their jobs. In France, Eloi Baudoux was on the fast track in 1998, when as a student in Paris' prestigious engineering school Ecole des Mines, he took a summer internship at Renault. But once inside the automotive giant, Baudoux found that his science background wasn't enough. "I realized that engineering activities would not allow me to get as close to the product, to the human and customer processes, as I needed to be." In fact, says Baudoux, "I found I could not be taken seriously within Renault without a design background."

Luckily, Ecole des Mines had a partnership with Strate Collège, a design academy in a Paris suburb (and a new addition to our list). When Baudoux finished his formal engineering training in 1999, he was able to move directly into a two-year Master's program in design.

Baudoux kept in touch with Renault, and in 2001 he met with a manager who was interested in recruiting a team to craft a vision for the company's research and development arm. Baudoux, two other design-engineers, and a sociologist were hired. His role at Renault is to offer strategic ideas for both designers and engineers. He explains to car designers how new technologies will affect the user experience. He also translates what experiences customers want to engineers, in order to help them build better cars.

"Sustainability" is on the lips of nearly all chief executives as they attempt to go carbon neutral in making and distributing their products and services. That means revamping materials, manufacturing, distribution, and their energy use.

True, there appears to be a lot of "greenwashing" going on, with companies buying dubious carbon emission offset credits to establish credentials that allow companies to call themselves green while flying executives on private jets to conferences and paying people not to chop down trees.

Yet companies are feeling real pressure from Wall Street to reduce environmental liabilities, from European customers demanding planet-friendly products and from younger new hires who take green issues seriously. Increas-

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DEEPER INTO DESIGN

Top Global D-Schools An extended interactive table and full methodology of how we chose our list at businessweek.com/go/07/dschools

Slideshows P&G teams up with the University of Cincinnati to develop new, sustainable products. Also: student projects from Hong Kong Polytechnic University and the Indian Institute of Technology's Industrial Design Centre.

Profiles Mad Ave maestro Rick Boyko and recent alums Eloi Baudoux from Strate Collège and David Smith from Bainbridge Graduate Institute

Design

ingly, CEOs themselves see sustainability as fitting well with strategies for market expansion and growth. So they are racing about looking for designers, managers, and strategists who are knowledgeable about building sustainable products and implementing processes.

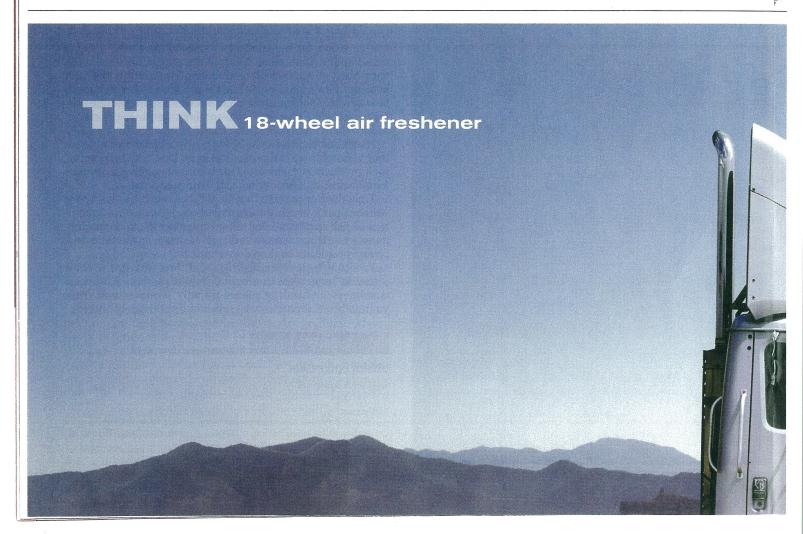
Companies are turning to design schools and programs for this kind of talent. The Illinois Institute of Technology's Institute of Design is offering a new business and design master's program in environmental management. This executive education program focuses on getting managers talking about the environment "in the early phases and in the corner office," says Jean-Paul Cruz, a business school professor teaching in the IIT design program.

Next spring, Northwestern University's Kellogg Business School's program in social enterprise is adding a class on sustainable manufacturing, bringing engineers and business students together to cooperate on product development with sustainability in mind. "It's top-down driven; CEOs are into it, so we believe we have to teach it to the students," says professor Walter Herbst.

European design schools have long been leaders in sustainability because of government regulations, consumer demands, and market opportunities. Design school KaosPi-



lot International takes a hands-on approach to designing in a global context. Not only does the school have headquarters in four Scandinavian countries, but students spend about half their degree traveling the world on team projects called Outposts, where they work on designs for businesses



JUST AS THEY HAVE BEEN LONG WILLING TO **UNDERWRITE MBAs,** COMPANIES ARE NOW SUPPORTING **STUDENTS IN DESIGN** PROGRAMS

and nonprofits in the local community. On their Outpost in Dublin, students plan to "green" the city of Dublin with roof gardens that would absorb CO_o.

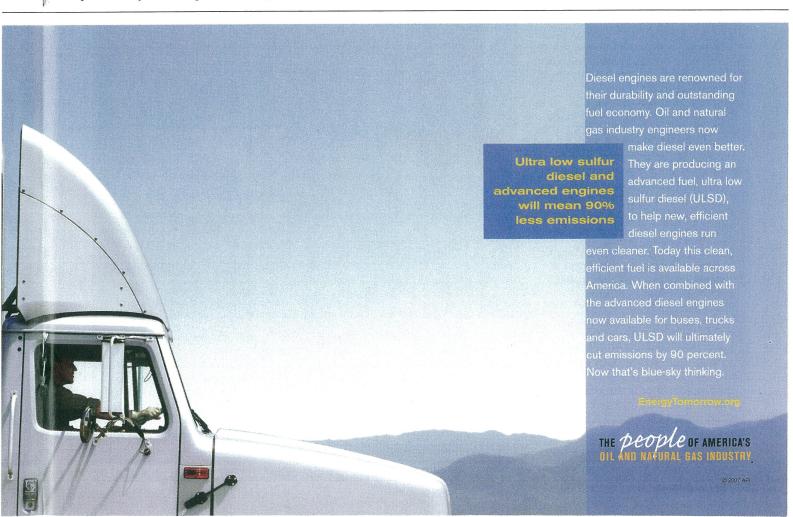
Whether it's in Cincinnati or Rio de Janeiro, some of the best ideas often come from students. At the Design Incubator at Escola Superior de Desenho Industrial in Rio, students devised a way to turn resin from discarded palm trees, which are harvested for their heart of palm fruits, into a material that is firm enough to be used as a replacement for wood. The class project has led to new products, from skateboards to furniture, while helping to recycle waste. And last spring, Parsons The New School for Design senior Rishi Desai organized a university-wide competition of sustainable design projects. In his senior thesis, Desai is turning insights from the competition into models for sustainable business.

Attracting top-of-class talent is getting more competitive, and some companies are already offering sweeteners. Just as they have long been willing to underwrite MBAs for

executives, they are now supporting students in design programs. At Stanford University's design school, where MBAs and engineers increasingly collaborate, consultants and companies line up for the best students.

So when Stanford MBA student Sarah Stein Greenberg asked to defer a job offer at business consultant Monitor Group to continue her Stanford D-school project designing irrigation schemes for rural farmers in Southeast Asia, the consulting firm agreed. They even let Greenberg spend another year at the D-school as a teaching fellow. She will start her job as a business consultant with Monitor this fall.

Bansi Nagji, chief executive of Monitor Innovation, says Greenberg's experience will make her a stronger asset. "[It] was compelling to us as we were starting to see the world in similar ways," says Nagji. Greenberg says she has learned "why some organizations can innovate and others can't." Students who can answer that question are just the talent that companies want.



SUSTAINING THE DREAM

STEELCASE'S CEO ON DESIGN AS A BUSINESS STRATEGY

JAMES P. HACKETT, president and CEO of Steelcase Inc., is an expert on design and innovation. He discussed implementing design strategy with *BusinessWeek* reporter Maha Atal.

What should be the role of design in the C-suite?

Businesses have relied for years on using business consultants to help them with problem solving. However, design thinking teaches businesses to become better themselves at problem solving.

How have you implemented these ideas at Steelcase?

In our initial product-development meetings, marketing folks would present PowerPoints of product ideas, and I would say: "What's the user insight that led to this product?" They would give me this look like I asked an unfair question. I suspect their feelings were: "We were never challenged to answer that question in business school." Then they would respond a bit desperately with an answer like: "The user wants it to be cheap." I'd call this a fast-food version of design. They felt they could use the word "user" without identifying the insight. So the next phase was getting people to celebrate the ethnographic side of product development: By building evidence of use and patterns, they could comfortably establish the need.

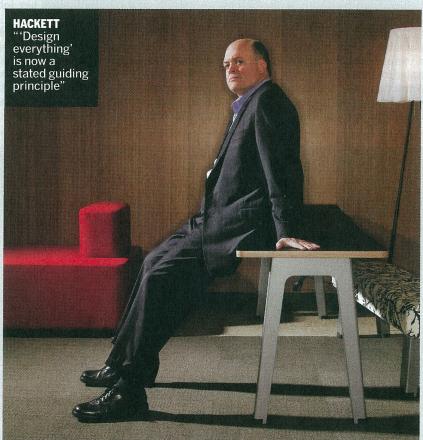
Developing products, services, and business functions along designstrategy lines requires a new belief system. How does a company institutionalize that?

One example is an exercise I took my 50 top-level executives through during a two-day design seminar about 10 years ago. I gave them an assignment to write the *BusinessWeek* article that would appear 10 years in the future, if design thinking was used to advance the company. I was trying to establish that design thinking was changing the game, and it couldn't

go in one ear and out the other. Not all of them have stayed with the company. In some cases, they never did get it, and I had to change the leadership of some parts of our business. only a principle but is embedded [in the organization]. My biggest disappointment is that some in the company continue to remain skeptical and consider it a fad—that it will go away. Design can always bring back value where it has been sucked completely dry by commoditization.

How can design thinking help a company achieve sustainability goals?

Sustainability proves the point of design thinking in that it suggests that one consider the materials, processes, and practices that a business employs. It is essential that business is able to see the layers of value that are created and the layers of waste. Design is the tool to analyze this.



Ten years later, what has this approach done for Steelcase?

We've gotten to the place where people in the company can articulate it. In fact, "design everything" is now a stated guiding principle for every person in the organization. And where we are having the most success as a company is where it's not

What's next for Steelcase in design strategy?

We're working with [innovation/design consultants] IDEO on the concept of using design to change whole user experiences. In other words, a true inspiring design that...moves beyond just the features of that product.



HEARD ON BROADWAY MONDAY 2:29 PM

Guy with PDA: I love it. How soon can we

get this into stores?

Short guy: Six months, maybe seven.

Guy with PDA: What can we do in six weeks?

Short guy: Change the color?

While other people talk about getting to market faster, we can help you get to market faster. IBM worked with Clarion Malaysia to speed product innovation, reducing design cycle time by half. See how at ibm.com/do/costs

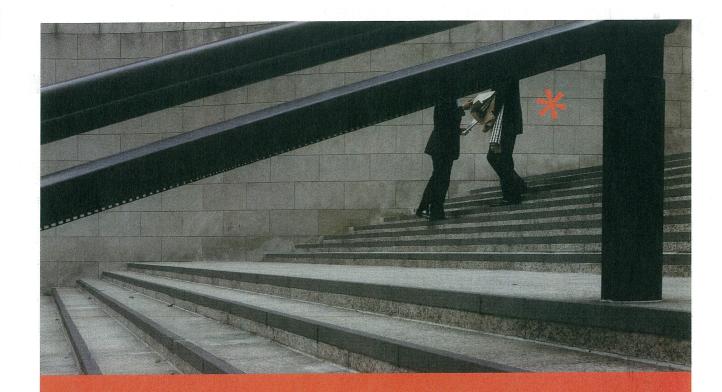




THE TOP DESIGN SCHOOLS

A panel of innovation consultants, academics, and executives selected the best design programs around the world. Here are 40 of the top 60. For the full list, go to businessweek.com/go/07/dschools.

NAME OF SCHOOL	LOCATION	SIGNATURE INNOVATIONS/PROGRAM DESCRIPTION
ARIZONA STATE UNIVERSITY, COLLEGE OF DESIGN	Tempe, Ariz.	At interdisciplinary studios InnovationSpace and Global Resolve, students work on company-sponsored projects and low-cost humanitarian designs.
ART CENTER COLLEGE OF DESIGN	Pasadena, Calif.	Undergraduate product-design students do corporate-sponsored projects and travel to INSEAD in France and in Singapore for courses in business, while graduate students learn design strateg
BAINBRIDGE GRADUATE INSTITUTE	Bainbridge Island, Wash.	Bainbridge is an MBA program that emphasizes sustainability and creativity. Students run CreateSessions, problem-solving seminars that are structured like design-strategy workshops.
CALIFORNIA COLLEGE OF THE ARTS	San Francisco and Oakland	CCA's longstanding joint product-development program with Berkeley's business and engineering schools is now focusing on sustainable design. CCA is launching its own design MBA.
CARNEGIE MELLON UNIVERSITY	Pittsburgh	The Integrated Product Development program puts business students, designers, and engineers into mixed teams to work on sponsored projects.
CLEVELAND INSTITUTE OF ART	Cleveland	Its product-design degree is the oldest in the country. CIA is working with Case Western's Weatherhead School to bring design businesses to Cleveland.
DARTMOUTH COLLEGE, Thayer school of Engineering	Hanover, N.H.	The Thayer School offers courses in engineering design and design thinking and a master's in engineering management. At Cook Design Center, students work on corporate-sponsored projects.
ESDI BRASIL	Rio de Janeiro	ESDI offers product design and design methods. A university design incubator lets students turn their own projects into viable business models.
GEORGE BROWN COLLEGE	Toronto	George Brown offers innovative degrees in design management and a 10-month program on sustainable design, currently focusing on affordable housing.
GEORGIA INSTITUTE OF TECHNOLOGY	Atlanta	Georgia Tech's digital media, industrial design, and engineering departments share resources to let students pursue interdisciplinary programs and do contract work for companies.
HARVARD BUSINESS SCHOOL	Boston	Professor Stefan Thomke teaches courses on operations management that fold in innovation, product development, and design thinking.
HONGIK UNIVERSITY COLLEGE OF DESIGN	Seoul	Although Hongik is known chiefly for the technical skill of its product-design graduates, theoretical, environmental, and human factors are getting increased attention.
HONG KONG POLYTECHNIC University	Hong Kong	Its College of Design offers business-minded degrees such as design strategy, product innovation, and design in practice.
ILLINOIS INSTITUTE OF Technology's institute of design	Chicago	A graduate program in design offers students a dual degree with the business school, teaching business executives to use design strategy to solve corporate challenges.
(AOSPILOT INTERNATIONAL	Aarhus, Denmark	KaosPilot is an interdisciplinary business program for both undergraduates and graduates. They work on design projects for companies or nonprofits.
LES ATELIERS ENSCI	Paris	ENSCI partners with technology departments around France and design schools across Europe as well as major global companies.
MASSACHUSETTS INSTITUTE DF TECHNOLOGY	Cambridge, Mass.	MIT's product-development course joins MBA students and engineers with designers from RISD. In addition, students take interdisciplinary courses in leadership and manufacturing.
NATIONAL CHENG KUNG UNIVERSITY	Tainan, Taiwan	At the university's new Institute of Creative Industry Design, students from the school's six departments are placed on interdisciplinary teams.
NATIONAL INSTITUTE OF DESIGN	Ahmedabad, India	A design institution with strong links to industry, NID has its students work with companies on design projects and on rapid prototyping. NID now offers a degree program in strategic design.
NORTH CAROLINA STATE UNIVERSITY COLLEGE OF DESIGN	Raleigh, N.C.	Designers, engineers, and MBAs work together on projects for companies, while engineers and MBAs team up in a service design concentration.



HEARD ON STEPS OF MAIN OFFICE FRIDAY 8:15 AM

Smart guy: But how do we differentiate in a customer-centric environment?

Witty guy: Everyone else is going virtual.

Smart guy: Great. Let's do that.

Everyone's looking for innovative ways to make customers happier. Few know where to start. IBM helped Staples reshape their customer experience, resulting in a 60% increase in their online conversion rate. See how at ibm.com/do/experience

STOP TALKING START DOING

Design

NAME OF SCHOOL	LOCATION	SIGNATURE INNOVATIONS/PROGRAM DESCRIPTION
NORTHWESTERN UNIVERSITY'S KELLOGG AND McCORMICK SCHOOLS	Evanston, III.	In addition to product design and innovation within Kellogg, Northwestern offers a dual degree involving its business and engineering schools.
NYU INTERACTIVE TELECOM- MUNICATIONS PROGRAM	New York	Professor Red Burns has art students, designers, and students from other NYU programs work on rapid prototyping and interactive media design.
PARSONS THE NEW SCHOOL FOR DESIGN	New York	Companies like Target sponsor projects for Parsons' programs. In addition to classic design degrees, the school offers a business strategy degree in design and management.
PRATT INSTITUTE	Brooklyn, N.Y.	Pratt has one of the oldest programs in design strategy and has offered a master's in design management since 2000.
RENSSELAER POLYTECHNIC INSTITUTE	Troy, N.Y.	RPI offers degrees in product design, business ethics, innovation, and technology. Its a company-sponsored design lab trains the inventors of the future.
RHODE ISLAND SCHOOL OF DESIGN	Providence	RISD's partnership with MIT puts designers, MBAs, and engineers into teams to work on product development and business models for clients such as Nokia.
ROCHESTER INSTITUTE OF TECHNOLOGY	Rochester, N.Y.	Industrial, graphics, and new-media designers at RIT collaborate with engineers and business students on projects for companies such as Kodak and Xerox.
ROYAL COLLEGE OF ART	London	RCA helps students turn their projects into businesses through their Innovation RCA Lab. The college is launching a partnership with Imperial College's engineering faculty and Tanaka Business School.
SAN JOSE STATE UNIVERSITY, SCHOOL OF ART & DESIGN	San Jose, Calif.	One of the nation's top art programs, San Jose State is growing increasingly business-minded, starting a partnership with UC-Berkeley's business school on new-product design.
SHIH CHIEN UNIVERSITY	Taipei, Taiwan	In an interdisciplinary program with Taipei Business School, companies send representatives to teach. Design students can work for corporate clients such as Motorola.
STANFORD UNIVERSITY: HASSO PLATTNER INSTITUTE OF DESIGN, AND THE PRODUCT DESIGN ENGINEERING PROGRAM	Palo Alto, Calif.	An interdisciplinary center offering classes to students from all fields at Stanford, the Hasso Plattner Institute has students work on design for such corporate clients as Mozilla. Meanwhile, Stanford's product design undergraduate degree has been producing leaders in innovation for 50 years.
STRATE COLLEGE OF DESIGN	Paris	Known for its excellence in product and transport design, Strate Collège offers a degree in innovation management in partnership with engineering school Ecole des Mines.
TSINGHUA UNIVERSITY	Beijing	Tsinghua is expanding from a technical to a strategic design focus. The university holds partnerships with leading design schools in Europe and America.
UC-BERKELEY, HAAS SCHOOL OF BUSINESS	Berkeley, Calif.	Berkeley and California College of the Arts are partners in a product design course, in which engineers, business students, and designers work on prototypes and business plans.
UNIVERSITY OF CINCINNATI, DESIGN, ARCHITECTURE, ART & PLANNING PROGRAM	Cincinnati	Does sponsored work for corporate clients, but what really sets the school apart is its cooperative system in which students are required to work off campus for a company.
UNIVERSITY OF ILLINOIS AT CHICAGO	Chicago	Offers interdisciplinary product-design courses to business and engineering students. This year, Motorola will be sponsoring an Innovation Center.
UNIVERSITY OF MICHIGAN, INTEGRATED PRODUCT DEVELOPMENT PROGRAM	Ann Arbor, Mich.	Corporate partners at the Tauber Institute sponsor the university's integrated product-development program, where designers, engineers, and MBA students team up to propose business plans and prototypes, then let local consumers vote.
U. OF TORONTO, ROTMAN SCHOOL OF MANAGEMENT	Toronto	Among the first business schools to begin teaching design as a strategic advantage, through product development and prototyping classes that pair designers with MBA candidates.
VIRGINIA COMMONWEALTH UNIVERSITY ADCENTER	Richmond, Va.	At Adcenter, professionals from major marketing firms and ad agencies teach interdisciplinary classes to students in communications and business fields.
ZOLLVEREIN SCHOOL OF MANAGEMENT & DESIGN	Essen, Germany	A graduate school for management and design, Zollverein offers an executive MBA in design leadership and a corporate focus on design as innovation strategy.



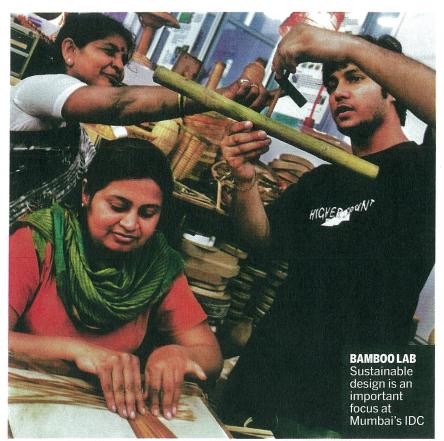
HEARD ON RED-EYE TO FRANKFURT WEDNESDAY 6:15 AM

Pink argyles: How are we doing on the global collaboration plan?

Barefoot: We're having trouble getting buy-in from the local offices.

You've heard everyone talk about innovative business models, but IBM has the experience to help you actually get it done. Download our white paper "The Power of Many" at ibm.com/do/collaboration





RISE OF THE **ASIAN D-SCHOOL**

MORE STUDENTS ARE OPTING FOR PROGRAMS—AND JOBS—AT HOME

EUROPE AND THE U.S. HAVE LONG DOMINATED design education, but Asian schools are quickly catching up. Having demonstrated their ability to teach engineering and technical skills, Chinese, Korean, Indian, and Taiwanese universities are now graduating thousands of design students every year. And a growing number offer programs in design strategy, innovative thinking, and sustainability.

Shih Chien University in Taipei, for example, is teaching "creativity management" classes. So is India's National Institute of Design. At Taiwan's National Cheng Kung University, a year-old graduate program called Institute of Creative In-

dustry Design is fostering what one professor calls OCM thinking, for Own Culture and Manufacturas creative industry planning and cognitive behavior research.

Global corporations chasing Asian consumer wallets are pouring money into research projects and workshops in design schools from Shanghai to Seoul. Oregon Scientific and LavAzza Coffee are teaming with graduate students at Hong Kong Polytechnic University to develop new business strategies. Levi Strauss, Estée Lauder, and Ford are tapping Shih Chien students for insights and designs. Autodesk Inc. recently funded a faculty research chair at the National Institute of Design in India.

The influx of interest, funding, jobs, and internships means Asian design students are starting to see opportunity at home as well as abroad. In India, domestic companies such as Videocon, an industrial conglomerate, are setting up design departments for the first time. Meanwhile, Korean, Japanese, U.S., European, and other global companies keep flowing into India. "In terms of job opportunities, it's a very good time," says Ravi Poovaiah, a professor at Mumbai's Industrial Design Centre (IDC), part of the India

Institute of Technology.

The shift is seismic. "For years, we have sent our students to Europe and the U.S.," says Chiho In, a professor at Korea's Hongik University. "Now, we're also trying to build relationships in Asia." In fact, while the 11 Asian schools on BusinessWeek's Global Design School list boast numerous partnerships in Europe and North America, many also link to nearby Asian institutions.

A DRIVING FORCE

SUSTAINABILITY IS FAST becoming a major issue in Asia, particularly in China. Beijing's Tsinghua University recently hosted a sustainable design workshop with Milan Polytechnic University. At Mumbai's IDC, it has been a driving force for years. "The Indian way of life is to not waste a thing," says IDC's Poovaiah. "It's part of how we look at products, too." That ethos is spurring IDC students to design fuel-efficient cars and bamboo products ranging from furniture to

fixtures in its own Bamboo Lab.

Other schools take a broader view. Students at Hong Kong Polytechnic spent the summer of 2006 brainstorming ways design could assist rural ethnic minorities in China. One idea: Establish direct trade between farmers in the province of Yunnan and Hong Kong hotels that might purchase herbs for use in their toiletries. IDC students are designing mobile learning devices for migrant workers and carts for street-food vendors. "There are still so many things that need to be designed," says IDC's Poovaiah. "Asia is a gold mine of opportunity for designers."

-By Elizabeth Woyke

GLOBAL CORPORATIONS ARE POURING ing. Courses focus on topics such MONEY INTO RESEARCH PROJECTS AND **WORKSHOPS** FROM SHANGHAI TO SEOUL