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## **Designing a winning strategy**

by Michael Kelly

**Roger Martin, *The Design of Business: Why Design Thinking is the Next Competitive Advantage*. Harvard, 2009.**

In his latest book, **Roger Martin**, one of Canada's leading management thinkers, provides a thought-provoking discussion on the changing nature of value creation in the 21st century.

Currently dean of the Rotman School of Management at the University of Toronto, Mr. Martin is well known internationally for his work on competitiveness and innovation.

*The Design of Business* is a short, complex and sometimes esoteric book that combines a discussion of epistemology, Aristotelian logic and obscure American philosophers with insights on innovation, competitive advantage and organizational design. This is no small feat and Mr. Martin actually does it quite well.

While some of elements of his argument about the challenges of fostering creativity and innovation can be found elsewhere in the literature, e.g. Clayton Christensen's *The Innovator's Dilemma*, no one yet has provided this type of insightful philosophical underpinning for their case.

I must admit that reading his discussion of how logical, adductive reasoning offer different paths to value creation caused me to have some painful memories of my undergraduate class in the philosophy of science. However, it is worth persevering for the valuable insights that eventually flow from this novel approach.

The first part of the book outlines the process by which businesses advance knowledge and capture value. This discussion is organized around the book's core concept which Mr. Martin calls the knowledge funnel. This is a three-stage model depicting the advance of knowledge from mysteries, or problems that we are trying to explain, through heuristics, or rules that guide us towards a solution to eventually algorithms and formulae which reduce heuristics into repeatable processes.

In the author's view, most companies today focus their efforts on the exploitation of knowledge while neglecting the exploration of new mysteries. They are organized to exploit algorithms by building scale and size and by emphasizing standardized and efficient processes in order to maximize profits on existing products and services. If innovation takes place at all, it tends to be of the incremental type. With their emphasis on rationality, objective analysis and quantitatively based decision-making, he terms them "analytical thinking" organizations.

Mr. Martin's central argument is that if companies are to create real value and compete effectively in the 21st century, they will need to develop the ability to move rapidly up and down the knowledge funnel, perpetually innovating by continually exploring new mysteries and exploiting their solutions. To do this, they will have to embrace design-thinking with its emphasis on the use of creativity and imagination, as opposed to analysis, to solve new mysteries and be prepared to continuously redesign their organizations to meet changing opportunities.

The final part of the book offers advice on becoming a design-thinking organization. For the most companies, the changes required are quite radical. According to Mr. Martin, businesses will need to think differently about their structures, processes and cultural norms. They will need to act more like a design shop by adopting more flexible, project-oriented and collaborative structures. Financial planning will need to focus on goal-setting and spending limits instead of targets based on past data. Rewards and recognition will have to go to those who solve big problems as opposed to those running big organizations. Constraints will need to be seen as opportunities for creativity.

Mr. Martin notes that these efforts are likely to meet with significant resistance from managers, boards and stock market analysts whose analytical training reinforces the current exploitative approach to value creation. He even suggests that in a competitive reality that emphasizes creativity and imagination over analysis, MFAs (Masters of Fine Arts) may become more valued than MBAs.

Like every good business book, this one provides several case examples, several of which Mr. Martin has been directly involved with in recent years. They include Cirque du Soleil, Research in Motion, Procter & Gamble, IDEO, Apple Inc., Toronto's Hospital for Sick Children, Herman Miller, Steelcase and Target. The last two companies are used to demonstrate the different approaches that traditional companies have taken to become design thinkers.

In producing this book, Roger Martin lives up to his reputation as a creative thinker and an important contributor to the literature on competitiveness. If nothing else, this book will get you thinking differently about what it takes to successfully compete in the coming decades.

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