



The dean of design

Want to get ahead in saturated markets? According to **Roger Martin** of the University of Toronto, the answer is simple. Leverage design

BY ERIN POOLEY

Roger Martin was on a red-eye flight from San Francisco to Toronto when he experienced a "crowning moment"—at least in terms of Air Canada's less-than-stellar reputation for customer service. As the sole passenger in the business-class cabin, the 50-year-old dean of Toronto's Joseph L. Rotman School of Management was stunned when, just minutes from landing, the stewardess assigned to his section of the plane promptly collected her bags, threw on her trench coat and darted to the front exit.

"Meanwhile, my jacket was still hanging up at the front of the plane, but she didn't give me one iota of attention. As soon as the plane landed, she was out the door," says Martin. "That's the problem with Air Canada. The most important person in the whole business equation is them, not the customer."

Martin's experience is illustrative of a larger point. As consumer tastes have become more sophisticated, so too have their sensibilities. In order to stay competitive both at home and abroad, Martin says Canadian companies need to think more like designers

than administrators. Thinking like designers means coming up with "elegant business solutions" that satisfy both the customer and the bottom line. The advantage? By taking risks on innovative products designed around the customer experience, Canadian businesses will reap the benefits of being market leaders in their respective fields.

One Canadian company that understands this concept is Four Seasons Hotels and Resorts. While large multinational hotel chains such as Hilton and Sheraton used to set the bar for high-end design, now, a monumental shift has occurred, forcing these hospitality heavyweights to rethink their business models. Winning in the hotel business used to be about size—bigger rooms, bigger beds, bigger pools, etc. Now, Martin says the discerning traveller is choosing hotels such as the Four Seasons or the W because of the personalized, boutique experience. In fact, Four Seasons ranked as one of Canada's leading global brands (based largely on revenue figures) in a 2004 report that examined the Top 5 companies in various industry segments.

"[Company chairman] Issy Sharp will talk passionately about the plumbing," Martin says. "Four Seasons has figured out how to make sure the plumbing doesn't make noise. They work assiduously on the flow rate in tubs to make sure their tubs fill up fast, because when people want a bath, they want a bath. They've figured out what characteristics the shampoo bottles need to have in order to be openable with wet hands. All of that is thought through very, very carefully. None of these things happen by chance."

Martin's so-called design revolution is, of course, about much more than mere plumbing. And while nothing about great design is accidental, it does require a willingness to reward pie-in-the-sky ideas that rely less on proven formulas for business success, and more on hunches about service or product innovations that might work

The design premium

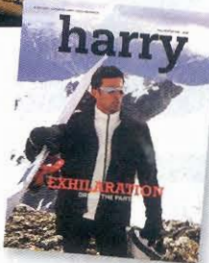


Four Seasons Hotels

Bigger isn't always better in the hospitality business. Recognizing that customers were looking for a more personal, boutique hotel experience, chairman Issy Sharp decided to pay attention to the little things, including the design of shampoo bottles and the flow rate of bathtubs. It worked, says Rotman dean Roger Martin. The \$2.4-billion Toronto-based company has become one of Canada's leading global brands.

Research In Motion

The now infamous BlackBerry started out as a well-researched hunch. Co-CEOs Mike Lazaridis and Jim Balsillie had a "feeling" that combining wireless e-mail with voice functionality in one device was a convenience customers could use. Then they designed a product to do exactly that. It paid off—the Waterloo, Ont.-based tech company currently boasts a whopping \$24-billion market capitalization.



Harry Rosen

Upscale Canadian men's clothier Harry Rosen isn't just in the business of selling suits, shirts and ties. The company has designed an entire retail experience that starts the moment the customer steps into the store

and includes personalized fashion advice and ongoing customer support. Result? Almost three consecutive years of double-digit sales growth and an aggressive plan to increase the volume of goods sold by 50% in five years.

in the future. As Martin sums it up: "There's nothing new, innovative or creative that you can prove in advance. Companies serious about design need to start by banning two words in the common corporate lexicon: 'prove it.'"

Martin's message certainly seems to be getting through to the North American design community—where his name has practically become a household term among leading design intelligentsia. Still, only a handful of Canadian companies have embraced this new way of doing business. But unlike their more skeptical counterparts, corporations such as Four Seasons and Harry Rosen Inc. understand that good business design is about much more than making pretty products—it's about maintaining a competitive advantage in an increasingly cutthroat world.

Martin's design epiphany did not come overnight. But as chair of the Institute for Competitiveness & Prosperity—a Toronto-based independent not-for-profit think-tank established in 2001—the business-school dean grew increasingly concerned about Canada's economic competitiveness on a global scale. One way to ensure the continued

success of Canadian companies, he says, is through designing "elegant, refined products in imagination-intensive industries." For Martin, a former business consultant who counts many of the who's who of the Canadian corporate world among his closest colleagues and friends, business design has become somewhat of a pet project. He's even launched a pilot program at Rotman this fall to help students think more creatively when it comes to solving "wicked"—particularly complex—business problems.

To understand the fundamental shift in value creation between the 20th and 21st centuries, Martin says it helps to think of the Big Mac. Like McDonald's, companies that traditionally excelled were those that successfully identified an unmet need in the marketplace and figured out an easily scalable formula to meet that need. For the Golden Arches, this formula revolves around cost, taste and production time. It's why a McDonald's hamburger tastes, and weighs, the same from Moscow to Manhattan. Same story for companies such as Ford Motor Co., Dell Inc. and

Wal-Mart Stores Inc.—all multibillion-dollar global firms that have mastered the large-scale production of products and services they can prove work, based on replicable, consistent outcomes from the past.

But with the expansion of the service-based economy, the advent of globalization and the impact of privatization and deregulation, we have reached what Hewlett-Packard Co.'s vice-president of design calls a "commodity pressure"—markets saturated with equivalent products. This makes it necessary to innovate, differentiate and simplify around parameters that have more to do with the customer experience than ever before.

"Maybe in the past you'd buy one [computer] notebook over the other because it had a better screen or longer battery life. Now, those things have reached parity," says HP's Sam Lucente. "People are looking for differentiators beyond that. It's no longer just about speeds and feeds. In the past, it was up to companies to make choices about what technology they served up to the masses. Now, it's about us making tools for the masses, ones that they're requesting."

In order to keep up with its competitors, the multibillion-dollar global technology company has embarked on a sweeping three-year design strategy that cuts across HP's hundreds of different product lines, including printers, cameras and personal and commercial computers. Lucente says the idea is to create a "steering wheel for digital information" designed around a user's optimal interaction with his or her HP product. Examples include a "quick play" button that allows kids (or anyone, for that

matter) to play a DVD movie without ever having to log on to their parent's operating system.

The company has already developed a universal "back" button that will offer HP's customers the security of knowing that, in

Lucente's words, "they can always get back to where they were," regardless of the user interface. A new button here or there may sound trite, but Lucente believes that innovating around these unmet customer needs will help open new markets, create new product offerings and extend the life of HP's technology assets. It also allows HP to charge premiums for the convenience of a product that its customers can't live without.

Upscale Canadian men's clothier Harry Rosen has also figured out how to leverage

MARTIN'S INSIGHT? DESIGN PRODUCTS AND SERVICES INTO A TOTAL EXPERIENCE

the power of design. Its take? To turn the retail experience into much more than just buying a new suit. Martin says customers who shop at Harry's are willing to pay a premium because of an in-store experience designed specifically with the time-strapped, and often shopping-averse, customer in mind.

"You don't come in to us to buy a commodity, you come in to us to buy the experience of us understanding what your needs are and putting together some recommendations to express them," says Larry Rosen, chairman and CEO at his father's eponymous store. It's a formula that works competitively, too, adds Rosen, who says Harry's is in its "third year of double-digit [sales] growth" and plans to grow its business by 50% in the next five years.

While the most outward examples of business design are happening in design-intensive industries such as consumer electronics and retail, other sectors of Canadian business have leveraged the power of business design, too. Martin points to Masonite International Corp., a door maker based in Mississauga, Ont., which was snapped up by U.S. private-equity giant Kohlberg Kravis Roberts & Co. last April for a cool \$3.3 billion.

"[Former CEO Philip Orsino] was always trying to do doors better, to serve customers better," says Martin. "He figured out that if they got into making door components—things like door coverings and trims—they wouldn't have to ship around the heavy cores. Instead they could ship [smaller components] to the ends of the earth. They were already winning, but they found a way to make their process, and their product, even better."

In each case, what distinguishes these Canadian companies from others is their intimate understanding of "the very bright line between what is acceptable quality and what is crap," says Martin. "Harry Rosen is a perfect example. He can't stand crap. He's got a view of what the store has to look like, what the clothes have to look like, what the level of service has to be, and anything less is crap."

Adds Martin: "Design in its broadest sense is figuring out the most elegant, efficient, effective way to do something—the way that is most matched with the user's needs. You create a system that efficiently delivers precisely what customers want."

Finding a way to provide consumers with an efficient and highly effective method of communicating wirelessly and on the go is exactly what Research In Motion Ltd.,

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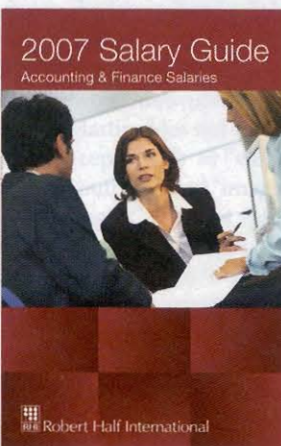
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BETTER BY DESIGN

based in Waterloo, Ont., did in 1998 when it launched the BlackBerry. At the time, Martin says company co-CEOs Mike Lazaridis and Jim Balsillie took a then-unproven concept—the idea that customers would use a portable device that would conveniently combine both voice and e-mail functions into one—and designed a device to do exactly that.

“It was a little bit like a game of roulette,” says Martin. “Like all innovations, if anyone had said, ‘Gentlemen, you have to prove to me that this would work before we give you funding,’ I don’t think they could have done it.”

Lazaridis has a slightly different take. “Entrepreneurs are misunderstood. They’re actually quite risk-averse; at least the ones that are successful. We use as many different tests and evaluations as we can in advance of releasing a product to make sure it is going to be overwhelmingly successful. Then, once we have a really great feel for it, we invest everything in it.”

For Lazaridis, that “feeling” came when he knew that combining “the value proposition of paging with the immediacy and communication richness of e-mail” created “hidden value” for the consumer in the form of the BlackBerry. RIM, of course, has evolved into one of North America’s most successful technology companies, with a current market capitalization of \$24 billion.

Part “feeling.” Part strategy. No matter which way you look at it, combining the uncompromising eye of a designer with the efficiency-driven mind of a CEO is a formula that makes sense. In this globally competitive business environment, where consumers—not corporations—are increasingly driving product decisions, business design is simply good business.

Unfortunately, says Martin, few Canadian companies have embraced this new way of doing business. Part of the problem? Overbearing fiscal legislation such as Sarbanes-Oxley places handcuffs on big business, making it difficult to innovate in a control-free environment. Martin believes a happy medium exists, but says it’ll require a loosening of the controls by administrators who have traditionally relied on business formulas from the past to drive successful strategy in the future.


In this respect, the North American business community may be its own worst enemy. Whereas good designers are more focused on using abductive knowledge—or

the knowledge of what *might* work, rather than what *will* work—hard-nosed CEOs want proof, necessitated in part by what Martin calls the “oppressive” fiscal and reporting controls currently placed on publicly traded companies.

“The current wave of governance is ill-considered. It’s counterproductive and a massive overreaction. It’s literally given strength to the dark side,” says Martin, referring to the dampening effect legislation such as Sarbanes-Oxley has had on business’s willingness to innovate around unproven concepts or ideas. “The people behind Sarbanes-Oxley would be happy to crush all validity in companies and watch a whole bunch of North American companies slowly grind to a halt.”

A tad overdramatic? Perhaps. But Martin warns the net effect of overbearing regulatory and fiscal controls placed on North American corporations will ultimately result in a loss of competitiveness of Canadian companies and the economy as a whole. It also means more companies will opt to go private, or stay private, in order to innovate in a pressure-free environment. And for the time being, the few public Canadian companies that have embraced Martin’s business design philosophy are being forced to do so in “hostile territory,” or under what he believes is the overzealous watch of shareholder activists. Martin has even designed a graphical representation—two overlapping bell curves—that he uses to explain the communication gap between creative thinkers, or those more likely to solve problems substantiated on future events, and business people, or those who lean toward reliable, consistent and replicable outcomes when designing solutions.

Meeting somewhere down the middle isn’t impossible. Martin does not dispute the fact that concepts such as “elegant design,” “graceful outputs” and “imagination-intensive strategies” may not inspire confidence among corporate types. Still, he clearly believes the two worlds of business and design have much to offer one another. At its base, he is advocating that businesses design solutions to complex problems, rather than simply administer them, and that businesses reward risk-taking, embracing a start-from-scratch mentality when it comes to new products, services and processes.

He can’t prove his theories. But judging by the success of companies like RIM and Four Seasons, he might just be on to something. 



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