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The Design Of Business

By Roger Martin,
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The McDonald's empire started with a mystery, according to Roger Martin, dean of the Rotman School of Management at the University of Toronto.

Two brothers, Dick and Mac McDonald, had opened a small chain of barbeque and burger drive-ins in the Los Angeles suburbs to take advantage of the automobile culture and restless youth. But families were avoiding the restaurants because of the throngs of teenagers hanging around. They were also irritated that their food often arrived cold by the time they received it from the carhops.

The mystery: How could the small chain win the patronage of those families in the early days of the baby boom?

The preliminary answer they devised was that people seemed to want a quick, convenient, tasty meal.

That was, in Prof. Martin's terms - prepare yourself, for he is a consultant turned academic - a "heuristic." It's a concept that narrows down the business mystery to a manageable size, offering a solution. Often, it's a hunch, a rule of thumb that will guide action, according to Prof. Martin in *The Design Of Business: Why Design Thinking Is The Next Competitive Advantage*.

From that rule of thumb, they developed a more detailed answer. It was a simplified approach, with a menu of just 25 items, the burgers all coming with predetermined, standardized garnishes. The carhops were eliminated, replaced by service windows where the customer could order and pick up the items more quickly.

They also employed productivity enhancers, like the milkshake mixer hawked by a guy named Ray Kroc that could pump out five milkshakes at a time, turning around orders faster. (In time, Mr. Kroc, amazed at the success of the McDonald's brothers' restaurants, would further revolutionize that formula for the prototype quick-service restaurant we now take for granted.)

The formula for success in situations such these are, in Prof. Martin's terms, an "algorithm" - a rule specifying how to solve problems. The reward is a massive gain in efficiency.

Indeed, there were a series of algorithms that led to McDonald's success, he tells us, as the chain under Mr. Kroc developed formulas for site selection, training unskilled labour, and procuring and using supplies of food and beverages.

Behind successful businesses, Prof. Martin tells us, is a "knowledge funnel" - it starts with a mystery, and then narrows to a heuristic and algorithm. It also requires what he calls design thinking to provide a new design for an innovative business.

Our traditional analytical thinking often leads businesses to seek proof before making any changes. That generally means no changes, as the data required for the proof is historical and can't provide the certainty about the future analytical thinkers crave.

But another form of thinking - abductive thinking - can keep a business constantly renewing itself, as the McDonald brothers did, through "logical leaps of the mind," to use the description of Charles Sanders Peirce, who studied the origin of new ideas and first described this form of thinking. Its aim is to outline what might be true, and is the basis for the design thinking Prof. Martin is promoting.

Prof. Martin says that most leaders find such logical leaps too risky. They're not consistent or reliable. They don't adhere to predetermined budgets because they involve entering the realm of the unknown - the possible.

"But the far greater risk is to maintain an environment hostile to abductive reasoning," he writes.

"Without the logic of what may be, a corporation can only refine its current heuristic or algorithm, leaving it at the mercy of competitors that look upstream to find a more powerful way out of the mystery or a clever new way to drive the prevailing heuristic to algorithm."

Prof. Martin points to Research In Motion  Ltd., where design wizard Mike Lazaridis, the company's founder, and co-CEO, came up with the BlackBerry and subsequent twists on it to meet new markets.

Mr. Lazaridis doesn't use the term mystery, but he focuses in the same fashion on solving paradoxes, most particularly for the original breakthrough on how to reduce size for laptops yet create a better and more usable product. As keyboards on laptops became increasingly smaller and harder to use, he solved that paradox by having people use thumbs.

But there's a third, related factor to consider in understanding design thinking. And again, it can be initially difficult to grasp, because of the terminology.

Organizations prize "reliability." Indeed, as Prof. Martin notes, "they worship at the altar of reliability." They want systems to work efficiently. They want to be able to predict sales next year. They want consistent, predictable outcomes.

But innovative thinkers - the book cites as an example Toronto autism researcher Stephen Scherer - often look at what is inconsistent, and why, to help us take great leaps forward.

They want "validity" - something that will be valid in the better world they seek. They want outcomes that will meet a desired objective, be it a handheld device that accesses the Internet or cures for disease.

Successful organizations, Prof. Martin states, need a balance between these two instincts of reliability and validity: "Without validity, an organization has little chance of moving knowledge across the funnel. Without reliability, an organization will struggle to exploit the rewards of its own advances."

That may all seem a bit abstract, and confusing because of the terminology. But the book is surprisingly easy reading, because he is an excellent storyteller, and illustrates his thesis with memorable examples, often from Canadian companies. Terms like heuristic and reliability start to become familiar concepts that don't stop the brain every time you encounter them. And the book is important, laying out a new way of thinking for leaders that propels organizations forward.