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BUSINESS BOOKSHELF

By Morgen Witzel

## What makes innovation work isn't really a mystery

*The idea that a systematic approach to design is key to success isn't as novel as 'The Design of Business' may make it seem -- the concept was introduced in the 1800s. Still, the book is worth a read.*



What distinguishes truly innovative businesses? Over the years, we have been told that innovative companies master the art of knowledge management; focus on their core competencies; get close to and listen to customers; have a long-term strategy for innovation and invest in the future; or are superior in identifying disruptive technologies.

Now, in "The Design of Business: Why Design Thinking Is the Next Competitive Advantage" comes a new idea, or what purports to be one. Roger L. Martin, dean of the Rotman School of Management at the University of Toronto, argues that the key to success is design, or what he calls "design thinking."

This attempts to harness the creative talents within a business and give them a focus toward a goal. Traditionally, says Martin, businesses have relied on one of two models of creative thinking.

The first is the analytical model, in which companies invest heavily in formal analysis of environmental trends, new markets and so on and try to predict where the world is going.

The second is the intuitive model, in which managers trust their instincts and feelings and develop innovations they think will work based on a kind of educated guesswork.

Martin says that "neither analysis nor intuition alone is enough. Rather than forcing a binary choice to drive out either analysis or intuition, the burden of this book is to reconcile the two modes of thought." The rest of the book aims to extract the best from both methods to combine them in a new model called the "knowledge funnel," which comprises three stages -- illustrated by Martin in the opening chapter by telling how McDonald's Corp. got its start.

The first stage concerns broad-based, often highly intuitive thinking in which people ponder questions and suggest answers. Martin terms this stage "the mystery," or the thing we cannot explain.

The second stage is the development of "a rule of thumb that helps narrow the field of inquiry and work the mystery down to a manageable size."

The third stage is the algorithm, a formal system for managing knowledge and getting innovation to the market. At this point, intuitive thinking ceases, and it is all about system and process.

In the 1950s, the McDonald brothers sought to figure out what American families wanted to eat when they went out for the evening. After experimenting with formats, they came up with a rule of thumb: Americans want a simple, quick and tasty meal.

Enter Ray Kroc, who formed a partnership with the brothers and developed a formal system for rolling out the concept to restaurants across the U.S. and then around the world -- the algorithm.

Later, Martin shows how companies such as Apple Inc. and Procter & Gamble Co. have used this system to good effect -- Apple to stay at the cutting edge of product development; P&G to refresh its customer offerings and make its products more attractive.

On the face of it, this looks like a good system. Start with the intuitive understanding, then use a combination of intuitive and rational methods to map out a design concept and translate this into a product or service, then use formal systems thinking to roll it out.

The discerning reader may well be saying, "So what?" Although the book uses contemporary examples, the idea that a systematic approach to design is essential to business success was argued persuasively by Charles Babbage in "On the Economy of Machinery and Manufactures" in the 1830s.

Should that put you off reading the book? No -- old ideas still have value. In fact, for readers interested in the processes of design and of translating innovations from concepts from product to market, there are some interesting bits of detail and discussions on how exactly this is done.

Morgen Witzel is a frequent contributor to the Financial Times of London, in which this review first appeared.

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