

[FAST]TAKE

Roger Martin argues that to compete in a design-based economy, companies must become more like design shops. That means:

THINKING LIKE A DESIGNER



IT'S A PROJECT WORLD

Forget about permanent assignments. Your work will flow from project to project, and you'll organize your life around those projects.



REWARDS GO TO THE PROBLEM SOLVERS

Status won't come from managing big budgets and large staffs. Like designers, managers will be rewarded for "solving tough mysteries with elegant solutions."



THERE ARE NO PERFECT SOLUTIONS

The work style in conventional companies is to seek the perfect answer. That's inefficient and slow. Designers "try it, prototype it, improve it"—and move it.



DON'T WAIT FOR THE PROOF

Traditional companies reward those who "prove that something actually operates or that something must be." Design shops reward those with the foresight and courage to act on what "might be."



The business of design

BY Bill Breen

quick, what's your IQ? No, not your intelligence quotient—your imagination quotient. In this turbulent, get-real economy, the advantage goes to those who can outimagine and outcreate their competitors. So says Roger Martin, who has devoted his professional life to the study of competition—first as a director at Monitor Co., the Boston-based consultancy, and now as dean of the University of Toronto's Rotman School of Business.

Martin believes that the North American economy is radically transforming. As the production of goods and services increasingly becomes routinized, the cost advantages across a growing array of industries accrue to China and India. Scale alone is not enough to thrive in a world where markets are rapidly globalizing; incremental improvement won't deliver a decent ROI. Our companies will continue to prosper only if they push to the higher ground of innovating and creating "elegant, refined products and services"—which might well be produced elsewhere.

The upshot, says Martin, is nothing less than the emergence of the design economy—the successor to the information economy, and, before it, the service and manufacturing economies. And that shift, he argues, has profound implications for every business leader and manager among us: "Businesspeople don't just need to understand designers better—they need to become designers."

In a recent interview in Toronto, Martin asserted that real value creation now comes from using the designer's foremost competitive weapon, his imagination, to peer into a mystery—a problem that we recognize but don't understand—and to devise a rough solution that explains it. "For any company that chooses to innovate, the foremost challenge is this," Martin says. "Are you willing to step back and ask, 'What's the problem we're trying to solve?' Well, that's what designers do: They take on a mystery, some abstract challenge, and they try to create a solution."

The trouble is, when confronted with a mystery, most linear business types resort to what they know best: They crunch the numbers, analyze, and ultimately redefine the problem "so it isn't a mystery anymore; it's something they've done 12 times before," Martin says. Most don't avail themselves of the designer's tools—they don't think like designers—and so they are ill-prepared for an economy where the winners are determined by design.

And that, Martin claims, means traditional organizations must reinvent themselves to perform more like design shops. In this new world, there are fewer fixed, permanent assignments. Instead, work flows from project to project, and people organize their lives around their projects, just as in a design shop. Accenture, for example, is more efficient in part because it's a project-based organization—it doesn't staff up for things that aren't projects, and it doesn't allow projects to become permanent.

Design-influenced companies also understand their customers at a profound level and mobilize around that insight. The Four Seasons Hotels and Resorts' detailed study of customers led it to conclude that it could win by offering first-class service, and so it invested enormously in recruitment and training. The chain visualized the desired outcome—"make people feel great"—and reinvented itself to deliver an exceptional "user" experience.

Organizations that embrace a design-based strategy also employ the practice of rapid prototyping. Whereas conventional companies won't bring a product to market until it's "just right," the design shop is unafraid to move when the product is unfin-

ished but "good enough." Designers learn by doing: They identify weaknesses and make midflight corrections along the way.

Design's powerful impact on business strategy will require a whole new way of thinking. Martin asserts that traditional companies "reward two types of logic: inductive (proving that something actually operates) and deductive (proving that something must be)." Designers combine inductive and deductive reasoning to create a fresh approach—abductive thinking—which Martin defines as "suggesting that something may be and reaching out to explore it." Instead of acting on what's certain, designers bet on what's probable. Companies such as Apple act like design shops by saying, "If everything must be proven, we'll never make the likes of an iPod."

In a global economy, elegant design is becoming a critical competitive advantage. Trouble is, most business folks don't think like designers.

Martin believes that business schools are also out of position for the emerging design-based economy. In his view, even the degree—a master's of business administration—is problematic. "We're telling students that the big bucks are made by administering linear improvements—get-

ting better and better at doing essentially the same thing," he says. "But the real challenge lies in getting better and better at a different thing: devising clever solutions to wickedly difficult problems."

That view has led Martin and a handful of other pioneers to lead a groundbreaking effort to redesign business education itself. In a first step, Rotman has allied with the Ontario College of Art & Design to launch a series of joint courses. The Illinois Institute of Technology's Institute of Design recently launched a nine-month-long executive master's degree program in design methods. And Stanford University has committed \$35 million to launch its "d.school," where people from large companies and startups alike will come to learn design thinking. "We want to produce T-shaped thinkers," says David Kelley, the chairman of Ideo and founder of the d.school. "That means combining analytical thinking—the vertical leg of the T—with horizontal thinking: intuitive, experimental, and empathetic."

And that's only the beginning. Rotman, the Institute of Design, and the d.school are in the early stages of mapping out a new discipline, "business design," which will seek to yoke business schools' rigor, practicality, and business relevance with design schools' creative problem solving and intensive understanding of the customer. The goal is to create a new generation of design- and business-based talent factories that will help fuel the North American economy as it undergoes its next great transformation. **E**

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