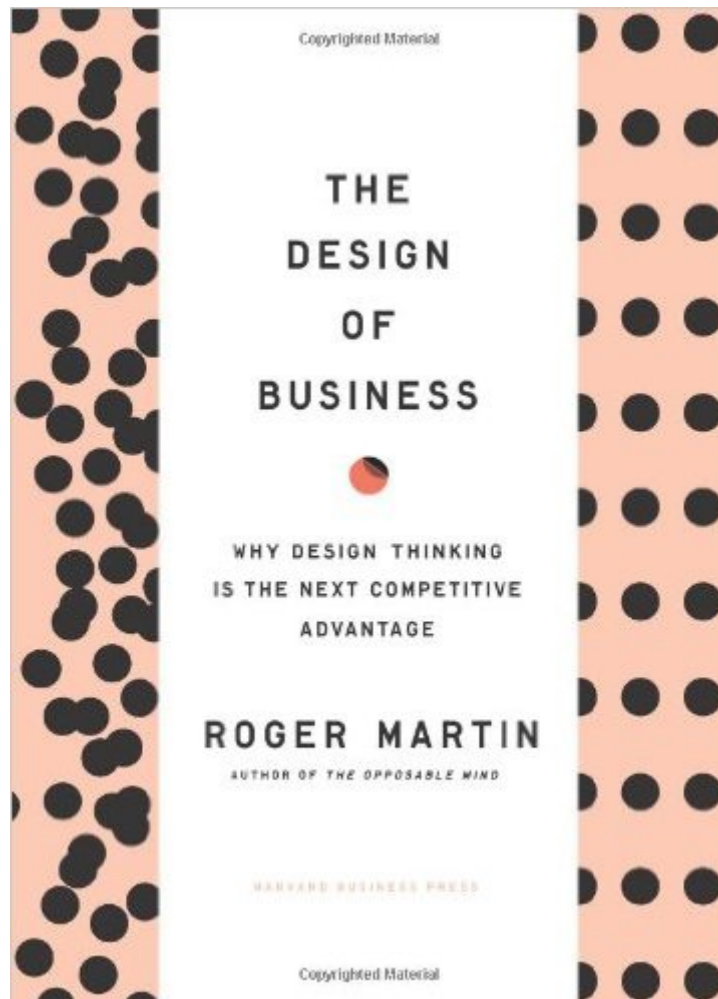


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# The Design Of Business: Why Design Thinking Is The Next Competitive Advantage



## Synopsis

Most companies today have innovation envy. They yearn to come up with a game-changing innovation like Apple's iPod, or create an entirely new category like Facebook. Many make genuine efforts to be innovative; they spend on R&D, bring in creative designers, hire innovation consultants. But they get disappointing results. Why? In *The Design of Business*, Roger Martin offers a compelling and provocative answer: we rely far too exclusively on analytical thinking, which merely refines current knowledge, producing small improvements to the status quo. To innovate and win, companies need design thinking. This form of thinking is rooted in how knowledge advances from one stage to another; from mystery (something we can't explain) to heuristic (a rule of thumb that guides us toward solution) to algorithm (a predictable formula for producing an answer) to code (when the formula becomes so predictable it can be fully automated). As knowledge advances across the stages, productivity grows and costs drop—creating massive value for companies. Martin shows how leading companies such as Procter & Gamble, Cirque du Soleil, RIM, and others use design thinking to push knowledge through the stages in ways that produce breakthrough innovations and competitive advantage. Filled with deep insights and fresh perspectives, *The Design of Business* reveals the true foundation of successful, profitable innovation.

## Book Information

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## Customer Reviews

*The Design of Business* by Roger Martin is a thought-provoking book that seeks to probe the

reasons behind the current state of business and the new ways of thinking needed to change that state for the better. The book in my opinion is miss-titled as it is more about thinking than design. This does not make it a bad book, but one that will disappoint readers looking for design techniques based on the title. Martin's thesis centers around a few key concepts including: The knowledge funnel where ideas and innovations move from exploring mysteries of business and customers, to defining heuristics and finally developing algorithms. While the funnel looks like a traditional innovation process, Martin applies it to aspects of organizational design, behavior and innovation to good effect. Martin points to the difference between managing businesses for reliability and seeking validity. Reliability concentrates on managing predictable performance, financials, reducing process variance and establishing control. Validity concentrates on learning what is right based more on heuristics and qualitative than quantitative methods. Martin's conjecture is that we need both, but probably need more validity to generate the creativity and innovation needed to survive in a dynamic market. Design thinking, here Martin borrows Tim Brown of IDEO's definition and makes the connection between design thinking and abductive reasoning which centers around observing data that does not fit with existing models or patterns. Abductive reasoning is in sharp contrast to deductive and inductive thinking that dominant business management.

It's unfair that some individuals can write so well about topics that can be a bit esoteric. Roger Martin, who is dean of the Rotman School of Management at the University of Toronto, has produced yet another good book about thinking differently. His first book, *The Opposable Mind*, captured how good business leaders can see past the traditional "either-or" alternatives to create "both-and" options. In *The Design of Business*, Martin offers a view that suggests that design should be the centerpiece or the starting point for much of the work we do in business, and why design is so important. He's not the first to suggest the importance of design, and a number of firms, such as IDEO, have been in the vanguard of the design-led forces. What Martin does well is to describe why design led thinking is important, and give examples of how to do it well. Martin argues that all knowledge moves through three stages - a mystery, a heuristic and an algorithm. Mysteries are about discovery of new opportunities or research into solving intractable problems. Heuristics are rules of thumb that narrow the size and scope of mysteries and make them more manageable. Algorithms reduce the heuristics into repeatable processes. This leads to two schools of thought in most businesses: exploration and exploitation, according to Martin. Most businesses are structured to exploit the algorithms, refining the way they do business and becoming highly effective and efficient, while neglecting the exploration of mysteries. Martin calls this the reliability-validity tradeoff.

The vast majority of businesses want "reliability" - clearly defined processes that are easily repeatable and produce the same results.

In one of his previously published books, *The Opposable Mind: Winning Through Integrative Thinking*, Roger Martin explains that all great leaders possess "the predisposition and the capacity to hold two [or more] diametrically opposed ideas" in their head and then "without panicking or simply settling for one alternative or the other," were able to "produce a synthesis that is superior to either opposing idea." Integrative thinking is a "discipline of consideration and synthesis [that] is the hallmark of exceptional businesses [as well as of democratic governments] and those who lead them." Great leaders develop a capacity to consider what Thomas C. Chamberlain characterizes as "multiple working hypotheses" when required to make especially complicated decisions. They do not merely tolerate contradictory points of view, they encourage them. In his latest book, Martin explains why "design thinking is the next competitive advantage." In fact, it may well be the most valuable application of integrative thinking, in part because, that successful business innovation is the result of collaboration and proceeds through a "path" or (as Martin describes it) a "knowledge funnel." The model for value creation that he offers in this book requires a balance - "or more accurately a reconciliation - between two prevailing points of view on business today." One is analytical thinking that "harnesses two familiar forms of logic - deductive reasoning and inductive reasoning - to declare truths and certainties about the world." The other is intuitive thinking - "the art of knowing without reasoning. This is the world of originality and invention...Neither analysis nor intuition is enough," however.

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