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Re-imagining the 'Design of Business'

Embracing Innovation Means Letting Go of Some Old Reliable Algorithms
Posted by James B. Arndorfer on [02.09.10](#) @ 02:59 PM



Plenty of marketers aspire to be, or at least be seen as, innovators. Who doesn't want to invent the next iPod? But most marketers aren't built to realize that ambition. They're not structured correctly. They lack the right leadership. They have the wrong attitude. And they're so beholden to proven processes that they're constitutionally incapable of handling the risk that's the ancillary of any breakthrough innovation.

"The Design of Business: Why Design Thinking is the Next Competitive Advantage" is a perceptive, wide-ranging, entertaining and, at less than 200 pages, tightly written guide for marketers that truly want to make innovation part of their DNA. Author Roger Martin, dean of the Rotman School of Management at the University of Toronto, has plenty of cred -- as a consultant, he's helped drive innovative thinking for marketers like Procter & Gamble -- and deftly uses examples to substantiate his points. He calls out the kind of leadership necessary to drive innovation, as well as how the rank and file can hone their skills.

The problem with Corporate America, Mr. Martin says, is its fetishization of "reliability," the production of consistent, predictable outcomes. These algorithms of reliability seem to provide comfort and security, but it's ultimately illusory: "In the long run, though, reliability-focused companies grow stagnant and fall prey to new competitors, despite the benefits of incumbency," he writes. Look no further than Southwest Airlines thriving while the traditional airlines struggle.

To move forward, Mr. Martin maintains, companies must wed their analytical prowess with the recognition that "no new idea [can] be proved inductively or deductively using past data" and embrace "abductive logic" (a term borrowed from the pragmatist philosopher Charles Sanders Peirce): Logical leaps based on observed data that don't fit in with current models. Mr. Martin isn't endorsing rash risk-taking. These leaps must be prototyped, tested, make business sense and have a reason for being. He calls this combination of right-brain and left-brain thinking "design thinking."

And he points to plenty of examples. Herman Miller rolling out the Aeron chair despite mixed consumer data. Target differentiating itself in the discount retail world by emphasizing design at reasonable prices. The McDonald brothers and Ray Kroc introducing a new restaurant concept that went on to take over the world.

- Design thinking is challenging because it demands organizational change:
- It calls for businesses to be organized around tasks, not traditional functions.
 - It calls for businesses to work differently -- for instance, P&G got its innovation pipeline humming by tapping outside innovators.
 - It calls for leaders to champion innovation, whether they're designers (Mike Lazaridis at Research in Motion), sympathizers (A.G. Lafey at P&G) or a hybrid (Steve Jobs at Apple).
 - It requires nontraditional approaches to financial planning to fund programs and reward people.
 - It requires new ways of thinking. Constraints need to be seen as opportunities.

Innovation has risks, but businesses that overemphasize reliability are putting themselves at greater risk. "The Design of Business" is a serious and insightful look at what it takes to make innovative thinking a reality, not a bromide.

James Arndorfer, a former Ad Age reporter, now works for MillerCoors.

1 Comment

By Rodney33 | FRISCO, TX [February 9, 2010 10:13:01 am](#):
We were thrilled to discover the book "The Design of Business," as it eloquently summarized the important and necessary steps to maintain a competitive advantage through innovation.

Great design is more than the extraordinary composition of creative elements; it is a process of originating and developing long term goals and solutions from insights and a carefully constructed strategy, all with measurable results.

As the market continues to shift from awareness to relationship driven marketing, design in every sense of the word is the key to differentiation.

Rodney Mason, CMO
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