

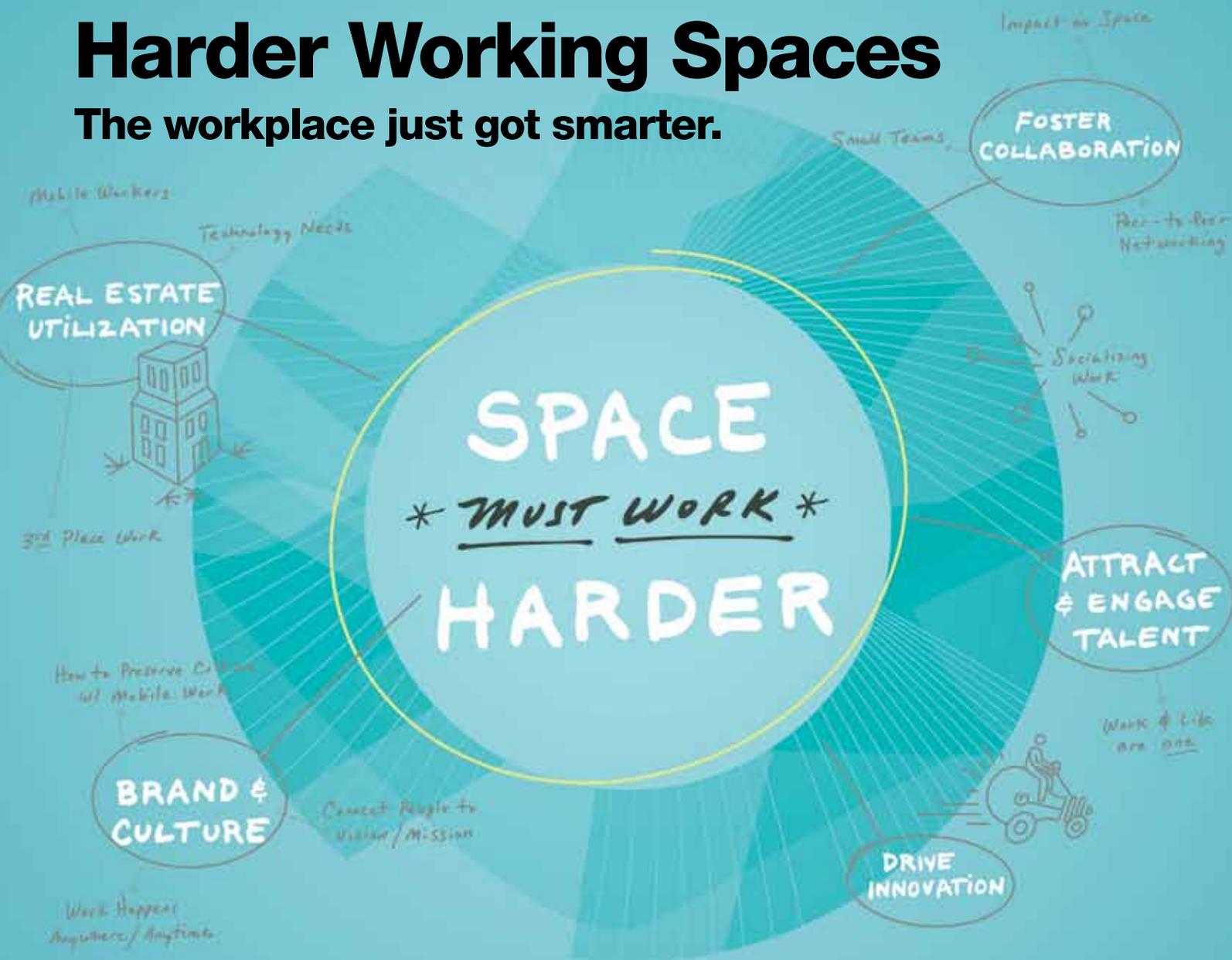
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Harder Working Spaces

The workplace just got smarter.



Q&A with Roger Martin ¹⁴

Finding the Holy Grail in
business today: innovation

Trends360 ¹⁷

Sustainability Spotlight ¹⁹

NeoCon 2010 Special Edition ²⁰

Atoms & Bits ⁵⁶

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Photo by Jeff Dykehouse

Q & A

with Roger Martin

On innovation, and why companies struggle with it.

Roger Martin leads a busy life. He's dean of the Rotman School of Management at the University of Toronto, a professor at the school, and a successful author. His most recent book, *The Design of Business: Why Design Thinking Is the Next Competitive Advantage* (Harvard Business Press, 2009) is a best-seller among business books at Amazon. He serves on several corporate boards, consults with corporations, writes extensively on design, and is a regular writer for BusinessWeek.com, *The Washington Post's* On Leadership blog, and *The Financial Times*. Dubbed an "Innovation Guru" by *Business Week*, Martin has a multifaceted perspective on business and innovation. The following is an excerpt from a 90-minute conversation during a recent visit Martin made to Steelcase Global Headquarters in Grand Rapids, Mich.

Why do so many companies fail at being innovators?

They've gotten really good at what I call reliability functions: production processing, cost cutting, efficiency, etc., which is the business of exploiting the ideas of the past. Innovation is about exploring new ideas that haven't been proven and can't yet be measured. Some companies are dreaming in Technicolor that they're going to be turned on a dime just because they want innovation. To succeed at innovation, you have to be willing to accept an idea even though you really can't be certain it will work.

So, how do you become more innovative?

Company culture is critical. If someone tries something brand new and it doesn't work, and the next day her career's lying on the floor with a bullet hole in it, word gets around fast that risk taking should be avoided. Management has to make sure that things like that don't happen. What did she bet on that turned out to not be the case? As long as she's learning, that behavior should be encouraged and rewarded.

How can space help?

Corporations could take on some of the personalities of design shops. If you go into IDEO or Frog Design or Design Continuum, they've got movable walls and reconfigurable workspaces – places that are flexible and support experimentation. Collaboration is another thing. Project teams have to be able to feel like they can work together and collaborate. Another need is transparency. When A. G. Lafley became CEO of Procter & Gamble, he had the executive space ripped back to the girders. He converted half of it into a corporate learning center, and the rest is open plan for the executives. He was sending a big signal: "We are going to

change. We are going to be more collaborative, more creative."

When you go into that space now, it's a beehive of activity. People are wandering around, they can work together, stop by one another's offices. There's a lot of stuff happening. That all represents the transformation of P&G, and you've seen the results they've posted over the past decade.

What other things do innovative companies do?

They have a lot of ideas, and they don't converge on one very quickly. They look for real variety up front. Everybody's asked to contribute. That's something that I see all innovative companies do. The front end of the funnel is a really wide one and they're willing to consider very disparate ideas, versus us business types who try to converge on what's the best idea quickly so we can push it the farthest and fastest. Real innovators just don't do that.

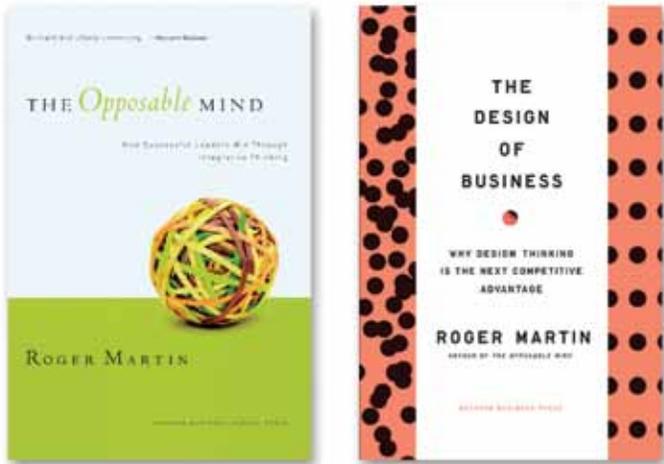
Why are you getting designers coming to business school?

One of the reasons is to learn the vocabulary. Many non-financial business people want to learn marketing and finance terminology, so that they can go to talk to

the CFO and not feel that they are hearing incomprehensible baffle-gab – for example financial ratios they don't understand. They come to learn a language system that enables them to communicate with business people.

You're an advocate for more broad-based education.

I just don't think that we're being sensible about the level of specialization that people are seeking these days. There is a dogma out there that the most important thing to do is to get good at one thing. "Don't be a jack of all trades and master of none," and all that. I despair at how specialized so many of our students are. Instead, you should, for example, take history as an undergrad and design at a master's level, so you can pull from those two bodies of knowledge. It makes sense to have a certain level of specialization, but you have to have cross-cutting knowledge and skills.



Roger Martin will discuss concepts from his latest book, *The Design of Business: Why Design Thinking Is the Next Competitive Advantage*, at NeoCon on Monday, June 14, 3-4 PM, in the Holiday Inn Mart Plaza Sauganash Ballroom, 14th Floor. Sponsored in part by Steelcase, the program is free for NeoCon attendees.

“If someone tries something new and it doesn’t work, and the next day her career’s lying on the floor with a bullet hole in it, word gets around fast that risk taking should be avoided.”

What’s your next book about?

I’m doing two books. One is kind of an antidote to books on execution that say business strategy doesn’t really matter, that performance is all about execution. I think those books are wrong. They have an implicit premise that, if you’ve got a good strategy, then you just have to focus on execution. But they don’t ask the question: What if you don’t have a good strategy, will execution get you anywhere? You could execute the wrong thing. So this book is about how Procter & Gamble got turned around through strategy.

And the other?

How capitalism is being made ineffective by a crazy over-emphasis on maximizing shareholder value. About 30 years ago there was a movement to get managers to focus on shareholder value, with little regard for other stakeholders such as customers, employees, suppliers, society at large, and

so forth. The theory was that shareholder maximization should be the clear goal of companies. And to make sure that’s the case, companies gave senior management stock-based compensation, options, and the like to align their interests with shareholders. I argue that you cannot maximize shareholder value perpetually, because shareholder value is about expectations of the future, and you cannot keep on beating expectations.

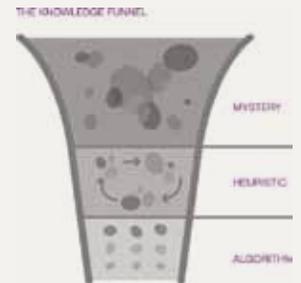
What’s the alternative?

I mapped out the 30 years before 1976, before we had this theory. How did shareholders do versus 30 years after? The answer is shareholders did better when we weren’t trying to maximize shareholder value. My position is you should seek to earn the shareholders a fair return, and you do that by putting customers number one, employees number two, and the communities in which you work number three. We need

to change the entire doctrine by which you are supposed to assure Wall Street that: “Yes, shareholders, you are absolutely number one. You’re all we care about, that’s what we live for.” But really, how motivational is that? Who goes to work in the morning to increase shareholder value? But would you go to work to try and make a better-suited environment so people could be more comfortable, more healthy, more productive, to help grow this economy? ○

THE NEXT COMPETITIVE ADVANTAGE: DESIGN THINKING

Martin says businesses can’t succeed solely on the basis of either analysis (quantitative thinking) or intuition (qualitative thinking). Both are needed in a dynamic balance he calls design thinking. It’s a form of thought that, once mastered, gives businesses a “nearly inexhaustible, long-term advantage.”



From *The Design of Business: Why Design Thinking is the Next Competitive Advantage*

Design thinking enables the organization to move along the knowledge funnel. Mysteries are business challenges: A scientist might explore how to cure a disease; a salesman might wonder what food products people on the go want to buy. A heuristic is a rule of thumb that helps narrow the inquiry down to manageable size. The disease may have certain genetic properties, for example. Or the salesman notes that customers like quick service and easy access. It’s a way of thinking about the mystery that helps simplify it and allows more focus on the issue. As an organization puts a heuristic into operation, it converts it from a rule of thumb to a fixed formula, or algorithm. Thus, a rule of thumb that customers want a quick, convenient, simple meal might be converted to a fixed formula for the fast food restaurant with a 24/7 drive-through.