



# A formula for unparalleled success

## Mann's World - The Design of Business - Roger Martin

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**There are those who believe that the path to value creation lies in driving out "gut feel" and "instinct" from the organisation and replacing it with quantitative analysis.**

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And there are those who are focused on creativity and innovation; after all, "no good product was ever created from quantitative market research".

The odds are that you work for a company that is tilted towards certainty of quantitative analysis and mastery over processes rather than the more risky, innovative and hopeful company. That is because debts and salaries must be paid on time and we need the predictability and reliability that come from a controlled environment. So we invest in processes and use elaborate software that facilitates control.

Some firms invest heavily in innovation, hoping that the payback will come sooner rather than later, but they must have deep pockets. Pharmaceutical companies spend billions looking into the mysteries of disease, as do consumer-packaged goods companies that try to unravel the mystery of consumer desires. Of course, the rest of their businesses are funding this and making real profits out of churning old products.

What is in fact required, says Professor Martin, is "design thinking". What makes this book valuable is that design thinking is not another novel idea from a professor pontificating from the safety of his study; rather, it is based on real companies.

Arguably the most profound innovation in cellular telephony came from the introduction of the ubiquitous business tool, the BlackBerry.

Procter & Gamble's remarkable comeback from a deteriorating "has been" to a reliable growth stock is well documented.

The Aeron chair, Herman Miller's expensive but popular redefinition of the office chair, is on permanent display at the Museum of Modern Art in New York. What all three companies have in common is that they have used design thinking.

At the centre of design thinking is what Martin calls the "knowledge funnel", which is wide at the top, narrow at the bottom and is divided into three stages.

The first stage, at the top, is a mystery which can take on an infinite variety of forms from the causes of autism to where consumer taste is going next. What all "mysteries" have in common is that they are ill-formulated, the information is confusing, and each attempt to devise a solution seems only to change the problem and how to think about it.

The next stage of the funnel is a "heuristic", a rule of thumb, that helps narrow the field and work the mystery down to a manageable size. When the McDonalds brothers opened their first restaurant in 1940, it was a burger and barbecue drive-in, where customers parked their cars, stayed in them, ordered a meal, had it delivered to them and ate it there. As their business tapered off, they faced the mystery - what does the now mobile American consumer want? Their heuristic was that what Americans wanted was "a quick, convenient, tasty meal", so they gave it to them in what they called the "Speeded Service System". And they grew their business to four restaurants.

The final stage of the funnel is an algorithm - a certified, production process that in the absence of another intervention or a complete surprise will yield the correct result every time. Ray Kroc, who did business with the McDonalds and later bought their business, saw that their system left too much to chance. He refined it. A rigid set of rules spelt out how long to cook a hamburger, how to hire staff, how to choose locations, how to manage stores and how to franchise them. Based on his heuristic, he powered McDonald's from a modestly profitable chain to a scale undreamed of.

Design thinking is a process of pushing problems through the funnel. Most organisations stop at the heuristic stage, where some expensive, talented people give direction to the operation. If any of them leaves, you hope that you can replace them.

If, however, you can turn what they do into an algorithm as Kroc did, people with much less training and much less skill can achieve the same result.

That is what P&G did for an entire company - it turned research and development into a production process that churns out new products and refines old ones. It applied the same thinking to every other aspect of the business. The result was that P&G went from being a market disappointment to a company with profit growth of 15% a year and revenue growth at a consistent 10%.

There is gold in this methodology for anyone who takes the time to master and apply it.