
Part II

The *secret sauce* of strategy creation

Strategy In 1,000 Words
— *with Roger Martin*

A conversation between Roger Martin
and ReD partners Iago Storgaard and Filip Lau

RED ASSOCIATES

Being customer-oriented has become the norm for most companies over the past decade or two. But to what extent has this stance been absorbed into corporate strategy on the executive level? According to world-leading strategist Roger Martin, customer insights must sit at the highest level of any organisation because deep customer understanding is core to successful strategy creation.

ROGER MARTIN

Professor Roger Martin is a writer, strategy advisor and in 2017 was named the #1 management thinker in the world. He is also former Dean and Institute Director of the Martin Prosperity Institute at the Rotman School of Management at the University of Toronto in Canada.

RED ASSOCIATES

ReD helps leaders create original strategies for the worlds of tomorrow. ReD Associates is a humanities and social science-based strategy consultancy. Since 2005, ReD has worked with global companies and foundations, C-suite, and boards to create meaningful change in corporate strategy, growth initiatives, product, sales, marketing and R&D.

ReD ASSOCIATES *We have seen companies become more customer-centric over the past 10 to 20 years. Many have got this right, but not all.*

ROGER MARTIN I think the business world has moved a long way on customer-centricity. It is now embarrassing for an executive to say, “Oh gee, I don’t know what customers really want. I don’t talk to them much, I just deliver products.” That being said, the world of B2B is not there yet. Lots in B2B say, “No, you can’t do the same thing because you are selling to a corporation, not an individual.” I fundamentally disagree with that. Corporations are full of people, right? There are people in companies in the B2B sector that buy, and if you don’t understand the people in a B2B company, good luck to you.

ReD *We actually see a pattern: we get a call from a CEO who wants to get closer to consumers or customers. We then work with them, spend a lot of time taking them out into the world, going into people’s homes, and really getting under the skin of the customer. That lays the foundation for moments of clarity and clear strategies. But then after a while, these kinds of customer insights get turned into a machine. All of a sudden, we have some insights department somewhere doing evaluations of advertisement campaigns and packaging design. And then out goes that more deep human relationship to your customer. Do you see that, too?*

ROGER Absolutely. It’s the technocrats taking over, right? I wrote a book called *The Design of Business* about this. The technocrats want to take a heuristic and turn it into an algorithm, so they can quantify exactly what customers feel. They do this by sending out a statistically significant survey with quantitative measurements so they can add everything up. But then you look at the survey and say, “Well, those are stupid questions.” So you get a statistically significant stupid answer. If you gave me the choice of having a CEO go out and do 10 one-hour in-person interviews of customers versus a survey that goes out to 10,000 customers, I would take the former every day. If you outsource it to a market research firm you just get garbage, statistically significant, unbiased garbage. Which do you prefer? Garbage or potentially biased, statistically insignificant insight? I’ll take the insight over the garbage any day of the week. You can take anything in this world and make it quantifiable nonsense. And that is the modern state of business: turning as many things as possible into quantifiable nonsense.

ReD *How do you rebel against this?*

ROGER I expose people to what they’re getting. I take surveys that an organisation has produced and say, “Read it. Read what they’re asking people to do on a ten-point scale.” The survey gives people this monumentally complicated, nuanced question and then asks them whether their answer is an eight or a seven. I say, “Do you really want to make decisions based on the answer to that question?” And often they get mad, asking, “Why are my people doing that?” And I say, “Don’t get mad at them. That is what quantitative consumer research is all about. You’ve hired a bunch of people who are trained in using nonsensical tools to get you garbage. They were trained in a business school to do that. You hired them to do that. They’re doing it. You just didn’t know what they were doing. And that’s the lesson. You should be figuring out how you’re creating insight in your organisation.”

ReD *A lot of people working here in this firm are not in fact trained in business schools. Instead, they come from the worlds of the humanities and the social sciences.*

ROGER That’s good. I think ReD as a firm is premised on the fact that the creation of ideas is not in the mystery category, it’s in the heuristic. It’s not in an algorithm either, you don’t have a view that you do these five steps and you will get a creative answer. But you can think in ways, do things that would be more likely to get the creative answer. I think in any given situation, you folks at ReD start with a mystery. But I think you have a heuristic for delving into mysteries. I suspect the people on the outside of ReD call it a name, the secret sauce. “Well, I don’t know exactly what they do in there, but they do something that’s sort of magical in that it consistently comes up with something useful.” If it didn’t, ReD would be long gone in history. The world is in desperate need of people who can run heuristics for them. And it happens in lots of fields: people hire Goldman Sachs to do mergers for them, because they have a heuristic for seeing that through a process. Great musicians have a heuristic. Brian Eno said there’s an algorithm: if you put the human heartbeat as the backbeat of a song, it will sell. It’s a secret sauce. So some things are algorithmic, but many of the most important and valuable things in life are heuristic.

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