

**Integrative Thinking** is a skill possessed by people who have cultivated their 'opposable mind'. Roger Martin explains in this excerpt from his new book.



**CHOICES, CONFLICT, AND  
THE CREATIVE SPARK:**  
THE PROBLEM-SOLVING POWER  
OF INTEGRATIVE THINKING

**By Roger Martin**



It was September, 1999, and **Michael Lee-Chin** had a serious crisis on his hands – the worst of his business career. Lee-Chin had presided over more than 10 years of remarkable growth at his beloved money-management firm, **AIC Limited**, but now AIC was under withering attack. Its very survival was in doubt.

An admirer of **Warren Buffett**, Lee-Chin had pursued a strategy with virtually no parallel in the mutual fund business. The typical mutual fund manager holds 100 to 200 different stocks at any given time and turns over the entire portfolio every 18 months or so. But emulating Buffett's approach of taking long-term stakes in a relative handful of companies, Lee-Chin's AIC Advantage Fund would hold only 10 to 20 stocks and hang onto them, as he says, "more or less forever." This 'Buy. Hold. And Prosper.' philosophy worked brilliantly, and by 1999, assets under management had grown to \$6 billion.

But in 1999, everything was different. Investors were clamouring to buy Internet service providers and dot-coms, day-trading was suddenly respectable, and a mutual fund with a buy-and-hold philosophy and a portfolio of financial, manufacturing and grocery-store stocks seemed hopelessly old-fashioned and out of step. Many investors lost faith in AIC's approach, and for the first time in its history, the Advantage Fund was suffering substantial net redemptions: more money was flowing out than new money was flowing in.

The low point for Lee-Chin arrived on the morning of September 2, 1999, when he opened his newspaper to find one of the most influential business columnists in Canada trashing AIC's basic business model and calling on investors to get out while their holdings were still worth something. The article predicted that to raise enough cash to meet the tide of redemptions, AIC would have to sell many of Advantage Fund's holdings. The columnist speculated that the forced asset sales would further depress the price of the stocks held in the fund, which in turn would further drive down its returns, prompting even more redemptions. The new redemptions would require more stock sales, reinforcing a downward spiral that would continue until there was, for all intents and purposes, no more AIC.

Lee-Chin remembers that morning well. "I felt awful," he admitted to me. But despite his distress, he sensed that an opportunity lurked within the crisis. Lee-Chin, who is of both Jamaican and Chinese descent, pointed out that "The Chinese character for 'crisis' combines the characters for 'danger' and 'opportunity.'"

He had to choose, and quickly. Would he sell shares to cover the redemptions, concede that his 'Buy. Hold. And Prosper.' strategy was fatally flawed, and diversify into the technology stocks that were the flavour of the month? That might save the firm, but at the price of everything he believed in and valued as an investor. Or would he

stick to his principles and risk the firm's falling into a death spiral that might destroy the business he had built virtually from scratch?

Lee-Chin thought hard – but not long – and made his choice. The option he selected was: neither. Or rather, both. "The marketplace was expecting that we had to sell," he told me. "I said to myself, 'What if we didn't sell? What if we turned around and bought? Then what?' We'd turn the assumptions upside-down and upset the whole applecart."

Lee-Chin had little choice but to sell some of the Advantage Fund's holdings to meet redemptions; but then he took a startling tack. The marketplace expected AIC to use any money left over after meeting redemptions to load up on technology stocks. Lee-Chin would confound those expectations. "Okay," he decided, "we're going to identify this one stock, **Mackenzie Financial Group**, and we're just going to put everything we have into purchasing that one stock." He poured every cent he could into Mackenzie, one of the Advantage Fund's major holdings and a stock he and his staff knew well. "We did everything to buy Mackenzie," he recalled. "The share price went from \$15 to \$18 overnight. The rest is history. Mackenzie was sold [in April 2001] for \$30. Our unit holders made \$400 million, and we made a handsome return."

His move didn't just save AIC, it helped the firm become Canada's largest privately-held mutual fund company, in the process making him a billionaire and providing him with the wherewithal to buy and turn around the **National Commercial Bank**, Jamaica's largest bank, and fund philanthropic projects in Jamaica, Canada, and beyond.

### The Integrative Thinker's Advantage

The lessons of AIC's cash crisis and Lee-Chin's response to it may seem to have limited application to other business dilemmas. But this bold counter-attack wasn't just a spur-of-the-moment gamble by a swashbuckling entrepreneur in response to an unrepeatable set of circumstances. The thinking process that he followed is, I believe, common to some of the most successful people in the business world today, whatever their domain.

I have spent the past 15 years, first as a management consultant and then as the dean of a business school, studying leaders with exemplary success records, trying to discern a shared theme running through their successes. Over the past six years, I have interviewed more than 50 such leaders, and as I listened to them, a common theme emerged with striking clarity. These leaders share at least one trait: the predisposition and the capacity to hold two diametrically-opposed ideas in their heads. And then, without panicking or simply settling for one alternative or the other, they are able to produce a synthesis that is superior to either opposing idea.



Integrative Thinking is my term for this process that is the hallmark of exceptional businesses and the people who run them.

As I listened to some of the sharpest minds in business talk, I searched for a metaphor to provide deeper insight into the dynamic of their thinking. The skill with which these thinkers held two opposing ideas in fruitful tension reminded me of the way other highly-skilled people use their hands. Human beings, it's well known, are distinguished from nearly every other creature by a physical feature known as the 'opposable thumb': thanks to the tension that we can create by opposing the thumb and fingers, we can do marvelous things that no other creature can do – write, thread a needle, paint a picture, guide a catheter up through an artery to unblock it. All of these actions would be impossible without the crucial tension between the thumb and fingers.

Evolution provided human beings with a valuable potential advantage. But that potential would have gone to waste if our species had not exploited it by using it in ever-more sophisticated ways. When we set out to learn to write or to sew, paint or golf, we practice using our opposable thumbs, training both the key muscles involved and the brain that controls them. Without exploring the possibilities of opposition, we wouldn't have developed either its physical properties or the cognition that accompanies and animates it.

Similarly, I believe that we were born with an 'opposable mind' that we can use to hold two conflicting ideas in constructive tension, and that we can use that tension to think our way through to a new and superior idea. Were we only able to hold one thought or idea in our heads at a time, we wouldn't have access to the insights that the opposable mind can produce. And just as we can develop and refine the skill with which we employ our opposable thumbs to perform tasks that once seemed impossible, I'm convinced we can also, with patient practice, develop the ability to use our opposable minds to unlock solutions to problems that seem to resist every effort to solve them.

I won't go so far as to say that every problem will find a resolution as brilliantly elegant and successful as the one that Michael Lee-Chin arrived at. But in our working lives, we often face problems that appear to admit of two equally-unsatisfactory solutions. Using our opposable minds to move past unappetizing alternatives, we can find solutions that once appeared beyond the reach of our imaginations.

I'm hardly the first to notice this remarkable capacity of the human mind. Sixty years ago, **F. Scott Fitzgerald** saw "the ability to hold two opposing ideas in mind at the same time and still retain the ability to function" as the sign of "a first-rate intelligence." That last phrase is telling. In Fitzgerald's view, only people with the highest levels of native intelligence have the capacity to use their opposable minds to create new models.

Fitzgerald, I think, is too quick to suggest that the opposable mind is exclusive to geniuses. My view is closer to that of another student of the opposable mind, **Thomas Chamberlin**. A scholar and naturalist, Chamberlin in 1890 proposed the idea of "multiple

working hypotheses" as an improvement over the most commonly-employed scientific method of the time, the "working hypothesis," by which the scientist tests the validity of a single explanatory concept through experimentation. In an article published in *Science* – then as now one of the world's most prestigious peer-reviewed scientific journals – Chamberlin wrote:

In following a single hypothesis, the mind is presumably led to a single explanatory conception. But an adequate explanation often involves the coordination of several agencies, which enter into the combined result in varying proportions. The true explanation is therefore necessarily complex. Such complex explanations of phenomena are specially encouraged by the method of multiple hypotheses, and constitute one of its chief merits.

Interviews with more than 50 great leaders have led me to concur with Chamberlin and Fitzgerald: thinkers who exploit opposing ideas to construct a new solution enjoy a built-in advantage over those who can consider only one model at a time.

The ability to use the opposable mind provides an advantage at any time, in any era, but it may be more than an advantage in today's world. In this information-saturated age, where each new bit of data complicates a picture that is already staggeringly complex, Integrative Thinking may be a necessity if we are ever to find our way past the multiple binds in which we find ourselves. Certainly the business world seems ripe for a new approach to problem-solving.

In business, we often look at decisions as a series of 'either/or propositions,' or trade-offs: we can either have steady growth or we can pioneer adventurous new ways of designing, building and selling things; we can either keep costs down, or invest in better stores and service; either we can serve our shareholders, or our communities. But what if there were a way to satisfy both customers and shareholders without sacrificing the needs and interests of either party? What if we could find a way to meet demands for growth and still be a responsible steward of the environment? To pursue innovation while maintaining the continuity that large organizations need to function effectively?

Integrative Thinking shows us a way past the binary limits of 'either/or.' It shows us that there is a way to integrate the advantages of one solution without canceling out the advantages of an alternative solution, affording us, in the words of the poet **Wallace Stevens**, "the choice not between, but of."

### All the Comforts of Home

Integrative Thinking is what enabled **Isadore Sharp** to found and build the largest and most successful chain of luxury hotels in the world, **Four Seasons Hotels and Resorts Ltd.** Sharp's first lodging property, a smallish roadside motel outside the core of downtown Toronto, was anything but the model for a present-day Four



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Seasons; neither was one of his next projects, a large convention hotel in the heart of Toronto.

While the two properties represented the two dominant models prevailing at the time in the global hotel industry, Sharp found himself increasingly frustrated by the business propositions underlying both models: he loved the intimacy and comfort of his small motel, but with only 125 rooms, it didn't generate enough revenue to cover the cost of the meeting rooms, restaurants, and other amenities that business travelers valued. By the same token, he loved that his big convention hotel could provide its guests with every amenity they could desire; but with 1,600 rooms, it couldn't offer the personal touches that made his motel such an agreeable place to stay.

The two types of lodging stood in fundamental and apparently irreconcilable conflict: guests could choose the small motel's intimacy and comfort or the large hotel's location and range of amenities, but no hotel could offer the best of both worlds. So just about everyone in the lodging business chose one type or another, accepting the drawbacks that came with their choice. But not Issy Sharp: rather than choose one model or the other, he used his opposable mind to create a new model, a hotel with the intimacy of his original motor inn and the amenities of a large convention hotel.

### Solving the Pricing Paradox at P&G

When **Procter & Gamble** CEO **A.G. Lafley** took the helm in June of 2000, the venerable consumer products maker was floundering. Its growth had slowed almost to a standstill, and seven of its top ten brands were suffering market share declines. The company was spending more and more on research and development but introducing fewer and fewer innovations. It had lost touch with the consumer.

Much of the well-meaning advice offered to Lafley proceeded from the assumption that the company's costs were out of control.

This school of thought saw store brands and other low-cost alternatives as P&G's primary competitive threat, and low prices as its logical competitive response. Drastic cost cuts were necessary to make the low prices sustainable. Lafley didn't necessarily disagree.

An opposing school of thought, meanwhile, held that P&G had stopped innovating. The only route to success, to this way of thinking, was to use innovation to differentiate P&G from its cut-price competitors, charge premium prices, and restore profitability. Lafley saw the sense of that argument as well. His easiest course would have been to tell employees, retailers and consumers that P&G had opted for one alternative or the other: low costs and aggressively-low pricing or intensive innovation investment, sharp brand differentiation, and premium pricing.

Like Lee-Chin and Sharp, Lafley chose neither – and both. He concluded that P&G needed to pare costs and become more price-competitive; but he also concluded that it needed to emphasize the innovation that would make its brands clearly superior to the competition's. Over the next several years, he eliminated layers of management, cut the size of functional units, outsourced where outsiders were more cost-effective, promoted inspiring young managers, sharpened their focus on capability-building, and instilled a relentless focus on generating cash and cutting costs.

At the same time, he tirelessly communicated his passion for delighting customers and delivering superior value to them. For the first time in P&G's history, he made design a point of emphasis, and he pioneered a new approach to innovation that strengthened the company's brands, enabling it to charge more for its products. Before long, P&G was selling soaps, detergents, and toiletries at prices attractive in relation to those of store brands and discount offerings, while at the same time, introducing premium products like Olay Regenerist skin cream, which cost an unheard-of \$25 for a three-ounce bottle.

What kind of mind could weave together a unified strategy from two such different lines of thought? An innocuous-sounding comment from Lafley furnishes an important clue. “I’m not an either/or kind of guy,” he once told me. The results of thinking in terms of ‘and’ rather than ‘or’ have been breathtaking: Lafley has led P&G to consistently strong organic revenue growth, double-digit profit growth and a doubling of the company’s stock price within four years.

### Thinking vs. Doing

My emphasis on thinking is not necessarily widely shared by business theorists and practitioners. In recent years, the dominant question addressed for the would-be leader is “What should I do?” rather than “What should I think?” The bias toward action is easily discerned in the three of the most influential business leadership books of recent years: *Execution: The Discipline of Getting Things Done* by Honeywell CEO Lawrence Bossidy and consultant Ram Charan; *Good to Great* by professor-turned-guru Jim Collins; and *Straight from the Gut* by Jack Welch, the former super-CEO of General Electric.

All three books stress action over strategy and describe the mindset that produces effective action: for Bossidy and Charan, the leader’s mind must be focused on execution and following through, to the exclusion of almost everything else; Collins’s ideal mindset combines fierce will with personal humility; and the mindset that Welch advocates is consumed with aiming high and settling for nothing less than winning.

I would never dispute the importance of doing: thinking without doing is of little value. However, even on their own terms, it is difficult to come away from these three books with a compelling and practical prescription for what the would-be leader ought to do.

Following the logic of Bossidy and Charan is a challenge. Despite scoffing at leaders who focus on strategy rather than execution, they end up conceding that strategy is integral to execution. Because they cannot maintain a meaningful distinction between strategy and execution, the thing they call ‘execution’ quickly morphs into a laundry list of everything a leader must do: strategy plus operations plus people management. Their theory is also undermined by the fate of the executives they chose as exemplars of superior execution, two of whom were fired for dreadful performance shortly after the book was published.

After *Execution*, Collins’s advice is refreshingly restrained and straightforward. He explains what a ‘Level 5 Leader’ does, but he freely admits that he can’t yet tell readers how to become Level 5 leaders themselves. “For your own development,” he writes, “I would love to be able to give you a list of steps for becoming Level 5, but we have no solid research data that would support a credible list.”

Welch is particularly interesting. He was one of my interviewees in the *Rotman Integrative Thinking Seminar Series*, and I came away seeing him as an exemplary integrative thinker. But I wouldn’t advise trying to figure out how he thinks from what he did. Early in

his tenure as CEO, Welch insisted that each of GE’s businesses be number one or number two in market share in its industry. He eventually noticed that his business unit leaders gamed the system he created by defining their markets in such a way that they were guaranteed the number one or two spot. Later in his career, he insisted that his businesses define their market share to be lower than 10 per cent. He figured that business leaders would be quicker to spot market opportunities if they envisioned their market as much larger than their share of it. In this respect, Welch is an exemplary integrative thinker, secure enough to encounter changing circumstances without an inflexible ideology, and adaptable enough to change his approach when presented with new data. But emulating what Jack Welch *did* would invite confusion and incoherence, since he pursued diametrically opposed courses at different points in his career.

I don’t wish to denigrate any of the books I’ve mentioned: each offers a particular perspective, and each is valuable. But to approach every business problem with the question, “What should I do?” is to foreclose options before they can even be explored. Instead of attempting to learn from observing the actions of leaders, I prefer to swim upstream to the antecedent of doing: thinking. My critical question is not what various leaders did, but how their cognitive processes produced their actions.

### Cultivating the Opposable Mind

An important question remains: is Integrative Thinking unteachable, or is it merely un-taught? Is it a function of pure intelligence, as Fitzgerald would have it, or of dedication and practice, as Chamberlin suggests?

My own classroom experience suggests – but does not prove – that people can be taught to use their opposable minds and grow more skilled and confident with practice. But it is clear that Integrative Thinking is untaught: the world has not organized itself to produce integrative thinkers as it does brain surgeons or computer engineers. Integrative Thinking is largely a tacit skill in the heads of people who have cultivated their opposable mind. Many of those people don’t appear to know how they are thinking or that it is different from the common run of thought. They just do it. But an outsider such as myself can observe and analyze their thinking process, and from this conscious, systematic study, a method of teaching that process is starting to emerge. **R**



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