

Work Space

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BOSS

Contradiction is business sense

It's not so much what effective leaders do, writes **Roger Martin**, it's more that we need to learn from how they think.

We're drawn to the stories of effective leaders in action. Their decisiveness invigorates us, and the events that unfold from their bold moves — often culminating in successful outcomes — make for gripping narratives.

Perhaps most importantly, we turn to accounts of their deeds for lessons to apply in our own careers.

But this focus on what a leader does is misplaced, because moves that work in one context often make little sense in another.

Recall that Jack Welch, early in his career at General Electric, insisted that each of GE's businesses be No. 1 or No. 2 in market share in its industry; years later he insisted that those same businesses define their markets so that their share was no greater than 10 per cent, thereby forcing managers to look for opportunities beyond the confines of a narrowly conceived market.

Trying to learn from what Welch did invites confusion and incoherence, because he pursued — wisely, I might add — diametrically opposed courses at different points in his career and in GE's history.

A more productive, though more difficult, approach is to focus on how a leader thinks.

Over the past six years, I have interviewed more than 50 leaders with exemplary records and found that most of them share a somewhat unusual trait: they have the predisposition and capacity to hold two opposing ideas at once.

And then, without panicking or simply settling for one alternative or the other, they're able to creatively resolve the tension between those two ideas by generating a new one that contains elements of the others, but is superior to both.

It is this process of "integrative thinking" — not superior strategy or faultless execution — that's a defining characteristic of most exceptional businesses and the people who run them.

Human beings are distinguished from nearly every other creature by a physical feature: the opposable thumb.

Thanks to the tension that we can create by opposing the thumb and fingers, we can do marvellous things: write, thread a needle, guide a catheter through an artery.

We were also born with opposable minds, which allow us to hold two conflicting ideas in constructive, almost dialectic tension.

We can use that tension to think our way toward new, superior ideas. Were we able to hold only one thought or idea in our heads at a time, we wouldn't have access to the insights that the opposable mind can produce.

To take advantage of our opposable minds, we must resist our natural leaning toward simplicity and certainty, and refuse to settle for an "either-or" choice.

That phrase has come up time and again in my interviews with successful leaders.

When asked whether he thought strategy or execution was more important, GE's Welch responded that: "I don't think it's an either-or."

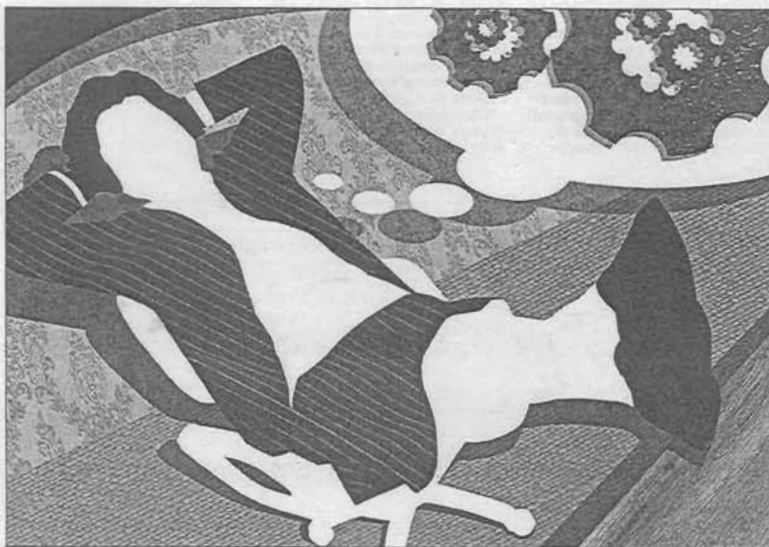


Illustration: KARL HILZINGER

Similarly, Procter & Gamble chief executive A. G. Lafley, when asked how he came up with a turnaround plan that drew on both cost cutting and investment in innovation, said: "We weren't going to win if it were an 'or'. Everybody can do 'or'."

How do integrative thinkers consider their options in a way that leads to new possibilities and not merely back to the same inadequate alternatives?

They work through four related but distinct stages:
□ Determine salience: when our decisions turn out badly, we often recognise after the fact that we've failed to consider factors significant to those outside the immediate reach of our jobs or functional specialties.

We say to ourselves: "I should have thought about how the employees in our European operation would have interpreted the wording of that memo"; or "I should have thought about the state's road-repair program before choosing a site for our new distribution centre".

The integrative thinker, by contrast, actively seeks less obvious but potentially relevant factors.

Of course, more salient features make for a messier problem, but integrative thinkers don't mind the mess. In fact, they embrace it, because it assures them that they haven't dismissed anything that may illuminate the problem as a whole.
□ Analyse causality: when we make bad decisions, sometimes it's because we got the causal links between salient features wrong.

The integrative thinker isn't afraid to question the validity of apparently obvious links or consider multi-directional and non-linear relationships.

For example, rather than simply thinking, "That competitor's price-cutting is hurting our bottom line", the integrative thinker may conclude, "Our product introduction really upset our rivals. Now they're cutting prices in response, and our profitability is suffering".

□ Envision the decision architecture: when you're trying to invent a new business model, the

number of decision-making variables explodes.

And with that comes the impulse not only to establish a strict sequence in which issues will be considered, but also to dole out pieces of a decision so that various parties — often, different corporate functions — can work on them separately.

Integrative thinkers, however, see the entire architecture of the problem — how the various parts of it fit together, how one decision will affect another.

A leader who embraces holistic rather than segmented thinking can creatively resolve the tensions that launched the decision-making process.

Just as important, they hold all of those pieces suspended in their minds at once. They don't parcel out the elements for others to work on piecemeal or let one element temporarily drop out of sight, only to be taken up again for consideration after everything else has been decided.

□ Achieve resolution: too often, we accept an unpleasant trade-off with relatively little complaint, since it appears to be the best alternative.

That's because our desire for simplicity has led us to ignore opportunities in the previous three steps to discover interesting and novel ways around the trade-off.

But a leader who embraces holistic rather than segmented thinking can creatively resolve the tensions that launched the decision-making process.

The actions associated with the search for such resolution — creating delays, sending teams back to examine things more deeply, generating new options at the 11th hour — can appear irresolute from the outside.

Indeed, the integrative thinker may even be dissatisfied with the fresh batch of options he's come up with, in which case he may go back and start over.

Integrative thinking is a "habit of thought" that all of us can consciously develop to arrive at solutions that would otherwise not be evident.

First, there needs to be greater general awareness of integrative thinking as a concept. Then we can teach it in our business schools — an endeavour that colleagues and I are currently working on.

At some point, integrative thinking will no longer be just a tacit skill (cultivated knowingly or not) in the heads of a select few.

■ Roger Martin is the dean of the Rotman School of Management at the University of Toronto and the author of *The Opposable Mind: How Successful Leaders Win Through Integrative Thinking*, to be published by Harvard Business School Press later this year.

Harvard Business School Publishing

Performance rewarded

Companies that concentrate on performance, rather than cost, when sending operations offshore are far more likely to be successful — and will save 3.5 times more money than those that just think about cost cutting. A study by global management consulting firm AT Kearney found 60 per cent of companies offshoring fail to meet their operation performance expectations and 34 per cent fail to meet their savings expectations. Companies that improved on at least three out of six operational performance areas experienced average savings of 44 per cent from offshoring, while companies that improved on two or fewer measures saved only an average of 30 per cent. The best performing group averaged 64 per cent savings — more than 3.5 times the poorest performing group. AT Kearney vice-president and leader of the study, Arjun Sethi, says the message should be to focus on improving performance and the cost savings will come as well. "Placing too much emphasis on cost reduction serves to limit performance improvement," he says. "Winning companies are viewing offshoring in a holistic fashion and striving to achieve improvements across the entire organisation."

Staff drought worsens

Recruiters are divided about whether Australia's full employment is an opportunity or a threat. The Recruitment and Consulting Services Association *Quarterly Member Survey* shows 66 per cent of members believe full employment has been reached. Lack of candidates is the industry's top concern. Recruiters who were unable to find appropriate candidates easily rose by 7 per cent to 86 per cent in total. There was little change in the skills shortage list, which denotes the hardest roles to fill. After builders and engineers, the next hardest to fill role is telephonists/receptionists, at No. 6 on the list. Sales staff also make an appearance, at No. 12, for the first time.

A world of hard work

People with the longest working weeks live in Peru, South Korea, Thailand and Pakistan, while one in five workers worldwide is putting in excessive time on the job, the United Nations International Labour Office says. This means that more than 600 million people work more than 48 hours a week, often just to make ends meet, a report in *Business and Legal Reports* says. Among developed nations, the United Kingdom has the highest percentage of those who work long hours.

Thais whinge least

Despite the hours of work, Thai workers are heroes when it comes to attitude. Market research company FDS International says workers in Thailand are among the least likely to whinge about their jobs. Dutch workers have the highest morale, followed by the Irish and Thais. Japanese have the lowest. France has the world's whiniest workers, with the UK and Sweden tying for second place, the study of nearly 14,000 employees finds. Others, Human Resources Blog (<http://hrblog.typepad.com/hrblog>) says, are in order: United States, Australia and Portugal, tying for fifth place; Canada and Greece (tying); and Poland, Germany and Spain (tying). The research looked at workers' attitudes to pay, cost of living and work-life balance.

Compiled by Fiona Smith