

THE GLOBE AND MAIL

Nov. 24, 2009

Bridging exploration and exploitation

In his latest book, Roger Martin advocates the importance of innovation for companies - or the risk of irrelevance. Simon Houpt sits down with the Rotman School of Management dean for a one-on-one

SIMON HOUPT

*Why do successful companies wither and die? In his new book, *The Design of Business*, Rotman School of Management dean Roger Martin suggests that too many companies are too comfortable with merely exploiting their innovations rather than engaging in the necessary work of innovation and exploration.*

Pointing in the book to companies such as Research In Motion, Procter & Gamble, and Cirque du Soleil, Mr. Martin draws out how successful organizations incorporate what he calls design thinking, which bridges the two dominant modes of exploration and exploitation.

Recently, he sat down to discuss why CEOs and other managers must institute so-called design thinking in their organizations or risk irrelevance.

Given how many innovations are miserable failures, you do understand the impulse to play it safe and merely exploit, rather than innovate.

There's a definite risk to the new. But I think it's blindness to the risks of the exploitation strategy that causes people to focus as much as they do on the risks of the exploration strategy.

Why is it that the turnover of the top companies in the world is so rapid? A company convinces itself that it needs to hone and refine and everything will be fine - "and that little company in the garage can't possibly be a threat, can it? Is it?" So I think helping people shine a bit of a bright light on the downsides of exploitation is what you need to do, to say: "Pick your risk. Pick your poison." Is it your sense, given the disruptions over the last 12 to 18 months, that businesses are more willing to recognize that they need to innovate, that they need to be ready for the unexpected?

I think there's a fork, they go into one of two segments. One is the reliability-oriented reaction: "We didn't have systems and procedures in place, and if we get more systems and procedures, this won't happen again."

And then there's the validity-oriented ones who say: "You know what? There's further evidence that you gotta' be looking for new and interesting things, and we'll make ourselves more open to the possibility of new things."

Sarbanes-Oxley [the 2002 U.S. law that tightened corporate governance and accounting standards] is a perfect example of the former. It's incredibly silly, unbelievably wasteful, childish in its naiveté. Do people who design and now implement Sarbanes-Oxley things in companies think they can somehow make the variability of life go away? Says who? When did we get this idea?

You have set yourself a lofty goal, bridging the two solitudes of exploration and exploitation.

There are all these highly creative people in various kinds of creative organizations that have a heck of a time turning their ideas into something that allows them to continue their creative activities sustainably, and there are all these people over in the business world who are honing and refining, running their algorithms, wondering why they slowly expire.

So the question for me, as I researched this book was: Why is that?

And I came to the conclusion that these are just two fundamentally different ways of thinking, it's not just an attitude or context, and if you could bridge them, create some synergy, you get the best of both.

It's easier said than done. Yes, but it is doable. This is one of the things people ask me, they say: "Well, some people are just born good at this, you can't really teach this," and I always cavil at that and say: "When did we start defining things as unteachable if they're untaught?" Who's been trying to do this? Business schools? No. Art and design schools? No.

Okay, then: With this book, you may get people talking, you may prompt a few CEOs to recognize they have to shake things up in their organizations, but ultimately you've got to walk the walk here at Rotman. You suggest in the book there are too many MBAs and not enough masters of fine arts. Will Rotman begin offering an MFA?

Well, not an MFA, because we wouldn't be qualified, but I want to teach more about design than administration, because administration feels much more about reliability and exploitation.

Which ultimately kills.

That's right. So I would like our students to come out as business designers. We want to be revolutionary. I would be terribly disappointed if business education 🧐 wasn't a heck of a lot different in 15 or 20 years.

But make no mistake about it, it'll take that long. The business school business is a highly successful business that will rest on its laurels and not have the motivation to change.

In America, 27 per cent of all students in a graduate program are in an MBA program. It's a stunning number, and that's a classic exploitation trap.

It's like: "Hey, what's the problem? We won. We - the MBA business - won. So we're just gonna' keep doing it, and hopefully nobody will change the rules." That is, in some sense, the business's Achilles heel. You're wearing nice cufflinks - and is that a Harry Rosen tie? - yet you're sounding like a Che Guevara of the business community.

Yeah. Maybe I should start dressing differently.

Title: Dean, Joseph L. Rotman School of Management, University of Toronto

Born: Aug. 4, 1956, Wallenstein, Ont.

Education: BA (1979) and MBA (1981), Harvard University.

Career highlights:

1985 to 1998: Cambridge, Mass.-based Monitor Company, a global consulting firm; was a director, founded its Canadian office and was firm's co-head for two years.

1998: Appointed Rotman dean.

Member of various boards

Books: *The Responsibility Virus: How Control Freaks, Shrinking Violets - and the rest of us - can Harness the Power of True Partnership*; *The Opposable Mind*; *The Design of Business*