

# OUTSIDE SHOT

By ROGER L. MARTIN & JENNIFER RIEL

## Innovation's Accidental Enemies

Leaders who demand proof that a new idea will work inadvertently stifle innovation. There's a better way to react to brainstorm

Once upon a time there was a very big bank. Its CEO wanted to better serve its best customers and hired some consultants to tell him what to do.

At the time, the very big bank served its high-net-worth customers at state-ly private banking offices in downtown branches. The consultants discovered that many of these wealthy customers—lawyers, executives, and partners in big professional services firms—were unattractive customers. They chose plain-vanilla services and were both demanding and price-sensitive.

But the consultants found another high-net-worth segment that was underserved: entrepreneurs and partners from smaller firms. These folks had diverse needs, such as mortgages for their homes and investment properties, and investor agreements for multi-partner ventures. But they didn't want to bounce from one banking specialist to another to get a deal done, or drive to a fancy branch filled with high-backed chairs and wood-paneled walls, paid for with their fees. Instead, they wanted integrated, personalized service in their neighborhoods, with no divide between their commercial and personal banking services.

At the final meeting, the consultants presented a strategy built around this new segment. As they wrapped up, the CEO asked: "Have any other big banks done this?" The lead consultant answered brightly, "No, you'd be the first," certain that this would seal the deal.

Not even close. The CEO killed the idea on the spot. And the very big bank's rivals lived happily ever after.

For many companies, innovation is the stuff of fairy tales: fanciful ideas and lurking dangers—all of it unconnected to reality. So it's no surprise that we find it such a struggle. Innovation is killed with the two deadliest words in business: Prove it.

When faced with a new idea, the boardroom impulse is to ask for proof in one of two flavors: deductive and inductive. With deduction, we apply a widely held rule. With induction, we develop a new rule from a wide range of data. In both cases, we use existing information to understand the issue in play. But for breakthroughs, there is no rule or pool of past data to provide certainty. So when a CEO, like our banker friend, demands evidence that an idea will succeed, he is driving innovation away.

Does that mean we are doomed to live in world devoid of proof—that innovation must be consigned to a realm of cross-our-fingers hopefulness? No, it's not so bleak. Instead, when facing an anomalous situation, we can turn to a third form of logic: abductive

logic, the logic of what could be. To use abduction, we need to creatively assemble the disparate experiences and bits of data that seem relevant in order to make an inference—a logical leap—to the best possible conclusion.

At Research in Motion, makers of the ubiquitous BlackBerry, abductive logic is embedded in the culture. Mike Lazaridis, RIM's founder and co-CEO, encourages his people to explore big ideas and apparent paradoxes to push beyond what they can prove to be true in order to see what might be true.

In the mid-1990s, RIM was a modestly successful pager company. But Lazaridis saw potential in the idea of a portable e-mail device. He began to consider what it might look like, what it could do. He imagined something much smaller than a laptop but easier to type on than a phone. Laptops were already shrinking and bumping up against limitations on how small a

QWERTY keyboard could reasonably get. Lazaridis stepped back to consider how a much tinier keyboard could be feasible—and he achieved a leap of logic: What if we typed using only our thumbs? He soon had a prototype and concrete feedback from it.

Asking what could be true—and jumping into the unknown—is critical to innovation. Nurturing the ideas that result, rather than killing them, can be the tricky part. But once a company clears this

hurdle, it can leverage its efforts to produce the proof that leaders depend on to make commitments—and turn the future into fact. | **BW** |

*Roger L. Martin is Dean of the Rotman School of Management at the University of Toronto. Jennifer Riel is Associate Director of the Desautels Centre for Integrative Thinking at Rotman.*

