Management Rewired

Why Feedback Doesn't Work and Other Surprising Lessons from the Latest Brain Science

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Business Plus, 2009
ISBN 9781591842620

execuBooks

Introduction

It turns out that most of what we thought we knew about management is probably wrong.

New research shows that our emotions lead to better business decisions than our logic. Positive and negative feedback not only don't improve performance, but tend to make it worse. The quantifiable objectives that are a critical part of our strategic plans cause us to focus on the short term at the expense of the long term. Many of the management practices we've taken for granted aren't only ineffective, they actually produce the opposite of what we intend.

At the same time, new approaches that have been proven to produce superior performance can't help but strike us as unreasonable. It has been demonstrated that smaller rewards tend to be more motivational than larger ones, that being competitive is often the best way to encourage co-operation, and that managers who produce the best results are the ones who do the least managing.

The latest developments in brain science are teaching us a better way to manage, but they also challenge our common sense. Using functional magnetic resonance imaging, or fMRI as it's known in the field, scientists are now able to watch the brain at work, and what they're learning is mind-boggling. Not only have they located the areas of the brain that are responsible for our emotions, our reason and even our moral character, they've also discovered what makes us empathetic, able to learn and take pleasure in our work. They've even figured out why teenagers drive their parents so crazy.

But perhaps the most surprising discovery has come from mapping the path that information travels along from our sense organs to our awareness of the world we live in. Not only are the perceptual areas of the brain involved, so are the areas responsible for our memories, our feelings, our beliefs and our aspirations. Our minds aren't objectively recording our experience of the world, they're creating it, and that creation is influenced by everything else going on in the brain. Each of us lives in a mental world of our own making.

This isn't just some abstract, philosophical issue. It has enormous practical ramifications for how we live and work. The world we know is only what we think it to be, and we can't assume other people will think the same way we do. In fact, we know they won't. Since our customers, employees, peers and bosses all see things differently than we do, the way we act toward them doesn't necessarily produce the results we expect or want.

While most of us accept that others see the world differently, we trust in our objective, logical reasoning to resolve conflicting perceptions. But fMRI also shows us that objective reasoning has nothing to do with the way we solve problems, make decisions and plan for the future. At best, logic is just a way to justify conclusions we've already reached unconsciously.

This new understanding of how the mind works needs to be incorporated into all of our thinking about business. The resulting management practices may seem illogical, but they'll produce better performance. Our organizations will be more focused and efficient, and our strategies more effective at creating a sustainable advantage. We'll also be able to make meaningful business transformations rapidly, and our leadership will bring out the best in people. The improvement in the bottom line won't just be incremental, but a quantum leap.

In Praise of Stories

Increasingly, a wide range of cognitive scientists building on the discoveries of neuroscience have concluded that the human mind really works through stories. As cognitive scientist Mark Turner puts it, "Story is a basic principle of mind. Most of our experience, our knowledge and our thinking is organized as stories."

Much like the importance of ideas and the hierarchical arrangement of the mind, this is a notion dating back to the ancient Greeks and only now, over two millennia later, being substantiated by science. Stories were the preferred mode of making sense of the world before Aristotle and others "invented" logic.

For a culture that values fact over fiction and sees logic as the right way to think, we tell a lot of stories. Or according to the philosopher Daniel Dennett, it's the other way around: "Our tales are spun, but for the most part we don't spin them; they spin us."

Rather than telling stories, it's as if we're handed a script and must act the role that it defines for us. Because of this, when we encounter a story we almost immediately identify with the main character, internalize his or her worldview, and move toward taking it as our own. This gives stories much greater power to shape the way we think than a logical argument. They structure our experience, determining how we think and driving the way we act.

Even beyond their impact, stories as a way of making sense out of the world have advantages over logic and are much better suited for the mental world we inhabit. Because they're another's perspective on the world, we're forced to acknowledge that others have perceptions that are different from ours, preventing us from falling into the trap of thinking that we're just objectively recording what's going on. Stories don't claim to be true, so they don't elicit attempts to refute them logically. They ask only that we entertain them as a way of organizing our experience of the world.

Stories are the way our minds naturally work, and they preceded the invention of logic as a way of making sense of the world. The stories we tell ourselves determine the way we view the world, the way we think and the way we act. We can use stories both to understand people and to change their minds, and we can use stories as a framework to analyze a business, going beyond numbers to the reasons for the numbers. In almost every situation we find ourselves in, stories give us a much deeper appreciation of the forces at work and how we need to address them.

Cognitive Dissonance and Performance Appraisal

The relationship between a manager and an employee is challenging for both. The key to making it work, the wisdom holds, is objective feedback on performance based on rewards and punishment. In effect, it's considered the only tool a manager has to shape behavior. In most corporations, regularly scheduled performance appraisals are conducted to provide such feedback and to ensure that the compensation of the employee is aligned with the objectives of the business.

But a landmark study at General Electric found that the company's performance appraisal system not only didn't work, but produced results that were virtually the opposite of what was intended.

We readily accept that receiving information on how we're doing is the best way to improve our performance. It's built into the way we raise our children. It's the purpose of our grading systems in schools, and it's behind the design of performance management systems in companies. But GE found that a manager's praise had no effect on performance one way of the other, while the areas that a manager criticized showed the least improvement. And 40 years later, most managers are still giving feedback to their employees in the same old, ineffective ways.

To understand this, it helps to give some attention to a simple experiment by social psychologist Leon Festinger in which reward produced the opposite effect of what was intended. Men were instructed to perform boring tasks for an hour. When finished, they were told there were actually two groups involved in the experiment. The one they were in wasn't told anything before the experiment, but the other group had been briefed that the tasks would be enjoyable.

The experimenter then asked the men to substitute for the person who usually did the briefing. The men were divided into two more groups: those in one group would be paid $1 for their participation and those in the other would receive $20. After they were done giving the briefing, the men were asked to rate how enjoyable the tasks really were.

The behavioralist model predicted that those receiving the larger reward would rate the tasks as more enjoyable, but the opposite turned out to be true. Those paid only $1 rated the tasks as more enjoyable than those paid $20. Both groups of men were being asked to lie, to tell others that the tasks they found boring were interesting.

While $20 was enough of a reward to justify the lie, apparently $1 wasn't. The men who received the smaller reward experienced dissonance between their belief in their honesty and their willingness to lie about the tasks. Because this kind of internal contradiction is uncomfortable, they reduced the dissonance by convincing themselves that the tasks actually were enjoyable and that they weren't lying. Festinger called the effect "cognitive dissonance reduction."

Given that we now know the mind creates our experience, we don't find it surprising that the men could so easily change their view of the tasks. But at the time, this evidence of the power of the mind was earth-shattering.

One way to understand how cognitive dissonance reduction works is to imagine how you feel when someone offers to give you feedback on your performance. The typical response is not, "Oh great, I'm going to get an opportunity to improve," along with a nice warm feeling. More often than not, the prospect of feedback is experienced with a sense of dread, particularly when it's

coming from an alpha with a huge influence on one's career. If the feedback conflicts with the self-image that we've spent a lifetime honing, creating cognitive dissonance, it will be uncomfortable and we'll do what we can to eliminate the discomfort.

The most productive response would be for us to take the feedback to heart, change our self-image from infallible to fallible, and work at learning a new way of behaving that incorporates the feedback. But it's much easier for us to keep our self-image intact by rationalizing away the feedback, and either attributing the cause of the performance failure to external factors out of our control or discounting the source of the feedback.

When the source is our boss or people we don't especially care for, that's the attractive option. We question their ability to evaluate us, or their motivation.

Managing Upside Down

The traditional role of a manager is Aristotelian, but it needs to be Socratic. Rather than telling employees what to do and creating all of the negative relationship dynamics, the manager needs to ask. Rather than handing objectives to the employee, the manager should ask the employee to set them. Rather than giving employees feedback on their performance, the manager should ask them how they think they're doing. Rather than telling employees how to fix a problem, the manager should ask them what they think they should do to fix it.

This is, of course, counterintuitive because it turns the relationship upside down. As the prime mover of the organization, the employee now calls the shots and the manager is in a support role.

For the manager, that isn't an abdication of responsibility. In fact, it's a considerably more difficult way to manage. It's quick and easy to give employees direct feedback, and there's a kind of pleasure to be derived from smacking a performance problem with direct feedback. It takes more time and is more difficult to come up with a questioning strategy so the employee self-critiques. For this kind of management to work, the manager must have patience and spend a good deal of time giving employees the information required for them to self-manage.

As long as managers remain in control, the relationship dynamic will work against them, driving their people either to passivity or outright aggression. That means the managerial relationship needs to be turned upside down, and for the manager it's going to feel like an abdication of responsibility. But it's not important what the manager feels, only what works. Rather than tell, managers need to ask when it comes to setting objectives, providing feedback or deciding on corrective action. When the employee is the one responsible, the relationship dynamic is leveraged.

The role of the manager, therefore, is now to provide the support and information the employee needs to self-manage. This can be built into the organization through design, such as self-managed teams. When managers are eliminated, people step up and accept responsibility. Ultimately, though, it comes down to the willingness of the individual manager to consciously resist being in control. That creates an organization that's a better place to work and makes a lot more money.

Conclusion

The management revolution we need to adopt is about no longer forcing people to do things, but encouraging them. Because behavior is driven by thinking, management according to neuroscience is about changing minds.

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About the author: Charles Jacobs is a managing partner of 180 Partners and an advisor to Fortune 500 companies.

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