The New Performance Paradigm

Minding Performance
A Marquis at the court of Louis XIV returns home early one day to find his wife in the arms of the Bishop. Calmly, he walks past the couple to the window and begins going through the motions of blessing the people walking by in the street. Fearing the worst, his wife begs to know what he is doing. As though there were nothing out of the ordinary, he answers, “The Bishop is performing my duties, so I thought I would perform his.”

Sigmund Freud used this story to illustrate that what we experience is as much a product of what goes on in the mind as what goes on in the world. We would expect the wronged husband to respond angrily to his wife’s infidelity, but instead he behaves as if he and the Bishop have simply swapped roles. The joke’s humor comes from the conflict between these two different interpretations of events. They both have their own logic, but each is driven by a different point of view.

Today we refer to these different points of view as paradigms, and we have a much better understanding of how pervasive they are and how they work. Research in neuroscience, the study of how the brain produces mind, suggests Freud vastly underestimated their effect. Our conscious experience is the result of the firing of networks of neurons in the brain. While digitalized information from our senses may be the input, it is reassembled according to our memories, our emotions, our ideas, and everything else going on in the brain. We don’t record our experience of the world as much as we create it.

Improving business performance must be the mandate of every manager in a competitive environment. But with significant results elusive, the burning question is how best to achieve meaningful gains. Our new understanding of how the mind works offers a much more effective approach than has been available before. It gives us a new paradigm, based on the hard data of science, that drives a new way of thinking and acting.

Already this new paradigm is transforming how we approach education, healthcare, the environment, and social policy. It has even spawned the discipline of behavioral finance, explaining the inefficiencies of free markets and enabling us to profit from them. But until now, there has been no systematic attempt to apply it to the management of business. Those that embrace it gain a substantial advantage over their competitors.
**Why We Need a New Way of Thinking**

Although paradigms are just our versions of reality, we mistake them for reality itself and have a hard time believing that they're not the same as everyone else's. But as Freud's anecdote illustrates, different people operate off of different paradigms, leading them to behave in different and often unexpected ways. While his wife had every reason to anticipate the aggressive behavior of an enraged husband, the Marquis' paradigm saves him from the risk of physical violence, and it could be argued, enables him to send a more effective message because it is unexpected.

Conflicts between paradigms can hurt the performance of a business requiring cooperative effort. Different paradigms lead to different views of competitive advantage, customer relationships, urgency, goal priority, and the need for change. The result is a lack of focus and alignment that wastes resources and minimizes effectiveness. Generally, better success is achieved when everyone’s “on the same page.”

On the other hand, the ability to consciously shift paradigms is clearly an advantage. Different views highlight unique sources of competitive advantage, innovative product ideas, and new ways of doing business. If we are able to appreciate and control the shifting of paradigms, we can minimize the negative impact and maximize the positive.

The recent discoveries of neuroscience have given us a much better understanding of paradigms, enabling us to understand their effect and to shift them at will. While paradigms drive the thinking that in turn drives behavior, not all paradigms are created equal.

Although the conventional paradigms of the Marquis and his wife lead to different thoughts about what behavior is appropriate, both are still products of logic. But higher level conceptual paradigms drive not just different thoughts, but different ways of thinking, based on their implicit assumptions about the nature of the world.

From the formulation of grand strategies to the myriad decisions managers make on a daily basis, better thinking leads to better results. But if our mode of thinking is fundamentally flawed, the actions that it drives will be flawed as well. One of the startling conclusions of neuroscience is that our logical reasoning is inherently limited, distorting what we apply it to and leading to ineffective actions.

The paradigm that gives rise to logical thinking comes from our experience of the physical world. Scientists model interaction in this world of inanimate objects with the example of one billiard ball colliding with another. The first billiard ball imparts force to the second, causing the second to move in a predictable way that can be calculated with relatively simple mathematics. We needn't concern ourselves with the environment (beyond the surface of the billiard table,) or with the past relationship of the balls. After the initial
impact, they no longer have an effect on one another.

This is all well and good when we’re dealing with inanimate objects like rocks, stones, or clumps of dirt. But when we’re dealing with animate beings, it doesn’t work quite as well, and when it comes to people, it fails miserably. Our prediction of how others will respond to our actions doesn’t take into account our previous experience with them, their internal motivations, or their personal versions of reality. As a result, our actions, all too often, lead to disappointed expectations and unintended consequences.

No matter how we might deny it, every aspect of business is a human activity, and so subject to the effects of conflicting paradigms. Our offering may not be taken by customers the way we expect it to be, our competitive moves may elicit different responses than we anticipate, and our management practices may produce different results than we hope for. In fact, there is extensive data confirming that this is precisely the case.

Twenty-first century managers are much more sophisticated about relationships than their predecessors. They know that their strategies must anticipate responses, that they must account for differing customer perceptions, and that employees don’t always see things the same way their managers do, when they stand back and think about it. But given the pace of business, they rarely have the luxury or opportunity to self-reflect. Our logical thinking is on automatic, and it’s the default mode we use whenever we think about anything. Without being aware of it, we ignore interdependencies, past history, and conflicting points of view. It’s simply the way our minds have evolved to work.

**A Better Way of Thinking**

Conceptual paradigms, and the mode of thinking they entail, can be shifted just as the Marquis shifted his conventional one. If the new paradigm is a better fit, it will lead to better thinking and more effective actions. Neuroscientists believe there is a conceptual paradigm that is a better fit with the natural world of living, animate beings.

This world differs from the inanimate physical world in that the environment and relationships influence the living beings that inhabit it. The quality of our air, water, and soil determine the quality of our life, as do our interactions with other living creatures. Rather than comprised of stand-alone billiard balls, it is a network of interdependent relationships.

Darwin’s natural selection offers us a model of how this world works. Living beings compete against one another to meet the demands of the environment. Those that succeed will survive, those that don’t will die off, so we are hard-wired to pursue our self-interest. It is fruitless to think about what any one being does in isolation. Its activity affects, and is affected by, the activity of all the others and the environment it finds itself in. To
think effectively about this world, we must account for relationships, and factor in how we affect others and how they affect us.

This is, of course, precisely how the business world works. In a free market, companies compete against one another to meet the demands of the market environment. To be successful, any activity must lead to creating greater customer satisfaction relative to the competition. We can’t focus exclusively on actions to achieve our financial goals. We have to take into account how our actions will affect customers and competitors, and how their actions will affect us.

While this kind of thinking gives us a much better handle on the natural world, there is a fundamental difference between human beings and most other species. We have minds that create versions of reality, we make decisions based on those versions, and we act as a result. With a few well-placed electric shocks, we can train rats to run through a maze. But if we try the same thing on human beings, their response to the shocks is a function of how they think about them. Given their view, they might withdraw, rebel, or ask for more. Mind changes everything.

When we want a better understanding of human activities and the ability to exert control over them, we need to factor in mind. It isn’t sufficient to just focus on behavior, we must be able to influence the thinking that drives the behavior. This requires understanding other’s versions of reality and being able to either to work within them or to change them. In order to do that, our thinking must go beyond just accounting for relationships, to understanding how the relationships are mediated by mind.

**Our New Understanding of the Human Mind**

While neuroscience’s explanation of how the mind works (aided by the other cognitive sciences) is really quite simple, there is a paradox at the heart of it. We must use mind to understand mind. Since our paradigms affect what we think about, they also affect our thinking about thinking. We have to keep in mind that our logical thinking is distorting what we are thinking about.

The billiard ball paradigm deceives us into believing that our view of the world is objective and the same as everyone else’s. We also believe that logical thinking is the only kind there is, and so we trust that others will be logical as well. While we accept that emotions can, at times, overwhelm our logic, we believe that we can control them and be objective.

Nothing could be further from the truth, according to neuroscience. As we’ve seen, neither our view nor anyone else’s is objective. Even if they were, the mind doesn’t work logically and it is biologically impossible to be truly objective. There is a reciprocal connection between the prefrontal cortex (the seat of logical thought) and the amygdala (the
generator of emotion.) Our thinking is always infused with emotion, and studies have shown that our emotions often lead us to better decisions than our logic.

Rather than work through the sequential linking of ideas, our minds, as do all natural processes, operate according to Darwinian natural selection. The environment of thought selects out those ideas that fit with it, and discards those that don't. The organization of the mind is hierarchical, with ideas at higher levels keying the firing of networks in phase with them that are responsible for ideas at lower levels, including those that drive behavior. If we view the world as a certain kind of place, our ideas will confirm the belief and we will act accordingly. Our view of the world, no matter how mistaken it might be, is self-reinforcing.

Paradigms self-reinforce by calling attending to information that supports them and discounting, ignoring or rationalizing information that challenges them. Social psychologists call the process “cognitive dissonance reduction.” No matter how brilliant or attractive the ideas, if they don't fit with the environment of thought, they're filtered out and don't register. This happens before our thinking becomes conscious.

Ideas about different ways of thinking are filtered out as well. They just become grist for the logic mill, and this is what makes changing our view or our thinking so difficult. Even if we were convinced that there is a better way of thinking and consciously tried to adopt it, we would still unconsciously revert back to logic. Our cognitive dissonance reduction might even lead us to believe that we're thinking in the better way when we aren't.

But if we first stop the mind’s automatic processing, it becomes possible to change our conceptual paradigm and the thinking it entails. Paradoxically, the way to do that is through dissonance. If the dissonance is of a certain kind, we can’t reduce it and have to change our point of view to accommodate it. This kind of dissonance has an illogic that defeats our logic's defense. It is unexpected, catching us by surprise and increasing activity in the area of the right hemisphere of the brain responsible for the generation of paradigms.

Arthur Koestler argued that's precisely what jokes like the one about the Marquis do. Because we can’t make logical sense out of them, we have a visceral reaction to their illogic we call laughter, just like in the following joke:

“I met a man the other day with a wooden leg named Smith.”
“Really? What was the name of his other leg?”

--Mary Poppins

Our paradigm is shifted as we realize that the leg, not the man, is named Smith.

When it comes to serious thinking about important issues, such as in science, the dissonance can prompt the shifting of theoretical paradigms. The historian of science Thomas Kuhn believes that such dissonance drives the new paradigms that are responsible
for scientific revolutions. It was the unexpected observations of the planets not in their predicted orbits that brought about the Copernican revolution and gave us a new and more accurate model of the solar system.

But if logic is just a mode of thought entailed by a paradigm learned from our experience of the physical world, how do our minds naturally process information? According to science, we structure our experience as stories. Stories predate logical reasoning both in the historical development of our culture and in the cognitive development of children. Before logic was invented by the ancient Greeks twenty-five hundred years ago, myths were used to make sense of the world.

We can think of stories as paradigms expressed over time. Even today with our preference for logic, they permeate every aspect of our culture. We tell ourselves stories about the daily movement of the stock market, about any newsworthy event, and about our lives. Because they’re the way our minds naturally work, they slip past our logic and are immediately accessible. Because they don’t assert truth, but are just a way of making sense of the world, we entertain them rather than defend against them.

Although we favor fact over fiction, stories have a unique ability to capture the complexity of human activity. They are implicitly told from a point of view. They call our attention to the environment (setting) and human relationships (narrative conflict.) And they engage both the thinking and the feeling that logic artificially separates. Because the most powerful stories pivot on the unexpected they have a unique ability to change the way we view the world and think.

**The Copernican Management Revolution**

The new cognitive paradigm, and the way of thinking it entails, is driving a management revolution. It highlights the limitations of our competitive strategies, our organizational designs, and our management practices. And it makes available dramatically more effective approaches to running a business. Just as Copernicus turned our solar system inside out, so too does the new paradigm, with it’s focus on what’s inside our minds rather than outside, transform our understanding of how best to manage a business.

While they often appear to contradict logic, the approaches the new paradigm gives rise to make perfect sense when we stand back and think about them. Many of these approaches have already been implemented in companies and have been proven to lead to superior performance. By just shifting our attention to relationships and incorporating our new understanding of how the mind works, we become able to formulate more robust strategies, design more efficient organizations, and make use of more effective management practices. Because we know how to change the way people think and work, our ability to execute is vastly improved.
Logic has its limitations, but it is the way we think today. We shouldn’t abandon it, but we should we consciously correct for its deficiencies. Just as we can appreciate the logic of the Marquis’ approach to his wife’s infidelity when we shift the paradigm, so too does the new approach to performance improvement make perfect sense when we understand how the mind works.

It is only logical that we make use of what science can now teach us about how to make a business more successful, about how to improve the thinking that drives the way we manage, and about how to effect the change that improved performance depends on. It just makes sense to leverage the ultimate source of competitive advantage—the human mind.