

Interview

Management Rewired: an interview with Charles S. Jacobs

Interview by: Alistair Craven



Charles S. Jacobs is founder and managing partner of 180 Partners, and the author of *Management Rewired: Why Feedback Doesn't Work and Other Surprising Lessons from the Latest Brain Science*. For over two decades, he has helped the leadership of corporations around the world improve the performance of their businesses. He numbers among his clients fifty of the *Fortune 100*, and has worked in Europe, Asia, South America, and the US.

His unique approach enables managers to use our new understanding of the brain to comprehensively rethink their businesses, creating more robust competitive strategies and the performance-oriented organizations needed to implement them. His work provides the key to overcome the number one obstacle to meaningful improvement in business performance – the rapid and effective management of change.

His writing has appeared in numerous business publications and he is sought after for print and broadcast interviews. His seminars and speeches offer an overview of the stunning discoveries of brain science and the direct, practical application of those discoveries to management. He completed his B.A., M.A., and PhD work at the University of Michigan.

AC: Can you tell us about the background to your new book?

Charles S. Jacobs:

I've always been fascinated by the mind, and disappointed by our attempts to study it. For the most part, we've had to rely on the speculations of philosophers and poets, and the hard to substantiate theories of psychologists. Behaviourism is a more scientific approach, but experiments with pigeons and rats never seemed to have much applicability to creatures with rich mental lives, like us.

So the first time I read about neuroscientists using an MRI to scan the brain, I knew it was a game changer. No longer did we have to guess at what was going on in our heads, we now had hard data linking discreet mental processes to functional areas of the brain. The results of the scans are both fascinating in their own right, and have immediate practical application.

Most of my professional life has been spent working with managers, and I've been continually struck by how often the management practices we take for granted fail to produce their intended results, even though they're perfectly logical. Whether it's reward systems, performance feedback, or objective setting, they all have a distressing tendency to produce the opposite of what we intend.

When I came across a neuroscience study demonstrating that our minds don't work logically, so we can hardly expect people to behave rationally, I realized that this new field had a lot to offer managers. It became clear that our conventional wisdom about

management was simply wrong, because it was based on a mistaken view of how our minds work.

The book tells the often curious story of our quest to understand the human mind, and how the latest scientific findings are revolutionizing management. It explains why much of what managers do is self-defeating, and it offers a new approach that while counter-intuitive, is far more effective.

AC: Can you provide a top-level overview of how cognitive neuroscience can be applied to the business world?

Charles S. Jacobs:

When we track the flow of information through the brain, we find that we don't have the direct knowledge of the world we believe we have. Our sense impressions are registered as electrical impulses that travel through networks of nerve cells into the brain. Once there, they are pulled apart and reassembled with input from the areas of the brain responsible for our memories, our emotions, and even our desires. Our minds don't objectively record our experience of the world, as much as they create it.

Each of us has our own unique version of reality, so our actions and words aren't necessarily interpreted by others the way we intend them. When it comes to business, there are inevitably going to be conflicts between our view and those of our customers, employees, peers, and shareholders.

Add in the fact that our decisions are made not logically but emotionally, and we have a world full of unintended consequences. Since people are neither objective nor behave with the rationality we would expect, we need to start not with what we think we should do, but with what it takes to produce the effect we want in others. This plays out in every aspect of business, from strategy to operations to leadership.

The lessons of neuroscience transform how we need to think and how we need to interact with others. Rather than try to thwart the way the mind naturally works, we need to leverage it. This changes the way we make decisions, manage our businesses, and design our organizations.

AC: To quote you from the book, "changing an organization is the sum total of changing all of the individuals in the organization." Can you elucidate?

Charles S. Jacobs:

We know how difficult it is to change the mind of another person. More often than not, a well-reasoned argument based on the facts is met with an equally well-reasoned argument that uses the same facts to reach a different conclusion. Our minds have evolved to maintain the status quo, and are very good at discounting, rationalizing away, or ignoring information that is in conflict with our version of reality.

Now imagine that you're trying to change the minds of ten or even a hundred thousand people. It's a daunting task and the reason why the vast majority of corporate change initiatives fail.

But we've learned from brain science that this self-reinforcing, automatic processing of the brain can be stopped by something new and unexpected grabbing our attention. So for corporate change to happen, there must be something out of the ordinary to signal that the world will be different going forward. It can be as symbolic as getting rid of reserved parking spaces, or as substantive as a meeting where everyone is enlisted to participate in addressing the challenges facing the business.

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We've also learned that our minds naturally work through stories, so they're immediately accessible to us. The stories we tell ourselves drive the way we think and behave. If once leaders have our attention, they offer a more attractive story than the one people are currently telling themselves, they will take it as their own.

Ideally, the story starts with the current state of the business and ends with the achievement of an aspirational vision of the future. The middle of the story should be about the obstacles that must be overcome and the changes required to do so. Corporate stories aren't just told with "once upon a time," but with everything the leader says and does.

AC: According to your website biography, your "unique approach enables managers to use the new understanding of how the brain works to comprehensively rethink their businesses." Can you expand on this for us?

Charles S. Jacobs:

The lessons of neuroscience guide not only what I do, but how I do it. So the first step is to get the attention of the managers I work with. Usually interviews with members of the management team will highlight enough disconnects in the way they think about the business to create the kind of dissonance that opens minds. If not, I have some brief exercises that demonstrate the team members' decision-making is not as objective as they might have thought.

By necessity, my role is Socratic, both because there's no way an outsider can have the in depth knowledge of the business the team has, and because questions get by the mind's dissonance reduction. My questions guide the work of the team and challenge its conclusions.

Together, we formulate a decision-making process in line with the way the mind works. Since the brain is a physical organ, it operates through natural selection, with the mental environment selecting from randomly generated ideas those that are the best fit. So the best way to address any subject is to first clarify the decision criteria, then to creatively generate ideas, and finally to select the one that's the best fit. It makes the most of our creativity and our logic.

One of the liabilities of logic is that it isolates any issue we apply it to. To compensate, the consideration of any issue should start with the broadest context and account for any interdependent relationships. For example, a discussion of strategy should iterate between creating competitive advantage in a given industry and the organization's ability to execute. Any change initiative must take into account the organization's past history with similar programmes.

Ideas are networks of neurons with a lowered threshold for firing, and these networks are arranged hierarchically in the brain. Ideas at the highest levels will key the firing of ideas at lower levels that are in sync with them. Any attempt to improve performance or solve problems should start at the highest level with the vision and overall strategy. Decisions about implementation then become easier and will be aligned with the strategy.

Since emotions are an integral part of our thinking and relationships can be a source of conflict, it's helpful to also establish rules of engagement to govern how the team interacts. This ensures that it's the quality of an idea – not a personality – that decides an issue. It also enables us to balance participation and keep the mood energetic and positive, the prerequisites for the highest quality thinking.

Our attention span is limited, so I keep the process moving rapidly to ensure the team stays engaged. A rethinking of the business should take no more than two to three

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days off-site. This gets the team just far enough along to hand off their work to those responsible for the implementation, giving us access to the knowledge of those closest to the work and encouraging their buy-in to the changes that need to be made.

When it comes to the content of the team's work, neuroscience informs every aspect of it. Strategies are formulated to satisfy customers and confound competitors, organizations are designed to channel rather than thwart the way people naturally work, and management practices are installed to key the intrinsic motivation that drives performance.

AC: You note that the number one obstacle to meaningful improvement in business performance is the rapid and effective management of change. Do you think resistance to change can ever be a positive force?

Charles S. Jacobs:

The mind's resistance to change has a clear benefit or it would not have been selected out by evolution. Once we've learned a successful approach, let's say for dealing with a hungry sabre-toothed tiger, we wouldn't want to learn it again the hard way. Plus, the conscious mind has limited bandwidth, so we want our response to the expected event to be as automatic as possible, leaving our attention free to deal with the unexpected.

We also want people to be steadfast in the face of challenges, because successful innovation and entrepreneurship depend on it. The danger is that a course of action is pursued long past its viability. When the sabre-toothed tiger has learned how to deal with our usual response, we better make sure we have a Plan B available.

We should take advantage of our ability to learn and reinforce neural networks to produce automatic responses, but we need to be constantly scanning for environmental changes that require us to change. I also think it's healthy to continually question our assumptions, beliefs, and decisions, especially given the mind's ability to deceive itself.

AC: You state that our emotions lead to "better business decisions than our logic." Can you elaborate on this statement?

Charles S. Jacobs:

When we scan the brain with an MRI as we make decisions, we see a reciprocal flow of information between the *prefrontal cortex*, the executive area of the brain, and the *amygdala*, the seat of our emotions. As much as we want to believe we are being purely objective and logical, it's just not possible. Our reasoning is always infused with emotion, but that's a good thing.

Researchers have found that patients with a break in the connection between the prefrontal cortex and the amygdala lose access to their emotions and make much worse financial decisions in a simple gambling game than normal players. By measuring skin conductive response, researchers have established that it's actually the amygdala that drives the decision-making, with the prefrontal cortex providing no more than an after-the-fact justification for a decision already made.

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AC: What is the link between emotion and what you call “the voice of past experience?”

Charles S. Jacobs:

The neuroscientist Antonio Damasio believes our memories of past experiences are anchored emotionally in our minds. When we encounter similar experiences, the emotion allows us to access what we've already learned. When we deny our feelings and strive to be objective, as is common practice in the business world, we don't draw upon the past and our thinking inevitably becomes short-term.

AC: Perhaps controversially to some, you state that “feedback – both positive and negative – does not improve performance.” How did you arrive at this finding?

Charles S. Jacobs:

I first arrived at this conclusion when I read about a study of General Electric's performance appraisal system in the *Harvard Business Review*. Conducted in the middle 1960s, the research found that positive feedback had no effect on subsequent performance, while negative feedback had either no effect or a negative one. Cognitive neuroscience can now explain this counter-intuitive finding.

People are intrinsically motivated to do the best they can, for it's key to the maintenance of a positive self-image. Rewarding them with praise isn't going to make them perform any better. In fact, dopamine, the pleasure chemical in the brain, is released when we're fully engaged in our work, not when we receive a reward. Studies have also shown that an extrinsic reward like praise tends to reduce intrinsic motivation.

Negative feedback from a manager conflicts with our self-image, and so our minds reduce the dissonance in the easiest way possible, such as ignoring, discounting, or rationalizing away the feedback. If the feedback is experienced as punitive, it stimulates aggression toward the source. It then becomes in our psychological interests to punish in return, and the best way to do that is to persist in the behaviour being criticized.

We do need feedback to improve, but how employees respond to it depends on where it comes from. It's much more effective for the manager to use questions to encourage employees to self-appraise or to set up systems to provide objective feedback.

AC: According to your research, “managers who produce the best results are the ones who do the least managing.” Can you explain what you mean by this?

Charles S. Jacobs:

In most organizations, it's the hard working, high achievers that are promoted to management, and their bias is to do whatever it takes to ensure the success of the business. When it comes to managing people, this often means close supervision, including setting objectives, monitoring performance and providing feedback. But given our different versions of reality, these traditional practices not only aren't effective, they tend to backfire.

Rather than trying to directly control employees, managers will be more effective if they just accept the best they can do is channel the way people are internally wired to behave. This means creating an environment to select out the behaviour they need, and giving people the information to self-manage, such as setting their own

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objectives within the constraints of the business, using questions to encourage self-feedback, and holding the employee responsible for coming up with their own corrective action.

For many managers, giving up the illusion of control will feel like not managing and an abdication of their responsibility, but it's the only approach that works. And this doesn't mean that poor performance is tolerated. On the contrary, employees should be held rigorously accountable for objectives they've set. Just like a business in the free market, if people don't meet their goals, they need to experience the consequences. But when employees are the ones responsible for their own performance, the decision for them to pursue career options elsewhere is a business one, not an emotional one.

AC: The book includes examples from companies such as General Motors and Southwest Airlines. What impressed you most, and what surprised you most from your research on such high profile organizations?

Charles S. Jacobs:

I've worked for successful companies and ones not so successful, and I've found that generalizations about the cause of a given company's success rarely hold true. There are many factors that affect a business's prospects, such as the nature of the industry, the rate of technological change, government regulation, and competitive dynamics. Things change and today's star becomes tomorrow's dog. Over half the companies profiled in the book *In Search of Excellence* weren't excellent just eighteen months later.

That said, it's pretty obvious that General Motors, an exemplar of modern management under Alfred Sloan, went on to be hobbled by years of stifling bureaucracy, infighting, and bad management decisions. In contrast, Southwest has gone from a small start up to the top of its industry, while preserving the performance-enhancing spirit and practices of its legendary founders. GM is an example of the failure of conventional management, while most of what Southwest does is right in line with the lessons of neuroscience.

What I take away from both my research and experience is that no matter how different companies may seem from the outside, they're all grappling with the same kinds of problems, and most of the time they're human ones. It's easy to lose sight of it, but business is fundamentally a human activity. Customers, competitors, employees, and even managers are people, and success comes from being able to get them to do what you want.

This puts the burden of creating and maintaining success squarely on the shoulders of the leaders, whether first line supervisors or CEOs. The better they are at understanding people and the more willing they are to set aside their egos and adapt their behaviour to fit a given situation, the more effective they'll be. Neuroscience provides a great toolkit to assist them.

AC: If you were asked to provide three key reasons why managers should read your book, what would they be?

Charles S. Jacobs:

First, the technology that holds the most promise for improving business performance is our new understanding of the brain. It is a formidable competitive advantage, and like with mass production and information technology in the past, the early adopters will be the winners.

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Second, because of the way our minds work, most of what we do as managers doesn't. By just shifting our view to incorporate the latest scientific findings, we gain access to a few simple practices that will improve our effectiveness, such as asking, not telling people what to do.

Third, most managers today work harder, longer, and under more stress than ever before. Understanding what neuroscience has to teach us will improve our effectiveness, making our jobs as managers easier and improving the quality of our lives.

AC: Finally, are there any closing comments you wish to make?

Charles S. Jacobs:

Science teaches us that our minds drive our behaviour, so it only makes sense to learn how to use them as effectively as possible. While my book is primarily focused on the business world because that's where I've spent the majority of my professional life, everything I've written is just as applicable in other environments, including our personal and family lives. It's the same brain, wherever we choose to use it.

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