ARCHAIC "BEST" BUSINESS PRACTICES

TOXIC TO RESILIENCE, INNOVATION, AND CHANGE (PLUS, WHAT TO DO INSTEAD!) Carol Sanford

Can your business respond brilliantly to industry disruption? Or, better yet, can you be the source of it?

Seventy percent of the Fortune 1000 in 2003 are no longer in existence. The odds of being in the thirty percent of the businesses that makes it, and thrives, are stacked against you. And the rate of demise has been accelerating over the last century. Only four percent of businesses that existed ten years ago are still serving customers. One day you're in; the next day you're out.

Why do companies decline and disappear in the face of disruption? It is rarely paralysis, which is the common assumption. If asked, the answer usually is that they were frozen in time while everything around them changed. However, the cause is more likely to be a failure to respond to disruption in their industry with appropriate action even when well aware of it. The leadership cannot read the nature of change coming or find a way to innovate to meet or lead it. Responding to industry disruption with appropriate action requires a particularly robust organizational intelligence that is built for resilience and innovation with a workforce that embraces change. It is not just a great product development group.

So what makes the longevity and thriving difference? Examining modern business from a practices perspective offers lessons in the source of demise—the source of displaceability from a previous perch. Our studies and engagements hint that so-called "best" business practices, which tend to be ancient and mechanical, give them no platform for innovation nor allow their people to change rapidly.

It seems invisible to the company, even though under constant siege, and beyond their ability to develop the organizational capability to innovate and rise to the challenge, rather than depending on keeping a set of new products and services on the drawing board. What they need are a broad base of humans, ubiquitously, who feel resilient in the face of radical challenge, have an on-going innovation practice built-in to how they work every day and feel that change is their personal friend. Work design, (how we decide what work is to be done, by whom, and toward what goals) must be a major part of the new thinking. Work design itself has had little innovation for centuries in spite of thousands of new consulting offers which are adopted every day. In most cases, there has been no evolution in how work gets done for 600 or more years. Businesses are using practices originated between the sixteenth to twentieth centuries. They are, literally, archaic.

My Institute has studied business practices as they become popular and get passed along for four decades. I have collected over 100 practices that are toxic to the very nature of the organization and the people needed to thrive in business. These pervasive toxic practices make it difficult, if not impossible, to be on top of the game. Plus, thousands of hours are spent on amelioration of the side effects that would be better spent on creative engagements with the human beings the business touches.

The concept of "best practices" is no protection against toxic practices. Most of these "best practices" have never been validated and are marketing hype invented by a consultant company. Everyone wants to have the "best" way to work. But by what standards? Some are particularly toxic—whether that is in how they develop strategy, lead people, or change an industry. And lost is the deep reconceptualization of how to design and carry out work in a way that speaks to and develops the highest aspect of human beings. Most businesses just layer on a new program to soften the negative effects of last year's program. Some programs and practices even undermine our role as citizens. But they are not examined rigorously before they are adopted. Amazingly, these practices even outlast the companies that adopt them, carried forward by Human Resource professionals and leaders who are hired elsewhere.

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What Guidelines are Needed to Assess Practices for Effectiveness?

The following criteria work on growing human capacity for innovation and resilience by focusing on three fundamental factors that enable people to take the kind of risk that produces strong businesses (and, by extension, strong individuals, families, and democracies).

The first, internal locus of control, has to do with the degree to which one is able to take full responsibility for one's actions. The second, external considering, is the ability to take into account and care deeply about the effect of one's actions on other beings. The third, personal agency, stepping up to great challenge on their own initiative, is an essential characteristic in individuals who wish to become fearlessly proactive with regard to evolving a system.

Three Criteria Core to Growing Human Capacity →	Internal Locus of Control	External Considering	Personal Agency

Using these criteria, it is possible to test the regenerative potential of any work design. For a business or any other organization to work in a coherent and systemic way, all three must be present and rigorously cultivated as a system of capabilities. If they are only partially present or diluted by a mix-and-match assemblage of off-the-shelf programs, then it is impossible to build the force needed to create a great company.

Eras of Archaic Practice that are Undermining Your Business, Human Potential, and Democracy

The patterns we develop in response to social forces deposit like layers of sediment in the psyche, and they can significantly constrain our potential. At times, they can even be greatly harmful. For instance, we might have internalized negative messages from our family or school about our worth, beauty, lovability, or intelligence that inhibit our pursuit of fulfilling lives. We also build up layers of patterns arising from different periods in our lives or from different social contexts, and these can be in conflict with one another, causing us to appear self-contradictory.

Businesses are just as susceptible to this accretion of unconscious influences handed down from one era and generation to the next. This can cause them to appear self-contradictory or two-faced, for example with regard to how they behave toward employees. Thus, a business can be its own worst enemy when it comes to evolving its capacity to innovate or even to perform effectively. In order to become regenerative, it's not enough for a business to add a new set of assumptions on top of the built-up layers of old. Instead, the organization must engage in a process of self-examination in order to recognize and root out self-destructive practices that might otherwise prevent the company from pursuing its potential. In order to move forward, companies must take deliberate steps to eradicate toxic practices and replace them instead with the regenerative business practices.

Each era has a dozen still popular practices that will likely shock you. And, even harder is that we have learned to survive with them not knowing there is a better way. In fact, we feel we have benefitted from them, again without having alternatives that have more upside without the downside.

The Aristocracy Paradigm

Control over ownership leads to bureaucratization

Probably the oldest unconscious belief influencing business practice is the idea that some small segment of the population is superior to the rest and should be entrusted with decision making on behalf of everyone. Personal will, in other words, is replaced by or subordinated to the will of a leader. This idea is reflected in the traditions surrounding kings, organized religions, and ownership of land and other resources as they have been passed down over the past six thousand years. How we articulate what makes someone superior has changed over millennia, at times privileging war craft, cunning, wisdom, spiritual attainment, inheritance, wealth, or popular acclaim. But there hasn't been any change to the underlying idea.

This paradigm is still very much alive in many modern institutions, especially business, where the CEO is assumed to be somehow inherently superior and is treated accordingly. In work design, it shows up in some of the most ubiquitous, seemingly commonsensical, and unquestioned business practices.

In the business world, control over ownership inevitably results in bureaucracy and hierarchies. The problem arises when we habitually use hierarchies not as a way to organize thinking but as a way to organize people to do different levels of thinking. This has led to organizations, where ranking is translated into defined levels of authority, responsibility, and power. In most hierarchical businesses, small groups are designated to do significant parts of the creative thinking and decision making on behalf of all the others, profoundly proscribing the contributions that those others are allowed to make. This direct violation of the principles of internal locus of control and personal agency has the effect of undermining intrinsic motivation and accountability.

The Machine Paradigm

Control over process leads to routinization

Sometime during the Renaissance, improvements in the technology of clocks led to the metaphor of the universe as a cosmic clockwork or machine. This shift in paradigm enabled the rise of the industrial revolution, which not only celebrated and elaborated the place of machines in the world, but also organized military and social systems (including businesses) to operate like machines. By allowing people to function as interchangeable parts in machine-like systems, the industrial era severed the bondage to particular lords and lands, allowing unprecedented social mobility. But it also dehumanized people by imagining them as generic, interchangeable cogs.

This paradigm is still alive and well in modern business organizations. Its hallmark is standardization: machines depend on reliably identical parts, inputs, and outputs. This has reinforced the use of ideals as benchmarks against which people and work are judged: the closer to the ideal, the more reliably identical something can be. Thus, work design that is informed by a mechanistic perspective will give you the opposite of innovation. It will instead give more procedural uniformity and standardization.

Typically, a business based on the machine paradigm sees people as skill sets, views tasks as problems to be solved, and treats organization as the means by which people manage the parts to get the results they want. This leads to a host of business practices that have been around so long, and are so familiar, that they have come to be seen as business realities rather than business choices.

One of the greatest examples of a Toxic Practice from this era is feedback. Feedback is a metaphor explicitly derived from machines and introduced into common parlance by early

thinkers in the field of cybernetics, or artificial intelligence. It refers to the governing mechanism that notices when a machine is producing too much of something and causes it to scale back or shut down (for example, the thermostat on a furnace that regulates heat).

Although feedback can be remarkably useful in mechanical systems, it turns out to be a very poor metaphor when applied to human beings. Giving people information that shuts them down is actually a bad idea.

First, the vast majority of feedback that people offer one another is projection—ninety percent, according to a recent article in Psychology Today. The deficiency that one person attributes to another is actually far more likely to be their own. By encouraging projection, feedback not only erodes internal locus of control in the person being critiqued, it also undermines integrity and the potential for personal growth in the one doing the critiquing.

Second, the use of feedback in organizations undermines self-management and motivation. Rather than cultivating the capacity to be self-reflective and self-correcting, feedback makes employees increasingly dependent on outside input for knowing how well they are performing. And third, one of the insidious side effects of feedback is conformity of opinion, the tendency of people to become increasingly unwilling to share unpopular perspectives for fear of being chastised or ostracized. This robs a business of the multiplicity of viewpoints that are critically necessary for understanding a complex world.

People and organizations are often willing to tolerate these downsides because of the common belief that feedback is the only way we can gain other people's insights into our own blind spots. But these insights, colored by projection and barbed by annoyance, can very easily have the effect of shutting us down. It's far more useful, and far more accurate, to practice self-reflection as a way to identify for ourselves the key restraints we will need to work on if we are to have the beneficial impact we seek to create in the world.

The Behavioral Paradigm

Control over labor leads to external motivation

The machine paradigm enabled the rapid development of the industrial era, but at some point, the speed and predictability of industrial machines outstripped the predictability of the people operating them. At this point, attention shifted from how to control the manufacturing process to how to control labor.

In the early twentieth century, psychologist John Watson persuaded leaders of industry to fund his research laboratory at Johns Hopkins University. He promised that his research would show them how to control people's behavior with the same level of scientific predictability and rigor that engineers were able to bring to the design of machinery. This work, which founded the discipline of behaviorism, was predicated on the belief that internal, subjective experience was irrelevant. The only phenomena that mattered were behaviors that could be objectively served, categorized, and conditioned. Watson's research into operant conditioning, which was extended and elaborated by such well-known behaviorists as B. F. Skinner, had enormous impact later in the century on the field of work design, education, parenting, and advertising.

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Behavioral psychology is effective, in large part, because it taps into characteristics that humans share with many other animals. Through research on rats, primates, and other mammals, behaviorists were able to accurately describe how to condition people's behavior. Like the aristocratic and mechanistic paradigms that preceded it, this approach assumes an outside authority whose goals drive all activity and thus shape employee behavior. It ignores and therefore fails to take advantage of many of the higher functions of human intelligence.

Companies and all of their people have the innate potential for reflection and self-management, qualities they need to develop in order to move into the uncharted territories where innovation occurs. Business practices like the following, which are based on the premises of behavioral psychology, inevitably have far more negative than positive effects. Incentive is the promise of a future reward, designed to stimulate a single-minded pursuit. For example, companies might promise salespeople a bonus for exceeding certain targets. An incentive generates a very specific stimulating effect on the brain by highlighting a gap between what people have and what they could have. This creates the compelling desire to close the gap, and thus serve as a source of energy to drive the development of desired behaviors and outcomes.

An example of a toxic practice from this era is that of incentives. Because incentives trigger a primitive, ingrained response, they produce a number of unintended consequences. First, they strongly reinforce self-aggrandizement, so much so that people can dedicate highly creative energy toward the counterproductive purpose of gaming the system.

Second, they focus people's attention on the incentive, rather than on customers. Third, they reduce the sense of agency and locus of control in workers, placing it instead in the hands of those who are creating the incentives and providing the rewards. This not only undermines the ability to be self-managing, it also infantilizes people. Thus, it is small wonder, given the ubiquity of this practice, that Americans struggle to see themselves as engaged, empowered participants in their own democratic institutions.

Offering Rewards is another related toxic practice, designed to build and reinforce bonds of loyalty between workers and the superiors who bestow them. They can be distributed through incentive programs, but they can also arrive unexpectedly as the result of beneficence from above. In contrast to incentives, their effect on the brain is to reduce stimulation and satisfy desire, thereby producing a bond with the organization or person who doles them out.

Rewards subtly erode human character and relationships by valorizing dependency and self-serving loyalty over authenticity and the self-respect fostered within a community of equals. Organizationally, they contaminate a business culture by politicizing relationships, dividing

people into competing camps of mutual benefit. In addition, they set in motion a downward spiral of dependency. As employees are less and less able to look to themselves to anticipate the needs of customers, each year they require management to provide them with increasingly explicit goals, incentives, and rewards to accomplish this basic work.

The irony is that the practice of giving rewards, which is so universally accepted as a way to improve performance, simply doesn't work. As Daniel Pink points out in his book Drive, research has shown time and again that rewards are only effective when it comes to the simplest and most menial tasks. Anything that is complex and requires sustained effort depends on the development of people's intrinsic drive, which operates independently of external rewards. Yet, the belief that rewards are necessary to sustain motivation is so deep and unquestioned that people continue the practice throughout their social and professional institutions. They fail to understand how profoundly destructive it is to the development of free, independent, thoughtful, and democratic human beings, and they simply can't imagine an alternative.

The Human Potential Paradigm

Self-actualization leads to internal motivation

The aristocracy, machine, and behavioral paradigms emphasized the use of external controls (over ownership, process, or labor) as a means to move toward some ideal of performance. By the middle of the twentieth century, this emphasis on control was becoming increasingly out of step with a culture that was exploring the importance of human self-determination and self-expression. By the 1960s, this ferment had caused the rise of the human potential movement, led by such influential humanistic psychologists as Virginia Satir, Abraham Maslow, and Carl Rogers. They rejected a system that treated people as if they were merely tools, celebrating instead the idea that human beings were inherently worthy. In place of controls, they proposed self-direction; in place of optimization, they proposed actualization; and in place of the idea of humans as the tools of others, they proposed the pursuit of the potential inherent in each person.

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The human potential movement effectively shifted a host of organizational systems toward a new view of the role of humans in work. These became far better able to tap the creativity and energy of employees, even as employees found their work to be more meaningful and satisfying. Still, by limiting its focus to the self-actualization of individuals, the human potential movement contained a fundamental blind spot. It kept the focus inward and human, which meant that it was unable to adequately take into account the relationship between humans and the larger systems that we interact with—especially the natural systems.

Perhaps the greatest issue that resulted from the adaptation of humanistic psychology to business had to do with the consultants who attempted to do the adapting. Steeped as they were in the mechanistic and behaviorist paradigms, they misunderstood the fundamental insight of the human potential movement—that humans needed to be the authors of their own choices and actions. Instead, they took the concept of human development to be simply a replacement for the concept of performance. As a result, the programs that they developed to apply the philosophy of humanism were profoundly colored by the techniques of behaviorism. Some of the most common programs based on humanist principles are described here, along with the main reasons why they don't work.

An example of toxic practices from this era? Typologies of personality are used by companies as a way to manage the complexity that shows up whenever we begin to think of people as autonomous, self-managing individuals, rather than machine parts or lab rats. They sort and classify people, but not by background, training, or education. Instead they classify them according to personality or psychological traits, such as introverted and extroverted or analytical and synthesizing. In this way, the reasoning goes, programs and practices can be more closely tailored to their needs. Typologies are also intended to help people better understand themselves and one another in order to promote more harmonious working relationships.

Unfortunately, typologies simplify the unlimited diversity and changeability of human expression, and simplification is almost always a bad way to try to manage complexity. Also, they cannot be verified.

There is no scientific basis for the assertion that there are "four types of human mind" or "nine types" or "twelve types." This in itself wouldn't be an issue, if it weren't for the fact that typologies are fundamentally destructive in practice.

The real issue is that typologies are a method of generalization. The minute a business groups people into categories, it diminishes their unique individuality, which is the most sustainable source of their motivation and desire to contribute.

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The Regenerative Approach
to Work Design

Most organizations know that to engage in real, disruptive innovation, they need great, creative people. They also understand that they must provide the conditions within which these people will flourish.

In addition to a vibrant culture, they must design work in such a way that it invites and even compels innovation. Whereas most businesses do this by hiring and nurturing a small group of creative talent, a regenerative organization establishes the conditions that will grow creativity in everyone across the entire organization.

The right organizational conditions can radically expand what people consider possible, while nurturing a compelling desire in them to be part of it. In other words, when the conditions are right, personal growth becomes tied to transformational endeavors. It can even be tied to the disruption of existing economic and social systems. This keeps personal growth meaningful, and therefore sustainable. A business accomplishes this by fostering a culture that emphasizes rigorous thinking matched with reliable, structured capability building.

Three design criteria—initiative activation, developmental infrastructure, and change acceleration—focus on these fundamental conditions. When present, they enable everyone to develop the capabilities of internal locus of control, external considering, and personal agency. Businesses that foster a culture in which everyone thinks like a CEO completely bypass the current debates about the relative merits of hierarchical versus flat organizations. Thinking and decision making take place in every part of the organization, regardless of its overall formal structure.

The first criterion, initiative activation, is intended to build systems that foster the ability of every member of an organization to evolve the complexity of initiatives they pursue with regard to building a world-changing business. The second, developmental infrastructure, helps integrate individual initiative and organizational direction in order to achieve mutual success. The third, change acceleration involves orchestrating the conscious dialogue that will ensure that enlightened disruption is actually occurring in the market and society as a whole.

| **Three Criteria for Growing an Innovation Culture →** | Change Initiation System | Developmental Infrastructure | Activating Large-Scale Acceleration |

Human creativity has a tendency to become scattered or diffused without a rigorous discipline in place to focus it. These three criteria are specifically designed to enable businesses to provide focus, organization, and order to the initiatives of their members, so that their creative energy gains coherence and thrust. The criteria also provide guidance for the initiation and management of large-scale change. They are applicable to businesses, communities, ecosystems, and nations because they allow groups to start where they are and grow from there. For this reason, I have found them to be contagious. The minute workers begin to experience and master them within the workplace, they start to carry them out into their communities, where they can be put to use to benefit the public as well as the business. ⌖

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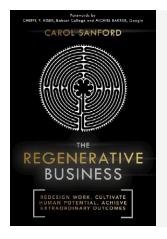
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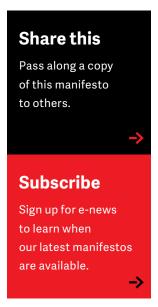
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About the author

Carol Sanford's work is deeply rooted in the belief that people can grow and develop beyond what their leaders or anyone sees possible: to be increasingly entrepreneurial, innovative, and responsible in their business and personal actions.
For forty years, she has worked with leaders of successful companies, such as Google, DuPont, Intel, P&G, and Seventh Generation, helping them to innovate and grow their businesses by growing their people. Her work is often called groundbreaking, game changing, original, and inspiring.
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