

Unconventional paradigms in management: When should Top Management leave the groove towards non conformity? The cases of the Black Box model and monetary incentives.

Abstract: This script claims that alternative managerial paradigms, even if they disconfirm the common practices, can be precious for top management in order to avoid an automatic thinking process and to encourage creativity, innovation and a strategic perception of the business environment. The globalisation process needs more than before this mind attitudes.

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Unconventional Paradigms (UP) are paths of thought that appear at first glance to contradict the cultural background which sustains the most common practices in management.

They could be perceived as iconoclastic, provoking or denying most of the well established theories, assumptions and beliefs in an organisation.

It is important to underline that the unconventional thought doesn't necessarily lead to non ordinary, unexpected or contradictory actions in managerial life.

Our basic assumption is that unconventional managerial thought is a helpful, creative way to cope with the most significant organisational phenomena.

With this premiss, it is important to develop these models to allow a criticism of generally adopted behaviours, in order to avoid the "single thought" which risks reducing the visual perception and range of action for managers, affecting what Ashby calls "the requisite variety", an important indicator of the adaptability of an organisation .

Besides this "vaccination effect", the development and implementation of Unconventional Paradigms stimulate in the manager the need for integration, as an answer to the question: "if two models are in se consistent but mutually contradictory, how can a third personal approach be created to solve the contradiction?" In this sense , UP have a generative value for the thinking process of the Top Manager, inducing a sort of "quantum leap". For sure, the UP approach doesn't aim to erase the previous body of know how and experience but rather rebalance them.

We could even assume that every conventional approach should coexist with its dual unconventional version .

UP have two characterising factors: they have an internal coherence and they find a validation in the managerial experience: somebody has tried them and succeeded!

An example of UP: the Black Box model.

Apparently this model seems to deny most of the assumptions and practices of organisational life and results in being inadequate for the common phenomena.

The Black Box approach assumes that every individual a manager deals with will have to be considered an unknown reality, like a Black Box. This term is used in engineering and technology, to indicate such a complex reality that cannot be described in terms of "inside", although the model presented here goes beyond the common meaning.

Within the black box it is assumed the presence of important elements which are unique to that person, for example:

His history and past experiences, his motivation and attitudes, his potential, his personality and psychological profile and his unconscious.

These Internal Factors , and perhaps many more, are unreachable. To be more precise, if we adopt such a diagram:



whatever tools we can use to observe and process a person's behaviour (the Black Box output) we cannot use this information to individuate the Internal Factors.

In other words, it is not possible to understand a person (professionally and also humanly) in terms of his behaviour interpretation.

Even more, the attempt to "learn" the Internal Factors is counterproductive for the manager.

Once this statement has been accepted, the observation of the BB output remains important for the manager in order to verify the conformity of the output with the desired result.

The impossibility to understand is the first of three postulates that sustain the Black Box model.

If we were to apply this first axiom (the impossibility to understand), we would then consider it as useless to interview an individual to decide on hiring him or not or to define the right job for him on the basis of his Internal Factors. The interview is still useful in order to clarify and to agree the terms of the mutual commitment.

The second postulate could be termed as "do not predict the output". Future behaviours are not inferable by previous output, no matter how frequent the emergence of that behaviour was in the past.

The adoption of this second pillar would discourage the classic policies of high potentials' detection and the relevant strategies to develop them.

The actual organisational practice on the other hand is in search of the earliest possible definition of a personal and professional profile and of the most accurate prediction of one's future evolution.

Graphology, iridology and more or less scientific approaches are available in the work market for this purpose. The common practice is again the very opposite of BB.

The third and last axiom, possibly the most unconventional in our culture, is the denial of causal links between the input and the output of the Black Box.

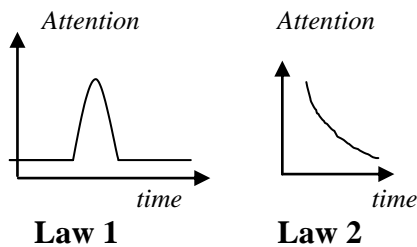
Whatever behavioural input is applied to the Black Box it is not correlated to the observable output, no matter how reasonable or unreasonable this cause-effect relationship can appear. In other words, every policy in human resource management such as punishment, ignoring, giving prize or incentive or any common practice typically adopted with the aim to control or influence human behaviour is useless (or dangerous, for reasons that we'll eventually show).

The three axioms that constitute the Black Box model could appear as a total deregulation of people's behaviour, a sort of surrender to the complexity and the mystery of human nature. If this model were applied to the organisational life, half of the personnel department could be fired for being unnecessary or dangerous and work psychologists would have to switch to other applications of their discipline.

When we introduced this Black Box approach to Personnel Directors their reaction ranged from refusal to panic and someone said " you certainly aren't , but imagine what could happen if you were right....."

The reluctance in accepting this paradigm is comprehensive, as it is counterintuitive in our managerial culture, but we have been encouraged by two orders of reactions: some managers have told us that they felt " a sense of liberty" by learning the existence of this model and others reported eventually of unexpected success in its application to their situations, typically in the most severe cases, as I'll describe in the following.

To complete the model, Black Box admits two laws, which in fact represent the same mechanism. Law 1 is “If the input applied to the person (represented by the BB) is a unique event (i.e. applied for the first time or very seldomly) the output remains unpredictable but the attention of the person will rise according to an impulsive curve”. By the word “attention” we mean the sudden and temporary aperture of all the five senses of the person that we represent here as the Black Box. Law 2 (corollary of Law 1): a repetitive input, whether positive or negative, will result asymptotically in annealing the attention:



Some justification of Law 1 and Law 2 could be related to the Fourier transform of an impulsive input, that demonstrates how this input has the highest possible stimulating effect to a system.

Possible applications of the Black Box approach and its practical verification.

Although this model is difficult to accept theoretically and impossible to apply as a sole human resource strategy, there are situations where this approach seems to be very effective, in some cases the only alternative to an impasse in managerial problems concerning human behaviour. Our consulting practice in the past 10 years has encountered several economic organisations which adopt the Black Box approach in some specific conditions, although in a relatively pure application. In this sense the Black Box can be considered the extreme end of a strategy that can get indefinitely close to the exact concept as described here, moderated by heuristic pragmatism.

In all the following examples we assume that what the model calls Internal Factors can be *unknown* or *known*, in order to verify how the Black Box model is applicable in these two cases. Per se, the Black Box theory will accept the ontological existence of Internal Factors but refuses the possibility of their identification.

Application 1: Maximisation of individual contribution and potential

Ignoring the Internal Factors allows you to avoid the so called Self Fulfilling Prophecy: the information about a person’s intimate characteristics can create the conditions to confirm those characteristics and the relevant behaviours. The knowledge of Internal Factors produces a reduction of the possible performance that can be yielded by that person, whether they are functional or dysfunctional. The performance will be impoverished in its flexibility and variety. One plant manager at a high technology multinational used to refuse to read the personnel department reports about people joining his plant from another one within the same company. These profiles were rather sophisticated, from performance records to psychological aspects.

His justification was “I know myself: if I read those papers I will lose the overall person. I want him, not his history. Let’s see what happens!”. Several good or bad performers changed their attitude and performance significantly when joining this plant. Of course the motivation and popularity towards this plant manager was exorbitant: “there is always the chance of starting all over again with him” was the common remark of people in the company and, unexpectedly, this was the comment of both poor and good performers. They probably both perceived it as a relief to have the chance of being rid of the “prophecy”.

Application 2: Alertness and behavioural change

The lack of information on a person’s Internal Factors increases the variety of input that that person receives. This produces a higher attention and facilitates behavioural modification, due to the variety of the stimulus.

On the contrary the knowledge of Internal Factors leads one to avoid applying the risky input and to overuse the favourable ones, and according to Law 1 and Law 2 the interpersonal communication becomes poorer and poorer, creating a progressive virtual isolation of the person. This mechanism

is very evident within the husband-wife situation, where wise prudence to respect the unknown factors can stimulate a couple's life. It follows the same dynamics in professional relationships.

Some sudden or systematic job rotation of team leaders, which is very common in American companies or multinationals in Europe, creates a Black Box effect: the new leader (for members) and new members (for the leader) are again BB to each other. This always produces a sense of attention and induces frequent behavioural changes, whose nature cannot always be controlled but as a result, creates the grounds for wider organisational change.

Application 3: Cross cultural situations: although paradoxical, this field could benefit from a Black Box approach: the ignorance of the Internal Factors of a person belonging to an unknown culture makes the risk of cultural mistakes very high but possibly at the same time, acceptable: the mistake is partially justified by the unavailability of the Internal Factors. St Paul uses the holy verse "Omnia munda mundis" (everything is pure for who is pure) that proves to be applicable in secular occurrences like sales, management and business in general.

A case: two American companies were competing to offer a complex project to a hi-tech Japanese multinational. One company sent its most skilled Japanese expert while the second Company, significantly smaller, had only one possibility, that being an American engineer of Middle East origin. He succeeded and his company got some profitable business. Several cross cultural mistakes he probably made were forgiven, the only mistake of the Japanese expert proved fatal.

Application 4: Negotiation or potentially conflictual situations

The unavailability of Internal Factors doesn't necessarily avoid the conflict or the confrontation between the parties, but the nature of the conflict is less "pathological" and more "sane". A pathological conflict could be defined as an ambiguous situation where there is a serious risk that all the players lose. Some negotiators we worked with were refusing to acquire information about their counterpart, although very careful about the technical and economic knowledge of the problem under negotiation. The confrontation was therefore severe on the content but smoother than expected on relationship. The advantage of a mediator is more in this strategic ignorance than in a specific professional skill. In some way, the concentration on the factual aspects is easier if the human stories are left aside, or better still ignored. A speaker arrived late for a social company dinner before an internal conference and he couldn't become acquainted with the personalities of the attendees and also be aware of the risk of touching conflictual subjects. The following day he went about things in his way while the other speakers, on the contrary, took into account the delicate issues carefully. At the end, the CEO thanked with "particular gratitude" that speaker for his braveness and honesty, on occasions having hurt some people's sensibility but creating a very high level of attention and provoking many internal discussions, allowing some new aspects of risk and opportunity to emerge.

An ultimate hypothesis: the "erase" button

Can we reproduce the Black Box effect when a person is an open book, as every relationship seems to be with the flow of time? Or is physical displacement, like job rotation, the only way? Maybe delayed with a careful attitude to slow down the Internal Factor discovery?

The answer is yes, there is an option: although the relevant behavioural technology is still under evaluation and development, experimentally we tried to lead a person to "erase" the Internal Factors of a well known person: problematic work situations that were not responding to any treatment (punishment, motivation, incentive and change of the external factors) fortunately were solved with this strategic memory removal. This application can be called "the last chance" and it is perhaps the most efficient and unique use of this unconventional approach. Marriage therapists know some techniques to renew the Black Box effect and some of their methods can be adapted to the business context.

The Black Box approach makes people do away with prejudices and generate a frame of behavioural risk and freedom which could scare younger managers but are a requisite of managerial maturity.

A second Unconventional Paradigm example

To show a further application of this school of thought, we will indicate synthetically another UP approach. The whole know how about this paradigm is far wider than described in this script and available elsewhere.

Monetary incentive policies and the risk of their demotivating effect

Contrary to the commonly accepted practice of using economic incentives to control or at least influence people performance, this approach states that:

“A monetary donation has an effect on only the past performance of a person: in more specific terms, money or similar forms of economic benefits have a backwards effect”.

They firmly press the feeling of justice that is active in any performer and which concerns what has already happened. If the prize or punishment is correct (adequate to the person's result and in comparison to the rest of the performers) the past is considered “well closed”, it doesn't leave conditioning residuals. If it is perceived as not correct, the need for justice remains psychologically “open”, inducing several consequential behaviours, most of them dysfunctional for the organisation. According to the model here described, a monetary promise (i.e. an incentive) has no effect on the future performance and there are possibilities that this promise reduces the outcome of the performer.

Despite its non intuitive nature, this effect could be proven or at least sustained both theoretically and in term of organisational experience.

For example, the adoption of MBO plans with the relevant prize policy (or punishment) on the basis of results, which were applied to a pre-existing system where performers were paid regardless of their result (the typical flat salary) produced in several companies a lower outcome. Besides, in most cases this strategy to award the goal achievement had negative social effects, like the rise of conflicts, most of them being of a pathological nature.

Some theoretical explanations which could justify the statement of the negative impact of the monetary incentive are:

1) **The stress effect**, or performance anxiety. When too high risks or advantages are associated to a future performance, the performer tends to be blocked. It could be a real abstention or a delay in reaction or it can result in a reduction of the decisional options that would instead be available with no prize/punishment threat or with a moderate level of incentive.

2) **The regression effect**: when a sword, which is too advantageous (or threatening), is on people's heads, they tend to show temporary regressive behaviours, i.e. behaviours associated to an earlier physical and mental age. The regression tends to be more intense depending on the amount of prize/punishment. Managers behaving like kids could explain some glamorous economic failures.

3) **The “Buddha's Finger effect”**: as in the old Chinese proverb, the wise man looks at the moon that the finger of Buddha points to, whereas the stupid man stares at the finger.

When the incentive becomes more and more appealing (as stock options sometimes are) the number of stupid individuals increases more than proportionally. In other words, we risk to divert the attention from the outcome to the incentive, which tends to become independent from each other if the prize goes out of proportion and becomes immeasurable.

As a final pragmatic recommendation, a well balanced progression of conventional and unconventional approaches is for us an effective strategy to make management theories effective. And even though some managers would resist, due to laziness or ideology, tackling what we called here “the unconventional”, the globalisation process will inexorably lead everybody to leave the safe groove, considering new managerial trails and letting further unconventional paradigms emerge.

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