

CHANGING MENTAL MODELS: HR's MOST IMPORTANT TASK

Jeffrey Pfeffer

In the “managerial knowledge” marketplace, there is little evidence of much diffusion of ideas, innovative business models, or management practices. In organizations not implementing what they know they should be doing based on experience and insight, and in companies not acting on the basis of the best available evidence, one main factor explains the difficulties—the mental models or mind-sets of senior leaders. How they are formed, what they are about, and a multitude of examples that show how those mind-sets can be improved are presented here.
© 2005 Wiley Periodicals, Inc.

Here is a paradox. In the financial markets, investment information is rapidly and efficiently diffused. New product and service innovations, be they junk bonds, new forms of options, or debt securities that allocate and price risk in an innovative fashion, get rapidly copied by competitors. But in the “managerial knowledge” marketplace, there is little evidence of much diffusion of ideas or innovative business models and management practices. How can I say this in a world in which there are entire industries devoted to spreading concepts and best practices, and where management is occasionally accused of being too fad-driven? Because although there is certainly rapid diffusion of language—the language of quality or Six Sigma, the language of em-

powerment and putting people first, the language of employee and customer loyalty, and so forth—in many cases, not much actually changes in terms of what occurs on a day-to-day basis and in fundamental organizational business models.

A few examples will help illustrate how long it takes to successfully imitate effective management models. Southwest Airlines was the most successful, productive, and profitable U.S. airline. Its success was widely described in books, cases, and articles literally decades before JetBlue, ATA, and others in the United States, Europe, and Asia finally began to successfully imitate its approach. Or, as described in an article in *Fortune*, Toyota has been world class and ahead of its competitors in automobile qual-

Correspondence to: Jeffrey Pfeffer, Thomas D. Dee II Professor of Organizational Behavior, Graduate School of Business, Stanford University, Stanford, CA 94305-5015, 650-723-2915, Pfeffer_Jeffrey@gsb.stanford.edu

Whole Foods' big insight that others can't quite copy is that people actually will pay more for high-quality food they want to eat.

ity and productivity for many years. This competitive advantage persists even though the company gives plant tours to its competitors and its approach has been extensively described and analyzed in books and research articles.¹ Nevertheless, its rivals seem to have trouble learning from and about Toyota and catching up.

In the gambling business, Harrah's Entertainment has used evidence, gathered from its customer database and from running numerous small experiments, to turn conventional wisdom upside down about how to make money in the casino business.² Although Harrah's has outperformed its rivals and its approach has been widely documented and praised, once again there is little evidence of successful imitation of its management techniques by others in the industry. And what still another example of success not being imitated? Take Whole Foods, the natural foods grocery store chain whose stock sells (as of summer 2004) at a price/earnings ratio of about 40—for a grocery store, no less—and has a five-year return to shareholders of more than 330%. Whole Foods' big insight that others can't quite copy is that people actually will pay more for high-quality food they want to eat. This strategic insight entails customizing both prepared food and even packaged goods selections for the local market in recognition that tastes in food vary, giving up on the idea of driving product costs down as much as possible but enhancing margins in the process.

In considering these and many similar cases of organizations confronting either knowing-doing problems—not implementing what they know they should be doing based on experience and insight—or doing-knowing problems—companies not acting on the basis of the best available evidence—one factor looms large as an explanation for the difficulties: the mental models or mind-sets of senior leaders. As Mary Kathryn Clubb, formerly a senior partner at Accenture, puts it, in order to get different results, you must do different things. Clubb's insight was that in order to do different things, at least on a consistent, systematic basis over a sustained time period, companies and their people actually must begin to think differently. That's

why mental models affect organizational performance and why they are a high leverage place for human resources to focus its organizational interventions.

To return to the examples, Toyota's success has much less to do with the specific techniques of its quality process—cords to stop the production lines if there are defects, just-in-time inventory systems, and particular statistical techniques—and much more to do with a philosophy that supports quality (and productivity and innovative product design as well). The techniques and specific practices can be, and are, copied. The philosophy is much harder to inculcate. Southwest Airlines' success is not simply a result of not serving meals or flying only 737s on short hauls, something many other airlines have imitated. Instead, the key to Southwest's performance is great service and outstanding productivity produced by (a) a strong culture built on a value system that puts employees first, customers second, and shareholders third, and (b) a way of thinking about and treating employees that has built loyalty and commitment even with a heavily unionized workforce.

Whole Foods has a different conception of its business, captured in part in its "Declaration of Interdependence," that permits it to operate differently and innovate to maintain its position as the leading natural foods grocery store chain. And Harrah's success is premised on a different way of thinking about the gambling business and what its strategy is. While other companies in the gaming industry build "attractions" and are increasingly hotel, convention, and show businesses with some gambling thrown in, Harrah's remains focused on gambling and on systematically understanding how to make money in that industry. This is accomplished in part by offering a higher level of customer service. Also, Harrah's focuses less on high rollers or families with small children (who have neither lots of free time nor a lot of discretionary money) and does not try to attract people by "comping" rooms. Instead, it has identified and focused on its best customers, older players who live nearby, see gambling as entertainment, and are much more interested in free chips than free rooms.

Emphasizing on the importance of mind-set and mental models as a way of understanding the foundation of organizational success makes intuitive sense. Every organizational intervention or management practice—be it some form of incentive compensation, performance management system, or set of measurement practices—necessarily relies on some implicit or explicit model of human behavior and beliefs about the determinants of individual and organizational performance. It is therefore just logical that (a) success or failure is determined, in part, by these mental models or ways of viewing people and organizations, and (b) in order to change practices and interventions, mind-sets or mental models must inevitably be an important focus of attention.

Where do these mental models or mind-sets come from? First, most of our models of business and behavior are unconscious and implicit. This suggests the first practical step is to get people thinking about the implicit models of human behavior, organizational performance, and strategy that are implied by their organization's ongoing practices. Second, a lot of what we do is based on simply repeating what we have done before, carrying the past into the future. Companies also copy what others do—it is called benchmarking—sometimes without carefully considering whether or not their circumstances are different and whether the experience of others, therefore, actually will generalize to them. Belief and ideology play a large role in management decisions as well. Incentive pay should work, people must take more responsibility for their benefits decisions, the grocery business is a low-margin business so we have to drive down product and people costs—and we all too infrequently examine the evidence for and the assumptions underlying these beliefs.

There are some straightforward implications of these ideas for the human resources function and for human resource professionals. One implication is that the HR function must intervene somewhat less with programs and particular techniques and practices, and instead focus much more on helping both itself and senior organizational leaders see and, when necessary, change their mental

models. The ability to identify and help others discover their mind-sets and mental models, and the capability to change those mind-sets when necessary, are possibly among the most critical capabilities an HR professional can have or acquire.

Many people apparently believe that mental models or mind-sets are not a very useful focus for organizational intervention, since this sort of approach is seldom employed. First, changing how people think is going to be more difficult than just changing what they do, since assumptions and mind-sets are often deeply embedded below the surface of conscious thought. Second, to some people, this type of intervention seems “softer” than the more typical HR interventions such as redesigning incentive plans, implementing new performance management programs, and introducing human resource information systems such as automated applicant tracking and computerized hiring systems. But in spite of the apparent difficulty and its less tangible nature, changing the way people think about situations is, in fact, the most powerful and useful way to ultimately change behavior and thereby affect organizational results.

An Example: The “Responsibility” Mind-set

It is, in fact, possible to uncover and change mind-sets and mental models and to do so reasonably efficiently, reliably, and predictably. Let me provide one specific example of how to diagnose and intervene to change one particular mind-set. The general framework and process can, of course, be applied to other mind-sets and mental models.

Some colleagues at a small boutique strategy implementation consulting company called The Trium Group, headquartered in San Francisco, have been reasonably successful at helping companies make mind-set transitions, thus enhancing the companies' effectiveness.³ Although their work focuses on several mental models, one important focus is on what they call the “responsibility” mind-set, which they contrast with the “victim” perspective.

It is, in fact, possible to uncover and change mind-sets and mental models and to do so reasonably efficiently, reliably, and predictably.

Responsibility entails feeling efficacious and believing one has some obligation to make the world, including the organizational world, in which one lives a better place.

An important introductory comment: Responsibility is not the same as accountability. Responsibility is probably a good thing for companies and their cultures, but accountability is actually somewhat more problematic. Accountability is, of course, an idea very much in vogue these days. People in companies and even schoolchildren are supposed to be held accountable for their decisions and actions—what they do has consequences, and they must feel those consequences, be they positive or negative. There is a lot of evidence, however, that the growing emphasis on individual accountability—something, by the way, that is completely inconsistent with the lessons of the quality movement—hinders learning and even discovering mistakes.

The downside of the emphasis on individual accountability is nicely illustrated by Jody Hoffer Gittell's research on Southwest and American Airlines during the mid-1990s.⁴ American Airlines' then-CEO Robert Crandall insisted that delays come to his attention and get assigned to individuals and departments, so they would be accountable for their results and, moreover, would compete with each other to avoid creating problems. One field manager told Gittell that when a plane making a connection was late, "Crandall wants to see the corpse." The result of this approach was to create a culture of fear and infighting as people and units tried to pin the blame for problems on others. Little learning occurred and on-time performance continued to lag. At Southwest Airlines, the view was that delays were everyone's problem, and when they occurred, people needed to work together to learn as much as possible so that, to the extent possible, delays and other operational problems could be prevented in the future. Gittell's research showed that the Southwest system actually produced more learning and more teamwork, resulting in better system performance, than the American Airlines approach with its emphasis on assigning individual or departmental accountability and blame.

Responsibility implies something different. Responsibility entails feeling efficacious and believing one has some obligation to

make the world, including the organizational world, in which one lives a better place. Building a responsibility mind-set or, for that matter, changing mind-sets in general, is a process that requires two things: (1) getting people to acknowledge and accept that how they think about situations is under their volitional control—choice is possible; and (2) having them both emotionally experience and think about the pros and cons of alternative ways of thinking about situations.

What Trium does is have people pair up with someone attending the same workshop or meeting. One person in the pair is then told to tell the other a story that has the following characteristics: (1) the incident is real, (2) it is work-related, and (3) the person telling the story felt like a victim—not in control, things were happening to the person, there was little or nothing they could do about what was occurring, and they were unhappy with what occurred. They are told to tell the story in as convincing a way as possible, so their partner actually believes the story and feels their emotions. Then the roles are reversed, and the partner tells his or her "victim" story to the other person.

The questions posed are: What does it feel like to be a victim? and What are the advantages and disadvantages of the victim role? One advantage of being in a victim role is that one gets sympathy, and, in fact, we often see people in subunits who bemoan their shared and unfortunate fate with each other, thereby building social solidarity. Certainly, this feeling must be familiar to human resource professionals, who often tell stories to each other about how their chief financial officer or other senior executive refused to let them do the right thing or prevented them from implementing some culture-building program or practice that might have enhanced the organization's performance.

The next step in the mind-set change process is to have each partner tell the same stories they just told each other, but now trying to imagine what it would be like to be more in control or more responsible for what transpired. Being in control does not mean things would have necessarily turned out perfectly—organizations are interdependent systems, and almost no one gets to have their

way all the time. But the responsibility mind-set is simply seeing oneself as an actor affecting, or trying to affect, what goes on rather than being in a more passive role of having things happen to oneself.

The debriefing then continues by having people think about the emotions they experienced with this responsibility mind-set and, again, discussing the advantages and disadvantages of adopting a responsibility mental model. Not everything is great about being responsible; it is, for instance, hard work and can feel burdensome. Feeling responsible also has many positive emotions and advantages associated with it, including feeling more powerful and more connected.

The point of the exercise is not to have people necessarily come to believe one way of thinking is better than another. The objective is to have people recognize that each of us has a choice—or actually a series of choices—we make each day about how we approach the world and the problems and opportunities it presents to us. We can be victimized or responsible. In a similar fashion, we can choose how we view opponents and rivals and we can choose what assumptions we make and hold about people and organizations and their capabilities and potential. We can choose to see the grocery industry as a low-margin business where minimizing costs is the only way to compete or we can consider a different approach. We can see casinos as hotels with gambling or, as Harrah's does, see hotel rooms as places for gamblers to sleep, restaurants as places for gamblers to eat, parking lots as places for gamblers to park, and so forth. Each choice has consequences—for how we feel and, more important, for what we do, the decisions we make, and how we act in the situations we confront in seeking to make our organizations more effective and successful.

How HR Might Intervene in Organizations

For many good and understandable reasons—for instance, that the urgent pressures of day-to-day operations drive out the long-term planning and strategic thinking

and the important but more fundamental changes that get pushed into the future—human resources in many organizations is mostly involved in systems, operations, and the pressing issues of setting pay, recruiting, and developing people. Even when HR adopts a more strategic role, it is mostly focused on designing specific systems to produce higher levels of performance in the immediate future.

There is certainly nothing wrong with these activities or in focusing on critical processes that are key to organizational success and dimensions used to evaluate the performance of the HR function. All these things must get done, and when they are done well, they can contribute to the organization's performance and success. Hiring, retaining, and developing people are critical activities in a world in which intellectual capital and organizational capabilities are the key source of competitive advantage, so working on incentive-pay plans and improving recruiting and hiring systems are important activities.

But I suggest there may be a potentially even more important activity that human resources might do—the diagnosing and changing of mind-sets and mental models. Actually intervening to affect mental models may be one of the more efficient ways of making the changes that HR so often advocates to build a high-performing culture. In an environment in which there are many tasks, this may be the most important.

Moreover, it is possible to measure and monitor the results of this process. Surveys and interviews can reveal whether or not there is consensus in how people understand the causes of organizational performance and the company's strategy. And surveys and interviews also can reveal the mental models people use in thinking about their role and work as well as other dimensions of their work environment and the company's business model. Assessed over time, it is possible to chart the results of various interventions on the mental models people use and, for that matter, the actions and decisions they take.

Human resources has, at times, been described as one of the important keepers and

Actually intervening to affect mental models may be one of the more efficient ways of making the changes that HR so often advocates to build a high-performing culture.

analysts of an organization's culture. Culture is a crucial determinant of many dimensions of organizational performance, and HR's cultural role is significant. What I have argued here is that there is another, possibly even more crucial role for HR. In addition to being concerned with the company culture, human

resources must be concerned with the mental models and mind-sets of the people in the company, particularly its leaders. Because what we do comes from what and how we think, intervening to uncover and affect mental models may be the most important and high-leverage activity HR can perform.

JEFFREY PFEFFER received his BS and MS degrees from Carnegie Mellon University and his PhD from Stanford. He has held positions at the University of Illinois and the University of California, Berkeley, and has taught at Stanford since 1979. He has taught seminars in more than 27 countries. Pfeffer is the author of ten books and more than 100 articles and book chapters.

NOTES

1. Taylor, A., III. (1997, December). How Toyota defies gravity. *Fortune*, pp. 100–108.
2. Loveman, G. (2003, May). Diamonds in the data mine. *Harvard Business Review*, pp. 109–113.
3. I have recommended Trium over the past few
4. Gittell, J. H. (2003). *The Southwest Airlines way*. New York: McGraw-Hill.

years and meet with them occasionally to discuss ideas. They came up with this particular intervention and first introduced me to their views on the importance of mental models and mind-sets and how to think about changing them.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.