That’s the Way We (Used to) Do Things Around Here

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BY JEFFREY SCHWARTZ, PABLO GAITO, AND DOUG LENNICK
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When corporate leaders talk about change, they usually have a desired result in mind: gains in performance, a better approach to customers, the solution to a formidable challenge. They know that if they are to achieve this result, people throughout the company need to change their behavior and practices, and that can’t happen by simple decree. How, then, does it happen? In the last few years, insights from neuroscience have begun to answer that question. New behaviors can be put in place, but only by reframing attitudes that are so entrenched that they are almost literally embedded in the physical pathways of employees’ neurons. These beliefs have been reinforced over the years through everyday routines and hundreds of workplace conversations. They all have the same underlying theme: “That’s the way we do things around here.”

This phrase (and others like it) typically refers to the complex, subtle practices that become ingrained in an organization’s culture, to the point where they become part of its identity. Habitual thoughts and behaviors are not bad in themselves; indeed, they are often the basis for what a company does well. But when circumstances shift or the company becomes dysfunctional, those habits may need substantive change.

We teamed up to write this article, despite our disparate backgrounds — in neuroscience (Schwartz), learning and development in a major international corporation (Gaito), and ethics and leadership in the financial-services industry (Lennick) — because during the past six years, we each came to recognize the power of conceptual focus in organizational change. Altering habits is difficult enough for individuals. Studies suggest that the number of people who voluntarily shift
away from addictive or obsessive-compulsive behavior, even when they know their lives are at stake, is staggeringly low, perhaps one in 10. At corporations, the complexity of collective behavior makes the challenge even greater. Furthermore, as with repairing a ship while it is at sea, these changes must be made at the same time that the company continues to operate.

But there is a particular type of highly charged conversational process that leads to changes in the neural patterns of people throughout an organization—a process that works with, not against, the predisposition and capability of the human brain.

**Cargill’s Strategy Transformation**

Consider, for example, the way that Cargill, a major agricultural and food products company, applied knowledge of the human brain to raise its game in collaboration and innovation across business units. Cargill had already undergone one major shift, starting in 1999, toward becoming a more agile, solutions-based organization. The company’s executives had defined the “heart of leadership” for their company as integrity, conviction, and courage. They had also set out to create a “culture of freedom,” empowering and encouraging employees at every level to act with decisiveness and accountability on behalf of customers.

But some elements of the company’s culture and practice still did not fully support the customer-focused culture that they were developing. One customer, a large packaged-foods manufacturer, told a Cargill executive, “You send 15 different people to our offices each week from different businesses, and they all ask us some of the same questions, but they never try to understand exactly what we do with all of your ingredients. If you brought all those people together, you could potentially offer much more to us.”

The situation clearly called for new behaviors. Better collaboration among Cargill employees, for example, would not just solve the problem of redundant sales calls. It could lead to new logistics, risk management, and quality assurance practices. But that type of collaboration, especially across Cargill’s 70-plus businesses operating in 66 countries, would be a stretch—particularly since in Cargill’s culture, it would require bottom-up commitment.

In 2006, the company renewed its commitment to move to the next level in fulfilling its strategic objectives in serving customers more effectively. Corporate leaders described some major behavioral, structural, and cultural changes that were needed—in effect, a major shift in “the way we do things around here.” This initiative sparked a new interest in understanding and working with the realities of the human brain.

**Ameriprise: Cultivating the Counterintuitive**

Around the same time, the leaders of Ameriprise Financial—a US$7 billion company that is the leading source of financial advice in the United States—began taking a fresh, dispassionate look at their own behavior. In 2007, an annual investor performance study from the research firm Dalbar showed that most investors consistently did less well as individuals than the market as a whole. Their instincts led them to miss some of the gains inherent in a volatile market. For example, when stocks fall sharply, a fully rational investor should step back and wait for a signal of what is going to happen next. But many investors rush to sell, fearing a further downturn, and move their money into cash or related...
interest-bearing products. This exacerbates their losses, because stocks often rise again soon afterward.

Ted Truscott, CEO of U.S. asset management at Ameriprise, stated it this way: “Remember, when you have the price, you don’t have the proof, and when you have the proof, you don’t have the price.” In other words, by the time investors felt comfortable with a stock (the “proof”), it was probably already priced too high to be a good investment. By seeking reassurance, investors were undermining their own portfolios.

The Ameriprise leaders prided themselves on building a better future for their customers, and the study results suggested an opportunity to enhance their own practices. Their advisory teams (either on staff or franchise holders) were not consistently giving clients the advice that would have helped them avoid this trap. “Being a great financial planner and advisor requires not only technical expertise,” concluded Kris Petersen, then the Ameriprise senior vice president of financial planning, “but an understanding of how people make decisions. Our clients are misbehaving with their money, and we have to do a better job of helping them.”

Jeff Marshall, a franchise leader in the Pacific Northwest, moved rapidly to put in place a new training program to change the company’s approach. But response was very limited at first. Of the 12,000 Ameriprise advisors, only several hundred signed up for that first round of training in 2007. Even many who were initially enthusiastic expressed doubt when they discovered that the training would take several months. Interest grew broader in late 2008, of course, after the financial crisis began. By then, Ameriprise leaders had recognized that they needed to confront deeply ingrained habits of thought, which required a thorough understanding of the limits and capabilities of the human brain.

The Principles of Change
A viable approach is emerging today that applies neuroscience to organizational change at dozens of companies like Cargill and Ameriprise. Specific practices vary from one workplace to the next, but they are always based on principles grounded in brain research:

- **Habits are hard to change because of the way the brain manages them.** Many conventional patterns of thinking are held in circuits associated with deep, primal parts of the brain that evolved relatively early. These include the basal ganglia, or the brain’s “habit center,” which normally manages such semiautomatic activities as driving and walking; the amygdala, a small, deep source of strong emotions such as fear and anger; and the hypothalamus, which manages instinctive drives such as hunger, thirst, and sexual desire. Information that is processed in these parts of the brain is often not brought to conscious attention.

  The basal ganglia’s processing, in particular, is so rapid compared to other brain activity that it can feel physically rewarding; people tend to revert to this type of processing whenever possible. Moreover, every time the neuronal patterns in the basal ganglia are invoked, they become further entrenched; they forge connections with one another and with other functionally related brain areas, and these neural links (sometimes called “action repertoires”) become stronger and more compelling. This helps explain why when people in a workplace talk about the way to do things, they often reinforce the link between their own neural patterns and the culture of the company. If an organizational practice triggers their basal ganglia, it can become collectively ingrained and extremely difficult to dislodge.

  Similarly, if you want to create permanent new patterns of behavior in people (including yourself), you must embed them in the basal ganglia. Taking on new patterns (also known as learning) often feels unfamiliar and painful, because it means consciously overriding deeply comfortable neuronal circuitry. It also draws on parts of the brain that require more effort and energy, such as the prefrontal cortex, which is associated with deliberate executive functions such as planning and thinking ahead.

  In financial services, for example, when the market goes down, selling equities feels reassuring, because the news about the market has triggered habitual attitudes about risk (stored in the basal ganglia) and fears (generated by the amygdala). Holding on to the stock may be more prudent, but that decision requires activity in the
“Every organization wants to be in a groove,” says venture capitalist Jeff Stiefler. “But nobody wants to be in a rut. The problem is when grooves become ruts.”

prefrontal cortex, which requires extra effort and energy. Similarly, if people at a company such as Cargill find it difficult to innovate in teams across business units, they may be collectively protecting their basal ganglia—and amygdala-driven instincts (the attractions of habit and the fear of change) at the expense of the new goals of the organization.

At work, being forced to try something new can trigger fear and anger (sometimes called the “amygdala hijack”), the urge to flee, or exhaustion disproportionate to the actual provocation. In the grip of such emotions, people resist change. Their capacity for rational and creative thinking is also diminished; they revert to their rote behaviors, such as arguing, passive-aggressive compliance, or covert resistance. To overcome this reversion, people need to prepare for organizational change in advance — they must train to recognize the source of a strong emotion even as it is triggered, and to find more effective ways of responding.

• Despite the seeming inflexibility of the brain, neural connections are highly plastic; even the most entrenched thought patterns can be changed. The kind of mindfulness that accomplishes this combines meta-cognition (thinking about what you are thinking) and meta-awareness (moment-by-moment awareness of where your attention is focused). Adam Smith, the 18th-century economic philosopher, understood this. He described self-directed reflection as an “impartial spectator” and commented on its importance.

A growing body of neuroscience research confirms the power of the impartial spectator. For example, a person with obsessive-compulsive disorder (OCD) might ruminate on a single belief, such as “I have to wash my hands to make sure they’re clean.” Day after day, this thought reinforces neural connections in parts of the brain such as the basal ganglia, gaining influence over the individual’s behavior. But MRIs show that asking people to observe their own thinking process as they ruminate can cause activity to move to more deliberate, conscious brain regions such as the prefrontal cortex. Research at the University of Toronto shows that moment-by-moment self-observation activates executive planning areas in the prefrontal cortex and deactivates areas involved in attention-distracting rumination.

Working in any corporation may lead people to adopt repetitive patterns of behavior. But the neural connections remain plastic. Once people know how to bring the impartial spectator into play, they can recognize when their old habituated neural patterns no longer serve them (or their company) well, and reshape those patterns in new directions.

• Paying attention to new ways of thinking, however uncomfortable at first, can rewire people’s thinking habits. The name given by neuroscience to this phenomenon is “attention density.” When a person repeatedly pays conscious attention to desired thoughts and related goals, the processing of these thoughts and goals stabilizes and moves to the part of the basal ganglia called the caudate nucleus, which lies deep beneath the prefrontal cortex and processes a massive number of neural signals from it. MIT neuroscientist Ann Graybiel has referred to the basal ganglia—caudate nucleus complex as the habit center of the brain. It shifts circuits into place so that ways of thinking and acting that at first seemed unfamiliar soon become habitual. The power of focused attention is enhanced further by the “quantum Zeno effect”: just as quantum particles become more stable when observed, neuronal patterns solidify more rapidly.
when repetitive attention is paid to them.

- **In focusing attention, don’t tell people what they’re doing wrong.** Instead, accentuate what they’re doing right. Most brain activities don’t systematically distinguish between an activity and the avoidance of that activity. When someone repeatedly thinks, “I should not break this rule,” they are activating and strengthening neural patterns related to breaking the rule.

Therefore, to engender change among people in an organization, it’s important to keep attention focused on the desired end state, not on avoiding problems. This goal-directed positive reinforcement must take place over and over. The most effective way to achieve this is to set up practices and processes that make it easy for people to do the right thing until it becomes not only second nature, but an ethic taken to heart (and to the brain) by the entire company.

- **Cultivate cognitive “veto power.”** Veto power is the ability (among both individuals and groups) to rapidly consider outside provocations and choose to stop dysfunctional impulses before they lead to action. In one of the most discussed experiments in the history of neuroscience, preeminent researcher Benjamin Libet used electroencephalographic equipment to measure the brain functions underlying simple finger movements. He discovered that three-tenths of a second before people are aware of the will to move their finger, there is a brain signal related to a desire for finger movement. A person may have the desire to move, but then choose not to move; these two thoughts — the desire and the choice — are separate.

Many people believe that their control over their impulses is limited, particularly in the face of such strong emotions as anger, frustration, enthusiasm, or grief. To an extent, that is true, but Libet’s work shows that people can always constrain (or choose not to follow) a particular impulse. People may have only limited free will, but they have powerful “free won’t.” In organizations, when a strong impulse reflects “the way we do things around here,” there is always the option to veto the action, especially if people have practiced this ability. Even as simple a response as counting to 10 when stressed opens up possibilities for responding in more functional ways.

- **The capability for focusing attention needs to be built over time.** Few companies have established a strong capability for focused attention. For that reason, we suggest a path for getting there. The six steps that follow are a synthesis of work the authors conducted separately: Schwartz in helping OCD patients and then organizations, Gaito in leadership development work at Cargill, and Lennick at Ameriprise and other companies. These steps, which we have seen applied in practice, allow you to build a company’s capacity to refocus its attention on its most desired goals. They also create a virtuous cycle. (See the exhibit below.)

### Step 1: Recognize the Need for Change

“Every organization wants to be in a groove,” says venture capitalist Jeff Stiefler. “But no one wants to be in a rut. The problem is when grooves become ruts. The key is to be able to recognize when you’re in a rut and then [figure out] how to get out of it.”

That’s the essence of this first step, which is particularly important for leaders of a change initiative. You cannot expect others to reflect on their behavior if you have not started to look dispassionately at yourself and to recognize where you need to change. After all, you are one of those responsible for painting a positive vision of the future, articulating the new possibilities in the collective mind, and calming the sense of upheaval. Your behavior therefore gives employees a highly

### The Virtuous Cycle of Focused Values

This cycle shows six steps for producing deep-seated change (the outer circle) and the new organizational values they engender (the inner circle). The cycle starts when step 1 triggers a deliberate focus on “the way we do things around here.” As the steps progress, participants gain a stronger sense of shared meaning, leading to specific forms of practice, and ultimately to more tangible contributions and better performance.
charged impression of the changes you espouse, directly affecting many circuits of the brain.

But participation in this step is not limited to leaders. Anyone enlisted for change, at both an individual and a group level, should take part. For individuals, this means reflection. You must build greater awareness of your thoughts, emotions, and actions and their connection to real-life outcomes. After a difficult exchange or episode, you can step back and ask yourself: “What was I thinking? How am I feeling now? Was my behavior aligned with my goal at hand and with the big picture?” You can begin to recognize the effect that high-energy emotions have on your rational judgment and decision making — and the changes worth making in your own thinking and behavior.

At a group level, the recognition step involves bringing a group of self-aware people together to talk about the possibilities for change, with the premise that the current approach — “the way we do things around here” — cannot continue.

Practice of this step can send an emotionally charged signal to others, because it often means rejecting or abandoning some convenient but counterproductive actions. For example, Jim Cracchiolo, the CEO of Ameriprise, recognized the need for change in the financial-advice industry, which influenced him to decline TARP funding in May 2009. Government funding, he said, would hinder the company’s pursuit of its potential. This explanation resonated strongly with the people of the firm.

**Step 2: Relabel Your Reactions**

This step is an analogy to a necessary process in cognitive therapy for obsessive-compulsive disorder. By giving a new name to maladaptive behavior, an individual with OCD can override the content of dysfunctional thoughts (“I have to wash my hands to make sure they’re clean”) with the knowledge that they are merely thoughts (“Here comes that urge again, but it is simply a thought that my OCD condition produces”). The mental act of relabeling enhances your ability to make this distinction and thus decreases your personal attachment to what you are thinking. This improves your ability to clear-mindedly assess the content of the thought. By relabeling these thoughts, you can break the cycle of rumination, emphasizing that these thoughts are driven, not by some external factor, but by the patterns in the brain itself.

Relabeling means giving a new name to something, and though the idea of applying a mental label may seem simple, it has often been shown to have the power to calm emotions and engage the rational centers of the brain. Neuroscience researchers Kevin Ochsner and James Gross, for example, connected people to brain imaging devices and showed them photographs of horrific traffic accidents. There was an immediate rush of anxiety and fear — a classic amygdala hijack. But then Ochsner and Gross asked their subjects to think differently about these upsetting images: for example, to tell themselves, “I’m an emergency medical technician coming on the scene. I have to be calm and clear in my thinking about this.” Subjects in the experiments then found it easier to maintain a clear, calm perspective. In general, the act of relabeling changes the way the brain processes information in such emotion-related and instinct-related areas as the amygdala and hypothalamus. Activity shifts rapidly to the prefrontal cortex.

In this organizational step, you conduct a similar reframing of the collective impulses that don’t work well. “The way we do things around here” may have been unquestioned for years, but now you communicate an accurate assessment about why it no longer works. Cargill’s articulation of its “future state” and Ameriprise’s stated intent to do a better job helping clients were both good examples of reframing.

**Step 3: Reflect on Your Expectations and Values**

In this step, you set out the nature of the new conditions you believe you can create. You replace old expectations with a new image of the desired state you are trying to achieve. In management circles, this is known as a vision. But unlike some corporate vision exercises, the reflection in this step must result in something specific, tangible, and desirable enough to capture people’s attention.

At Cargill, there is an evolving idea of what the
During the worst of the economic crisis, the Cargill leadership encouraged employees to “hunker down wisely” — a phrase that helped calm anxiety.

“heart of leadership” means in practice. Recently retired executive vice president Dave Larson points out, “Our good leaders are those who focus on others, give undivided attention, and build trust. Leaders can either give energy to people or drain energy from people.” Many leaders within the company instinctively know how to translate this into their own day-to-day behavior. For others, including some who have been at the company for 15 years or more, this concept requires a major shift.

Your new expectations and values could reflect aspirations for your company as the leader of a shift in your larger industry. Don Froude, president of the Personal Advisors Group (which includes coordinating franchisees at Ameriprise), raised the stakes for the firm in 2009 when he said: “The [financial-services] industry needs to consolidate to regain client trust. We can’t pretend the financial crisis, the problems with derivatives, and the TARP bailout haven’t happened. We have to be proactive — to take advantage of the dislocation in the industry to bring more advisors and more clients to Ameriprise. We believe we can do [financial advising] better than others, and better than we’ve ever done it before.”

Both Cargill and Ameriprise offer internal sessions on the skill of collective reflection. Participants talk about the type of company they are trying to create and the leadership behavior that will foster it, as well as the needs and values of their clients and customers (individual investors for Ameriprise, and food manufacturers and other customers at Cargill).

In this reflection, the company uses the expectation of better conditions as an effective tool for reinforcing productive neural patterns. The power of expectations has been demonstrated in neuroscience, notably by Donald Price at the University of Florida. Price set up a carefully executed series of experiments with volunteers who had a medical condition that made them particularly sensitive to certain kinds of pain. He gave some subjects a placebo along with a specific suggestion that led them to expect a reasonable chance of pain relief. This expectation, in itself, was enough to relieve pain as effectively as real medicine would. It also calmed down the brain’s pain and visceral centers — the thalamus and insula.

For neuroscientists, this is a fascinating finding because the thalamus is a primitive part of the brain, and both it and the insula are often considered centers of “automatic” sensation, beyond conscious control or thought. But Price’s experiments — and those of other researchers, such as Robert Coghill of Wake Forest University — suggest that effectively communicating that “things will feel better if we change” can produce a powerful range of assuaging reactions. (In fact, expectations of relief can have a calming effect akin to a 6 milligram dose of morphine.)

Financial advisors at moments of economic crisis have experienced this phenomenon firsthand. When they field calls from panicked clients, they routinely open the call by saying, “It is going to be OK. Let’s not forget the big picture. Don’t forget that we have prepared for uncertainties like this crisis. Let’s stay focused on your values and what really matters.” After reflecting on the fact that it is possible to navigate the storm, clients are more prepared to make the necessary counterintuitive moves, and advisors are more prepared to suggest them.

Similarly, during the economic crisis in late 2008, the Cargill leadership encouraged employees to manage
for the future by “hunkering down wisely” — cutting expenses with confidence that it would make life better for them. This phrase helped calm anxiety about Cargill’s ability to weather the crisis, and it empowered people to come up with creative ways to save money for the company. Reflection led to a far greater sense of ownership and effectiveness than would have been produced by across-the-board budget cuts or other top-down directives.

In the reflection stage, you may find yourself rethinking the purpose of your business. Is it making money by any means necessary? Or are you seeking to make some other contribution — through what you create, what you protect, or the wealth you hope to engender around you? For example, you might decide that in your current cultural and economic environment, enhancing the stability of society and the free enterprise system is particularly important.

In the spring of 2009, Ken Chenault, the chairman and CEO of American Express, set a pattern for that type of reflection at his company. The company’s first-quarter earnings had not yet been posted, but the 2008 results, like those for most other companies, were dismal. It was late on a rainy afternoon, and as Chenault looked out from his 51st-floor office in the World Financial Center in lower Manhattan, he could see much of New York harbor. “There has not been a compelling articulation of the importance of capitalism to a well-functioning society since Adam Smith,” he said. “What’s the role of business in society? We need some renewed thinking, and we need to update our view of capitalism.”

Statements like this might seem cause for anxiety themselves — business is difficult enough without setting out grandiose new purposes — but the act of reflection calms people down and improves access to more rational thought. It reduces the chances of either amygdala hijack or habitual, basal ganglia–style response to the need for change. The real-world results are evident, particularly when CEOs and other leaders channel reflection into a recurring gesture, reminding employees, day after day, of their goals and aspirations. This repetition helps people create new neural patterns and sets the tone for the all-important next step.

**Step 4: Refocus Your Behavior**

In this stage, you bring your habits in line with your goals. You identify the practices you need to follow and begin to set them in motion. For example, Cargill executives have been trained to refocus (although they don’t call it that) by classifying difficult situations as problems, predicaments (impasses), and polarities (situations with conflicting goals). “If it’s a problem, we work on solving it,” explains a Cargill executive. “If it’s a polarity, it’s not an ‘either-or’ situation but an ‘and’ issue that requires management. And if it’s a predicament, you have nothing to solve or manage; you can only accept and endure.”

In companies navigating traumatic situations (such as an economic crisis), refocusing may mean pursuing deliberate practices for triggering people’s impartial spectators. If you’re a leader in such a situation, you can start by talking openly about how you feel, ask others to talk about how they feel, and then help others take a broader perspective: They are still OK, they still have jobs, their families are intact. Next, try to engender an emotional state that is calmer, and that draws people back to more effective frames of mind and more deliberate thinking. At American Express, Chenault did exactly this after one of the most shocking moments of his professional life: the terrorist attacks of September 11, 2001. He called the company together at Madison Square Garden, told people how he felt, acknowledged how they must feel, and then drew the conversation to the things that they might think about as they moved forward.

The refocusing step provides the most powerful change of the entire sequence: It has the greatest impact on the prefrontal cortex, where new behaviors must be processed and integrated into complex response patterns. When people focus repeatedly and bring this part of the brain into play, their new neuronal connections can become stabilized by attention density and the quantum Zeno effect; as a result, a more productive set of brain functions are put into play, and the potential for developing new action repertoires is established. This is often experienced as having one’s beliefs open up, and as becoming more capable and productive. When practiced regularly and consistently, the change rewires the basal ganglia and becomes a set of adaptive new habits. A prefrontal cognitive process has become internalized into deeper parts of the brain. People can now do the right thing without having to think consciously about it.

**Step 5: Respond with Repetition**

Hold yourself and others accountable for responding consistently with the needed new or improved behaviors. One example at Cargill is the use of metrics to set leader-
ship priorities and track the day-to-day behaviors that managers are expected to demonstrate. As Cargill CEO Greg Page puts it, “As leaders at Cargill, we measure our collective efforts in terms of engaged employees, satisfied customers, enriched communities, and profitable growth. In this very deliberate way, we’re telling people we’re focusing not only on their sales and profits, but also on other key drivers of business performance.”

It takes discipline to develop new habits; they feel difficult at first. Once again, if you are a leader, your behavior makes all the difference. Other people closely watch what you say, what you do, and where you pay attention. Of course, leading requires a high level of self-awareness, which is one reason the recognition step (step 1) is so important.

**Step 6: Revalue Your Choices in Real Time**
The sixth step is the step of progressive mindfulness. Individuals gain the capacity to recognize their own thoughts in the moment, resist the amygdala hijack, and take crises in stride. In organizations, instead of automatically reverting to the idea that “that’s the way we do things around here,” people begin to think, “That’s how we used to do things around here. Now, we do things better.” When these automatic responses change in enough people, a new way of operating is instilled in the ethic of the company. More productive values become the basis of management decisions, especially at times of stress.

Over time, in the same way that individuals who change their health habits gradually come to crave healthier foods and exercise, people in an organization will come to choose and expect higher-performance forms of operation. Change then becomes truly generative: It is no longer something imposed on the brain or on people’s desire, but something chosen and instilled by the participants. They may have wanted to change before, but only now does the new way seem the natural way to operate.

**The Way We Will**
The initiatives at Cargill and Ameriprise have been in place since the late 2000s, and they are starting to show results. At Ameriprise, for example, 85 percent of the advisors who participated in the new program training report that they are becoming more effective at advising clients. Client acquisition, client retention of assets, financial planning fees, and referrals of new business from existing clients are rising, in ways that are linked to the new training.

Setting this type of cycle in motion is not easy in real life. The probability of falling back into old habits and old ways of doing things is very high. But for those who can follow the practice, the payoff is enormous.

The concept of organizational reframing is still relatively young. The potential impact of neuroscience on management practice is mostly unrealized. But processes like the steps we have outlined represent a starting point, focusing attention where it should be focused: “From now on, that’s how we’re going to do things around here.”

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**Resources**

- Adam Smith, *The Theory of Moral Sentiments* (1759): Smith’s masterwork (as he considered it) explicates the development of morality through the “impartial spectator”; people building awareness of themselves in the context of a larger community.

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