



# Feedback and Organizational Learning

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Does feedback, and your (implicit) prioritization of it, affect how your organization behaves?

# Outline



1. Feedback loops

2. Under-reactions to feedback

3. Over-reactions, and their effect on performance

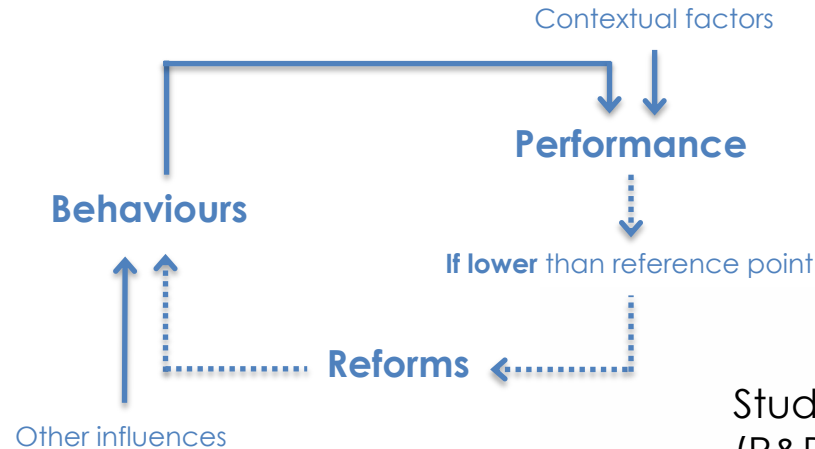
# Feedback

- Information about *how well your organizations is doing*
  - Usable information, capable of enabling improvement
  - Actual performance vs. reference point / “aspiration level”
    - “**Historical**” **aspiration levels** influenced by prior performance;
    - “**Social**” **aspiration levels** influenced by comparison with relevant “other”
- So: “Feedback is information about **the gap** between the actual level and the reference level of a system parameter which is **used to alter the gap** in some way.” (Ramaprasad, 1983)



# Feedback loops

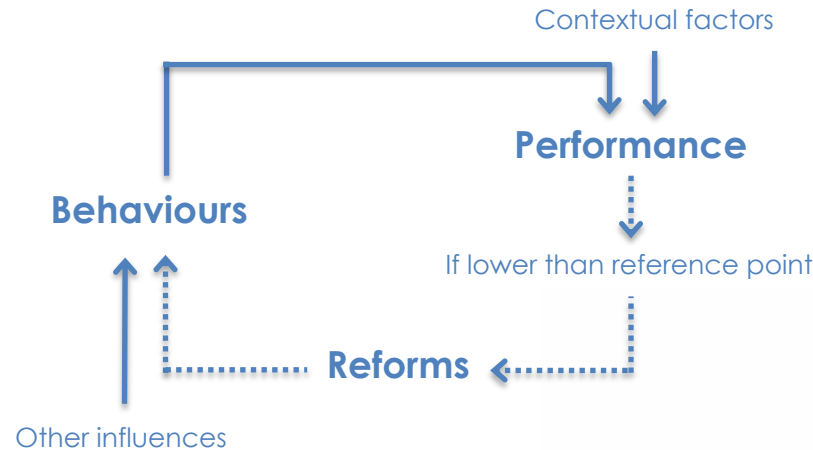
Does feedback affect behaviour? Yes, but much more so if there is a performance-aspirations **gap** (i.e., “negative feedback”).



Studies confirm that search (R&D), risk tolerance, product innovation, and rate of strategic change are **all increased when performance is below the reference point**

# Self-regulating feedback loops?

“Self-regulating” because the process is extensive, automatic, and recurrent; not because it is infallible



Helpful to think about **under-reactions** and **over-reactions...**

# Outline



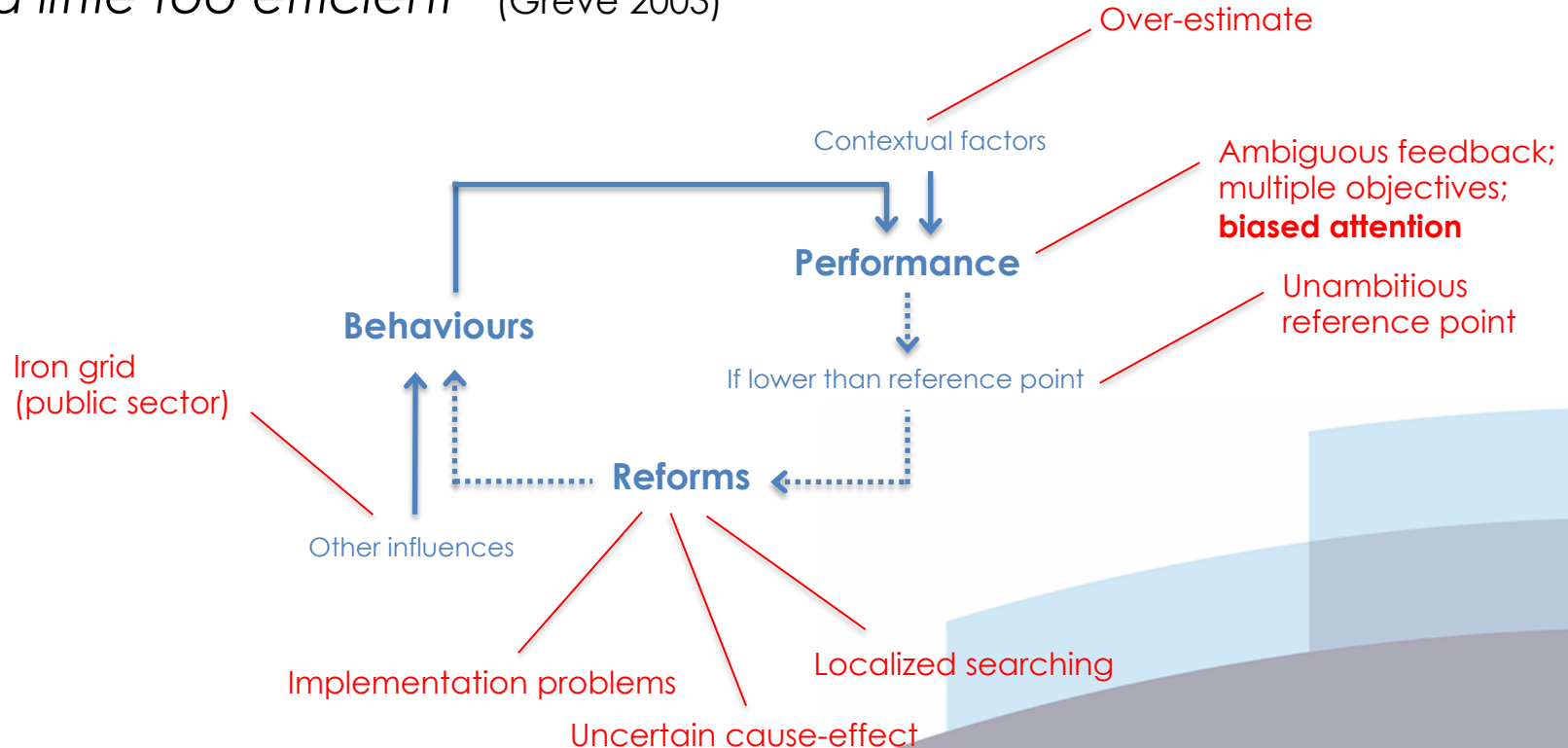
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# Under-reactions

- “a little too efficient” (Greve 2003)



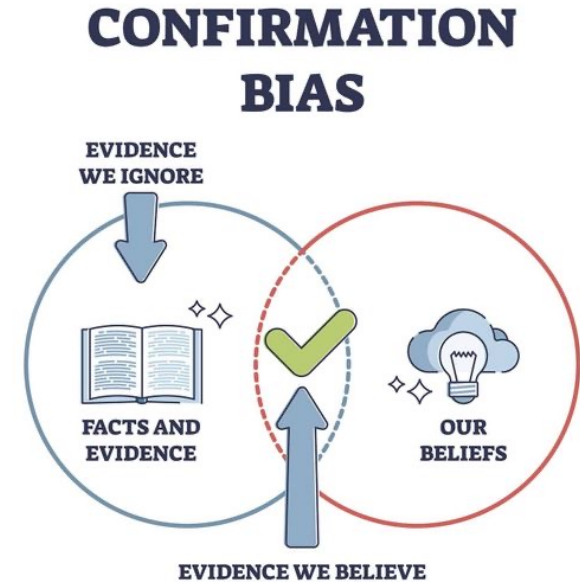
# Cognitive bias (revision)



- Heuristics simplify and speed-up judgements
- They provide a very reasonable approximation most of the time, enabling fast and adequate judgements
- But subject to non-random error – cognitive bias – which is sometimes benign, sometimes highly consequential

# Confirmation bias (revision)

- (AKA “my side” bias)
- *“The tendency to search for, interpret, focus on, and remember information in a way that confirms one’s preconceptions.”*  
(Stefan’s class on Wednesday)
- **Under-react to negative feedback when subconsciously “screen out” data that implies a “re-think” is required.**



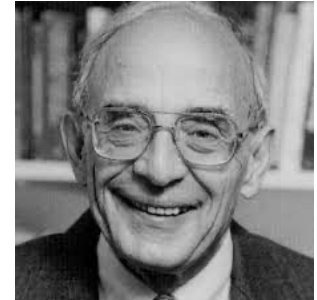
# Information loss in hierarchies

- Fewer superiors than subordinates at every layer of a hierarchy
- Messages passed up the chain of command are streamlined at each stage, in order to avoid executive overload
- This filtering introduces **distortions in the transmission of feedback** from the frontline to decision-makers



# Information loss example (1/6)

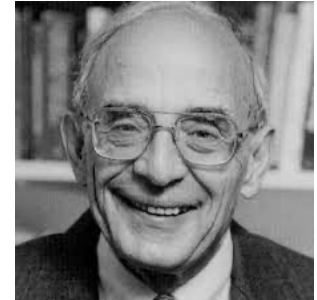
*“Several years ago, the top management of a multi-billion dollar corporation decided that Product X was a failure and should be dropped. The losses involved exceeded \$100 million. At least five people knew that Product X was in serious trouble six years before the company decided to stop producing it. Three were plant managers who lived daily with the production problems. The two others were marketing officials, who perceived that the manufacturing problems could not be solved without expenditures that would [make it] no longer competitive in the market.”*



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# Information loss example (2/6)

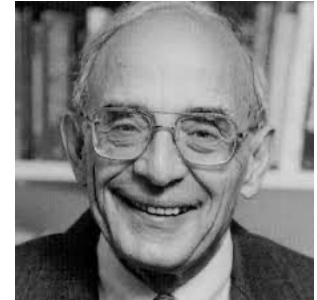
*“There are several reasons why this information did not get to the top sooner. At first, those lower down believed that ... they might turn the errors into success. But the more they struggled the more they realized the massiveness of the original mistake. The next task was to communicate the bad news ... They knew that ... bad news would not be well received at the upper levels if it was not **accompanied by suggestions for positive action**. They also knew that top management was enthusiastically describing Product X as a new leader in its field. Therefore, they spent much time in composing memos that communicated the realities yet would not be too shocking...”*



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# Information loss example (3/6)

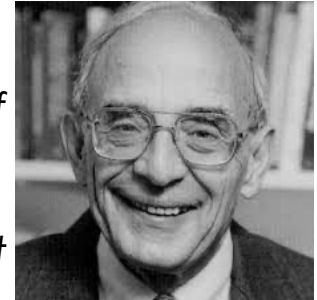
*“Middle managers read the memos and found them too open and forthright. Because they had done the production and marketing studies that resulted in the decision to produce Product X, the memos from lower level management had the effect of questioning the validity of their analysis. They wanted time to “really check” these gloomy predictions and, if they were true, to design alternative, corrective strategies. If the pessimistic information was to be sent upward, they wanted it **accompanied by optimistic action alternatives**. Hence further delay.”*



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# Information loss example (4/6)

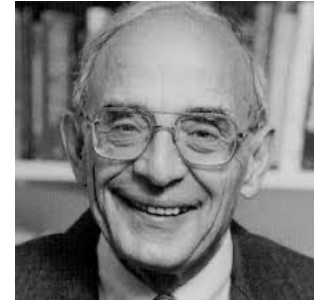
*“Once the middle managers were convinced that the predictions were valid, they began to release some of the bad news, but they did so in measured doses ... mak[ing] certain they were “covered” if management became upset. **The tactic they used was to cut the memos drastically and summarize the findings.** ... Top management was always complaining about receiving long memos. The result was that the top received fragmented information underplaying the severity of the problem (not the problem itself) and overplaying the degree to which line middle management and the technical people were in control of the problem.”*



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# Information loss example (5/6)

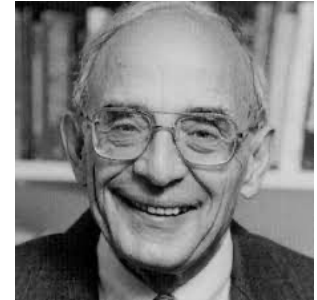
*“Top management, therefore, continued to speak glowingly about the product, partially to **ensure that it would get the financial backing it needed** from within the company. Lower level managers became confused and eventually depressed because they could not understand the continued top management support nor the reason for the studies that were ordered to evaluate the production and marketing difficulties they had already identified.”*



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# Information loss example (6/6)

*“Their reaction was to reduce the frequency of their memos and the intensity of the alarm they expressed while simultaneously turning the responsibility for dealing with the problem over to middle management people. When local plant managers, in turn, were asked by their foremen and employees what was happening, the only response they gave was that the company was studying the situation and continuing its support. This bewildered the foremen, but led them to reduce their concern.”*



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# Project “honeymoons”



# Project “honeymoons”



- Stock of assets at project outset (e.g., resources, emotional attachment, optimism) generates temporary immunity to negative feedback.
- As the assets dwindle over time, poor performance is seen more clearly, leading to management intervention

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1991, Vol. 16, No. 2, 442–468.

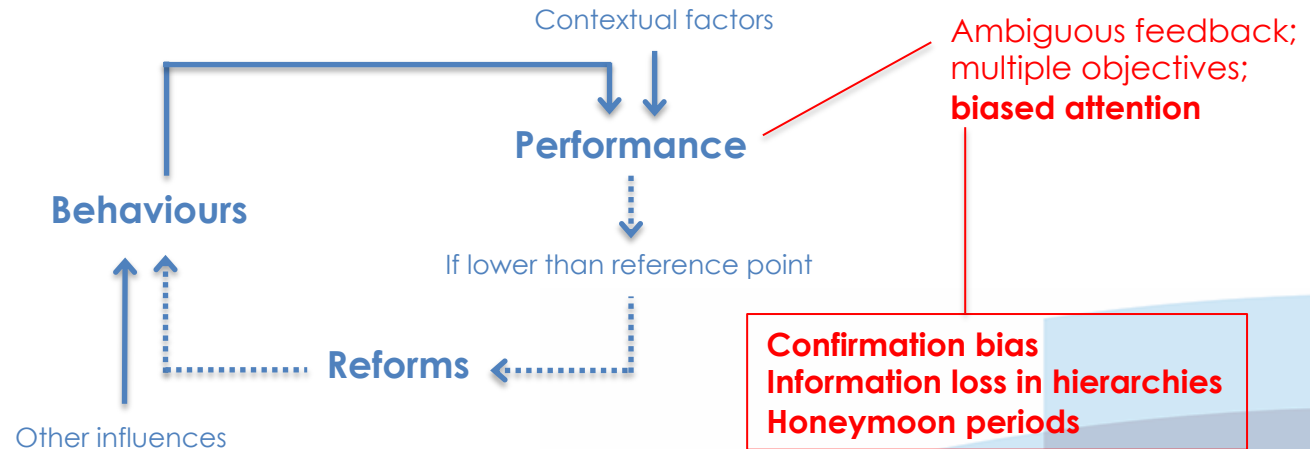
## HONEYMOONS AND THE LIABILITY OF ADOLESCENCE: A NEW PERSPECTIVE ON DURATION DEPENDENCE IN SOCIAL AND ORGANIZATIONAL RELATIONSHIPS

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University of Pennsylvania

Many social relationships face a liability of adolescence; the hazard rate of the relationship ending increases for an initial period and then declines. The pervasiveness of this phenomenon suggests that there may be a common set of underlying factors. We believe that many relationships start with an initial stock of assets, which can take a variety of forms (depending on the context), including favorable prior beliefs, trust, goodwill, financial resources, or psychological commitment. We hypothesize that these assets reduce the risk of the relationship dissolving when the initial outcomes of the relationship are unfavorable, resulting in a honeymoon period. The duration of this honeymoon period is a function of the magnitude of these assets. We

# Under-reactions (summary)

- “a little too efficient” (Greve 2003)



# Outline



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# Over-reactions

- **Excessive reform\*** is a big problem too.
  - *“It appears to be more difficult to resist administrative reforms than to initiate them. ... The difficulty lies not in persuading large organizations to reform, but in preventing them from doing so”*

(\***Reform is not the same as change**: org change can happen incrementally without top-down reform, and top-down reform doesn't necessarily result in tangible change.)



# Over-reactions

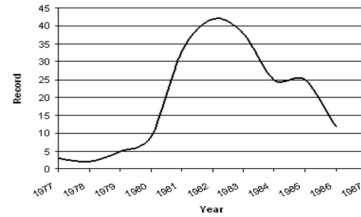


Figure 2: The lifecycle of quality circles, 1977-1986 (Source: [Abrahamson, 1996](#))

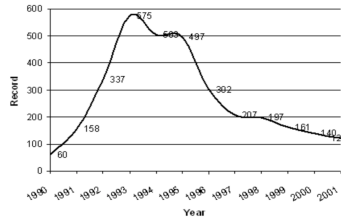


Figure 3: Total Quality Management, 1990-2001

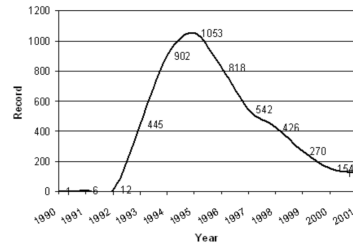
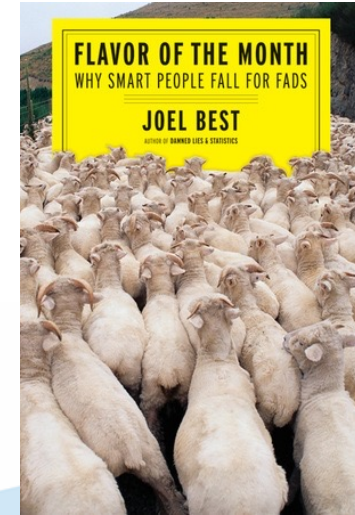
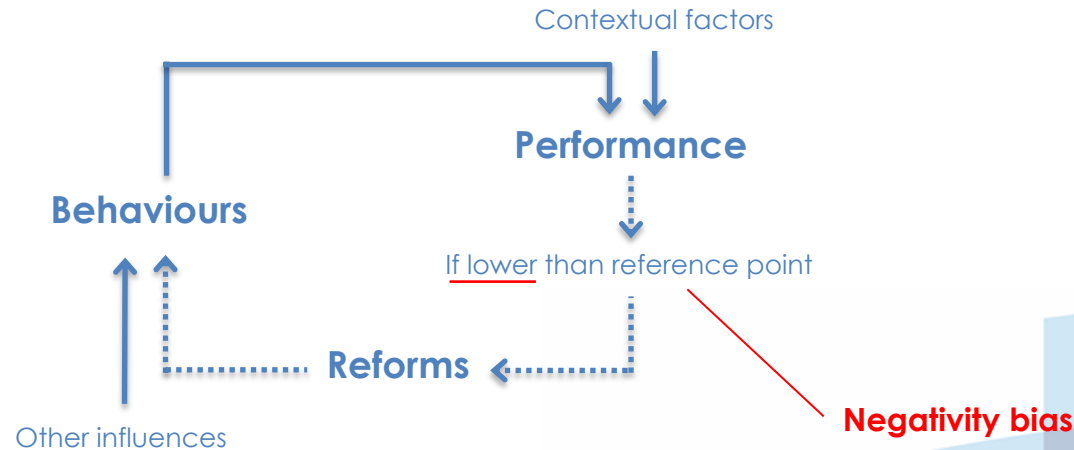


Figure 4: Business Process Reengineering, 1990-2001



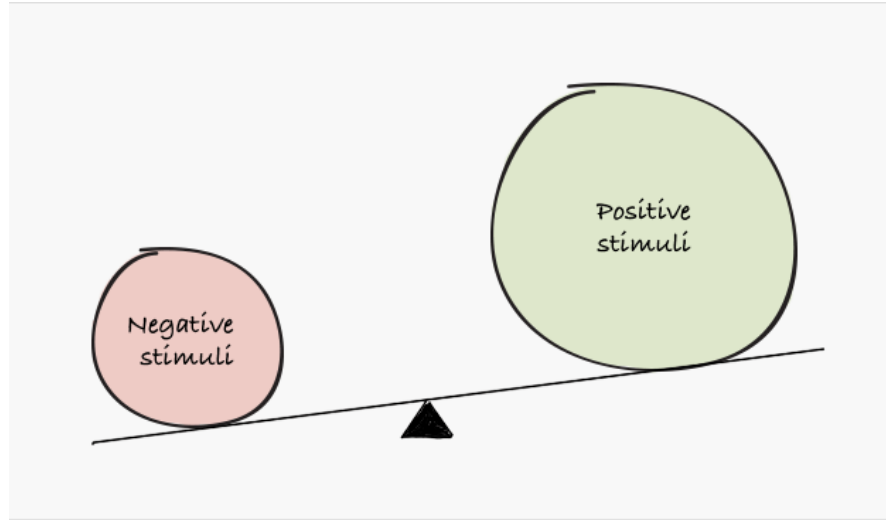
# Over-reactions

“hair-trigger management” (Greve 2003)



“We tend to detect negative stimuli better than positive stimuli, we devote more attention to negative information, and we are persuaded more easily by bad news than good news.” (Kappe, 2013)

# Negativity bias



**“Basic, pervasive fact of psychology”** (Baumeister, et al., 2001, p.360)

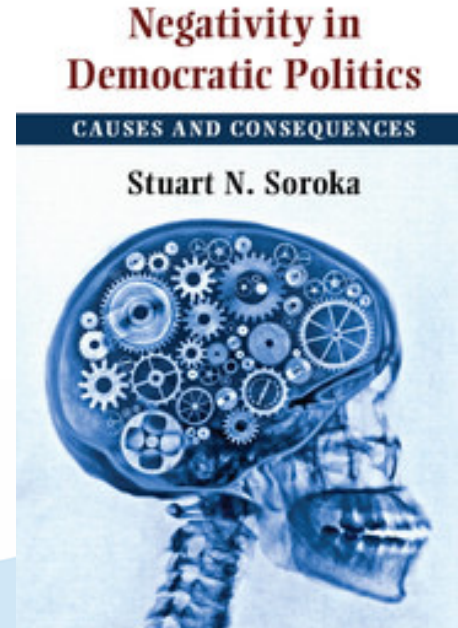
# Negativity bias: types & effects



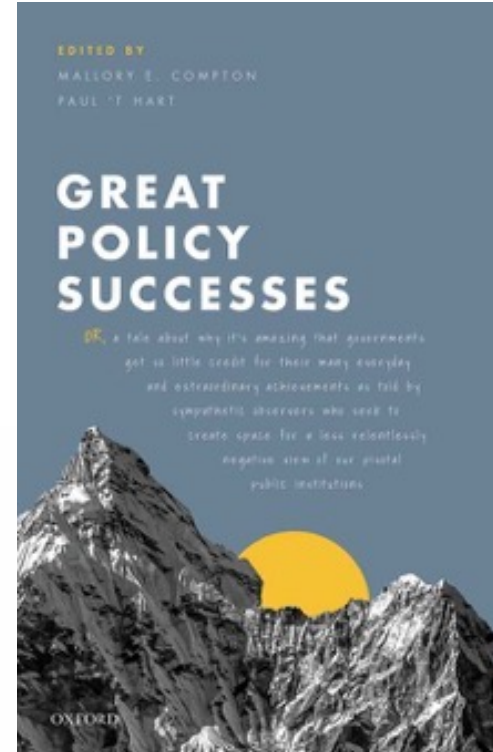
- Negativity dominance
  - *“The effects of the negative [will] dominate (or even utterly overwhelm) those of the positive when the two are blocked together to form a single configuration.” So negativity bias “interfere[s] with the enjoyment of positive aspects.” (Rozin & Royzman, 2001)*
    - **Within the multi-dimensional performance “scorecard,” successes are obscured by errors, even if small, infrequent or relatively inconsequential**
- Negative differentiation
  - Causal reasoning is more extensive for negative than positive stimuli of the same objective magnitude (Abele, 1985; Bohner et al., 1988; Peeters & Czapinski, 1990).
    - **So organizations may dwell on errors and try hard to explain them, whereas successes are taken for granted and unexplained (making them easier to unintentionally sacrifice in future)**

# Negativity bias *institutionalized*

*“A wide range of political institutions are designed in exactly the same way – to largely ignore positive information but to react very strongly (and publicly) to negative information. Indeed, negative feedback and error correction are perhaps the principal means by which modern representative democratic institutions function.”*



# Negativity bias *institutionalized*



# Negativity bias *institutionalized*

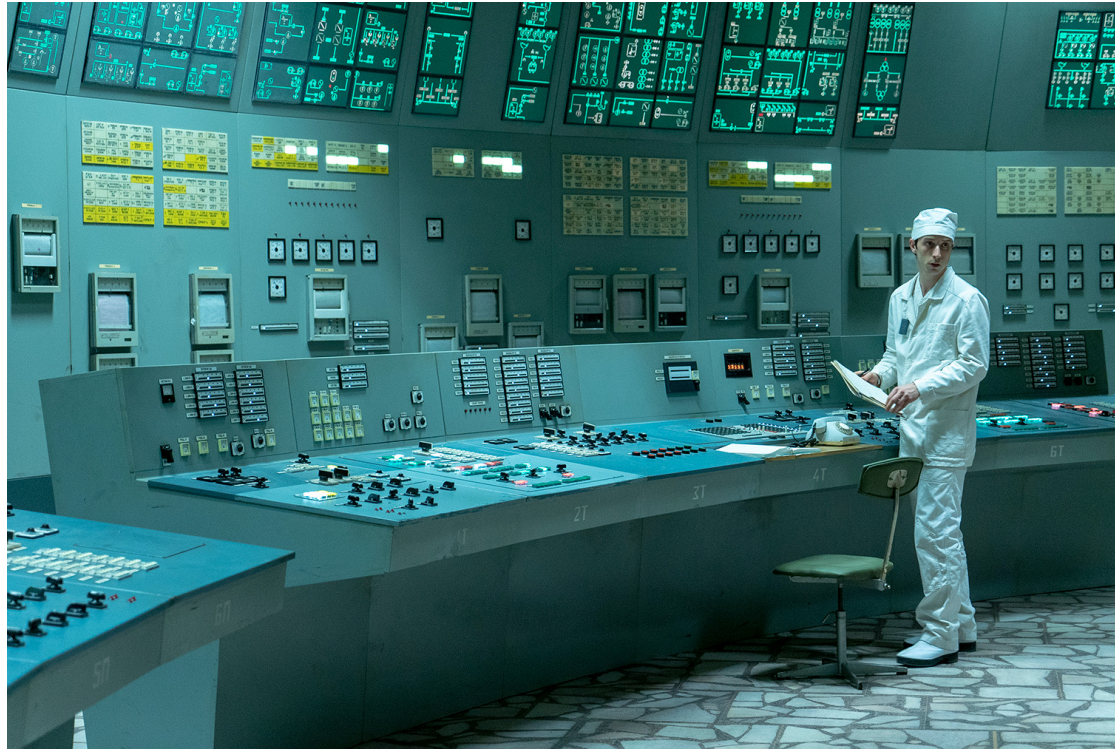


Former C&AG of Canada: “Part of that negative approach comes out of our Act, which says we must point out to Parliament the things that are not working well. **I’m not paid to give assurance that things are working; I’m to identify things that are not.**” (see Morin, 2003)

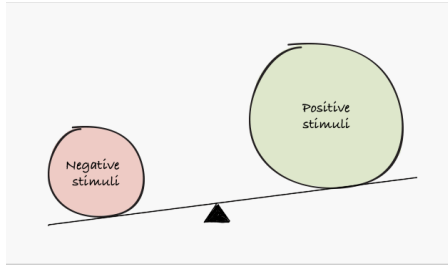
# Is negativity bias always bad?



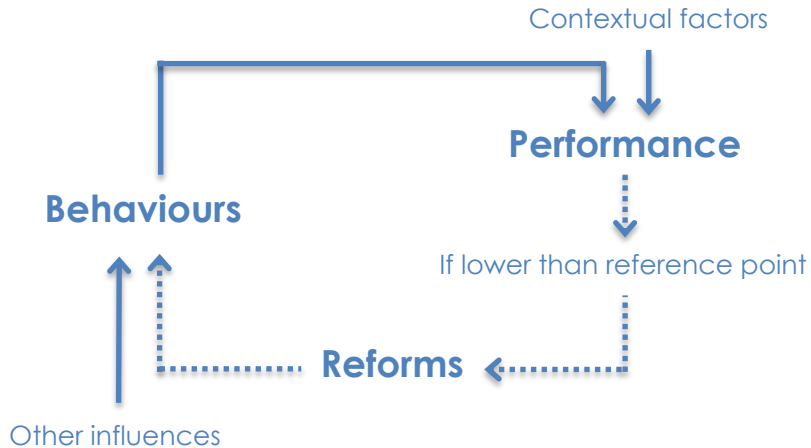
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Low failure rate of “**High-Reliability Organizations,**” in which small errors have catastrophic consequences, is partly attributed to managers’ and workers’ “**pre-occupation with failure**” (Weick & Sutcliff, 2015)



# Maladaptive feedback

- But for other kinds of organization, a fixation on detecting, explaining and seeking to correct mistakes, even if small or relatively inconsequential, can lead to:
  - Inefficient choices, where reform **costs outweigh benefits**
  - Risk averse culture – where, instead of playing to win, **the organization plays “not to lose”**
  - Fault-fixing, rather than success-leveraging, reforms – where **your valuable capabilities are underutilized**
  - Cyclical reform, where organizations **“pendulum swing” between opposing ends of a trade-off**, as downsides always loom larger than benefits.

# Maladaptive feedback example



*“Centralized organizations ... tend to generate complaints about insufficient consideration of local knowledge ... while decentralized organizations ... discover that they are not paying enough attention to the benefits of coordination and standardization” (Brunsson & Olsen, 1993)*

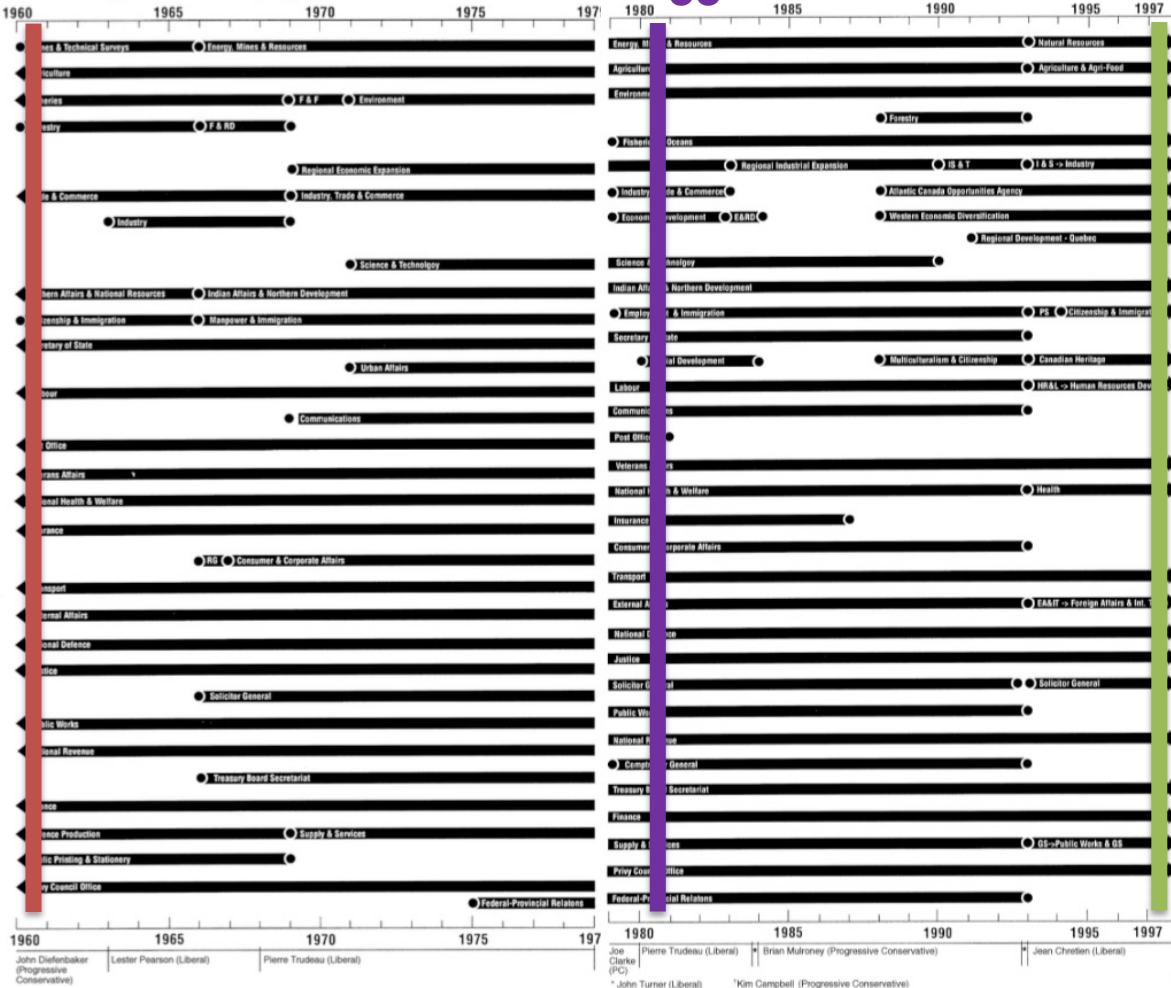
*“The swings between centralization and decentralization at the top of large American corporations have resembled the movements of ... hemlines [on dresses].” (Mintzberg, 1979)*

Chart 2 – Changes to the machinery of government 1960–1997 – Canada

33 Many, smaller, specialist

23

Few, large, comprehensive



24

Few, large, comprehensive



(Davis et al. What drives machinery of government change?)

# Maladaptive feedback example



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***“The grass on the other side always looks greener***, so, over the years, reformers wobble between alternatives which each carry advantages and disadvantages” (Pollitt, 2008)

# Summary & reflections



- Feedback is **usable** information about the **gap** between aspirations and achievements. *Where do your org's aspiration levels – your **collective sense of "good"** – come from? How might greater attention to "less-usable" performance information enhance learning in your organization?*
- **Under-reactions** arise from unambitious aspiration levels, means-ends uncertainty, and inertia; as well as **biased attention** due to confirmation bias, poor information transmission in hierarchies, and project honeymoons. *Would separating evidence from solutions, or considering the opposite, help your org to de-bias its learning? [see Wednesday's toolkit] How easily can subordinates deliver uncomfortable truths to executives?*

# Summary & reflections



- **Over-reactions** occur when **psychological privileging of bad news**, compounded by inherently negative institutions like the media and audit, leads to **inefficient reform choices**. Do you identify and celebrate successes in your org? Is there a preoccupation with failure? If so, what drives this, and what are its effects? Does politics encourage you to aspire towards “high reliability”? Are there ways to side-step that trap?

# Thank you



These slides and some reading online, if interested

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