VALUES, PURPOSE, MEANING, AND EXPECTATIONS: WHY CULTURE AND CONTEXT MATTER

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Rationality is the exercise of reason, enshrined in common law as the test of how a "reasonable man" would behave in a given circumstance. The reasonable person is, of course, a legal fiction rather than a standard of conduct. The philosopher's pure reasoning is itself a fiction stemming from a different era when all people were assumed to think alike or be considered inferior, although modern neoclassical economics developed its own version of strict rationality which posited that people would always act on self-interest, defined by preference rankings.[1] Nobel Prize winner Herbert Simon modified the idea of rationality by adding boundary conditions—that the rationality of decisions would be limited by the information people have, the time they have to make decisions, and cognitive limitations in terms of how their minds work.[2] But even bounded rationality must write off certain choices that people make as "irrational" because those choices appear counter to their interests (as the "reasonable man" would define them).

In recent years, neurological and psychological sciences have shed light on the multiple ways the brain works to process information and shape responses, which is not always a matter of reasoned judgment and is often colored by other factors, such as emotions that come into play even before the exercise of reason.[3] At the same time, the social sciences have pointed to a variety of logics that can be applied to situations, and some social scientists have argued that there is a dominant logic that might be defined by the distribution of power in society, allowing some groups to impose their modes of decision-making on other groups.[4] The argument of this paper rests in the space between these poles.

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1. *See* Stephen O'Hanlon, *Equality, Entitlement, and Efficiency: Dworkin, Nozick, Posner, and Implications for Legal Theory*, 8 CARDOZO PUB. L. POL'Y & ETHICS J. 31, 65–66 (2009).

2. Herbert A. Simon, *Rational Choice And the Structure of the Environment*, *in* MODELS OF MAN: SOCIAL AND RATIONAL 261 (1957).

3. *See* Doni Gewirtzman, *Our Founding Feelings: Emotion, Commitment, and Imagination in Constitutional Culture*, 43 U. RICH. L. REV. 623, 659–61 (2009) (describing how, under the dual-process theory, "emotional reactions [have] an advantage over cognitive processing").

4. *See* ROSABETH MOSS KANTER, SUPERCORP: HOW VANGUARD COMPANIES CREATE

The argument of this lecture is that circumstances themselves provoke many different responses depending on the context surrounding a given phenomenon in the mind of a given person or group. Our understanding of decision-making, behavioral choices, and possibilities for action must be enlarged to include a variety of factors that give meaning to any circumstance: history, expectations about the future, group membership, and cultural values. Meaning precedes reasoning.

I will open the lecture with a hypothetical, a series of thought experiments, to identify factors that shape meaning. I will then illustrate how one set of factors—in particular the trajectory of action stemming from past experiences—can explain a great deal of the behaviors and the results of those behaviors in social systems. I draw concepts from sociology and social psychology, and I draw the examples from my own research, as reflected in two recent books, *Confidence: How Winning Streaks and Losing Streaks Begin and End*[5] and *SuperCorp: How Vanguard Companies Create Innovation, Profits, Growth, and Social Good*.[6] In both of these, the focus is on complex interactions unfolding over time rather than the reasoning of particular individuals. But I show how individuals behave in concert because of the self-fueling trajectory in which response provokes response, in either positive or negative directions, in what are more popularly termed winning streaks and losing streaks.

Consider a hypothetical situation. You have $1,000, in cash, in your pocket, or in your bank account. The issue is how you feel about it and what actions might you take around that $1,000. The first question is: How do you feel about the $1,000 that you have today if yesterday you had $900 and the week before $500? How do you feel about it? You likely feel pretty good. But, of course, what if yesterday you had $2,000 and a week ago, $5,000? Then, you are likely to feel poorer. If you think you are getting richer you feel better about the same amount of money than when you think you are getting poorer. Therefore, what you will do with it and how you behave toward other people is influenced by history and expectations.

What about if that same $1,000 came with difficulties and there was really hard work associated with it? How do you feel about it? Most people would generally feel pretty good about it because they feel they earned it. But what if it came as a gift? What if it came really easily? How would you feel about it? Would you suddenly feel less good about yourself? Not really, according to social science findings. The Fundamental Attribution

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INNOVATION, PROFITS, GROWTH, AND SOCIAL GOOD 177–82 (2009) [hereinafter KANTER, SUPERCORP].

5. ROSABETH MOSS KANTER, CONFIDENCE: HOW WINNING STREAKS AND LOSING STREAKS BEGIN AND END (2004) [hereinafter KANTER, CONFIDENCE].

6. *See* KANTER, SUPERCORP, *supra* note 4.

Error in social psychology posits that when good things happen to us from our effort we feel good about it; when good things happen to us that have nothing to do with our effort—just luck, for example—we still attribute it to our talent and believe we deserved it.[7] There is a general tendency to associate good fortune, even if it was luck, with one's own prowess, fostering arrogance and a tendency to undervalue the hard work and effort that other people have put in.[8] But if the effort is too hard or too difficult, resentment for meager compensation can ensue.[9] How we think about the meaning of that $1,000 depends a great deal on the context.

Here is a third piece of the hypothetical. You have $1,000, but how do you feel if somebody else that you think is somewhat similar to you has $500? You feel pretty good, right? Reference group theory holds that we evaluate ourselves relative to others—relative deprivation or relative accomplishment.[10] We may attribute that difference in talent without even looking at the circumstances, just because of the comparison. But, of course, if you have a $1,000 and somebody else that you consider similar to you has $2,000, you are not feeling so good. You may be feeling envious and competitive. You might feel that this is a sign of how much you are valued by others. A European CEO, a man of great values who leads a company with great values, thought he was undercompensated relative to the CEOs of U.S. companies in the same industry because U.S. salaries and bonuses had grown dramatically, with the ratio from top to bottom reaching close to 500 to 1 in the early 2000s. He did not need the money, but in private conversations he wondered: "Does my board not love me as much as their boards love them?" Thus, the meaning of that $1,000 is relative to how much everybody else has. The comparison might set in motion many other phenomena that were unintended. That is one reason why it is difficult to limit "excessive" CEO compensation through a voluntary process. But the meaning of "excessive" varies; you might think that because you received the $1,000 and somebody else did not, then you earned it and you are a superior person. Context matters.

What if the hypothetical $1,000 is in your pocket, or bank account, but it is not yours. You are holding it for somebody else, perhaps in trust. Or perhaps you are holding it because somebody else indicated that you could do something worthwhile with that $1,000. How do you feel about it

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7. Andrew E. Taslitz, *Police Are People Too: Cognitive Obstacles to, and Opportunities for, Police Getting the Individualized Suspicion Judgment Right*, 8 OHIO ST. J. CRIM. L. 7, 17–18 (2010).

8. *See* KANTER, CONFIDENCE, *supra* note 5, at 67.

9. *See* Steven Greenhouse, *Rare Vote Set on a Union in Fast Food*, N.Y. TIMES, Oct. 21, 2010, at B1 (describing how workers at a Jimmy Johns restaurant began wearing shirts that read "Wages So Low You'll Freak"); Keith Bradsher & David Barboza, *Strike in China Highlights Gap in Workers' Pay*, N.Y. TIMES, May 29, 2010, at A1 ("After years of being pushed to work 12-hour days, six days a week on monotonous low-wage assembly line tasks, China's workers are starting to push back.").

10. Josh O'Hara, *Creating Civility: Using Reference Group Theory to Improve Inter-Lawyer Relations*, 31 VT. L. REV. 965, 979 (2007).

then, when it is your money versus holding it for somebody else? Many economists have argued that if you are holding it for somebody else, then you really do not care about it particularly.[11] In fact, President Obama's economic advisor, former President of Harvard University, Lawrence Summers, is often attributed with saying that "no one has ever washed a rented car."[12] So if the money is not yours, you may think about it or feel differently about it. If you are managing it for somebody else you could feel that that is a sacred trust. But that might depend on who the other person is and the degree of relationship. The meaning of that $1,000 and how you will treat it changes with history, expectations, and context.

What if you are warned or become aware that the $1,000 might disappear if not used? You live in a high inflation country, for example Zimbabwe, where the treasury might print billions of the currency, because of inflation.[13] You know that the $1,000 might disappear if not used. So there are choices. You could spend it on one big night out or give it to charity. Which would you do? And what do you think others would do? It is a common assumption that people who do not have very much money would spend it because they have no future time horizon. They would spend it for gratification today, the assumption runs, and that is why they are poor. And yet studies show that the poor are more likely to give to charity than the rich and that they spend a higher percentage of their incomes on charity than the rich.[14] Now, is that rational? Is that what would be expected? Or does that have something to do with values? Why do we assume that having resources for oneself is more important to people than the social purpose to which they could be put?

Thus, purpose also matters. In fact, the more people give up for a cause, the more likely they are to value the cause. One of my first research studies (which later became my doctoral dissertation) was about commitment. It turned out that people are more committed to an activity the more they give up to become part of it.[15] If the $1,000 then becomes something that is a means to an end that has a higher purpose associated with it, people are likely to give it up to be joined with that purpose. And once they do, they are likely to be even more committed to the cause.

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11. *See* Tod Lindberg, *All Washed Up*, WKLY. STANDARD, Sept. 17, 2007, at 4.

12. *Id.*

13. *See, e.g.*, *A Worthless Currency: The Local Dollar is Fast Shrivelling Away*, THE ECONOMIST, July 17, 2008, http://www.economist.com/node/11751346?story_id=11751346 ("Trying to catch up with galloping hyperinflation, . . . the central bank has been printing ever bigger denominations. But it is outrun by galloping prices: at last count, the most valuable banknote available was for 50 billion Zimbabwean dollars, now worth barely 70 American cents on the black market, and the stock of Zimbabwean dollars is dwindling.").

14. Paul K. Piff et al., *Having Less, Giving More: The Influence of Social Class on Prosocial Behavior*, 99 J. PERSONALITY & SOC. PSYCHOL. 774–75 (2010).

15. *See* KANTER, CONFIDENCE, *supra* note 5, at 217.

This exploration of the meaning and potential behavioral implications of a hypothetical $1,000 introduces the idea that context, history, and values shape perceptions and expectations. These phenomena can propel behaviors that can lead to circumstances improving or deteriorating—upward cycles or downward cycles. People feel richer and therefore behave differently as things are accumulating in a positive direction, but moods, behaviors, and perceptions change as things go downward. These conclusions come from studying businesses undergoing turnarounds; countries that have gone through upward and downward economic cycles; and sports, where it is possible to see what happens in repeated episodes of easily-measured performance. Whether one had more last week and therefore less today, or less and therefore more today, shapes not only perceptions but also behavior.

Upward spirals produce confidence that motivates effort.[16] When things are going up, people think they will always go up. And so when people think that things are going up, their behavior changes in dramatic ways. They are more likely to take risks and to be entrepreneurial; they are more likely to invest in things that may not be proven because losses are less significant if they think there will always be more.[17] When things are going up, moods are better, more positive, and people feel more energetic.[18] And when things are going up, people are more willing to be collaborative because they think it will not take away from them to give to somebody else and maybe they will end up getting more.[19] Upward cycles are very positive. Upward cycles produce behavior that is very positive until the point at which people start taking for granted the upward cycles and think it is all because of their own actions and behaviors because they are superior—the Fundamental Attribution Error.[20] In the United States in the 1990s, CEOs were lionized, including at Enron, but they turned out to not be geniuses at all, and were sometimes felons.[21] Because the positive upward cycle gets attributed to one's own actions, people begin to believe that it will never end. So whenever there is an upward cycle, assertions are made that the laws of the universe have changed, that business cycles have disappeared, and that success is inevitable. At that point, confidence turns into arrogance and then complacency, as though people are entitled to those results so they should not have to work for it anymore. They start to think that luck will continue to favor them and that they will continue to receive the gifts they deserve. With that shift in the culture, the upward

16. *Id.* at 7.
17. *See id.*
18. *See id.* at 62.
19. *Id.* at 29–30.
20. *See* Taslitz, *supra* note 7.
21. Kathleen F. Brickey, *From Enron to Worldcom and Beyond: Life and Crime After Sarbanes-Oxley*, 81 WASH. U. L.Q. 357, 358–59 (2003).

spiral, or what I call a winning streak, starts to end, and things start sliding downhill.

When things are going down, people start believing they will always go down. When things are going down, moods get depressed along with the stock market. When things are going down, people give up hope. When things are going down, people remember their resentments, their envy of those who seem to be doing better. When things are going down, people pull back and withdraw. They start favoring only their own groups. They actually become less generous (except for those that never expected to be on an upward cycle, who might remain generous, even in tough times).[22] And when things are going down, certain behaviors reinforce the continuing downward spiral. So there is little appetite for risk, including investment in new ideas, which reduces innovation.[23] Even individual energy is reduced. Instead, there is anger, hurt, and resentment at the individual, organizational, and national level.[24]

This comparison of upward and downward spirals accounts for why some groups seem to flourish over time while others decline. Success breeds success, and failure or loss breeds loss.

In the sports study, my research group picked teams in college and professional sports with long track records of success or failure, long winning streaks or losing streaks. The rational models in economics would say it does not matter; one game does not have anything to do with the next game, and at every game the clock starts at zero. But the argument here involves trajectories, history, context, meaning, and the behaviors that are promoted by winning or losing. For example, in professional football, why did the New England Patriots and the Philadelphia Eagles outperform their competitors in the early 2000s, even when the rules or laws in effect in the National Football League were designed to prevent teams from dominating, so as to create value in the league rather than in individual teams?[25] Yet those teams managed to win more games than others despite this. Why was that? On the losing streak side, we examined such teams as a college football team that held the record for the longest losing streak in college football history; between 1989 and 1998 they lost every game, in some cases by seventy or more points.[26] The team's purpose began to be not to lose too badly. Imagine going to work every day knowing that everybody thinks you are a loser. Of course, they did not know they were going to lose every single game for nine years, but they did know after a very short period that they lost every game for a season. That set in mo-

22. *See* KANTER, CONFIDENCE, *supra* note 5, at 106–07.
23. *Id.* at 338–41.
24. *Id.* at 110–12.
25. Travis Lee, *Competitive Balance in the National Football League After the 1993 Collective Bargaining Agreement*, 11 J. SPORTS ECON. 77, 77–78 (2010).
26. KANTER, CONFIDENCE, *supra* note 5, at 115.

tion the dynamics I have described—evaluation of the situation and then behavior in it.[27]

What happens in a downward spiral that perpetuates a losing streak? People are in a bad mood. A bad mood produces an aversive situation, that is, one that everybody wants to stay away from. If you watch teams that have lost versus teams that have won, the teams that have won want to spend a lot of time together congratulating each other, whereas the teams that have lost want to leave as quickly as possible. Thus, losing teams are less likely to communicate, which makes it hard to learn, and thus hard to improve. Accumulating losses produce doubt by team members themselves, which is psychologically painful. So they start blaming others. That makes the others less socially desirable. Self-doubt leads to denigrating other people and it leads to lowering aspirations. (So, with your $1,000 you guess you cannot do all the things you would have once done with it. Maybe you will just spend it recklessly because, what is the point, there is not a future.) Moreover, the bad moods are contagious and spread throughout a given group. Research studies have demonstrated that listening to a stranger's voice can trigger moods.[28] Whether the voice sounds upbeat or downbeat affects other people's moods.

For example, for the players on the losing college team, the situation was aversive. Mutual blame was rampant, while many players stopped trying.[29] That led to an erosion of discipline. People stopped showing up for practices, or they were late, and they would tell other people to be late.[30] This led to dysfunctional behaviors. It led to infighting on the team; the defensive line and the offensive line would not talk to each other.[31] They banded into small groups that were hostile to the each other, even though they were on the same team.[32] Because they did not want to come to meetings, they never had the chance to debrief what they had done wrong or what they could do better; therefore, they lost the opportunity to improve.

Emotions drove behavior that led to a self-reinforcing cycle of loss. There was not only an erosion of discipline and practicing on the part of the team, but everything else around them became sloppy. An administrator was accused of absconding with funds from the athletic budget and had to be fired.[33] He may have rationalized that there was no point in investing in these players. Similarly, the school nearly starved the players on the road, giving them a meal allowance about half of what other teams re-

27. *Id.* at 7–8; *see also infra* notes 21–23.
28. *Id.* at 45.
29. *Id.* at 127.
30. *Id.* at 126.
31. *Id.* at 131–32.
32. *Id.* at 127.
33. *Id.* at 118.

ceived.[34] Part of that was an issue with the school's meager resources, and part of that was an issue of placing a lower value on players who were not winning. The situation got so bad at one point that even the cheerleaders would leave the field at halftime.[35] In short, the support systems lost confidence in the team and believed they would lose. This expectation of loss extended to the players' families.[36]

History shaped expectations into self-fulfilling prophecies. Hope does not spring eternal for those caught in a downward spiral.

There are other negative consequences that stem from losing streaks. Losing teams have high turnover of managers because the first reaction when things go bad is to fire somebody.[37] Whose fault was it? The losing college team had a continuing turnover of managers, including a new coach every eighteen months.[38] For this team, the problem was not that the players lacked talent. It was not because they had weak individuals. In fact, some of the players were very strong in high school. Why did they go to that college? They went to that college either for academics, or because they were the children of alums, or because they got scholarships, although not as big as if they had been on a winning team. But it was not the raw talent that mattered; it was the context. It was history shaping their current performance. In systems gone wrong, people disclaim responsibility. There is blame and finger pointing. Coverups predominate. Decisions are made behind closed doors by small groups that become cliques, and there is a revolving door of officials. Change gets harder and harder.

It takes new leadership to turn around a losing streak when it is perceived that things are going down. The challenge is to get people to believe in success again, to motivate people to reach out to others, and to behave collaboratively. But is this necessary to get them to make the changes that are required to shift the cycle? That is a very difficult task and the best test of leadership. Turnarounds are difficult for several reasons, whether in sports teams, businesses, schools, or the economy and financial system.

First, what makes turning around a losing streak so difficult is that it is not known how bad the situation is. It is generally worse than observers think, even if it is known to be negative. The tendency, when things are going down, is to hide information. This is done to ward off blame and because of the false hope that the situation will improve. Embezzlers, for example, often rationalize that in the next cycle they can replace the

34. *Id.* at 121.
35. *Id.* at 120.
36. *Id.* at 132.
37. *Id.* at 100.
38. *Id.* at 124.

money or get investors to believe in a pyramid scheme. Information can be covered up because groups are not talking to each other; the information is never collated so that observers can see the picture of the whole system. This tendency of organizations in a losing streak also creates vulnerabilities, such as the failure of intelligence in the botched bombing of Northwest flight 253 in December 2009—allegedly a failure to collaborate across areas.[39] The information can be there in pieces, but not as a whole picture.

It is also very difficult to turn around losing streaks because of the behavior they engender: isolation, withdrawal, infighting, or a failure to show up. In one company on a losing streak, the chief executive had to order his top executives to show up at company parties because they did not want to be together even in social situations.[40] Lack of contact undermines collaboration for change. Moreover, when things are going wrong, groups are audited more often; they have to come before review boards and disciplinary panels more often; and more often they are sued. They cannot spend their time getting things back on track because they are distracted by all the disruptions of losing.

Leading a turnaround and restoring confidence requires shifting people's perceptions about the meaning of the $1,000 they have, that is, their resources. In a losing streak, there is a "get mine first" mentality derived from a feeling of insecurity and the belief that there is not enough to go around. Leaders must convince people to believe in a common purpose and to act in what can seem to be against their own self-interests when the pie appears to be shrinking. Leaders must motivate them to be altruistic and to play for the team; that is, to sacrifice for something they hardly have themselves in order to create a greater good that will save the team, system, company, or the country. And leaders must give people opportunities to act in a positive way with small wins, with small steps that will convince them that they can succeed.

One example is the way Nelson Mandela turned around South Africa, a country in a great losing streak due to the legacy of apartheid and the withdrawal of capital by international investors.[41] There was little to no confidence that the antagonistic groups in South Africa could work together.[42] One of the things that made Mandela a remarkable leader was his behavior toward his own party. When he was elected President, the first in a democratic election, the African National Congress had the vast majority

39. *See* Editorial, *Eight Years Later*, N.Y. TIMES, Jan. 8, 2010, at A26 ("[T]he 'system failed to identify, correlate, and fuse into a coherent story all of the discrete pieces of intelligence held by the U.S. government.'").
40. *See* KANTER, CONFIDENCE, *supra* note 5, at 103.
41. *Id.* at 291–321.
42. *Id.* at 294.

of votes.[43] Members of his party wanted to turn the tables and take revenge on the whites that had benefited from apartheid.[44] In essence, they thought of their $1,000 and compared it to the $1 million that some of their neighbors had. Nelson Mandela took a different tack that the nation needed, sending the message that they were all part of rebuilding the country.[45] He shifted the cycle not by a "rational" calculus but by inspiration and emotional appeal. He encouraged people to believe. He replaced denial with dialogue, and blame and finger pointing with open conversation about the past and with amnesty rather than punishment. He behaved in a collaborative manner, drawing people together across races and ethnicities. He created programs that reached the grassroots, the small people.[46] There are still problems in the country, but the cycle has shifted from a losing streak to the start of a potential winning streak.

In a winning streak, that is, an upward spiral, the forces are positive. The way people perceive the situation and each other changes how they behave to encourage positive actions. A winning streak begins because people are convinced to support one another in pursuit of a greater good. They have a sense of purpose that makes collaborative effort meaningful and connected to the likelihood of future gains.

In the research for my new book, *SuperCorp*, I found that the companies who survived the recession and have been sustainable over the long term have a very strong sense of purpose.[47] This purpose is not simply shareholder value—although they certainly must provide shareholder value—but one that is larger and more noble. Self-interest is not the sole source of motivation. Procter and Gamble, for example, now the world's largest consumer product company,[48] operates with a statement of purpose, values, and principles known as the PVP.[49] The stated purpose is to "improve the lives of the world's consumers, now and for generations to come."[50] That is considered the basis for being rewarded in the marketplace by loyal consumers, loyal customers, and loyal employees, which will bring returns to the shareholders.

At the start of the 2000s, the new chief executive of Procter and Gamble needed to deliver a small turnaround. Financial performance was slip-

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43. Bill Keller, *The South African Vote: The Overview; Mandela Proclaims a Victory: South Africa is 'Free at Last!'*, N.Y. TIMES, May 3, 1994, at A1.
44. *See* KANTER, CONFIDENCE, *supra* note 5, at 305.
45. *Id.* at 312–13.
46. *Id.* at 301–17.
47. Rosabeth Moss Kanter, *Transforming Giants*, HARV. BUS. REV., Jan. 2008, at 44.
48. Rosabeth Moss Kanter, *Inside Procter & Gamble's New Values-Based Strategy*, HARV. BUS. REV. BLOG NETWORK (Sept. 14, 2009, 11:23 AM), http://blogs.hbr.org/kanter/ 2009/09/fall-like-a-lehman-rise-like-a.html.
49. Kanter, *Transforming Giants*, *supra* note 47, at 45.
50. *See* KANTER, SUPERCORP, *supra* note 4, at 74.

ping.[51] The new CEO, A.G. Lafley, reinvigorated the sense of purpose in the company. He talked about PVP and taught employees about what people owe each other beyond their own performances and immediate results.[52] Lafley's successor, who started as CEO in July 2009, Robert McDonald, used the PVP to create a new business strategy of the future for Procter and Gamble: to improve more lives, in more places, more completely.[53] This is assumed to result in greater sales opportunities, but the starting point is a sense of purpose.

Another example comes from a surprising place: a bank in Brazil, Banco Real, now Banco Santander.[54] Two days before President Obama received the Nobel Prize, Banco Santander was awarded what can be called the "Noble Prize." In the deepest of deep global recessions, the bank went public, floating 14% of the shares (which became 18% of the shares because it was over-subscribed) in the world's largest public offering in eighteen months—since April 2008, before the financial crisis—on the New York and Sao Paulo Stock Exchanges.[55] The bank was rewarded with $8 billion of new capital[56] for a business strategy that began with the premise that its purpose is to serve society with social and environmental responsibility. That purpose, defined in 1998, led to engaged and motivated employees who found opportunities for innovation in the unmet needs of society, such as the slums (favelas) or in loan products for green upgrades to cars or homes.[57] This was doing good while making money, not as a charity (they had a separate foundation arm), but a business whose noble purpose could improve the way it operated. Thus, it was rewarded with the "Noble Prize."

In a winning streak, people find the solution attractive. They want to play, want to be part of the team, and want to work. This difference in context produces a positive behavior and a different result from that of a losing streak. When moods are good, people feel good about themselves; they feel potent. More than that, they look at other people and think that they must be really good too because they are winners. That means they are more willing to listen to others, which produces more support for innovation and more support and backing for trying new things, all of which propel further success and victory.[58] They are more likely to support each other, compensating for each other's weaknesses and sharing information

51. *Id.*
52. *Id.*
53. *Id.* at 76.
54. Rosabeth Moss Kanter, *Santander Brasil and the $8 Billion "Noble" Prize*, HARV. BUS. REV. BLOG NETWORK (Oct. 12, 2009, 11:58 AM), http://blogs.hbr.org/kanter/2009/10/santander-brazil-and-the-8-billion.html.
55. *Id.*
56. *Id.*
57. *Id.*
58. *See* KANTER, CONFIDENCE, *supra* note 5, at 7.

and facts so that everybody knows what is going on.[59] Because of all that, they are better positioned to win. People want to show up for practice, they want to improve their standards of performance. Organizations and teams get high performance standards without even necessarily having to require, regulate or legislate them. Because of that, they get better external confidence, so they get good press, they get more resources, and the talented people want to be part of this group. Because of that, they get better deals, since others want to be associated with those who are winners.[60] In the acquisition market, there are instances of companies on an upward spiral who have paid less for an acquisition than a competing bidder; the board was betting that their $1,000 would be worth more in the future because of the culture and trajectory they saw in the acquiring company.[61] "Winners" also get more continuity, because managers are promoted, not fired. With continuity, they can act on a strategy, which helps them do better. They can outperform competitors even in the most difficult times. A positive culture supports positive values, stemming from a sense of purpose.

An illustrative case of the importance of values and culture is the Continental Airlines turnaround. Continental Airlines had about a twelve-year losing streak in which they had two bankruptcies and ten CEOs.[62] They were owned for practically all of that period by Texas Air Corporation, headed by an executive that TV newscaster Barbara Walters called the "most hated man in America."[63] Employees would rip off their name badges when they left the office each day, showing little loyalty.[64] Internally, people regularly hurled insults at each other.[65] Departments would not cooperate with one another. Marketing would create a new flight schedule every quarter, mark it top secret, and then three days before they started the new schedule, they would give it to operations, which had to fly the planes.[66] Sometimes, departments would hoard their trash, in essence their hypothetical $1,000. A group that wanted to train people inside a real airplane, not just a simulator, got an aircraft, called the department responsible for interiors, seats and carpeting, and asked it for any used seats and carpeting that were going to be discarded. Not only were the group's phone calls not returned, but it never got its seats and carpeting.[67]

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59. *Id.*
60. *Id.* at 116–17.
61. *See id.* at 56–57.
62. *Id.* at 16.
63. *Id.*
64. *Id.* at 230.
65. *Id.* at 231.
66. *Id.* at 233.
67. *Id.* at 231.

One element in turning around Continental under new CEO Gordon Bethune was widespread sharing of information.[68] Disclosure builds confidence and permits analysis that situates data in a historical context. Continental put in place a daily cross-department operations meeting based on one data-sheet accessible to everyone from all the functions having anything to do with getting planes in the air, including catering.[69] Shared information enabled teamwork to solve the problem. It got to the point where managers would solve problems they identified in the data across departments before the meeting began. Each small success raised aspirations and set expectations that very high performance standards could be met. As they turned the airline around it became the best in the industry on some indicators.[70] After 9/11, because of all the information shared at Continental, other airline employees would call Continental people to learn about events and requirements they could not find out through their own hierarchies.[71] Continental became the information source; it was also the first to resume flying. Positive expectations of success supported a culture of collaboration in which people felt enriched (i.e., their own work enhanced) by what they contributed to others.

Then in August 2003, the entire Northeast power grid went down.[72] Airports were closed throughout the region. Many hundreds of flights were cancelled over a two day period.[73] All the other airlines lost money and cancelled flights.[74] The overall loss to the economy was estimated at $6 billion. Analysts predicted that Continental would lose the highest proportion among airlines, because two of their three hubs, Newark and Cleveland, were in the Northeast.[75] But Continental had developed a positive culture in which people shared information, collaborated, and took initiative and responsibility. Continental not only did not lose money when their competitors did, but they made $4 million above budget for the two worst days for the airline industry since 9/11.[76]

Behavior was shaped by the employees' confidence in themselves and each other, by their history of success and expectation of future success. Employees did not call in sick, or decide to take the day off. Employees wanted to get to the airport and help. Continental staffers were innovative and imaginative. Although the power was down at the airport, they used

68. *Id.* at 235.
69. *Id.* at 237.
70. *Id.* at 233–34.
71. *Id.* at 235.
72. *Id.* at 16.
73. *Id.* at 17.
74. *Id.* Northwest canceled two hundred sixteen flights and American canceled one hundred forty-one.
75. *Id.*
76. *Id.*

generators on the planes to provide electricity.[77] Some asked the Houston operations center to read the passenger list to them over cell phones, because computers were not functioning.[78] They worked with the TSA to screen their passengers. After about two hours, this outstanding team united by purpose, values, collaboration, and accountability had the situation under control. Continental executives observed that other airlines had cancelled flights, leaving many passengers stranded in LaGuardia and Kennedy airports. Continental was still flying out of Newark, so they ran extra sections out of Newark to accommodate stranded passengers.[79] They ended up serving people and serving their goal of high service and on-time arrival while making money. They won the game that everybody else lost, because the airline had a culture of confidence fueled by values.

No turnaround is perfect, and no winning streak lasts forever. Eventually, there is a tendency to get arrogant, complacent, lazy, and to face new competition. But with a strong culture and values, winners can avoid the traps and perpetrate success.

How we look at the world and the choices we make are colored by the history of where we have been, the context in which we are operating, the culture of the organization or the system we are in, and our own values and sense of purpose. All of those things motivate people. In recent decades, rationality has become defined by purely economic logic, as if $1,000 is always $1,000 regardless of history, context, or culture. This has become enshrined in legal theories also. It is time to turn again to psychology, sociology, and anthropology to explain and predict human behavior. Then we can understand that rationality also includes things that were once considered irrational, such as altruism, or sacrificing today for something we will get tomorrow. Some aspects of behavior make sense only in context and only by understanding the system and the dynamics that surround us.

77. *Id.* at 19.
78. *Id.*
79. *Id.* at 17.