

Facing our Delusions: Rosenzweig's Defence of Subtlety

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Phil Rosenzweig, *Efectul de halou și alte opt iluzii economice care îi induc în eroare pe manageri* [The Halo Effect: ... and the Eight Other Business Delusions that Deceive Managers], București: Publica, 2010, 296 p.

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Success and performance are two terms that are excessively used nowadays. They became a part of the jargon used both by scientists and businessmen, the latter acting in an extremely competitive environment and under tremendous pressure. If a book that tackles these themes makes promises about “reaching high performance in the shortest time” (as we all seem to be in a constant time crisis), guarantees that it puts a scientific method to work (science is probably one of the last things that attracts people as religions used to do) and gives the reader safe and fast solutions for success (making use of our strong belief in causality), than it will certainly have good chances of becoming a bestseller. More, the business world with its throbbing rhythm, financial investments and stakes and with the inherent tension of the decision making process represents a

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fertile field for books that are relaxing and calming, and offer miraculous solutions and recipes. Without trying to minimize the researchers' efforts to answer "abysmal" problems such as how to be performant in business or what the necessary steps in adopting the best business strategy are, Phil Rosenzweig develops, in his much praised book, an attack on the prejudices that infect the business environment. He also unmasks the lack of scientificity that is partially present in the economic press, in the scientific research and in the social sciences literature.

Phil Rosenzweig seems to be an intimidating personality – he worked for Hewlett-Packard (1979-1986), taught at Harvard Business School (1990-1996), and now teaches at the International Institute for Management Development in Lausanne. He published papers in *Strategic Management Journal*, *Journal of International Business Studies*, *The International Executive*, *Academy of Management Review*, *Management Science*, *California Management Review*, *European Management Journal*, and he also produced case study analyses for Microsoft, Daimler Benz, Matsushita, Renault, Heineken, Rhône-Poulenc, Accor, MTN, Dubai Aluminium, Vodafone. A theorist and also a practitioner, Rosenzweig fully uses his 25 years of experience in the business world to develop his arguments. His starting point in this critique is the will to get away from the big quantity of "nonsense" in the literature, Rosenzweig mocking themes such as revealing the key to becoming an efficient manager, the X steps to reach glory or the "eternal" formula of success in business. Rosenzweig wants his book to be a filter or even a "censorship" tool that investigates the quality of reasoning that it is to be found in the economic literature, in particular, and in the social sciences, in general; thus, he courageously shifts away from *mainstream* economic texts, and this move proves to be proficient. Far from being an alarmist that ruins the serenity of the managers and of the researchers, Rosenzweig opts for a more realistic and more refined speech about business, decisions, corporations and performance. This speech is free of the usual illusions and fake promises, and this is the reason why it seems more efficient: it is uncomfortable, but well written and with good arguments.

There are at least three categories of public that this book addresses to. First, the book is dedicated to managers who – as

Rosenzweig says – are in no lack of sharp brains and tenacity, but do not have enough wisdom or self reflection. After reading this work, Rosenzweig hopes that the managers will learn to “think for themselves” and stop giving credit (silently and without criticism) to all sorts of “advisers”, regardless of their name and titles. If managers can think with their own minds, than their strategic and operational decisions will be more accurate (and this is where the real stakes are, Rosenzweig adds). If a manager wants to be wise, he must prove that he has the remarkable ability of getting along well in a world that now seems very unpredictable (and thus rules out both the “miraculous” and the hackneyed solutions). Second, the book can be a useful guide for the researchers activating in the field of social sciences. The scholars can become more experienced in discovering the traps that lurk us in every stage of a scientific research, starting with data gathering and ending with data interpretation. Third, the journalists should improve their work after the careful examination of Rosenzweig’s examples; thus, they may reduce the worrisome interpretive inconsistency in their analyses of success/breakdown of a company (Rosenzweig’s “lessons” for these three key categories can be found at www.the-halo-effect.com). Beyond managers, researchers and journalists, *The Halo Effect and the Eight Other Business Delusions that Deceive Managers* is a mandatory reference for those who are interested in the subject of (criticizing) pseudoscience. In fact, the pleasant style of writing along with the good argumentation and the excellent documentation (see the case studies of Cisco, ABB, Lego, for instance) are proof that Rosenzweig hoped that his book would be read by a larger public.

Noticing that the high performance is difficult to understand “even if it is just in front of our eyes” (p. 69), Rosenzweig chooses this angle of approach rather than the classical question of “What do we need for high performances?”. A big part of the economic thinking is affected by *delusions* that can deform our understanding of what performance is. Rosenzweig states nine widespread economic delusions: the halo effect (“the fundamental delusion”), the delusion of correlation and causality, the delusion of single explanations, the delusion of connecting the winning dots, the delusion of rigorous research, the delusion of lasting success, the delusion of absolute

performance, the delusion of the wrong end of the stick, the delusion of the organisational Physics. All of them contaminate the research and our efforts to increase the business performances, and this is the reason why Rosenzweig analyses them in a detailed manner. Even though many delusions are nothing but natural tendencies or common errors, the writer tells us that we should not worry; we must not see them as inevitable features, and if we are aware of them, we will know how to avoid them.

Without entering Rosenzweig's details, we have to say nevertheless that his critical approach resets the old problem of the "objectivity in the research process", and also offers a new perspective about the role played by the presuppositions in managerial reasoning. Even though the idea of studying the business environment from a scientific standpoint constitutes a debate in itself, I think that one of the main virtues of this book is the fact that it uses the "distinction problem" and criticizes the pseudoscientific tendencies in explaining the concepts of performance and success. Moreover, his work must be seen on a bigger background, a cultural background dominated by the effort to distinguish between science and pseudoscience (see terms like "junk science", "sound science", "fringe science", "voodoo science", "Cargo Cult Science", etc.). In Philosophy, we have already met, for instance, a very powerful critique of the postmodern authors (for their abuse of scientific concepts and for their technique of borrowing a scientific vocabulary using metaphors or other rhetorical figures of speech), such as the one done by Alan Sokal and Jean Bricmont. The "Sokal affair" and everything that followed after the publication of *Impostures intellectuelles* is, thus, exemplary.

Also, Rosenzweig talks about another important distinction, namely the distinction between science and storytelling, between fact and fiction. In this vein, Rosenzweig proves that a lot of works in Economy are, if we analyse them, nothing else than beautiful stories about success, performance and remarkable businessmen. They are seductive because they reach a very deep human structure, a structure that is oriented towards stories, clarifying explanations and sapiential sayings. Of course, science tells her own story – that includes a certain

vision about the world – but it does it rigorously and by means of experiment, falsifiability and argumentation.

Rosenzweig reminds us that *de omnibus disputandum*, and in cases that are vague or sufficiently obscure (fringe science, interdisciplinarity, etc.) this principle has to be the most important one. Moreover, he showed that a lot of serious works, intelligent enough to avoid the halo effect, have not reached the same success as others that were full of errors, from the incompetent data gathering till the absurd conclusions. Paraphrasing Rosenzweig, this happened probably because the serious papers did say something meaningful about the business world, but they only succeeded in explaining small parts of it, while the bestsellers “revealed” a lot about the “heroes”, about their quest and ambition, and about their burning wish for certitude.

The „homeopathic” dose of skepticism and realism that Rosenzweig offers us has two goals: first, the demystification of our unjustified beliefs, magic formulas and ungrounded stories, and second, the awareness of the importance of risk, luck, incertitude and unpredictability in business. These simple ideas cannot guarantee our success, but they can, on the other hand, increase its chances; moreover, we must also opt for a form of management that shows signs of good health, that means it is free of the so called “coconut helmet”. To synthesize what has been said so far, *The Halo Effect and the Eight Other Business Delusions that Deceive Managers* is a pleasant reading, undoubtedly useful, with solid arguments, a book that does not hesitate to shout where others remained silent and kept our prejudices “alive and well”. This is a book that may increase our chances of being (more) critical, (more) focused and, why not, (more) sceptical.

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