



The London Business School professor and author talks about **stubborn mental maps** and the 'upside' of turbulence.

**Interview by Karen Christensen**

**In your research you have uncovered an all-too-common dynamic: to succeed, managers must commit to specific mental maps and reinforce them with processes that support their worldview. What happens when the landscape shifts?**

It's not that mental maps are bad – in fact, they are necessary in order to focus and coordinate activity and mobilize resources. But when the terrain shifts, there is always a risk that a gap will grow between your established maps and the reality of the terrain. When this happens, you might fail to notice information that is not consistent with your map and disregard or discredit things. This is dangerous because knowing where your map is wrong is, in many ways, as important as knowing where it's right.

**You have noted that too often in life, we assume that changes will occur in a linear fashion. What is the harder truth?**

When people think about change, they tend to think about a single dimension of it: where are interest rates going, or what is the stock market up to today? While independent variables like these are important, we must recognize that if you look at any company, its ability to create and sustain value is a function of many variables, so focusing in on one or two of them is a mistake. For instance, you can't look at an oil company and assume that it will succeed or fail based on a single variable like oil price, because that is not the case. Oil companies are influenced by exchange rates, interest rates, regulatory regimes, geopolitics and a variety of other factors and technological shifts. The reality of any organization's ability to create value is a function of several individual variables, each of which can be volatile and doesn't necessarily move in a smooth linear

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trajectory; they may jump around or move backwards – all sorts of things can happen. Furthermore, these individual variables also interact in unexpected ways, defying our ability to predict – let alone control – how the future is likely to unfold. I refer to this as ‘the fog of the future’: a dense shroud of uncertainty of unpredictability results whenever we try to manage something that is influenced by multiple variables.

**For most people, turbulence equals risk, and risk is bad news; but you believe there is a significant upside to turbulence. Please explain.**

There are definitely risks and threats associated with turbulence – anybody who’s invested in equity markets over the past few years is well aware of that. But the empirically-demonstrable reality is that these changes also create new opportunities. The recent economic crisis caused a lot of pain, but it also shifted consumer preferences: people might be looking for more security now, or they may be willing to try things at a lower quality level for a lower price point. Even negative changes in the environment open up opportunities.

**What are ‘reinforcing commitments’, and why are they so dangerous?**

These are commitments people make that tend to reinforce their existing mental maps and strategies. Examples could include taking steps to deepen relationships with current customers or building more plants that use your existing production process because you’re so confident that this is the right way to do things. Reinforcing commitments basically harden our mental maps, but they also have some benefits. They can confer efficiency and focus, for instance. The risk is that if you accumulate too many of them over a long period of time, it becomes difficult to adjust your map when circumstances shift. The benefits of these commitments probably outweigh the costs for as long as the underlying competitive terrain remains stable; but if the terrain is changing constantly or if one big precipitous change occurs, the costs of being locked in by reinforcing commitments can suddenly outweigh the benefits. Unfortunately, this is the reality for a lot of companies right now.

**What new skills does our uncertain environment demand?**

A few things come to mind. One is that people need to develop

a broader sense of what is relevant to their business. In most organizations, the chairman and CEO tend to have a pretty broad perspective on the multiple variables that influence their firm’s ability to create value – including what’s happening geopolitically, macroeconomically and so forth. But if you move down just a level or two, many managers are a bit more blinkered in their view of what they should be focusing on. They tend to stick to the obvious things, like ‘who are our current customers? Who are our current competitors? What are regulators currently thinking about?’ As a result, they have a rather narrow map that helps them execute with efficiency against that map. The problem is, they are prone to surprises because they’re not attuned to the bigger picture.

A second thing to note is that in an uncertain environment, great insurance can be found in *agility*, or the ability to spot opportunities – and act – faster than rivals. Managers often tend to focus on building a strong fortress and winning through big thick walls and defenses, but one of the best ways to protect what you have and gain more in turbulent markets is by having a highly agile, nimble cavalry.

A third requirement is the understanding that organizations are embedded in a much broader ecosystem of competition. A lot of times managers think, ‘It’s all about my firm or my bank, and I’ve got to maximize what we’re doing’. That’s part of it, but taking more of a systems look at the overall ecosystem in which you are embedded can help you identify things that might change and how they will affect you.

**You have said that familiarity with ‘common incongruities’ can increase the odds of noticing gaps in our mental maps. What are these?**

Incongruities occur when we have a set of assumptions and we notice something that doesn’t conform to those assumptions, and it surprises us. It’s surprising because it’s not what we expected, and a lot of times people just walk by these incongruities and think, ‘Oh how annoying; that’s not what I was expecting’. What we should do is the exact opposite. Incongruities are true gifts, because they point you in directions where your map no longer conforms to reality. Not always, but sometimes, they point in a direction where there’s a great new opportunity that you could seize if you adjusted your map, or they reveal a threat that wasn’t on your radar

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screen. At the very least, they should make you say, 'I better start thinking about this'.

Common incongruities are things that you see over and over again, which tend to point you in the direction of a gap in your market. For example, you feel like a particular item shouldn't be selling, but it does. You'd be surprised how often this happens. When **Honda** entered the U.S. market for motorcycles, they were 100 per cent convinced that they could sell big bikes to leather-clad bikers; but they made very little progress in that market. When they experienced technical problems with the large bikes and tried selling smaller ones, they sold like gangbusters. Initially they resisted this incongruity, because that's not what is 'supposed to sell' in America. Fortunately they had the intellectual humility to acknowledge that they were wrong.

Another case is when you know there should be a particular product on the market, but there isn't. My favourite example is **Kate Spade**, who in the beginning of her career worked as the accessories editor at *Mademoiselle*. She noticed that there were some purses that were extremely functional, but ugly; and there were others that were stylish and useful, but prohibitively expensive. She said to herself, 'This is crazy: there should be a mid-priced product – not cheap, but not outrageously expensive – that is fashionable enough for style-conscious women to enjoy'. So she set out to create her own line, and the rest is history.

**You dedicated your recent book to all the young people making their way in a turbulent world: "May they face an uncertain future with a sense of adventure, not fear." How can they (and we) prepare for what's ahead?**

The philosophical point that we need to get across is that we simply cannot predict the future with any degree of certainty; and *that's okay*. I think about this a lot these days, because my oldest son is a sophomore in college and he has no idea of what he wants to do with his life. I spend a lot of time just reassur-

ing him that that's alright. Nobody at his age should know what they want to do, and if they do have a hypothesis, it's probably wrong. We need young people to be comfortable with that.

One problem is that we tend to say to our kids, 'Here are the five colleges that you want to get into, and here's what you need to do to make that happen: you need to take this or that standardized test, and your grades have to be B+ average, and if you do these things you will get into one of these schools.' This approach presents the world as an extremely predictable place where if you do X, Y will happen and you'll be happy. Our young people get locked into this mindset, and once they get to college they think, 'OK, what's next?' And the truth is, they're on their own. Nobody knows what the future holds, so it is critical to recognize that that's okay.

People are obsessed with having a plan. Instead, what they should do is try out different things, and allow these to become the building blocks of your future – like stones in a mosaic. So maybe you study English for a while, or you're very passionate about the guitar, or you're into theatre. Whatever it is, do it, and you will have these blocks to build something with. The trick is managing this 'brickolage' of experience. Periodically, you have to step back and rethink how the blocks can be refigured in light of your current circumstances. Some things that may have been central might move to the periphery, and you may need to add new ones in. For each person, the resulting mosaic will be unique. **R**

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**Donald Sull** is a professor of Strategy and the faculty director of executive education at London Business School. Heralded as "a rising star in a new generation of management gurus," he is the author of *The Upside of Turbulence: Seizing Opportunity in an Uncertain World* (HarperBusiness, 2009).