holders from collaborative rather than combative behavior.

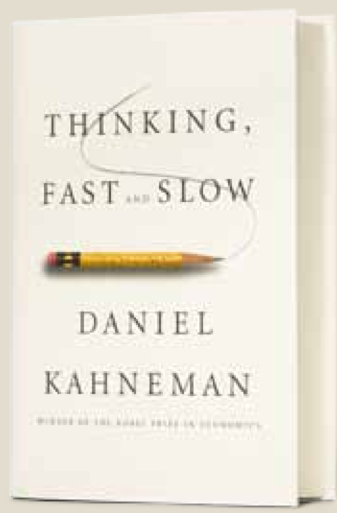
Rule Five: Operate for Benefit. The old formula has been for organizations to compartmentalize any support of social goals apart from the for-profit work of the enterprise. In the new capitalist model, leaders must accept that every enterprise produces a mix of financial and other value types. The business model should be designed to optimize that.

Meyer writes that he is worried that capitalism in the U.S. may be at the forefront of risk because of the innovator's dilemma — "the inability to let go of its past successes." To avoid catastrophe, a new view is required.

"Perhaps it is too much to claim that today's captains of industry believe our current version of capitalism is working exceptionally well, but it is probably fair to say that most have accepted it as the only system workable at all," Meyer says. "But now they are beginning to understand that they have been seeing their world and their work in drab black and white terms. The Technicolor moment is upon us." The victors will emerge from those who seize that colorful moment.

Our Brains Made Us Do It

Decisions In Spite of Ourselves



About midway through his remarkable new book, "Thinking, Fast and Slow," author Daniel Kahneman writes that "the amount of evidence and its quality do not count for much, because poor evidence can make a very good story. For some of our most important beliefs we have no evidence at all, except that people we love and trust hold these beliefs. Considering how little we know, the confidence we have in our beliefs is preposterous — and it is also essential."

If there is a single sentence that can sum up this important tome (and one is hardly enough), it would be this one. Because what Kahneman, the Nobel Prize-winning psychologist and professor emeritus at Princeton, has constructed is nothing short of a milestone, multi-dimensional inquiry into the way we think about the world in which we live.

This sometimes dense but consistently surprising and enlightening work is not for the faint of heart or for those looking for a Gladwell-esque popular culture kind of read. Kahneman makes the reader work hard, do some serious contemplation, work out brain-teasing experiments and reconsider pretty much everything we've all been led to believe about the way we perceive and analyze our way through life.

An Israeli-American whose pioneering work with Amos Tversky on decision-making led to the 2002 Nobel Prize in economics, Kahneman is among the leading thinkers in the field of behavioral economics.

As Kahneman points out, traditional economic theory, as practiced by the so-called Chicago school of economics, believes that "faith in human rationality is closely linked to an ideology in which it is unnecessary and even immoral to protect people against their choices. Rational people should be free, and they should be responsible for taking care of themselves." Behavioral economists, however, reject this "rational agent model". Life is more complex for behavioral economists than for true believers in human rationality. For behavioral economists, freedom has a cost, which is borne by individuals who make bad choices, and by a society that feels obligated to help them." Does the sub-prime mortgage crisis leap to anyone's mind here?

At the book's outset, Kahneman introduces two fictitious characters, the automatic System 1 and the effortful System 2, and explains what he calls "the uneasy interaction" between the two. Though these two systems do not actually exist, they provide an elegant basis for understanding how the mind processes the ceaseless signals and experiences of a human life. System 1 is our intu-

itive, automatic mind at work, instantly processing stimuli as it is encountered, and making quick, sometimes logical, often illogical decisions on the spot. "System 1 registers the cognitive ease with which it processes information," Kahneman explains, "but it does not generate a warning signal when it becomes unreliable." System 2 kicks in, or should, to slow things down and process thoughts in an orderly fashion to construct some methodical understanding of a given situation. System 1 is driving a car on an empty road; System 2 is parking the car in a narrow space. System 2 ought to save us from our bad decisions, but alas, it is more than a bit indolent and it is also working exclusively from the signals of System 1.

Though "Thinking, Fast and Slow" is a cross-over book aimed at a broad readership, Kahneman had to be at least partially focused on both political and business leaders as he wrote it. For chief executives, the book is a must-read because it forces them to reconsider nearly every aspect of leadership and how they process data and make decisions. In the chapter "The Illusion of Understanding," for example, Kahneman takes straight aim at the conventional wisdom that has spawned the hero-worship of CEOs over the past couple of decades.

"The sense-making machinery of System 1 makes us see the world as more tidy, simple, predictable and coherent than it really is," he writes. "The illusion that one has understood the past feeds the further illusion that one can predict and control the future. These illusions are comforting. They reduce the anxiety that we would experience if we allowed ourselves to fully acknowledge the uncertainties of existence. We all have a need for the reassuring message that actions have appropriate consequences, and that success will reward wisdom and courage. Many business books are tailor-made to satisfy this need."

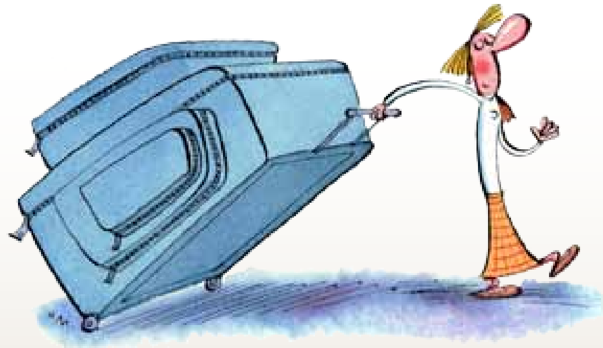
However, while Kahneman agrees that CEOs do influence performance, the evidence suggests that "the effects are much smaller than reading of the business press suggests," he declares. In fact, the research illustrates that the best CEOs improve the odds of success by just a few percentage points over weaker, less impressive CEOs who rely mostly on luck.

In using the business bestseller "Built to Last" as an example, Kahneman claims that the message of that book and similar such works is that good managerial practices can be identified and that good practices will be rewarded by good results. "Both messages are overstated," he writes. "The comparisons of firms that have been more or less successful is to a significant extent a comparison between firms that have been more or less lucky. Knowing the importance of luck, you should be particularly suspicious when highly consistent patterns emerge from the comparison of successful and less successful firms. In the presence of randomness, regular patterns can only be mirages."

Given this disconcerting truth, Kahneman is quick to point out that this is not a knock on business leaders as much as a fallout from the way our minds work. Without a serious warning bell to alert us to bad decisions and errors in judgment, we are easy prey for accepting and following a poor choice. "The voice of reason may be much fainter than the loud and clear voice of an erroneous intuition, and questioning your intuitions is unpleasant when you face the stress of a big decision," he writes.

To this end, organizations are better than individuals when it comes to avoiding errors because they naturally think more slowly and have the power to impose orderly procedures. "At least in part by providing a distinctive vocabulary, organizations can also encourage a culture in which people watch out for one another as they approach minefields," he concludes.

"Thinking, Fast and Slow" has generated a significant amount of buzz since its publication and it is poised to become the next "Tipping Point," armed with a greater degree of difficulty and a higher reward.



ROLLING THROUGH THE YEARS

2012 marks the 25th anniversary of the business traveler's best friend: the rolling suitcase. An airline pilot came up with the concept by changing the physical orientation of luggage from horizontal to vertical, and adding large wheels and an extension handle. SOURCE: TRAVELPRO

Hal Mayforth