The business end

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LEADERSHIP

ALL IN THE MIND

Neuroscientific findings provide insights into the successful introduction of organisational change.
Report: Silvia Damiano

It would be wonderful if, when an organisation introduced change, everyone participated and did what was required. However, implementing change is not simple, and neuroscientific research reveals that change is painful for the brain.

Change amplifies discomfort and stress because it requires an individual to let go of an internal state of equilibrium – a state called homeostasis. This is the property of a living organism that regulates its internal environment to maintain a stable, constant condition. When external forces affect this state, the organism resists them to avoid losing its state of equilibrium.

The process of organisational transformation needs to take into account the physiological nature of the brain and the ways in which it predisposes people to resist some forms of leadership and accept others, United States research psychiatrist Jeffrey Schwartz and leadership coach David Rock conclude in their paper, The Neuroscience of Leadership.

Based on this, it would be valuable to consider how change can be managed to minimise discomfort

and improve people's engagement in the transformation process.

Given that continuous and unnecessary change imposes such a burden on employees, perhaps the first question to ask is, "Is this change really necessary?" If the answer is yes, the next consideration may be: "How fast does this change need to be implemented?"

Change does not happen automatically just because someone announces it in an email to staff. For change to occur and become established, the development of a new habit is required. Habits are deeply entrenched neural connections in an area of the brain called the basal ganglia.

When facing change, new thoughts come into a person's brain. These thoughts are considered first in an area called the prefrontal cortex, located in the frontal lobe behind the forehead. The prefrontal cortex carries out the function of comparing new information, decision making, choosing between good and bad actions, and determining similarities and differences between things and events.

This area of the brain holds what is called working memory and it requires high levels of energy (glucose) to operate. It has a finite capacity, and neuroscientist Joseph LeDoux says it can only hold seven concepts at the same time.

Each time a person considers new information, the prefrontal cortex is involved, requiring effort over a certain amount of time. Once enough attention has been devoted to the new thought, repetition is essential for the brain to convert this new information into a habit.

Change involves a different way of doing something, and this may entail the modification of a person's behaviour.

Changing the way a team meeting is conducted sometimes seems an insurmountable task. The secret may lie not just in communicating how the meeting should adopt a new format, but in assisting everyone to pay enough attention to the new process and repeating this process until it becomes established and a new habit is created.

Many change programs fail not just because they are not planned or communicated appropriately, but because too many changes are proposed, along with the expectation that they will take place within a short time.

Neuroscientists have found that a small area just above the eyeballs, the orbital frontal cortex, is responsible for detecting "errors".

This term refers to the perceived difference between what is expected and what actually happens. When an individual expects something and it does not occur, an intense activity (firing) between neurons takes place in the orbital frontal cortex.

This part of the brain is closely connected to the brain's fear circuit, which resides in an almond-shaped structure called the amygdala.

The amygdala, which is responsible for the flight-or-fight response, takes energy from the prefrontal region that supports higher intellectual functions. As soon as people notice a difference between what they thought was promised and what was delivered, this area becomes activated and can push people to become emotional and act impulsively.

Special attention should be given to what is communicated and promised in a change process. Communicating how the change will affect people is as important as consistency and accuracy in the message. It is imperative to avoid creating false expectations.

Probably the most important piece of the puzzle is engaging people not only to accept the change, but also to commit to it with enthusiasm and energy. Neuroscientists say the human brain behaves like a two-year-old: tell the child what to do and it automatically resists.

Telling people what to do, or doing their thinking for them, guarantees disengagement – taking their brains out of the action. When people are disengaged, they will not invest the time, effort or energy required to develop a new habit.

One way to counteract this is to raise people's awareness through asking questions that encourage reflection on the importance of the change. If people recognise the need for change, they are more likely to be enthusiastic about participating and contributing ideas.

Overwhelming people with unnecessary information or pressuring them to meet deadlines is not the answer to achieving lasting change. Pacing the change to natural rhythms, using self-reflection and involving those affected may form the key to a more effective way of managing change. BRW

MARKETING + MEDIA

SHOEBRIDGE

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Recessionary ad spending

Chief executives know the theory: a recession is a good time to spend more – not less – on advertising. Consumers are looking for brands they trust and, as most companies cut their ad spending, this gives rivals that continue to advertise an opportunity to increase their presence and lift market share and sales. However, knowing the theory and putting it into practice are two very different things.

The past 12 months have seen an estimated 7 per cent drop in media ad spending in Australia, led by big cuts in the financial services and automotive sectors. Not all media are suffering – the internet is still attracting more ad dollars, although its growth rate is slowing – but most are doing it tough. Budget cuts have also made life difficult for marketers and their suppliers, such as ad agencies.

The past year has proven – again – that the theory about advertising during a recession does not cut much ice with most senior business executives. Yes, retailers, food manufacturers and companies in a handful of other industries have maintained or, in some cases, increased their ad spending since mid-2008. However, many chief executives and finance directors have taken a razor to their ad budgets.

Kevin Roberts, who has run global ad agency Saatchi & Saatchi for the past 11 years, says chief executives know the argument that a recession is a good time to advertise. So why do many continue to cut ad budgets when economic times turn tough?

There's no point saying 'we'll continue to advertise' if you get rid of the people who manage it

"I think it's because they cut a lot of good people during recessions and lose their institutional knowledge, confidence and speed," he says. "Chief executives know the theory about spending in tough times. What they often don't realise is that they have cut a layer of middle management that has the confidence, knowledge and ability to put the theory into practice. There's no point saying, 'We'll continue to advertise' if you get rid of the people who manage it."

Roberts says speed – or the lack of it – is also an issue. Most companies that have been crunched by the economic downturn over the past year are still in cost-cutting mode.

At some point, they will focus on what Roberts calls the "farm-what-we've-got phase". Then they will realise they need to "get a bit more inventive" – that is, invest in new ad campaigns and new products.

"Moving through those phases takes time," Roberts says. "Most companies are slow and bureaucratic. In times like this, they become introverted and frightened. They don't want to take risks and they don't want to make any sudden movements."

Leo D'Angelo Fisher is on leave