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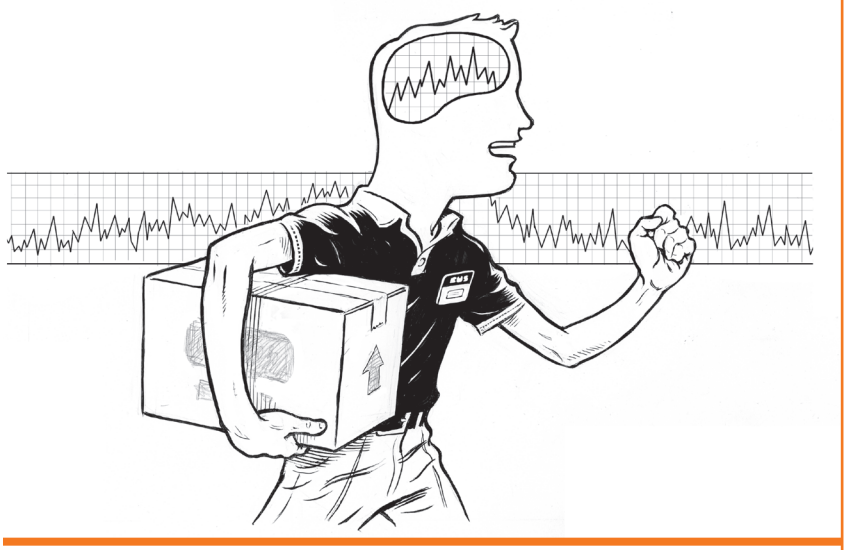

Three Secrets of Organizational Effectiveness

How the practices of "pride builders" can help you develop a high-performance culture.

by Jesse Newton and Josh Davis

When the leaders of a major retail pharmacy chain set out to enhance customer satisfaction, market research told them that the number one determinant would be friendly and courteous service. This meant changing the behavior of employees in hundreds of locations—creating an open, welcoming atmosphere where regular customers and employees knew one another's names, and any question was quickly and cheerfully answered.

If you're trying to instill this kind of organizational change in your company, then you face not just a logistical shift, but a cultural challenge as well. Employees will have to think differently, see people differently, and act in new ways: going the extra mile for shoppers, helping them articulate what they're looking for, and working harder to keep items from getting out of stock. Employees also need to continually reinforce the right habits in one another so that the customer experience is on their minds everywhere, not just at the pharmacy or checkout counter, but in the aisles and back room as well. Conventional efforts to make this happen by "changing the organizational culture" in a programmatic fashion won't get the job done.

One method that can help is known as pride building. This is a cultural intervention in which leaders seek out a few employees who are already known to be master motivators, adept at inspiring strategic awareness among their colleagues. These master motivators are invited to recommend specific measures that enable better ways of working. It's noteworthy that pride builders in a wide variety of companies and industries tend to recommend three specific measures time and time again: (1) giving more autonomy to frontline workers, (2) clearly explaining to staff members the significance and value (the "why") of everyday work, and (3) providing better recognition and rewards for employee contributions.

These are, of course, widely appreciated management methods for raising performance. But they're rarely put into practice. Perhaps it's because they feel counterintuitive to many managers. Even the leaders who use them, and whose enterprises benefit from the results, don't know why they work. So the value of these powerful practices is often overlooked. That's where neuroscience comes in.

Breakthroughs in human brain research (using conventional experimental psychology research in addition to relatively new technologies like CT scans and magnetic resonance imaging) are revealing new insights about cognitive processes. With a little knowledge of how these three underused practices affect the brain, you can use them to generate a more energizing culture.

Autonomy at the Front Line

At the pharmacy chain, the pride builders were employees with a knack for exceptional service. When asked how to spread that knack to others, they suggested giving clerks

Illustration by Lars Leetaru

more leeway to do things on their own. For instance, the clerks could resolve customer complaints by issuing refunds on the spot, and they could try out their own product promotion ideas. In the past, store managers had been quick to step in and correct mistakes in an abrupt and sharp-tongued manner. Now they would be more positive, collaborative, and interactive with customers and colleagues.

The company set up a pilot program to train some store managers and track results. Almost immediately, there were encouraging comments from the front line: "[My store manager is] now open to suggestions, big or small. I know that my opinion counts with her." Customer ratings and the amount spent per visit also rose, perhaps because giving employees the freedom to stretch and to shape their work directly improved the customer experience.

Why did autonomy make such a difference? Because micromanagement, the opposite of autonomy and the default behavior for many managers, puts people in a threatened state. The resulting feelings of fear and anxiety, even when people consciously choose to disregard them, interfere with performance. Specifically, a reduction in autonomy is experienced by the brain in much the same way as a physical attack. This "fight or flight" reaction, triggered when a perceived threat activates a brain region called the amygdala, includes muscle contractions, the release of hormones, and other autonomic activity that makes people reactive: They are now attuned to threat and assault, and primed to respond quickly and emotionally. An ever-growing body of research, summarized by neuroscientist Christine Cox of New York University, has found that when this fight-or-flight reaction kicks in, even if there is no visible response, productivity falls and the quality of decisions is diminished. Neuroscientists such as Matthew Lieberman of the University of California at Los Angeles have also shown that when the neural circuits for being reactive drive behavior, some other neural circuits become less active—those associated with executive thinking, that is, controlling oneself, paying attention, innovating, planning, and problem solving.

By giving employees some genuine autonomy, a company can reduce the frequency, duration, and intensity of this threat state. Indeed, as Mauricio Delgado and his colleagues at the social and affective neuroscience research laboratory at Rutgers University have found, the perception of increased choice in itself activates reward-related circuits in the brain, making people feel more at ease.

In the long run, sustained lack of autonomy is an ongoing source of stress, which in itself can habitually lead the brain to be more reactive than reflective. Sustained stress can also decrease the performance of important learning and memory brain circuits, as well as the performance of the prefrontal cortex, which is so important for reflection.

To return to our drugstore example, when a customer complains about being overcharged, a clerk in a fight-or-flight state might respond counterproductively—for example, by arguing. But a clerk accustomed to autonomy would be more likely to understand and to try to solve the problem in an empathetic way. If the company leaders try to enforce better customer service through strict rules that make clerks feel micromanaged, the physiological state associated with the fight-or-flight reaction would probably lead to the opposite outcome: driving customers away.

The "Why" of Everyday Work

A regional health insurance company, adapting to the U.S. Affordable Care Act, resolved to create more brand loyalty in an attempt to attract customers. One of the first trouble spots was the call center that managed claims. Customer satisfaction with health insurance call centers is notoriously low, often with good reason. There are not always good options for resolving claims. Staff members are typically judged on how rapidly and economically they can get people off the phone. The technology is often unsophisticated, catching callers in irritating voice-mail loops. At this company, call center employees saw consumers as their enemies—as complainers who berated the employees and blamed them for a miserable system that wasn't their fault. All the training in the world could not overcome their fight-or-flight reaction. This, in turn, led to low levels of effectiveness and high turnover rates. From a neuroscience perspective, the system couldn't have been better designed to bring out the worst in everybody.

Despite all this, some supervisors in the call centers regularly managed to mobilize service reps to deliver great customer care. The company was eager to learn how. When they brought these supervisors together, it turned out they had all, independently, discovered the same technique: taking the time to help sales reps and other call takers see and fully understand the "why" of their everyday work. This often took the form of explaining (or, better yet, demonstrating) the signifi-

cant value of daily tasks, so that the reps understood their impact as part of a larger health ecosystem that supported people during difficult and stressful times. In the words of one pride builder, "I tell my team that it's not just a claim on the other end of the call; it's a family. You do more than answer the phone. You are a part of these folks' lives."

Here, too, neuroscience helps illuminate why the explicit invoking of significance and empathy is so effective. Helping a family member who is concerned about a medical issue (generally one with financial ramifications) is a different challenge from dealing with a customer trying to get more money. In neuroscience, these would be called different schemas: patterns of thought that organize experiences.

People do not have just one way of operating. They have different modes of social behavior that vary from one context to the next. The rules for social interaction are quite different when out for a drink with friends than when at a parent–teacher meeting. Schemas reflect these changes of context; thus, when a call center employee is operating in a help-a-family schema, the kinds of behaviors that are appropriate are quite different from those in a deal-with-a-customer schema.

Elliot Berkman of the University of Oregon, one of the leading researchers into the neuroscience of goal setting and habit formation, has proposed another reason that explanations of this sort are powerful motivators. When people know the reason that a goal exists, it is easier to form a "goal hierarchy": a mental structure in which priorities can be considered as complements rather than obstacles to one another. This makes it more likely that people will follow through.

Consider the job of helping people who call for information about their insurance policy. The employee's goal is tightly connected with the purpose of the job. If the goal is to help families, the employee would ask about the family's challenges and describe how its policies could help. If the goal is to get people off the phone quickly, the employee would try to convince callers that the company was already doing everything it could. Employees will favor the former goal only if they see how it fits the company's strategy, and if they are confident that pursuing it will be regarded as right by their leaders and peers.

When it's clear to employees that they're helping others through their work, their intrinsic motivation rapidly expands.

Finally, stressing the "why" to employees helps companies deploy the cognitive power of altruism. Studies show that the brain's reward system is directly activated by helping others. At the University of British Columbia, Elizabeth Dunn and her colleagues found that people report feeling happier after giving money to others than after spending it on themselves. Similarly, when it's clear to employees that they're helping others through their work, their intrinsic motivation rapidly expands. Management by objectives is a far more limited mental schema than management by aspiration.

For all these reasons, once the "why" of their jobs had been explained to them, call center employees transformed the way they dealt with customers. This mitigated a prevalent pain point and accelerated the changes that the company needed to make.

Recognition and Rewards

When the global automobile industry began to recover from the severe slump of 2008–10, the leaders of one major automaker recognized the need to refocus their orientation from survival to growth. Employees already knew how to make the production line work better. Now, could they do the same in their customer interactions, particularly with car buyers in showrooms?

The company found the solution in its pride builders. North America, Europe, and Asia had been affected differently by the recession, so these master motivators had to adapt their approach to regional business conditions, cultural differences, and employee attitudes. One theme was common to everyone: recognizing employee success in a skillful and considered way. This did not mean heaping undeserved praise on people; it meant celebrating a job well done while keeping the bar high. One example is this note from a team member about a supervisor: "She is a demanding manager in a fast-paced job, but she knows the importance of keeping the work fun and rewarding."

The most effective supervisors

all turned out to have similar pride-builder-style approaches for conveying recognition and, where possible, rewarding people for good customer interactions. They relayed positive feedback from customers; they took care to contact each team member's manager when giving thanks and recognition; and they personalized the messages. "Maria knows what kinds of recognition each person appreciates most," a team member observed about his boss. "She might take one person out to coffee or lunch as a form of recognition. Or she might encourage people to work from home one day per week so they can spend more time with their kids."

Neuroscience explains the importance of the personal touch in delivering recognition that matters. When a manager recognizes an employee's strengths before the group, it lights up the same regions of the employee's brain as would winning a large sum of money. Rewards of all kinds, including social rewards, tend to release the neurotransmitter dopamine, which produces good feelings. These reward circuits encourage people to repeatedly behave the same way.

One framework of social motivators is the SCARF theory. David Rock, cofounder of the NeuroLeadership Institute, proposes that people at work are highly motivated by five types of social rewards: *status* boosts (S); increases in *certainty* (C); gaining *autonomy* (A); enhancing *relatedness* (being part of the group) (R); and demonstrating *fairness* (F) (see "Managing with the Brain in Mind," by David Rock, *s+b*, Aug. 27, 2009). Public personal recognition provides three of these rewards. It increases social status, enhances the sense of being a valued member of the group, and shows that hard work will be fairly recognized. Most people's neural circuits will respond directly to these, and the automakers were no exception. This, in turn, made it more likely that they would continue behaving in productive ways. The auto supplier thus laid the cultural foundations to support a shift from financial peril to growth.

Pride and the Imitation Process

The three management approaches described here—autonomy, purpose, and recognition—can create a climate of trust that spirals upward through the ecosystem of the organization. That's because people in just about any social setting tend to pick up the mood and attitudes of others nearby, generally to a degree that they don't consciously realize.

This process, which neuroscientists call *imitation*, has been studied extensively. For example, Elaine Hatfield's work at the University of Hawaii on "emotional contagion" has shown how one person's emotions can rapidly influence those of a group. The brain also has a process known as mirror neuron activity: When people see others act in a certain way, circuits in their brain are activated as if they had taken the actions themselves, even if they don't directly imitate that behavior. Moreover, according to research led by Andreas Olsson, now at the Karolinska Institutet in Stockholm, observation can at times substitute for personal experience. Watching someone else in a situation can have an impact on the brain similar to that of experiencing it directly.

The workplace is a natural medium for viral behavior, transmitted through observation. As long as people see the difference it makes, a change in a few individuals' neural patterns can move rapidly through the enterprise. Social scientists sometimes refer to this phenomenon as *social proof* or the *bandwagon effect*, and it has long been documented as a vehicle for social change. Indeed, this could be why the pride building method itself is so effective.

There is enormous potential for combining neuroscience theory with efforts to help companies improve the positive impact of their culture. The more people who understand the value of fostering autonomy, purpose, and recognition—and who translate these principles into practice—the more others will mirror them and the more widespread these practices will become. By providing scientific evidence of the power of the pride builder behaviors, neuroscience can help leaders see the value of constructive organizational culture change, and deploy more effective ways to accomplish it. ✚

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