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Enthum Newsletter

Issue No 10 - April 2010

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dear friends & colleagues,

Welcome to **Update**, our regular newsletter. We value our connection with you and hope you find this edition interesting.

The Tyranny of Bad Habits - Lilliana Gibbs

'Giving up smoking is easy. I've done it hundreds of times' - Winston Churchill

Lose weight, stop smoking, drink less, be on time, exercise more — perennial issues that many of us struggle to realise. Changes that would make a real difference, yet despite numerous attempts and resolutions, we find very difficult to achieve. All the more frustrating as these are directly under our control. Or are they?

Psychologists and neuroscientists have been converging on a description of the brain's functioning that makes a distinction between two kinds of thinking; one that is intuitive and automatic, and another that is reflective and rational. They call these the *automatic brain* and the *reflective brain*. Like they sound, automatic is fast, unconscious, associative, effortless and skilled. Reflective is slow, controlled, deductive, effortful and rule following.

It's our reflective brain that tells us we are too heavy, need to stop smoking or drink less. But it's our automatic system that responds when we are offered a nice glass of merlot.

Our brains prefer being in automatic mode, it's easier. Repeating behaviours takes less energy than changing them, and we're programmed to take the path of least resistance. In the supermarket, an item on sale tells the automatic brain it's a bargain. Working out if saving 20p is actually a good deal would be a job for the reflective brain. Similarly, we're drawn to the 25% fat reduced ice cream, but would avoid the same product if promoted as containing 25% fat. Think of headlines as designed to attract the automatic brain, and the small print being for our reflective intelligence.

When we want to stop drinking, it makes sense to ensure there is no alcohol in the house and to avoid the pub. It's a way of reducing temptation, or helping our reflective brain dominate the automatic brain. At the punishing end of this scale are products that make bad habits immediately unpleasant, such as bitter tasting nail polish to deter nail biters, or drugs for alcoholics that induce vomiting and hangover symptoms as soon as they start to drink.

To change habits we need effective incentives —the increased chance of heart disease or premature



death is too remote, and misses the automatic radar entirely. What we need are simple triggers that promise tangible and immediate results. When I lived in Australia and wanted to get fit, I organised with a friend to swim 20 laps before breakfast, three times a week. Regardless of my level of enthusiasm, I just couldn't let my friend down. The swimming was something of an ordeal, but the anticipation of eggs Florentine with a great coffee was a powerful override.

The authors of *Nudge – Improving Decisions about Health, Wealth and Happiness*, describe how a scholar wanted to finish his PhD within a year. Although there was large financial incentive to do this (substantial pay and pension increase), he continually procrastinated. At his supervisor's suggestion, the scholar wrote a series of cheques for \$100, which the supervisor would cash on the first day of each month, unless there was a new chapter on his desk. The scholar's automatic brain couldn't stand the idea of losing \$100, even though it was peanuts compared to what he had to gain. The thesis was completed in four months. Apparently we hate the risk of loss much more than we enjoy the chance of success.

Organisations are also playing a role in helping people achieve their goals. In the Philippines, a would-be non-smoker can open an account, and regularly deposit the money she would otherwise spend on cigarettes. After 6 months if there is no nicotine in a urine sample, all the money is refunded. If she fails the test, the money goes to charity. Opening one of these accounts makes smokers 53% more likely to succeed, which is higher than any other method.

To have a real chance of succeeding, we need to tip the balance and give our reflective brains the advantage. We can engage, trick, seduce, punish or reward our automatic systems. Even small things like setting watches 10 minutes fast for habitual latecomers, or using step counters or heart-rate monitors for immediate exercise feedback will help imbed a new pattern.

A well developed habit repeated again and again, takes up a lot of brain-space. Changing that habit means new inputs compete for real estate. Its only by continually practicing the new behaviour, that it can get a foothold, and create a new map. We have to 'unlearn' the old pattern –by not doing it, to make room for the new one. Neuroplasticity is the term used to describe how our brains are amazingly flexible and continually capable of new learning. With rigorous exercise, even stroke-damaged brains will create new pathways in healthy tissue.

This all means we need to practice a new habit for it to become routine. If you were to take an early walk every morning for one month, your neurons would begin to develop new pathways, and slipping out of bed and into your sneakers would become easy, and automatic – particularly if you have a nice breakfast afterwards.

References:

Nudge – Improving Decisions about Health, Wealth and Happiness
By Richard H. Thaler and Cass R. Sunstein

The Brain that Changes Itself – Stories of Personal Triumph from the Frontiers of Brain Science
By Norman Doidge MD

Do your profits create shareholder value? - Hussein Dickie

Business owners pay their banks for the use of capital, but many don't pay themselves. Their business might be cash positive, but they are in fact losing value. When the time comes to sell, an astute buyer will pick this up and offer less than the capital employed in the business.

To calculate profitability, you need to take into account all capital invested. Your cost of capital is higher than the interest you pay the bank, because it includes equity investments, which are riskier and therefore come at a higher cost to the company.

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To account for Equity investments you need to know the cost of Equity in your industry. Your accountant won't help because normal accounting rules don't provide for market returns.

Our approach is to first calculate the cost of capital, then analyse the economic profit/loss that has

been achieved to date. Together with the management, we then analyse the critical success factors of the business and develop a strategy to increase efficiency and win more business. *To find out more contact Hussein.dickie@enthum.com, mobile 07772 473717*

Interesting finds we like to share:

[The Brain that Changes Itself](#)

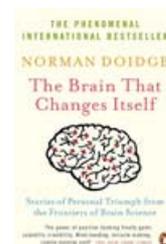
Stories of Personal Triumph from the Frontiers of Brain Science

By Norman Doidge MD

ISBN 978-0143115267

A riveting book that illustrates that far from being 'hardwired', as previously understood, the brain has remarkable powers for changing its own structure and compensating for even the most challenging neurological conditions.

This ground-breaking research is told through human stories that reveal how our brains interpret experience including pain, obsessions, sexual attraction, learning and imagination. A guide to better understand our own thinking, change patterns and habits and continue to learn into old age.



All best wishes,

the Enthum Team



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