



talking about...

April 2008

... designing better relationships for better outcomes

Loss Aversion

"The most important thing in life is not simply to capitalize on your gains. Any fool can do that. The important thing is to profit from your losses. That requires intelligence, and makes the difference between a man of sense and a fool."

... Dale Carnegie (1888 - 1955) US educator and writer

Loss aversion refers to the tendency for people to strongly prefer avoiding losses rather than acquiring gains and some studies suggest that psychologically losses are twice as powerful as gains. Originally demonstrated by Amos Tversky and Daniel Kahneman in the late 1970's, the idea of loss aversion has been further explored by behavioural economist Dan Ariely in his book, "Predictably Irrational: The Hidden Forces That Shape Our Decisions". In his book, Ariely gives many examples of research where many people will not take advantage of a significant material or financial gain if it means giving something up.

What does this mean in terms of modern organisations? Well, organisations are constantly adapting to fluctuating circumstances by changing their organisational structures and processes. Most organisational changes are accompanied by a good deal of personal and group angst and varying degrees of resistance to the change. The benefits to the organisation and individuals may seem obvious yet the initiatives are still met with resistance. Loss aversion helps us make sense of this.

For most people, change means giving something up to do something new. Giving the theories of loss aversion, the personal benefits have to be significantly greater than the perceived loss if someone is to embrace change whether at a personal or organisational level. This situation is compounded by the fact that most change processes are usually initiated in a context of little or no information about the change. The norm seems to be that change is rumoured before being confirmed. Given such situations, most people have the chance to think about what they might lose well before considering what might be gained. No wonder people generally do not embrace organisational change!

The same also applies to individuals. Many people look on self-development as a change process. They have to stop doing something and start doing something else. With loss aversion in mind, it can be useful to frame change in a different way and potentially improve the chances for development. One way this can be done is to refer to self-development as a growth process rather than a change process. This speaks to the idea that human beings can transcend our way of being and include a new way of being rather than having to let go of part of who we are. This has proved a worthwhile idea for a number of our clients who have struggled in the past with the idea of personal change yet readily adapted to a new frame of reference.

Next time you are involved in influencing change processes, we invite you to look at how you might present a new way of doing things by using language that does not readily speak to loss.

"Everything flows and nothing abides; everything gives way and nothing stays fixed."

... Heraclitus of Ephesus
(535BC - 475BC) Greek philosopher

Help from the Help Desk ...

Thanks to Greg Stephenson who sent us this one...

This is a true story from the Word Perfect Helpline, which was transcribed from a recording monitoring the customer care department.

Operator: "Ridge Hall, computer assistance; may I help you?"

Caller: "Yes, well, I'm having trouble with WordPerfect."

Operator: "What sort of trouble?"

Caller: "Well, I was just typing along, and all of a sudden the words went away."

Operator: "Went away?"

Caller: "They disappeared."

Operator: "Hmm ... So what does your screen look like now?"

Caller: "Nothing."

Operator: "Nothing?"

Caller: "It's blank; it won't accept anything when I type."

Operator: "Are you still in WordPerfect, or did you get out?"

Caller: "How do I tell?"

Operator: "Can you see the C: prompt on the screen??"

Caller: "What's a sea-prompt?"

Operator: "Never mind, can you move your cursor around the screen?"

Caller: "There isn't any cursor: I told you, it won't accept anything I

Talking About Pty Ltd

PO Box 6652,
St Kilda Rd Central,
Victoria, 8008.

Ph: +613 9507 2464

info@talkingabout.com.au
www.talkingabout.com.au

type."

Operator: "Does your monitor have a power indicator?"

Caller: "What's a monitor?"

Operator: "It's the thing with the screen on it that looks like a TV. Does it have a little light that tells you when it's on?"

Caller: "I don't know."

Operator: "Well, then look on the back of the monitor and find where the power cord goes into it. Can you see that?"

Caller: "Yes, I think so."

Operator: "Great. Follow the cord to the plug, and tell me if it's plugged into the wall."

Caller: "Yes, it is."

Operator: "When you were behind the monitor, did you notice that there were two cables plugged into the back of it, not just one?"

Caller: "No."

Operator: "Well, there are. I need you to look back there again and find the other cable."

Caller: "Okay, here it is."

Operator: "Follow it for me, and tell me if it's plugged securely into the back of your computer."

Caller: "I can't reach."

Operator: "Uh huh. Well, can you see if it is?"

Caller: "No."

Operator: "Even if you maybe put your knee on something and lean way over?"

Caller: "Oh, it's not because I don't have the right angle - it's because it's dark."

Operator: "Dark?"

Caller: "Yes - the office light is off, and the only light I have is coming in from the window."

Operator: "Well, turn on the office light then."

Caller: "I can't."

Operator: "No? Why not??"

Caller: "Because there's a power failure."

Operator: "A power..... A power failure! Aha, Okay, we've got it licked now. Do you still have the boxes and manuals and packing stuff your computer came in?"

Caller: "Well, yes, I keep them in the closet."

Operator: "Good. Go get them, and unplug your system and pack it up just like it was when you got it. Then take it back to the store you bought it from."

Caller: "Really? Is it that bad?"

Operator: "Yes, I'm afraid it is."

Caller: "Well, all right then, I suppose. What do I tell them?"

Operator: "Tell them you're too f---ing stupid to own a computer!!!!!"

"Life isn't one straight line. Most of us have to be transplanted, like a tree, before we blossom"

... Louise Nevelson (1899 - 1988) sculptor & painter

Our Web Site

More articles and information about our work can be found at our web site, www.talkingabout.com.au. We invite you to take a look.

Subscribing to talking about ...

Do you know others who might be interested in reading our e-zine? If so please feel free to send them a copy or ask them to register by sending an e-mail to info@talkingabout.com.au.

To unsubscribe from this e-zine, simply reply to this e-mail with the word "unsubscribe" in the subject area.

Copyright © 2008
Talking About Pty Ltd
ACN 112 307 892
info@talkingabout.com.au
Telephone: +61 3 9507 2464