Eight Minutes, Not Eight Hours

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The Behaviorally Informed Organization

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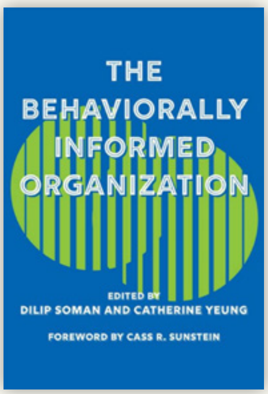
BOOK AUTHOR: **DILIP SOMAN & CATHERINE YEUNG**



In *The Behaviorally Informed Organization,* behavioral scientists Dilip Soman and Catherine Yeung (along with other expert contributors) present a collection of essays that provides a framework for the study of behavioral insights. The writers outline the qualities which make an organization more successful in using behavioral science to improve decision-making processes and influence their consumers. They also describe real-world examples of applied behavior science, showing that a behaviorally informed organization is a successful organization. They assert that, by studying behavioral science and applying behavioral insights, leaders can better understand how to engage with their internal and external stakeholders.

Key Quote

"As markets mature, competition for attention becomes more intense, and tastes become more sophisticated, it is all the more important for organizations to master this science and embed it in their organizational processes" (p. 19). — *Dilip Soman & Catherine Yeung*

Key Points

The Science of Using Behavior Science. Every organization is in the business of change, and behavior science helps organizations make those changes. Good behavior science uses meta-analyses, is not overly simplistic about complex situations, uses multiple tools to conduct research, and values failure as part of the process. Behavior science also grasps the costs associated with research, how practitioners will actually apply the research, and how research might not translate perfectly once applied.

Embedding Behavioral Insights Into Organizations. Two common approaches to changing behavior are effective: theory-based (applying theories about human behavior to a situation) and "pattern-matching" (when experienced managers intuitively apply what has worked before in an organization). But increasingly complex organizations and issues often require more science-backed approaches. How behavioral information is embedded in an organization depends on whether the team's expertise is from concentrated or diffuse sources and how broadly or narrowly information will be applied within the organization.

Why Should Organizations Want to Be Behaviorally Informed? Behavioral scientists understand that there is often a gap between what people intend or purpose to do and what they actually do – the "intention-action gap" (p. 42). Wise leaders and organizations consider this before implementing strategies that may not account for this gap.

Why Organizations That Need to be Behaviorally Informed Resist It. Both psychological and organizational barriers keep organizations from seeking input from behavioral scientists. Education, openness on the part of organizations, and "pilot projects" for clients with clear objectives can open the door to a behavioral science-minded outlook in an organization.

Organizations should be behaviorally informed so they can understand "the motivations, emotions, perceptions, and cognitions that underlie human behavior" and the importance of building "human-compliant" experiments.

Seeing Sludge. Human beings can behave irrationally, not following through on wise intentions. When it comes to bridging the intention-action gap, behavioral scientists can help an organization's awareness of both "factors that facilitate behavior" and "factors that hinder behavior;" the author labels these "gates" and "fences" (p. 74).

A Guide to Guidelines. Guidelines help simplify the complex environment around even the simplest of actions and choices. Effective guidelines "offer a framework" to foster understanding, "provide a vocabulary to deal with a particular situation," and are guided by experts (pp. 98-99). They also are concise, offer motivation, and are created using collaboration and feedback.

Boundedly Rational Complex Consumer Continuum. Consumers do not neatly fall into one of two types: either 1) unsophisticated, irrational, and uninformed or 2) sophisticated, rational, and informed. Instead, consumers can inhabit a broader continuum of characteristics.

A Scarcity of Attention. Consumers are selective, and it can be a challenge to hold their attention. "First, appreciate that attention is a gatekeeper to perception, judgment, decision making, and other cognitive processes" (p. 141). Second, understand that a variety of forces ***drives*** selective attention.

Workplace Habits and How to Change Them. Habits can inhibit change, and there are "three paths to habit change." They are: "make it easy," "make it personal," and "make it (about) money" (p. 161).

Humanizing Financial Services With Behavior Science. Behavior science has helped the financial sector improve its products using techniques that help companies better understand the customer and also better "nudge" the customer to make financially healthy long-term decisions.

Choice Architecture in Programs and Policy. "Choice architecture" is the idea that small environmental details can have a big influence on people. "For example, default options have been shown to have powerful effects on the decisions we make" (p. 185). Choice architecture is oriented around "serv[ing] the user, not the service provider," removes hindrances to good decision-making, and is continually updated with new feedback to improve the process (pp. 186-187).

Helping Low-Income Canadians to File Taxes and Access Benefits. Approaches that highlight benefits and reduce barriers to filing taxes in Canada have encouraged low-income Canadians to file. Some "promising practices" in these communities are: reminding people of the benefits they are entitled to, running "super clinics" to help with returns, reducing wait times and other procedural barriers, and interdepartmental collaboration within the government.

Online Privacy. Risks to online privacy have grown as companies increasingly collect data and as consumers increasingly share personal information. Behaviorally informed methods can assist consumers in preserving privacy online, despite cognitive and behavioral barriers. They also can give businesses an incentive to protect customers' information (pp. 224-225).

Behavioral Science for International Development. "Behaviorally informed policy emphasizes the importance of context for decision making and behavior. It examines a wide set of influences, paying attention to the social, psychological, and economic factors that affect what people think and do" (p. 233).

Building Partnerships for Behavioral-Science Initiatives in the Public Sector. Behavioral science initiatives are best pursued with clients who are not looking for shallow or quick fixes or bandaids for a situation, but, instead, those who truly have "an experimental mindset" (p. 257). Scientists should look at clients with the same type of empathy they are trying to encourage in a population, explain the role of gathering data, prove they are committed to helping them throughout the process, and understand the importance of finding and sharing success stories as projects are completed.

Behavioral Science in Policy and Government: A Roadmap. Policymakers, eager for solutions, may too-hastily and prematurely apply scientific findings without fully understanding if the study fully fits their particular problem. It is important to fully understand a problem and its population before applying findings from any particular study to an issue.

Every organization is in the business of changing the behavior of its external stakeholders and influencing internal behavior. BI can play four roles in the organization: "problem-solver," "auditor," "designer, and "chief strategist."

KEY CONCEPTS:

The Science of Using Behavioral Science

The study of behavioral insights (BI) has its roots in the field of judgment and decision-making and also in the behavioral-economics approach (p. 5). The behavior-change challenges that every organization experiences can be categorized into four types: compliance, switching (i.e., getting people to choose one option over another option), consumption, and acceleration of decisions (p. 4).

Organizations should be behaviorally informed so they can understand "the motivations, emotions, perceptions, and cognitions that underlie human behavior" and the importance of building "human-compliant" experiments (p. 19).

EMBEDDING BEHAVIORAL INSIGHTS IN ORGANIZATIONS

Every organization is in the business of changing the behavior of its external stakeholders and influencing internal behavior. BI can play four roles in the organization: "problem-solver," "auditor," "designer, and "chief strategist" (pp. 26-30).

Behavior-change strategies, like theory-based or pattern-matching-based approaches, are harder to implement in dynamic and complex organizations that have an abundance of data and information (p. 24). Behaviorally informed organizations have "a broader understanding of the context – of contextual variables that can either facilitate or impede decision-making and action." They must also "rigorously test their ideas in the context in which they will be implemented" (p. 26).

There are four approaches to embedding BI in an organization: "the focused approach," where the company develops "concentrated expertise within a unit or department to apply BI to specific projects," "the capacity-building approach" which "diffuses expertise across the organization," "the internal consulting approach" where "a concentrated team or unit can apply BI in broad applications across the organization," and "the behaviorally informed organization approach," which applies BI in broader applications when interacting with external and internal stakeholders (pp. 31-33).

Why Should Organizations Want to Be Behaviorally Informed? And Why Do They Resist?

Successful organizations "use a behavioral lens to identify and uncover hidden behavioral patterns of

consumers and stakeholders, and, in turn, to create greater confidence in how they make big bets, innovate and transform, and craft their competitive edge" (p. 41).

Change towards BI often starts with a "maverick" – an "ally in communicating the value of behavioral insights, behavioral science, and the scientific method to the broader organization" (p. 51).

There are both psychological and organizational barriers to BI. Psychological barriers include "status-quo bias," "system-justification theory," "group think," "risk aversion," "ambiguity aversion," the "sunk-cost fallacy," and the "law of the instrument." Organizational barriers to BI include "knowledge gaps," "skills gaps," "implementation costs," and "challenges with experimentation" (pp. 53-59).

Organization leaders looking to implement BI should be open-minded and should embrace scientific thinking (p. 62).

SEEING SLUDGE

"One of the central tenets of human behavior is that getting things done is a function of the person (the actor) but also the situation (the context). The American psychologist Kurt Lewin explains that there are tensions that arise as a function of an individual's motivation and channel factors in the environment that help or hinder progress toward a goal" (p. 74).

Behavior change can be simplified into an organization's use of "nudge and sludge." "Nudge" represents the components that make change easier while "sludge" represents any components that make it difficult to make decisions or accomplish tasks. Seeing sludge and eliminating it makes it easier for an organization to be more human-compliant. One must appreciate the seemingly little and insignificant things in order to see and eliminate the sludge effectively (pp. 75-91).

The American psychologist Kurt Lewin explains that there are tensions that arise as a function of an individual's motivation and channel factors in the environment that help or hinder progress toward a goal."

A GUIDE TO GUIDELINES

Leaders and organizations can provide individuals with guidelines to help them navigate complex choice environments and help them get through the sludge (p. 97). Good guidelines translate "a vast amount of information into an action-oriented, easily digestible format for individuals to understand and use" (p. 100).

There are three types of guidelines that leaders can implement to address problems. "Anchor guidelines" provide a starting point for the individual that helps them anticipate their desired outcome or goal. "Procedural guidelines" narrow the intention-action gap and provide a sequence of steps to help accomplish a task. Finally, "informational guidelines" are guidelines that "evaluate, curate, and present complex information in human-compliant language" (p. 102). These guidelines make information more concise and accessible (pp. 100-103).

BOUNDEDLY RATIONAL COMPLEX CONSUMER CONTINUUM

Consumers approach decision-making from a variety of vantage points. The boundedly rational consumer continuum (BRCCC) includes eight different "ideal types" of consumers based on their sophistication.

Types one, two, and three are the most sophisticated and need little-to-no intervention to be informed. Types four and five are at the mid-range of sophistication and can be impacted by targeted information. They are more aware of market interventions than the least sophisticated – types six, seven, and eight. These consumers are the most vulnerable to nudging and frequent interventions (pp. 112-119).

Applying the BRCCC can enable BI organizations to conduct effective analyses that measure anticipated risks and errors. Employing the BRCCC helps organizations determine the characteristics of their individual consumers (pp. 122-123).

A SCARCITY OF ATTENTION AND HOW TO CHANGE WORKPLACE HABITS

To get people to make decisions, process information, or act, we first have to get their attention. People have selective attention, which means they also have simultaneous inattention to other places and things (p. 131).

In terms of organizational communication, this means that if we want information to draw attention, it must first be "visually salient and made more important than other information" (p. 143).

"A habit is an association between a cue and a response that is created through repetition and, in many cases, in the presence of a reward" (p. 157). Habits can be barriers to organizational change. Habitual behavior is a result of a "cue > response > reward" feedback cycle (p. 158). To overcome this habit barrier, organizations should make it as easy as possible to adapt to alternative behavior (p. 161).

Organizations can encourage change by making it personal or about money. Linking "the new behavior to the individual in relevant and meaningful ways" or changing behavior with financial incentives can discourage and change behavior. Speeding tickets and "swear jars" are examples of such disincentives (p. 163).

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HUMANIZING FINANCIAL SERVICES AND CHOICE ARCHITECTURE IN PROGRAMS AND POLICY

"'Context matters' is the number one golden rule in behavioral science. Without careful consideration of the context in which the customer experiences the interaction, behavioral interventions can backfire" (p. 181).

"The term 'choice architecture' encapsulates the idea that even small and seemingly insignificant details in the environment can have substantial impacts on people's behavior" (p. 184).

Individuals can benefit from decisions that are not made in a vacuum and from behaviorally informed choice architecture systems, creating better results (p. 185). One example of the effective use of choice architecture systems is the use of intervention to encourage low-income Canadians to sign up for The Canada Learning Bond, an education incentive program. Positive results were achieved by adding a savings plan referral mechanism to Canada's newborn birth registration platform, increasing information available in social worker meetings, adding online sign-up links, and other interventions.

ONLINE PRIVACY

Companies have an incentive to collect and share their customers' information (pp. 216-217). To choose what information to share online, consumers should think about the risks involved, identify possible outcomes as a result of the risks, and make a judgment to see if the benefits of sharing information outweigh the harms.

However, most people are not cognitively motivated to do this (p. 219). "One hallmark of human behavior is cognitive laziness or inertia." Humans do not want to spend the effort thinking more deeply about privacy settings and information (p. 220).

Companies with a mind to help consumers can design behaviorally informed solutions with an understanding that the human mind is limited and needs help to make better decisions (p. 224).

"Behaviorally informed policy emphasizes the importance of context for decision making and behavior. It examines a wide set of influences, paying attention to the social, psychological, and economic factors that affect what people think and do."

BEHAVIORAL SCIENCE FOR INTERNATIONAL DEVELOPMENT

Organizations should redesign policies and programs with the idea that human behavior is predictably irrational. "Behaviorally informed policy emphasizes the importance of context for decision making and behavior. It examines a wide set of influences, paying attention to the social, psychological, and economic factors that affect what people think and do" (p. 232).

The 2015 World Development Report (WDR) posited three principles of human decision-making. The first is that "people think automatically." The second is that "people think socially." The third is that "people think with mental models" (pp. 234-235).

The World Bank's Mind, Behavior, and Development Unit, or eMBeD, was formed to operationalize what was learned from the WDR. They took a five-step approach to implement behaviorally informed policies: 1) identify the problem, 2) design, 3) implement and evaluate, 4) adapt the policy, and 5) re-define or re-diagnose the situation to identify other behavioral challenges (pp. 235-239).

The EMBeD approach is effective after "considering context, adapting to often resource-constrained environments," and actively counteracting biases (p. 250).

BUILDING PARTNERSHIPS FOR BEHAVIORAL-SCIENCE IN THE PUBLIC SECTOR

The Employment and Social Development Canada's (ESDC) Innovation Lab employs four behavioral scientists. These scientists have found that the best partners for BI implementation have an experimental mindset and want to improve their organization's current practices and culture (pp. 255-257).

After relationships are built between partners, and there is a solid foundation of communication, partners can align and hold "shared vision, objectives, and timelines" (p. 263).

At the end of any project, partners should consider information dissemination. This may be limited as a result of industry secrecy or privacy, but dissemination is invaluable to gaining new insights and collaborators for the future. It also fosters the growth of new BI literature (p. 269).

Always start a project with a "comprehensive diagnosis of a problem based on fieldwork and qualitative and quantitative research" (p. 275).

Soman, Dilip, and Yeung, Catherine (2021). ***The Behaviorally Informed Organization.*** Toronto: University of Toronto Press. .

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