00:00:01 Hey, Groovers. Kurt and I are taking a break for a couple weeks, so we are republishing one of our favorite episodes, a conversation we had with Dr. Scott Jeffrey from Monmouth University in New Jersey. This conversation was so engaging that we wanted to make sure that no one misses out on it and just so you know, it was only the third podcast that we'd ever recorded and we hope you enjoyed this very early representation of our work.

00:00:28 Okay.

00:00:29 Welcome to the Behavioral Grooves podcast. My name is Kurt Nelson …

…and I'm Tim Houlihan. We interview interesting people in order to unlock insights into behavioral science and how we can apply that to work and life. This week we got to talk with Professor Scott Jeffrey of Monmouth University.

Scott is one of our favorite researchers and his seminal work on the benefit of tangible incentives is one that Tim and I have both internalized and used for years and years with our clients. Scott is also one of the initial researchers and originators on the theory of justify ability and he has done a lot of work on how that impacts both cash and non-cash rewards. Our conversation with Scott was wide ranging discussing Adam Smith and the lack of current focus on Smith's book, the theory of moral sentiments, which by the way, Tim came out 20 years prior to the wealth of nations.

00:01:19 Uh, we also talked about Scott's research on heareth sticks used by dragons in the Canadian TV show dragon den, which again, if you didn't know is the Canadian version of shark tank. Yeah, yeah. That cognitive misers discussion. I love that. I think that that'll work well with listeners as well. So we also got into elements of dual self. A talked a little bit about Max bays. Herman's work justify ability on non-cash rewards, the say do gap issue and how he came up with the concept and I love that. Yeah. Money is not always the best motivator. Talked about consumer facing behavioral science versus employee facing behavioral science. How relationships really matter, especially between employer and employee. Um, the source attribution of awards. And maybe most importantly, how you should never, ever, never followed Dan Ariely on stage along with a bunch of other rabbit holes that we went down.

00:02:16 Yeah. So, uh, Tim and I were in the basement of the Sheraton hotel when we recorded this. So cool. It was cool. But please forgive any or the couple of technical get foods that we have overall. This was a great conversation, but I will warn you, listeners that it is one where we get very geeky and nerdy. Very, yeah. And so some of this was very technical, the stuff that Tim and I love, uh, hopefully you do as well. So put on your thinking cap, grab a cup of coffee or a beer if you so desire that and listen into our conversation. Uh, with Dr. Scott Jeffrey

00:02:57 [inaudible].

00:02:58 We start with, I got into, into this uh, field, uh, when I was taking my MBA, um, everybody wanted to take investments. It was the big thing we all want to do finance. And I signed up for a second class called decision making under uncertainty, which was behavioral economics class. Yeah. And I went and talked to professor and he said, Oh, you should just try it out, check it out. And I loved it. So it was, it was, that was my start. And I talked to him about, uh, PhDs in the, in that field. And he said, well, you have to go to Chicago or Cornell. And I asked him if there was anywhere where it was warmer cause this was California at the time, cause he's can, he said no, that's pretty much it. So, uh, that was the start of, um, where I got into behavioral sorta decision theory.

00:03:54 Who is, who is the professor? The [inaudible]

00:03:56 the, and applied to both. Oh, let's see. I knew you'd asked me that. Um, uh, Scott in like camera or his name. I could look it up. I'm sure I could find it. He was a coauthor with Dick Thaler on a, on a paper on, um, on quasi rational economics. So very nice. A recommendation. Yeah. Wow. Okay. Very interesting.

00:04:28 So you applied to the booth school,

00:04:31 right? I haven't applied to the booth school before. It was the booth school. Yeah. Um, and was accepted. It was this, the University of Chicago Graduate School of business at the time. Okay. Um, I also applied and got accepted to Cornell, but decided that, uh, Chicago was probably better for me. Um, the, the decision making uric there was, well, where would you rather work versus go to school? Uh, and I thought, well, it would be nice or I thought to go to work at Cornell, uh, because generally most phd programs don't hire their own graduates. Right.

00:05:12 So you went to Chicago thinking if I'm going to get hired, Cornell would be a better

00:05:17 to go. Yes. Right. That it would be a better place to go, but didn't work out. They didn't have a job. And uh, and they do mostly marketing. And, and I got, um, [inaudible] gave me some advice when I was there and he said, well, behavioral decision theory at the time, behavioral economics was not a big field, right. I suppose late nineties, early two thousands. So it was, uh, before con and one the know about it was, you know, before Thaler. So it hadn't really gotten anything. So he gave me the advice says you have to find a trade, you have to basically be able to do something else and behavioral economics.

00:05:57 Oh Wow. And so, so what was the trade that you were going

00:06:01 for that? So I became sort of an organizational behavior slash management guy when I did some work at Northwestern. Some a spending as little time up there with some of the ob guys. It's more of a management program there to sort of learn the trade, a couple of Phd seminars there. Uh, so that I could sort of pretend to be an organizational behavior person and now and now I pretend to be an ethicist. So. Well cause that's what you're teaching. That's right. Yeah.

00:06:36 And how does one teach ethics? That's a, I was, I had my, in my MBA course, I had an ethics course and I always thought that was an interesting, uh, component as, as I was,

00:06:48 it is, it is. When I first got the course, I was sort of worried about it because I didn't really think that it was a lot of content. Right. I mean once you get past Aristotle and mill kind of say, well what is there, what's left to talk about? Um, and so I've taught it mostly as a discussion based class and giving a lots of examples. And I do, you know, I do go through this sort of the ethical theories and those kinds of things. In the first half of the class we spend some time on what's called stakeholder theory, which is basically you can't, you shouldn't just focus on maximizing wealth for your shareholders, uh, that you get customers and the government and your employees and treat them all sort of as people with a stake in your company. We also spend about a week, I'm going to add a little more, uh, on sustainability issues. So looking at again as, as a takeoff from stakeholders, there is like, what are the stake holders is, you know, the plan that in the population and those kinds of things. So we go into sustainability as well. Okay.

00:07:54 We're in the middle of a, of a, uh, of a decision that Amazon's going to be making here in the near future about where they're going to relocate their headquarters. Right, right. Um, how do you think a stakeholder theory applies to Amazon and, uh, whether it does or not, whether they're using it and if, and if it would, how do you think that they could apply it?

00:08:18 Well, I think that their main concern has to be over, uh, their employees. Like where are they employed is gonna come from and where do they going to be the happiest? This is now, you know, now that we're unemployment at 4.1 per cent, the quote unquote war for talent is becoming a big deal. Uh, and retention is a, is a big problem. And unless you are considering your employees as a, as, as an important part, part of your, um, constituencies as a stake holder, you're not going to retain them. And the leave. And finally, I think I'm sort of the, the push back and that it's not all about the money, right? That it's, it's, it's not just about earning money. It's not all about a transactional relationship between the firm and the employee. There's is also, you know, a social relationship. Yeah.

00:09:12 So to take this as kind of down a different route, right? That stakeholder theory component, sorry, we're way off script already, but you know, this is how we, this is how we roll.

00:09:23 I apologize to my students about that all the time. And then, you know, I call it going down the rabbit down the rabbit hole now.

00:09:29	Yeah. We're, we're going a whole different realm. Um, but if you look at like classical economists and they're talking about Adam Smith and you know, wealth of nations and now, you know, you look at, you know, are moral, what a moral sentiment, right? That was the sentiment you wrote 20 years before wealth of nations, which is, which, which has a different tone about it. But if you would look at, uh, a wealth of nations and some business people are, or whoever, you know, government components, and they're looking at that saying, no, it is all about, you know, maximizing stakeholder, not stakeholder, shareholder, shareholder returns.
00:10:08	Actually, it depends on how you interpret. Um, um, Adam Smith, I think he was much more of a stakeholder guy.
00:10:19	The first one is yes, I think it's just the interpretation. So
00:10:22	he believed in empathy and sympathy for the common man. And although he gave that quote where he talked about, you know, that it's not for other people's benefit that the butcher or the baker make their things. It's like, it actually is a service to humanity. Enter, get, it depends on how you read what you've said. Essentially what you read first, right? If you read well the nation's first and he'd say, Oh yeah, it's all about economics and transaction. And you know, by being selfish, I, you know, do the best for everybody. Um, whereas if you read their moral sentiments first, you kind of get, Whoa, well I understand where he's coming from.
00:11:03	Yeah, yeah, yeah, yeah. I think it should be required reading that you read one, you need to read the other. Yeah,
00:11:10	I do too. I do too. I, and you know, and, and I get so many of my economics students regurgitating Adam Smith and, um, Milton Friedman to me. And it's like, look, you know, read, you know, read the other stuff first and understand it's not all about making the most money as you can. Yeah. Okay. And I know you don't have a beaver, so I won't tell you my new sort of mantra of, of capitalism mantra.
00:11:38	We are, we are, we are actually a, an adult. Uh,
00:11:41	okay. So the new mantra of capitalism is I got mine. Screw you. Yeah. And you know, I don't think that's a very good mantra. Yeah. So it's not, no.
00:11:54	Did you want to, uh, get back on scripture curtains, get back on schedule. We led you down that rabbit hole, so they're down the rabbit hole. So what do you think has been your most influential work work that you authored or been part of and why?
00:12:17	Well, I like to think it's the article I wrote, um, on the benefits of tangible incentives because that's the one that the practitioners have kind of glommed

onto. And it's the one that gets the most reads on research gate and all of those things. The one from the academic standpoint that gets the most is the, um, dragon's den, the Canadian version of shark tank where we say, how are these guys making their decisions? And they are using your risks. They are taking, making shortcuts. We'll tell them that I did a number of times. So tell the listeners about that. So what we did is we looked at, we evaluated the tapes of, as I said, dragon's den, the Canadian version of shark tank, and try to figure out the process by which the, the sharpest the dragons we're evaluating, we're rejecting the, you know, we're saying, you know, I'm not interested, you know, I'm out kind of thing.

00:13:21 Um, and what we found is the first thing they used was what's called the straight, you know, this is back to Tversky. Uh, elimination by aspects. There's eight central criteria. And if it, if each one did not make a certain level, they were not in. So there was no sort of economic, macroeconomic theory of like, Oh, you know, compensatory decision making and tradeoffs and all those things. It's like, no, if you're below this level on any one of these eight, you're out. Uh, and that was our first, our first paper and our second cited a lot. You, you get cited a lot that's been cited over 200 times, so oh yeah. It's, it's a very popular article.

00:14:04 And, and so the, the component around that then is the, the heuristics they use are not necessarily the most optimal ones for the outcome that they're, that they're trying to go after. Would that be what it is?

00:14:20 Right. We, we looked at, um, some of the old literature on the tradeoffs between the accuracy and speed and they were in a very competitive, in a very shortened time period to make decisions. So they waited, they waited more than accuracy. You're not employed, it was called the compensatory, whereas a, a high level of line can compensate for a little level of something else. If anything was below this, they were just out. Um, and so that would not be a non compensatory decision rule can never be better than a, a compensatory rotable. Right. And so, yeah. So they were making tradeoffs of accuracy of quality to be fast.

00:15:12 Okay. So let's go back to the, to the benefits

00:15:14 tend to be NTV simple too. I mean that, that is just not a lot of cognitive capacity to hold all those things in your mind and trade them off,

00:15:21 right? Yeah. In the short time period that they have for a telecom.

00:15:26 Yeah. All right. So we were also, you know, we sort of called them cognitive misers. They were looking to minimize the amount of cognitive effort they had to use to make these decisions. So in that sense, elimination by aspects is a very good model.

00:15:39 Well, aren't we all cognitive misers to some degree?

00:15:43 Yes. Yeah. Well not as dictated. We'd call them econs. Right. No. Econs don't pretend only as humans

00:15:53 and the rest of us. Well, let's go, let's go back to, uh, the benefits of tangible rewards. You, you consider that you like that, that paper better. Uh, tell the reader, the listeners, if you would a little bit about, about that and what is it about that work that you, uh, that you really value?

00:16:12 Well, basically the developmental and hypothetical development of my thesis, right? So talks about these four elements of tangible incentives that makes them motivating. So to me that represents sort of my whole thinking on these, a tangible incentives. And so it's, it's kind of behavioral decision theory as it talks about mental accounting and talks about, um, joint and separate evaluation. It talks about those kinds of things, but it makes up these other, this, the sort of the social reinforcement, uh, and the justify ability. And that really has after that people per our time. Fine. You guys there

00:17:05 we are. We are still here we are, we're stopping the video on our, uh, because um, we're concerned is taking up too much bandwidth and we want to get your answer to that question one more time. Um, if, if we would,

00:17:23 so what I liked the best about that piece of work. Yes. Yeah, correct. Is it lays out sort of the beginning of the theory of why casual incentives are motivating to talks about justify ability, social reinforcement, evaluate. Really essentially it's um, as, as cause she goes, it risk his feelings. It's like there's a, there's a big emotional aspect to incentives and to captures that. And then the mental accounting, like it's just money. It's just more cash. Whereas a tangible incentive is evaluated separately. So talks about those four elements. It's sort of the lays out the groundwork for, for my career. Right?

00:18:11 Yeah. And that's why I like you, by the way, you've got two fans right here, Scott, because we think that, that, that is a really great piece, uh, as well. That's a really great article. Are we losing, I think we might be frozen. Can you hear us, Scott? Would you mind cutting your video to reduce churn? Reduce Bandwidth. Stop Video. Okay. Sorry about that. That's okay. That's all right. I think that's better.

00:18:44 Yeah. I think we can get a little better processing on, on justify ability. Were you one who brought that into the literature or did you bring that from somewhere else? That was always a question I wanted to, cause that I think is one of the key pieces, at least in a lot of the work that both Kim and I have done around incentives and around that the tangible reward component is that that justify ability of, of a non-cash tangible reward versus that cash and how it gets used is really, I think, fundamental to some of that. And I'm just wondering where that,

that came from and did you coin that or was that something that you grabbed from somewhere else?

00:19:26 That is something that I did and it was kind of a, at the same time, um, this was going on at, at NYU as well. Okay. Um, on a slightly different, um, uh, tack, but essentially similar thing is that hedonic items were better in certain types of things, right? Uh, because of the, because of the justification, because of the evaluation of it, the emotionally evaluation of it, um, the separateness, those, those kinds of things. Inmar Simon son from Stanford was sort of working on that, um, [inaudible] graduate students. Oh, interesting events.

00:20:13 Yeah. Cause that's was, was, was, um, was closely, I mean I think Simon son was, um, was Kivasun as a advisor. Sorry.

00:20:22 Yes, he was.

00:20:24 Okay. Um, so what, what work has influenced you the most? What are the, what are the, the papers or the, the, uh, the researchers that have had the most impact on your work?

00:20:38 There is a great paper, um, by basement Max [inaudible] and some of his colleagues, uh, that's entitled arguing with your self and losing, um, that talks about a lot about this sort of, this dual self problem.

00:20:57 Yeah, yeah. We've, we've talked about that in the past and that is, that is one of the best, we had a, we had a discussion, a, we've been doing a bunch of podcasts interviews today and we had a discuss discussion earlier today about the wants self versus should self.

00:21:13 Yup. That's the one. And that's it. Yeah, that's, that's the one. And there's also, um, there's sort of, you know this, this ties over nicely with the Danny Conaman system. One and system two a, they want something that should sell the, um, uh, elephant. And the rider, uh, Jonathan Haidt wrote that, that the elephant and the rider, same kind of thing. It's, we are really two selves. And so Scott, how is that, what, what about that was influential for you? Well, the way I started on the thesis was I was, I was a ta for, um, my, uh, Josh Klayman at the University of Chicago in his management class for the MBAs. And one week we were talking about, uh, noncash incentives and this guy brings in newspaper clippings. He says, Oh yeah, here's the deal. At a 550 sales people, 90% of them chose to be bought out of their travel incentive. Okay. And so, you know, so there's no room for non-cash. Everybody just wants money. And I took that away and I thought, well, that's really the wrong question is you really don't want to know what people would say they want you want would cause them to work harder. Yes. And then I started thinking about these elements, especially in no justify ability, social enforcement and these things might sort of give benefit to non-cash incentives.

00:22:49 Yeah.

00:22:50 Yeah. That's, that's, that's, that's a great spark. That's just such a great spark. How did you,

00:22:57 no, that was this thing. I took this article and I kept it with me for a long time. I don't know where it is now, but I kept it with me for a long time and said, look, this is, this is not the question. Um, you remember the article in, um, salesforce XP, you know. Right. Answer, wrong question. Yeah. Yup. And that's essentially, that was what it was, is that, that that was, it was essentially the wrong question. You really care as that as, um, as an employer, what makes the incentive more motivating? Yeah. Not what they would choose. Because there's a lot of, you know, discussion in the economics literature about, look, people say they want money, they're, they're sort of, um, I don't want to use the word brainwashed. They're, they're sort of taught to say cash is best because cash is option value.

00:23:50 Right? And it's that safe you gap issue. Uh, you know, and I, I know I've used a quote from you in the past and now I can't say it, but I've used it in and

00:24:03 destroys and the decision to take actions are separate psychological transactions. Thank you. That's it.

00:24:09 Tim Has it memorized. I'm not loved. Yeah, I love that quote.

00:24:13 Yeah, they are. I mean they are essentially different. There are different mechanisms.

00:24:17 Yeah. And I think that is one of those key components that at least in the work that, um, I know both Tim and I have done and I think other people as well is that as to your point, it's like people are not necessarily brainwashed about this, but they have such a strong opinion about, hey, that can't be right. When they don't really understand, um, that there's, those are very different things. What people say they want versus what actually drives that behavior are two fundamentally different things. And I flew hard for executives to wrap their heads around that many, many times as I've, uh, dealt with. When you're talking to them, they going, well my people say they want this. And I go, that's great.

00:25:08 That's right. It says like we already know. We asked them and they said the money enos. So, so we're done. Yeah.

00:25:14 Yeah. That it is that simple for, for so many, uh, that we get into, uh, you know, the, the, the corporate world is still a, at least in the u s and I think a large part of Europe is still kind of just based in this. Well, we, we did the, we did the survey and so we got the, and then we got the answer to the question. So we don't need any, any more than that. And by the way, I, you know, and you know, I read it, all that stuff and Dan Ariely's book on predictably irrational, but that doesn't really apply to my people. You know, my people are different.

00:25:44 That's right. That's right. I'm, I'm different. My people are different. Yeah.

00:25:48 Oh, of course. We're, we're all as a, you know, we're from Minnesota, so we're all above average here. Right. Then different things. So Scott, what are you working on now? Or what are those, the, the hot topics that you think I'd be really interesting for, for people or that interest you right now? What's, what's going on?

00:26:09 Well, right now I'm working with a, with a social psychologist at Harvard. Okay. On individual differences. So are there individual differences? And right now we're looking at attitudes towards money. So if people are, you know, this, their love of money is high, high and maybe a noncash incentive is not going to be as motivating. Okay. Uh, we're, so essentially we're, we're talking about asking survey questions that have been the literature for awhile about attitudes towards cash and see if that sort of makes any difference in the incentive value of different types of incentives.

00:26:52 So another way is almost no personality profile but specific around cash and then that's impact on, on the performance of various different incentive types.

00:27:05 Right.

00:27:06 Cool. So, um, so where are you at and this, this sounds pretty interesting. Uh, the idea of getting very specific, uh, now in, in the award mechanism of actually narrowing it down to individuals, uh, rather than just groups. Um, have you, have you been able to, um, get some of your fundamental research done? Uh, no. Do you have anything that you could you preview with us right now?

00:27:31 No, we're just, we're just actually developing the scales right now and our, um, sponsor is working with the, the sponsoring firm and trying to get agreement on when we can come in and that kind of thing. So, uh, who you met you, you, uh, you know, Charlotte, Charlotte is working with a, with a company to see if we can get in there and poke around a little bit.

00:27:58 Great. That, that's terrific. Yeah. And in fact, that will be, we'll be interviewing Charlotte here in, uh, in a couple of months. She'll be, um, she'll be coming into Minnesota and we hope to have her on of HUD.

00:28:10 Yeah. Coming up shortly. That'll be fantastic. Yeah. Um, so, so beyond your work, are there other hot topics that if somebody was to get into the behavioral sciences today that you would recommend somebody to say, you know what, uh, this is the, this is the area that, that I think is going to be taking off in the next three to five years that is really going to get some attention. What would, what would your take on that be?

00:28:41	You, no, I, it's, I, I don't know that I could speak to that. Um, the, the place to look would be to go to area Ellie's blog and see what, what area Ellie is talking about. He's, he's sort of the, the big shot right now.
00:28:59	Yeah. Even more sailor you think with the, with the recent, uh,
00:29:05	well it's, I don't know, you don't tailor a Steelers and economist and there's a finance guy, whereas aerial is more of a marketing person. That's true. So he needs putting the word the word in, in sort of consumer behavior. Yes. Where, and that sort of where, you know, I'm minus sort of on employee behavior, but, uh, I think area Ellie is sort of the, the, the guy to look to right now. So
00:29:36	that brings up an interesting question. Um, we, we won't, we won't not dish on Dan. Um, let's, let's, uh, let me go back to this idea that, that, uh, we're at, you know, 4% unemployment that, uh, companies need to be concerned about the relationship they have with their employees. And, and yet here you are focusing on, on that employee behavior. And yet the market seems to be saying, I'm, I'm really kind of concerned or interested in consumer behavior. Um, and any thoughts about it
00:30:09	that Scott? Well, you know, I think that, and to go back to sort of the stakeholder theory, I think that we still haven't gotten to a world where, um, employers think about their employees like they should, um, you know, they think about, they think of my customers and, okay. So I think about customers. Um, I, you know, I've got a, my whole business is creating customers and selling to them and employees are still, I think to a large extent, very viewed as variable costs. Um, and so I don't think that as much is going on there. Now Area Ellie has a youtube where he talks about um, the social versus the, the um, you probably know this article, the tailored to markets and the, the social versus tech comic and, and he really pushes, he says, look, you know, that the relationship you have and want with your employees is a social, not an economic one. Yeah. We, I need saying, you know, you don't go to a friend's house and you know, and give them 25 bucks for dinner, you bring them a nice bottle of wine. So I think that moving that into the employment realm is probably where the next step is.
00:31:30	Yeah. We had a James Haman on earlier who was coauthor of that, of that, that study. So it is interesting. I think though that the, the, the level where what we've seen, and Tim and I were just at a conference out in San Francisco a few weeks ago that was focused on the consumer, right? Applying behavioral sciences to the consumer. Look at most of conferences, articles, the components that are out there. It is that consumer facing piece and it is much is not taken off on that, the employee facing side as much. And I think actually a lot more that can be done and I think it can have a huge impact overall on that. And it's just a, it's a shame to a certain degree that that isn't getting as much attention. But that's hopefully, you know, part of what we're trying to do here is, is to applied not only inside organizations but also, um, you know, to those

employees and, and in people's lives in general. So hopefully this, we're at the forefront. Um, so yes,

00:32:42 there are some art, there's merging research on this that they call internal marketing. And it's like, you know, marketing your company to your employees. It's its friend. It's, it's not the mainstream.

00:32:54 Yeah. Well, and I read that you had just a little linked in articles about employee communication and the importance of employee communication. And I think that's a, another key area that that is just again, overlooked. Um, yeah. And missed out. No, if you want to comment on that and, and your thoughts around employee communication.

00:33:17 Well, I think, you know, I think again, it all goes back to relationship and, um, a very influential piece of work has been done on what's called organizational citizenship behaviors and procedural organizational support is that you need your employees to do things that is not in their job description to be a successful company. And how do you do that? You do that through relationships. You don't do that through, you know, here's an extra, you know, here's a, here's an extra 25 bucks in your check. You do that through building a relationship. Um, Kim, you remember Guillermo? Uh, I did this work with a Waterloo, right? So actually yeah, Waterloo on, on uh, customer oriented citizenship behaviors, uh, in a bank and it followed from recognition and that was all mediated through relationship variables, how people felt about their supervisor, how people felt about the firm actually. Have you ever thought the firm felt about them? So what happened the way that we ran this, as we looked at it, we said, look, what happens is this recognition behavior leads people to feel that their company cares about them and that leads them to engage in these behaviors.

00:34:36 Okay.

00:34:37 Um, yeah, that was, uh, that was, that was really cool work. I'm sorry. Excuse me, Kurt, you were going to say

00:34:42 no, I was just going to say, so what are some of the specifics that you found out from that work that can help in that kind of building, that relationship perception?

00:34:52 Well, we did this, it was research for the, with a large bank that had very, a lot of small branches. And what we've found is that the important relationship is, is the relationship between the employee and the branch manager. If they feel that that branch manager displays concern for them, then they are more likely to engage in good service behavior.

00:35:20 Yeah. In some ways it's so simple, right, that, yeah. But companies, uh, continuously miss out on the opportunity to have the branch manager be, in this case, for instance, uh, the, the person who really is the, uh, the champion of the team,

00:35:38 right. The face of the organization, if you will. Right. Especially in a, in a large branch organization. Yeah. They are the face of the organization. Yeah. And it matters. And the relationship matters. I think that's kind of what we, what we sort of rail against it. So look, it matters how your employees feel about you. They're not just cogs in the, in the, in the machine doesn't really matters.

00:36:09 They're not just plug and play robots that you can say, here, here's your thing to go there, there again to that part, we are humans, right? And as humans, um, the, the myriad of emotions, the myriad of influences that happen on that can all make a huge impact on how we do. But I think the, it's interesting. So the insight from that at least that I'm taking is, is that we need to pay more attention to those relationships and how to positively impact those relationships inside of an organization. And that will ultimately to better performance.

00:36:51 Absolutely. And, and this is where I tie back in sort of the tangible incentives because tangible incentives are a social exchange, non an economic exchange. So if you, if it becomes an economic exchange, then you build an economic relationship. It's, you know, money for services. It's not a sort of a social relationship between the employee in the firm as you can get when you have, uh, tangibles. Yeah,

00:37:22 absolutely. Um, you know, we've, we've talked a little bit about incentives and you certainly talked about work that was influential to you, but what was it that actually got you interested in incentives

00:37:33 particular, uh, I think it was this, that newspaper article, uh, from that guy who said, well, look, you know, that it's all about cash. Uh, and then talking some more to Josh claim and my supervisor and saying, you know, this is kind of an interesting thing. He says, Oh yeah, there's all, there was a whole bunch of stuff on, on perks and benefits that similar, but it's, it's, it's related literature, but it's not really the same thing as incentives, you know? Um, he actually is, I'll never forget this lecture he wants, talked about a building that was, that was built, I can't remember New York, some big city, but it was built such that there were 15 or 16 corner offices on every floor. So it was kind of a jigsaw looking building because the corner office is a big deal. So you have all these corner offices.

00:38:33 I think that's actually in Minneapolis. It's the,

00:38:37 okay. That might, it might be, it's the itest fascinating, right? It's like, okay, so given the corner office, but you do that well you put 20 on a floor.

00:38:46 Yeah, exactly. So, Scott, I'm gonna ask you a hypothetical. So if you had a funder who said, hey, funding and, and, and resources are not an issue, what would be the, the study that you would like to run? Um, what would, what would it be that you would just love to get the answer to? Um, the, the question that's kind of burning in your back.

00:39:13 Yeah. It's not so much a research issue at, I mean not as much a funding issue as a methodology issue. Okay. One of the things that I'd really like to get a handle on is what I call source attribution, which is plain that does the gift, I mean, does the incentive come from the company or do I go out with my gift card and buy it? And is there a difference between that and what is the difference? Does it make a difference that it came that it's attributed to the company versus attributed to my going out and buying it?

00:39:48 And what's the hypothesis there? Are you saying, so if it came from a company, you would have a higher Valeant's or element to the individual higher

00:39:59 value in relationship building? Yes. And it says, you know, the big thing now in the incentive world is, you know, is these, is these gift cards, which as you probably know, I'm not a big fan of because essentially it's just a mechanism for giving people cash and they go out and they buy stuff. And so the link to the company is completely broken.

00:40:26 So this, uh, this kind of brings up that, that continuum then to Scott, right, that that source attribution could be, um, you know, give, give someone cash too. They've got a paycheck to go and buy stuff. They could have a gift card to go and buy stuff. They could have points to go and redeem for a versus actually getting a specific item, you know, getting actually just being given an item. Um, do you think that there's a way to tease apart all four of those different, um, reward mechanisms?

00:41:00 You know, I've been, I've, I racked my brain on it every now and then. I've not been able to come up with a good mechanism or good enough phonology that doesn't prime people.

00:41:13 That's always that, that's, that's a tough one. I think I'm going to go, I'm going to go down a different rabbit hole. Okay, go ahead. Sorry. Um, so I, and I, and Scott, I apologize, I don't know if you have done work on, on loss of version, but it, I think it gets into this, I'm working with an organization right now and they have to do kind of some upper leadership decisions on, on the risk. They're taking away a well beloved travel program for their sales incentive people. And I mean it is, you know, an all the company survey and everything. It, it, it just, it outperforms the others by just a mile. Right. Um, and they are, uh, looking at that and taking it away because of some other, you know, they didn't want to be on the front page of, of the New York Times with this and for various different reasons.

00:42:08 Um, one of the things is they want to replace this or they, they were talking about replacing it. Um, but obviously the replacement is never going to be of that same value. And there has been this, uh, when they announced this change and we're trying to now build out this new, again, not tangible reward and probably still a trip. Um, but the negative, the negative connotation of having that being ripped away from them and now it's all being associated back in on this new program. Uh, and so it's starting off I think in, in the hole. And I don't know if you have any thoughts on that. Um, just in your perspective from, from some of the work on tangible rewards. I mean, do, do they again from that source attribution component or from some other factors and I'm not even necessarily sure if I'm formulating a question here, but yeah, no, I wrote

00:43:06 about this on in a couple of papers. This is this, this matters in the sense of if something is a replacement then you are going to have that element of like, well what did you take away from me?

00:43:21 And I am just, uh, you know, one of the things that I tried to counsel this company with is just rip the bandaid off and don't tell them something new is coming. Because if it does in the future, then the further away from that ripping off of the bandage, the less association you're going to have with that. Um,

00:43:40 yeah, I mean, and the thing is right is that it's important to not call it a replacement because now I'm going to be comparing the new thing to the old thing.

00:43:51 Exactly, exactly. Um, and yeah, and obviously I must not hold much sway because the company didn't, didn't follow my, my, uh, advice on that, but

00:44:02 oh, they don't, they don't understand loss aversion very well. Yeah, probably.

00:44:05 Well, and that was, you know, we had, um, you know, it was one of those interesting pieces where we had the people associated that we were working with. Got It. But it was, it went up the chain and we didn't get a chance to talk to them. I think that's true. So, um, all right. Okay. Well,

00:44:21 again, my sense, and this is just sort of me talking sideways, it gets to a level in the company where it all becomes dollars and cents and they sort of miss the relationship. They miss the employee, they miss, they missed the, they kind of dollarize everything. And that just takes away a lot of the, the scarlet, the soft stuff that really is part of it in the sense of program.

00:44:47 Yeah. It's interesting because you know, some of the rationale that was actually given actually goes into some of the pieces that we talked about, you know, that relationship component. And it was almost, uh, they felt like they were going to be viewed as bad for taking something away. But now, oh, I'm taking away your favorite toy kid, but now here's this piece of candy in return. Now I'm putting a smile back on your face. And we're, um, I think there was that part that was going on inside there too. From that. I don't want to be seen as the bad person. And so, you know, if we can offer you this console area prize, hey, you didn't win first prize, but you got this, you know, a set of steak knives. Well, all right. Um,

00:45:37 well essentially, you know, I think mental accounting speaks to this sense of you kind of want to try to put it in a separate account. Yeah. Uh, because when you, if it's in the same account and you take that away, you just put that way into the last column, it's going to be hard to build back up to sort of even to break even. Yeah. Yeah, absolutely. So the better. So the better thing to do is sort of really try to segregate them in the employee's mind as much as possible. Okay. This is not a replacement for this. This is okay. That's just gone. Yeah. Now here's this thing you're doing for you. That's something completely

00:46:16 all right. A new shiny object that you can. All right, Scott, we have two more questions for you. So I'm going to ask the first one because a, in our pre interview talk, you said you didn't like the second one. And so I'm going to leave that one for tip. Um, but, uh, if you know from, from, uh, the people listening to this podcast, um, who want to know how to apply behavioral science to their life or work, what one hint or tip that you think would have a impact on them? Is there anything that you would say, hey, you know, think about this next time you're in a situation, whether that be personal or work related? Broad question.

00:46:58 Well, I have a broad answer to that, which is essentially people are complicated. Okay. And you know, don't try to reduce them to what they're not, which is, you know, dollars and cents on a balance sheet or, or you know, just numbers that they're comp humans are complicated and you need to understand and even relish the complication when you're trying to understand. They do.

00:47:30 I like that. I relish that complication cause I think that's so true. Yeah, it

00:47:35 is. Is that, you know, I mean this is, I mean I jokingly say people, this is, you know, that people are complicated is what keeps me in business. Yeah. It's why I, you know, why I can keep doing what I do is because people are complicated and you can't just summarize them that down into a nice, neat little spreadsheet. Yeah.

00:47:56 That, that's terrific. Okay. Scott, I hope you are ready.

00:48:02 Okay. And then Romy, I mean I just follow up to that one though. Then there's some more specific advice is there are a number of behavioral economics blogs, right? Uh, area alleys is excellent. Okay. You know, go find our Ellie's blog and read what he says.

00:48:18 Okay. Who else? What other, what other ones would you recommend?

00:48:23 You know, area is just such an entertaining guy. He's just, he knows how to explain things in ways that people get and entertain them at the same time. So I think he's sort of the guy. Yeah. Yeah. He does a great job at us. You know, I always tell my classes when I, I show video of him in class, I said, this is, this is like WC fields and you know, don't share that. Don't share the stage with children is never talk after dinner. Yelly never go on stage after Dan. And it's like, cause you know you'll never, you'll never succeed. A Nice,

00:49:03 nice. Thank you for that. Thank you for that. Okay. So here's this is it, this is the big question Scott. Okay. Cause the behavioral grooves is not just about behavior, but it's about grooving. It's about, um, it's about music as well. And so imagine, imagine you were a to receive the Nobel prize and uh, what, what theme music are you going to have played at the moment that you walk up on stage? What is, what is your theme song?

00:49:34 Well, I did look into this a little bit. I had, I, I, I, you know, it's a short, quick answer without a lot of time to think about it, but it's a talking head song. Okay. Oh, wild, wild life, Huh? Oh yeah. Love it. I love it. Oh yeah. I think that would sort of, that would be kind of one of those things. And what can I back into the complication of people? People are complicated. It is.

00:50:03 That is a, an I David Byrne. There you go. That's right. Good connection, Scott. Uh, from both Tim and myself. Thank you. Uh, very informative and we are very, very, uh, thankful that you agreed to spend some time with us and share your insights. So thank you.

00:50:24 Oh, I'm happy to do it. Thank you for the opportunity. [inaudible]

00:50:32 welcome to our grooving session where Tim and I grew up on what we learn from our behavioral groups interview. Uh, we have a free flowing discussion on some of those topics and whatever else comes into our head or as Scott said, the rabbit hole. So, uh, Tim, what impressions from Scott's talk do you have?

00:50:51 There were lots of good things that we talked about and there's several things that I think it'd be fun to cover in our grieving session, but number one was a dollarizing. Scott said, we were talking about, um, how employees, uh, how employee decisions are being made by leadership, that it's a dollarizing and it, and to me it's a heuristic. When, what, what went through my mind is that, that instead of dealing with the complexity of people will reducing people related decisions to dollar amounts. And because that's a, that's a, uh, an easy way for our brain to, uh, especially for leaders' brains to deal with how to make decisions about people. Well, let's just, let's put a dollar value on that and, and decide.

00:51:37 Yeah. So that short cut that is being used is a opposed to getting, as he mentioned, a, you know, humans are complex and so instead of having to deal with the complexity of humans, if we can just break that down into a dollar and cents, uh, issue that we can put into a spreadsheet, hey, that's much easier to be able to, to, to take an argument on and to make a decision.

00:52:02 Yeah. It's kind of a system one system, two thing, right? That our brains are lazy, they go to the easier, um, they, they substitute an easier question for a more complex question. Cognitive misers, right. The cognitive misers. That was such a great, that was such a, I like that term. I will be using cognitive misers and, uh, discussions going forward. So Kurt, what struck you, what, what do you think was, uh, was one of the top points from your perspective? So

00:52:30 Scott is really one of the founders originators of the justified ability and how justify ability comes into play, particularly when we think about rewards. And so I want to just reiterate, I think that's a huge contribution that Scott has made, um, both in the literature as well as into the application. Uh, and just for our listeners who may not be as aware of that, Tim, can you help define justify ability for, uh, the people out there listening? Sure. And, and

00:53:03 let me start, uh, by way of example, uh, in, uh, one of Scott's research projects, he started with, uh, with teaching, uh, the subjects in the experiment, how to play an Anagram game. Okay. And then, uh, and, and got baseline scores on speed and accuracy for all of them and in this, and then went back to a second round with all these people and separated them into three different groups and ask them to improve their speed and accuracy. And in one group he offered them a massages and candy bars. And the second group, he offered them cash equivalent to the values of the, of the massages and the candy bars. And then the third groups didn't offer them anything that was sort of the control group. Um, and then he measured their effectiveness after the experiment, after they had completed their work, he asked them two questions, uh, among others, he asked them, um, would they rather would the people who receive the massages prefer to have half cash? And overwhelmingly they said yes. And then he said, how hard would it be for you to justify spending your own money on the reward? Uh, the massage specifically and more than two thirds of the people said, basically said, I would never spend my own money on it. I couldn't justify spending my own money on the massage. And so what Scott, uh, concluded from that

00:54:27 is that okay,

00:54:29 the quality of the reward as a motivational tool increases as the justify ability increased.

00:54:36 So, but the result of that, uh, was that the massages actually had a higher performance increase than the cash? Is that correct? That's right. The people who earned

00:54:48 the massages and candy bars outperformed the cash group by more than two to one.

00:54:54 Let's see. Yeah. Which again goes into the second piece that I wanted to talk about, which if that wasn't just enough about understanding that justify ability, the ability for myself to be able to say, hey, it's okay that I'm going after this award because I know it's going to give me a hedonic kind of luxury that I really want, but I don't feel good about spending my own money on it because I have bills to pay and all this other stuff. It also gets to the point that we don't really understand our own motivations that say do gap. Um, which again is one of the components I work with my clients all the time. Uh, when they're going out and taking a survey of their people and well, they say, hey, just give them cash or do this. And I always have to peel back and understand, yes, that's important. We want to get their impressions, but we also have to understand that people don't always understand what it is that really motivates them.

00:55:56 It is really difficult. Uh, this is, this is something that I wrestled with in my own own mind because I have a bias just like everyone else does. Then of course I know my own motivations. Yes, I've, of course I do. You can ask me what I, what will motivate me and I'll tell you, but I also know the research well enough to understand that. I really don't. I really don't know what motivates me because even the people in, in Scott study who earned those massages and then afterwards said, you know, I would really rather have cache. They performed twice as, as much as the people who earned cash. So you think, well, if cash was preferred, why wouldn't the people who earned cash perform better? But we just can't know that about ourselves.

00:56:47 Why Behavioral Sciences, the fun science that it is. It's the thing that I really love about this because oftentimes we are, uh, we are blind to our own biases and, and that, that blindness is what behavioral science hopefully can shed some light on and so that we are in the light as opposed to in the dark on some of the stuff. So

00:57:10 Kurt, something else that Scott brought up that I thought was interesting, he uh, he mentioned almost casually uh, in answer to a question about why come, why aren't companies more concerned with their employees in these, these low unemployment terms? He said, you know, something along the lines of customers are still more important than employees. What did you think about that?

00:57:29 I think that's a perception. I think that perception is held by many executives in particular. You look at their incentives of what they are being rewarded on, what they're being measured on. And it has little to do with employee engagement, satisfaction, happiness or however you want to measure that. What, what, what those executives are getting paid on getting measured on are how are revenues doing, which are directly related to customers and getting customers into the door. And buying their products or services. So it, I agree, I think that that is a big component out there in the marketplace. I disagree, uh, from the fact of how much impact, uh, employees have on that outcome. And so it's that the behavior that leads to the outcome. And so we think about that and talk more about that.

00:58:30 What, what, what kind of behaviors and what kind of outcomes or are you thinking?

00:58:34 Well, and I think there are some executives, and I can't remember who it is. I think it might be Richard Branson who said, you know, uh, focus on the employees first because they're the ones who are interacting on paraphrasing this and probably messing that way up. But they're the ones who are interacting with those customers. And if you don't treat your employees well, they are not going to be treating the consumers well or your, your customers well. And I think that gets forgotten. I think that there is this element of saying we are paying these people to do a job and so damn well better they do that job. Uh, when in fact as Scott mentioned, humans are complex and the things that we might assume motivate them or get excited or get them to do great customer service or go above and beyond are not always the things that executives are looking at. Um, and, or even taking into consideration. So

00:59:35 it is rare. I, Doug Burgum, the Republican governor of North Dakota before he was governor, before he was an executive at Microsoft, was the, uh, president and owner of a company called Great Plains software. And he used to say every night he would say, uh, every night my employees go home with the company, or maybe another way, the company goes home in the minds of the employees and that he cared about how people thought about the company. Because that's really where the company existed was actually in the minds of the employees.

01:00:13 Well, and you look at the, the world today with moving much more from tangible goods, uh, at least a, a lot of the American firms are, are being more in the, the intangible world of software and web and all of those. I think it even has a bigger impact in that, in those situations. Um, you know, there's a, there's an element of this glass that I buy, am I going to buy a glass because I like the Glasser, how the people impact it, but the service that I get in a service really organization or the way that, um, uh, we interact with a company, uh, is much different than, than today I think, than it is in the past.

01:01:01 So that, that leads me down a, a path of high touch versus low touch. Another rabbit hole. Here we go. I'm wondering about, uh, my experience with, um, with companies like Amazon or Facebook are low touch organizations yes. That they're, they're minimizing the amount of contact that, uh, that I as a customer have with, with the people. Uh, whether it even through chat, uh, or email that there's, uh, that that's a declining amount of, of contact. And yet customer loyalty to Facebook and Amazon are at seemingly all time highs.

01:01:41 I think there's a element of behavioral design in that, right? So if you take some of the components of why those companies are actually having a low touch interaction on the human side, um, but the behavioral interactions that you do in the behavioral reinforcements that you get from them by nature of the design of how their website works is very high. Um, which then lends us into a whole nother realm, a rabbit hole we could go down, which is the ultimate, if I am a thinking of the future and moving forward, the, how much of those jobs are going to be replaced by AI and computers and what does that leave left for? The type of work that we as humans are going to be doing. Um, which is a whole other rabbit hole and I don't even know if we want to [inaudible]

01:02:40 their dad's. Well, it's, it feels like a lot of speculation at this point. It does. But I think that there is a,

01:02:46 a component of it, right? If you look at the manufacturing world and how much automation has changed manufacturing in the United States, if you look at where the technology is going, customer service, you know, you have automatic, you know, bots that are answering simple questions that, so you no longer need a customer service rep to do that. They're saying pretty much any repetitive job is going to be soon, you know, outsourced to a computer too and a robot of some sort. And ultimately even when you get into things like your world of music creation, scoring a, a movie, you know, which is you think has to be a very high human touch component. Well, you know what, we can program a computer and that can do probably right,

01:03:36 just as good a job as, as, as you could on doing something like that. It's, I've known entrepreneurs in the music industry who had been working on Algorithmic, uh, application and automatic assembly of loops since the late nineties. Yeah. And so they've been working on this sort of thing for some time and it's not going to be far off when, when songs can be automatically assemble.

01:04:01 And so then we get into a whole different conversation in regards to, so what is left for us humans. So, and with that,

01:04:13 wow, that's a heavy dose for with that. But I might get, and with that, let's, uh, let's wrap up this a behavioral grooving session. Uh, any, uh, any, we, we usually talk about music at this point, but I'm going to ask, uh, holidays are fondness a favorite food that you

01:04:35 eat only at the holiday time. Is there any, any favorite food that you just have around Christmas, new years,

01:04:43 thanksgiving that you don't normally have that you just love or crave? You know, speaking of, uh, of odd rationalization that we do as humans, I find that it's easier for me to justify eating a peppermint bark and the chocolate covered Oreos and eggnog and things that are not at all on a diet. Not that even close, but indulging is much, easily, much more easily justified at this point in time for me. How about for you? I, I'm,

01:05:18 I'm with you on the indulgence, uh, ability to say, well, after the holidays I'll, I'll go back on my diet. Um, for me though, the food that, that I have, and I'm, I make pretty much every Christmas eve is oyster stew, which I love and I don't know why I don't make it just normally, but it is the one time a year I make oyster stew and a, we have it as a family and now most of my family doesn't like it. Maybe that's why I don't do it, but, uh, anyway, that's, that's my indulgent, uh, food that I have, uh, that and uh, I also like stuffing, which we don't have very often, but Thanksgiving and Christmas, sometimes we'll get stuff

01:05:56 that's okay. Can we, is there somebody that you're listening to? Is there a musical thing here that we can just pop?

01:06:02 Oh, you're, you're going to the music. You know, I just got to go there. Oh my gosh. I was, I was trying to change the topic on that because I, Scott brought up the, the, the talking heads, wild wildlife did talking heads. Uh, was that an important band to you? You know, I wasn't ever really a big talking heads fan. I mean, I enjoyed them. You know, I eighties, where my musical genre, uh, but I was much more into, uh, Depeche mode, new order, uh, those types of bands, which you can talking heads to a certain degree falls into, into that, but they a little punkier a little, little more clunky. I mean, I like and I've, you know, subsequently gone back and gotten more into some of the punk stuff, some of the Husker du Ish, uh, you know, black flag kind of pieces. Yeah. Well, and then I go in my whole, the whole other caveat is I will go down to the, uh, industrial world with nine inch nails and, uh, and I'm, oh my gosh, like Metallica. No, not Metallica. That's not, it's more of your death metal component. I am more into, um, uh, I am drawing a blank nine inch nails, nine inch nails and next time, next time, ask me and you, so holiday, uh, your, your musical listening tastes here. I, he

01:07:34 had a friend who teed up a several different iterations of, uh, versions in a recorded by different people of rocking around the Christmas tree. And of course the, you know, it's a Johnny Mark's tune, like the same same composer who wrote Rudolph the red nose raid near this guy was a talented songwriter. Uh, but I still go back to Brenda Lee. I still go back to the original recording in the early sixties, uh, of Brenda Lee's voice. Just, just absolutely captured that, that tune for me. So, um, so I'm kind of on that right now. All right, well, good. Um, all right, so with that Oh eight, find our, you know, find our podcast, uh, on iTunes

01:08:16 or anywhere you get, you'd like to get your podcast there and refer to a friend. We just certainly appreciate that if you would subscribe and pass us along, if you like this, if you're a nerdy, Geeky, a behavioralists like we are, or just a casual person who finds some of this interesting. So with that, thank you and make it great.

01:08:39 [inaudible].

