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[SFX: Bell].

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Hey Groovers, this is Tim with a quick note before we start this special episode of behavioral grooves. I want to let you know that this episode is brought to you by the lantern group of behavioral design and communication agency, working with the largest pharmaceutical, telecommunications and manufacturing firms around the world and by behavior alchemy, a consultancy that designs and delivers corporate and pro social change initiatives through the ethical application of applied behavioral science and now as they say on with the show

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[Intro: "Everywhere You Go," by Tim Houlihan].

[\(00:00:43\)](#):

Good evening and welcome to a special edition of behavioral grooves. We're recording tonight at the offices of our host for the evening Azul Seven in Minneapolis.

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You're probably wondering what we did with Dr. Kurt Nelson and Tim Houlihan. Hang tight. You'll hear their familiar voices shortly. I'm bestselling author and Forbes contributor, Rodd Wagner, but here among the behavioral grooves crowd, I am better known as episode 52 I'm taking the lead this evening because I'm the one who instigated the conversation that led to this topic over the past year or so. I've grown increasingly intrigued, sometimes concerned that behavioral science has reached a point of refinement and adoption that could create an unprecedented and unfair imbalance in the social contract between companies and the people who work there. For example, IBM claims it can predict with 95% accuracy whether someone is about to resign. Companies are experimenting with selection systems in which candidates interact first and longest with robots. Much of the appeal of a recognition system for a corporate buyers that it creates higher levels of engagement and retention for less money and firms employ IO psychologists to design environments for maximum employee compliance and commitment.

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They do so to improve profits. Whether they look out for employees as much as they do for the company is a matter of debate. Just what we'll be discussing tonight on the strength of the behavioral grooves podcast and their own experience in practicing in this area. Kurt and Tim are in a unique position to field these questions, drawing on their own expertise in the broad swath of commentary they've assembled in what by my count is now 113 episodes of the podcast. Before I bring them to the microphones. I'd be a fool if there were just one of me and two of them. So joining me tonight at the prosecution table if you will, is John Harris. John is the newly minted lead UX researcher at 3M. Before joining 3M, John was a projects director at ideas42, a premiere pro nonprofit organization leveraging behavioral science to impact policies around the world. He was also a fellow at the United Nations Economic Commission for Africa. Those of us who are here in Minnesota appreciate the fact that he got his bachelor's in environmental science from the University of Minnesota, but most important for us tonight. He holds a Juris Doctorate from New England Law in Boston. Welcome counselor.

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[inaudible].

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Thank you. Very happy to be here. Uh, I'm really happy to be here. Excited to interview two gentlemen and scholars. Tim is here as well,

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but as you all know them from the podcast, but for those new to the podcast, we'd like them to provide just a quick introduction on themselves, their backgrounds and sort of why they're here tonight. So this is Tim Houlihan and uh, along with Kurt founded, uh, Behavioral Grooves a little more than two years ago. And, uh, have, uh, my own consultancy in applying behavioral science to work and life and a whole variety of situations, uh, with clients around the world and uh, fell in love with behavioral science because it's the best thing ever.

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So I have to state that I am really scared right now because we have no clue what these guys are going to ask us, have, they've set it up that they're there. You know, it's a jury. Like I'm, this is like, uh, I'm on trial. I'm going to be, we've got a journalist on one side of us and on the other is a prosecutor. This is, this is, this is not my normal are, you know, we do the interview. So my name is Kurt Nelson. I have a 20 plus years in working in understanding human behavior and dynamics. I have a PhD in IO psychology. So as a rod was talking up first about IO psychologists and their work with organizations, that's me. I'm one of those guys that, uh, goes into companies and works with them to help understand what it is that is driving behavior, driving culture, driving different things. And as Tim mentioned, we started behavior groups a couple of years ago and I typically start off these things with welcome to behavioral grooves. My name is Kurt Nelson and we didn't do that. I'm, I'm all out of, out of sorts. All screwed up. Yeah. Well what happens? All right, let's, let's let him run with it. We're going to go,

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we'll jump right in. Let's lay the foundation, homo economics for those of people who are new to behavioral science, first of all, who is or was he or she? And then secondly, is he or she dead? So

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economic is, is a, a term that was developed by economist to say this is the rational human, the per the person that makes, uh, their decisions. Understanding all of the potential consequences and options and is thoughtful about pretty much everything that they do, so that when they're making a decision, homo economics is making the most rational, rational being, uh, providing the greatest, um, reward. You know, for the individual. A homo economics will always make a good decision

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and I don't think they're dead, but they are definitely on life support. So

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coughing up blood as they said in coffee

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big, you know, getting, getting, uh, you know, input from all the doctors, you know, clearing and putting those a charger things on their chest. But with that, there are good reasons for that to be part of the economics element. Uh, there are theories from, uh, economics that utilize that, that actually do predict some really good things. What is, uh, one of the bad aspects about this is that it, it doesn't explain down to micro economics and human behavior and that's where it is dying. And that's where Richard Thaler came in, uh, and talked about, you know, the fallacy of homo economics SKUs is that we are human and we are emotional creatures. And so that's where I think it's died.

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I believe he said, we're not like Spock. We're not that rational. We are back. We are more like captain James T. Kirk. Okay. So who, who stands in his or her place? Well they are and maybe more fundamentally what are humans relative to behavioral economics. Homer Simpson, Homer Simpson.

[\(00:07:31\)](#):

Think about, think about the guy that is, you know, you put a plate of donuts in front of them and even though he knows he shouldn't, he's going to eat those donuts. That is, that is who we are. Maybe not to that extent, but we are this, we are humans who have evolved with certain, uh, natural tendencies that don't always align with our longterm best interest and don't always align with what economists would say, maximize our utility.

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[inaudible] is always right. The homo psychologic has the, the, you know, we're, we're super fallible and we can't make our own decisions and, and there's nothing but context that matters. That's really over the top. We're not just Homer Simpson. We certainly have a lot of Homer Simpson in us, but homo sapiens are a balance between the two. It just so happens that we lean more towards Homer Simpson than we do towards the homo economics.

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So are we, uh, from a social standpoint, are we putty malleable, yes and no. Yes and no. How malleable are we?

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We're more malleable than we're not. There is more about, are the decision making in our day to day lives that is context dependent than DNA and self-efficacy dependent.

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I would add to that doing a yes, a N that it depends on a lot of the personality of the individual. And so if you look at different individuals, they are going to have a much stronger resistance to being influenced by contextual, uh, incentives. Other aspects. There are other people because of their personality, because of the mindset, the mind map that they have in their head that they are going to be more malleable than others. So as going back to our home, Homer Simpson, right? You have Homer Simpson's on one side. You have your everyday average Joe in the middle and you might have some almost Spock like people on on that other, you know, end of the spectrum. We are all part of that big spectrum and

we fall in there every, every way. And in certain situations you may meet more of the Spock and in other situations you may be more of a Homer

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and a quick followup then I'll toss it to John for question here. Don't we have the additional complication that this malleable creature also has an inflated sense of his or her own sense of self direction that they think they're in charge of their decisions and yet they're not? Well just that I just ask her.

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Yes, yes. I make every decision very rationally and very deliberately and I don't make them emotionally and then you know, rationalize after the fact, which is the standard model of, of what psychologists have shown to be one of our main things that we do. We will make decisions, we will make them instantaneously almost before the question is done. We will have answered it and we will have answered it through my gut reaction. A system one thinking if you go to Daniel Kahneman and then after the fact we are very, very good at being able to justify that decision. Not necessarily because it was the right decision, but because we need to have a consistent self identity and be thought of as having autonomy over our situation.

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We had a conversation with Steve Sizzler about overconfidence bias and he made the case that even people who are depressed or really deeply lacking in self confidence actually suffer, still suffer from overconfidence bias that it's, it's that prevalent among the human condition

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and so I'd be curious then you've mentioned that there's sort of a spectrum amongst individuals in terms of where they may be, there may be influenced by specific pieces within behavioral science or different nudges. Are there specific subject areas that are more improved by behavioral science or that can generate types of different behavior change? That's a good question. It's a really damn good question. One that I'm about. I think that again, looking at the individuals and looking at the context that they are in, um, we know that people are more malleable when they're tired. We know that people are more malleable when they are scared. We know that people are more likely to be influenced by outside aspects when there is a social group around them and that there is this social pressure, um, given specific topics or areas. I think there are some where those types of, uh, parameters are more likely to happen. And so in those types of situations, uh, you are probably more likely to do that if you are at a rock concert and you are surrounded by 10,000 people and they all start jumping up and down and you don't want to jump up and down, you're still probably more than likely gonna start jumping up and down.

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There was um, there's a researcher at the university of Chicago that is doing work on uh, what he calls magical thinking and there are personality traits that are more likely to engage in magical thinking than others. And, uh, so that, that disposition towards magical thinking is more likely to, that personality is likely more likely to engage in, in the, uh, ability to be manipulated for a whole variety of reasons. So let me, uh, you'll notice the questions aren't too tough yet. Yeah, thank you. Um, although, uh, you know, I've obviously been stumped actually just trying to lull you into a false sense of security. Like any game,

the questions will get tougher as we go along. But kind of short answer, what is broadly speaking, what is behavioral science? So I like to think of it as a mashup between classical neoclassical economic theories about how we make decisions, how we as individuals make decisions and behavioral psychology, which says, you know, we're, we're kind of a massive putty and behavioral science is ultimately trying to understand why do we do what we do with both of these opposing forces coming at us? Okay. Who is most interested in it as,

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as individuals who, who runs podcasts and also who work in the industry. Who is coming to you the most? Is it individuals? Is it companies? Is it, you know, is it independent groups? Is that nonprofits who tends to approach you with questions? There are a couple of different groups, right? And obviously there's a, there's a lot of research on this. So we get a lot of inquiries. We talk with a lot of researchers who are doing the basic research. We're, that are going in and trying to understand, you know, how these human heuristics are impacting people. Why, what's causing them, how they get applied. Uh, and those are researchers who work for universities or work for nonprofits that sometimes are doing this. We get an a, then the next group is as business, right? And they're looking at this from a number of different perspectives of how do we work with our employees?

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How do we influence our customers? How do we build our systems and our advertising and the processes that we have in order to drive the behavior change that needs to happen inside of those. And then as you said, there's, there's these governmental or non-governmental, uh, NGOs that are working on big policy type issues that are looking at how the government operates and what can the government do in order to tap into some of these elements in order to improve how government works or how the citizens of that country, our community, uh, you know, respond to different, uh, initiatives that they're, they're putting [inaudible].

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And so it's fair to say there's pretty broad swath. Everything from where do you put the carrots on the lunch line to see if you can get kids to eat more vegetables? That government kind of initiative, absolutely. Policies, some of it's broad public policy, uh, within the corporate world. Healthcare is, uh, extremely interested. You know, uh, we were talking about Victoria Shaffer earlier, uh, as a researcher in healthcare. She's interested in one really vital but kind of simple question, how do we deal with end of life and how can we, how can we make end of life decisions better through the lens of behavioral science? And you also have programs for, uh, moms at risk. How do you make sure that they go to their prenatal checkups and do the things they ought to, to make sure they have a really healthy baby? A, a lot of this is exceptionally, um, well-intended to look out for the people who are the, the consumers, the ones,

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again, in healthcare, you look at a lot of the work that is being done in healthcare and it is on, uh, how do you get people to comply with a, uh, your physician's recommendations? So, uh, there was research done a number of years ago that talked about, uh, you know, if somebody has a major heart condition where they have stents or major heart surgery put in, when they looked at those people after two years, it was less than 10%, about 9% of people were fully compliant with their doctor's orders. Behavioral science is looking to say, how can we, what are the factors that go into why this isn't a matter of if

you're going to die, it's a matter of when you're going to die. So if that's not motivation enough to change what is, and that's what behavioral science is trying to understand and trying to say, alright, so what can we do to make sure that these patients, uh, live healthier lives so that they are not, uh, going to have another heart attack in three or five years, that they actually get to live a life that lives 10, 20, 30 years longer.

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Be fair to say that this a pretty powerful phenomenon. Behavioral science interventions are extremely powerful, unbelievably powerful, uh, in, in, in some cases, right? I mean, it context matters, but, uh, but when we see, when we see really small interventions like, uh, the difference, uh, a lot of the work that Kurt and I have done is in incentives. And when we looked at the difference between giving someone a, an extra \$60 for the month for selling more Wi-Fi versus getting a crockpot man, the people that got the crockpot just really went over the top and you think there's no way. Rationally we would think that that's ridiculous. I mean if, if, if I had a choice, I would say, well, just give me the 60 bucks. I can spend it however I want. If I want to buy a crockpot, I will. But the people who earned the crockpot just absolutely went over the top with effort and their achievements and their results were significantly, were like 40% better than those that got the same amount in cash.

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All right, well I will put a caveat on that because while there are some instances where it does work really big, you also look at some large scale interventions. Some of the work that the British, you know, a insights team has done and various different pieces where they're looking at making some behavioral science insights in changing how communications go out or looking at the way that processes work or reducing friction and you're getting differences of one to 3%. Now, that doesn't seem like a lot, but if you look at a government component where they're talking, sending things out to millions of people, two, 3% can make a huge difference from a cost perspective, from the impact that on the number of lives that that actually has. So the, the actual difference in behavior that happens isn't always, it's not, it's not a silver bullet in most cases.

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It is. It is a, it is a nudge as they, as Richard, they were taught, right? You nudge somebody in a little bit, in a direction and a little bit more in a direction. Where the power comes in is when you are looking at the various nudges that you're doing and you're optimizing this nudge, that nudge another nudge, and all of a sudden you get 2% here, you get 5% there you may be a 30% increase because of one thing. And overall you're making some drastic changes in how people behave. So it sounds like you're, you're working with decisions that are happening right now, right in front of you. Whether to save, whether or not to eat that plate of donuts like we talked about with Homer Simpson for how it will affect you 10, 15 years, your lifetime down the road. Would you say that's, that's kind of the case?

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I, yeah, I think there's a lot of that. I think, you know, a lot of the, the work that people are trying to do in order to improve their life area is, is that we have a time conundrum. We are much more willing to, to do what's pleasurable and easy today, uh, at the cost of my future self, who my future self is not me. That's some person in the future. And I don't know that person. That person is somebody who is bald and fully gray. Right? Uh, partially gray for me. I don't know that person, so I don't know that person. And so for me to do something to say, yeah, for that me in 10 years, ah, you know what a, I don't know

that person. It's discounted. Plus, I'll start tomorrow, but for today I'm just going to eat that doughnut cause that doughnut is really tasty and I'm hungry.

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Well John is part of your question about making decisions or are using behavioral science to influence decisions that impact us immediately compared to decisions that might impact us in the longterm? I think you're on a boat. I'm also getting at that habit change piece. I mean, how much does what you're doing right now does that first decision not to eat the plate of donuts is that first decision to, you know, wake up an exercise or to put more into your 401k make it easier to make those decisions down the road and to keep that, that behavior change and to keep that habit formation going? I think it's one of the interesting pieces in one of the conundrums that we face with behavioral science. We have done a really good job at understanding some things that will nudge behavior once those nudges are taken away. The longterm behavior change that we see is not as good as we would hope.

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Right? It's so getting somebody to turn down that plate of that donut today and you do it through some, you know, form of communication beforehand to remind you of your future self. Maybe showing a picture of what you would look like if you gained 20 pounds versus not. And so I'm not gonna eat that, but now, you know, a week from now, plate of donuts are out in that conference room. You don't have that nudge. The likelihood of you actually eating that donut is still pretty damn high. It, we are not good at creating those longterm habitual changes, uh, that come into it. Now there are, there are people that are working on that, right? There's, there's Katy milkman with temptation bundling and developing habits by combining things that we love to do with things that we don't want to do, right? And you're looking at, you also look at like Christina, Becky Arie who's doing work on social norms.

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And so if you change social norms around habits, so if, if everybody says eating that doughnut is not a good thing, I am going to be much less likely to eat that. And then, and also understanding about what our self identity is. Right? So if we can align who we think we want to be and who we are, I am not the person who eats donuts. If all of a sudden I get that mind shift change, then I'm much more likely to continue that. So there's a lot of work that's going on in that. I don't think, I think that's where behavioral science to go. I think that's where we're trying to go with a lot of it. And particularly for those people who want to, uh, to become better and to improve. I, I'm still a person that eats donuts, by the way. I can tell

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you said that one of the buyers want to, or one of the groups interested in this is corporations. Yep. They're buyers. They're not necessarily researchers. They bring in an academician. They bring in an advisory firm. They bring in a research firm. They spend, what do they spend? What does this cost? How much would a, a large, let's say a fortune 500 company that decided it was interested in improving performance through behavioral science. How much are they going to spend on an annual basis? What do you think we can get here? Let's anchor it high. We're going to Hagar this night.

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Uh, I will go with the classic consulting answer. It depends. Uh, there are a number of factors that go into the, so many companies. So you look at a lot of the companies that are out in Silicon Valley are

actually embedding behavioral scientists into their work. They are having behavioral science teams that work with their data analytics teams. Oftentimes those are focused in on consumer facing things and various different aspects. But you look at Uber, you look at Airbnb, you look at Spotify, you, uh, Walmart all have behavioral science teams, uh, that we've interacted with and worked with. And so you're building that knowledge base internally. There are a number of, of consulting firms, Tim and myself each have our own that we go out and we do consulting with companies around this. Uh, ours is usually focused in around incentives and motivation and rewards. And you know, in those instances, we can come in and do a simple analysis for, you know, a few tens of thousands of dollars into longterm, really, uh, working with companies to get at, you know, root cause analysis and make some major framework and other design changes that can be in hundreds of thousands of dollars.

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So millions and millions, millions [inaudible] guy. It's not cheap. And if you look at this through the lens of a chief financial officer, he or she is going to want a return on investment. What do they want out of this that's going to pay for bringing in behavioral science? And I just added that. When do they want it? How fast and well, like all consulting gigs, they wanted faster and cheaper, uh, and you know, and with better results, then of course we can, we can actually deliver. But, uh, what, what they do want is, what they're looking for on a return is, uh, something that gets measured, right? They're looking for some kind of result. And ideally

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the best consulting gigs are able to link the behavior changes back to the corporate KPIs. Excuse me, whatever kind of measures they have. I don't know, but, but, but the idea is that that the best, the best way to arrange for a, um, for a behavior change initiative is to link it back to corporate strategy. So, and w and to get more specific about your question, rod, um, it always, it's if the chief financial officer's asking the question, they need to understand that the business is bigger than just the numbers, that it's the people that are delivering the business that delivers the numbers. And, uh, and there may be steps involved to get to that. Does that work with us? Chief financial, he's like, I've never posted chief financial officers. Like, well, let's not focus on the numbers so much. Well, no, let's focus on the numbers, right.

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So I will, I will tell you that the one I have had a, a really interesting conversation with a chief financial officer. We were going in, actually, it was a program that Tim and I worked on and we were going in. And I spent an hour with with him talking about this program, talking about the ideas around we have to engage people, we have to get them excited to work, we have to get doing all of this and he's like, I still don't understand why this is working. And we ended up, he said, all right, I have other meetings. Can you come back at six? So I came back at six that night and we spent another hour and a half talking about this. I don't know if I fully converted him, but he, he agreed. He did. He saw the light to saw the signs. He saw the numbers and various different things.

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That being said, we are typically not being brought in by chief financial officers. There is not one time in my 27 years of doing this work that a chief financial officer has ever called up and said, Hey Kurt, come on in. Let's work on this. We are getting brought in by people who are working with their employees and again, both Tim and me typically work inside of companies. So we're working with looking at how the employees are being motivated and engaged and are working. So sales, marketing, UX, HR, those are

the typical departments that are, that are having, that are identifying issues that can be solved with a behavioral lens. Okay. So let's, let's, if you don't mind entertaining this idea, let's do a little role-playing. Okay. I'm gearing me, I, you know, role plays. Would one of you be amenable to playing the role of a CEO? And I'll frame that by saying there's a second question. So you might want to jump in and be CEO first because the other one gets, gets assigned a role. Who wants to, it has to be one of us who is more CEO, like between Tim and me. Here we go. Who just, that's like a show of hands. Who wants Tim to be CEO? Oh, that's, I'm, it's funny

[\(00:29:42\)](#):

to be CEO. It's a fewer hats. All right. Definitely. There's a lot of noncommittal people in the audience here today. All right.

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Um, that gives you the role of being the behavioral science advisor to this particular CEO. Are you comfortable? I would hope so.

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With this EEO. I wasn't going to be a hard ass, you know, like a different clients.

[\(00:30:04\)](#):

Can I please sorry. And actually I'm John, if I can, I'd like to recruit you to be an employee of the particular company. Okay. Sound good? I'll consider it. I love, I love this, that John and I get to be up against Kurt. This is good. The odds are it's not necessarily how the teams will form, but that's okay.

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[inaudible]

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so I'd like our behavioral science advisor to, um, give the CEO, uh, his elevator speech as to why he should retain him to advise.

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Oh, you've never done this before. So I'm really catching on. Are these aspects though where it depends on what the CEO wants, right? So, all right, well you got to ask him what he wants. Yeah, there you go. Hey, mr. CEO, good looking handsome CEO who must be super, super smart. You know what, what is it? Why, why would you even be interested in behavioral science? What is, what's, what's your fascination with it? So I heard, I read this article, I don't know, a few years ago this Dan, Dan, somebody, I don't remember his name, very famous behavioral, so I don't really know much about him but, but I've got this problem. I got this uh, the sales team that's not talking to the marketing team and I need you to fix it. Well, you know, behavioral science is looking at the underlying motives of, of why people do what they do and so we can probably go in and help diagnose that issue and help you out. How about that sounds great. How much does it going to cost? Millie is in Dallas, but for you, I'll give you the, I'll give you the, the low, low, low discount. Hey, we'll do it in an hour that you read a \$500 an hour. How about that?

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Are you going to buy? Ah, I'm not sold yet. I'm not sold yet. I think I keep working well. I think I might want to consult with, what am I, one of my employees, I think I might want to ask, you know how that goes. I think I might want to ask w one of my, you know, chief advisors that I trust about this behavioral science lens and front line employee. By the way, he's not like your CHR RO. Oh,

[\(00:32:07\)](#):

okay. So I'm taking you off the line to um, safe long as safely of course. Um, so, uh, so what do you think about all this, John? Assuming we're coming from the sales team is not talking to the marketing team. We don't have incentives to talk to the marketing team. What can behavioral science offer in that regard?

[\(00:32:31\)](#):

We can give you trinkets pretty involved question for from it.

[\(00:32:36\)](#):

[inaudible]

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how about am I getting paid while I take break off

[\(00:32:41\)](#):

as sales? I'm not talking to marketing because my incentives aren't aligned. If I sell above a certain amount, that's just, there's no incentive for me to go to marketing and say, do more because I've hit my quota for the month. You know, what, how can we change that even if we're not going to change the quarter? Can you help us with that? Damn. You guys have a tough no, I, so I think that again, what we need to understand is what are the, how are your system set up? How are your incentives designed? Are they designed to align? And if they're not, why is that happening? And if we look at trying to identify the behaviors that your incentives are driving, which is the key piece here, right? We can design incentives, uh, until the cows come home, uh, with the idea that this is the most rational incentive plan in the world because the numbers line up and we hit our financial projections.

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If we sell X number of widgets at, you know, X number of dollars and we don't discount them. But the fact of the matter is is we have to get sales to be talking to marketing. And if that's a key strategic piece that you need to happen and it's not being incented, then we have to understand why are the incentives not doing that? And what is the, what is the behavior that the incentive is actually driving, which gets to oftentimes the unintended consequences of incentives. And that is a big piece that we often look at. So you're designing something to do X and yeah, it might do X, but it also has this counter thing of, of doing Y. Uh, and so understanding the psychology behind why it's doing why and then what you can do in order to change that. That's what we can come in and say, doctor behavioral scientist, how long is this going take? Uh, this can take every, you know, somewhere from a few months to a, you know, a year depending upon where you are in your incentive plan, how easy it is to change, how readily available we can get out and talking to your employees, whether both of your salespeople and your marketing people

to really get at the underlying causes for that. So it's going to be dependent upon a number of factors, but we can probably start making changes in three to four months.

[\(00:34:54\)](#):

All right. I got to have a sidebar with the employee here. John. I don't know if you've been reading the wall street journal, but you know, post recession wages haven't kept pace very well. In fact, um, the st Louis fed in a report of August, 2018 said, never have corporate profits outgrown employee compensation so clearly and for so long translation, um, CEOs getting pretty good stock stock options. I, he's, um, he's got a nice jet, nice property in Florida. Um, your wages haven't gone up too much. They're talking about incentivizing to make you work harder. How do you feel?

[\(00:35:35\)](#):

Yeah. Kurt, can you fix that? [inaudible] so this is so w where I think you're going with this rod is there is this ass, I subtle you, you were not subtle, which is actually really good. We like this being, being forthright. There is this potential, um, for using behavioral science to screw over John, uh, from a financial perspective to get him to work harder because we offer corporate perks. You can get this recognition to go to a pot crock. Crock pot can get a damn Crock-Pot and think how, how great that's gonna feel and you're going to work, you know, extra hours overtime and different things and we're not going to increase your wages, but you're still going to be satisfied by doing that. Now I will wait, wait, CEO CHAM is like, that is so great. This is, this is my man. I'm hiring this guy on the spot.

[\(00:36:34\)](#):

I like this track. Fine. You don't have to spend any more thoughts. And there are cheaper than cash. So it's less money than putting more money into John's salary. So here, here's, here's where I'm going to stop and I'm going to go, I'm going to take that step back. Right? So we work, both Tim and I work and you guys have all worked with, with these people and the people that we work with. We work with pharmaceutical companies, telecommunication, manufacturing, a variety of, of different organizations from a vast array of industries, agriculture, right? We have a number of different companies that we work with and the people that we work with I think are not sitting there going, how can I screw John the employee over there? Not saying I want to pay John less and get him to work harder. What they want to do is they want to say, how can we tap into the motivations that John has, uh, to align his desire with the company strategy.

[\(00:37:36\)](#):

Now that's not saying that they aren't being pressured by said, you know, formerly good looking super smart CEO who's now become an asshole because he has that private jet and he's making millions office small jet, that's a small jet, but they're getting pressure just means he's back in a bigger one there. They're getting pressure from them because there are always the concerns of cost containment. So I have been working with a large pharmaceutical company that has had a recognition program that has been beloved in place for years and years. And uh, they made some corporate changes a couple of years ago, which were probably, you know, appropriate. And you know, the changes were hard to take by the employees. Many of them didn't appreciate them. And now what is going on is there's another round of budget cuts and so they're taking the recognition program away totally. Which in the short term is a really good for the bottom line.

[\(00:38:49\)](#):

I mean it's millions of dollars on that bottom line. I argue that in the long term that that is actually a really stupid move by the organization because they have just, you know, with the changes already they had disgruntled some of their employees now by removing it totally. They have just made this undercurrent of this culture that a, we are not being recognized for all of the hard work that we're doing. So not only is it a piece where the company is, is being, you know, looking at some of these behavioral science pieces where we're trying to add in aspects to make these recognition things better. They're just cutting it all out underneath. So let me make sure I understand you, you weren't talking about recognition in lieu of compensation there. You're really saying as hard as we're working, would it kill you to say thank you?

(00:39:46):

And you take that out of the equation, you've broken the social contract. Is that fair? That's actually a really good way of putting it because I think that's, again, you're talking back to the chief financial officer as we talked about earlier and you talk about the social contract with the chief financial officer and they look at you like, what the hell are you saying? What does that have to do with me? Making sure that my shareholders are maximizing the, you know, the share price on my quarterly return here. Um, but yes, that's exactly what's happening is that social contract is being broken. Let me turn to our employee. John, how do you feel about this? Because we heard cost containment and you might just be that cost is being contained. We heard crockpots but we also heard if you work really hard, someone should maybe say thank you. How do you feel? I only heard Crock-Pot.

(00:40:43):

Well, and that's, and that's, you know, I think that's, that's it's curious cause you have, you have the crockpot, you have the social recognition, you have the recognition from the company, the recognition from leaders. What I think is interesting is that it seems like in every company it's not an out of the box solution. You're not in. And that's where sometimes it's behavioral science. People think, Oh just apply it and we're done here. But I think you're saying is that every time you have to go in and you have to look at individual companies, social structures, what the incentives are, how they're aligned. And from there you can potentially come up with a good solution. Yeah. And with my behavioral science hat on, stepping out of the CEO ethics are really based on social norms. And if the social norms within an organization, uh, dominate, I mean they're going to dominate. And, and so there has to be some kind of respect and appropriateness for the social norms within the organization. And I think that that can be bad

(00:41:34):

by the way, as well as being good. Because there are plenty of organizations that that misplaced that, but things like truth and trustworthiness and reciprocity are all part of the ethical foundation for discovering what a conflict of interest is because you really aren't going to figure that out. You aren't going to see a conflict of interest in it. Uh, when, when the CEO says, I'm going to save money and I'm going to screw my employees because I have the power to do that, they're not going to see that if the culture, uh, blinds them to it or allows that kind of behavior to, to go on check.

(00:42:08):

W uh, there's a whole, there's a wide range of CEOs out there. You see CEOs that at various points surprise their employees and say, by the way, I'm going to give a big chunk of ownership to all of you longstanding employee surprise or a surprise pay increase or a profit sharing or something like that out

of the blue that they did not have to do. I'm aware of a few CEOs that have even taken their, uh, maybe most famously Brad Anderson, uh, at a best buy at one point said they offered him a, a bonus stock bonus fairly large. He said, I don't need it. I got enough. Give it to the employees.

[\(00:42:41\)](#):

Yeah. Uh, the head of Delta just gave huge bonuses to, uh, to employees.

[\(00:42:45\)](#):

But I'll, I'll give you an example. On the other end, I was speaking with a, uh, an executive at a large organization where they have lot of parties, they have all the kind of things that you see at high tech firms and things like that. And he said a relative to the CEO, uh, and all these parties said, you know, she doesn't do that just cause she likes a good party. She knows that makes us a cheap date. So what is the, what's the proper core intent? Let's ask the CEO first and then I'm gonna ask you how you can tell the difference as you're choosing clients. What's the best core intention of a CEO? Where should his or her heartbeat?

[\(00:43:24\)](#):

I was inspired by, um, the current governor of North Dakota as Doug Burgum when he was the president and owner of great Plains software. He would, uh, he, he and I spent a lot of time together cause he was a client. And one afternoon our meeting ended about five, five or six o'clock, and we're walking out of his office and it overlooked the, um, the parking lot. And he said, you see that Tim, he said, the company is going home in the minds of the employees. And that said so much to me as someone who really thought about the value that every single one of those people was delivering, that I had implicit trust in his decision making compared to a CEO that is, uh, gambling for, uh, you know, making the biggest bonus this year by jacking up the stock price by reducing, uh, expenses. Those intentions are wildly, wildly different. Well, you look at Richard Branson who is as famously said, you know, I focus in on

[\(00:44:31\)](#):

my employees before my customers because my employees are the ones who are ultimately going to take care of my customers. And so they come first. Everybody says, Oh, customers come first. And he kind of switched that around. Uh, and I think that's really, uh, important as we think about this, that there is a social contract, there is a social contract between employees and employers. And part of that social contract is saying you are providing us with a service and we will reward you appropriately for that and provide you a safe working environment. And I think that social contract is even changing to that. We will provide you with not only a safe working environment that's remunerated appropriately, but we are going to try to create your job such that there is a level of engagement and intellectual aspect that you aren't just brain dead.

[\(00:45:32\)](#):

Um, you know, for, I think for many white collar workers. I also see, and this is, you know, one of my big beefs that many of our listeners will have heard many, many times before is that the world is changing and that the jobs that we have today are easily being automated away. And you know, there's, there, you look at retail, you look at, uh, you know, potential truck drivers with autonomous driving trucks. You look at even accountants that are doing anything that is a pretty basic rote thing over and over and over again, those are going to go disappear relatively quickly. And those people that are doing it, yes, you can go and find different jobs, but many of them that may not be possible. It might be your, you're in your

late fifties, you know, you only got five, 10 years left of, of work and you know, you're an hireable in, in any other industry or you may just not have the wherewithal to move from being a truck driver into being, you know, some kind of it specialists, which where jobs are growing or the jobs that are growing.

[\(00:46:43\)](#):

Our warehouse specialists that, you know, it's the number of warehouse done. And you know, uh, fulfillment jobs is one of the fastest growing jobs out there. But that gets paid at \$12 an hour, not \$28 an hour. So I think there is this massive movement in organizations to automate things away. And that is again, that social contract that we have is no longer there because now your being able to make profit off of an automated machine and you're not paying for that labor. And so that labor is no longer there. Um, let me turn this Gary, let's turn to our employee. John, give him a chance to ask you questions. First of all, I wanna know if you're comfortable with this conversation between the, the behavioral science advisor

[\(00:47:30\)](#):

and the CEO and, and what questions you would have to, to make sure that they're looking out for you.

[\(00:47:36\)](#):

Because it, it does sound like there's that potential, especially within this, that these jobs could disappear. But I think Tim was saying this too, where there's that intent there. I mean, at the same time you're, you're talking about what do you do in a situation where, because these jobs are disappearing, the company is shrinking and shrinking. You may have to get rid of a few people, but you want at the same time, you know, kind of keep that engagement. How does that decision happen? And can behavioral science really even have an influence there?

[\(00:48:03\)](#):

Man, he's an informed employee. Honestly, we hired a, sorry, let's, let's call a formal segway here. Outside of the role playing. Thank you for playing along there. And let's, let's actually talk about some of the programs in a, John has some questions he wants to ask and let's get real specific about how these, just quickly, the general social norms that we live under, uh, around trustworthiness and truthfulness and transparency and reciprocity. These are the things that we look to. And if, uh, if the leadership exhibits a healthy dose of those kinds of things, then it's going to be easier for everyone in the organization to buy in and go, okay, these are hard decisions that have to be made, but we're gonna, we're gonna, we're gonna ride it out.

[\(00:48:47\)](#):

Yeah. And also be curious to bring sort of nudges back into this too, cause we're talking about things where if, you know, you have a good year or anything like that, what may come with a salary raise would instead be given away with, you know, a company water bottle or a vacation or something like that. So even if you're giving individuals the choices, but a company's you still has that, that ability to kind of nudge you in a certain direction. Is that, does that still count as being ethical in a way?

[\(00:49:11\)](#):

The ethics are going to be based around the social norms and, uh, and of course this conflict of interest. Am I am I as the designer of the incentive program really taking advantage of the people who are going to be doing it? Am I, am I constructing it in such a way that I'm leveraging my power over them so

that they either don't have any choice or, uh, really don't have a meaningful choice, uh, to take advantage of it? You know, the, the whole thing with the nudge of course, is that people have choice. So first of all, is it, is the aggregated, nudging, manipulative? Does it rise to that level? It depends on other good consultant. If it's a nudge, it shouldn't be a manipulative, multiple nudges together. It should not be manipulative cause he goes, but, but here is where,

[\(00:50:00\)](#):

here's where I'm going. So I think that the level of sophistication that we have with the insights from behavioral science is getting more and more and more. So we are understanding these nudges work specifically with these types of people. And then internally the data science that we have within companies and the ability to be able to discern John's, you know, personality versus Tim's personality profile gets to be even more, uh, and greater so that we have that information and then we may, it's getting powerful. It's getting powerful in which means it could be getting manipulated, we can marry those two together and he can become very manipulative. And, and I am, I am very scared of, again, I think 98% of people out there are good intentions and they don't try. They're, there isn't an intent to do wrong. Um, but I do think that there are, but there are social paths out there and there are, you know, the people, the CEO who all, he cares about his bottom line and I will screw over everybody in my company, you know, cause I don't care as long as I get my bonus and the company does well and they have the ability to now use this.

[\(00:51:16\)](#):

Right? And you see that in political campaigns, you see it in advertising, you see it in a number of different

[\(00:51:21\)](#):

facts. So let me suggest one, that's what I would say as manipulative, but to the good, if I were to take a bunch of frontline workers and I were to give them, had a conversation along these lines just last week I gave them 10 options for eye protection. I'm going to bring in the vendor, lay them all out and say pick any one of them you want. If you don't see what you want here, we'll get ones that do work. Idiosyncratic fit, right? I get to, I get to pick the ones that I want and the color I want makes it two things happen. One, he or she is going to pick something that objectively works well for their head shape and has the right ventilation, all that. But I also know one of the little psychological tricks I'm playing is I'm letting them pick them and they're more likely to wear them because they chose them.

[\(00:52:04\)](#):

Instead of me telling them to wear them. Now I can sleep really well at night knowing that they're wearing them. Because if you've ever seen a picture of someone that's not been wearing their, their safety goggles and something came flying off the lathe, it's not pretty. So I don't have any qualms about that at all. But so how do we, do they have a distinction? How many I have a choice. That's the question. Do they have a choice? That's the ultimate thing in the nudge. They still have to have a choice. Otherwise, uh, you know, a choice architecture is all about libertarian paternalism. So it still allows for choice to be made. So though, so the employee that can see all 10 available, they can, they can, they still go to the boss and go, Oh man, none of these are going to work for me. Okay. And as far as I'm concerned, that's, that's still,

[\(00:52:48\)](#):

that's fine. I would say John. Yeah. So in that case too, to what rod is saying is that that it becomes not a nudge. What you're doing is nudging the ability to choose and get people to more likely wear them. But there is still a requirement, a rule, a regulation that they have to work,

[\(00:53:08\)](#):

they have to wear. But that'd be truth is people put it up on top of their heads and they walk around the factory and, and let's face it, it is a Jedi mind trick. It is to try to get them to order.

[\(00:53:18\)](#):

Yeah. So again, we worked with, I worked with a company about, uh, safety of their fleet PR program. Right. And they had, they, one of the highest accident rates of, of any company in the pharmaceutical industry. And part of that was because people were, you know, texting on their phone. We got on the phone with Dan Arie, Ellie, and we were talking about this and it was, you know, and Dan in his, you know, Israeli accent that he comes in and he's like, you just tell them no, they can't. He said, it's not, we're not nudging them away from texting. You just don't allow them to because it's about safety. It's about safety. It's about their best interest to stay alive,

[\(00:53:58\)](#):

stay healthy. [inaudible] whether or not they eat the cookies in the, in the cafeteria, you might argue more about the real health benefits of putting the cookie jar farther away from the, uh, from the front of the cafeteria. But keeping your eyes healthy is, is objectively better for human beings. So we've agreed that this is, that people are malleable more than they realize. Yes, exceptionally malleable. Except for me, we've decided, we've determined that this is an exceptionally powerful tool. Most times or many times. Yes, generally. Um, we've agreed that there might be a conflict in the goals of the organization and the goals of the particular employee or the financial wellbeing of the employee in certain situations. Yeah. You look at the incentives of a CEO or a chief financial officer, what are they being incentive. So let me ask you this. Is there a code of ethics for the behavioral science professional as to how to make sure that they know they are doing right by the employees, irrespective of where the person who's signing the check is going?

[\(00:55:13\)](#):

So I think the answer is no, I don't think it's, it's written in stone because I don't think that there is a, a written in stone ethical code across every culture in every part of the world. For every person. We have moral values that we oftentimes adhere to, but they don't necessarily apply to our everyday work. Uh, and the ethics, the way that they get applied in organizations. But there is something called casuistry, which is the case study based application of ethics of things that we can agree on our common threads of based on things like thou shalt not kill pretty much every country on earth. Every organization believes that, that that's a bad idea. So that killing is a bad idea. And, and we can, we can take the threads from that and we can apply that within an organization. And that can be part of the ethical code. It can inform the ethical code. Um, should there be an ethical code that starts with a kind of Hippocratic first first do no harm and that they're, uh, survey researchers have a code of ethics that says we won't individ, we won't individual

[\(00:56:24\)](#):

respondents within, uh, was particularly when you're tracking how many steps I took and my heartbeat and all that.

[\(00:56:33\)](#):

Yeah, yeah. No. So you were going exactly where I was going. I'm going is, is there a need for a Hippocratic oath for behavioral scientists not having thought about this much? My gut reaction. Right. And I will rationalize this later, uh, after the fact is yes, I think there should be, I think that that would be beneficial, uh, across the board. Now there's probably some unintended consequences. Do you think that it should be one for everything? Like everybody should have? I don't believe that we should have one that applies to everything because I think context matters, but I think there are certain undeniable pieces of do no harm first. Do no harm that we can all just say this is a level set, right, that this is a, the piece of that is now I don't know what that is and I don't know if we can get there to get to that, that element and that level of is it going to be so general and broad that is going to be meaningless?

[\(00:57:35\)](#):

Is it going to be such that we have, you know, it's so narrow and tight that nobody can even apply it. So where is that? And it might need to be different. It might need to be different in you know, this culture versus that culture. That being said, I think it's should be something we look into. I would just say, yeah, I'm curious about John because you've worked in Southeast Asia, you've worked in Africa with a lot of different programs. Like, like Kurt was saying, it seems like it's, you know, there's a broad sense to it, but then you also have to narrow it down and it's going to be context specific. It's going to be an individual situations and so yeah, it does it. Does it start with each project coming in and and trying to determine that or is there something that we can really have a a high level across behavioral science code of ethics. That's tough. I'd turn that back to you guys. We have saved our toughest question for last. Oh God, I hypothetical. Let's assume that my beer is empty. You know this, right? Like I am. I am all out of liquid encouragement.

[\(00:58:40\)](#):

Let's assume that the employees of a large organization, let's say 20,000 or so have pooled their money and they've decided that they would like the benefit of a behavioral ed science advisor. And so the client is not the CEO and not the CFO, not the CHR row. It is the employees of the organization and they come to you, Kurt and Tim, please advise us. What do we need to understand about behavioral science? To get the most out of our lives,

[\(00:59:10\)](#):

I would be all over that. Um, and I would say, look like the client I'm at as saying, what your, what would you hire us? And we will, we will help you. I think there are lots of things that can look at, because again, one of the things that we talk about on on behavioral grooves is, is applying behavioral science to work in life, right? And so there are things that we can do in our own work that is, that's going to make that work more engaging for us, more resonating with who we are and what we want. There are also influence, uh, tactics that we can use to influence up inside of the organization.

[\(00:59:52\)](#):

Okay. I want to pin you down a little bit more though, but let's get to specific advice. So let's start with, how would you say, don't take the crockpot asked for 500 bucks? No, I took pot and the crockpot is actually,

[\(01:00:10\)](#):

so this is, this is where it gets to be very interesting and I'm getting excited about this. Sorry. The crockpot is actually driving an innate, uh, uh, motivation inside many people, uh, which is not, uh, not necessarily a bad thing. It gets you excited to go to work at a crackpot is a really horrible example of this. But you, you know, you can think of golf clubs or whatever it is that

[\(01:00:32\):](#)

when you, for example, start with, would you say to this employee group, let's first look at your compensation and make sure you're being paid fairly. And if you are, then we'll worry about some like hedonic awards that you rewards that you could have. But we're going to start by looking at your compensation is not necessarily where a lot of incentive firms start.

[\(01:00:51\):](#)

Oh, it's not a lot where I think where many of the non-cash incentive firms start, right? I think if you look at organizations, one of the things that we always talk about when we're talking incentives is, is all right, so what are we, are we coming in at the 50th percentile, 75th percentile? Very rarely do I ever hear companies want to coming in, you know, at the 25th percentile. But there are companies that obviously do that right on an overall pay. So yes, you need to look at your pay. You need to look at how many hours are you working?

[\(01:01:20\):](#)

Okay, yeah, I want to go. That's exactly where I was going to go next. Would you maybe for the employee group, say it's really great that they have a cafeteria and they'll pick up your dry clean and all that, but let's look at how much time you're spending on campus and are you able to get a good night of sleep and go to your kid's hockey game and all that. And so we're going to help you look away from the nice meal that they're serving in the evening. Instead say, we're gonna advise you go home. Yes, yes. Uh, all that has to be so it is context. Context matters. Context is so much of what drives our behavior that unless we're looking at the total story that we're going to be missing out on whatever kind of advice could come from it. This could be a great client though, to have the employees raise their hand and say, we want to hire you to better understand what we should do. Having the question come from that part of the organization would be fantastic. Where else might your advice differ dramatically or slightly from what you would tell the CHR? Oh, for example. So one

[\(01:02:19\):](#)

of the things is to really to understand what are the things that are actually influencing you. So what is driving your behavior? What is driving your attitudes? And oftentimes when you're working for the organization, you don't necessarily want the employees to understand that, right? Because they're being, they just need to be motivated. They don't need to understand that, Hey, this crackpot is really the thing that's getting me to work extra five hours. But you want the employee to understand that so they can make that choice. So I was [inaudible] earlier and talking about, you know, no, get rid of the crockpot. It is a context matters. You know, for some employees that Crock-Pot might not be the right thing to motivate them. They might need to have more time off. They might need to be able to spend more time with their kid. They might need to have more money, they might need to have a number of other things and if you don't understand what it is that is actually driving you to feel like you have to stay in work, then you are at a disadvantage compared to the employer behavioral sciences, behavioral science.

[\(01:03:20\)](#):

I don't think that it should cut along political lines or institutional lines. It should be neutral and whether or not the recommendations are going to the CHR row or to the employee group. The recommendations should be the same if they're founded in behavioral science.

[\(01:03:39\)](#):

Kurt and Tim, thank you so much for letting us turn the tables on. You take captive. You're your podcast, you've been great sports and this has been just a fascinating conversation. Awesome. We want to thank you again. We want to thank of Sewell seven. We want to thank everyone for showing up tonight and we want to thank rod as an excellent moderator and of course thank Tim and Kurt for a great conversation. Thanks everybody.

[\(01:04:02\)](#):

Time for a beer.