

Homer & Spock

I had an e-mail flood in this week asking if I had stopped writing these pieces. My miserable excuse was lacking the time & space to write them over the last 6 months. Ironic when you consider the opening line of this e-mail.

I have just come off the phone from a conversation with a GP regarding a current consultancy assignment. He said (I paraphrase) "we can produce all the protocols and policies in the world, but the key is changing professional behaviour". His comment would be unremarkable if it weren't the third time I've heard it in the past couple of weeks from leaders in the service industry.

So today's subject is about helping people change their behaviour. It is drawn from a book called **Nudge**, by Thaler & Sunstein, both Distinguished Service Professors from the University of Chicago. It was all the political rage briefly on both sides of the Atlantic last summer with its new politics of Libertarian Paternalism. It's about helping people to make decisions that will improve their lives.

Choice is a good thing in a free society. Government in the UK has Choice as a watchword in public services and builds policy around it. Thaler & Sunstein argue however that the way choice is presented can have a fundamental impact on the quality of the choice.

We make decisions and choices every day. Even the absence or postponement of a decision is actually a choice. The prevaricators amongst you never knew you were so decisive, did you?

Sadly, according to Thaler & Sunstein, those choices are often wrong, simply because we are human and susceptible to various biases that can lead us to blunder. We often make bad decisions, not because we are stupid, but we are faced by open-ended choices in situations we face infrequently or maybe even just once in our lives. Like choosing a pension scheme or a mortgage. Think of the agonies your children suffer choosing a University (or deciding Higher Education is not for them).

It's not that the pension providers, the universities and the mortgage lenders won't give us information to inform our decisions. The problem is which boat to choose in a sea of open choice.

Thaler & Sunstein write about the "new science of Choice Architecture" in helping people make choices in a free society that will benefit their health and welfare long term.

The reality is that "choice architects" are all around us. They are the people who create the context in which other people make their choices. They are the guys who decide to put the impulse buys at the supermarket check-out, or the chocolate desserts before the fruit on the self-service counters in the restaurant. They probably wouldn't call themselves choice architects. They would use a label like Sales & Marketing.

The elusive question for the choice architect is how to help people make the best possible decisions. The answer, as Thaler & Sunstein see it, lies in understanding how people think and behave.

They distinguish between the Reflective System in the brain (the part that deduces and calculates), and the Automatic System (the part that reacts and feels instinctive). Think of Spock on Star Trek as the epitome of Reflective System thinking, or Homer Simpson as your Automatic Thinking champion. Thaler & Sunstein call the Spocks "Econs" and the Homers "Humans".

As most of us are busy and can't spend our lives analyzing everything, we use rules of thumb, like "no more than 25% of guests at a University dinner party can be from the economics department without spoiling the conversation". In other words even the most Spock-like of us have in-built biases that affect our Reflective System thinking. Who among us goes to the second page on Google in our product search, despite our freedom to do so? A whole industry of search-engine optimisers was born on that simple understanding of our behaviour.

Choices can also be influenced by how we communicate. In Wisconsin, for example, it was estimated that if people moved from their current prescription plan to the cheapest suitable plan that still met their needs for prescription drugs, they could save an average of \$500 a year. A random sample of plan participants received a personal letter and another random sample received generic brochures. Of those who switched plans and chose the cheapest suitable plan, the letter recipients outnumbered the brochure-recipients by 3 to 1.

Nudge is written to influence public policy makers in areas like energy conservation, health plan choice, organ donation, school choice or pension planning. The great insight for me however is that we are being nudged to make choices all the time. And as enterprise and service leaders we are also constantly nudging people to make their choices. We would do well to remember to treat them as Humans and not as Econs.

May the choices you present be well presented!

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