

Nudge Your Way to Better Results



WHEN YOU FIRST SEE THE FLIES, it's a bit unsettling. Your first reaction is that the washroom you are in is unhygienic; but you soon realize that the flies in the urinals of the men's room at Amsterdam's Schiphol Airport aren't real: They are only images etched into the porcelain. However, they are famous enough to be featured in the academic literature for both Economics and Psychology. As the *New York Times* reported, after the flies were added to the urinals, 'spillage' on the men's room floor decreased by 80 per cent.

According to *Nudge* co-author **Richard Thaler**, behavioural economist at the University of Chicago, the explanation is simple: Men like to aim at targets. Thaler says the flies are one of his favourite examples of a 'nudge' — a harmless bit of engineering that alters people's behaviour in a positive way, without actually *requiring* anyone to do anything:

To date, the most well-known nudges have been created in the context of larger social issues. For example, **Oo-power** leveraged peer influence to reduce electricity usage by showing people how their power consumption compared to their neighbours; and **Watersmart Software** did the same thing with water usage in drought-stricken California.

Other nudges aim to make a socially-desired behaviour easier: At the time of issuing a driver's license, various jurisdictions have increased participation in organ donor programs by having Department of Motor Vehicles workers ask people if they want to register as a donor. Similarly, as Prof. Thaler and others have shown, employers have increased participation in retirement savings plans by automatically enrolling people, and forcing employees to actively opt-out of the program.

Still other nudges exploit well-known cognitive biases, such as *loss aversion*. For example, at goal-setting website **stickK.com**, users set a personal goal and sign a 'commitment contract'. If they fail to meet the goal, they forfeit the money they pledged, and it is given to a friend or a charity.

Although nudges are most often used in situations that promote social welfare — organ donation, health, savings, conservation, etc. — they are a powerful tool that can help deal with seemingly-intractable business problems that bedevil a company's operations.

The burden of processing large volumes of email, for example, is a necessary evil that comes with the blessing of instant, free and easy communication. But the infuriating plague of useless 'Reply All' emails that clog inboxes is

nothing less than Satan-spawn. Telling people not to use ‘Reply All’ except when truly necessary doesn’t seem to work — even though everyone complains about those messages, and it’s clearly in everyone’s best interest to stop sending them.

Fed up with the burden of this electronic garbage and the ineffectiveness of simply asking people to think twice before hitting ‘Reply All’, the CIO of the **Nielsen Company** created a nudge by completely removing the button from the company’s Outlook toolbar. Actually, this example might be closer to a ‘shove’: A nudge probably would have moved the button to an inconvenient position on the toolbar.

While we’re on the subject of email, many people complain that it’s difficult for them to carve out uninterrupted time for cognitively-demanding work. The incessant ding of incoming emails, along with their own habit of interrupting their work to check or send emails, makes it nearly impossible to focus for long periods of time. Turning off email alerts, and setting cell phone email apps to ‘fetch’ rather than ‘push’, is an elegant nudge to keep people from responding immediately to all incoming messages.

One of my own consulting clients — frustrated by the amount of time that his team was spending on email — gave each person four poker chips for handling mail. Each chip was worth 30 minutes in Outlook; and when all the chips were spent, people weren’t allowed to go back into their email.

Elsewhere, **Massachusetts General Hospital** changed the eating habits of both customers and employees at its hospital cafeteria. Leaders in the Department of Nutrition and Food Services applied ‘traffic light labels’ — green for the healthiest items, such as fruits, vegetables, and lean sources of protein; yellow for less-healthy items; and red for those with little or no nutritional value — to all items in the main hospital cafeteria. They also rearranged the displays to put more healthful items where they were most likely to be selected (e.g., bottled water at eye level, sugar-laden drinks down below). Over the next two years, purchases of ‘green-light’ items increased 12 percent, while ‘red-light’ purchases dropped by 20 per cent; sales of sugar-sweetened drinks alone fell by 39 percent.

Most organizations bemoan the inefficiency of their meetings — they start late, they end late, and many of them



A ‘fly’ in the men’s room at Schiphol Airport in Amsterdam.

don’t even have a clear objective. Even though *Robert’s Rules of Order* has been around since 1876 (and the rules aren’t all that complicated), they’re most often observed in their breach rather than their adherence. Nudges, however, can change meeting behaviour without the need for lengthy memos or announcements. At **Google**, the time remaining in a meeting is projected in four-foot high numbers on the wall. Nothing focuses the mind like the guillotine blade of a giant countdown timer.

A former boss of mine locked the door of the meeting room at the appointed start time — though of course, as president of the company, he could get away with that. And one of my former clients took advantage of the innate human desire for patterns and consistency by putting a chart up on the wall showing whether his team’s weekly meeting started/ended on time (green dot) or was late (red dot). Once they had a string of green dots, no one wanted to be the person who broke the chain with a red dot. Another client was disappointed with his sales team’s lack of focus. They were working hard, but the leadership wanted them to invest more effort on accounts that weren’t carrying the full breadth of the product line (or the line at all). The visual board they put on the wall was an effective nudge in redirecting their sales efforts.

At Google, the time remaining in a meeting is projected in four-foot high numbers on the wall.

Nudges can also be a powerful way of creating and reinforcing the corporate culture you desire. **Grey Advertising** wants people to be innovative and to take risks—not always easy to do in a large company with layers of management. However, its quarterly Heroic Failure Award—which comes complete with a two-foot high trophy—celebrates failures of daring and audacity. The award—and the ceremony around it—is really nothing more than a nudge that reduces the emotional stakes of making an error.

For organizations committed to pursuing a lean approach, it is essential to eliminate the fear that comes with surfacing problems. And although **Toyota** doesn't use the term, the company uses nudges around social norms to create that kind of culture, as epitomized by the experience of **Mike Hoseus**, author of *Toyota Culture*. When he first joined Toyota in 1987, Mike was sent to work at a plant in Japan for a month of training. He didn't speak Japanese, and his co-workers didn't speak any English. One day on the line, he slipped with a tool and scratched the inside of a fender, in a place that no one on the production line and no customer would ever notice. Intellectually, he knew that he was supposed to report any problems to his team leader, but he was afraid to do so. No one saw the mistake, and he didn't want to tell anyone that he screwed up. Hoseus writes:

After a little hesitation, I got paranoid and pulled the *andon* [emergency stop] cord, and the team leader came over and taught me how to do it right. We got the scratch fixed, and the line went back to work. Shortly after, at a daily meeting, the floor workers gathered with their line managers to discuss any problems during the shift. After a brief huddle, [the line managers] all started patting me on the back and congratulating me, and the translator said the supervisor had said, “Thanks for admitting your mistake.”

To create a culture where people are unafraid to surface their errors, follow Toyota's example and create nudges where people actually thank the error-maker for their commitment

to good work. Nurturing a social norm that explicitly celebrates honesty and high quality will make it a lot easier to do the right thing.

The celebrated nudges in the world of Behavioural Economics are usually public sector, or large-scale initiatives aimed at improving social welfare. However, as indicated herein, with a little creativity, the principles underlying these nudges can also be used to improve performance on both the individual and the organizational level. **RM**

Daniel Markovitz is the author of *Building the Fit Organization: Six Core Principles for Making Your Company Stronger, Faster, and More Competitive* (McGraw Hill Education, 2015) and the principle of Markovitz Consulting. He has held senior positions at Adidas, CNET and Asics Tiger.