

# Behavioral Economics for Organizations

Fall 2016

MLD-310, 1820

*Jointly listed at Harvard Business and Harvard Kennedy Schools*

**Mondays, 4:15 pm – 7:00 pm**

**Aldrich 209, Harvard Business School**

## Faculty

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## Support

Faculty Assistants: **Kelsey Heroux**, [Kelsey\\_heroux@hks.harvard.edu](mailto:Kelsey_heroux@hks.harvard.edu); **Elizabeth Sweeny**, [esweeny@hbs.edu](mailto:esweeny@hbs.edu)

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## Office Hours

By appointment. Please contact [Kelsey\\_heroux@hks.harvard.edu](mailto:Kelsey_heroux@hks.harvard.edu)

## Course Aims & Objectives

This course uses insights from behavioral economics to promote organizational health. Getting and staying healthy includes preventing undesirable events from happening, detecting issues when they arise and mitigating against the consequences as they occur. To promote healthy behaviors, organizations typically rely on “soft” instruments such as awareness raising and appeals through training programs and information sharing, or “hard” instruments such as command-and-control through rules, carrots and sticks. This course argues that behavioral design or “nudges” offer a middle ground to establish healthy behaviors, often more powerful than awareness raising and less costly than shoves.

In two *design-a-thons*, we will design nudges promoting desired behaviors regarding inclusive talent management as well as ethics and compliance. The two applications represent “want-should” dilemmas, where people know what they should be doing but then do not get around to doing it. The course emphasizes evidence-based reasoning. Students will learn how to diagnose the “behavioral health” of an organization, design potential treatments for what is broken, and rigorously evaluate their impact, using big data analytics and experimentation.

# Course Format, Procedures and Policies

The course consists of four modules:

1. Introduction to Behavioral Design
2. De-biasing Talent Management (culminating with a design-a-thon)
3. Improving Compliance and Ethics (culminating with a design-a-thon)
4. Implementation: Designing Change (culminating with an op-ed)

The course will meet in 12 double-sessions, where in addition to case analyses and simulations, we will have discussions with representatives from the private and the public sector who either have developed or are using behavioral tools to de-bias talent management and/or improve ethics and compliance, run two design-a-thons where groups of students address a design problem posed by one of these organizations, and end the course with an individual op-ed on how to design behavioral change in organizations. There are no prerequisites for taking this class. Examples of participating organizations include Applied, Credit Suisse, Edge, Fidelity, KPMG, the OECD, Pymetrics, SAP, Unitive, as well as Australian, German, UK and US government units, among others.

## Grading

Final grades will be determined based on performance in the following

- |                         |       |
|-------------------------|-------|
| (1) Two Design-a-thons  | (50%) |
| (2) Individual Op-Ed    | (25%) |
| (3) Class participation | (25%) |

Grading will be based on HBS-norms and procedures (including a curve).

## Class Participation

Students are expected to come to class prepared to discuss the readings/cases, participate in simulations and have an informed exchange with our guests. The goal is to make comments that significantly advance the class discussion, so quality is more important than quantity (but some quantity is necessary for quality to be judged). The class will be run based on HBS-norms and procedures (including punctuality, no technology in class, attendance and presence during entire class, cold calling).

## Integrity

All course activities, including class meetings, the design-a-thons, homework assignments, and the op-ed are subject to HBS- and HKS academic codes and codes of conduct. If you need to miss class, please let me know as early as possible and, unless this is an emergency, plan ahead to make sure you stay in the loop.

# Course Materials and Access

## Required Readings

Typically, there is one case study and/or other short reading (typically, related to our guest/s) assigned per class. In addition, students should familiarize themselves with three books:

**By Sept. 26:** Richard H. Thaler and Cass R. Sunstein, [\*Nudge: Improving Decisions About Health, Wealth, and Happiness\*](#), Revised & Expanded edition (New York: Penguin Books, 2009). On reserve at the COOP or via Amazon.

**By Oct. 17:** Iris Bohnet, *What Works: Gender Equality by Design* (Cambridge, Massachusetts: Belknap Press, 2016). Copies will be distributed in class on Sept. 26.

**By Nov. 14:** Max H. Bazerman and Ann E. Tenbrunsel, [\*Blind Spots: Why We Fail to Do What's Right and What to Do about It\*](#), 1 edition (Princeton: Princeton University Press, 2012). On reserve at the COOP or via Amazon.

## Additional Readings

Students interested in exploring behavioral science, particularly as applied to diversity and/or ethics further, may wish to consult:

1. Dan Ariely, *Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions*, 1 Exp Rev edition (New York: Harper Perennial, 2010).
2. Dan Ariely, *The Honest Truth About Dishonesty: How We Lie to Everyone--Especially Ourselves*, Reprint edition (New York: Harper Perennial, 2013).
3. Mahzarin R. Banaji and Anthony G. Greenwald, *Blindspot: Hidden Biases of Good People*, 1 edition (New York: Delacorte Press, 2013).
4. John Beshears and Francesca Gino, "Leaders as Decision Architects," *Harvard Business Review*, May 1, 2015, <https://hbr.org/2015/05/leaders-as-decision-architects>.
5. Laszlo Bock, *Work Rules! Insights from Inside Google That Will Transform How You Live and Lead*, First edition (New York: Twelve, 2015).
6. Atul Gawande, *The Checklist Manifesto: How to Get Things Right*, Reprint edition (New York: Picador, 2011).
7. Francesca Gino, *Sidetracked: Why Our Decisions Get Derailed, and How We Can Stick to the Plan* (Boston: Harvard Business Review Press, 2013).

8. Joshua Greene, *Moral Tribes: Emotion, Reason, and the Gap Between Us and Them*, Reprint edition (Penguin Books, 2014).
9. Joshua D. Greene, "Beyond Point-and-Shoot Morality: Why Cognitive (Neuro)Science Matters for Ethics," *Ethics* 124, no. 4 (2014): 695–726. <http://search.proquest.com.ezp-prod1.hul.harvard.edu/docview/1789832662?accountid=11311>
10. Jonathan Haidt, *The Righteous Mind: Why Good People Are Divided by Politics and Religion*, Reprint edition (New York: Vintage, 2013).
11. David Halpern, *Inside the Nudge Unit: How Small Changes Can Make a Big Difference*, Reprint edition (Virgin Digital, 2015).
12. Daniel Kahneman, *Thinking, Fast and Slow*, Reprint edition (New York: Farrar, Straus and Giroux, 2013).
13. Sendhil Mullainathan and Eldar Shafir, *Scarcity: The New Science of Having Less and How It Defines Our Lives*, Reprint edition (Picador, 2014).
14. Cass R. Sunstein and Reid Hastie, *Wiser: Getting Beyond Groupthink to Make Groups Smarter* (Boston, Massachusetts: Harvard Business Review Press, 2014).
15. Cass R. Sunstein, *Simpler: The Future of Government*, Reprint edition (New York: Simon & Schuster, 2014).

# Course Schedule

## September 12, 2016

### Introduction

Preparation:

1. John S. Hammond and Marjorie Carmon Aaron, Patriot-BBT Case.

## September 19, 2016

### Diagnosis

Preparation:

1. Iris Bohnet, "Real Fixes for Workplace Bias," Wall Street Journal, March 11, 2016, sec. Life, <http://www.wsj.com/articles/real-fixes-for-workplace-bias-1457713338>.
2. <http://www.edge-cert.org/>
3. "How Artificial Intelligence Will Make You A Better Writer," Fast Company, May 5, 2016, <http://www.fastcompany.com/3059537/the-future-of-work/how-artificial-intelligence-will-make-you-a-better-writer>.

Guests: Aniela Unguresan, Co-founder and CEO, EDGE; Anka Wittenberg, Chief Diversity Officer, SAP

## September 26, 2016

### Treatment

Preparation:

1. <http://www.nextgov.com/emerging-tech/emerging-tech-blog/2015/05/inside-usajobs-revamp-and-other-highlights-digital-summit/113509/>
2. <http://www.unitive.works/>
3. [http://www.nytimes.com/2016/02/28/magazine/is-blind-hiring-the-best-hiring.html?\\_r=0](http://www.nytimes.com/2016/02/28/magazine/is-blind-hiring-the-best-hiring.html?_r=0)

Guests: Laura Mather, CEO and Founder, Unitive; and Stephanie Wade, Director, Innovation Lab at OPM (Office of Personnel Management), US Government

## October 3, 2016

### Evaluation

Preparation:

1. Nava Ashraf et al., Evaluating Microsavings Programs: Green Bank of the Philippines (A, B and C).

Guests: Kate Glazebrook, Co-founder, Applied and Head of Growth and Equality, Behavioral Insights Team; Frida Polli, CEO and Co-founder, pymetrics; and Jill O'Connell, VP Talent, Fidelity Investments

## October 17, 2016

### Design-a-Thon: De-biasing Talent Management

Students use behavioral design to de-bias talent management.

Students will receive their assignment (a talent management challenge posed by one of the participating organizations) at the beginning of class at 4:15p.m. on Oct. 17 and work in randomly created groups. **Paper due by 9p.m. on Oct. 17.**

## October 24, 2016

### Introduction to Behavioral Ethics

Preparation:

1. Peter Rea et al., "[Corporate Ethics Can't Be Reduced to Compliance](#)," Harvard Business Review, April 29, 2016

## October 31, 2016

### Treatment: Treatment

Preparation:

1. David Hoyt and Hayagreeva Rao, Institute For Healthcare Improvement: The Campaign to Save 100,000 Lives, Case No. L13.
2. Emily Anthes, "Hospital Checklists Are Meant to Save Lives — so Why Do They Often Fail?," *Nature News* 523, no. 7562 (July 30, 2015): 516. <http://ezp-prod1.hul.harvard.edu/login?url=http://dx.doi.org/10.1038/523516a?nosfx=y>

Guest: Lara Warner, Chief Compliance Officer, Credit Suisse

## November 7, 2016

### Treatment: Incentives

Preparation:

1. Nava Ashraf and Natalie Kindred, Community Health Workers in Zambia: Incentive Design and Management, 910030-PDF-ENG (2010).
2. Maria May, Joseph Rhatigan, and Richard Cash, BRAC's Tuberculosis Program: Pioneering DOTS Treatment for TB in Rural Bangladesh, GHD010-PDF-ENG (2011).

Guest: Melanie Richards, Vice Chairman, KPMG UK and Partner in Corporate Finance

## November 14, 2016

### Design-a-thon: Ethics and Compliance

Students will receive their assignment (an ethics and compliance challenge posed by one of the participating organizations) at the beginning of class at 4:15p.m. on Nov. 21 and work in randomly created groups. **Paper due by 9p.m. on Nov. 14.**

## November 21, 2016

### Uptake

Preparation:

1. Nava Ashraf, Natalie Kindred, and Richard Sedlmayr, Uptake of Malaria Rapid Diagnostic Tests, 911007-PDF-ENG (2011).

Guest: TBD

## November 28, 2016

### Execution

Preparation:

1. Nava Ashraf, Rachel Gordon, and Catherine Ross, Roll Back Malaria and BCG: The Change Initiative, Harvard Business School Case 910-023.
2. UK increase of gender diversity on corporate boards, case-in-progress

Guest: TBD

**December 5, 2016**

Promoting Change

Preparation:

1. Nava Ashraf, Neil Buddy Shah, and Rachel Gordon, Deworming Kenya: Translating Research into Action, 910001-PDF-ENG.

Guest: TBD

**Final Assignment due at the beginning of class: How to design behavior change in organizations, op-ed**