

**EC-OECD Seminar Series on Designing better
economic development policies for regions and cities**



Applying behavioural insights to organisations:

Theoretical underpinnings

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■ Background information

This paper was prepared as a background document to the OECD-European Commission Seminar on “*Behavioural insights and organisational behaviour*” held on 10 May 2017 at the OECD Headquarters in Paris, France. It sets a basis for reflection and discussion.

■ About the Seminar Series

This seminar is part of a five-part seminar series in the context of an EC-OECD project “Designing better economic development policies for regions and cities”. Other sessions in the series addressed the use of: contracts for flexibility/adaptability, performance indicators, financial instruments, and insights from behavioural science. The outcome of the seminars supports the work of the Regional Development Policy Committee and its mandate to promote the design and implementation of policies that are adapted to the relevant territorial scales or geographies, and that focus on the main factors that sustain the competitive advantages of regions and cities. The seminars also support the Directorate-General for Regional and Urban Policy (DG REGIO) of the European Commission in the preparation of the impact assessment for the post-2020 legislative proposals and to support broader discussion with stakeholders on the future direction of the delivery mechanisms of regional policy.



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Introduction

The use of behavioural science in government and policy and regulation has been gaining popularity and momentum over the last five to ten years. Applications have historically been related to individual behaviour – either individuals working within government or citizens themselves. However, there is growing interest among governments and policy institutions to utilise behavioural science to enhance organisational behavior – from government institutions themselves to external organisations that interact with and are regulated by governments. This paper explores the academic root for the behavioural science tools suited for application within the European Commission’s (EC) regional policy context, with a view to exploring the next phase of applications for behavioural science among public institutions – locally, nationally and multinationally.

There is no doubt that robust institutions are key to development. Indeed, the United Nations Sustainable Development Goal (SDG) 16 refers explicitly to “Peace, Justice and Strong Institutions.” A relevant target entails developing “effective, accountable and transparent institutions at all levels.” This includes for-profit entities as well as governmental and non-governmental institutions.

A variety of challenges face institutions supporting social and economic development. Consider the complexities outlined by Katsarova (2013), who describes the low absorption of European Union (EU) Structural Funds allocated to member states for development projects. Structural Funds programmes are designed and implemented in a “shared management” system between the Commission and the member states. This system includes partnerships with regional and local authorities. In this context, “various challenges associated with the absorption of EU Structural Funds are related to the complex system of implementation, management and control at EU, national and sub-national levels” (Katsarova, 2013: 2). Katsarova points to a “lack of proposals, weak budgetary planning and poor administrative capacity” (p.5) as key issues contributing to low absorption, highlighting institutional factors at the EU and national levels as critical considerations. Reasons for low absorption in Romania are illustrated as a case in point. Here, Katsarova operationalises poor administration capacity as a “lack of skills, poor transparency in staff recruitment and management, and high turnover rates,” noting that all of these factors contribute to the low rate of absorptions of EU funds (p.6).

A key question is: What insights from behavioural science could inform the planning, implementation and monitoring of EU Structural Funds? The multi-organisational, multi-stakeholder nature of this work environment adds complexity to the challenge at hand. Another complicating factor pertains to the different roles played by the various stakeholders/institutions involved:

- the European Commission and central governments/decision makers → **plan and ultimately decide on priorities**
- the European Commission → provides **oversight and control**
- managing authorities → provide oversight and control and **manage funds**
- member states (local governments) → are responsible for **implementation.**

Given these complexities, some of the behavioural solutions available to institutions that have greater control over their own organisational culture and incentives are not feasible. Nevertheless, a variety of principles from the behavioural sciences in general, and psychology in particular, are worth considering. Some phenomena and solutions from the behavioural sciences are directly applicable. Consideration of others can serve as a

springboard for adaptation by subject matter experts that have deep domain knowledge of the planning, implementation and monitoring of EU Structural Funds.

Can you nudge whole organisations, or just the people inside of them?

A discussion of this nature necessarily begins with the fundamental question: Can you nudge whole organisations, or just the people inside of them? When it comes to nudging behaviour, it is arguably less a matter of nudging whole organisations **versus** the people inside of them, and more a matter of nudging whole organisations **via** the people inside of them – and via the organisational policies and procedures set in place by decision makers. In his development of the attraction-selection-attrition framework explaining how organisations evolve toward psychological homogeneity, organisational scholar Benjamin Schneider stated, “The people make the place” (De Cooman et al. 2009; Schneider, Goldstein and Smith, 1995). Organisations are made up of people. By nudging the right number or types of people and/or by tweaking the right policy levers in organisations, whole organisations can change. This premise is supported by the recent development of ORGANISER, a behavioural approach to influencing organisations based on work spearheaded by the United Kingdom’s Department of Energy and Climate Change (Fell and Giorgi, 2016; Wilson and Sonderegger, 2016).

When enough people are nudged toward behavioural change, those new behaviours have the potential to become habit, switching from deliberate choices and actions otherwise known as controlled processing, to less deliberate, less effortful, more habitual actions known as automatic processing. Whether deliberate or effortful, choice or habit, when enough people in a work group or entire organisation behave in a certain way, that behaviour has the potential to become a norm. Norms are rules for expected and accepted behaviour. As humans, violating norms tends to make us uncomfortable. We are therefore likely to conform to the norms of our work group and organisation. This is especially true of cohesive groups who feel a degree of attraction to their work group. Years of research in psychology support this assertion, which is also likely supported by the reader’s own work experiences. Within an organisation, people conform to norms as seemingly trivial as dress code and where to sit during lunch breaks to more important ones such as communication styles and production rates. Thus, nudging a critical mass of people such that the “new” behaviour becomes a norm is a mechanism by which to nudge an entire organisation.

Nudging leaders is another way to nudge entire organisations. Leaders are those with influence. This includes those officially designated as leaders, as well as those with power and influence for other reasons. There are purported to be five bases of power in organisations: expert, referent, reward, coercive and legitimate (French and Raven, 1959; Hinkin and Schriesheim, 1989). Expert power arises from relevant knowledge of a subject matter: someone with a unique and important knowledge base in an organisation possesses a particular type of power that can be influential. Referent power arises from being liked and admired by others. Reward and coercive power are often possessed by people in supervisory positions. These refer to the ability to reward others with bonuses, promotions, etc. and the ability to punish others with disciplinary actions, fines, firing and the like. Finally, legitimate power is the power inherent in a boss or leader’s job title. People in organisations may possess one, some, many, all or none of these bases of power and influence.

Nudging supervisors or other powerful or influential people within an organisation can have a multiplying effect such that the behaviours exhibited and endorsed by

influential individuals have a better chance of being adopted *en masse*, nudging a whole organisation in the process. Indeed, charismatic and transformational leaders are believed to possess qualities that inspire followers to behave in desired ways in service of a larger goal. Nudging such leaders can effect large-scale behavioural change.

Of course, those in formal leadership roles toward the top of the organisational hierarchy are also in a good position to effect widespread behavioural change by altering organisational policies and procedures. Nudges that help high-level decision makers (leaders, boards, etc.) optimise organisational policy decisions in the face of their own biases and irrationalities can have an effect. Thus, helping decision makers see the connection between policies, procedures and behaviour on the ground is another way to nudge whole organisations. It has been argued that behavioural nudges should be part of policy makers' toolkits (Guszcza, 2015). This is just as true for those setting organisational policy as it is for those setting policy in other contexts, such as government.

This last point warrants special emphasis. Organisational policies and procedures affect behaviour at work by shaping who is doing the work and how they are doing it. Organisations can be strategically and intentionally nudged by using behavioural science (theories, methods) to inform those policies and procedures. Said another way, behavioural insights can help organisations develop behaviourally informed policies and procedures. Rather than hoping for human behaviour that supports the policies and procedures in place, it is a matter of creating policies and procedures that will encourage the work behaviours that support the broader mission and vision of the organisation at hand.

So, can whole organisations be nudged? The short answer is “yes.” The longer answer is “Yes, but ...” The caveat is this: in order to effect widespread organisational change, we need to incorporate and go beyond traditional nudge techniques used in behavioural economics.

In a sense, nudging entire organisations requires both a narrower and broader focus than we typically see in behavioural economics. The focus can be narrower in that it is constrained to work and organisational behaviour in particular, addressing the phenomena of greatest relevance and concern within the working context – worker and organisational well-being, work motivation, efficiency, effectiveness, productivity, and so forth. At the same time, the pursuit of organisational nudges requires a widening of the metaphorical aperture. The theoretical and methodological focus needs to encompass, incorporate and integrate traditional behavioural economics approaches with years of science that has accumulated in other relevant fields, most notably industrial and organisational psychology, the topic of the next section.

Industrial-organisational psychology

Traditionally, there has been a strong reliance on psychology in behavioural insights interventions and teams. Indeed, psychologist Daniel Kahneman, who won the 2002 Nobel Prize in Economics, is often considered the father of behavioural economics. Historically, insights from social psychology and cognitive neuroscience have been especially prominent in shaping behavioural insights theory and applications.

The neighbouring sub-discipline of industrial-organisational (I-O) psychology becomes especially relevant as we more carefully consider how to use behavioural insights to enhance organisational behaviour. I-O psychology is “the scientific study of working and the application of that science to workplace issues facing individuals, teams, and organizations. The scientific method is applied to investigate issues of critical relevance

to individuals, businesses, and society” (Society for Industrial-Organizational Psychology, www.siop.org).

As this definition shows, I-O psychology is clearly at the intersection of behavioural insights and organisational behaviour. Accordingly, I-O psychology has a notable influence in this paper. As an applied discipline that closely adheres to a scientist-practitioner model, I-O psychology draws from and contributes to a range of neighbouring sub-disciplines in psychology and business. Academics in this field are commonly housed in business schools, if not psychology departments, and publish in business, management, psychology and trade journals. Practitioners play a prominent role in government, military, non-profit and for-profit entities. Increasingly, I-O psychology is being applied directly to development goals and organisations, such as the United Nations.

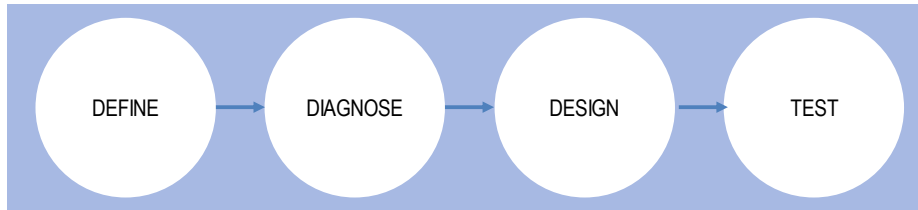
In light of its increasingly prominent role in the public and private sectors, I-O psychology has recently been ranked among the fastest growing jobs in the U.S. economy by the Bureau of Labor Statistics (Farnham, 2014). All signs suggest that it is growing in other parts of the world as well, with recent years witnessing, for example, the first Ph.D. in I-O psychology awarded within the country of Ghana (Oppong, 2013). Alternate names for I-O psychology across the world include work psychology, organisational psychology, work and organisational psychology, and business psychology. In Europe, there is an Erasmus Mundus postgraduate programme in work, organisational, and personnel psychology devoted to building expertise on this topic for an increasingly globalised socio-economic world of work.

Industrial-organisational psychologists’ methodological toolbox is vast, including a mixture of methods to answer questions about work behaviour: lab studies, field research, randomised controlled trials, quasi-experimental designs, correlational designs, validation studies, and so forth. In addition, a mixture of analytics is also used: Analysis of Variance (ANOVA), regression, multilevel modelling, factor analysis, cluster analysis and a variety of other techniques. Because of the focus on applying psychological methods and theories to real-world problems, I-O psychology expertise has been included in behavioural insights groups, including on the White House Social and Behavioural Science Team (Stillman, 2017).

Define, diagnose, design, test

One important commonality between I-O psychology and behavioural economics is the define-diagnose-design-test approach to implementing and testing behavioural nudges (Figure 1). This entails, first and foremost, carefully defining and agreeing upon the institutional problem or challenge that needs to be addressed. Defining the problem in precise, concrete behavioural terms can be difficult. It takes time, investigation beneath the surface, an objective consideration of a variety of alternatives. Consider, for example, the challenge pertaining the EU Structural Funds. Applying behavioural science to this problem requires operationalising it in behavioural terms: what behaviours do we want to see more or less of? In the context of this example, “Better administration of funds” would be a good starting point. An analysis specifying more precisely what such an objective means and looks like in the EU context would be helpful in addressing the challenge.

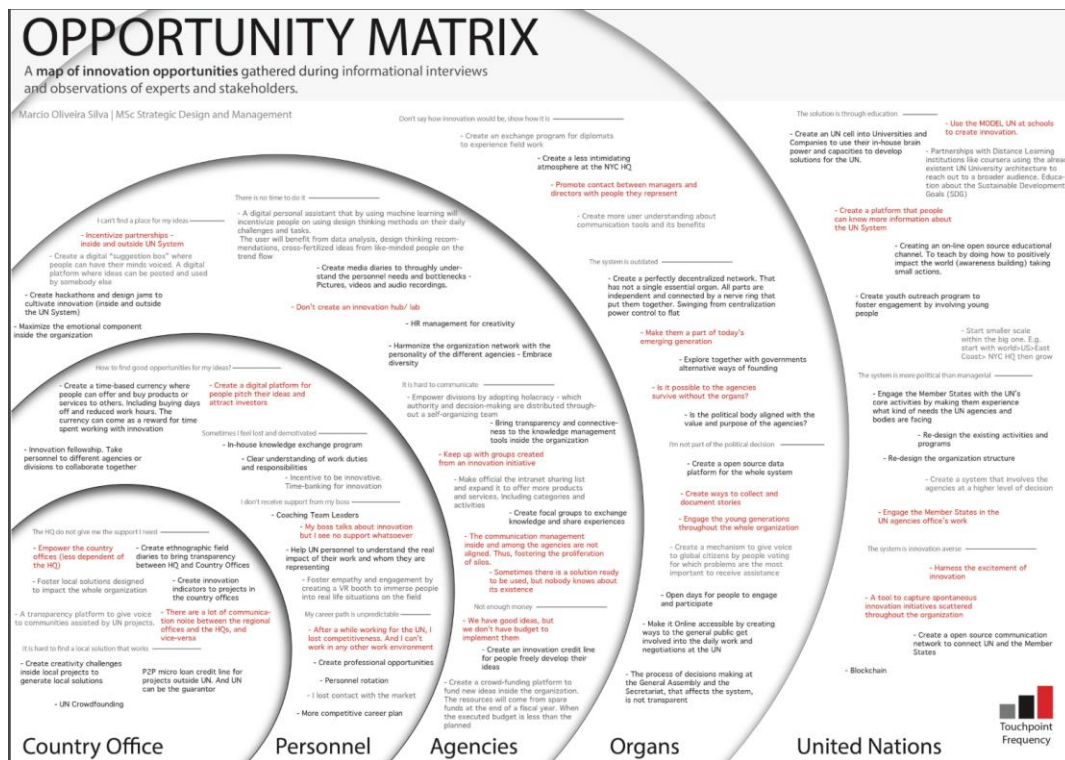
Figure 1. Stages of the behavioural design process



Source: Adapted from Datta, S. and S. Mullainathan (2014), “Behavioral design: A new approach to development policy”, <http://dx.doi.org/10.1111/roiw.12093>.

At times, behavioural scientists solicit subject matter expertise via informational interviews and observations during the problem definition phase of the process. Figure 2 illustrates the results of such a process, summarising input from experts and stakeholders working within and alongside the United Nations (Silva, 2017). In this example, participants with different perspectives (country offices, agencies, etc.) helped identify “pain points” and opportunities to strengthen innovation at the United Nations.

Figure 2. How input from relevant stakeholders can inform problem definitions



Source: Silva, M.O. (2017), “Organizational innovation: Complexities of the United Nations as an institution to innovate for development”.

The second step is to diagnose: what are the barriers or bottlenecks discouraging the desired behaviours? What aspects of the environment might be reinforcing the less desired behaviours? Each stage of the relevant actors’ decision-making process is examined here to determine what cognitive biases or other factors might thwart efficiency or effectiveness.

In an organisational context, additional questions asked at this stage may entail whether there is a skill deficit, a barrier preventing skills from being utilised on the job, role ambiguity, a communication issue, a motivational problem, or a formal or informal reward structure inadvertently reinforcing less desired behaviours. This paper elaborates on some of the factors that should be considered when diagnosing effectiveness and efficiency problems at work.

The critical incidents technique is a job analysis tool often used by industrial-organisational psychologists which can be informative during the diagnostic phase of a change initiative. Developed in the 1950s by John C. Flanagan, this well-established technique entails using a specific interview protocol to collect and document stories of effective and ineffective behaviours at work, related to superior or inferior performance (Flanagan, 1954). This technique can be applied to individual or group behaviour. Through the collection and content analysis of hundreds of “critical incidents,” the organisation can get a good picture of behavioural bottlenecks ripe for intervention. The critical incidents technique has been used to teach best practices in a variety of industries, including healthcare, counselling and customer service (Rademacher, Simpson and Marcdante, 2010).

The third step is to design an intervention to address the challenge at hand using what we know about human behaviour in a work context. There are a variety of nudge-style tools that may inspire relevant interventions at this stage, including simplification, active choice, the use of social norms and implementation intentions. See Shephard (in progress) for a list of relevant nudges and examples of how they have been used in organisational settings. In addition to nudge-style tools, there are other distinct as well as some overlapping techniques commonly employed by industrial-organisational psychologists during the intervention phase of the process, including goal setting; redesigning work; and tweaking staffing, training, performance management and reward systems.

The fourth and final step in the process is evaluation. To date, behavioural economists have relied heavily on randomised controlled trials (RCTs) to test interventions. This entails exposing a random subset of the workforce to the intervention in question and comparing their behaviour to that exhibited by their counterparts in a control group that was not exposed to the intervention. There are clear benefits to using an RCT methodology to test an intervention. Internal validity is high. Causal relationships can be conclusively determined.

It should be noted, however, that organisational phenomena do not always lend themselves to the RCT methodology. Institutions interested in using behavioural insights to effect change will restrict what they can learn and change by limiting their interventions to those that can be tested via an RCT. A bigger methodological toolbox – one that includes but is not limited to RCTs – is arguably needed when applying behavioural insights to institutions and organisations. Indeed, Kanfer and Chen conclude their 2016 review of work motivation with a discussion of the need to integrate emerging insights from various sub-disciplines, emphasising the need for researchers to expand beyond the standard, time-limited, experimental paradigm. They

...strongly encourage the use of multi-level, longitudinal field experiments, experience-sampling studies, and intervention studies to allow for the evaluation of motivational and behavioural variability as a function of time, work events, the individual’s history, and the social context of action – determinants of motivation particularly important for managing many modern organizational behaviour problem spaces, such as expatriation, work transitions, employee diversity, multi-team systems, and high-stakes work. (p.15)

Ten things psychology tells us about work and organisational behaviour

Given the relevance of psychology to the world of work, there is value in highlighting key psychological insights that can be applied to those interested in nudging organisational behaviour. While an exhaustive list of relevant psychological theories is beyond the scope of this paper, the following pages describe some of the more pertinent insights, which may directly or indirectly stimulate solutions to a variety of organisational challenges, including those experienced by the various institutions invested in the effective and efficient absorption of EU Structural Funds.

1. Rewards can motivate and backfire.

Official and unofficial reward structures are important levers to examine when considering organisational nudges. Years ago, former president of the Academy of Management, Steven Kerr, wrote one of the most widely cited articles in the management sciences, which continues to be discussed and reprinted today given its relevance to modern organisational challenges. It is titled, “On the folly of rewarding A, while hoping for B” (Kerr, 1995).

To motivate behaviour in the desired direction, reward structures need to be aligned with organisational objectives. Kerr provides examples from politics, medicine, the military, universities, sports, government and business in which the types of behaviour rewarded are those we wish to discourage, while the desired behaviour is not being rewarded at all. For instance, he comments on governments’ distribution of funding, where the allocation of next year’s budget is often a direct function of this year’s expenditures. While the government likely hopes for economy and prudence in spending, it is rewarding just the opposite.

Kerr describes additional examples as well. He comments on the folly of rewarding individual effort when we hope for teamwork. This likely applies across institutions as well as it does within institutions. If success hinges on effective communication and collaboration across institutions but the workers in the institutions in question are responding to their own individual reward structures, effective collaboration is relatively unlikely. Another example from management relates to the leader who wishes to encourage employees to set challenging “stretch” objectives yet evaluates and promotes people on the basis of whether they have “made the numbers” and achieved goals. Such a reward structure encourages people to aim low.

It is not difficult to conceive of examples outside of government as well. For instance, imagine a university or scientific “think tank” hoping scientists will produce innovative research and development. Typically, researchers’ protocols need to be submitted and approved by an institutional review board before the research can begin. Institutional review boards that are overly concerned with staying out of legal trouble or avoiding “attacks” from external stakeholders concerned with unprecedented research protocols will tend to be risk-averse, rejecting innovative protocols in favour of the *status quo*, or requiring modifications that not only create administrative roadblocks, but would also render the research far less innovative than it could have been. Legal concerns and fear of external stakeholders may also lead to multiple audits or reporting requirements throughout the research process, which can slow down progress and distract the researchers from innovation. Thus, while the institution is hoping for innovation, it is rewarding safe, *status quo* projects and time spent fulfilling reporting requirements.

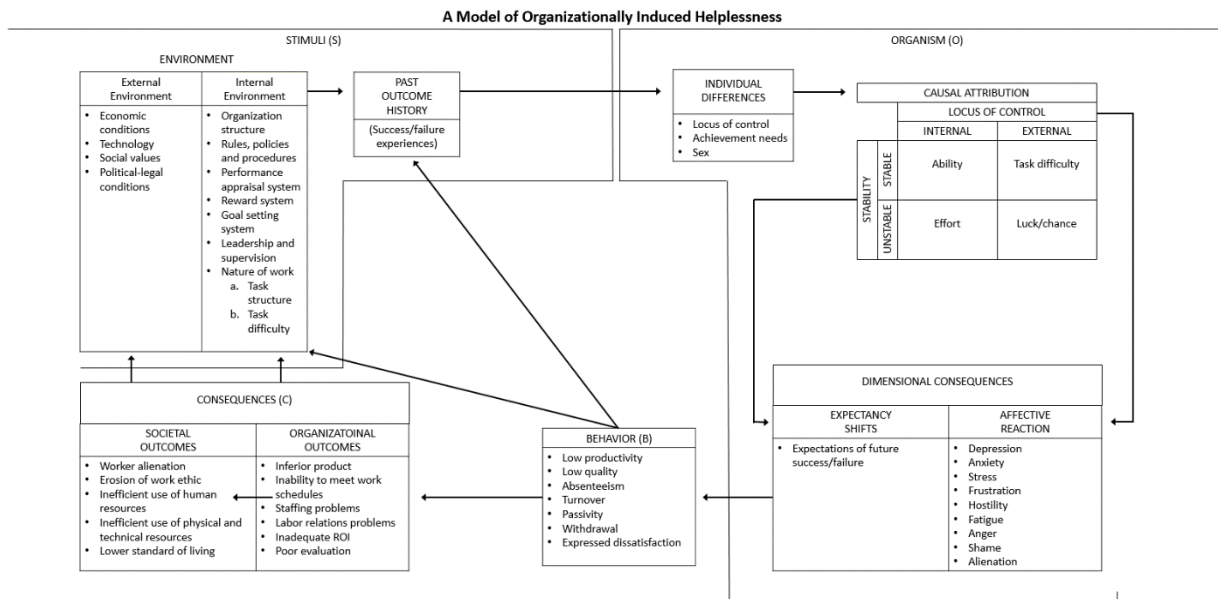
Kerr (1995) points out several causes of the inconsistency between what is hoped for and what is rewarded, including a fascination with “objective” criteria and an overemphasis on highly visible behaviours. Organisations need criteria by which to judge success, measure and reward performance. Often, this leads to countable metrics (money spent, time spent, forms completed, etc.) that are contaminated by factors outside of the worker’s or project manager’s control and/or deficient in that they are not tapping into important components of effectiveness and work quality. This is often coupled with an undue emphasis on highly visible behaviours. Team building and creativity are examples of behaviours which may not be rewarded because they are difficult to observe and measure, even though they are important.

At a more micro (psychological, behavioural) level of analysis, we can consider how people will respond when organisational reward structures punish hoped-for behaviours. Learned helplessness is a behavioural insight that likely plays a role. Years of research in psychology demonstrate that people are susceptible to learned helplessness: we become passive or stop trying after repeated punishments or failed attempts at a task. Unfortunately, this passivity persists even after the environment changes in a way that would make success possible with further attempts. Organisational scholars have long recognised that this phenomenon occurs in our work lives just as it does in our personal lives. Figure 3, for example, shows Martinko and Garnder’s (1982) conceptualisation of organisationally induced helplessness, demonstrating how rigid organisational policies and structures, coupled with a perceived lack of control, results in passive, maladaptive behaviour in organisations. A study published recently in the *Journal of Organizational Behaviour* demonstrates that this is neither an exclusively western phenomenon, nor a phenomenon of days gone by. The article, entitled “Tired of innovations? Learned helplessness and fatigue in the context of continuous streams of innovation implementation”, is based on data from 84 managers and 397 employees of Chinese and Korean organisations. Results demonstrate how employee behaviour toward future innovation is shaped by perceptions of helplessness and fatigue resulting from previous unsuccessful innovation attempts (Chung, Choi and Du, 2017).

In the context of the preceding institutional review board example, learned helplessness can set in at several levels. First, it may affect the researcher whose innovative ideas are repeatedly denied or punished through additional paperwork requirements, revisions, justifications or reporting requirements. Second, it may affect institutional review board decision makers who themselves have been punished for supporting innovative ideas, either through legal action, threats thereof, unwanted attention from external stakeholders or heightened workload (justifications, reporting requirements). As new employees come on board, this “It can’t be done” mindset is likely to be transmitted via the organisation’s socialisation process. Denying innovative proposals is thus likely to become part of the norm to which workers conform.

There is no single, simple solution to this problem. As Figure 3 suggests, work behaviour does not “exist in a vacuum,” so to speak, but is influenced by a variety of factors interacting in concert. Nevertheless, with a diagnosis in place, we can begin to use behavioural insights to address the problem. The first part of the solution is ensuring that organisational policies and procedures allow for, encourage and reward innovation at varying levels – and revising policies if necessary. In the parlance of Kerr (1995), the organisation(s) hoping for B need to make sure B is being rewarded. This may require helping decision makers balance risk with innovation, and understand the behavioural consequences of going too far in either direction. See Shephard (in progress) for a discussion of using behavioural insights to support decision makers in balancing risk and innovation.

Figure 3. A model of organisationally induced helplessness



Source: Reprinted from Martinko, M.J. and W.L. Gardner (1982), “Learned helplessness: An alternative explanation for performance deficits”, www.jstor.org/stable/257297.

Notably, revised policies alone may not be enough. If learned helplessness has set in, freeing constraints will not change behaviour. Here, it is worth pointing out the motivating influence of self-efficacy and “meaning” in our work. Assuming organisational policies that allow for creativity and innovation are in place, self-efficacy inducing interventions (training, exercises, etc.) may increase confidence in the prospect of carrying out innovation. A transformational leader who helps workers see the meaning in their work can also help. For example, institutional review board employees may be more receptive to an additional workload or reporting requirements triggered by truly innovative ideas if they feel they are contributing to the cause – that is, if they see the connection between these more mundane work-related actions and the more inspirational end goal that the innovation is designed to achieve. Shephard’s (in progress) discussion of leader-member exchange addresses how leaders can help nudge staff behaviour in this way.

In summary, many times there is an inconsistency between what is hoped for and what is rewarded. Organisations often nudge the workforce in unintended directions via their informal or formal reward structures. Effective solutions to this problem require attention to organisational policies as well as more micro-level psychological consequences of rewards and punishments.

How might these behavioural insights be applied to improve absorption of EU Structural Funds? Perhaps they suggest a need to conform that the individuals and entities involved are not being inadvertently rewarded for behaviour that is at odds with the broader goals of absorption and development. This applies to both intra-institutional and inter-institutional reward structures. Should changes be needed, do leaders feel empowered to make them, or will a sense of learned helplessness prevent them from even trying? Should changes be implemented, there is likely value in interventions addressing the psychological factors that prevent (learned helplessness) and facilitate (self-efficacy, transformational

leadership, leader-member exchange) behavioural change as intra-institutional and inter-institutional modifications take place.

2. *There is more to work motivation than monetary rewards and incentives.*

“It is a central theme of economics that incentives promote effort and performance, and there is a lot of evidence that they often do (e.g. Gibbons [1997]; Lazear [2000]). In other words, contingent rewards serve as “positive reinforcers” for the desired behaviour. In psychology, their effect is much more controversial” (Benabou and Tirole, 2003: 489). Over the last decade or two, economists and psychologists have begun to develop a more common understanding of work motivation. A 2003 article in the *Review of Economics Studies*, for example, asserts that rewards may be only weak reinforcers in the short term and may have hidden costs, becoming negative reinforcers once they are withdrawn (Benabou and Tirole, 2003). A classic explanation has to do with the “overjustification effect”, whereby extrinsic incentives and rewards cause workers to conceptualise their motivation to perform a task in external terms (e.g. for a bonus) rather than seeing the task as intrinsically worthwhile. The result is a so-called “crowding out” of intrinsic motivation by external rewards (Gubler, Larkin and Pierce, 2016).

Self-determination theory is a macro theory of human motivation that evolved from research on intrinsic and extrinsic motivations and has been expanded to account for work behaviour. In their 2017 review of self-determination theory in the *Annual Review of Organizational Psychology and Organizational Behaviour*, Deci, Olafsen and Ryan elaborate on the theory, focusing on the distinction between autonomous and controlled motivation, and postulating that all employees have three basic psychological needs: autonomy, competence and relatedness (i.e. relationships with other people). Autonomous motivation and high performance result from work environments that satisfy these three needs. Therefore, one component of the diagnostic phase of determining how best to nudge an organisation entails considering the degree to which these needs are being met on the job. Their absence renders an organisation increasingly reliant on external rewards, with motivational effects that are often unsustainable.

Dan Ariely and Adam Grant are two contemporary psychologists whose work has effectively spanned the behavioural economics and organisational psychology domains. As Ariely asserts, “When we think about labour, we usually think about motivation and payment as the same thing, but the reality is that we should probably add all kinds of things to it: meaning, creation, challenges, ownership, identity, pride, etc.” (Gross, 2015: 1-2). Box 1 describes five studies conducted by Ariely and Grant which support this assertion.

The results and conclusions of experiments such as those conducted by Ariely and Grant are consistent with theories linking job characteristics to work outcomes such as motivation and performance through psychological states such as the experience of meaningfulness at work. Hackman and Oldham’s (1976) job characteristics model specifies the precise nature of these relationships. As shown in Figure 4, the job characteristics model asserts that high internal work motivation, effective performance and other desirable work outcomes such as high satisfaction, low absenteeism and low turnover will result to the extent that workers experience three critical psychological states: 1) meaningfulness of work; 2) responsibility for the outcomes of work; and 3) knowledge of the actual results of work activities.

**Box 2. What motivates us at work? More than money:
Example research studies by Dan Ariely and Adam Grant**

Seeing the fruits of our labour may make us more productive.

The study: “In man’s search for meaning: The case of Legos”, Ariely asked participants to build characters from Lego’s Bionicles series. In both conditions, participants were paid decreasing amounts for each subsequent Bionicle: USD 3 for the first one, USD 2.70 for the next one, and so on. But while one group’s creations were stored under the table, to be disassembled at the end of the experiment, the other group’s Bionicles were disassembled as soon as they’d been built. “This was an endless cycle of them building and we destroying in front of their eyes,” Ariely says.

The results: The first group made 11 Bionicles, on average, while the second group made only 7 before they quit.

The upshot: Even though there wasn’t huge meaning at stake, and even though the first group knew their work would be destroyed at the end of the experiment, seeing the results of their labour for even a short time was enough to dramatically improve performance.

The less appreciated we feel our work is, the more money we want to do it.

The study: Ariely gave study participants – students at MIT – a piece of paper filled with random letters, and asked them to find pairs of identical letters. In each round they were offered less money than in the previous round. People in the first group wrote their names on their sheets and handed them to the experimenter, who looked it over and said “Uh huh” before putting it in a pile. People in the second group did not write down their names, and the experimenter put their sheets in a pile without looking at them. People in the third group had their work shredded immediately upon completion.

The results: People whose work was shredded needed twice as much money as those whose work was acknowledged in order to keep doing the task. People in the second group, whose work was saved but ignored, needed almost as much money as those whose work was shredded.

The upshot: “Ignoring the performance of people is almost as bad as shredding their effort before their eyes,” Ariely says. “The good news is that adding motivation doesn’t seem to be so difficult. The bad news is that eliminating motivation seems to be incredibly easy, and if we don’t think about it carefully, we might overdo it.”

The harder a project is, the prouder we feel of it.

The study: In another study, Ariely gave origami novices paper and instructions to build a (pretty ugly) form. Those who did the origami project, as well as bystanders, were asked at the end how much they would pay for the product. In a second trial, Ariely hid the instructions from some participants, resulting in a harder process – and an uglier product.

The results: In the first experiment, the builders paid five times as much as those who just evaluated the product. In the second experiment, the lack of instructions exaggerated this difference: builders valued the ugly-but-difficult products even more than the easier, prettier ones, while observers valued them even less.

The upshot: Our valuation of our own work is directly tied to the effort we have expended. (Plus, we erroneously think that other people will ascribe the same value to our own work as we do.)

**Box 1. What motivates us at work? More than money:
Example research studies by Dan Ariely and Adam Grant (continued)**

Knowing that our work helps others may increase our unconscious motivation.

The study: As described in a recent *New York Times Magazine* profile, psychologist Adam Grant led a study at a University of Michigan fundraising call centre in which students who had benefited from the centre’s scholarship fundraising efforts spoke to the callers for ten minutes.

The results: A month later, the callers were spending 142% more time on the phone than before, and revenues had increased by 171%, according to the Times. But the callers denied the scholarship students’ visit had impacted them.

The upshot: “It was almost as if the good feelings had bypassed the callers’ conscious cognitive processes and gone straight to a more subconscious source of motivation,” the Times reports. “They were more driven to succeed, even if they could not pinpoint the trigger for that drive.”

The promise of helping others makes us more likely to follow rules.

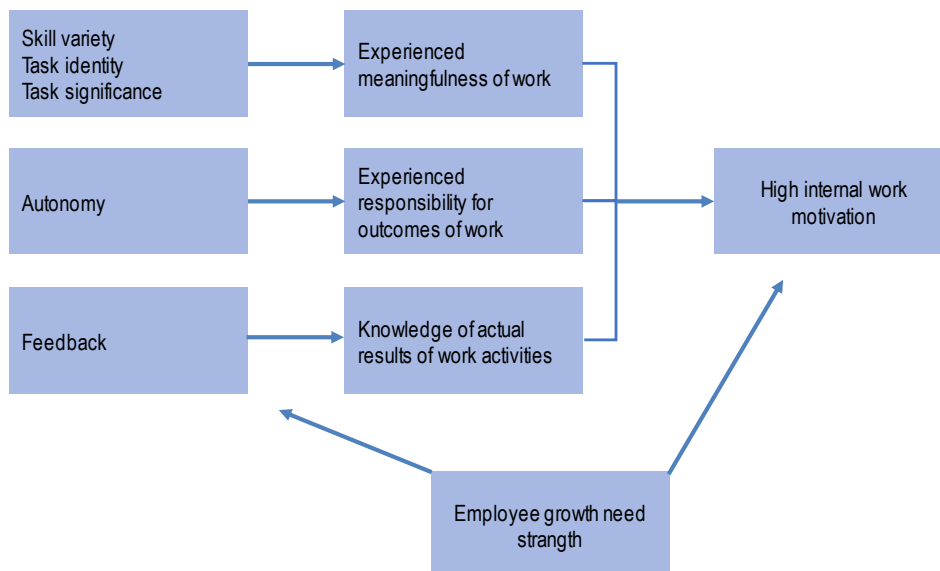
The study: Grant ran another study (also described in the Times profile) in which he put up signs at a hospital’s hand-washing stations, reading either “Hand hygiene prevents you from catching diseases” or “Hand hygiene prevents patients from catching diseases.”

The results: Doctors and nurses used 45% more soap or hand sanitizer in the stations with signs that mentioned patients.

The upshot: Helping others through what is called “prosocial behaviour” motivates us.

Source: Excerpts from Gross, J. (2015), “What motivates us at work? More than money”, <http://ideas.ted.com/what-motivates-us-at-work-7-fascinating-studies-that-give-insights>.

Figure 4. **Job characteristics model**



Source: Hackman, J.R. and G.R. Oldham (1976), “Motivation through the design of work: Test of a theory”, [https://doi.org/10.1016/0030-5073\(76\)90016-7](https://doi.org/10.1016/0030-5073(76)90016-7).

The question, then, becomes: under what conditions will workers experience these desirable psychological states? The model posits that people working in jobs characterised by five core dimensions are most likely to experience the psychological states leading to high motivation and performance. Those five core job characteristics are: 1) skill variety, or the number of different abilities or skills needed to perform the work; 2) task identity, which is the degree to which a job requires completion of an entire function versus just a narrow piece of the larger whole; 3) task significance, which is the degree to which the job impacts others within or outside of the organisation; 4) autonomy, or freedom to choose how to schedule and carry out the work; and 5) feedback, or the degree to which the job itself offers information about the effectiveness of performance.

Consistent with findings from Ariely and Grant, designing or redesigning work to incorporate these five core job characteristics is expected to increase motivation and performance – assuming the person performing the work is reasonably high in “growth need strength” – that is, the desire for personal growth on the job. The model (as well as Ariely and Grant’s research findings) is (are) less likely to hold true for workers with lower growth need strength, highlighting the fact that one size does not necessarily fit all when it comes to motivating or judging high performance. One practical aspect of the job characteristics model is that it has generated a tool (the Job Diagnostic Survey) to help quantify the motivating potential of any given job based on the five core job characteristics. This tool also includes a series of questions measuring workers’ growth needs strength.

“Physician report cards have been found to promote patient safety because they prompt physicians to compare their professional conduct to that of their peers and trigger such internal noneconomic rewards as professional pride and the pleasure of helping others” notes Guszczka (2015: 70) upon summarising a 2014 study carried out by health economist Jonathan Kolstad at the Wharton School of Business. Though economists and psychologists sometimes phrase things a little differently, they are often focusing on the same concepts: this workplace intervention in the health sector arguably works by heightening perceptions of “task significance” and “feedback,” in the parlance of the job characteristics model.

At minimum, psychological theories pertaining to intrinsic motivation such as those described above can be helpful in organising when and why different nudge tactics used by behavioural economists work. Better yet, such theories can prompt ideas for new nudges to be tested. “There is nothing so practical as a good theory,” Kurt Lewin (1951) has famously stated. Theories such as those described above and elsewhere in this paper can be useful during both the diagnosis and design phases of an organisational nudge initiative.

This leads to the question: how might the preceding theories be applied to improve the absorption of EU Structural Funds? Perhaps the initial, broad question to ask during the diagnostic phase of inquiry is whether intra-institutional or inter-institutional barriers are stifling or fostering intrinsic motivation. Traditional application of job characteristics theory entails redesigning (i.e. enriching) jobs to make them more motivating, thereby improving performance. These traditional applications are of limited utility in a complex environment such as the EU, in which there is limited control over job design and incentives. Nevertheless, the middle section of the job characteristics model is worth reflecting on. To what degree might policies governing the planning, implementation and monitoring of EU Structural Funds be facilitating or thwarting the experience of the three critical psychological states? For example, are those implementing the projects allowed sufficient autonomy to organise the work in a way that makes sense in their context? Are

communications in place to ensure workers know throughout the process whether or not they are performing well and meeting expectations? Do those working on a project see the connection between what they are doing and the broader objective (task significance)? Some of these issues may need to be addressed at the unit or workgroup level by a leader, but others could possibly be addressed through a larger scale intervention.

3. Goal setting is an important motivational tool.

Goal-setting theory (Locke and Latham, 1990) has perhaps been the most useful theory of motivation for I-O psychologists (Spector, 2012). This theory has been widely used in organisations and well-supported by research. The theory holds that not all goals are equally motivating. In order for goals to improve job performance, four factors must be present. The goals must be: challenging; specific; accepted by the worker; and accompanied by feedback on progress toward the goals (Lock and Henne, 1986). Goal acceptance and buy-in by workers can be achieved by allowing workers some voice in the goal-setting process, by tailoring goals to workers' needs and interests, and/or by an effective leader who inspires goal acceptance.

At a basic psychological level, goal setting is believed to exert its motivating effects through a discrepancy reduction process whereby workers seek to reduce undesirable goal-performance discrepancies in order to receive a positive self-evaluation (Nicklin and Williams, 2011). Goal-setting theory overlaps with and is supported by techniques familiar to behavioural economists, such as commitment devices and implementation intentions, described in Shephard (in progress). Such techniques can help bolster both goal specificity and buy-in via active engagement in the process of translating goals into concrete action steps.

A fundamental decision in any organisation is the extent to which goals should be set at the individual, subgroup, unit or organisational level. The success of team competitions at work suggest that group goals can indeed work, as competitions themselves are often goal-setting interventions even if not labelled as such. For example, the example from South Africa described in the 2017 OECD report *Behavioural Insights and Public Policy: Lessons from Around the World* showed the effectiveness of setting team-based health-related goals (e.g. weight loss) among government co-workers. Interestingly, this intervention included timely feedback via pedometers which showed the number of steps each team took, presumably on a daily basis. Though social loafing in such a context is possible, it is less likely to occur if the motivational elements of goal setting are in place (e.g. goal acceptance, feedback, etc.). “Few individuals will want to be the one who ruins the performance of their team,” reasons Guszczka (2015: 75) after describing a hospital intervention designed to increase handwashing among healthcare workers. Using an electronic soap dispenser equipped with a computer chip that records how often members of different hospital wards wash their hands, the intervention compared each ward's actual handwashing to standards (i.e. goal) set by the World Health Organization.

The research evidence in favour of goal-setting theory leads to questions about whether goals could be better incorporated to address the low absorption of EU Structural Funds. Initial considerations include what behaviours to target, how to ensure the four elements required for goals to be effective – including goal acceptance and timely feedback – and at what level (individual, subgroup, etc.) the goal should be set.

4. Performance management requires good feedback, which necessitates good data.

As suggested on the preceding pages, timely feedback is critical to performance management. There are several behavioural barriers to high-quality feedback that can be overcome if understood. These barriers are both cognitive and social in nature. Cognitive barriers refer to the fact that heuristics and other shortcomings in our ability to take in, process and recall information limit the accuracy of our assessments when judging others' performance. The halo (or horns) effect occurs when raters' perceptions of various aspects of performance are unduly influenced by their positive (or negative) perception of one aspect of performance: raters or judges place too much weight on one aspect of performance and allow it to shape how they view performance quality overall, and on other dimensions. The confirmation bias is the very human tendency to seek out and remember information that confirms a previously held hypothesis or hunch. This causes our theories of other people's performance to shape how we notice, remember and judge their performance quality later on. The recency effect is our tendency to place greater weight on recent behaviour when judging someone else's performance. These are a few examples of the very human limitations in the way we process information, which can stifle accurate performance assessments needed for high-quality feedback and performance management.

Shephard (in progress) provides examples of how behavioural insights can be applied to help overcome these barriers and improve accuracy. Recent advances in computing, including "the Internet of Things", creates new opportunities to track certain performance metrics digitally. Of course, doing so requires attention to the circumstances under which such tracking does and does not threaten workers' sense of autonomy and control, as research tells us that motivation and performance can suffer when such needs are threatened. As discussed later, electronic performance monitoring using real-time data may also require solutions from data science, including data visualisation techniques, to help decision makers make sense of the large volume of data that can be produced.

Regardless of whether performance judgments are based on cognitive retrieval, electronic performance monitoring or some combination thereof, high-quality performance data are just part of the challenge. The other part is communicating feedback to the workforce. To be maximally useful, feedback should be frequent, constructive, specific and behavioural in nature, helping the workforce see precisely what types of actions should be discontinued, continued or increased.

One barrier to the delivery of effective performance feedback is the present bias, well-known to behavioural economists. The benefits of providing performance feedback (and developing others, more generally) are seldom immediately realised. Managers taking the time out of their busy schedules to provide feedback rarely see improvements right away, as behavioural change takes time and effort. Couple that with the fact that delivering feedback is often socially uncomfortable for all involved, and the present bias sets in: people will tend to favour gains (more time, interpersonal harmony) now, preferring them to larger pay-offs in the future (better-performing employees). Understanding this barrier to feedback delivery and performance management is important to addressing it.

Questions to ask in the context of EU Structural Funds is whether, when, how, and how often individuals and entities are given feedback on their performance. If improvements are in order, interventions should be designed to help overcome both the cognitive and social/interpersonal barriers that can stifle high-quality feedback within and across institutions.

5. Not every performance problem is a motivational problem.

The most highly motivated workforce in the world will fail to produce results if it does not have the skills needed for the job. Katsarova's diagnosis of the reasons for low absorption of EU Structural Funds in Romania is worth re-emphasising. Poor administrative capacity was blamed in part on a lack of skills.

I-O psychology has a long history of developing and testing interventions to ensure fit between the knowledge, skills, abilities and other characteristics (KSAOs) required of a work assignment and the KSAOs possessed by the staff tasked with completing the assignment. These interventions typically entail tweaks to the organisational hiring process, training or both.

Either way, the solution commonly entails job analysis early in the process. This approach was recently highlighted by Google in its analysis of best practice case studies describing "real stories of organizations using data to make work better".¹ The case study in question describes performance problems among JetBlue's call centre employees. The method used to address this problem included a job analysis which required participation from subject matter experts at the organisation, and which resulted in a delineation of KSAOs important for the job, sorted into those needed at the point of hire versus those that could be learned through training. JetBlue then developed and tested the introduction of a simulation to screen applicants on the KSAOs needed at the point of hire, which led to positive results; for example, training failure-based attrition fell by 75% and overall training attrition fell by 25%.

In some organisational contexts, training is a more appropriate point of intervention than hiring to ensure workers have the requisite knowledge and skills. A model for successful employee training programmes includes five steps: 1) assess training needs at the organisational, task and person levels; 2) establish training objectives; 3) develop and test training materials; 4) implement the training programme; and 5) evaluate the training programme often using an experimental or quasi-experimental design that compares the performance of workers who have and have not undergone the training programme. Measuring actual job performance after training is important, as it is possible for skills adequately mastered in training to fail to transfer to the work setting for a variety of reasons unrelated to skill acquisition but instead related to the worker and the work environment (Baldwin and Ford, 1988).

Interventions such as job analysis, hiring and training may admittedly be outside of the control of the complex network of entities involved in the planning, implementation and monitoring of EU Structural Funds. However, there is value in thinking through what KSAOs are needed for sufficient administrative capacity to be achieved, and whether additional policies or supports can be put into place to help assure those KSAOs.

A recent case study from South Africa is worth highlighting, as it demonstrates applications of I-O psychology in general and job analysis in particular to large-scale national development projects. As part of the country's long-term national infrastructure plan established in 2012, South Africa identified 18 major technology and infrastructure projects, known as strategic integrated projects (SIPs) that would be prioritised in the days and years to come. The 18 SIPs include projects spanning a wide range of economic sectors and all nine provinces of the country. Efforts to skill South Africans for and through SIPs begged the question: what KSAOs are needed to accomplish these projects?

1. <https://rework.withgoogle.com/case-studies>.

Experts in South Africa carefully identified the occupations needed to accomplish the SIPs, using South Africa's Organising Framework for Occupations. From there, two individuals with I-O psychology expertise were enlisted to conduct a proof-of-concept study to identify the KSAOs needed within and across the SIPs – information that can help drive future education and training curricula (Gloss and Foster, 2014). This was accomplished via a crosswalk between South Africa's Organising Framework for Occupations and the United States' Occupational Information Network (O*NET) – a large database providing job analysis data on more than 900 occupations in the United States. I-O psychologists were involved in the conceptualisation of O*NET and continue to be involved in populating it, as each occupation is described in detail by hundreds of data points generated by job incumbents, subject matter experts and job analysts. In the end, a detailed picture of the KSAOs needed to accomplish the 18 SIPs was provided. A limitation of this study was that it relied on US data (KSAOs) instead of job analysis data from South Africa.

In the European context, it would be interesting to see if a similar study or methodology could be applied using the European Commission's ESCO system (<https://ec.europa.eu/esco/portal/home>), which was modelled in part off of O*NET (Cedefop, 2013). A possible future direction worth exploring is how ESCO might be able to provide information about the KSAOs needed for projects supported by EU Structural Funds.

6. A positive work cycle can be strategically created by aligning individual and organisational goals.

An overarching message pervading many traditional behavioural insights interventions is this: desired decisions and behaviours are much more likely when programmes and policies are set up in a way that is consistent with people's self-interests. Getting people to persistently act against their own near-term interests is difficult to do. This principle is every bit as true at work as it is outside of work. Accordingly, strategically designing work environments and jobs in ways that align individual and organisational goals has the potential to create win-win situations whereby individual and organisational growth occur in tandem, and work motivation is sustained over time.

In 2014, the United Nations Istanbul International Center for the Private Sector in Development enlisted a multicultural team of I-O psychologists to provide input on how principles from the psychology of work could inform the role of the private sector in inclusive development. The resulting model was a positive work cycle, shown in Figure 5, and presented in the culminating meeting in Istanbul attended by UN officials and Nobel Prize winning economist Joseph Stiglitz in late 2014.

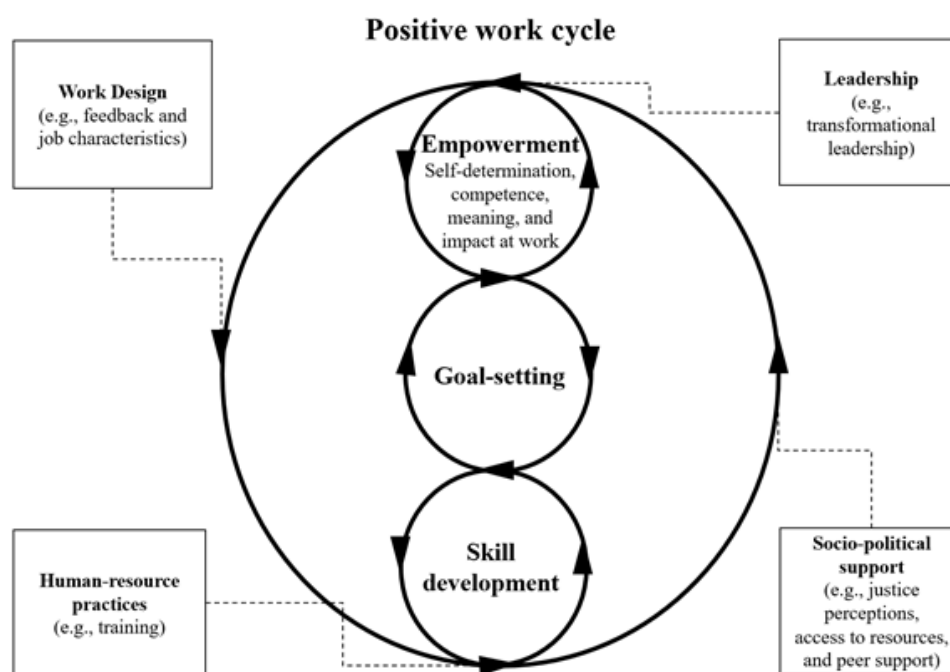
As shown in Figure 5, the positive work cycle requires attention not only to individual workers' goals, but also to job design, leadership, human resource practices and the socio-political context in which the work occurs (Bhawuk et al., 2014). It brings together many of the concepts discussed on the preceding pages and illustrates their reciprocal relationship with each other and the broader environment in which work occurs. Bhawuk et al.'s (2014) scholarships highlight:

... that poverty can be reduced, or perpetuated and worsened, through cycles of behaviour in the workplace which are greatly influenced by organizational and societal context. In particular, [the authors] highlight a “positive work cycle” that can lead to both greater productivity and well-being. At the heart of this cycle is the setting of challenging and specific goals and the realization that people are

powerfully motivated by the need to fulfil certain fundamental psychological needs. When this positive cycle is broken or reverses due to poor working conditions or unfair working arrangements, or when it does not start due to unemployment, people can be further disempowered, their skills can atrophy, and ultimately, they are likely to remain trapped in poverty. When this cycle is in operation, people are empowered to shape their own destinies and the destinies of their communities and nations. (Bhawuk et al., 2014: 64)

An open question is how and whether the positive work cycle may be useful to help understand the skill deficits pointed out by Katsarova (2013) and to diagnose “pain points” and behavioural levers relevant to the absorption of EU Structural Funds amid the complex system of implementation, management and control at the EU, national and subnational levels.

Figure 5. The positive work cycle



Source: Bhawuk, D.P.S. et al. (2014), “Poverty reduction through positive work cycles: Exploring the role of information about work, culture and diversity, and organizational justice”, www.undp.org/content/dam/istanbul/docs/2014_Barriers_to_and_Prospects_for_Poverty_Reduction.pdf.

7. Data drives better decisions at work. Data science can help.

Data science and behavioural science can and need to work more closely together to maximise the potential to nudge organisations through behavioural insights. This has started to happen, but the full potential of this integration has yet to be realised.

Psychologist Michal Kosinski recently testified before the United States Equal Employment Opportunity Commission on the implications of “big data” for equal employment opportunity (Kosinski, 2016). In his testimony, Kosinski describes how, if used properly, advances in data science can be used to identify talent and improve person-job fit. Big data can be used for other purposes as well. James Guszcza’s 2015 article describes a variety of ways in which data science and behavioural science can work

together to solve the last-mile problem. As Guszczka (2015) points out, “much of what we call ‘big data’ is in fact *behavioral data*” (p.73).

Recall the define-diagnose-design-test framework for behavioural nudges shown in Figure 1. Big data has the potential to facilitate multiple points in this process. First, as problem sets are being defined, techniques from data science can provide a clearer picture of the organisational “state of play”. By identifying behavioural patterns revealed in big data, organisations will be able to identify areas at risk for poor performance. In the context of EU Structural Funds, this could include early indicators that a project is lagging behind schedule or otherwise off track. This could allow for more laser-like, strategically aimed nudges in areas most in need of attention.

Big data can facilitate the design of behavioural interventions in at least two ways. First, it can enable the application of “smart nudges” that are tailored to the individual or population in question. Rather than using a “one-size-fits-all” approach, the presentation or nature of the nudge could be adapted based on the needs, strengths, motivations and shortcomings of the worker, unit or project in question. Second, we have seen that performance feedback is an intervention in and of itself. If organised and presented in a way that makes sense to end users, big data can be an important source of feedback for individual workers as well as organisational decision makers. Early forays into this territory were described earlier – for example, providing people with immediate feedback on their work group’s exercise or handwashing behaviours.

Finally, it should be noted that big data can serve as important criteria when evaluating behavioural interventions. At present, obtaining the data needed to evaluate behavioural interventions can be very challenging, as many behaviours are not readily observed or measured, and organisations do not always have the resources to track employee behaviours in a way that is useful to behavioural scientists. With digital metrics in place, the behavioural scientist may obtain a detailed picture of moment-to-moment work outcomes of interest.

Of course, big data also implies electronic monitoring of sorts. As suggested earlier, implementation of such monitoring needs to be balanced with concerns over privacy and the potential loss of autonomy or control perceived by workers who are tracked. The social facilitation effect well-known to psychologists suggests that our performance of difficult tasks deteriorates in the presence of others. Research should examine whether and under what conditions electronic performance monitoring produces similar effects, and investigate ways to ensure big data are collected in a non-threatening, non-invasive way.

8. Collective impact requires effective partnerships and communication across organisations.

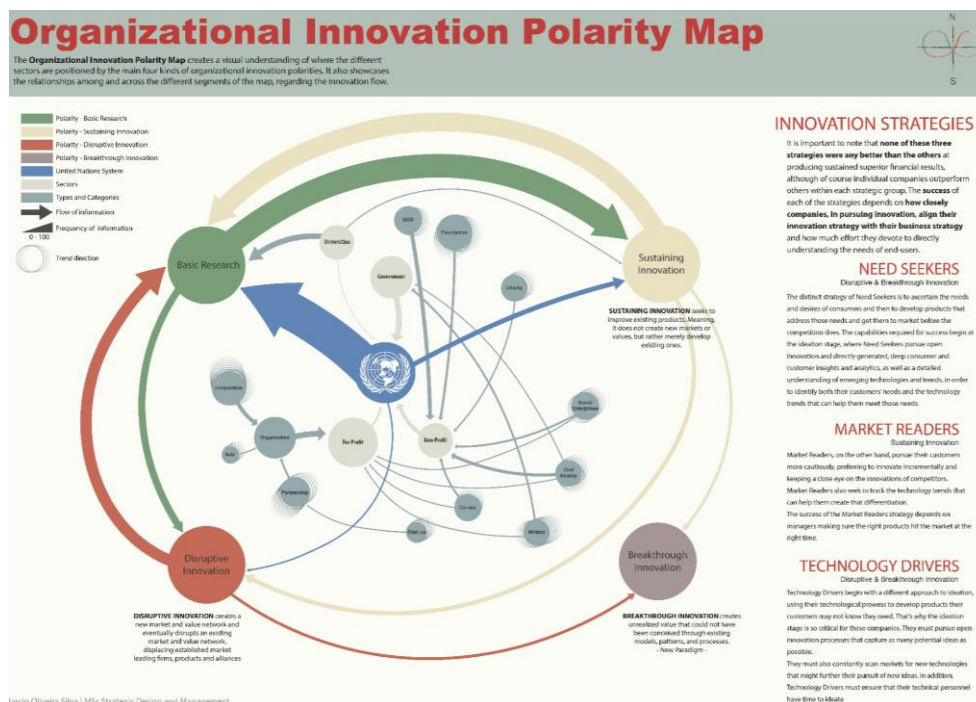
There is no doubt that partnerships are critical to organisational effectiveness in today’s increasingly interconnected world of work. The United Nations final Sustainable Development Goal (SDG 17) entails partnerships. A relevant target is as follows: “Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.” Katsarova (2013) also points to partnerships as an important component of addressing the low absorption of EU Structural Funds, noting that “Financial experts claim that the involvement of the banking sector and of profit-oriented companies in various phases of the selection and implementation of EU co-financed projects, can also contribute to improving absorption” (p.6). Unfortunately, Kania and Kramer (2011) assert that “Large-scale social change requires broad cross-sector coordination, yet the social sector remains focused on the isolated intervention of individual organizations” (p.36).

Effective partnerships involve organisational and people issues alike. Behavioural insights can play a role in improving them. Kania and Kramer (2011) outline five conditions for collective success:

1. a common agenda
2. shared measurement systems
3. mutually reinforcing activities
4. continuous communication
5. backbone support organisations.

There are very human and behavioural elements to many of these conditions, such as the dynamics at play when establishing and negotiating a shared agenda or measurement system. The fourth condition, communications, is particularly noteworthy. Communications and networks can be mapped, with problem areas diagnosed and successes better understood through advanced analytics and social network analysis. Behavioural scientists are hard at work to improve and refine methods for social network analysis and communication mapping. Silva's (2017) organisational innovation polarity map (Figure 6) provides an interesting example. Using data visualisation techniques, Silva uses data from existing communication patterns to illustrate information flow within and across organisations innovating for development, including the United Nations. Mapping the flow and frequency of information within and across institutions provides insights into how different sectors are individually and collectively positioned to innovate.

Figure 6. Organisational innovation polarity map



Note: Organisational innovation polarity map using data from existing communication patterns to illustrate information flow within and across organisations innovating for development.

Source: Silva, M.O. (2017), "Organizational innovation: Complexities of the United Nations as an institution to innovate for development".

The absorption of EU Structural Funds clearly requires partnerships and collective impact. It is perhaps worth considering Kania and Kramer's (2011) five conditions in the context of the EU, and discussing the feasibility and utility of a communications mapping to help diagnose areas where the frequency, type or quality of communication should be bolstered.

9. Small wins are important.

As suggested in this paper, there is no single, simple prescription for how to nudge organisational behaviour. This is especially true for institutions characterised by a complex set of actors working independently and collectively to accomplish innovative development goals. Under such circumstances, it is easy, and very human, to get overwhelmed into inaction given the scale and scope of the challenge at hand. As Weick (1984) pointed out many years ago, "The massive scale on which social problems are conceived precludes innovative action because bounded rationality is exceeded and dysfunctional levels of arousal are induced" (p.40). Weick relates this to the Yerkes-Dodson law, whereby an inverted-U shape characterises the relationship between stress (arousal) and performance: More arousal leads to better performance up to a point, at which the stress begins to have a negative effect. Weick proposes a solution to this problem, noting that "Reformulations of social issues as mere problems allows for a strategy of small wins wherein a series of concrete, complete outcomes of moderate importance build a pattern that attracts allies and deters opponents. The strategy of small wins incorporates sound psychology and is sensitive to the pragmatics of policymaking" (p.40).

Weick's advice can be applied internally, to those charged with effecting change through the application of behavioural insights. Recently, Maya Shankar (2016) outlined four principles contributing to the success of the White House Social and Behavioural Sciences Team's approach to changing behaviour in the US policy context. These principles included:

1. convert interest into impact
2. quantify your wins
3. celebrate small wins
4. the importance of generating buy-in.

The scale of the global economic crisis is vast, as is the complexity of addressing the low absorption of EU Structural Funds. Helping the organisations involved to carve out and focus on small wins will be important to effecting widespread change.

10. Not all organisational problems are behavioural.

Not all organisational problems are behavioural. This is perhaps a surprising note for a psychologist to end on, but it must be said. When effectiveness and efficiency are lower than desired, it is tempting to immediately point to "people problems" – cognitive biases, poor fit, inadequate skills and insufficient motivation. This temptation is fuelled in part by a phenomenon known as the fundamental attribution error: when explaining others' behaviour (e.g. poor performance), we tend to discount or ignore situational factors that shape behaviour (e.g. resource constraints) and gravitate toward dispositional explanations instead (e.g. lack of skills, motivational deficit). The confirmation bias may exacerbate this tendency: once decision makers view a problem as behavioural, they may be more likely to detect and recall information consistent with that notion and may turn somewhat "blind" to evidence to the contrary.

The reality is that judgment, decision making, attitudes and behaviour are not always the source of the problem. Without proper resources – tools, technology, staffing and so forth – even highly skilled, motivated workers will fail to perform adequately. For example, even the most talented, experienced, motivated nurse will fail to answer a patient’s call in a timely manner if the hospital is inadequately staffed and multiple patients are simultaneously demanding more attention than one person can provide.

As Riggio (2013) points out:

Regardless of the level of motivation, if workers are forced to work with inadequate work systems, procedures, tools, and equipment, productivity will suffer. Poor tools and systems will affect work productivity independent of employee motivation. This is often seen in the low agricultural production of some developing countries. A common mistake is to assume that these disadvantaged nations suffer from a lack of worker motivation. A more reasonable (and accurate) explanation is that they lack the appropriate agricultural technology to be as productive as other countries. (p. 212)

This brings us full circle to the need to properly and objectively define and diagnose the problem at the beginning of any intervention intended to nudge organisational behaviour (Figure 1). The first and perhaps the most important step is to discern what does and does not constitute a behavioural challenge.

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