Understanding the Behavioural Drivers of Organisational Decision Making

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Context: United Kingdom

MINDSPACE
Influencing behaviour through public policy

THE BEHAVIOURAL INSIGHTS TEAM
Rationale

• Seeking alternatives to regulation and fiscal measures
• Building understanding of organisational behaviour
• ‘Exploratory’ next stage from behavioural insights for individuals
Scope

To understand the generalisable/common factors which

• Explain organisational behaviours,
• Influence/nudge organisational decision making and change

To develop practical, user-friendly outputs

• Based on the factors identified
• That can be easily applied in policy* development
Part One
• Rapid Evidence Assessment (REA)
• Fieldwork element

Part Two
Iterative consultation process
• Draw out common insights
• Guidance on how insights could influence organisational behaviour
• Produce salient, impactful, engaging, outputs for cross-Govt audience.
Part one findings:

Structural Factors

Behavioural Factors
Structural factors: no ‘one-size-fits-all’

- **Size**
  - Economic factors more important, reputation less so, for smaller organisations
  - SMEs are more risk averse, less likely to seek advice

- **Hierarchy**
  - Flatter structures are more creative
  - More hierarchical structures are more risk averse, more process-driven
  - But for entrepreneurial organisations – more like individuals

- **Sector**
  - Public sector less concerned about seeking competitive advantage, but equally driven by budget maximisation and innovation
Cognitive drivers of behaviour

- Organisations potentially better at slower, more rational thinking than individuals
- Could make decision making harder to ‘nudge’
- But three constraints:

<table>
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<tr>
<th>Heuristics &amp; Satisficing</th>
<th>Group failures</th>
<th>Decision type</th>
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- Means that ‘slower and more rational’ does not always apply
Social drivers of behaviour

• Competition is an important driver of behaviour for groups.
• Groups tend to be more aggressive and less cooperative towards each other than individuals.
• Groups trust outsiders less than individuals though they will listen to
  – Their kind
  – Outsiders with a trustworthy track-record
• Peer influence can occur between groups
  – Extent to which groups operate strategically determined by expectation that others will do so
Cultural drivers of behaviour

• Shared group norms (organisational culture) makes nudging more difficult

• Ethical leadership and “Tone of the Top” powerful factors in shaping the organisational culture.
  – Intra-organisational group competition may weaken this

• Relative importance of behavioural drivers may vary according to
  – concern for reputation
  – ownership/governance
  – market share
Behavioural insights and energy efficiency

Access to energy efficiency information/ market

Undervaluing energy efficiency

Hassle costs
Good fit with the energy efficiency evidence

As strategic priority for competitive advantage, EE is taken up - even unprofitable investments.

EE “to show customers and other companies what we can do… that we are helping the environment”

Advice on EE from peers and local networks. Energy providers: not experts but vested interests
Good fit with the energy efficiency evidence

Differences in behaviour according to organisation type: especially small and large

Energy efficiency most sensitive as a reputational driver amongst public facing bodies

Tone of the top key in driving energy efficiency: CSR and ethical ethos can lead to greater investment
Rationale revisited

☑ Found non-regulatory, non-fiscal insights to influence behaviour

☑ Built base understanding of organisational behaviour

‼ Organisations more complex, less predictable, than individuals

1. Understand your target population
2. Apply appropriate insights
3. Nudges for individuals also appropriate
Part two: communicating with impact

Has led to clear demand for materials that...

...and turned advisors into advocates
(Realising) opportunities
Any questions?

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