

Nudging for Ethics:

Applying Small Changes To Promote Ethical Outcomes

What it is

The organizational environment affects the decisions we make in varied, often unnoticed ways. A “nudge” is a small change in that environment that has a meaningful impact on the decisions we make. The concept is described in the book *Nudge* by economist Richard Thaler and legal scholar Cass Sunstein, and nudges have since been applied to many areas of business and government.

When choice architects—those who have the power to influence decision-making environments—identify a good nudge, they can design nudges that promote ethical decision-making.

One key feature of a nudge is that it preserves an individual's freedom of choice. Instead of mandating certain choices or prohibiting certain outcomes, a company can nudge behavior towards its preferred options. In addition, nudges cost little to implement, and they can drive powerful changes, particularly when executed on a large scale.

Why it matters

When it comes to decision-making, we are products of the culture and environment in which we work. Demands on our time and attention often mean we have to make decisions that may impact organizational ethics frequently and unexpectedly. And often, we do not get a second chance to do the right thing. Behavioral science research shows that we are likely to make unethical decisions when we:

- 1) fall prey to cognitive biases,
- 2) lack the self-control to do what we know we should do, and
- 3) allow social norms to influence our decisions.

No ethics code or training program can remove these hurdles, and any good choice architect recognizes these limitations. Rather than preparing for every contingency, a choice architect treats the person making a decision like a user of a system and will tweak the environment accordingly. The result is to increase the decision-maker's odds of doing the right thing in spite of environmental limitations.

What to do

KNOW WHEN TO NUDGE

Nudges are useful for influencing decisions in both our business and personal life. People may have trouble identifying that they are facing an ethical dilemma or applying guiding principles learned through training, practice, and experience. Nudges are also helpful in situations that test our capacity for self-control. We are especially tempted by any decisions that offer immediate benefits and delayed costs.

KNOW HOW TO NUDGE

Nudging can illuminate the path of least resistance. When presented with a problem, we often simply take the easiest route to a solution. Harness this impulse by nudging people towards the ethical decision. For example, research shows that asking people to sign a form at the top before they fill it out results in more truthful responses.

COMBINE NUDGES WITH INCENTIVES

Consider whether the incentives in your organization increase your ethics risk. Will employees receive a raise or bonus despite unethical actions? Are your employees under undue pressure to meet quarterly targets that may cause them to risk doing something unethical? Remember that when you change the incentives, you must also make the new incentives salient. Don't just quietly implement a new system; make sure employees have a clear understanding of how an incentive affects them, and consider nudges that can be integrated to steer decision making.

Where to go next

 Thaler, Richard H. and Sunstein, Cass R. *Nudge: Improving Decisions About Health, Wealth, and Happiness*. Yale University Press, 2008.

The UK's Behavioural Insights Team (AKA the Nudge Unit): www.behaviouralinsights.co.uk

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