

## Compliance, Ethics and Irrational People (All of Us)

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## Our General Assumptions

- We're basically dealing with rational people
- If we teach them that x is bad, then they're less likely to do x
- If people thought about what they were doing, they wouldn't do bad things
- People are basically ethical but sometimes get led astray

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## The Big Questions

- What if we're wrong?
- What if we're all a bunch of cheaters?
- What if people really don't think that much?
- And what if we're worse at thinking than we think?



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## Today's Exploration

- How we think (and don't)
- How much we cheat when we can
- What Jimmy Fallon understands about our ethical decisions that we don't
- Why I'm never wrong and neither are you, unless you disagree with me

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## How Our Brains Work

The perception



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## How our Brains Work

The Reality



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## Quick Reaction Test

First, start clapping and keep clapping

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How Am I Feeling?



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How Am I Feeling?



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What's The Answer?

$$258-27= ?$$

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What Happened?

- Switched from your intuitive brain to your thinking brain
- Takes longer to process
- Requires more resources
- Forces everything else to slow down



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Everyday Life

- Parallel Parking
- Deliver shocking news while walking
- Chatting while emailing



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## Scientifically Speaking

- Two modes of thinking:
  - **System 1** Works automatically and quickly, minimal effort or sense of control: how we operate most of the time
  - **System 2** Thinking that requires effort and greater resources. Brain switches to System 2 only when it has to (“the law of least effort”)

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## The Problems

- System 2 is very resource intensive so we avoid it
- We make mistakes when we treat something as a System 1 issue, not a System 2 issue
- When we think of ourselves, we tend to think of our System 2 self
- Compliance tends to be a System 2 issue

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## Quick Question

A bat and ball cost \$110. The bat costs \$100 more than the ball.

How much does the ball cost?



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## Quick Answer

- Not so fast!
- A bat and ball cost \$110. The bat costs \$100 more than the ball.
- \$5 for the ball and \$105 for the bat:
  - $\$5 + \$105 = \$110$

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## System 2 Compliance

“System 2 is the only one that can follow rules...and make deliberate choices between options.”

Daniel Kahnemann

Thinking Fast and Slow

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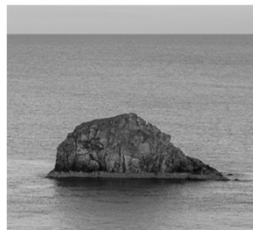
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## System 2 Downsides

- We don't use it when we should.
- The more you are thinking the more likely you are to:
  - Make selfish choices
  - Use sexist languages and
  - Make superficial judgments in social situations.



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## Resisting Temptation

- Ego depletion: the more you have to say “no” in one area, the harder it is to say no in another
- Cognitive labor produces the same reaction: The more you think the harder to resist temptation



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## Jail Time

- When are you most likely to get paroled in Israel?
- Answer: When the parole board is feeling fresh
  - First thing in the morning
  - Right after lunch



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## Bottom Line

- So, if you're wondering what they were thinking, they probably weren't.
- Or more accurately, they weren't thinking as hard as they should because their brain didn't think it needed to, was too busy, too tired, or too tired of saying “no”.

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## But Aren't People Basically Honest Anyway?

(The Depressing Part of the Presentation)

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## The Popular Theory

- Most people are good
- Scandals are generally the result of a few bad apples aka "rogue employees"
- And then Dan Ariely put that theory to test

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## The Set Up

- A sheet of paper with 20 math problems
- Subjects given 5 minutes to solve them
- Paid \$.50 per correct answer
- Time is up you show your answers for grading
- No opportunity to cheat
- Average number of right answers: 4

|   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|
| 5 | 3 | 4 | 6 | 7 | 8 | 9 | 1 | 2 |
| 6 | 7 | 2 | 1 | 9 | 5 | 3 | 4 | 8 |
| 1 | 9 | 8 | 3 | 4 | 2 | 5 | 6 | 7 |
| 8 | 5 | 9 | 7 | 6 | 1 | 4 | 2 | 3 |
| 4 | 2 | 6 | 8 | 5 | 3 | 7 | 9 | 1 |
| 7 | 1 | 3 | 9 | 2 | 4 | 8 | 5 | 6 |
| 9 | 6 | 1 | 5 | 3 | 7 | 2 | 8 | 4 |
| 2 | 8 | 7 | 4 | 1 | 9 | 6 | 3 | 5 |
| 3 | 4 | 5 | 2 | 8 | 6 | 1 | 7 | 9 |

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## The Shredder

- Shred your answer sheet then tell us how many you got right:
- Suddenly 6!



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## The Big Payoff

- Still have the shredder but varying rewards per right answer: \$1, \$2 or \$5
- What happened?
  - 6 Again
- And when offered \$10?
  - Slight decrease in cheating



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## First Learning

- People don't cheat more if offered more
- People cheat as much as they can and still feel okay about themselves
- But wait...

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## The Bigger Base

- One group told the average was 4 answers. Other group told the average was 8. How many did the group told 8 cheat by?
- 2 answers, once again

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## Tokenism

- Another shredder group was told to report their correct answers, they would be given a token for each one and then had to walk 12 feet, where they handed in their tokens for cash. What happened?
- Cheating doubled!



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## Rose-Colored Glasses

- Two groups of women:
  - Group 1 told they were testing designer glasses
  - Group 2 that they were testing counterfeits
- Then asked to take the same shredder test.
- Cheating rate:
  - Told real: 30% cheated
  - Told fake: 71% cheated



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## Moral Reminders

- Asked to recall the 10 Commandments:
  - No cheating
- Asked to sign their school honor code:
  - No cheating, even though the school didn't have an honor code



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## What About Princeton Students?

- School has a formal and strong honor code
- Freshman orientation extensive
- Must sign with every test and paper
- Tested two weeks after orientation.
- Cheated just the same, except when reminded of the code right before the experiment



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## What About Non-Students?

- Offered mileage reimbursements based on time and distance
- Sign at bottom: \$9.62
- Sign at top of the reimbursement form: \$5.27

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## How Far Did They Drive II

- Insurance company attestations of mileage
- Sign at the bottom: 23,700
- Sign at the top: 26,100

|   |   |   |   |
|---|---|---|---|
| 0 | 8 | 7 | 2 |
| 9 | 7 | 6 | 1 |
| 8 | 6 | 5 | 0 |
| 7 | 5 | 4 | 9 |
| 6 | 4 | 3 | 8 |

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## Does One Bad Apple Spoil The Whole Bunch?

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## New Shredder Test

- Control: take money from the envelope, and have answers checked
- Basic: shred, take money
- Virus: person obviously cheats, shreds, takes money

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## What Happened?

- Control: 7 answers
- Basic: 12 answers
- Virus: 15 answers



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## Jersey Test

- Group of students from Carnegie Mellon. Person gets up and basically asks if it's okay to cheat.
- Wears a Carnegie Mellon shirt: cheating goes up
- Wears a Pitt shirt: cheating goes down

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## The Ethics Gap

Or Why We Don't Do What We  
Say We Will Even on Jimmy  
Fallon

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## Video Behavior

- Which DVDs, on average, stays out longer from the online video company:
  - The artsy films and documentaries
  - The shoot-em-up fun films



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## Bang!

- People rent artsy films because they think they should
- They watch the action film because they want to!



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## Ethics Comes and Goes

- Before (and in the abstract):  
I will do what I should
- Decision Point:  
I do what needs to be done
- After:  
I rationalize what I did

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## Doing What We Say We Would



<http://bit.ly/1k9lbq8>

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## Ask Yourself

- Do I ask employees if they would report wrongdoing?
- Do I ask employees if they would tell someone to stop doing something wrong?
- Do I still believe their answers?

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## Why We're Always Right Even When We're Wrong

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## The Problem With Certainty

- Certainty isn't a fact. It's a feeling
- How do you know you're right?
  - First you know it
  - Then you align what facts you have

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## The Wisdom of Colbert

Truthiness:

The quality of seeming or being felt to be true,  
even if not necessarily true

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## The Knowledge River

- Neural networks form  
in our brain
  - Tie thoughts together
- Grow deeper over  
time
- Why it's hard to  
change thinking



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## Bicycling Quiz

- Where is it safer to ride a bike?
  - Where there are lots of bikes?
  - Where there are few bikes?
- Why?



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## Bicycle Problem

- We don't see what we aren't looking for



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## The Challenger Challenge

- 106 students asked to write down how they heard about the explosion
- 2.5 years later
  - 10% remembered close to perfectly
  - 25% had very different memories



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## The Ratings Conundrum

- Chess players asked to rate themselves
- 4% thought overrated
- 75% underrated
- How much is your house worth compared to your neighbors?



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## The Crosswalk Dilemma



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## You're Not Speeding Enough



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### To Sum Up

- We don't think as much as we should or think
- The harder we think the more likely we are to be tempted
- The harder we think the less forgiving and ruder we can get
- If given the opportunity to cheat, people will

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### To Sum Up

- Larger rewards don't necessarily lead to more cheating
- We cheat to the level we can get away with and still feel good about ourselves
- The more removed from cash the more likely we are to cheat
  - Why stealing a box of pens is easier than stealing \$5
  - Why it's easy to overstate hours when billing

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### To Sum Up

- We watch to see what happens when others cheat
- Moral reminders don't last very long
- We talk a better game than we play
- We overrate ourselves

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## To Sum Up

- Think in patterns that keep deepening
- We see what we look for and miss what we don't
- We change our ethics to suit our needs

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## So What Do We Do?

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## So What Do We Do?

- Determine where the opportunities to cheat are
- Keep codes of conduct messages in front of employees in as many places as possible and often as possible
- Make them sign off before they do something, not after

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## So What Do We Do?

- Recognize that the people with the most demands are the ones most likely to be tempted to stray
- Find ways to make contacting compliance a System 1 reaction
  - Safety is a model

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## So What Do We Do?

- Ban counterfeit goods in the workplace
- Don't let people stop with feeling right; make sure they know what is right
- We learn all we can about how people really think

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## Contact

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