

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



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?



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



How Our Brains Work

The perception



How our Brains Work

The Reality



Quick Reaction Test

First, start clapping and keep clapping



How Am I Feeling?



How Am I Feeling?



What's The Answer?

$$258-27= ?$$



What Happened?

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



Everyday Life

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



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”)



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

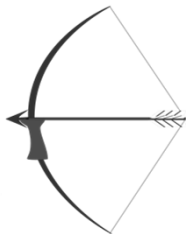
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Quick Question

A bow and arrow cost KM110. The bow costs KM100 more than the arrow.

How much does the arrow cost?



Quick Answer

- Not so fast!
- A bow and arrow cost KM110. The bow costs KM100 more than the arrow.
- KM5 for the arrow and KM105 for the bow:
 - $KM5 + KM105 = KM110$



System 2 Compliance

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

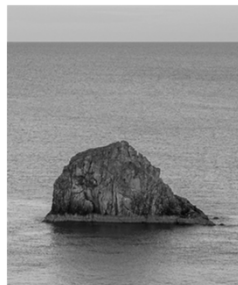
Daniel Kahnemann

Thinking Fast and Slow



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.



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



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



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”.



But Aren't People Basically Honest Anyway?

(The Depressing Part of the Presentation)



The Popular Theory

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



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

The Shredder

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



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



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...



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



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!



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



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



What About Princeton University 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



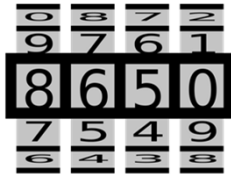
What About Non-Students?

- Offered mileage reimbursements based on time and distance
- Sign at bottom: \$9.62 (KM15.34)
- Sign at top of the reimbursement form: \$5.27 (KM8.40)



How Far Did They Drive II

- Insurance company attestations of kilometers driven
- Sign at the bottom: 38,000
- Sign at the top: 42,000



Does One Bad Apple Spoil The Whole Bunch?



New Shredder Test

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



What Happened?

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



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



The Ethics Gap

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



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



Bang!

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



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



Doing What We Say We Would



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

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?



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



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



The Wisdom of Colbert

Truthiness:

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



The Knowledge River

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



Bicycling Quiz

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



Bicycle Problem

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



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



The Ratings Conundrum

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



The Crosswalk Dilemma



You're Not Speeding Enough



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



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 cash
 - Why it's easy to overstate hours when billing



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



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



So What Do We Do?



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



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



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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