



Applying behavioural insights to improve the effectiveness of regulation

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Ideal conditions

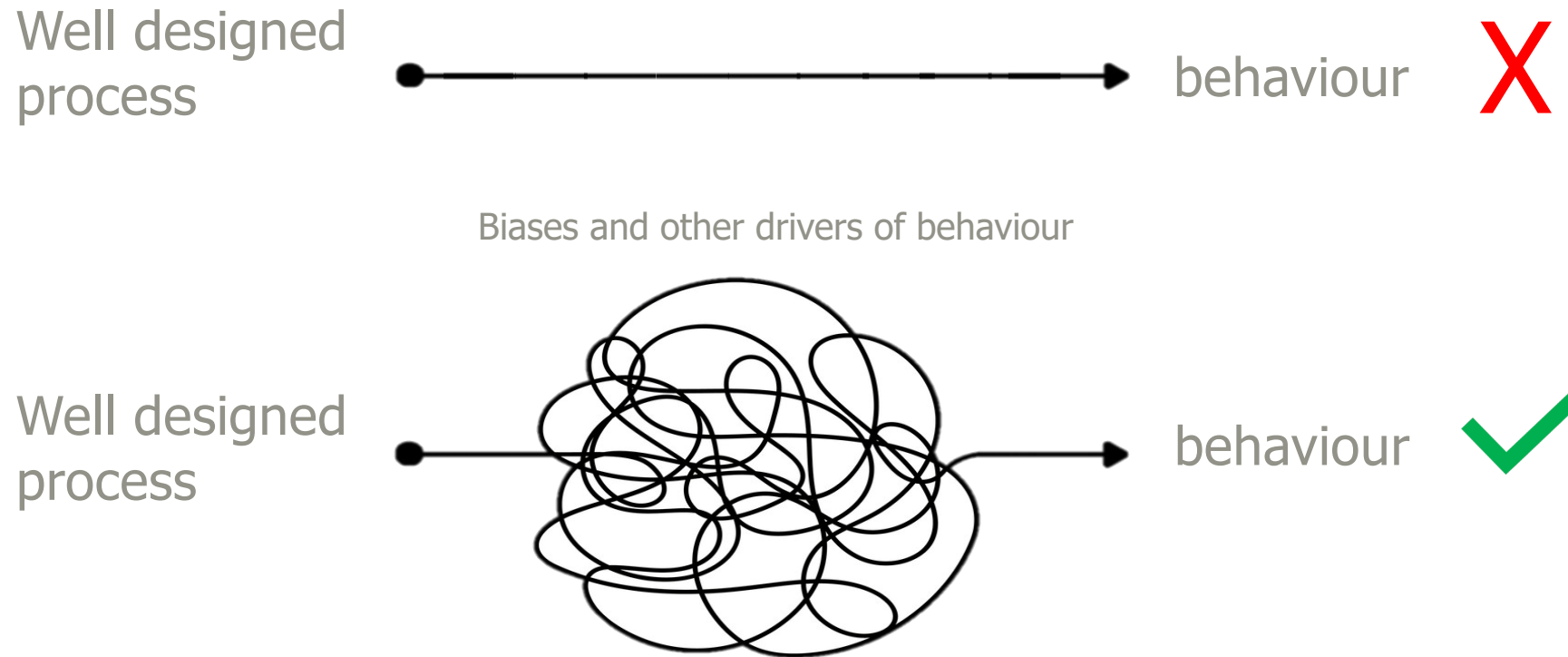


You design a decent process,
and people still don't act as you expected





Behaviour is not straightforward



Examples of psychological biases

Biases in internal processes

Loss aversion



"I am not going to take that risk, I might get a negative performance review if I do so"

Group attribution



"She is really not qualified for this job, just like the rest"

Learned helplessness



"My input won't have an impact anyway so why bother"

Social norms



"We do not escalate around here, it is not in our culture"

Stereotyping



"As an entrepreneur, I need to take risks"

Law of least effort



"I don't want to work safely because it takes too much time"

Examples of psychological biases

Biases in relation to customers

Dunning-Kruger effect



"I can assess risks well enough without procedures or help"

Halo effect



"He is such a nice guy! I'm sure he would never break the rules"

Cognitive strain



"This dataset is so time-consuming, I'm going to find a more efficient route"

Affinity bias



"She's from New Zealand, just like I am. She's not a risk"

Projection bias



"I would never break the rules, so I'm sure the customers won't either"

Availability heuristic









"I've never seen a customer breaking the rules, so I'm sure it won't happen"

The effects of outsourcing on behaviour

Outsourcing



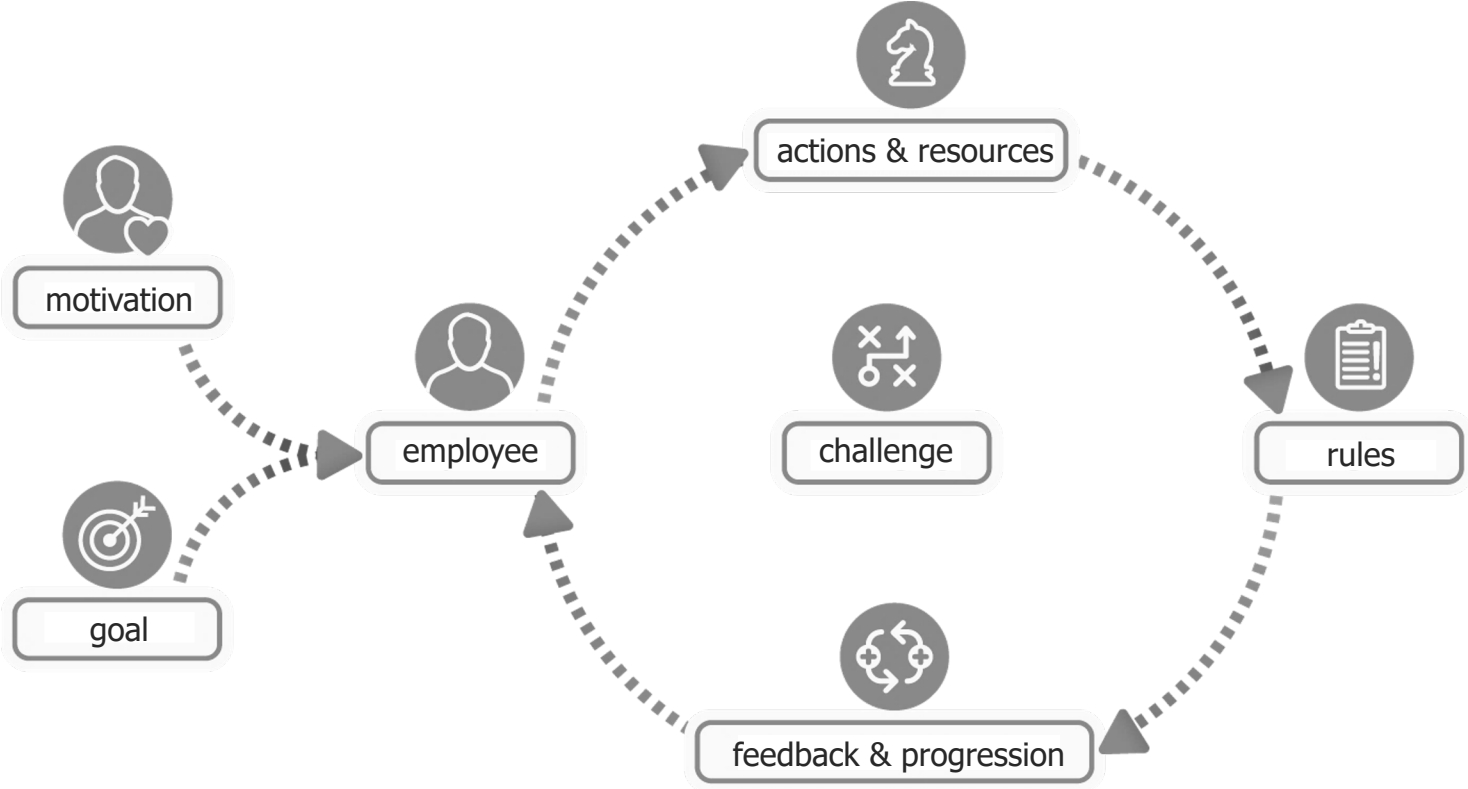
<p>Loss of control</p>  <p><i>"I don't agree with the strategy we're using here, but I no longer have any influence"</i></p>	<p>Not invented here</p>  <p><i>"I'm not going to comply with this process, they didn't take my situation into account"</i></p>	<p>Lack of experienced feedback</p>  <p><i>"I can't get on with my work until I know where we are, but I'm not well informed"</i></p>
<p>Reduced motivation to be committed</p>  <p><i>"I only have a small role in the process. I don't really care what happens"</i></p>	<p>Reduced sense of ownership</p>  <p><i>"I'm not working on this project anymore. Why should I try to keep it on the right track?"</i></p>	<p>Ingroup favouritism</p>  <p><i>"The people who took over my responsibilities can't do anything like this."</i></p>

Regulatory perspective on behavioural insights

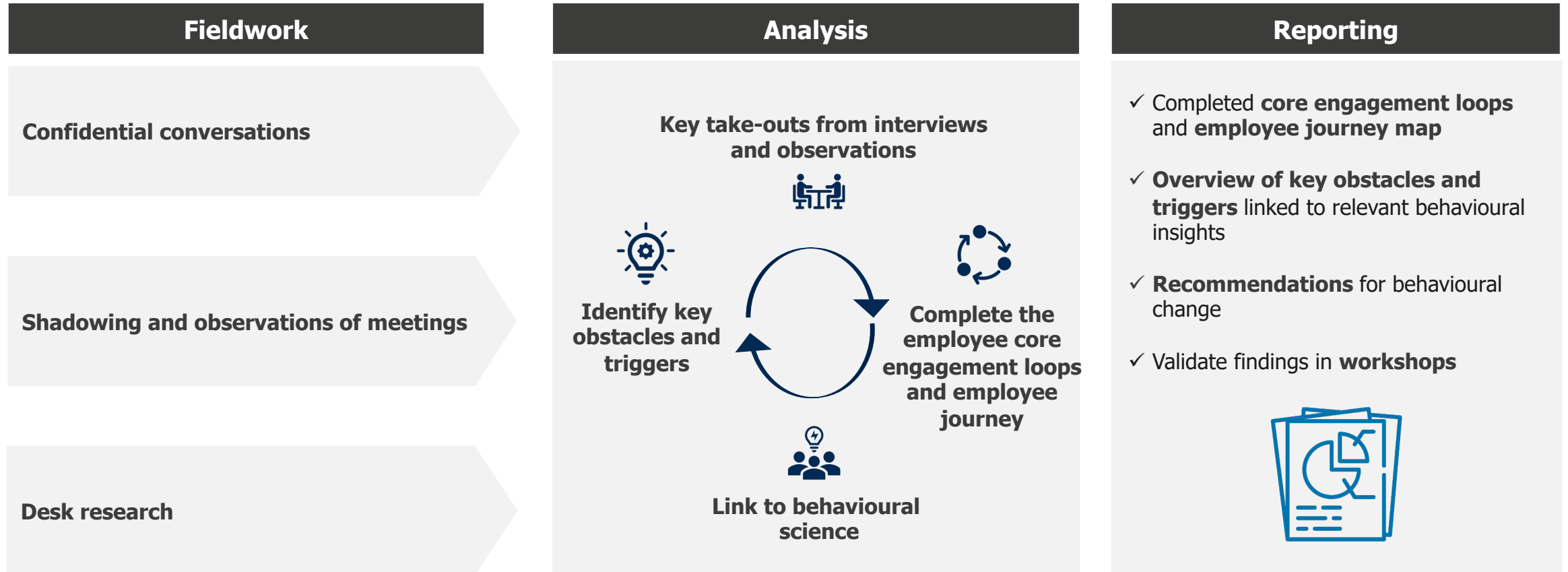
- Regulators often 'build upon' the effectiveness of processes in regulated entities (sound operational policies)
- Due to the fact that people are imperfect, not fully rational actors, the outcome of processes is not always as we expect it to be
- Therefore regulators should not have unlimited confidence in the working of processes
- Understanding the effect of behaviour is key
- A thorough understanding of behavioural patterns and drivers will help prevent future issues in regulated entities



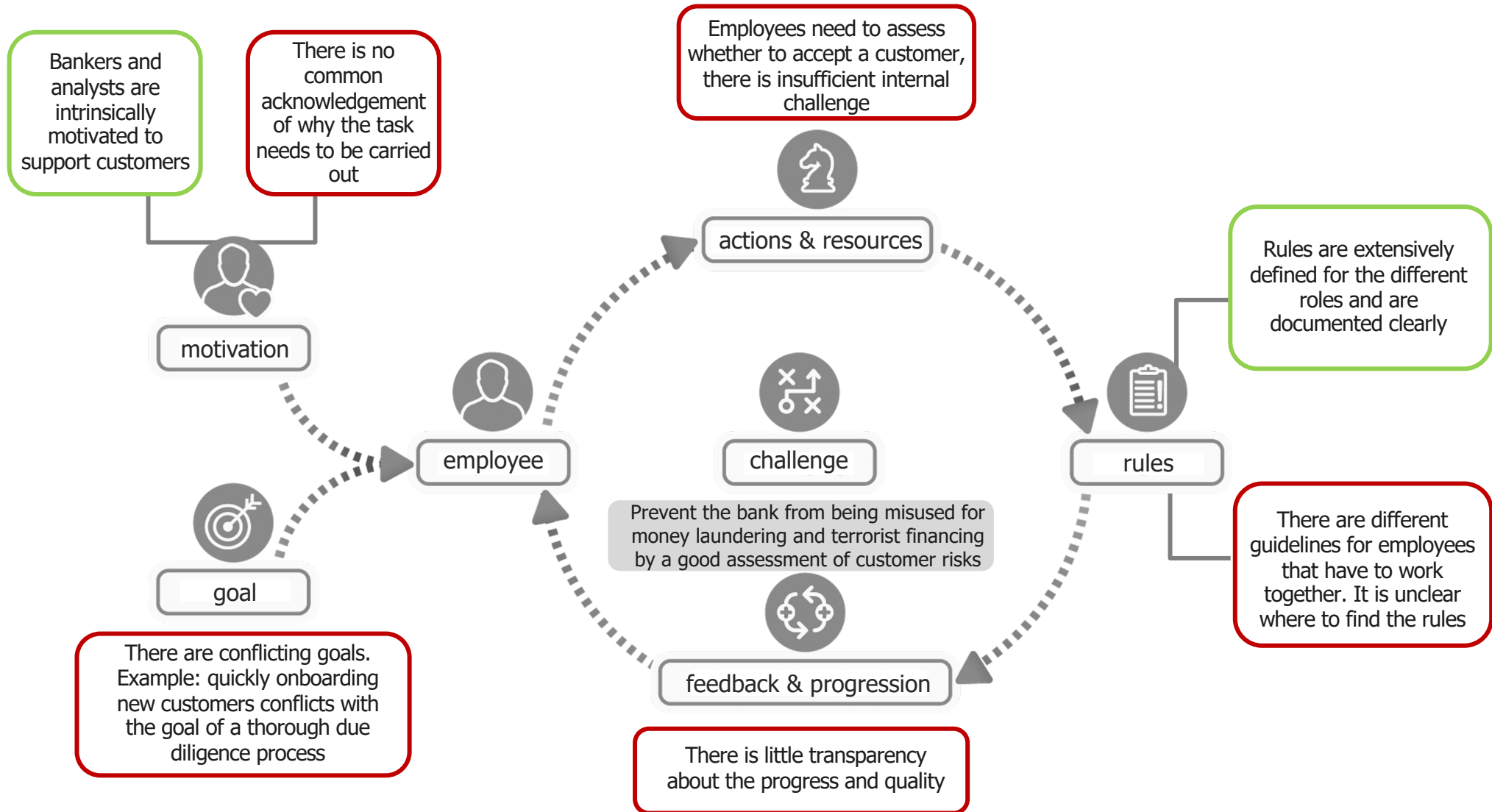
A Behavioural Insights Scan: the Core Engagement Loop as approach

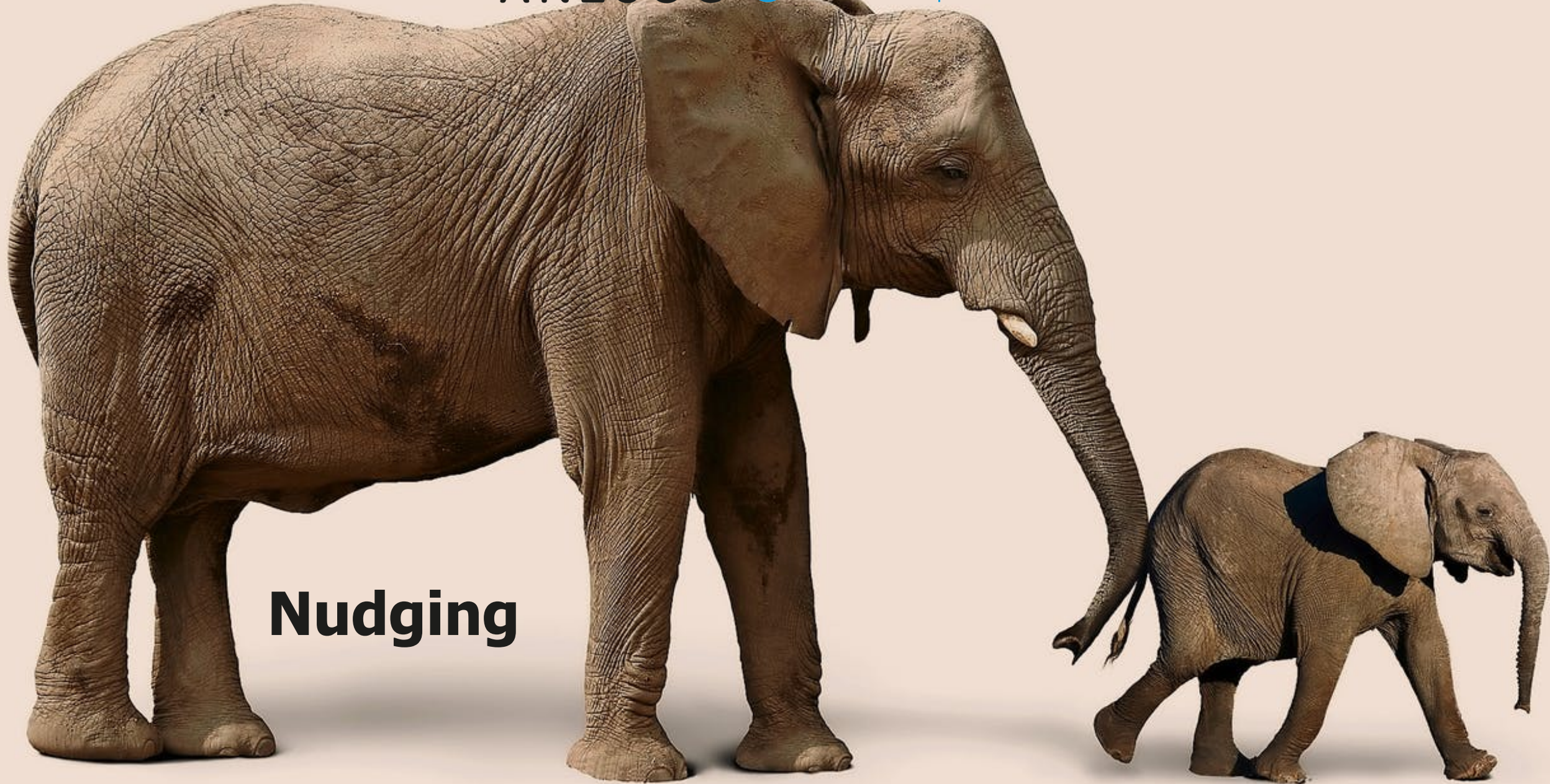


How is a Behavioural Insights Scan conducted?



Example Core Engagement Loop





Nudging

Example of a nudge developed to improve the AML proces

Concrete nudge used in AML processes

Know Your Colleagues

- 1 Every team member recognizable by name and image
- 2 The role of every team member
- 3 The status of the CDD file (progress update).
- 4 The customer file that people work on together.

The interface displays a team of six members: Daliah Abara (SI), Fumio Aoki (ML), Jane Farley (AN), Isabis Hadlee (CA), Pete Graham (PA), and Fahrid Axton (AN). A red 'TEAM' button is positioned to the right. Below the team list, a text box shows the last update from Jane Farley: "Just collected final files. Will finish tomorrow." A progress bar at the bottom indicates that profile completion is pending with an analyst. An 'Edit' button is located on the right side of the progress bar.

- ✓ Visualising who you are talking to makes communication more personal
- ✓ Visualising the progress of the file prevents unnecessary requests for updates and increases the involvement of both parties
- ✓ Showing the progress of the file increases the sense of achieving something positive



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Applying behavioural science in your approach to regulation

- Incorporating behavioural insights can improve your approach to regulation, e.g. by making it more forward-looking
- Experiment & learn (with the sector)
- Publish results + good practices

Thank you.



Scan the QR code to read more on &samhoud's innovative approach to incorporating behavioural insights.

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**Solving strategic challenges
through the behaviour of
people**