

CHAPTER 8

Change in Organisational Culture in the Public Sector: Lessons from Behavioral Science¹⁰¹

Robust institutions are essential to drive progress on the Sustainable Development Goals (SDGs). This is reflected in the Goals themselves since a key difference between the Millennium Development Goals (2000-2015) and the SDGs is the inclusion of “Peace, Justice and Strong Institutions” (SDG 16) with a target that includes “developing effective, accountable, and transparent institutions.” The full realisation of the 2030 Agenda requires particular efforts to improve and innovate public sector organisations. This chapter examines the need to address the organizational culture in orientating and transforming organisations. It highlights why behavioral insights can be applied to changing organisational culture, and how public sector organisations can use behavioral insights to advance the SDGs.

1

Organisational culture fit for the Sustainable Development Goals*

Developing effective institutions is challenging for many countries because they face a variety of unique complexities due to the multi-stakeholder, multi-organisational nature of the work environment. For complex and wicked problems, merely changing the formal rules of institutions, as highlighted in Chapter 1, is rarely sufficient to cause sustainable organisational change (Schneider et al., 1996; Schwartz, 2018).

Investing resources to shape mindsets is a key component in building stronger institutions and addressing complex goals such as the SDGs. This involves understanding the public servants' mindsets – their values, inspiration, and behaviors – to inform the design of structures and processes and, ultimately, change organisational culture to advance the SDGs.

Public servants are indispensable partners to support the 2030 Agenda for Sustainable Development. Organisational culture is the oil in the engine of well-functioning institutions. It derives from and drives the institutional values, norms, and performance (see Chapters 1 and 10). Therefore, refining or changing the organisational context is critical for both private and public organisations to improve employees' well-being, outputs, efficiency, effectiveness, and motivation and enable productivity. While the goal of optimising organisational culture has long been a priority in private companies, public and international organisations have not focused on or invested in the importance of shaping culture inside institutions to deliver better outcomes – scientifically.

The need to leverage organisational culture as a tool for transforming organisations is nonetheless strong and relies on twofold grounds.

Mens sana in corpore sano

In the same way that only a healthy body can produce or sustain a healthy mind, a healthy organisational environment is a necessary condition for producing and disseminating high-quality work and tackling the complex issues that surround the SDGs.

Various studies have tried to identify and measure the drivers of organisational performance in public organisations, finding strong effects of both endogenous elements (such as organisational culture) and exogenous elements (such as a political mandate) (Jong et al., 2018). Importantly, while the factors contributing to performance are numerous, throughout organisations, research has identified the pivot role of management excellence in most instances of output excellence.

Indeed, the case-study and academic literature both indicate that public management can ultimately make the difference between success and failure in the delivery of public policy results (Boyne, 2003; Ingraham, Joyce, & Donahue, 2003; Moynihan & Pandey, 2005; Andrew, Boyne, & Walker, 2006). For example, in the field of public education, quality management has been shown to contribute positively to public program performance across eleven measures of performance (Meier & Toole, 2002). Therefore, investing in shaping organisational culture means enabling a wide range of positive spillovers.

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These spillovers, if managed well, can create the mechanisms and opportunities for multi-disciplinary approaches towards addressing complex (and multi-disciplinary) problems, such as the SDGs. However, because the channels of managerial influence can be siloed, multiple and complex, management excellence calls for an experimental methodology aimed at clarifying what works and what does not for delivering organisational performance.

Organisational Integrity: Practicing what we preach

Public organisations are often the promoters of a “higher societal vision”. For this reason, shaping organisational culture in line with these ambitions can set a powerful example and create coherence between what public organisations promote externally and what they practice internally. For instance, recommendations to implement public policies for gender equality (SDG 5) should come from institutions whose corporate policies are gender-inclusive in the first place. Equally, it is worth reflecting how each of the values promoted by the SDGs can be translated into internal organisational values and, most importantly, into internal organisational practices.

The 2030 Agenda for Sustainable Development represents an overarching and widely endorsed set of transformative pathways towards global change. Realizing the objectives of the Agenda will entail a paradigm shift at all levels of public governance, including the way governmental institutions operate internally. The accountability system in the public

sector, which has traditionally concentrated on legal and political accountability of public organisations, is now expanding (Behn, 2001). Today, public institutions must also be accountable for ensuring internal coherence between the values they advertise externally and the expectations of their employees, partners, and the general public.

By aligning their internal practices with the SDGs (for example, by integrating sustainability goals into the criteria for recruitment and remuneration of executive management), public institutions can communicate more effectively their commitment to sustainable and inclusive development.

In particular, the SDGs that appear most relevant to managerial practices in the public sector are those concerning environmental sustainability (SDG 11, 12, and 13) and decent work, and inclusive economic growth (SDG 8). In line with these, institutions can strengthen internal strategies to minimise their environmental footprint and raise the quality of the employment they provide, including through corporate policies that promote employees’ well-being. In this way, public bodies and international organisations can function as both promoters and actual implementers of the SDGs.

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Why Behavioral Insights for the Sustainable Development Goals?

Once public servants have committed to advancing the SDGs as part of their corporate objectives, how can they best shape institutional change to achieve and sustain these goals?

In the last few decades, Behavioral Insights (BI) – lessons derived from behavioral, cognitive, and social sciences – have greatly expanded our understanding of how context, biases and other influences affect the behavior of individuals and therefore organisations.

BI is now widely recognised by governments and international organisations (e.g., OECD, World Bank, European Commission, UN agencies including UNESCO, UNDP, and IDB) as key for understanding the actual behavior of the beneficiaries of policies and for making implementation effective by testing possible solutions before scaling them up. Currently, there are over 200 behavioral initiatives that have been institutionalized globally that are applying BI to public policy (OECD, 2017).

While BI has been applied extensively to solve policy problems at the individual level, including those related to the SDGs, the behavioral methodology for understanding judgement and decision-making has rarely been applied to shape mindsets and behaviors within public organisations. BI can provide a

useful analytical lens for understanding how to best motivate the integration of the SDGs for the following reasons.

First, through its inductive and experimental approach, BI can provide “actual” or observed evidence, often with greater rigour, for decision-makers (Naru, 2019). For example, behavioral studies can provide real evidence on effective strategies to adjust workplace pensions schemes and promote retirement saving. In a natural experiment, one study found that a change in choice architecture generated an increase of 37 percentage points in the likelihood of participation in a workplace pension scheme (Cribb & Emmerson, 2016).

Second, behavioral interventions are generally not intrusive, easily scalable, and do not alter employees’ working habits in fundamental ways. For instance, a randomised controlled trial conducted inside an office building in Cape Town resulted up to a 14% reduction in electricity consumption when the organisation simply nominated an “energy champion” (assigned responsibility) and compared energy use between floors (social competition), without introducing any substantial variation to the work environment (Klege et al., 2018).

Lastly, BI can optimise “fast thinking” and the unconscious behavior of employees in line with the organisation’s objectives. In the case of Virgin Atlantic Airways, it was found that by exposing pilots to a set of simple measures including performance information, personal targets, and prosocial incentives, the company significantly saved on fuel and reduced carbon dioxide emissions by about 20,000 tons. The emissions study also contributed to a rise in pilot satisfaction, which proved the potential of incorporating BI into managerial practices (Gosnell et al., 2016).

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How can organisations use behavioral insights to advance the SDGs? – The 4 Ms

People make up organisations. By leveraging BI to change the behavior of public servants there is potential for organisation-wide changes. Understanding the biases that are unique to the workplace can help organisations achieve their corporate objectives. For example, if an organisation aims to ensure sustainable consumption (SDG 12), the same interventions that lower residential energy consumption may not be effective in a workplace because employees typically do not directly face financial consequences for their own consumption. What can we learn from BI to enable an organisational culture that aligns with the SDGs? Although an exhaustive list is beyond the scope of this chapter, the remaining sections highlight relevant insights and lessons on how to think about applying BI to shape institutional change in the context of promoting the SDGs.

Motivation

Gaining a better understanding of motivation in the workplace is instrumental in transforming public servant mindsets. Traditional economic theory has shown that financial incentives encourage better performance in the workplace (Gibbons, 1997). However, behavioral science research has demonstrated that this view may be too simplistic. Non-monetary incentives such as providing positive reinforcement and showing the impact of one's work can lead to better results, productivity, and well-being (Grant & Gino, 2010; Ariely et al., 2008). In an experiment for a fundraising call centre, Grant found that when callers spoke to the students who benefited from the fundraising efforts beforehand, revenues increased by 171% (Grant et al., 2007). Although none of the callers explicitly identified the students' visits as the direct cause, the study revealed that understanding how our work helps others can unconsciously motivate us to do better (prosocial behavior).

These findings are directly applicable to the context of public institutions where there is limited flexibility in providing monetary rewards and public servants may be more responsive to prosocial behavior due to the nature of their work. Management may find value in communicating the impact of one's work on broader organisational objectives and how it contributes to society as a whole such as realising the SDGs. When communicating, organisations should consider who should deliver the message. Deciding who communicates a message is constantly considered but often intuitively. Understanding the messenger effect can help organisations (Naru, 2019).

What happens when employees are motivated to act but struggle to follow through? Behavioral strategies help close the gap between individual intentions and actions. For example, management can consider "planning fallacy" a tendency to underestimate the time needed to complete a future task and streamline productivity flow (Gollwitzer, 1999). Goal setting at the individual, team or organisational level can help overcome this bias. For example, the Western Cape government set team-based goals to lose weight among government workers through a "Walk4Health" initiative using personal pedometers and public leader boards to promote good health and well-being (SDG 3) among staff (OECD, 2017).

Modesty

Another consideration for organisations is the ability to remain modest – acknowledging that we, especially the longer our tenure in an organisation, do not always know what works best. Indeed, the complex or wicked problems that are increasingly appearing for public bodies to solve have no precedent.

When questioned about current practices, public employees may be tempted to answer, "We've always done it this way." Management may fall prey to status quo bias where they prefer things to stay the same by doing nothing or stick with a decision made previously (Samuelson and Zeckhauser, 1988). Alternatively, availability heuristic may occur where decisions are based on the most recent or vivid information instead of the most rigorous evidence (Tversky & Kahneman, 1973).

A key pillar of BI is using a scientific approach to continuously challenge assumptions by testing not only which solution but also why and by how much a solution is effective within a specific context. In 2013, OECD researchers leveraged defaults to test whether a decrease in the default temperature could affect the change in chosen settings in people's offices. Although the study found that a 1°C decrease in the default caused a significant reduction in the average setting, when the default setting was decreased by 2°C, employees returned the setting to their preferred temperature – a setting that was even higher than the control to overcompensate for being uncomfortably cold (Brown, Johnstone, et al., 2013). Testing allowed the researchers to learn the default "sweet spot" for the OECD context instead of assuming any default setting would be effective.

In general, organisations should be wary of assuming that all organisational problems are behavioral. Foster (2017)

points to fundamental attribution error, which occurs when management discounts situational factors, such as lack of resources and existing structures and tools, that prevent even the most “rational” and skilled employees from contributing to an organisation’s well-meaning goals. Furthermore, when a decision maker views a problem as behavioral, they may fall prey to confirmation bias and continue to ignore situational factors for other challenges even when presented with contradictory information (Foster, 2017). Being aware of the larger systemic barriers in place can help identify areas where behavioral solutions can or cannot be effective.

Measurement

Having a systematic and ethical way to measure meaningful outcomes is crucial to applying BI in an organisational context. This is particularly relevant for organisations when conducting training for capacity building. Research has found that organisations that regularly measure the effectiveness of their training programs tend to have more effective training programs (Saks & Burke, 2012). However, how can organisations put in place metrics that actually reflect a training’s effectiveness?

The OECD is revisiting its corporate ethics-training programme to build a stronger organisational culture that promotes a safe and inclusive working environment for all staff. Previous trainings have been more informative with limited evaluation. First, they focused on raising awareness of corporate policies, then having group discussions through hypothetical case studies, and finally collecting subjective feedback such as perceived usefulness of the training and the likelihood of recommending it to a colleague. Now, we are testing the efficacy of a more active training using virtual reality technology and commitment devices that encourage employees to become “active bystanders” (Scully & Rowe, 2009). Throughout this training, we are implementing a rigorous evaluation process to measure the actual change in employee behavior and impact of the training by conducting a randomised controlled trial and measuring through reported and self-reported behaviors.

More broadly, when applying BI, good ethical practices have been one of the hallmarks of successful behavioral initiatives (Naru, 2019). When analysing or collecting individual or group-level data, ethics should be a priority from the outset and the design of experimentation should be ethically appropriate and implementable in the organisation. Although public institutions often operate within a transparent and accountable setting already, additional steps such as partnering with an academic institution that has an ethics review board or setting up an internal ethics panel can help mitigate potential risks associated.

Mainstreaming

Initial experiments provide a powerful testament to the potential of BI to transform public servants’ mindsets. For more sustainable behavior change, institutions should aspire to systematically incorporate BI into the DNA of organisations and consistently design organisational environments in a way

that is user-centric, unbiased, and evidence-based (Naru, 2019). This has the potential to allow public institutions to effectively promote sustainability “inside and out” by disseminating high-quality work on the SDGs while also incorporating commitment to the SDGs in their own internal practices.

To this end, it is crucial to build organisational processes and procedures with a behavioral foundation and go beyond the use of BI as simple tweaks to already-built structures. Cognitive biases, social norms, and context influence employees at each step of their working day and, therefore, considerations on their influence need to be accounted for in all organisational activities. Some examples of common corporate functions which could benefit from a behavioral approach are (i) recruitment, (ii) artificial intelligence (AI) integration, (iii) internal communication and (iv) key performance indicators (KPIs).

(i) Recruitment serves as the primary channel for bringing talented professionals into an organisation. However, conscious, and unconscious biases might stand in the way of ensuring diversity in the hiring process, thereby undermining the key value of inclusiveness that also underlies the SDGs’ vision. In particular, studies have shown that the process of screening resumes can be particularly prone to biases. Bertrand & Mullainathan (2004) famously showed that CVs with African American sounding names, e.g., Jamal and Lakisha, had 50% lower call back rates for interviews than equivalent CVs associated with more Caucasian names, such as Emily and Greg. A 2013 OECD report corroborated these findings at a larger international scale by showing that, in all 17 countries analysed, having a foreign name led to a more difficult employment search (OECD, 2013). By offering a methodology to identify such biases as well as testable solutions to address them, BI can help debias recruitment processes and set the initial conditions for long-term organisational success.

(ii) Public institutions are increasingly integrating cutting-edge AI technologies to 1) boost efficiency by automating administrative and process-driven tasks; and 2) improve accuracy and drive objectivity in decision-making. However, cutting-edge implies that a product has yet to be deemed as “tried and true.” Without testing for potential algorithmic biases, AI technologies may perpetuate inequities and lead to biased decision-making. For example, the algorithms that made up a popular decision support tool used by US court judges were discovered to have a built-in racial bias when used to predict whether defendants should be detained or released (Brennan et al., 2009). At the OECD, when piloting new AI-powered recruitment software, it was found that, compared to the usual people-led recruitment process, the software removed some biases but at the same time introduced new ones. The beauty of testing is that one can adjust algorithmic discrimination because “changing algorithms is easier than changing people” (Mullainathan, 2019). However, we cannot correct discrimination without first uncovering them through rigorous evaluation.

(iii) Effective internal communication keeps public servants informed, helps cultivate a cohesive organisational culture and, ultimately, builds a stronger institution by maintaining

transparency and accountability at all levels. Organisations can benefit from integrating behavioral principles when establishing and implementing an internal communication framework. Several studies have demonstrated that the use of plain language can increase comprehension, improve compliance, and reduce errors in organisations (Byrne, 2008; Wolf et al., 2014). When the Plain Writing Act (2010) was implemented, then Director of the Office of Management and Budget (OMB), Cass Sunstein, created guidelines for agencies, which resulted in simple checklists to develop clear communications that the public could understand (Shephard, 2017). Although a general framework can enable effective communications, organisations should avoid a one-size-fits-all approach. At the OECD, a small pilot using plain language coupled with risk communication was discovered to be more effective in increasing staff reporting rates of malicious emails than plain “corporate” language alone. In a recent study, researchers found that when laying out expectations and ethical standards in codes of conduct, using “we” language fostered feelings of communal warmth, but it also created the perception that dishonesty would go unpunished, which increased the instances of unethical behavior (Kouchaki et al., 2019). By embracing the BI approach that calls for continuous testing and evaluation, organisations can learn which principles work best in different contexts.

(iv) KPIs are also an area with great potential for embedding behavioral principles. Institutions increasingly rely on KPIs to evaluate their success at reaching targets but often underestimate the importance of the specific choices they make regarding “the selection, standardization, weighting, and aggregation” of indicators that should represent their systems

(Barnett, 2008). Examples of unintended consequences due to a lack of understanding of behavioral aspects of measurement include: unbalanced metrics (e.g. always focusing on quantitative measures can compromise quality performance); rewarding wrong behavior; artificial deadlines (e.g. not in line with real needs); and conflicting objectives (Buytendijk, 2007). Measurement drives behavior (Hawthorne effect) so, to successfully influence the behavior of their teams, managers need a clear view of human nature and behavior in organisations. They need a behavioral approach to goal setting (Zairi and Jarrar, 2000). Performance management for the implementation of the SDGs would not only require including the SDGs in performance metrics (e.g., inclusiveness, intergenerational equity, etc), but there would need to be:

1. Better understanding of the cultural context of the metrics (What is driving the behaviors in the organisation?); and
2. Better understanding of what metrics are to define progress (How do we drive the right behaviors through measurement?).

Overall, BI has the potential to help shape organisational culture from the moment public servants start their journey in an institution (recruitment) to the behavior driven by the long-term vision that drives this journey (KPIs) and many of the activities in between. Systematically integrating the behavioral methodology into the internal functions of public institutions can therefore be a powerful way to understand and create the attitudes and behaviors needed for institutions to both sustain, and practice, SDG values in the long run.

4

Conclusion and recommendations

In this chapter, we have provided ideas and examples of how BI can be applied to shape organisational culture and mindsets that can be used to promote sustainability inside and out. Public institutions can build up their capacity for a behaviorally-informed management that will make public administrations more fit for the purpose of implementing the SDGs. Through this chapter, we hope to have contributed to the discussion of how, by leveraging lessons from the behavioral sciences, public institutions can devise strategies to enhance their internal functioning and set the enabling conditions for the implementation of the 2030 Agenda.

Building on academic case studies and experiences, we seek to provide an answer to the question of whether BI can give rise to a new organisational model and help shape organisational culture. Using methodologies from the applied behavioral sciences to build a clearer picture of the values and behaviors of public servants, we can better understand what drives the performance of public institutions and, ultimately, how to design management that will determine the success or failure of institutional goals.

Recommendations for applying behavioral insights in organisations to advance the SDGs:

1. **Understand the MOTIVATIONS of people inside public sector bodies**, for instance, their intentions and how they could differ from their actions. Invest resources to design organisational environments accordingly, so as to promote mindsets and behaviors that will advance SDGs “inside and out”.
2. **Remain systemically MODEST as an institution**, by building processes and checks that test assumptions and eliminate bias in decisions. Begin with assessing the true issue, regardless of whether it is a behavioral problem or not, and avoid jumping to the solution.
3. **Keep MEASUREMENT at the heart of activities** in an ethical and more scientific manner. This includes building systems that have evaluation built in from the start, which can assist to not only determine what works, but also help drive behaviors; and
4. **Avoid the “silo-effect” by MAINSTREAMING behavioral insights** as a tool in the broader change management toolkit to address and inform institutional culture in key corporate functions - such as recruitment, AI integration, internal communications and KPIs.

Endnotes

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