

Application of Behavioral Economics in People Development & Management

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Behavioral Economics is all about economic decision- making

Conventional Economics deals with Homo Economicus - rational, logic driven individual acts in a way that one should behave

Behavioral Economics recognizes and deals with actual human behavior that is less rational, not always stable and selfish due to bounded rationality, limited self-control, and social preferences.

Behavioral Economics is “deviations from rational-choice decision making.”

“Our irrational behaviors are neither irrational and senseless – they are systematic and predictable” - Dan Ariely

Behavioral Economics in Action – a research intervention

- **Research Partners:**

3 leading Global Universities

1 top MNC

Supported by USAID

- **Research Location:**

Senegal, Africa

- **Research Questions:**

How to measure Business Excellence of Business Partners (ability to do commerce!)

How to know and assess their Loyalty?

Are they Credit Worthy?

- **Research Participants:**

A network of 700 Dealers, Retailers primarily operate in difficult ecosystems

The Behavioral Traits that are responsible for Entrepreneurship & Creditworthiness



The need for achievement is a primary human motive which can be defined as a need to achieve success or excelling at a given task.

Achievement Motivation



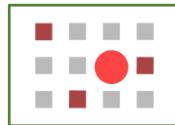
It refers to the extent to which a person believes they can control events affecting them.

Locus of Control



It is a deeper level of thinking that includes our ability to think about our thinking; how we understand, adapt, change, control, and use our thought processes.

Meta Cognition



Domination is the condition of having control or power over people or things. Like many other needs of humans, it is a motive to acquire a dominating position in life.

Need for Dominance



An individual's passion for his or her work comes from self-motivation to work more to achieve the target /goal. It creates an insatiable hunger for excellence.

Passion for Work



It is defined as people's beliefs about their capabilities to produce designated levels of performance that exercise influence over events that affect their lives..

Self Efficacy



The need to manage networking at professional and personal level is an important entrepreneurial attribute. It comprises of seamless interactions, influencing and developing emotional connect with others'.

Networking Ability



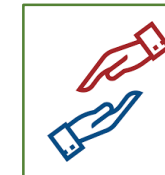
Extraverted person reflects assertiveness, optimism, drive, dominance and leadership. Such a profile is more likely to take risks.

Extraversion



It implies being perfect in any assignment. Such individuals do believe in hard work and planning. They are disciplined and organized in various undertaken tasks & projects.

Conscientiousness



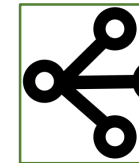
It reflects that individuals adjust their behaviour to suit others. High scores are typically polite and like people. Low scores tend to 'tell it like it is'. It also measures individual's honesty and integrity affecting their creditworthiness.

Agreeableness



It is measure of self control, confidence and stability to stress. And emotional resilience. One's ability to provide judgement largely depends on it.

Neuroticism



It signifies trait that is seeking new experience and intellectual pursuits. High scores may dream a lot. Low scores may be very down to earth. Good measure of creditworthiness

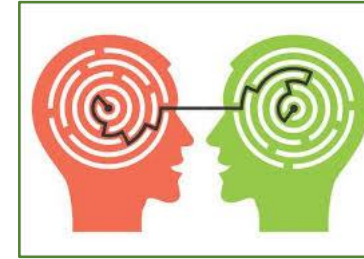
Openness to Experiences

How these Traits representing behaviors impacting business outcomes



People with internal LoC is more confident, ability to take calculated risk, growth oriented

Locus of Control



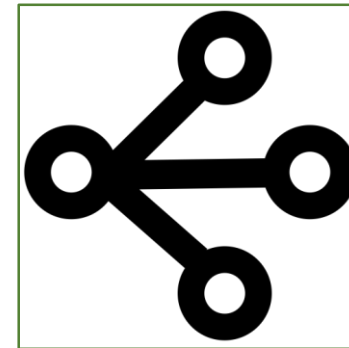
Higher value signifies highly assertive, deeply optimistic, strong drive to perform

Extraversion



People with higher degree would adjust in new situations better and faster, always think before act

Meta Cognition



Highly trainable, ready to do experimentation, early adopter, intellectual bend

Openness to Experiences

Computational Science brings in synergistic value of the interplays of the individual traits leading to “BEHAVIOR PREDICTION MODEL”

Research results have been customized and adapted to a Behavior Prediction tool: mpower-u

- Benchmark Job Role as per Behavioral Competence necessary to optimally perform
- People can be categorized into 3 distinct categories viz., **FIT, PARTIALLY FIT and MISFIT** 'quantitatively'
- The accuracy and reliability is reasonably high ~90%
- mpower-u develops appropriate pathways by which upward need movement such as **PARTIALLY FIT to FIT, MISFIT to PARTIALLY FIT** is possible through well calibrated Behavioral Modification Plan
- It could also predict what would be the best fit role for the individual

Where you could apply it?

- **Current Team Performance Assessment** – e.g., Sales Team: conventional performance data classified team members as Top Performer, Inconsistent and Poor Performer. Behavioral competence makes upward transition from Poor Performer to Top Performer
- **Promotion to higher Role** – e.g., mapping appropriate Behavioral competence required for the higher roles
- **New Recruit** - e.g., fitment to benchmarked behavioral competence
- **Business Partners** – e.g., identify right partner, professionalize existing partners to have maximal impact for Brand Value

In summary

In a typical sales function, sales staffs are making calls to customers.

Though two Sales Staff made same number of calls but their performance differs when one measure the conversion of calls to business.

Thus, the 'QUALITY' of calls that matters, which is dependent on behavioral competence. Primarily this factor remains subjective.

We have discussed today how behavioral competence could be quantitatively measured and developed objectively defined precise capacity development plans

**Managing and developing performance could now be guided
by Robust "BEHAVIOR PREDICTION MODEL"**