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In Line, Online: Leveraging Behavioral Science to Reduce Workforce Risk

Social media use is causing a radical shift in social norms and accepted group behavior, especially in younger workers, forcing organizations to fundamentally revise their understanding of how identity intersects with compliance. In this report, RANE experts suggest how to apply insights from behavioral science to compliance to move from a retrospective approach, in which organizations scramble to understand why something happened after the fact, to a proactive one, where environmental and procedural changes can encourage people to follow corporate policies. Only by understanding what workers are seeking through online interactions will companies have any chance to resolve conflict internally before it becomes litigated in the court of public opinion.

WHAT TO KNOW

The influence that social media has had on our lives in the past decade is undeniable, and the reverberations for businesses go far beyond developing a social media strategy and online behavior policies. Social media use, especially for Millennial and Gen Z participants, has changed the bounds of social identity and, with it, the dynamics of decision-making and incentives. To comprehend why younger generations are taking to Twitter, TikTok, and Instagram to illuminate organizational wrongdoing, to call out corporate inauthenticity, and to boycott businesses, companies must first try to understand the positive associations attached to those actions. This can be done via behavioral science, through a study of cognitive biases and the nuances of human behavior. Knowing how and why we make certain choices can ultimately help to change behavior.

Understanding identity is paramount. Simply put, identity is complex, based on the multiple social groups to which someone belongs. Everyone is likely to act in accordance with group expectations. When we are uncertain about what to do, we look to other people in our group for guidance. People can be influenced to adopt seemingly irrational group behaviors because their intuitive, emotional thinking is activated. A variety of research, such as the study “Rational

Misbehavior? Evaluating an Integrated Dual-Process Model of Criminal Decision Making,” by Dutch psychologists Jean-Louis van Gelder and Reinout de Vries, shows that a person acting under the influence of emotions has a diminished perception of risk and consequence and is more likely to break rules. Witnessing rules being commonly broken by others in one’s social group may lead to the belief that social norms support misconduct. Humans instinctively follow familiar patterns of thought and action. These patterns can be reinforced by the groups to which they belong.

Considered in the context of social media, these behavioral science elements take on a new weight and urgency. Given the connectivity that social media affords, social groups are no longer limited to people with whom one physically interacts. The expanded idea of what makes a group means that many people, particularly younger generations who grew up online, are forming their identities largely based on the collective social norms of online groups. These groups are often guided by the loudest, most impassioned members, with little room afforded for reasoned and constructive deliberation. With the most vocal voices getting airtime and therefore setting the group tone, the likelihood is high that people will adopt similar behaviors.

One of the most consistent ways to drive online engagement is to activate in-group and out-group dynamics. In-groups (us) are social groups to which a person psychologically identifies as being a member, and out-groups are the opposite (them). Because in-groups differentiate themselves from out-groups by highlighting the negative aspects of the out-group, morality and moral posturing are often at the core of online social identity building. Psychologist Daniel Kahneman's "System 1" and "System 2" thinking theory posits that System 1 thinking is fast, intuitive, automatic, and prone to being influenced by our emotions, while System 2 thinking is slower, logical, and effortful. Aligning with Kahneman's System 1 thinking, celebrated social psychologist Jonathan Haidt's social intuitionist model advances the idea that moral judgment is predominantly based on automatic processes – moral intuitions – rather than on conscious reasoning. The fast pace of social media has encouraged its users to make acting impulsively on moral intuition a fundamental part of the way they operate online. Given that younger generations spent formative years engaging with others on the internet in this way, they have more cognitive ease incorporating emotional morality and reactive actions into their offline lives.

WHAT TO CONSIDER

Business ethics are the moral principles that act as guidelines for the way a business operates. RANE expert **Alison Taylor**, Executive Director of Ethical Systems — a company co-founded by Jonathan Haidt — says the historical use-case for business ethics was to act as a defensive shield around a company to control the narrative and defend shareholder value. With defensive efforts split between compliance and PR departments – to deflect legal/regulatory and reputational risk, respectively – business ethics would put a protective boundary around a company. But due to growing political polarization that is pressuring firms to take public stands, **Taylor** says "we're now turning to companies to solve the tragedies

of the commons and expecting them to do more, and with the rise in social media, we are seeing those carefully constructed boundaries crumbling, and we can no longer rely on those old business ethics standards."

Part of the defensive wall that is crumbling is the ease with which employees can move a matter from internal to external. **Taylor** comments that she's seeing a "bottom-up rise in employees who are disproportionately powerful because they know where the bodies are buried." She says that the rise of social media, amplified by an emerging backlash against non-disclosure and forced arbitration agreements, means that employees now have the power to share what they know. "If they are unhappy," Taylor says, "they will weaponize damaging internal information and disseminate it into the public domain. So [companies] can't rely on aggressive contracting and PR campaigns to control reputation anymore."

This leads to problems for companies grappling with the activism of Millennials and Gen Z. Traditional management approaches tend to assume that money is the biggest motivator for employees. But now we're seeing different motivating factors, **Taylor** says. Commenting on the unrelenting external and internal pressure to take positions on various controversial issues, **Taylor** notes that "organizations can no longer just focus on maximizing shareholder value and profit motive, because we are in a more transparent, disruptive world and young people have very different expectations for what their employers should provide to them and to society." RANE expert **Dr. Christine Allen**, President and Workplace Psychologist/Executive Coach at Insight Business Works, agrees, saying that Millennials and Gen Z professionals want to work for companies that "reflect their values" and care about not just shareholders, but also stakeholders like community members, employees, vendors, and suppliers. She says they want to work for "net-positive" companies, not just "net-neutral" ones.

According to PR firm Edelman's 2022 Trust Barometer, which surveyed 36,000 people in 28 countries, 60% of stakeholders would choose a place to work based on their beliefs and values, and 60% of employees think CEOs should take a public stand on issues. This helps explain why businesses are incorporating values into mission statements and value propositions. But companies should be cautious about making values part of the business proposition if there isn't a clear understanding of what applying those values means in practice, advises **Phoebe Larson** from RANE expert firm Rethink Compliance. If employees are hired having been sold a false bill of goods, they are more likely to leave quickly because they feel misled. **Larson** says when the words or actions of leadership don't align with the stated values, companies lose employees, and high turnover is expensive for companies and bad for morale. **Andrea Falcione**, Principal and Head of Advisory Services at Rethink Compliance, adds that "distrust happens when there's a disconnect between the words and actions of leaders. And when there's an erosion of trust, everything falls apart. Once employees start to see the misalignment between those words and actions, they won't believe anything that comes out of the mouths of leadership."

Companies integrating values into mission statements and value propositions without the resources, knowledge, or structure to "walk the walk" could inadvertently magnify the risk of vigilante action by employees. When they recognize the misalignment between words and actions of leadership, the broken trust can feel tantamount to personal betrayal. This often leads to high emotions, a perceived breach of social contract, and a rush of impulsive morality. While in some cases this may cause employees merely to quit, in others it could result in retributive justice action-taking like whistleblowing and leaks to the media, public dissemination of insider information, or calls for "cancellation."

WHAT TO THINK ABOUT

To avoid this outcome and rebuild broken trust, it is critical to get employee buy-in, says RANE expert **Dr. George Vellios**, Managing Partner at Straxo. Leaders need to authentically hear what employees are saying, commit resources to change, and be able to deliver on what is promised. Transparency is key here, **Vellios** notes, and telling employees what an organization cannot do and providing an explanation for why it cannot be done is almost as important as promising the things that it can. "In order to rebuild trust, you must reestablish lines of communication and create positive incremental steps. In order to create positive incremental steps, you have to create actionable and achievable changes that you can deliver on. Employees should also be made part of the process so that they can see, understand, and shape what is happening."

The importance of corporate transparency is connected to that of legitimacy. Psychologist Tom Tyler concluded, following a seminal 1984 study exploring why people obey the law, that people obey rules if they believe they're legitimate, not because they fear punishment. Perception of legitimacy has much stronger correlation to compliance than deterrence does. He posited that authorities would have better results if they were to make legal systems worthy of respect rather than to try to instill fear of punishment. Participation enhances perception of procedural justice, and therefore the more employees are involved in decision-making about compliance, the more they are motivated to refrain from rule-breaking.

To facilitate good decision-making, reduce impulsivity, and potentially create more value for all stakeholders, it is better to work with the team as a whole than one-on-one in the old hub-and-spoke model, according to **Allen**. She suggests that, together as a group, members can develop working agreements that are in service of business outcomes. The team should

decide together with the leader what they believe to be reasonable expectations and collectively determine how to hold each other accountable. "When you work with a whole team, you are able to create a dynamic that gives people greater ownership over the solution. While it's not reasonable to expect everyone to be completely on the same page or have the same values, it is reasonable to expect employees to understand what constructive conflict involves and practice appropriate conflict resolution. Learning to hold each other accountable in a healthy way increases well-being, reduces unhealthy conflict, and produces more collaborative behavior," **Allen** says. **Taylor** advises that leaders get anonymous, private input from employees before the team is brought together as a group, so as to avoid "the signaling to other people like you see on social media, with the loudest voices setting the tone." Then starting from a position of knowledge, organizations can create a structure in which employees are part of the solution, with greater agency and personal stake in resolving the problem than if they impulsively lashed out online.

Appropriate conflict resolution can also come in the form of having clear channels through which to report conflict that isn't a clear-cut violation. **Taylor** thinks a major problem facing companies in this environment is that employees don't have a formal reporting structure for voicing concerns. "Some companies may have a whistleblower line, but no employee is going to call that line to say they are concerned a company is valuing profits over purpose," she says. "There is no vehicle for this type of voice, and despite sometimes dropping responsibility onto HR or compliance departments, it is often no one's job to listen to this type of employee voice." Establishing a clear channel for "soft" concerns and committing time and resources to hearing and addressing those concerns will give employees an internal route for conflict resolution.

ABOUT THE EXPERTS

Dr. Christine Allen, President, Insight Business Works

Dr. Christine Allen has been providing executive coaching, team building, talent selection and assessment, and other training to senior leaders since 2009. With 20 years previous experience as a clinical psychologist, Dr. Allen is an excellent listener who quickly grasps the underlying issues with which individuals and teams struggle.

She helps leaders and teams identify needs, discover and use strengths, and accept and utilize feedback. She excels at improving communication within teams, and she specializes in helping leaders develop executive presence, emotional intelligence and resilience.

As a licensed psychologist, she is particularly skilled in using assessments for hiring, selection and development.

Andrea Falcione, Principal and Head of Advisory Services, Rethink Compliance

Andrea Falcione is Principal and Head of Advisory Services at Rethink Compliance. She is an attorney and has over 20 years of legal and compliance experience in a number of different capacities.

Most recently, Andrea spent more than five years as Managing Director and Compliance & Ethics Solutions leader in PwC's Risk Assurance practice. Prior to joining PwC, Andrea spent nine years at a leading provider of ethics and compliance products, services and solutions, where she last served as Chief Ethics Officer and Senior Vice President – Client Services. Andrea also practiced law for nine years at FleetBoston Financial and Day, Berry & Howard LLP, where she was joint author of the firm's Diversity Policy and Report. While at Fleet, she supported the Capital Markets business and was a member of the Law Department's Risk Management Committee.

Phoebe Larson, Senior Content Developer, Rethink Compliance

Phoebe Larson has nearly 20 years of experience in journalism, marketing, and communications, with a career spanning multiple sectors, including corporations, nonprofits, government, and higher education. As part of Rethink's Creative Services Team, she writes courses, communications materials, videos, and more for clients.

Previously, Larson was communications manager at the MckNight Foundation where she developed and executed internal and grantee-facing Covid-19 communications plans. Her role spanned editorial operations across the Foundation's platforms, serving as lead writer and editor, and managing media and grantee relations.

Alison Taylor, Executive Director, Ethical Systems

Alison Taylor is the Executive Director of Ethical Systems, where she works on projects that deal with the intersection of corporate integrity, risk, and responsibility. Taylor has worked on projects for multinational companies with regards to corporate strategy, sustainability, political and social risk, culture and behavior, human rights, ethics, compliance, stakeholder engagement, ESG, and anti-corruption. She has written on these topics for the Harvard Business Review, Quartz, Forbes, and GreenBiz, in addition to performing guest lectures at NYU, Tufts University Fletcher School of Law and Diplomacy, Brown University, Duke University Fuqua School of Business, and Bard College.

Dr. George Vellios, Managing Partner, Straxo

Dr. George Vellios is an expert in organizational effectiveness, helping clients manage their human capital through behavioral assessments, management training, leadership development, and Human Resource risk compliance. He is currently a Managing Partner at Straxo, where he primarily serves clients in the Healthcare, Retail, Financial, and Professional Service industries.

George is a sought after speaker at leadership retreats and conferences, and often speaks on the topics of team synergy, emotional intelligence and workplace culture.

ABOUT RANE

RANE (Risk Assistance Network + Exchange) is a global risk intelligence company that provides risk and security professionals with access to critical insights, analysis, and support, enabling them to more effectively anticipate, monitor, and respond to emerging risks and threats. RANE clients benefit from improved situational awareness, more efficient access to relevant intelligence and expertise, and better risk management outcomes. Join the millions who are tapping into the collective wisdom of the world's largest community of risk and business professionals. For more information about RANE, visit www.ranenetwork.com.