

Leading into the Unknown

Ep. 3— Kelly Peters, CEO of BEworks: Think like a scientist to make better business decisions

Narrator: [00:00:07] Welcome to Leading into the Unknown. A podcast by SYPartners featuring stories from leaders we admire about creating the path forward in complex times.

[Music]

Tom Andrews: [00:00:20] Hey everyone. I'm super excited today because I'm joined by Kelly Peters. Kelly is the co-founder and CEO of BEworks, which is the world's first management consulting company that is dedicated to bringing scientific thinking into business strategy and marketing and operations. Just you have a little picture of Kelly, if you can imagine kind of stuffing a scientist, and an economist, and a quirky Canadian, and a behavioral expert, and a lot of sense of humor, and great energy, and great shoes into a particle accelerator, out would emerge this dynamite lady who has built an extraordinary company that is going to teach us all about a different way in which we ought to be designing our lives and designing organizations, and in fact, society at large. Kelly, welcome so much.

Kelly Peters: [00:01:18] My pleasure.

Tom Andrews: [00:01:20] Hope you don't mind that's slightly wacky introduction for you.

Kelly Peters: [00:01:24] (laughs) It's suitable.

Tom Andrews: [00:01:26] But you are quite extraordinary! I guess, what was the first time you felt you were a leader?

Kelly Peters: [00:01:33] I don't see it as something that I've ever volunteered for, and often I think that some of our strongest leaders are the last people who would, you know, describe themselves as that. I think I'm more suited to being described as somebody who had just an irrational passion for something. And most people were much more sensible and sober about the whole thing, and they would get out of the way of the inordinate amount of time and energy that I would devote to something, and just by sheer fact that they would get out of the way would lead me to be the one

pushing things ahead or leading the charge. So irrational passion I think is really a more characteristic description of how I've ended up leading things.

Tom Andrews: [00:02:18] Love that. So let's get to the heart of the matter, what is behavioral economics and why should our listeners care?

Kelly Peters: [00:02:24] You know, behavioral economics just has so much to offer organizations, and those things include a whole body of knowledge about how people make decisions that go significantly beyond what we've relied on in the past. So much of what we've relied on in the past in terms of developing our strategies—you know, what products will people buy, services will they use, how do we optimize which channels they're using to both maximize profitability while not only not sacrificing people's perception of the experience, but maybe even making it better. And what behavioral economics does is it gives a lot more information than what we've traditionally relied on through focus groups, where there's so much bias in that process, or even things like surveys. Instead, if we want to understand human behavior, an incredibly rich repertoire of insights comes from the field of psychology, the field of neuroscience, the field of science of decision-making. This interdisciplinary repertoire tells us so much more about how people actually behave.

Tom Andrews: [00:03:37] As opposed to what they say they will do.

Kelly Peters: [00:03:40] That's right. It's very difficult for people, if not impossible, for us to reliably see the biases in our own behavior and so it makes it incredibly difficult, if we're the consumer, to share these biases with the company to help them develop good products and services.

Tom Andrews: [00:03:59] If I'm an executive in a business, or a leader in any kind of organization, how might I apply behavioral economics?

Kelly Peters: [00:04:08] There's a lot of really critical elements of scientific thinking and I think that for me, what I believe is the most important starting point is to get organizations to understand and embrace scientific thinking. And there's some immediate practices that people can do which is, question your assumptions. By asking the question, 'how do you know', and then, undergoing the journey of the quality of evidence. If people say, 'ah, my assumption is based on a field experiment,' then that knowledge is based on a much sturdier framework than knowledge that's based on intuition or on prior experience. Therefore, the first step an organization can take is to develop a

discipline to be fearless in asking, 'how do you know', and having the barometer to evaluate the quality of evidence.

[00:05:02] The second thing is something I'm also really passionate about, which is, it's really important for us to make a little shift in our language. In addition to using that question, 'how do you know', would be to say, 'it is my intuition that...' I know it sounds like I'm, like, raining down horribly on intuition but I do think that our intuition is beautiful and can give us tremendous insights, but we also need to recognize that it's misguided and so we need to appropriately label that which is coming to us from our intuition, and that which is coming to us from things that we know from hard evidence.

[00:05:38] Here's why that's important: it's an interaction effect. If I say, "I think that X will happen," versus, "it's my intuition that X will happen," those are two obviously very different things, right. Not just in words, but in intent. When I say it's my intuition, I'm inviting skepticism. I'm inviting conversation. I'm inviting debate. I'm revealing that I don't have evidence, it's just my intuition.

[00:06:07] When Kelly Peters says, "I think that the way to influence this behavior is to do X." Well, there's a lot of authority that comes from that. There's a lot of ego that's loaded in that. And so now for you to question that seems as if you're questioning me in what I believe as a person, as opposed to us playing with the ideas on the table. And so we need to get away from, 'I think that...' because it shuts down conversations and it makes debate something between egos, as opposed to an exchange of ideas and mutually working towards a quality of evidence.

Tom Andrews: [00:06:49] I love that. That is super helpful, and super helpful advice for businesses out there. In this world there's so much uncertainty and information travels so fast, and it is hard to really make great calls because you're working with limited data, and easy to make really bad calls. It's so important for leaders to actually create the space for inquiry and debate and conversation about what's true or what's not true. Where do you think, in particular, leaders would benefit from applying behavioral economics?

Kelly Peters: [00:07:30] I think one of the things that we like to say is wherever we have behavior.

Tom Andrews: [00:07:32] (Laughs) Well that narrows it down, doesn't it!

Kelly Peters: [00:07:34] That's where we can use behavioral economics, right? At the risk of being guilty of seeing kind of nails everywhere I look, and you know, behavioral economics. Whether we're driving kind of from the classic marketing challenges right, like acquisition and retention and pricing, behavioral economics has so much to offer those kinds of classic business challenges because again, it's just going to offer a very different way to understand how people make those choices.

[00:08:07] But it's also useful even when you're in the innovation space and you're trying to create a product or service in the first place. Behavioral economics will give you insights that maybe you didn't have access to before that you can put together to develop those new products and services. That's on the marketing side, and on the strategy side, you can actually look to how you are even making decisions in the first place. What is the organizational culture around scientific thinking? What kind of scientific literacy does the organization have, and what is the quality and process around making decisions in the organization? And so that's probably the most meta level impact that behavioral science can have, is actually on the overall decision-making journey of an organization in the first place.

Tom Andrews: [00:09:00] I had to ask because it's so true for what's going on in the world today. And the last question on behavioral economics for now is, what is people's biggest misconception that you have found about behavioral economics? What do they not know that you wish they knew?

Kelly Peters: [00:09:21] One of the things I'd love people to understand about behavioral economics is the difference between data and evidence. Data science is an incredible friend for behavioral economics, because it's the process of studying large amounts of observations and garnering inferences from it that can then let us have a better understanding of the world. But behavioral economics is about going beyond studying observations of the world. It's about designing rigorous experiments that adhere to the scientific method, which means introducing randomization of a sample and having a control against the experiment so we can see what the impact is, which then, when run, gives us evidence. There's a huge difference then between data, which is developed in all kinds of ways, sometimes better quality observations than others, whereas evidence, you know, by definition has been subjected to a whole rigorous process in its design and evaluation. And so behavioral economics and the scientific method is about developing insights that are causal and help us understand the relationship between, you know, this and that in a different empirical way.

Tom Andrews: [00:10:48] Boom. Spoken like a true scientist there. Alright, let's switch gears, let's go into a quick-fire round. Now. This is the quick like, one or two word from the—I hesitate to say, 'from the gut' now. (Laughs) You can say it's my intuition then, if you want. So are you ready? I'm going to give you a quick question. Just take a moment to consider it, and then just give me a one or two word answer. What's the best way to measure impact?

Kelly Peters: [00:11:20] The best way to measure impact is through a randomized controlled test.

Tom Andrews: [00:11:27] How do you keep yourself sane and happy.

Kelly Peters: [00:11:36] I find it challenging when I'm battling pseudo-scientific belief, but I keep myself sane by turning to the philosophers of science. Massimo Pigliucci. Nancy Cartwright. Richard Feynman. These are the folks that help me believe that there is a better way of thinking, and that we're on that journey. Steven Pinker, with his empirically backed optimism. Jonathan Haidt, with his rational evaluation of the role of political bias in decision-making. And for us to start to have those insights to help us cut through some of the most challenging and emotionally charged debates that we're having, we're developing scientific insights that are letting us, with cooler heads, prevail.

Tom Andrews: [00:12:32] I think you just gave us a great reading list, by the way. What thing are you most excited about right now?

Kelly Peters: [00:12:38] I'm so excited about my passion for the scientific method and the journey that we're on to continuing to learn about, you know, what impacts people's behavior and seeing our experiments come to life. We're working on projects in Chile, to help curb transit fare evasion. We're working on projects in Mexico, to help the poorest people in Mexico manage their credit behaviors and repayment behaviors. We're working with helping people make better financial decisions. Energy conservation behaviors, and even, you know, fun and important things like helping people have better cryptocurrency behaviors.

Tom Andrews: [00:13:31] Definitely is definitely a sign of the future. That was a lovely way to end actually, that was just a really, really nice way and thoughtful.

Tom Andrews: [00:13:41] Thank you so much, Kelly. That was delightful.

Kelly Peters: [00:13:44] My pleasure.