

MADE TO STICK

Dan Heath
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In Defense of Feelings

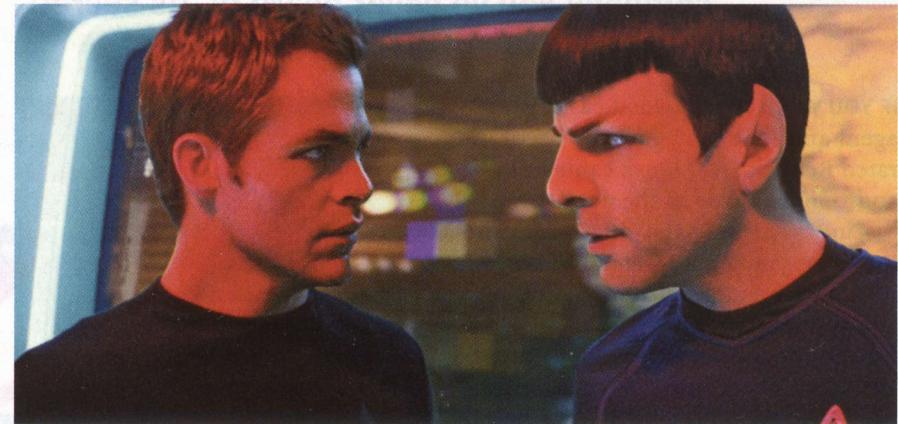
Why your gut is more ethical than your brain

IF YOU'VE EVER been part of a discussion on ethics, in school or elsewhere, chances are you didn't spend much time talking about your feelings. It's believed that to live ethically, we must engage our reason, which reins in the whims and follies of emotion. Ethics, then, is heavy on Spock and light on Sally Struthers. But what if unethical behavior is actually spurred, rather than prevented, by reason?

Consider a provocative series of experiments conducted by Chen-Bo Zhong of the University of Toronto. He put test subjects into interactions with an anonymous partner where they had two options: to treat their partners fairly or to lie to them. If they decided to lie, they would gain at the expense of their partners.

Before making the decision to cheat or be fair, the test subjects were given some guidance. Some were encouraged to think rationally about the situation and to ignore their emotions. Equipped with this advice, the great majority (69%) analyzed the situation and concluded that they should screw their partners. Others were primed to "make decisions based on gut feelings." Their guts were pretty trustworthy: Only 27% lied.

There's a twist: Even though the study shows that we would be treated better by people who trust their feelings, we're leery of them. When



DAMMIT, SPOCK! Kirk's instincts may help him overcome moral hazards better than Vulcan logic.

people were given a choice to interact with a rational decision-making partner or a gut-trusting one, 75% chose the rational partner.

Zhong concluded that "deliberative processes can license morally questionable behaviors by focusing on tangible monetary outcomes and reducing emotional influence." If only such behavior were limited to the lab.

In reality, it seems to have played a role in the Great Economic Kidney Punch we all just suffered. Mike Francis worked at Morgan Stanley before the economic collapse. He bought up scads of questionable mortgages, including some of the NINA (no income, no asset) variety, meaning that the bank giving the loan would not verify the customer's income or assets. The

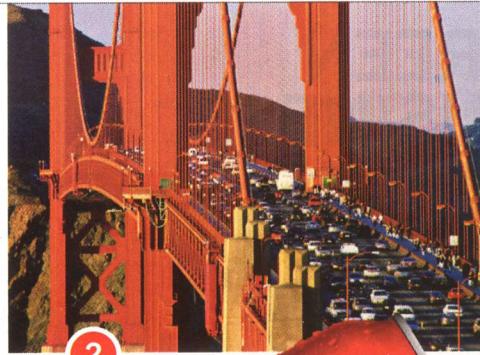
customer applying for the loan knew his answers wouldn't be checked, so he didn't face much risk in declaring, say, a \$300,000 salary as a Taco Bell night manager. (*What can I say? The people love my gorditas.*)

As reported on *This American Life's* must-listen episode, "The Giant Pool of Money," Francis said that, with the NINA loans, the banks were "setting you up to lie. Something about that feels very wrong. It felt wrong way back then, and I wish we had never done it. Unfortunately, what happened . . . we did it because everyone else was doing it."

When you're getting rich, it's pretty easy to soothe the ol' gut. If you need a rationalization, your mind will provide one. For instance, many



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bankers clung to their analytical models, which "proved" that their investments would be okay even if default rates reached historically high levels. Unfortunately, because it had never occurred to the bankers of yesteryear to give \$500,000 loans to minimum-wage workers, the historical models weren't all that accurate. You've got to love the logic, though: *Historically, the most weight I've ever gained in a year was 2 pounds, so I might as well start eating a quart of Ben & Jerry's every day for breakfast.*

Looking back on the subprime-mortgage debacle, it seems the only accurate information in the whole ecosystem was Francis's bad feeling. And one suspects other people had it, too. What if a few dozen others in the chain had listened to that feeling?

A different industry provides a lesson in the value of heeding your gut about ethical choices. In 1987, Paul O'Neill took over as CEO of Alcoa, the world's largest producer of aluminum. On his first day, he announced that no one who worked at Alcoa should ever be hurt at work. The acceptable rate of accidents was *no accidents*. This raised a lot of eyebrows. Working with aluminum is a dangerous business, and there are plenty of ways to get injured. And Alcoa already had a good safety record, in the top third of companies.

O'Neill recalls the skeptical hallway conversations among senior managers: "When the next tough economic time comes, he'll shut up about this."

He didn't. O'Neill walled off the topic of safety from the "deliberative processes" that Zhong warned about. "If anyone ever calculates how much money we're saving by being safe, they're fired," he told his team. Safety wasn't a priority; it was a precondition. He told people, "From now on, don't budget for safety." O'Neill's resolve paid off. Alcoa became one of the safest companies in the world, despite the aluminum industry's inherent risks.

Guts aren't perfect. For instance, we tend to feel so much empathy for individuals that it can doom our efforts to be impartial and consistent. But in the business world, we've tipped too far toward pure rationality. We need an emotional counterweight—and we already have it. When you're in an ethically loaded situation and your gut talks, listen to it. **FC**



Dan Heath and Chip Heath are the best-selling authors of *Made to Stick: Why Some Ideas Survive and Others Die*. Want to share a *Made to Stick* column with your team? Go to fastcompany.com/madetostick.
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HERE COMES THE BRIBE

When "rational" prices raise ethical questions

1. Mets Play Hardball

More than any other major-league baseball team, the New York Mets have tinkered with variable ticket prices that fluctuate in tandem with "platinum" game times (say, summer weekends) and "bronze" opponents (the Pirates). Amid the recession, fans have bemoaned the "horrifying" strategy on sports radio and blogs. Still, most are shelling out: Individual game sales are on track to double this season.

2. Congestion Pricing Clogs Up

By charging drivers a premium to commute during peak hours, traffic authorities in London and Stockholm have reduced gridlock and air pollution. But in New York and San Francisco, an angry public has dubbed congestion pricing "regressive" and "unfair to working families" who live outside the city center, stalling the proposals.

3. Coke Falls Flat

When Coca-Cola introduced thermometer-loaded vending machines that charged more on hot days (and less on cold ones), it was trying to optimize demand. But consumers were outraged, and major newspapers called the effort "cynical" and "evidence that the world is going to hell in a handbasket." Shortly thereafter, Coke pulled the machines.

—Dan Macsai