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# How the Smallest Choices Matter



By [Chris Lobello](#) , Financial Markets Practitioner and Occasional Teacher

## **The Kingdom of Bhutan applies choice architectures to improve decisions and well-being.**

Through a much-appreciated referral from a good friend, I was invited to teach a course on decision-making at Bhutan's Royal Institute for Governance and Strategic Studies (RIGSS). The course is part of a programme for Bhutan's senior government officials to help them develop their leadership and governance skills. The two-day session on making better decisions looks at various aspects of choice, including behavioural biases, the decision process, and concepts of choice architecture.



The course was greatly aided by a poorly designed door that was a perfect illustration of choice architecture and its ability to influence people's decisions. To enter the room, one had to push against it, yet it had a large, vertical, metal handle that sends a strong stimulus signal to say 'pull me.' I know this because I tried to pull it the first time I saw it (and many times after that). I wasn't the only one. Despite the fact that there was a sign above that handle saying 'PLEASE PUSH THIS DOOR,' I noticed many of the participants were facing this same problem – despite that sign, and despite the fact that they had been there longer than me – until I was finally able to use it as a great example of choice architecture and tell them the story of “Thaler's door”.

This story was mentioned in the book, *Nudge*, by Richard Thaler of the University of Chicago Booth School of Business and Cass Sunstein of Harvard University. It involved a door in a classroom where Dr Thaler was teaching. The door was an example of poor choice architecture as it had handles, “...large, handsome wood handles, vertically mounted cylindrical pulls about two feet in length.” Our instinct tells us that when we see a large handle, it should be pulled, and so most students when leaving the room would pull on the handles. This was a problem though, as the door pushed outwards.

Occasionally students would have to leave during the middle of class and they would quietly walk up to the doors to minimise the disturbance, only to wreck that attempt when they would start pulling, and continue to pull, on the doors that had to be pushed. Thaler even discussed this with the class at one point, reminding them of how the door opened. Yet when students were faced with that door they would very often follow their instinct and make the wrong choice, trying to pull the door open. As Thaler and Sunstein pointed out in their book, doors like this are bad architecture because they trigger an action that is the opposite of that needed. They are, however, a good example of choice architecture, as they show how the presentation of the problem can influence our response, and even override our thoughtful, logical self in doing so.

### **Moving quickly to change**

But this is where our story deviates from Thaler's. Thaler doesn't explicitly say if the school ever changed the door, he makes no mention of this, and in fact he describes this as occurring throughout the semester.

Bhutan is a different story. When I was describing this door, the institute's registrar was sitting in the class. After listening to the story, he shared with us that this door had been a problem for them since they opened, and that despite their efforts (the sign) each new group at the institute faced the same mental disconnect.

Having looked at the problem from a perspective of how people really make decisions, he now realised that the only sensible solution was to change the choice architecture, and characteristic of Asian foresight and willingness to change quickly, he announced to the class that he was going to do so by removing the handle and installing a metal plate in its place. Problem solved.

*Nudge* describes how the way the options are presented can influence how people respond. Standard economic theory tells us that people should behave under something called “descriptive invariance”, meaning that if you offer something to someone in two differently phrased ways, but the actual offers are mathematically equivalent, then the person's response should not change. People don't behave this way though.

One of the classic examples of this looks at how schools can influence which foods children choose in the cafeteria through choice architecture, in this case simply the way in which the food is laid out and displayed. Neoclassical economics would suggest that students would look at all the options and choose their optimal mix of preferences, thereby maximising enjoyment.

Most people, though, don't look at all the choices simultaneously. Instead they look at whatever is in front of them first in the line and decide if they want that. If yes they take it. If not, they move on and face the same choice at the next item. This type of behaviour is not maximising, but instead is something called satisficing. Because of this, the order and manner in which the food is laid out has a big impact on what people choose and eat. Move the vegetables and healthy foods close to the front of the line and within easy reach, and move the desserts and fried foods to the end of the line or out of easy sight, and the students will actually choose and eat healthier foods. This is one example of choice architecture in action.

In this way we can look to influence people's decisions by changing the choice architecture – changing the layout of the cafeteria line if you will. This has been done for thousands of years by people trying to sell us things, and more recently adopted by governments trying to convince us to want to do what they want us to do. For example, changes to the structure of how we

sign up for, or opt out of, retirement plans can have a huge impact on people saving for retirement, all while leaving us the freedom to make the choice ourselves (albeit a decision where the choice architecture will steer us in a certain direction.)

## **Lessons from Asia**

One of the joys of living in Asia is that often complex problems can be quickly addressed. While Thaler's door might well still be in its original, confusing form, RIGSS is changing theirs. This speed can come with problems of course, but on occasion it serves us well. In this instance this immediacy of action will both solve the problem and provide the teacher with the joy of knowing that the lesson has had an impact. It will also provide a fun anecdote to recall the lessons of choice architecture.

Beyond the door, the participants also discussed ways to frame choices so as to address problems more meaningful to Bhutan. People might be surprised that in a country known for its commitment to the environment one hot topic involved ways to combat littering in the capital. Another discussion involved the universal challenges of alcohol abuse. This then led on to a more localised problem – how can one influence people to limit the incidence of A.U.I. (Archery Under the Influence. Yes, apparently this is a real thing.)

As Bhutan's senior leaders are thinking about their own decision process and ways in which they might employ choice architecture (and the important ethical questions that come with this) that door at RIGSS also provides us outside of Bhutan with a great example of the importance of choice architecture, and the willingness to take action to improve our decision process. Instead of relying on trial and error that human beings have traditionally done over the centuries before determining the best path, good choice architectures can minimise clumsy problems and find efficiency faster. RIGSS is changing its door. What are you going to do?

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