

# How can Behavioral Insights Inform Private Sector Digital Training Strategies?

- The private sector is increasingly shifting employee, client, and supplier training online.
- Identifying common behavioral barriers can help companies design more effective training strategies.
- Designing training content using heuristics, or rules of thumb, can increase uptake of best practices.
- Personalized feedback and immediate grading systems can help improve online training content and learner engagement.
- Behavioral strategies such as reminders and commitment devices can help participants complete trainings and implement best practices.

## TAKING TRAINING DIGITAL

The digital revolution is transforming how people—and companies—teach, train, and learn. For instance, companies are increasingly shifting employee, client, and supplier training online, and banks are digitizing financial education training for micro, small, and medium-sized enterprise clients. The COVID-19 pandemic has accelerated these trends by forcing many people to work and study from home, further elevating the importance of online learning.

At the same time, this digital shift offers the private sector an opportunity to rethink traditional training approaches. For example, when it comes to financial education training for small businesses, there is mixed evidence on the impact it has on long-term outcomes for firms.<sup>1</sup> Therefore, organizations should carefully consider whether training is the best or only way to promote the practices they seek to impart.

If training is deemed the best course of action, designing approaches with human behavior in mind can help make them more effective. What holds people back from starting or completing training programs? What behavioral insights can be used to incentivize the application of best practices and promote behavior change?

## IDENTIFYING BEHAVIORAL BARRIERS

When developing a strategy to promote a desired behavior, such as increasing savings, it is first important to identify the structural and behavioral barriers impeding individuals from taking such action.

Structural barriers are those that the individual does not have any control of and limit their actions, even if they want to perform them. For example, people may prefer saving informally at home



instead of in a bank because there are no bank branches nearby. Behavioral barriers limit people's ability to perform certain actions, even when conditions are ideal. For instance, many people do not save enough money today because the unforeseen expenses that they may have tomorrow seem abstract (present bias).

To understand these barriers and design effective training strategies, companies can mix qualitative techniques—such as interviews and focus groups—with quantitative data, as outlined by the IDB Behavioral Economics Group and others.<sup>2</sup>

## BEHAVIORALLY-INFORMED CONTENT

Various behavioral barriers can prevent people from completing online courses. For example, no physical interaction may lead to procrastination and low completion rates; only about 13% of participants typically complete Massive Online Open Courses (MOOCs).<sup>3</sup>

How training content is structured and presented also matters. One option is to design content based on heuristics, which are mental shortcuts or rules of



1. McKenzie, D. (2020). [Small Business Training to Improve Management Practices in Developing Countries: Reassessing the Evidence for "Training Doesn't Work"](#) & Bruhn, M., et al. (2014). [The Minimal Impact of a Large-scale Financial Education Program in Mexico City](#).
2. IDB (2020). [Behavioral Economics Group & Ideas 42 \(2013\). Don't Suppose, Diagnose! The BETA Project](#).
3. Jordan, K. (2015). [Massive Open Online Course Completion Rates Revisited: Assessment, Length and Attrition](#).



thumb that people use to make decisions. An IDB Invest study confirmed the effectiveness of this approach in a financial education program with Banco Pichincha in Ecuador.<sup>4</sup> For example, the program recommended that microentrepreneurs follow “rules” as simple as using a cash box to separate the money they use for business and personal expenses. While this particular program was face-to-face, a heuristics approach can also work for digital training content.

Additionally, studies have highlighted the power of **personalization** in academic settings. For example, digital education programs such as the Duolingo language-learning platform use artificial intelligence to provide **personalized feedback**, along with an **immediate grading system** to help reduce perceived uncertainty among learners.



### ALTERNATIVE STRATEGIES

There are many behaviorally-informed strategies that can help companies boost the effectiveness of their training programs. They can also be implemented as stand-alone interventions.

One common approach is sending **reminders** to people to sign up for or finish a course, or apply best practices, such as paying loans on time.<sup>5</sup> These reminders can include different behavioral strategies like **planning prompts** delivered as simple messages encouraging people to plan how to achieve certain goals, such as finishing an online course. This strategy has proven to be effective in different contexts, including with students from HarvardX online courses.<sup>6</sup>

Reminders can also be **messages of encouragement**, helping motivate participants to continue with their learning. The Behavioural Insights Team compiled a guide <sup>7</sup> to designing effective behavioral encouragement messages to motivate a wide range of behaviors.

It is also important to recognize that people’s behavior is influenced by what others do and approve of (social norms). For instance, if reliable data is available, promoting **social comparability** by sharing how different individuals or companies are performing in a given area can help motivate better performance. This sort of benchmarking has proven to be particularly useful for motivating low-performance firms.<sup>8</sup>

Finally, **commitment devices** can help companies and individuals stick with their intention to learn and implement best practices. A commitment device is simply a strategy to lock yourself into a desired behavior that you might not commit to otherwise. For example, with microentrepreneurs in Chile<sup>9</sup>, a commitment device in the form of weekly personalized text messages reminding them of their savings goals significantly increased their savings amounts.



### CONCLUSION

Whether companies or financial institutions choose to pursue digital training, alternative strategies such as reminders, or a combination of both, behavioral insights can help guide the way. Ensuring the effective design and delivery of online training is especially important given the abrupt business changes and resource constraints brought by the COVID-19 pandemic. For its part, IDB Invest continues working with clients to incorporate behavioral insights into training approaches and other activities to potentially boost the effectiveness of these interventions. ■

#### Additional Information

Authors: Cristina Parilli and Patricia Yañez-Pagans  
 Editors: Norah Sullivan and Irani Arráiz

For more information, contact:  
[cpar@iadb.org](mailto:cpar@iadb.org)

This DEBrief provides an overview of the role behavioral insights can play in designing and improving online training programs in the private sector.

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