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Hi, welcome back. In this video, I will introduce you to the nudge theory. Nudge theory presents another way to lead the people's side of change, so it should be used in a [inaudible] with a structured change management model-like ADKAR or McKinsey 7S framework. Nudge theory is rooted in behavioral science. Richard Thaler and Cass Sunstein developed a theory in the early 2000s. In their book, *Nudge*, improving decisions about health, wealth, and happiness. They propose a way for leading change in getting buy-in from the employees through nudging. Or in other words, using the power of suggestion and positive reinforcement, to influence the environment in such way that it supports the best decision making. This is accomplished by building a people centric culture. Nudging is different from telling employees what to do, because nudging is about presenting choices and letting employees choose option A over option C more easily with the help of a supportive environment. This model can be easily misused and misinterpreted as a manipulation tactic. When applying this model in practice, keep in mind that not everyone will be on board with the change, even when presented with the best options in the most supportive environment. However, based on the findings presented in the book, it's safe to assume that the majority of people would embrace the change, if they're presented with options and if they feel respected and are cared for during this process. Nudge theory is key to preventing resistance to change and inviting people to come along instead of forcing them into another change. By focusing on the indirect influencing in creating an environment of encouragement, we're supporting the freedom of individual choice and empowering every employee. There are four nudges that can be taken when leading change. One, perception nudge. Two, motivation nudge. Three, ability nudge. Perception nudge is focused on influencing the existing perceptions of the employees when looking at the actions, their leadership is taking. Motivation nudge is focused on influencing the motivation of employees for embracing a particular change. When we discussed Lewin's three-stage model, I mentioned that motivation for change, or in other words, why the change is needed, is the first step in initiating change. Employee motivation is critical to success. That's why it has its own category in the nudge's theory. Ability nudge is focused on the influencing the abilities of employees. The authors of the theory, Thaler and Sunstein, offer a step-by-step approach for using the nudge model. It consists of seven steps. Step one, clearly define the change you're planning to implement. Step two, think of how this planned change would impact employees from their point of view. Step three, analyze available options based on data and facts. Step four, present options for change. Step five, gather and incorporate feedback. Step six, remove as many obstacles as possible. Step seven, celebrate and keep the momentum up with low-hanging fruit wins and rewards. Nudge theory offers a number of techniques to help leaders activate change engage when with their employees and sustain it in an organization. Let's go over these. Employees want to be treated as individuals. Using a person's name or information that specifically applies to them demonstrates to an individual that they are important and not a part of something. Fear of missing out. When introducing a change, focus on explaining how easy it is to participate. Explain what people would be missing if they didn't engage or join the change process, instead of explaining why they should join. Not wanting to be left out. If the change you are planning has been done before elsewhere, it could be helpful to show how many companies have already adopted a similar idea. If the change is already in progress, you might want to demonstrate how many people have embraced it within your organization. In Summary, nudge theory addresses the people side of change management and offers a way to build an environment that supports engagement in change sustainability, and also empowers employees. By using it together with a more structured change management model, you'll be able to develop a robust plan for implementing change within your organization. Thanks for watching, I'll see you in the next video.