

GALLUP[®]

JUNE 21, 2019

Why Leadership Development Needs a Nudge

BY VIBHAS RATANJEE



STORY HIGHLIGHTS

- Many leadership development programs cost too much and just don't work
 - Careful nudges drive deeper learning
 - Encourage growth in leaders by prompting them to use their innate abilities
-

Leadership development might be one of the most significant loss-making ventures in modern business.

Companies spend big money on developing leaders -- about \$3.4 billion annually by some estimates -- yet research shows that 50% to 60% of executives fail to achieve the strategy they were hired to execute within 18 months of taking the job.

It's not for lack of talent or effort. Leadership is simply more challenging in today's ever-changing and highly complex business environment.

But \$3.4 billion dollars is a lot of money, and if that outlay on development isn't doing the trick, what will?

Maybe it's as simple as a gentle nudge.

Nudging Leadership Development

Nudge theory was popularized by behavioral economics researchers Richard Thaler and Cass Sunstein.

Nudge theory focuses on the design of choices, which influences the decisions we make. The theory is broadly based on heuristics -- a Greek word that now means self-discovery -- which are mental shortcuts that people take to solve problems or make quick decisions.

Companies spend big money on developing leaders -- about \$3.4 billion annually by some estimates -- yet research shows that 50% to 60% of executives fail to achieve the strategy they were hired to execute within 18 months of taking the job.

In effect, nudge theory proposes that choices should be designed according to how people actually think and make decisions -- instinctively and somewhat irrationally -- rather than how leaders and authorities traditionally (and typically incorrectly) believe people think and decide, which is to say logically and rationally.

There have been some successful applications of nudge theory. The U.K.'s former Prime Minister David Cameron famously created a "nudge unit" tasked with nudging people to pay taxes on time, insulate their attics, sign up for organ donation, stop smoking during pregnancy and give to charity. According to the program's director, it has saved taxpayers tens of millions of pounds.

But how might this apply to leadership development? A leader's job is to make decisions in complicated and incessantly disrupted business environments. For that, they need a high degree of focus. They need skills. They need their leadership energy to be channeled in the right direction.

Nudge theory, as applied to leadership development, suggests that instead of defining leadership's key competencies and scripting their behaviors -- which can result in predictable but ineffective decision-making in a highly dynamic and unpredictable market -- leaders are more likely to succeed if they're prompted to remember to use their own innate abilities.

With practice, those abilities become sharper, more effective. But they do need practice and deliberate application to be fully developed. Based on our experience, there are three strategies companies must adopt to nudge leadership development.

1. Know what already works.

A good place to start is to look at a leader's unique strengths and talents. Gallup's research shows that leaders who understand and use their strengths are more effective in their role -- everyone is, incidentally -- and our analysis revealed that people who use their strengths every day are three times more likely to report having an excellent quality of life, six times more likely to be engaged at work, 8% more productive and 15% less likely to quit their jobs.

By nature, successful nudges are profoundly personal and individualized. Nudging in a way that helps leaders understand and appreciate their unique strengths is likely to be more effective than pushing and prodding them up a career ladder toward what the company defines as "ideal leadership behavior." Do that and you sand the individuality off the leader -- and with it, his or her unique talents. This approach, at best, creates mediocre leaders. At worst, it encumbers leaders in a business environment that demands creativity, innovation and agility.

Consider the workspace design trend of layouts that increase interactions between coworkers. This does nudge leaders to have more frequent contact with employees, and a leader with strong Relator talents might react very positively to this nudge. A leader who is highly deliberative or who is deeply analytical might have the opposite reaction. They might value longer, focused and more dedicated time for conversations than a fast and casual "touch base," and find the bustle of open floor plans distracting -- even frustrating.

Nudging leaders toward their strengths allows them the freedom to be themselves -- remember, heuristics are highly individualized ways of thinking and operating -- so the choices leaders make will be more aligned with what makes them exceptional leaders.

That's why applying nudging in the right way should involve a focus on learning and growth where the leader's potential for excellence lies -- in the leader's innate abilities -- not on what needs fixing or where the leader has problems.

2. Reimagine *how* leaders learn.

A critical principle of nudge theory is focused on choice architecture. Thaler and Sunstein refer to it as the practice of influencing choice by "organizing the context in which people make decisions," such as using a basket instead of a shopping cart to reduce overspending at the supermarket or using smaller plates while dining to prevent overeating.

Gallup's research shows that when development opportunities are framed in ways that genuinely excite, inspire and motivate leaders, they tend to make developmental choices that offer the greatest impact for their organizations.

Those nudges work in stores and at dinner tables and similar ideas could work in developmental training. Instead of making a virtual buffet of classroom and e-learning available to leaders, instead focus leaders on what is truly relevant to their growth and the experiences that will help them learn.

Gallup's research shows that when development opportunities are framed in ways that genuinely excite, inspire and motivate leaders, they tend to make developmental choices that offer the greatest impact for their organizations.

Those choices might arise via leadership classes, but a carefully orchestrated nudge toward a breakthrough experience -- a job or task that the leader has limited or no skills for, a foreign assignment, or leading a cross-functional team on a mission-critical project -- pushes the leaders out of their comfort zone.

These experiences might be uncomfortable, even risky. But they drive learning in a way that genuinely propels leadership impact.

These experiences can, and should, be rewarded step-by-step. "Gamification" -- the use of elements from game design to nongame events like leadership development -- shows that incremental rewards, such as leaderboards, incentives for "leveling up," and points for successful completion can nudge people toward a desired outcome.

That's the theory behind corporate programs that give workers "points" for physical activity to improve worker health, but the same system can work for leadership development.

3. Prompt leaders to refocus, reflect and rethink.

However, even strengths-based development that leans on human heuristics can fail to achieve much if it's a once-and-done event. People need to be reminded and prompted to revisit learning content, reflect on what they learned and, of course, apply the learning.

But we probably won't do that unless we're nudged to. Research shows that participants in classroom training forget about 70% of what they learned just days after leaving the classroom.

Prompts can help leaders focus their learning, because they issue a low-level alert. But it's the leader's response to that nudge that's important -- ideally, prompts should nudge leaders to engage with the issue as their authentic selves.

A leader's job is to make decisions in complicated and incessantly disrupted business environments. For that, they need a high degree of focus. They need skills. They need their leadership energy to be channeled in the right direction.

Great data will help this cause. AI offers data that is revolutionizing leadership insights and decision-making, and, in turn, reimagining leadership development and coaching. Good choice architecture allows leaders to truly own data-driven decisions, and to personalize their reaction to a nudge.

For instance, a senior executive with whom Gallup worked wanted our advice on communicating with his team of sales managers before a big product launch. We worked with him to review his speech using a straightforward prompt: Take four highlighters and use a different color for each one of the words that evoke what Gallup research finds are the four needs of followers -- trust, stability, compassion and hope.

He knew the four needs of followers, of course, but they weren't top of mind -- instead, his sales managers and the product launch were, naturally. But this simple prompt helped the leader recognize that his speech mostly reinforced trust and stability (we are doing well) but not

compassion and hope (we have an exciting future ahead of us). The leader used the prompt to reassess and rethink his approach with great success.

Nudging in Moderation

Companies that are serious about applying nudge theory to leadership development need to learn from their leaders' responses to it and consider what they hope to change with their choice architecture. But keep in mind, nudging has been described as controlling, even unethical. And it can be. But such application of nudge theory isn't good choice architecture, it's manipulation and it has no place in leadership development.

Freedom of choice is critical. Nudging should be done with moderation, and the frequency and emphasis of the nudging should be tempered. Otherwise the developmental experiences will feel rote and robotic.

Good nudging, on the other hand, simplifies a complex leadership job: learning. Richard Thaler says that if you want to encourage someone to do something, make it easy. It is high time companies make the process of leadership development easy.

Leaders have too much to do and too little time to do it, and that includes their own development. Companies spend too much money on development that doesn't pan out. Companies fail to meet their strategic goals too often. Using nudge theory would be one way to fix those problems -- as long as the approach is tailored to the individual's strengths, allows them to learn in a format that will have the greatest impact, and prompts them to think, reflect, and act.

It must always allow the leader freedom of choice, too. After all, leaders are chosen because of their prior decisions. Development programs that steers leaders away from their natural abilities and talents won't do anyone any good -- as the 50% to 60% of leaders who failed to achieve the strategy they were hired to execute could probably attest.

Learn how to drive leadership excellence through intentional development:

- [Partner with Gallup](#) to build a world-class leadership development program.
- [Purchase your copy of the Amazon bestseller, *It's the Manager*](#), to get 52 of Gallup's greatest discoveries from decades of research into the science of management --