



VOICES OF THE LEADERS OF TOMORROW



About GfK Verein

"Let the voice of the consumer be heard." This idea was the original vision when the GfK Verein was established in 1934 and still guides it today. Consequently, the purpose of the Verein since its inception has been the advancement of market research. Today, the GfK Verein is a respected market research think tank acknowledged both by those in scientific circles and those engaged in practical application. It is also the majority shareholder of GfK SE, a leading market research company headquartered in Nuremberg, Germany.

Its remit as a not-for-profit organization is to create and share knowledge required for better understanding markets. Thus the GfK Verein develops new market research methods – frequently in close cooperation with business and scientific organizations – and studies societal trends. Moreover, the GfK Verein is committed to teaching and training market researchers. As part of its mandate to share market research knowledge, GfK Verein co-operates with universities in several continents to offer academic programs that help develop the next generation of market researchers to meet the future needs of business.

About the St. Gallen Symposium

The St. Gallen Symposium is a global gathering of 600 Leaders of Today and 200 Leaders of Tomorrow that takes place annually in May at the University of St. Gallen Switzerland. It is organized by the International Students' Committee (ISC), a team of students from the university. For nearly five decades, it has provided a setting for relevant debates between Leaders of Today and Tomorrow on topics of management, politics and civil society.

The 200 Leaders of Tomorrow are at the heart of the St. Gallen Symposium. They qualify for the symposium through a rigorous selection process and comprise the world's most promising young academics, entrepreneurs, politicians, scientists and professionals. Their role at the symposium is to challenge the status quo and to share their own views and perspectives during the debates with some of the most influential leaders and decision makers worldwide.

The 46th St. Gallen Symposium (11-13 May 2016) will be held under the topic "Growth – the good, the bad, and the ugly". Economic growth is the most powerful single determinant that has ever entered political and economic language. Lack of growth hamstrings governments and the private sector alike; questioning growth challenges the fundamentals of today's economic system; abolishing it in turn demands alternatives no one has come up with so far. Thus, the concept of economic growth has to be debated in the light of today's global economic development.

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Transform Decision Making! GfK Verein & St. Gallen Symposium. | Cover picture: © Christopher Badzioch

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"It is change, continuing change, inevitable change that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be."

Isaac Asimov

A large and important part of any leader's job is making the right decisions to further the goals of the group or organization. But if we look at the topics of MBA Programs, we see that very little time is actually spent on teaching how to make good decisions. Instead, courses focus on strategy, leadership, organization, finance, HR and marketing. It is almost like we take for granted that decision making is an inherent skill that does not need special attention.

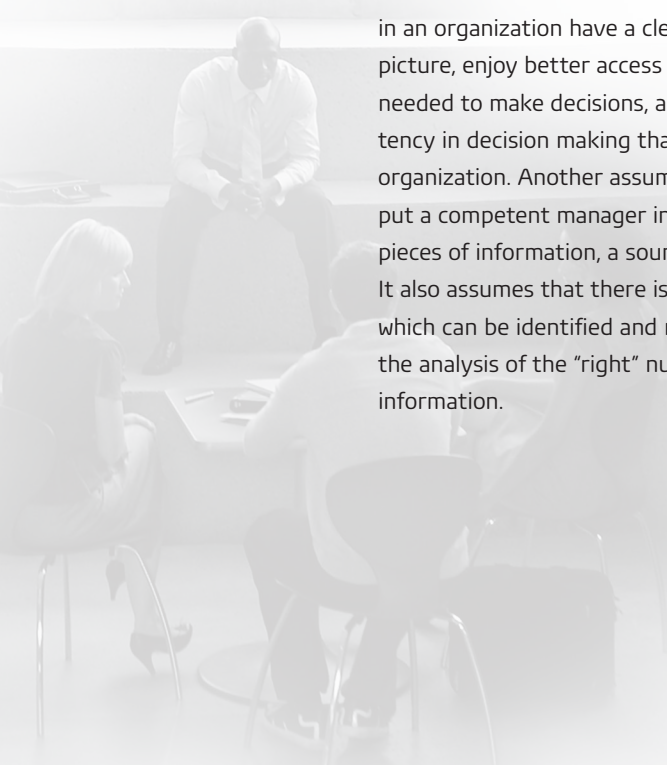
And what little we as a society do teach leaders specifically about making good decisions and avoiding bad ones often comes from a different time. A time when the context of decision making – including its raw materials, like data, experience and management time – played a very different role because the market environment was arguably less complex and characterized by a slower pace and higher transaction costs.

There are a number of implicit assumptions underlying the traditional management and organizational model. One is that people higher up in an organization have a clearer view of the big picture, enjoy better access to critical information needed to make decisions, and have more competency in decision making than those lower in the organization. Another assumption is that if you put a competent manager in a room with the right pieces of information, a sound decision will emerge. It also assumes that there is one "right" decision which can be identified and rationally derived from the analysis of the "right" nuggets of data and information.

But which of these assumptions still hold in an increasingly digital and complex world? In the pre-digital era decision making was characterized by information-scarcity – leading to the need to make decisions on partial information in a relatively slow-moving environment. Instead, decision makers today face the challenge of an information overload and are faced with flux and unpredictability in an environment characterized by rapid and nonlinear changes, high transparency and global competition.

The digital revolution also has brought up a new cohort of employees, the Digital Natives (Prensky, 2001), who grew up with the Internet and access to a stream of information as a normal fact of life. The Digital Natives are now getting ready to take responsibility in a "changing of the guard". For this report, we invited a specially selected group of future's top talents, the "Leaders of Tomorrow – Wave 2016" to honestly share their view on decision making and leadership (see Figure 1-1).

For many of those Leaders of Tomorrow, decisions are no longer a job for experienced hermits pondering a few crumbs of information, but rather for technically skilled "information wranglers"; creative and open-minded team-players that can make use of the potential of both the diversity of people's perspective and the wealth of digital information accessible on the Web, a mobile device, or through APIs. This new kind of decision makers should be supported by a decision making approach and information architecture in an organization that is designed to support the decision skills and style of the Digital Natives.



Listen more, talk less. Don't be full of 'When I was at your age'. Even the younger generation have something to offer you. Shut up and listen. Young Professional

Be aware that our world changes, and we do not know every single piece of it. In a world that becomes bigger, to back every decision-making step in a single person is even riskier. Thus, a global planet requires both a global mind and a global team.

Student of Engineering

This report analyzes and aggregates the "Voices of the Leaders of Tomorrow" and discusses the results in light of current management thinking to illustrate possible implications that today's executives should watch out for. We hope it will help foster a much-needed discourse for the upcoming "changing of the guard" and we are looking forward to a constructive dialogue about the issues at hand both during and after the 46th St. Gallen Symposium.

GfK Verein & St. Gallen Symposium

Forget hierarchy - disrupt how you think by co-creating with a broad spectrum of people.

Young Professional

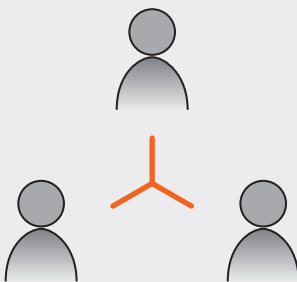
Engage with younger people to understand the trends happening in society at large. There is an enormous generational divide in terms of understanding of the digital world, what global issues people care about. I see the older generation discuss amongst themselves how they perceive the younger generation; instead there should be active discourse between the generations.

Student of Management

Leaders of Tomorrow – Wave 2016

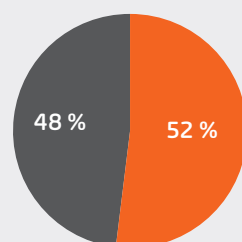
Sample Information – for details please refer to page 26

802 Respondents



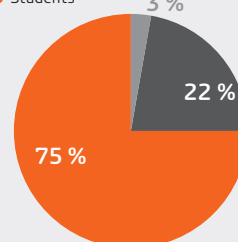
76 Countries

■ OECD countries
■ Non-OECD countries



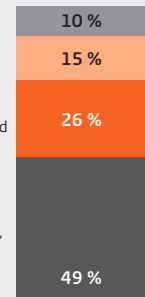
Students & Young Professionals

■ Prefer not to answer
■ Young professionals
■ Students



Diverse backgrounds

■ Prefer not to answer
■ STEM (science, technology, engineering and mathematics)
■ Other areas of study (Law, Political/ Social Sciences, etc.)
■ Business / Management



n=802; "Leaders of Tomorrow – Wave 2016"

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Figure 1-1

Dear Leaders of Today, please transform your decision making

"The death knell for any enterprise is to glorify the past – no matter how good it was." Jeff Bezos

We asked the Leaders of Tomorrow to give "one piece of advice" to the current generation of business leaders – managers that are now mostly between 40 and 60 years old – for their decision-making behavior. They were quite open in their criticism and suggestions.

Key messages of the Leaders of Tomorrow on decision making

We distilled five key messages of the Leaders of Tomorrow from their quotes that could serve as a summary of this report (see Figure 2-1).

It seems that the Leaders of Tomorrow would strongly agree with Amazon founder Jeff Bezos, quoted above. They criticized the current managers for not having adapted their decision-making approach to a digital, dynamic and complex world. A world where the Leaders of Tomorrow are the natives and today's leaders are the immigrants that still have to master its ways. In this complex world, the Leaders of Tomorrow regard experience gained in a world of information-scarcity as clearly outweighed by the ability to work with an abundance of information, openness for new, radical ideas, and creativity.

Checklist of major expectations that future leaders shared in their open responses on the decision-making behavior of the Leaders of Today

Dear Leaders of Today, please transform decision making!

- ☐ **If everybody in your leadership team looks and thinks just like you do, you have a problem!** Involve a diverse group of people, especially the younger employees, in your decision-making processes. Mix teams and bring together technically skilled younger employees with more experienced employees to improve decisions in your organization.
- ☐ **If nobody knocked on your door to disagree with you last month, you really need to do something differently!** Be open-minded and actively invite radical and opposing ideas. Being open-minded means not only talking about having an open door for everyone but actively inviting people to challenge your decisions and bring in their ideas and proposals.
- ☐ **You have a responsibility to contribute to an economically, socially and environmentally more sustainable society!** Consider the impact and consequences of your decisions, also the unintended ones. Mind ethical and social considerations and also care about the long-term consequences of your decisions.
- ☐ **Employees will give their best at a job when they are given ownership of a project!** Reduce hierarchy and be willing to delegate decisions to the next generation. Empower the young people in your organization, recognize that hierarchy is often the problem, not the solution, and give people more autonomy to decide.
- ☐ **Forget about past best practices and learn to use technology and analysis tools to handle today's vast data volume!** Use data and embrace new technology to create better decisions. Make more informed decisions based on information and sound analysis instead of past experience.

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Figure 2-1

Transform how you decide to increase decision quality

The success of any business relies to a large part upon the quality of its executives' decisions. The men behind successful companies are praised on the covers of business journals – like Apple's Steve Jobs, Google's Sergey Brin and Larry Page or Tesla's Elon Musk. In the tradition of the "great man theory" of leadership, this can lead to seeing decision making as an isolated event driven by a single decider: decisions happen when "a pronouncement [is] popping out of a leader's head, based on experience, gut, research, or all three" (Garvin & Roberto 2015). According to Garvin and Roberto this is a very common notion – but it is one that leads to overlooking "larger social and organizational contexts, which ultimately determine the success of any decision".

Not only since Peter Drucker's (1967) writings on "The Effective Decision" managers should be aware that decisions are the result of a process, starting long before the final choice is made. Instead of being a unique event at a single point in time, decision making should be seen more like a manufacturing or production process with many steps that all affect the ultimate quality of a decision. Mistakes made in the early steps are hard to patch in the later steps and will probably lead to weaker decisions.

The following chapter gives an overview of how the Leaders of Tomorrow would define a good decision, which factors lead to bad decisions in their eyes, and how they would try to address sources of decision-making errors.

Improving decisions means improving the steps that lead to a decision

The first question that comes to mind when one thinks about improving decision quality is: How do I determine the quality of a decision? A simple answer is that a good decision is one that leads to the intended outcome. The problem with assessing a decision just from this viewpoint is that there is often a long delay between making a decision and being able to evaluate its outcome. During this delay, it would be impossible to evaluate the quality of the decision and eventually improve the decision itself. And even after the outcome is realized it could be that the outcome cannot be clearly linked to the quality of the decision – due to the complex and dynamic context with a high number of interacting elements and nonlinear relations between cause and effect (Snowden & Boon, 2007).

Thinking about decision quality with a focus on the process also makes sense with regard to monetary goals. Lovallo and Sibony (2010) showed in an empirical study for McKinsey of 1,048 major decisions of executives that improving decision-making processes makes a measurable difference in the return on investment (ROI) of decisions. The authors explored the influence of different practices to increase the quality of the decision-making process on the ROI of a decision. The effect of a superior process was measurable in a significantly higher ROI: The ROI advantage for top-quartile versus bottom-quartile regarding the quality of the decision making process was about 6.9 percentage points. Thus leading the authors to the conclusion: "Good process, in short, isn't just good hygiene; it's good business."

This is why we asked the Leaders of Tomorrow to tell us how they would recognize a good decision without yet knowing the decision's outcome. We asked them to complete the following statement in an open question: "Without yet knowing the outcome, a 'good decision' is one that ...". The goal was to get an insight into their mental models about decision-making quality. We used a decision-quality framework with six elements by Carl Spetzler to cluster the open answers (see Info Box 3-1 for more details about Spetzler's "Six Elements of Decision Quality"). Within this framework the elements of decision quality are like chain links, with the overall quality of a decision depending on each individual link (Neal & Spetzler 2015).

Most of the answers of the Leaders of Tomorrow could be categorized under one of the six elements of decision quality – suggesting that the overwhelming majority of the Leaders of Tomorrow indeed focused on the decision-making process instead of the final choice when thinking about decision quality. With this focus, it is more important how a decision is derived, rather than what the final decision was or who made it. They stressed the importance to have a high-quality preparation of the decision – researching meaningful information, aligning the decision with ethical values, balancing risks and opportunities, considering a broad range of solutions and involving a diverse group of stakeholders.

The results are shown in Figure 3-1. The element of decision quality mentioned most frequently is "meaningful information": for 28% of the interviewed Leaders of Tomorrow a good decision is one that is based on **meaningful information and sound analysis**.

Another important factor of the decision-making process for the Leaders of Tomorrow is the foundation of decisions on **clear values**: A high-quality decision requires a good intention or has to be fair and morally justified. A good decision works in the decision maker's favor without impinging on others' rights. In last year's Global Perspectives Barometer 2015, a large share of the interviewed Leaders of Tomorrow also displayed post-material values e. g. by choosing "positive impact on society" as one of the most important measures for their career success. And, like in 2015, the answers of the Leaders of Tomorrow in 2016 revealed that they see their orientation towards ecological and social goals as a feature distinguishing them from the current generation of managers. They consider themselves as being different or even better than the current generation of leaders, which many Leaders of Tomorrow regard as being too focused on material value and self-interest.

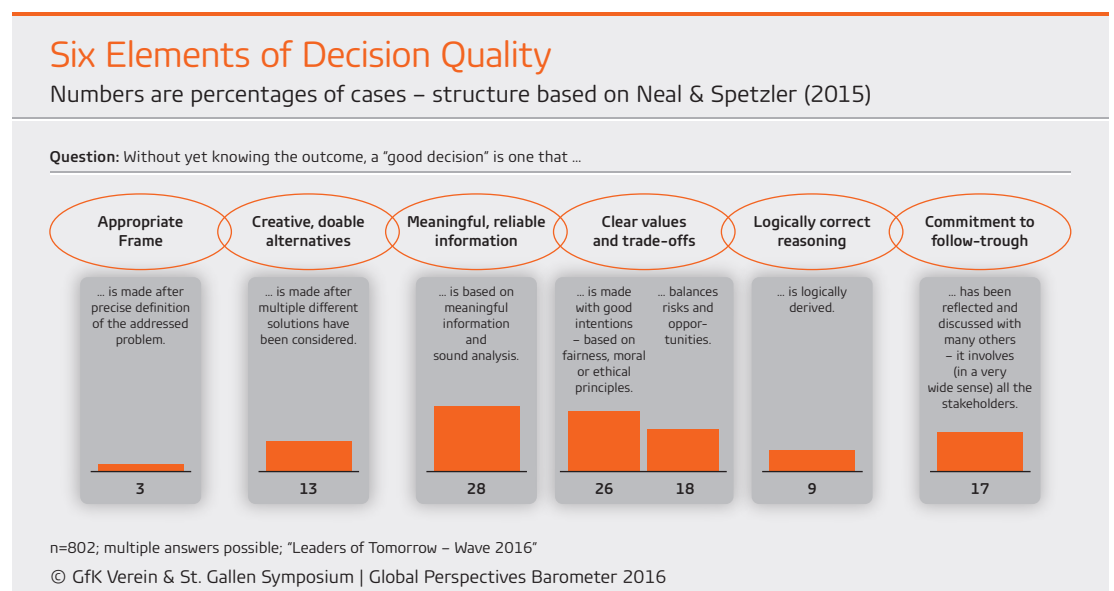


Figure 3-1

Clear trade-offs are another important element. For 18% of the Leaders of Tomorrow, this means that risks and opportunities for a decision are balanced. The **commitment to follow-through by the stakeholders** is important for 17% of the Leaders of Tomorrow, meaning that during the decision process all team members and relevant stakeholders have to be engaged to give their thoughts and contribute to the decision.

An approach to decision making that fits well with the Leaders of Tomorrow's view on the decision-making process is **evidence-based management**. This approach explicitly uses the current, best evidence for managerial decision making. It is well established in the field of medicine, but increasingly also a topic in general management research. "In evidence-based management, the key sources of evidence are, first, scientific findings from organizational and management research, second, organizational data, third expert judgement aided by decision supports and fourth, ethical considerations, particularly stakeholder perspective." (Rousseau 2016).

Interestingly, even though we asked for the criteria of a good decision for which the outcome is not yet known, about 15% of the Leaders of Tomorrow were still focused on the outcome, in two flavors: either aiming at delivering the intended outcome by maximizing its probability or actually achieving the intended outcome was an important criterion for them.

Let experts answer the old questions, let data answer the new questions if there is data. For everything else good luck. Student of Law

A good decision is one that takes into account future generations and equally values environment, social and economic prosperity.

Young Professional

Six Elements of Decision Quality

Carl Spetzler, of the Strategic Decision and Risk Management program at Stanford University, developed a framework to assess decision quality at the time of making the decision. The framework consists of six elements of decision quality that are said to hold for every high-quality decision (Neal & Spetzler 2015). Those six elements are "linked as a chain. To make high quality decisions, each of the six elements must be of the highest standard, and like an actual chain, the weakest link will define the overall quality of decisions" (Spetzler 2007).

According to Neal and Spetzler (2015), the six elements of decision quality are:

- 1** **An appropriate frame**, including a clear understanding of the problem and what needs to be achieved.
- 2** **Creative, doable alternatives** from which to choose the one most likely to achieve what you want.
- 3** **Meaningful information that is reliable**, unbiased, and reflects all relevant uncertainties and intangibles.
- 4** **Clear values and trade-Offs**, clarity about desired outcomes, including acceptable tradeoffs.
- 5** **Solid reasoning and sound logic** that includes considerations of uncertainty and insight at the appropriate level of complexity.
- 6** **Commitment to follow-through** by all stakeholders necessary to achieve effective action.

They [the Leaders of Today] are overconfident, arrogant, believe too much in their abilities, do not work as team, don't have sportsman spirit and take too much pride in being educated from top business schools. Student of Dental Medicine

Even smart managers will make bad decisions if they do not have the right information at hand

As discussed before, the “great man theory” of leadership, applied to decision making, assumes that “smart managers” will almost automatically make good decisions. But is this the case? Is all you need just smart managers, irrespective of their context?

To explore this assumption, we asked the Leaders of Tomorrow to complete a phrase in an open question: “Even smart managers will make bad decisions if...”. The results, summarized in Figure 3-2, underscore that the skills of the manager are not the only factor at play. Being able to make information-based decisions seems to be crucial for the interviewed Leaders of Tomorrow. In their eyes **even smart managers will make bad decisions** if they do not have the right information at hand or are unable to gain insights from it.

From the Leaders of Tomorrow's point of view, not arming decision makers in an adequate way with analytic tools and information insights is a leading cause of bad decisions in a company. This leads to the question if companies have the meaningful insights at hand – accessible in a timely manner when necessary and in a form that is appropriate. With the Digital Natives becoming decision makers, companies should think about what kind of methods and devices are preferred for data access, to empower their young decision makers to search for information and use data for their decisions.

Even when information is available, decision makers still have to gain the right insights from the information for a decision. The Leaders of Tomorrow mentioned a few problems that could distort this process: decision makers make decisions too quickly because they are just too lazy, too hasty or under time-pressure. Having lazy people in positions that need to make important decisions might never be a good idea for any organization. But this leaves the question about how to avoid hasty decisions or putting decision makers under too much time pressure. For example: Is the decision-making

Why even smart managers make bad decisions

Clustered open answers; numbers are percentages of cases

Question: Even smart managers will make “bad decisions”, if ...

22% ... they are unable to gain insights from the information at hand.

The inability to gain insights from information results in bad decisions – no matter if it happens due to “information-illiteracy” or because decision makers are just too lazy, too hasty, or under too much time-pressure.

15% ... they do not have access to meaningful information.

Meaningful information is not available or not accessible for the decision maker or the information at hand is of bad quality (false, incomplete, inconsistent, biased or limited)

9% ... they are lacking foresight.

Decision makers do not anticipate possible future events and do not prepare for future events – no plan B is prepared and they are not looking far enough ahead.

9% ... they fail to communicate with stakeholders.

Decision makers do not interact enough with their teams or other stakeholders and miss the input and advice of others.

7% ... they are missing the big picture.

Decision makers make bad decisions when they have a view that is too narrow, focus too much on details and do not see the whole picture, just their own perspective.

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Figure 3-2

Avoiding Analysis Paralysis: The Role of Heuristics

"What information consumes is rather obvious: it consumes the attention of its recipients. Hence a wealth of information creates a poverty of attention and a need to allocate that attention efficiently among the overabundance of information sources that might consume it." Herbert Simon (1971)

The world is increasingly complex and drowning in information. The mental model of a fully rational decision maker, able to make an "optimal" decision using all available information and maximizing utility is flawed. It is a relic of the "homo oeconomicus" that behavioral economics has shown to be more fiction than fact. An increasing volume of accessible information, combined with an increase in the speed of market changes in most industries, means that the limits of "bounded rationality" (Gigerenzer & Goldstein, 1996) are more routinely reached than in the pre-internet world of information scarcity. Humans are known to fall back on heuristics to still make decisions when information processing capacity is exceeded. Indeed, there are indications that many business decisions are actually made based on heuristics and only retrospectively "rationalized" by selectively compiling data that supports them (confirmation bias). We cannot easily reduce the volume of information, nor easily change the way human reasoning evolved. So the way to increase decision quality is not to fight heuristics or pretend they don't exist. Neither is it to simply provide "more" information, which would only increase the cognitive overload. Rather, it is to understand which heuristics are at work, which of them are helpful and which are known to be misleading. And then to provide selective information specifically tailored not to a hypothetical, fully rational decision maker, but to actually existing decision makers operating in complex markets with "fast and frugal" decision heuristics.

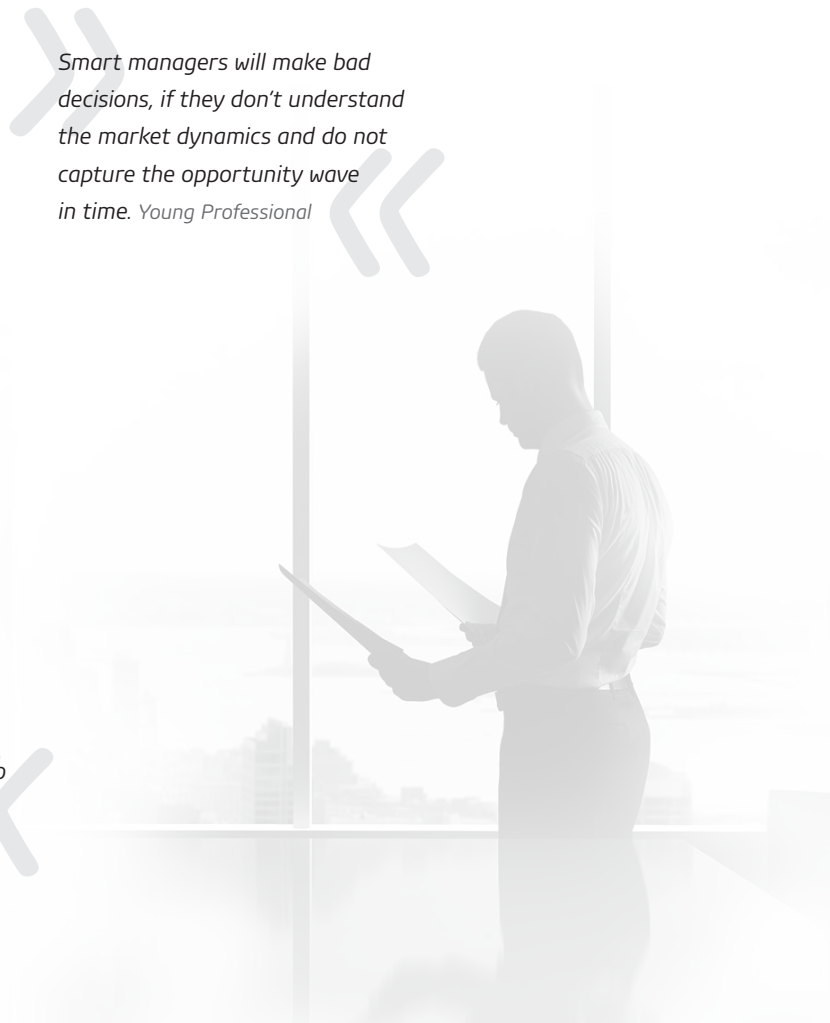
Info Box 3-2

process designed well enough to allow for information research and "develop disagreement" (Drucker, 2003) to challenge and question ideas or concepts? What is the role of a decision maker in the organization? Is it allowed or even demanded to involve other people and get help with the analysis of information?

Companies thinking about a way to help managers get better insights from the information at hand should have a look at the work of Eppler and Pfister (2016). The authors experimentally showed that the opportunity to jointly annotate printouts with graphical representations of information significantly improves managers' decision quality. Pairs of managers in the experiment that used such printouts in decisions were better able to clarify the interpretations and consequences of the presented evidence and to arrive at better decisions based on it.

Smart managers will make bad decisions, if they don't understand the market dynamics and do not capture the opportunity wave in time. Young Professional

Keep an open mind and experiment, listening to what the objective data tells you. MBA Student



Cognitive biases distort decisions if nothing is done to overcome them

When it comes to decision making, cognitive biases are never far away. Coined in the 1970s by Tversky and Kahneman (1974) the term “cognitive biases” describes “people’s systematic but purportedly flawed patterns of responses to judgement and decision problems” (Wilke & Mata 2012). Rolf Dobelli’s book “The Art of Thinking Clearly” (2013) lists 98 biases. Popular biases are for instance confirmation bias, that “leads people to ignore evidence that contradicts their preconceived notions”, and anchoring bias, that causes decision makers “to weigh one piece of information too heavily” (Kahneman et al. 2015). According to Hammond et al. (1998) such biases or “hidden

traps” are the main source for bad decisions and affect every decision maker: “We all fall right into these psychological traps because they’re unconscious – hardwired into the way we all think”.

What would the Leaders of Tomorrow generally do to overcome **cognitive biases** without regard to a specific decision problem or process? We wanted to know what is top of mind for the Leaders of Tomorrow regarding cognitive biases. For this purpose we asked the Leaders of Tomorrow to complete a phrase in an open question: “Being overconfident or tending to listen only to information that confirms one’s view are examples of “cognitive biases”. The best way to overcome such biases in decision making is ...”. The results are summarized in Figure 3-3.

The Leaders of Tomorrow would most often invite a diverse group of people to challenge one’s decision. Having the chance to cooperate with other people in decision making seems to be very important for the interviewed Leaders of Tomorrow. Decision-making processes from their perspective need to be designed to allow discussion and disagreement with other people. If we take the Leaders of Tomorrow at their word, this would place networking skills at the very top of a list of decision-maker skills. Decision makers should also be open for a more collaborative decision making style and be able to share the credit for a good decision with the team behind it (Zenger & Folkman 2015).

The idea of making better decisions by inviting other people to challenge one’s ideas and to develop disagreement is not new. Peter Drucker (1967) stated that decisions “are made well only if based on the clash of conflicting views, the dialogue between different points of view, the choice between different judgements. The first rule in decision-making is that one does not make a decision unless there is disagreement.” But it seems that the Leaders of Tomorrow see the current generation of leaders is still caught in what Garvin and Roberto (2015) named “Advocacy”. The authors describe Advocacy as an approach where positions are argued with a passion that prevents decision makers from weighing opposing views. Decision makers are downplaying their

How to deal with cognitive biases

Clustered open answers; numbers are percentages of cases

Question: Being overconfident or tending to listen only to information that confirms one’s view are examples of “cognitive biases”. The best way to overcome such biases in decision making is ...

49% ... inviting a diverse group of people to challenge one’s decision

From the Leaders of Tomorrow’s point of view the best (or say: most often mentioned) way to overcome cognitive biases is to encourage debates about decisions and ideas. Decision makers should actively exchange opinions with a diverse group of people with different levels of experience and interest in the matter. From a company’s point of view the question is how such process can be institutionalized and become a widely used practice in the decision-making process.

26% ... actively seeking out opposing information and ideas and building decision alternatives with them

A way to overcome cognitive biases in decision making is to actively seek out information and ideas contradicting the preferred decision alternative. The Leaders of Tomorrow propose to build a wide array of alternatives based on different perspectives and actually consider these solutions. From their point of view, it is most important that decision makers are open-minded – they should beware of deciding too quickly, based on experience or gut feeling.

13% ... trying to be aware of one’s own biases

Another way to overcome cognitive biases in decision making for the Leaders of Tomorrow is to be self-critical and aware of one’s own biases. Even if it might seem trivial at first sight; this is an approach that Soll et al. (2015), Kahneman et al. (2013), Dennett (2013), and Hammond et al. (1998) are also proposing. The Leaders of Tomorrow suggested e. g. to create a checklist of known cognitive biases and to go through the list before making a decision.

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Figure 3-3

positions' weaknesses to increase their chances of "winning", leading to "[f]ractus exchanges that discourage innovative thinking and stifle diverse, valuable viewpoints". In contrast to that, the aspects of good decision making that the Leaders of Tomorrow have expressed in this study fit in well with the "Inquiry" approach of Garvin and Roberto (2015): "a very open process designed to generate multiple alternatives, foster the exchange of ideas, and produce a well-tested solution". Table 3-1 shows an overview over important aspects of these two approaches of decision making.

A discussion is not about winning. Therefore when you as a leader discuss your views, don't take ownership of them. Present them to your team, having in mind that they comment on your view, not you as a person.

Student of International Law

Open up. Look for people who can inspire you, not those confirming what you think.

Young Professional

Two Approaches to Decision Making

Key aspects of Advocacy and Inquiry

	Advocacy	Inquiry
Concept of decision making	a contest	collaborative problem solving
Purpose of discussion	persuasion and lobbying	testing and evaluation
Participant's role	spokespeople	critical thinkers
Patterns of behavior	strive to persuade others defend your position downplay weakness	present balanced arguments remain open to alternatives accept constructive criticism
Minority views	discouraged or dismissed	cultivated and valued
Outcome	winners and losers	collective ownership

Source: Garvin & Roberto 2015

Table 3-1

Set your "Surely Alarm" to avoid falling victim to untested assumptions

Untested assumptions in reasoning can lead to disastrous decisions – as evidenced in the case of the Mars Climate Orbiter that crashed onto the surface of Mars due to diverging assumptions about the measurement framework to use (metric versus imperial measures) between two development teams (Mars Climate Orbiter Mishap Investigation Board, 1999). To catch decision biases due to untested assumptions, Dennett (2013) recommends using the "Surely Alarm". Whenever someone says – or thinks – "surely this is the case..." Dennett recommends paying special attention to the claim being made. Because – according to his reasoning – the claim is not "sure enough" to go without saying... and yet assumed sufficiently sure that it need not actually be demonstrated or supported by empirical data or further argument. Checking unquestioned assumptions is not only important for individual decisions, but for examining an existing and successful business model for strategic points of failure. It is often the most basic assumptions underlying a business model that are least challenged – and therefore also least checked against reality. To guard against confirmation bias, the question must not be "does this new information fit with my assumption". Instead, it must be asked exactly the other way around: "How could I notice, what data would I have to examine, if my assumption was wrong."

Decision-making styles of current leaders may lead to bad decisions

We already examined factors in the decision making context and inherent cognitive biases that we all share – but what about different personal decision-making styles?

Asked in an open question which behavior or attitude of the current generation of managers (mostly 40-60 years old) leads to bad decisions the Leaders of Tomorrow were quite open in their criticism. Figure 3-4 summarizes the results.

The most often mentioned decision-making style that leads to bad decisions according to the Leaders of Tomorrow is **being “small-minded”** and ignoring new ideas, but holding on to already established methods and strategies to solve a decision problem. Read in conjunction with the second most often mentioned style **overestimat-**

ing the value of seniority and experience, it seems that the Leaders of Tomorrow suggest the current generation of managers may suffer from an inability to adapt to this dynamic and increasingly digital world and its demands.

The bad decision-making styles that the Leaders of Tomorrow mentioned are quite similar to the characteristics that the last wave of Leaders of Tomorrow in the Global Perspectives Barometer 2015 more generally associated with bad leadership. This leads us to the conclusion that in the eyes of the Leaders of Tomorrow bad team leaders also likely happen to be bad decision makers. This hypothesis is also supported by the list of decision-making styles that characterize a good decision maker as this list is headed by knowledge, analytical skills and – even more important for our hypothesis – team orientation and openness for other people’s view (Figure 3-4; right column).

Decision-making styles leading to bad decisions and those leading to good decisions

Clustered open answers; numbers are percentages of cases

Question: A behavior or attitude of the current generation of managers (mostly 40-60 years old) that leads to bad decisions is ...



37% ... being small-minded and penalizing innovation

The Leaders of Tomorrow criticized the current generation of managers for having an aversion against innovation and new ideas. Instead they would hold-on to old methods and strategies, and be too inflexible to adopt new technologies.

Question: The most important behavior or skill of a good decision maker is ...



28% ... knowledge, analytical skills and seeing the big picture

A good decision maker can accurately gauge the pros, cons, risks and even the moral implications of a decision and has the ability to synthesize information from many different sources. By constantly learning from decisions one is able to see the details of a decision and set it in a larger context at the same time – seeing both the “big picture and the nitty gritty”.

18% ... overestimating seniority

Leaders of Tomorrow also often stated that they have the feeling that the current generation of managers mistrusts the younger generation’s skills and abilities. Instead, managers from the older generation seem to be overconfident in their own old knowledge and abilities and overrate the value of seniority and experience in a radically changed and dynamic world.

26% ... team orientation, openness for other people’s view

Good decision makers are good listeners who are really open to ideas and perspectives from their teams.

8% ... failing to interact with subordinates and their ideas and opinions

From the Leaders of Tomorrow’s point of view, the current generation of managers is not communicating and exchanging ideas, information or tasks with the team. They fail to include all relevant parties in a decision and do not appreciate the diverse opinions of the young people.

10% ... being rational

Good decision makers have the ability to think in a clear, abstract and analytical fashion. They are ready to take a step back from their gut feeling and challenge their own intuition.

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Figure 3-4

Communication problems between experts and decision makers

For the Leaders of Tomorrow, high-quality decisions need to be based on information and facts and the input of a diverse group of people. A special group of people that are important for a decision are topical or methodological experts. In traditional management contexts, the manager typically has the authority to make decisions, while a specific knowledge required to make an informed decision is held by experts in the organization.

Due to the wide scope and the often complex nature of decisions, managers will frequently need the help of experts for the decision preparation, e. g. to analyze data or technical options in a reliable manner. The results of such analysis, the key insights for the decision making, have to be communicated from experts to decision makers – even under pressure and with tight deadlines (Eppler 2007). This communication is potentially troublesome. In his comprehensive meta study, Eppler lists more than 30 different problems of “interpersonal professional knowledge transfer [...] with a major impact on the quality of knowledge transfer” that were described in journal articles of a broad range of disciplines and topic areas.

To get an idea which problems are top-of-mind for the Leaders of Tomorrow, we asked the respondents to name the worst communication problem between experts and managers regarding decision making from their point of view.

For the Leaders of Tomorrow, experts and decision makers seem to live in different worlds and speak different languages (Figure 3-5). Especially experts are seen as often lacking the ability to articulate their knowledge in a way that managers can understand. Another frequently mentioned issue is egos, a problem especially relevant for the group of decision makers. In the eyes of the Leaders of Tomorrow, today's managers are overconfident in their ability to make a decision on the spot, without consulting experts or searching for further information and analysis. According to the Leaders of Tomorrow, different goals, priorities and plans also prevent a better communication.

To solve communication problems between experts and decision makers there are basically two options: Either, a) leaving the decision-making authority as it is and improving the communication between experts and decision makers to move the decision-relevant information to where the authority lies. Or b) moving more decision-making authority to the experts to reduce the amount of information that needs to be communicated between experts and managers.

Communication problems between experts and decision makers

Clustered open answers

Question: Sometimes knowledge held by experts in an organization is not reflected in a manager's decision. The worst communication problem between experts and managers regarding decision making is...

Decision maker

Communication gap

Expert

Decision makers and experts live in different worlds ...

- ... and have egos too big to come together
- ... and speak different languages
- ... and have different goals and plans



Managers' overconfidence in their ability to make a decision right away without consulting experts



Experts' inability to articulate knowledge in a way that managers understand

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Figure 3-5

Figure 3-6

Decision-making authority in companies

Numbers are percentages of cases

Question: How do you think companies are successful in their market in the long run? Below are pairs of statements describing behavior patterns regarding the way companies organize decision making. Please read each pair and indicate which of the two statements you agree with more. If you agree strongly with a statement you would select the option closest to the statement.

Those companies are more successful in the long run ...

... which move information about the market environment to the center of the organization, where the necessary authority for taking decisions resides.



... which move the authority for taking decisions to the edge of the organization where the necessary information about the market environment resides.

12

25

41

21

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Regarding market-related decisions, the latter method would mean that a greater share of decision-making authority is moved to the edge of the organization where the necessary information about the market environment resides – as an alternative to moving the information about the market to the center of the organization where the decision-making authority resides. When asked which of these two alternatives is more likely to make a company successful in the long run, 62% of the interviewed Leaders of Tomorrow prefer that a company moves the decision-making authority to where the information resides (Figure 3-6, see chapter "Transform your company's decision-making strategy" for more details).

For the other solution, improving the communication between experts and decision makers, companies need to find out, which kind of communication means would best fit their needs in bringing together their experts and managers.

But companies could also think about first, easy steps to bring together experts and decision makers to "learn each other's language". For example informal events like bar camps (self-organized, open workshop-events, where the schedule and the content is provided by participants), brown bag meetings (a social gathering during a lunch time period for example for networking or brain storming – Dalton 2009), and other group-type meeting settings. Such events allow exchanging ideas and communicating without the pressure of an urgent decision biasing the communication.

Experts use technical terms, managers tend to use business buzz words. Workplace lingo is killing communication.

Young Professional



Transform the way you involve your team in decisions

Managers who do not involve their teams in decisions are in danger of losing their best people

As described in the previous chapter, involving the stakeholders and including the input of a diverse group of people in a decision is important for overcoming cognitive biases and making better decisions in the eyes of the Leaders of Tomorrow. For the Leaders of Tomorrow it is also crucial to be involved in decisions from a motivational point of view. We asked them what kind of decision-making behavior or process they consider so problematic that they would quit their job rather than work for someone who takes decisions like this. The biggest issues in the open answers are deciding without involving the team and not communicating decisions or explaining the reasons for a decision to the team (see Figure 4-1).

Interestingly, these topics were even mentioned more often than unethical (illegal, immoral or discriminating) decision making. Being involved in decisions seems to be a really important topic for the Leaders of Tomorrow, something that is top-of-mind and influencing their assessment of a situation.

Strong hierarchical decision making is a no-go. If the team members have no say in the decision-making process, I would question my part in the whole endeavour.

Young Professional

Surround yourself with intelligent people who are empowered to question your decision-making...

Young Professional

What an Australian would colloquially call 'arse-covering' behaviour. I would rather quit my job than work for a manager (and they unfortunately exist) who primarily makes decisions to avoid looking bad rather than achieve an external or team objective.

Student of Finance

How to get rid of your best people

Clustered open answers; numbers are percentages of cases

Question: Which decision-making behavior or process do you consider so problematic that you would quit your job rather than work for someone who takes decisions like this? Please name the most important problem in your opinion and briefly say why this one is so problematic.

26% Be a lone wolf – do not involve your team in decisions but decide alone!

The Leaders of Tomorrow would rather quit their jobs than stay if they are not involved in decisions and their team leader would make decisions in an autocratic style. They would not accept a boss ignoring their findings, warnings or thoughts when taking a decision.

15% Be as silent as a post – do not communicate decisions; never explain the reasons for them!

Leaders of Tomorrow would quit their job if a boss is not communicating decisions and does not explain the reasons for a decision. Having a superior who only forces his or her views on them is not acceptable.

10% Make unethical decisions!

Leaders of Tomorrow often mentioned they would quit their job if decision making is unethical: illegal, immoral or discriminating. It would also be a problem if the manager's decision-making behavior was not in line with fundamental ethics and values of the organization.

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Figure 4-1

Model: Seven-step decision-making process

Step 1 Identifying the need for a decision

Realizing that a decision must be made, because of either a problem or an opportunity. In this step the nature of the decision at hand must be defined.

Step 2 Gathering of relevant information

Searching, collecting and analyzing of pertinent information.

Step 3 Identifying decision alternatives

Identifying several possible paths of action and listing of all possible and desirable alternatives.

Step 4 Analyzing and weighing of decision alternatives

Drawing on information and emotions to imagine what it would be like if each of the alternatives from Step 3 was carried out to the end. Evaluation whether the need identified in Step 1 would be helped or solved through the use of each alternative. Prioritizing of alternatives based on expected outcome, cost, risk and values.

Step 5 Choosing among decision alternatives

After having weighed all the evidence, one selects the alternative or a combination of alternatives which seems to best suit the decision at hand.

Step 6 Implementation of chosen action

Taking action to implement the alternative chosen in Step 5.

Step 7 Evaluation of decision outcome

Experiencing the results of the decision and evaluating whether or not and to which extend it has "solved" the need identified in Step 1.

Sources: Based on work of Elmansy (2015), Brown (2007), University of Massachusetts (n. d.)

The first steps in a decision-making process are crucial

Even if we are often focused on the decision itself, a decision never occurs in a vacuum, but is merely one key step in a process that starts with identifying the need for a decision and ends with the evaluation of the decision outcome. For this study we chose a model that uses 7 steps to structure a decision process (see Info Box 4-1 for more details).

Where do the Leaders of Tomorrow think that the current generation of managers makes the worst mistakes in the decision-making process? They see the worst mistakes early on in the process – and these mistakes in setting up a decision are not easy to fix in later stages (see Figure 4-2 for details).

The step "Identifying decision alternatives" is mentioned most often. Asked to clarify why the worst mistakes happen in this step of a decision, the respondents criticized the current generation of

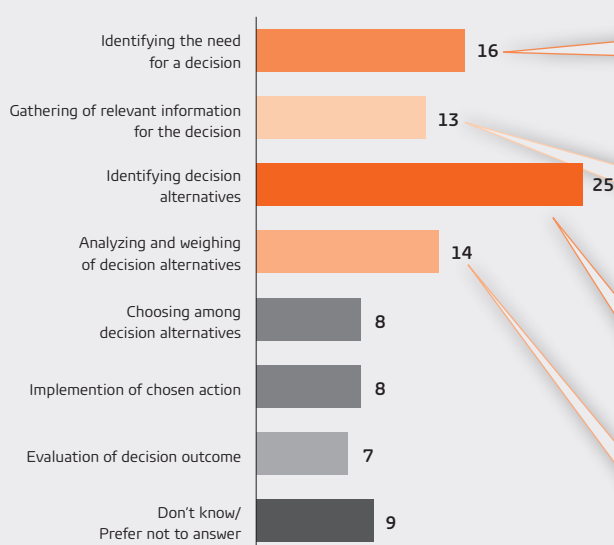
Info Box 4-1

Worst mistakes in the decision-making process and reasons for them

Numbers are percentages of cases; clustered open answers

Question: In which step of a decision process do you think the current generation of managers (mostly 40-60 years old) makes the most mistakes? Please select one step from the list. Please briefly say why.

Steps of decision making



Today's managers are seen as ...

- out of touch with practical implications and not aware of existing problems
- disregarding innovations or recent knowledge and clinging to the status quo. Besides, they do not realize that the world is changing faster than some years ago.
- too relaxed and as having an autopilot mentality that leads them to continue walking in the same direction
- not able to gather the most relevant information as the increasing number of sources makes it more challenging nowadays
- too confident about their knowledge – they go with their experience and do not make decisions based on data
- not open-minded and only considering their own point of view instead of involving many employees in the decision process.
- disregarding alternatives because they rely too much on past experience and are not open-minded enough to consider new, radical ideas.
- not involving other people or involving the wrong people (like other managers) because they do not talk enough with those people working at the "frontline" of daily business
- limiting the possible decision alternatives to those generating short-term gains without thinking about long-term impact
- uninformed as they are putting more focus on decisions already taken rather than focusing on data
- disregarding alternatives and sticking to what they know regardless of the alternatives presented to them
- having cognitive biases so that decisions are already made before alternatives are fully analyzed

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Figure 4-2

managers particularly for not being open-minded enough to really consider radical and new ideas and – again – for not sufficiently involving their teams in decisions. Furthermore, a concentration on short-term gains without considering long-term impacts leads to bad decisions according to the Leaders of Tomorrow. Their reasons for the other steps are listed in Figure 4-2.

Leaders of Tomorrow would involve their teams particularly in the preparation of big decisions

On the one hand the early steps in decision making are seen as crucial for decision quality and therefore should be executed with a high degree of attention. On the other hand seeking excellence in all these steps could be very time consuming. This is why we asked the Leaders of Tomorrow to which degree they would involve their highly qualified employees in the different steps of a “big decision” if they were the managers responsible for a department in a large organization. We defined “big decision” as “a risky decision with big impact on the market, e. g. a decision about the development of a potentially disruptive new product with a high risk of failure”.

For the four steps from “Gathering of relevant information” to “Choosing among decision alternatives” we asked the Leaders of Tomorrow how they would prefer to involve their employees. For this we used a 6-point scale from “Employees need not to be involved in this step” to “Step should be delegated to the employees. If they inform me at all, then as part of the normal reporting” (see Info Box 4-2 for more details).

The results show that the Leaders of Tomorrow clearly differentiate between the preparation of a decision and the final act of making the decision – the final choice among alternatives. For many Leaders of Tomorrow, these phases of a decision-making process need different degrees of participation of the employees.

If one does not analyze and evaluate the alternatives, the effective outcome of the decision will never be known during the process of decision making and it is as good as making the decision blind to all the knowledge available.

Student of Neuroscience

I would like to ask you to step back and look at your career. Think about the big things you wanted to change 20-40 years ago, when you were a student with no power. Ask yourself: What of these things can I change now?

Student of Finance and Information

Measurement of employee participation

For these four steps of decision making

- Step 2** Gathering of relevant information
- Step 3** Identifying decision alternatives
- Step 4** Analyzing and weighing of decision alternatives
- Step 5** Choosing among decision alternatives

the degree of employee participation was measured with the following, 6-point scale based on work on stakeholders participation in decision making of Cook (2015) and Arnstein (1969):

- 1.** Employees need not be involved in this step.
- 2.** Employees should be asked for their general ideas in this step.
- 3.** Employees should participate actively in this step, e. g. work out proposals.
- 4.** Step should be delegated to the employees but I retain the right to veto if necessary.
- 5.** Step should be delegated to the employees who then inform me. Periodically we review the work.
- 6.** Step should be delegated to the employees. If they inform me at all, then as part of the normal reporting.

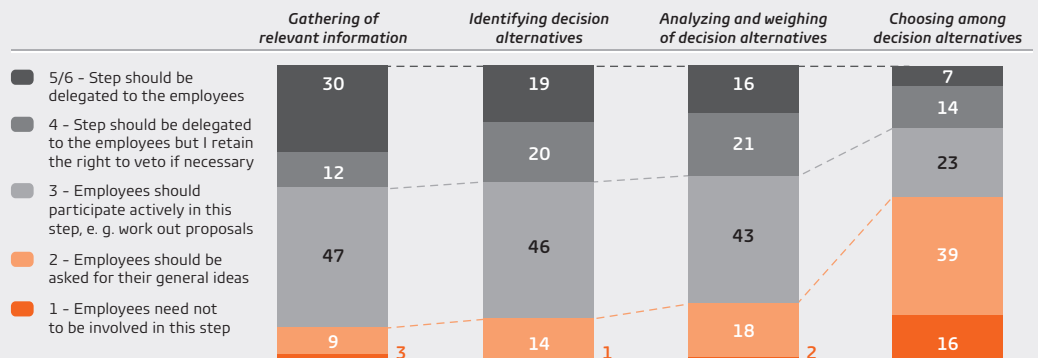
Note: Categories 5 and 6 have been combined in Figure 4-3 for simplicity.

Figure 4-3

Participation of employees in big, risky decisions

Numbers are percentages of cases

Question: Imagine you are the manager who is responsible for a department in a large organization. Your employees are all highly qualified. In which way should your employees participate in a risky decision with a big impact on the market (e. g. a decision about the development of a potentially disruptive new product with a high risk of failure)? Please select how your employees should participate in each step of such a decision.



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The answers of the Leaders of Tomorrow – from a perspective of themselves as a manager, not a team member – suggest that they would strongly involve their employees in the first three steps that they identified as crucial for decisions in the previous paragraph. As Figure 4-3 shows, for the

first three steps a majority of the respondents would at least let their employees participate actively (e. g. work out proposals). Almost none of the Leaders of Tomorrow said that their employees "need not be involved in this step".

Managers tend to only care when things go obviously wrong and ignore the need for a decision easily.

Student of International Business English

They [the Leaders of Today] are locked in to a way of thinking that the world will move on based on old laws of politics, economics and technology – and it does not. *Student of Management*

Use the example of your peers who have made poor ethical decisions which have cost their companies more than profits: their reputation. Create a culture of consultation, collaboration, social responsibility.

Student of Finance

However, for the final step of making the choice between decision alternatives their answers suggest that many of the Leaders of Tomorrow assume that a big decision typically needs a manager to take the responsibility and make the final choice. The degree of desired participation is much lower in this final step than during the preparation of the decision in the first three steps: More than half of the respondents (54%) would only ask for general ideas in this step or not involve their employees at all.

To get deeper insights into the minds of the Leaders of Tomorrow, we asked those who would not delegate the final choice to their employees (answers 1 to 4 on the 6-point scale) for their reasons in an open question. Their open answer revealed two opposing points of view from the Leaders of Tomorrow: One group felt that the chosen option includes a sufficiently high degree of participation and emphasized the benefits of the participation, e. g. more diverse alternatives and higher job

motivation. The other group felt that the decision should be made by the manager and focused on reasons like the personal responsibility of the manager and the manager's greater overview of the big picture (see Table 4-1).

But the Leaders of Tomorrow are no uniform group. Their answers cover the whole range of choices. About 21% of the interviewed Leaders of Tomorrow can imagine delegating even the final choice in a decision-making process to their employees. Companies might alienate up to one fifth of Leaders of Tomorrow talents if they mainly rely on a traditional, hierarchical model of decision making. This is a strong signal for companies to think about their decision-making process and to make a more conscious decision about how to decide. Applying just one type of decision-making process is not suitable for all their young talents.

Reasons for specific degree of employee participation

Numbers are percentages of cases per chosen degree of participation (per line)

Question: Please briefly say why this [the chosen degree of employee participation] is the best way in your opinion. **Example:** 58% of the Leaders of Tomorrow that chose "1 – Employees need not to be involved in this step" said the final decision should be made by the manager because a "Manager has to guide and lead".

	Reasons of Leaders of Tomorrow who think that the decision should be made by the manager			Reasons of Leaders of Tomorrow who think that the chosen option includes a sufficiently high degree of participation		
Reason	Manager has to guide and lead	Managers are better decision makers	Group decisions are inefficient	Better decisions	Higher employee motivation	Employee participation is only fair
Example argument	Manager takes responsibility for decision and should make the final choice	Only managers have the big picture	Group decisions are too complicated and slow	Qualified employees produce more diverse alternatives	Participation increases job motivation, a feeling of decision ownership, higher support of decision	Employees are affected by decisions and have to implement it
4 – Step should be delegated to the employees but I retain the right to veto if necessary (=100%)	23	16	8	26	18	9
3 – Employees should participate actively in this step, e. g. work out proposals (=100%)	12	3	3	48	28	7
2 – Employees should be asked for their general ideas (=100%)	26	5	5	43	18	3
1 – Employees need not to be involved in this step (=100%)	58	17	26	/	/	/

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Table 4-1

Leaders of Tomorrow would delegate decisions that directly affect employees

Aside from big and risky decisions, a lot of less far-reaching decisions have to be made. Many of these decisions, e. g. decisions about working hours or location of work, directly affect employees. For a couple of such decisions we asked the Leaders of Tomorrow how they would involve their employees in their decision making. Again, the Leaders of Tomorrow were asked to imagine themselves as managers with responsibility for a department with highly qualified employees in a large organization (see Info Box 4-3 for details).

The Leaders of Tomorrow would – as managers – involve their employees in each of the presented decisions. Nearly none of the Leaders of Tomorrow would decide without at least asking their employees for their general ideas. Between 10% and 30% of the interviewed Leaders of Tomorrow were actually willing to completely delegate such decisions

to their employees even without retaining the right to veto. The results are shown in Figure 4-4.

The highest degree of participation is found for the decision about spending some time on the development of a potentially disruptive new product with a high risk of failure. More than 50% of the interviewed Leaders of Tomorrow would delegate the decision to their employees. Perhaps because working on a new idea is not necessarily affecting the rest of the projects someone is working on when employees just use some extra time for such side-projects. We see this as a mandate to leave some free space for employees to follow their own ideas and interests at work – in the interest of the company. Those so-called “pet-projects” became a popular topic at the beginning of the 2000s with the rise of companies like Google. Google’s founders Larry Page and Sergey Brin announced in 2004 that Google encourages employees to spend 20% of their time working on what they think will most benefit the company. Some important products like Google News, Gmail, and AdSense allegedly started as pet projects. Even though this sounds just perfect, the case of Google also shows that companies need to think through how they organize pet projects to avoid decreases in internal productivity. According to Merz (2015) Google has reduced pet projects due to that particular reason and established stricter rules for the permission of pet projects.

For decisions about their employees’ working hours and location of work the majority of the Leaders of Tomorrow would involve their employees – by letting them work out recommendations for the manager’s decision or by even delegating the decision to their employees. Nearly the same applies to decisions about employees’ annual goals and objectives and decisions about employees’ training curriculum. As a summary one may say that for those decisions that directly affect employees and need their cooperation for success the majority of the Leaders of Tomorrow would involve their employees and give them at least a chance to express their ideas as input for the decision.

Measurement of employee participation

The degree of employee participation was measured with the following, 6-point scale based on work on stakeholder participation in decision making of Cook (2015) and Arnstein (1969), modeling participation from no participation to complete delegation:

I think it would be best if ...

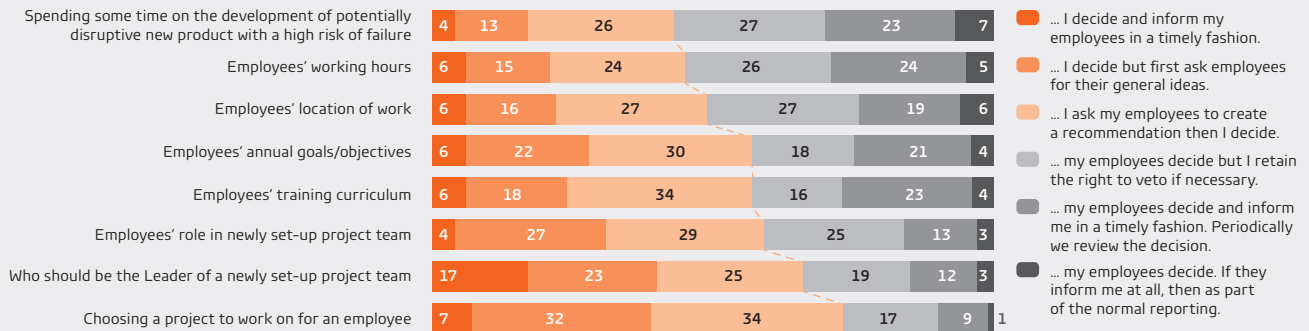
- 1.** ... I decide and inform my employees in a timely fashion.
- 2.** ... I decide but first ask employees for their ideas.
- 3.** ... I ask my employees to create a recommendation, then I decide.
- 4.** ... my employees decide but I retain the right to veto if necessary.
- 5.** ... my employees decide and inform me in a timely fashion.
Periodically we review the decision
- 6.** ... my employees decide. If they inform me at all, then as part of the normal reporting.

Participation of employees in decisions that directly affect them

Numbers are percentages of cases

Question: Imagine you are the manager who is responsible for a department in a large organization. Your employees are all highly qualified. For the following list of issues, who do you think should best decide? For each issue (each line) please choose who should best decide.

I think it would be best if ...



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Figure 4-4

For aspects of project work, especially choosing the projects someone works on and the role in a project team, the share of the Leaders of Tomorrow that would completely delegate such decisions gets smaller. For the majority of the respondents the focus here is on asking for general ideas, letting employees create recommendations or delegating with retaining the right to veto. It seems that a majority of the Leaders of Tomorrow wants to retain at least a certain degree of control over how things are done in their sphere of responsibility while just a small group is willing to delegate such decisions without keeping control.

Does this mean that companies just have to find the few decisions that they can delegate without losing the too much control, and their employees will be happy? Maybe, for very hierarchical companies with very little delegation, it might be a good starting point to think about delegating at least those decisions about when and where their employees work. Companies, that really want to attract and retain the best talent, need to think about if they could afford ignoring those Leaders of Tomorrow that obviously want more freedom to decide. For those companies, it seems necessary to develop more advanced models of employee participation and delegation.

Experience can make you assume you have the knowledge to make a certain decision. But these are not the same things. Information from the front lines is very important, yet hard to push upwards.

Young Professional

Teamwork is prerequisite for future success. If the employees feel engaged, they will work actively and consider the success as their own success. So, I shall let them choose the best alternative but express my opinion finally explaining good and bad sides of other alternatives.

Student of e-Business

Transform your company's decision-making strategy

The biggest risk for companies nowadays can be the way they make decisions

To get an insight in the Leaders of Tomorrow's view of the situation for companies in today's fast-paced markets, we asked them to name the most substantial risk for established companies.

Figure 5-1 summarizes the three most frequently mentioned risks: Innovation Blindness, hierarchical structures, and lack of information and analysis. All three are related to a company's self-inflicted inability to react to changed market environments.

For the Leaders of Tomorrow, **Innovation Blindness**, the inability to register and correctly assess the threat of innovations entering a company's market, is the most frequently raised substantial risk for established companies. According to the Leaders of Tomorrow, companies often underrate the effect of new small and medium scale players in the market – a topic that is widely discussed since the works of Christensen (1997) on disruptive innovators and their power to change markets.

The list of substantial risks indicates that in the eyes of the Leaders of Tomorrow, established companies need to rethink their decision-making strategies to survive in their markets.

Most substantial risks for established companies

Clustered open answers; numbers are percentages of cases

Question: The most substantial risk for established companies regarding their decision making in fast-paced markets is ...

32% ... Innovation Blindness

In the eyes of the Leaders of Tomorrow companies stick to traditional methods too often and mistakenly think that their established means to deal with problems remain in effect even in changed environments. Companies also underrate the effect of new small and medium scale players in the market that are a threat to established businesses.

16% ... hierarchy that slows down decision making

The Leaders of Tomorrow mentioned that, due to the hierarchical organization of decision-making processes in established companies, decisions were often out of touch with reality or even pointless when they come to action after going through the whole process.

13% ... lack of information and analysis of the situation of decision makers

Managers make decisions while lacking a real understanding of the situation due to incomplete or limited information and/or their inability to analyze and gain proper insights from the information at hand.

More network, less hierarchy!
Student of Public Policy

If employees are disconnected from outcomes, then they lose accountability. If you connect the two, then employees become invested in the process and likely create superior results.

MBA Student

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Figure 5-1

How to design a long-term successful company in the eyes of the Leaders of Tomorrow

Decisions are embedded in a company's culture and organization. Only within the limits of this organizational context it is possible to optimize decision making. This is why we used a list of contrary approaches for different strategic challenges of a company and let the Leaders of Tomorrow choose the one they deem to be most promising for a company today. This list provides an overview of how the Leaders of Tomorrow would attempt to set up an organization for long-term success. The results are plotted in Figure 5-2.

According to the majority (84%) of the Leaders of Tomorrow, companies are more successful in the long run if employees are **free to decide how to reach specific objectives, instead of following precise instructions**. This is the core of the

Management by Objectives approach to leadership (Drucker, 1954). Seen in conjunction with clear votes for **open access to information** for all employees within the organization and for **moving the authority for taking decisions to those employees with information about the market environment**, we can conclude that the Leaders of Tomorrow prefer a decentralized organization with more decision-making authority for employees. Weinberger (2011) called this approach "networked decision-making". According to him even traditional corporations should organize decision making at least partly in networks with decisions made by "the people with the most local knowledge – those on the ground who know the problems intimately".

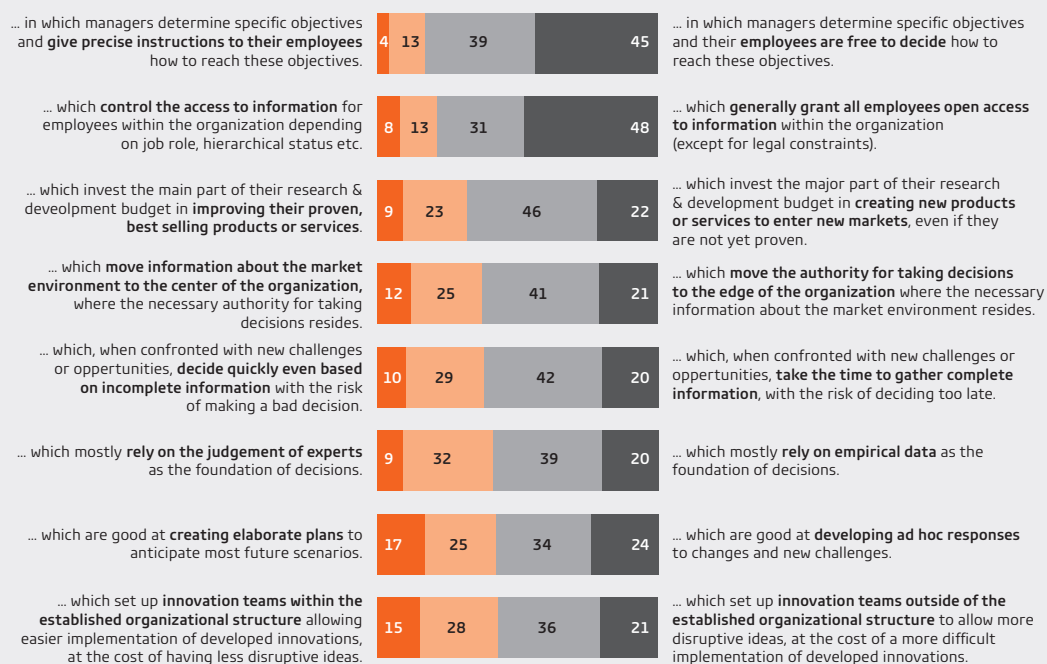
Interestingly, a majority of the Leaders of Tomorrow prefer to **take the time to gather complete information** and with that accept the risk of deciding too late when confronted with a new challenge. The question arises if the Leaders of Tomorrow

Factors of long-term success of companies

Numbers are percentages of cases

Question: How do you think companies are successful in their market in the long run? Below are pairs of statements describing behavior patterns regarding the way companies organize decision making. Please read each pair and indicate which of the two statements you agree with more. If you agree strongly with a statement you would select the option closest to the statement.

Those companies are more successful in the long run ...



n=802; "Leaders of Tomorrow – Wave 2016"

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Figure 5-2

Involve more people in the decision-making process as it would bring in much-needed creativity and breathe fresh life into the organization. Student of Management

really prefer to search for “complete” information, something that seems nearly impossible for most decisions. But we can only report that the other option, decide quickly even based on incomplete option, seemed to be less attractive for many Leaders of Tomorrow. More research is needed to fully understand the Leaders of Tomorrow’s ideas about the speed of decision making.

A majority of the Leaders of Tomorrow also said to **mostly rely on empirical data** as the basis of decisions, to **develop ad-hoc responses** rather than creating elaborate plans for the future and to prefer to **set up innovation teams outside the established organizational structure** to allow more disruptive ideas. The Leaders of Tomorrow would build a company for long-term success with a focus on **creating new products or services** to enter new markets instead of investing the major part of the R&D budget in improving the best-selling products.

The Leaders of Tomorrow gave us an insight into how they would design an organization to succeed in the digital world. Companies can use this as a template to explore whether their current managers and young talents share the basic assumptions of how a business should be run – or if they need to discuss their mental models. Because companies may have a hard time trying to improve their decision-making processes, if there is disagreement on the fundamental aspects of their strategy.

It is very important to know more about advanced technology today and arouse the interests of employees in decision making, since new minds are more familiar with new trends of business. Student of Law

Start to delegate responsibility and benefits. Open up to new models and new ways of thinking. Invest in people. Aim at sustainability rather than just profit.

Student of European Studies

The way forward starts with asking the right questions

The Global Perspective Barometer 2016 provides an insight into the minds of an outstanding group of young talent – the Leaders of Tomorrow. They have shared with us their thoughts about decision quality, told us about factors that lead to bad decisions, gave us an insight into the ways they would prefer to involve their employees in their managerial decisions, and last but not least let us have a look at how they would set up an organization for long-term success.

Even if perhaps no company can perfectly fulfill all the expectations that the Leaders of Tomorrow have stated in this report – and some may not even be advisable in practice – they have raised important points that should encourage companies to critically rethink the way they make decisions.

From the viewpoint of this study the way forward does not start with giving “right” answers; it starts with asking the right questions to reflect on why we believe that today’s way of making decisions inside companies is really “best practice”.

As a start, think about your last important business decision and ask yourself the following questions:

- Have I decided in advance what decision-making approach I want to use and applied this approach consistently to my decision?
 - Have I made the most important assumptions underlying my decision explicit and written them down, so others could challenge my assumptions and thereby make them part of a discussion?
 - Did I go the extra mile to find at least one smart person with an opposing opinion to develop real disagreement to deal with it?
 - Have I actively searched for information that contradicts my assumptions and developed new decision alternatives based on that information?
 - Have I delegated an important part of the decision completely to my team?
 - Have I checked if my decision is in line with my company’s values?
 - Have I made information about my decision public to allow others to review my decision?
-

Smart decisions are made with closed mouths and open ears.

Student of International Development

The act of making decisions seems so closely intertwined with leadership and management roles that it is tempting to assume it needs no special reflection – much like we have learned how to walk early on, without having to give it extra thought later in life. But given the wealth of case studies showing poor decision making, perhaps we should all take another look at it together. Let’s open the discussion!

Recruitment of “Leaders of Tomorrow – Wave 2016”

The study was targeted at “Leaders of Tomorrow”. These are characterized by the St. Gallen Symposium as young people, studying at (or having recently graduated from) good universities, who show an interest in global affairs, are eager to take on responsibility in the future and want to make a difference in the world.

The study was conducted in English, using the online survey platform of GfK SE during December 2015 to February 2016. A total of 802 Leaders of Tomorrow participated in the online survey. As part of the online-questionnaire, we invited the Leaders of Tomorrow to share their thoughts and opinions with us also in many open ended questions – without being constrained by fixed, predetermined categories. With an interview time of 15-20 minutes the survey demanded an intensive reflection of the issues from the respondents. The Leaders of Tomorrow gave us more than 7,500 open answers that allow new insights into their mental model of managerial decision making. As an incentive, participants will receive a more detailed analysis of the results than is generally available.

For this year’s wave of the Leaders of Tomorrow, the respondents for the Global Perspective Barometer were selected using three different channels (Figure 7-1):

St. Gallen Wings of Excellence Award Competitors:

Students from all over the world who submitted an eligible essay to the “St. Gallen Wings of Excellence Award” program were invited to take part in the survey by a direct invitation from the St. Gallen Symposium. These respondents have demonstrated a high interest in the leadership topics of the St. Gallen Symposium and are prepared to engage other students and Leaders of Today in a dialogue on how to shape the future.

St. Gallen Symposium’s Leaders of Tomorrow

Community: The St. Gallen Symposium team approached participants through their international network of young talents, the Leaders of Tomorrow Community, which is used to keep in touch with former participants of the St. Gallen Symposium. Those alumni were also invited to take part in the survey by a direct invitation from the St. Gallen Symposium.

Top Universities: We selected the best universities for each world region based on data from the QS World University Ranking. We then contacted professors or study program supervisors at these universities from study programs with a selection procedure in economic, business, social, natural and engineering sciences (areas of study that research has shown produce a high number of CEOs according to a 2014 study of QlikTech). We asked them to extend the invitation to participate in the survey to one of their smaller master’s degree courses.

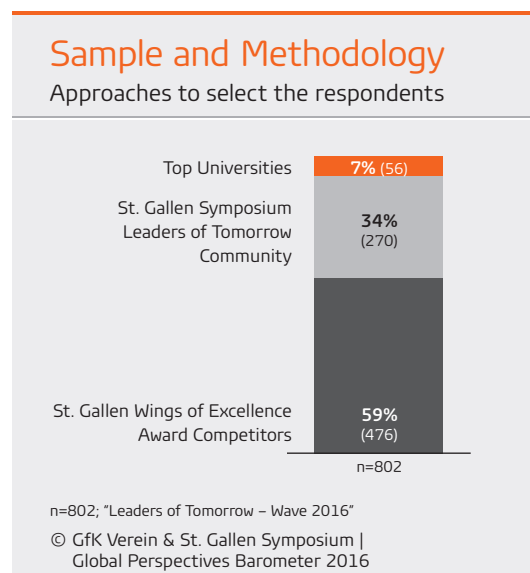


Figure 7-1

We have chosen the described approach for recruiting the 2016 wave through several different channels in order to capture a broad and international group of participants that fulfill the “Leaders of Tomorrow” definition.

Sampling challenge: Finding Leaders of Tomorrow – without a time machine

One of the challenges of identifying and recruiting the “Leaders of Tomorrow” for the Global Perspectives Barometer is the need to identify talented future leadership candidates before their potential is fully realized. In a perfect world, one would use a time machine to travel one generation to the future, identify those who have become outstanding leaders, and go back in order to interview them today.

Since we cannot know for certain today all of those individuals who will take on relevant positions of leadership and responsibility in 20 years, this survey cannot claim to be “representative” in the traditional sense of population sampling – either of all future leaders in general, or of the regions in which participants live. But the Leaders of Tomorrow we have recruited to participate in the 2016 wave allow a very interesting snapshot of a carefully selected group of young and qualified individuals from more than 70 countries around the world. In this study these 802 survey participants were referred to as “Leaders of Tomorrow” due to their academic background, their global interest and their eagerness to make a difference in the world.

A truly global sample reflecting a global world

Like in the previous year, the majority of respondents are under 26 years¹ and there are somewhat more male than female participants in the sample (Figure 7-2). Due to the selection criteria for being included in the Leaders of Tomorrow sample, it is not surprising that the majority of 75% of the Leaders of Tomorrow are either full-time or part-time students. The sample covers a wide range of areas of study, with students from business and

Figure 7-2

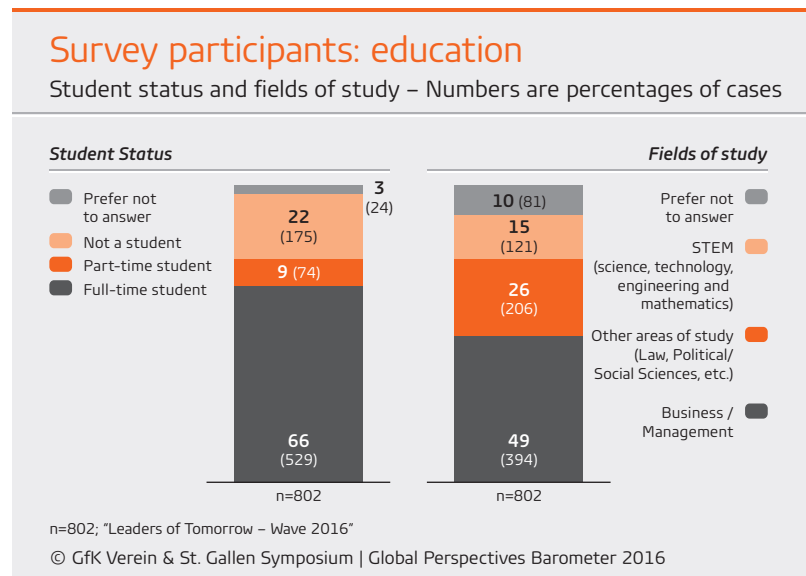
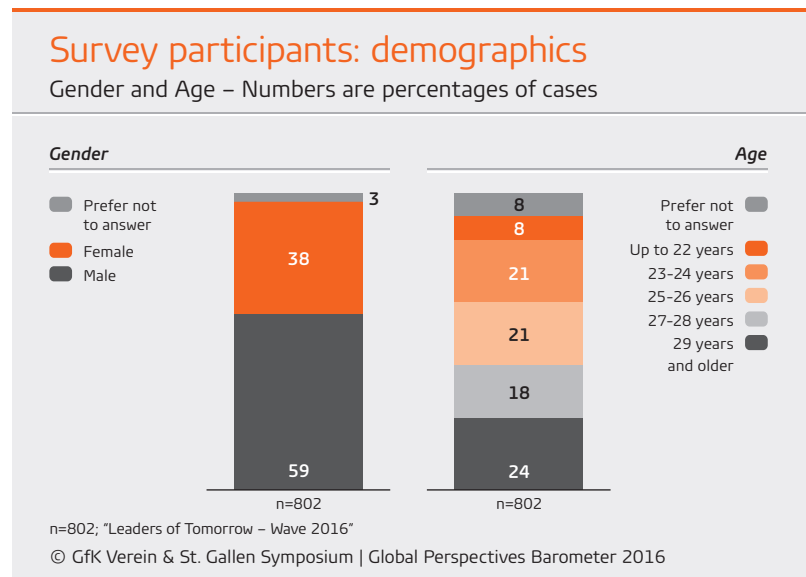


Figure 7-3



Figure 7-4

¹⁾ Respondents up to the age of 37 years were included in the analyses for this study.

²⁾ OECD member countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States

management study programs, the STEM fields (an acronym referring to the academic disciplines of science, technology, engineering and mathematics) and other areas of study, particularly law and the social and political sciences (Figure 7-3). Even though many of the interviewed Leaders of Tomorrow are students, nearly all of them state to have at least a certain amount of job experience (Figure 7-4) and we therefore assume that the interviewed Leaders of Tomorrow can already have a realistic assessment of the business world.

A truly global group representing 76 countries of residence and 91 countries of birth, from Afghanistan to Zimbabwe, participated in the survey. Figure 7-5 provides a regional perspective on the participants: the largest numbers of respondents are currently living in West Europe, Eastern Asia and Southern Asia or North America. Slightly more than half of the participants lived in OECD² and slightly less than half lived in non-OECD countries during the time of the survey. The distribution of participants is relatively close to the current purchasing power distribution between OECD and non-OECD countries, which, however, are set to

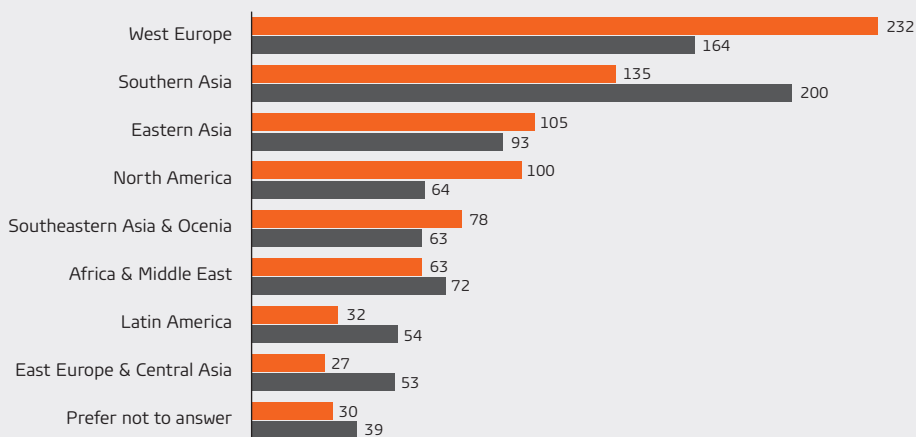
shift toward non-OECD countries in the next 15 years, with 57% of global purchasing power resting with non-OECD countries (OECD 2010). In order to understand how an increasingly globalized world is developing, it is important to have this broad participation from across regions and countries, and from both developed and emerging or developing economies. Too often, social science studies suffer from only interviewing “WEIRD” people: “Western, Educated, Industrialized, Rich, Democratic” (Henrich et al., 2010). With active and very vocal participants coming from more than 70 countries – about half of them from non-OECD countries – this study can certainly give a voice to a culturally and economically diverse set of contexts, values, desires and mental models. Something that is necessary to reflect the truly global and increasingly multi-polar world we live in.

Survey participants by region

According to country of birth and country currently living in

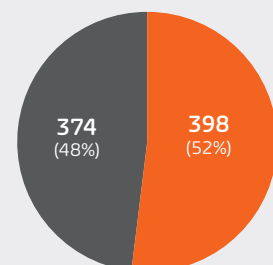
Country by UN sub-region

Country living in Country of birth



Country by OECD membership

OECD countries Non-OECD countries



Numbers are cases.

Regions follow United Nations sub-region scheme; the more common term “Middle East” was used for what is formally called “Western Asia”.

OECD countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States

n=802; “Leaders of Tomorrow – Wave 2016”

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Figure 7-5

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