



Lessons in Sustainability: Decision Sciences



Decisions lie at the heart of the transition to sustainable models of global growth. The volatile 21st century economy is fraught with new risk as climate change, cybersecurity concerns and geopolitical instability emerge. At the same time, innovation and technology are opening new opportunities. Decisions by leaders today often determines our ability to proactively address new risks and seize opportunities for a better tomorrow.

Decisions by business leaders shape the global economy and determine the direction of development. From the values that underlie a company's purpose to the day-to-day choices required for operations, decisions are fundamental to our identity and our outcomes. In the sustainability transformation, decisions are crucial to change social and economic systems.

Since the 2018 launch of the Hoffmann Global Institute for Business and Society, the Institute has collaborated with Decision Sciences academic area professors to integrate sustainability thinking into management education on decision-making.

This latest edition of Lessons in Sustainability shares progress on sustainability in Decision Sciences, part of a series that explores sustainability in each of the nine INSEAD academic areas.

Better Decisions Mean Better Outcomes

The INSEAD Decision Sciences academic area asks three fundamental questions – how do ‘rational people’ make decisions, how do ‘real people’ make decisions and how can we improve decision-making. This framework for learning can be useful for the sustainability challenge where we know what needs to be done, yet we also know that we are not on track to accomplish what needs to be done.

Understanding decision-making can help. When we understand the ‘rational’ decision, this helps set the baseline for evaluating human decision-making, a key to understanding economics. Understanding how people actually make decisions, which is not always rational, shines light on the shortcuts, judgements and biases that affect the outcomes of decisions. And improving decision-making, especially among leaders and managers, can contribute to better outcomes in terms of navigating uncertainty, group decisions and use of emerging technology like AI and machine learning.

This all bodes well for the sustainability transformation. According to the World Economic Forum’s Global Risk Report 2023, the most severe risks over the next ten years include failure to mitigate and adapt to climate change, loss of biodiversity, extreme weather and ecosystem collapse. Solutions exist and innovation is opening options for action, we need leaders who decide to move business and society in a more sustainable direction. Understanding decisions and the science behind them can overcome barriers, change behaviors and achieve desired outcomes.

A Discussion on Decisions

To explore how INSEAD addresses this crucial aspect of transformation, the Hoffmann Institute sat down with Professor Enrico Diecidue, Chair of the Decision Sciences Area. The interview discussed how professors integrate sustainability into academics and engagement based on their work.

Why is it important for future business leaders to learn about sustainable development practices?

Professor Diecidue: Evidence increasingly shows that fairness has value – fair leaders will survive and fair decisions will last over the long term. Research by McKinsey shows that long-term thinking can build significantly more value than short-termism. This aligns with decisions on sustainability. When we asked executive participants to share their views on sustainability, they defined the term as ‘decisions that take all stakeholders into account for long-term impacts’.

So, we need fair leaders who pull the switch for the greater good over the long term. For sustainability, we need the ability to focus on the long term and evaluate risk over time. Decisions today must account for social outcomes, social justice and ethical matters. So while we don't always teach about direct sustainable practices, we explore the decision-making that brings sustainability into reach.

What does sustainability mean to you in the context of business education?

Strategic decision-making is a tool for leaders to make better decisions. Better in this case means better outcomes sustained over time. In Decision Sciences, we look at evaluating risk and understanding how people approach time. These topics are widely studied across the discipline and pillars of Decision Science. They can also be applied to sustainability to evaluate new risks and develop new growth models.

In our academic area, research seeks to model risk attitudes and explore how leaders and players behave at different levels of risk. We look at the role of inclusiveness and diversity in group decisions. In fact, we focus on many aspects of diversity as this can bring together the right people and create the right culture to deliver positive impact.

How do you teach sustainability in your academic area and what are the main topics?

Professor Diecidue: In a way, you can think of all Decision Sciences as sustainability courses. In our core MBA courses, we use sustainability examples in the classroom. As mentioned, we discuss diversity, inclusiveness and ethics against the backdrop of risk evaluation and time. We want to give learners the tools to overcome myopia that can stand in the way of understanding long-term implications of decisions.

We bring these same aspects to our executive education participants, many of whom want to understand what ethics means right now, how to decide on shared values, and the benefits of inclusive decisions and shared processes. The topic is always decisions, but with a focus on processes and how to arrive at more sustainable outcomes from decisions today.

Sustainability across the Academic Area

After hearing how the science of decision-making can be an enabling force for sustainability action, the Hoffmann Institute reached out to Decision Sciences area professors to see how they bring sustainability into their research and the classroom.

Professor Anton Ovchinnikov teaches Data Science for Business and Decision Models courses in the MBA using a **Wells Fargo case** focused on installing solar panels on bank branches and how a renewable energy pilot project was turned into a multi-billion dollar opportunity. Professor Ovchinnikov also uses a case on aquaculture

in Africa to highlight emerging economy decisions. His work in the GEMBA programme includes a discussion on the ethics of AI based on a case that explores the ethics of grading in higher education. By introducing real world examples of challenging decisions that require new approaches, students learn how to responsibly navigate the sustainability space.

In the Ethics Core Course for MBA and for GEMBA, Professor Marc Le Menestrel teaches a session dedicated to sustainability. He addresses wide and diverse questions that emphasize the systemic nature of the issue. What is the source of our love for nature? What does it mean that we are all interdependent? What are the stages of leadership development with respect to sustainability?

These discussions explore what happens when people become convinced that business is not just about business. Sessions reflect a familiar narrative. A systemic crisis threatens life on Earth. The biosphere is at a tipping point. Two-thirds of the Earth's terrestrial and aquatic ecosystems are significantly degraded and disruptions are severe. In a world of sudden catastrophes and irreparable consequences, this thought exercise explores how business decisions can open new relationships with nature rather than continue outdated and unsustainable practices. Professor Le Menestrel highlighted key points from these discussions in a Davos session about 'Beliefs, Emotions and Identities in our Sustainability Journey' held alongside the World Economic Forum 2023.

Moving Forward

Decisions today create the outcomes of tomorrow. Leaders must make decisions and oversight decision processes with far reaching ramifications for their organizations – communities, companies and even countries. By understanding the science behind their own decisions and the complex factors behind the decisions of others, leaders can achieve the best possible outcomes. When these decisions align with global sustainability goals, these outcomes are good for business and society.

Efforts by INSEAD Decision Sciences to bring sustainability into the area's work enable leaders to make better decisions. This opens the door to deliver value to communities and economies as the world moves to more sustainable development.

The Hoffmann Global Institute for Business and Society Lessons in Sustainability series highlights lessons learned from integrating sustainability into all nine INSEAD academic areas. Stay tuned for more Lessons in Sustainability.

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