



Model Thinking



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Model Thinking is a foundational course within our training program, serving as the base for follow-up trainings like Sound Decision Making, Negotiation, and Health Risk Management. In this document, we want to briefly highlight what it is and its importance.

It is not straightforward to define what exactly constitutes a model, but the following definition is highly comprehensive:

"A model is a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates"

Essentially, a model is a simplification of reality that introduces a layer of abstraction, representing reality in conceptual terms. As such, a model is inherently never fully correct. From a pragmatic philosophical perspective, we might say that a model is considered "good" if it is useful — for example, by enabling adequately accurate forecasts.

Model Thinking is both a science and an art, combining techniques from mathematics and various other disciplines to build conceptually sound models. These models are rarely static; they must be continuously assessed against recent experiences and insights, and adjusted or updated where appropriate.




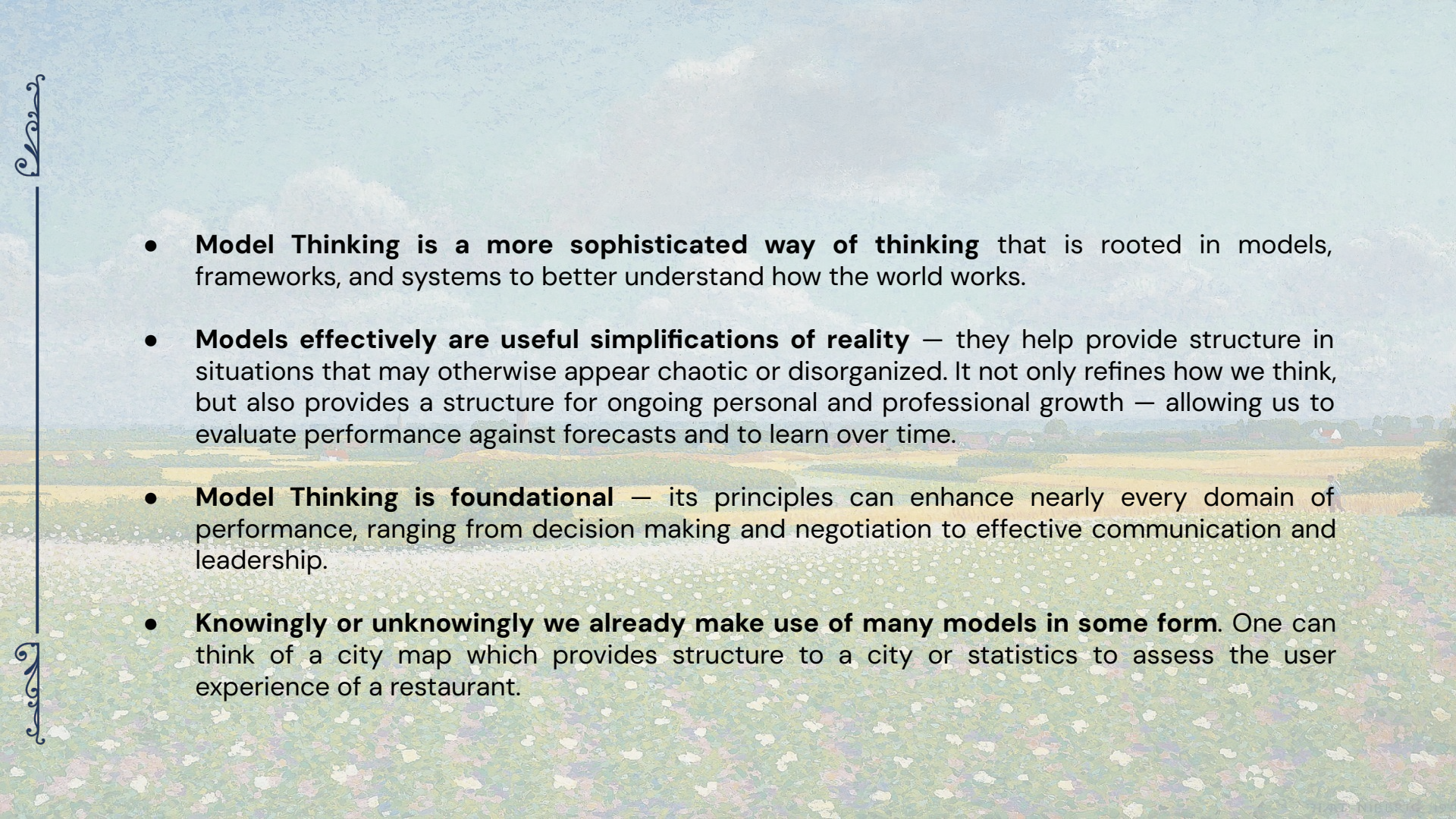


Higher mode of thinking

Model Thinking is a sophisticated, informed and versatile approach to thinking:

- **Thinking is a mental process** of making sense of the external world, observations, and experiences by forming thoughts, ideas, judgments, and plans.
- **While we often don't realize it, one can in fact employ different modes of thinking.** It is possible to discipline and organize one's thoughts in a more sophisticated manner — similar to upgrading the software of a system to enhance its performance.
- **Most people rely on basic modes of thinking**, such as *linear thinking* ("A causes B") and *ad-hoc thinking* (case-by-case judgments). While these natural approaches may work for simple situations, they consistently prove inadequate when navigating complexity.

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- **Model Thinking is a more sophisticated way of thinking** that is rooted in models, frameworks, and systems to better understand how the world works.
 - **Models effectively are useful simplifications of reality** — they help provide structure in situations that may otherwise appear chaotic or disorganized. It not only refines how we think, but also provides a structure for ongoing personal and professional growth — allowing us to evaluate performance against forecasts and to learn over time.
 - **Model Thinking is foundational** — its principles can enhance nearly every domain of performance, ranging from decision making and negotiation to effective communication and leadership.
 - **Knowingly or unknowingly we already make use of many models in some form.** One can think of a city map which provides structure to a city or statistics to assess the user experience of a restaurant.

Examples of models and where they are used

Many organizations — including governments — rely heavily on models for a wide range of critical decision-making processes. Some notable examples include:

- **Financial institutions** such as banks and insurers use models for the valuation of financial instruments and to forecast movements in interest rates, property values, and commodities like gold.
- **Governments** relied extensively on complex epidemiological models to manage and respond to the COVID-19 pandemic, and continue to use such models in many areas, including healthcare planning, climate policy, and economic forecasting.
- **Artificial Intelligence (AI)** is built upon various mathematical and statistical models, which form the foundation of its predictive and decision-making capabilities.
- **Sports teams** are increasingly using models and data analytics to scout talent, optimize strategies, and improve performance, a trend famously depicted in the 2011 movie "Moneyball."

Given their ability to generate insights and drive decisions, models should be regarded as valuable corporate assets. A well-designed model with strong predictive power provides a company with a competitive advantage over its peers, enabling better foresight, efficiency, and performance.



Structured thinking and well-being

As our thinking shapes how we perceive and interact with the world around us, it has a profound impact on our overall health. Structured and efficient modes of thinking offer a range of measurable benefits:

- They enhance brain function, support cognitive health, and help protect against mental decline. Studies have shown that methodical and analytical thinkers engage different brain regions compared to others.
- More structured thinking styles are stress-regulating, helping the body maintain a calmer, more balanced state. This lowers physiological stress, partly due to better anticipation of future events, and also reduces systemic strain and mental fatigue.
- They transform challenges into enjoyable pursuits rather than sources of stress or avoidance, building confidence, motivation and resilience.
- They reduce mental clutter and confusion, creating harmony between emotion, logic, and physical well-being.



Relation to follow-up courses

For those who seek to deepen their understanding and apply Model Thinking more broadly, we offer a range of advanced courses that build upon the core principles introduced in the foundational training. These programs are delivered at the same high standard and are designed to further develop expertise across specific domains. All courses aim to leverage strong theoretical ideas and concepts in practical settings. The courses include:

- **Sound Decision Making:** This training explores structured decision-making frameworks — including one we have developed in-house — aimed at refining the way individuals and organizations approach choices. We make countless decisions each day, and even small improvements in decision quality can yield significant long-term benefits in terms of outcomes, confidence, and clarity.
- **Negotiation:** In many areas of life and work, we don't get what we deserve — we get what we negotiate. This course builds on the foundations laid by Model Thinking and Sound Decision Making and dives deeper into the strategies, principles, and tools of effective negotiation. It equips participants with a strategic mindset and practical techniques to navigate complex interpersonal and business negotiations.
- **Health Risk Management (HRM):** Developed using concepts from Model Thinking, particularly systems theory, and philosophy, HRM is a comprehensive framework and philosophy for enhancing well-being within organizations. It provides a strategic model that aligns company interests with those of employees, generating substantial value for both.



Thanks!