

Leadership Study

Wise Decision-Making

Stepping Up to
Sustainable Business
Performance

Executive Summary



Amrop

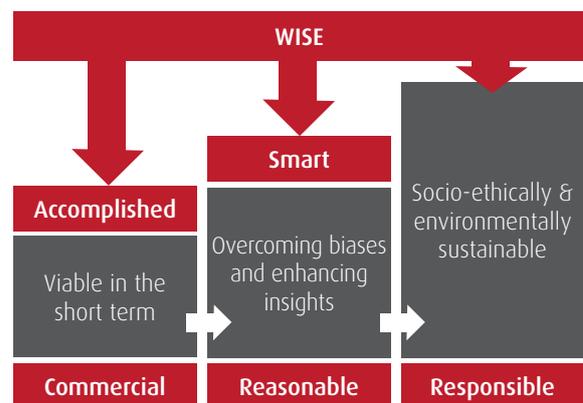
Leaders For What's Next

“What is needed in this world today is not primarily wealth. It is vision. It is the individual’s conviction that there is opportunity, energy, purpose to his society”
Peter Drucker

Wise leaders make better and smarter decisions with more sustainable outcomes, in a risky, uncertain environment.

- Transcending biases
- Embracing ambiguity and complexity
- Taking pragmatic actions
- In a context-sensitive way
- Adapting a broader socio-ethical and environmental perspective.

The aim is to create and preserve organizational shared value, conform to a well-defined and communicated organizational vision and purpose.



Smart leaders become wise when they address the dilemmas of modern business in a holistic way.

Not only do wise leaders create and capture vital economic value, they also build more sustainable - and legitimate - organizations.

Foreword

By Preety Kumar

Member of the Amrop Executive Board



An ambiguous, complex business environment. A world more inter-connected than at any point in history. A society switched-on 24/7 to corporate misdemeanors. The life of a leader has never been tougher. And despite the best efforts of many, trust in corporate leadership remains worryingly fragile.

Almost 70% of observers perceive an over-focus on short-term financial results, according to the 2016 Edelman Trust Barometer, and there is a misalignment of CEO focus with what the general population considers most important.

Every day, we meet senior executives facing gray and often challenging social, environmental and ethical dilemmas, striving to 'do the right thing' in challenging and fast-evolving markets, facing acute internal and external scrutiny. As a leader, you likely do your utmost to make reasonable decisions. Wherever possible, you deploy processes to minimize thinking errors or bias. You take care to tread the path between confidence and hubris. You strive to back up your intuition with analysis. Already pretty self-aware, you are open to learning more. You are perseverant and innovative, you have grit and gravitas. Thanks to these qualities, you consistently capture value for shareholders and stakeholders.

In short, you are a smart decision-maker.

Now let's raise the bar. In your personal leadership, to what extent do you consider non-financial goals, values, ethical, societal or ecological factors in your decision-making? How often do you step back to reflect on your experience, or dig deep to find compassion for other stakeholders? What personal mission or ethical frameworks act as your True North? In your leadership style and career decisions, to what extent are you motivated by virtue over value, and how do you reconcile the tensions in core paradoxes such as this? In terms of your decision-making hygiene factors, how do you keep your engine healthy? How proactively do you seek feedback, or engineer time for personal mindfulness practices?

These are just some of the vital signs of wise decision-making.

As a business leader (and indeed as an organization), why should this matter? Increasing evidence suggests that whilst smart decision-making is critical to create and capture economic value, (and a pre-condition for wise decision-making) it is unlikely to equip leaders and organizations to deal with today's complex business circumstances or, ultimately, earn the legitimacy to operate.

Smart leaders turn into wise leaders when they help themselves and others to holistically address and resolve the difficult socio-ethical dilemmas we all face in business.

There is a compelling business case for wise decision-making, and the spotlight is on.

In compiling its 2016 list of the world's 100 best-performing CEO's, the Harvard Business Review for the first time took Environmental, Social and Corporate Governance (ESG) ratings into account. Elsewhere, a recent study¹ suggests that highly "principled" CEO's resoundingly outperform their "self-focused" peers: CEOs whose employees marked them highly on character achieved an average Return on Assets of 9.35% over a 2-year period - nearly 5 times as much as CEOs with low character ratings. On the downside, it's been suggested that reputation loss can outweigh combined legal penalties by a factor of 3-5.²

This Amrop report has been conceived to support the journey from smart to wise leadership.

Step by step to more sustainable performance | A User Guide to the study

Focusing on factors over which leaders can exercise some control, we present 3 pillars of Wise Decision Making; Self Leadership, Motivational Drivers, and Hygiene Factors. All are drilled down into a clear set of indicators. In this report, you will find not only concepts and data, but a framework of practical tools and steps. The purpose is to stimulate responsible decisions that will help steer you and your organization from short-term profitability to sustainable performance – step by step.

In the full Amrop report, you will:

- Discover the areas in which your c-suite peers are most challenged in terms of wise decision-making
- Gauge your own propensity for wise decision-making
- Pinpoint avenues for personal development and executive coaching to make wise(r) decisions
- Identify ways to carry these concepts and tools through to your teams, board, and beyond.

The report wraps up with two dashboards. Firstly, a round up for individual leaders, with key questions and tools. Secondly, key questions for Boards and leadership talent strategists.

We wish you an inspiring journey!

Preety Kumar

Executive Summary

More than ever, organizations and society need wise leaders. People who are not just commercially accomplished or cognitively smart, but who make responsible decisions and resolve ethical dilemmas, addressing socio-ecological challenges in a holistic way.

And yet, as trust in leaders remains fragile, how big is the gap between aspiration and performance?

Unconscious biases, values and beliefs all affect our decisions. So, too, do pressures from our operating context, organizational governance mechanisms and processes. This research focuses on factors leaders can do something about – factors within our scope of control that we can learn to develop over time. Mastering these better will, we argue, improve our individual propensity to make wise(r) decisions.

3 Pillars of Wise Decision-Making



Scope

The research framework (and report) to assess individual wise leadership characteristics are organized along 3 pillars:

Self Leadership: how leaders exercise self-governance

Motivational Drivers: what drives leaders' choices

Hygienes: how leaders nourish their decision-making 'health.'

Tools and Guidance

The full Amrop report (www.amrop.com) contains definitions of concepts, indicators, full data, insights and toolkits to help leaders identify avenues for personal development, coaching and career planning, and to help boards and leadership talent strategists identify measures in terms of organizational strategy, (organizational purpose, culture, and board governance), leadership talent development and operational processes.

WISE DECISION-MAKING | METHODOLOGY

Between Q4 2016 and Q1 2017, 363 executives residing in all regions of the world and representing all major business sectors completed a confidential online survey. 94% held posts at C-suite level or above. 75% of their organizations had offices in more than one country, 81% had ambitions to expand internationally.

To avoid bias in responses, neither the survey introduction nor its questions referred to 'wisdom' and it was emphasized that for most questions there was no 'right' or 'wrong' answer.

Several items are drawn from previously validated research and referenced in the Full Report. We are particularly indebted to Alves et al., (2014), Ardel (2003), Chen et al., Rovira & Trias De Bes, (2004), Soll, et al., (2015), Magnien et al., (2002), Meyer & Meijers, (2008).

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Setting the Scene³

So often, seemingly accomplished leaders make terrible decisions. Overconfidence, unconscious biases⁴ and judgment noise⁵ can lie at their root. Fortunately, many techniques can help executives to make smarter decisions. From mindfulness training to disciplined processes, from dialogue-based team practices⁶, to predictive algorithms for repetitive challenges⁷.

As we argue in the Foreword, smartness alone will not resolve the dilemmas and ambiguity that modern organizations face. Breakdowns in thinking⁸ have led many smart leaders to cause huge reputational and financial damage— damage for which they were ultimately (or should be) held accountable. A long list spanning the past ten years contains a host of examples. The resignation of Siemens' Chief Executive over a bribery scandal in 2007, of BP's CEO over the Deepwater Horizon debacle in 2010, and of the Chairman and Chief Executive of Wells Fargo in 2016 following a sales tactics scandal, to name but three.

Wise decision-making requires not only smart or reasonable choices, but also responsible choices. It demands integrity, grit, values and foresight. Doing the right thing is a calling from your conscience, serving a greater good beyond individual self-interest, or at minimum, not causing harm.

Only when executives create a 'wise advocate frame of mind' by embracing the bigger systemic picture will they succeed in taking decisions that are profitable but also ethically, socially and ecologically sustainable. This usually implies uncomfortable struggles, frequent dialogue and deep reflection within oneself and with colleagues and superiors.⁹

At the heart of wise decision-making lies a series of attributes. The willingness to continuously reflect and learn with an open mind, for example. A synergy of competences or knowledge, enhanced by a combined form of cognitive, social and moral intelligence¹⁰. All underpinned by experience, and guided by values and a clear mission-vision-purpose¹¹. Furthermore, recent research in neuroscience¹² has given further support to the notion of wise decision-making.

What cannot be measured cannot be managed, is the old saying. Yet wise decision-making remains hard to quantify. Doing this could even reduce it to a set of deterministic characteristics that fail to capture its magic and effectiveness¹³. Nonetheless, Amrop's global report seeks to grasp some key features of wise decision-making. How well equipped are leaders when taking difficult decisions? Do they settle with smart decision-making - focusing on maximizing shareholder value that may be unsustainable over a longer period? Do they even care for the long term? After all, most incentive systems are rooted in short-term profitability and rarely related to ecologically or ethically sound criteria or meaningful job content - unless these contribute to the annual bottom line.

The complexity and ambiguity of the global economy make the struggle for wise decisions even more intense. Organizations are increasingly called upon to produce desirable products and services in the most effective and efficient manner – while also avoiding harming society or the broader eco-system, and still delivering a decent return on investment.

Many positive - and unexpected - insights emerge from this study. We see that trying to become wiser decision-makers is not a destination, but a journey. One that allows executives and boards to steer organizations to more sustainable business opportunities, to the ultimate benefit of shareholders and stakeholders, both in the short and long term. It is an approach which encompasses the fiduciary duty of loyalty and care to the organization, looking after shareholders and others with a critical stake.¹⁴

There may not be one 'best' solution to optimize business opportunities while minimizing risks. However, leaders addressing local and global challenges should be part of the solution, and not part of a problem which lies at the root of the widespread mistrust in modern business. Fortunately, many opportunities are within the grasp of leaders who take the decision to 'wise up' – as this study reveals.

Peter Verhezen

Overview | 4 Topline Findings

01 Self Leadership

1 Leaders are on the path from smart to wise, but missing vital steps and opportunities

Unsurprisingly, most leaders are cognitively smart – accomplished and perseverant problem-solvers. Diving deeper, we discover that few consciously reflect on (and learn from) experience, or exercise 'reflection in action' when facing a difficult problem ('thinking about thinking'). Furthermore, when they are feeling cheated, problem-solving becomes more difficult still. So decision-making is suffused with emotion – even at this level.

Many leaders display high self-confidence and optimism – vital for leadership. Rather fewer systematically stop or adapt a decision given counter-evidence, or are held back by risk. They are missing opportunities to balance self-confidence with decision-engineering processes. Many mechanisms to transcend bias are under-used. Often neglected, too, is the involvement of diverse, qualified (and especially confrontational) stakeholders in decisions, risking groupthink and commitment bias. In human interactions, compassion is fragmented, so too is humor, a vital way to diffuse tension and pride.

02 Motivational Drivers

3 Leaders are driven by service, virtue and entrepreneurship – but not to the point of self-sacrifice.

Presented with 6 leadership styles and 3 paradoxes which we relate to smart versus wise decision-making (and core leadership motivations), leaders tend towards indicators associated with our concept of wise leadership. They seem moved more by service than by sovereignty, more by virtue than by value, more by entrepreneurship than execution.

However, driving these tensions into the epicenter of leaders' lives and presenting 5 hypothetical career moves designed to test their key motivators, Need For Power, (prestige, social eminence and superiority), prevails. Only a few leaders see as a promotion a position designed to appeal to purely 'wise' values and demanding a temporary personal sacrifice. This may be linked to the lack of a personal 'True North' for many – recalling that most cannot easily describe their personal mission.

2 The moral guiding light is in sight, but often lost in the clouds

Leaders place a high premium on ethics, in terms of how high they set the moral bar for business, how keenly they scrutinize the ethics of a result, and how easily they can describe their own ethical (moral) codes.

They clearly display holistic thinking when solving 5 hypothetical dilemmas engineered around tensions that oppose profit, planet and people.

Despite this, the majority of leaders report that they have faced ethical blockages over the past 3 years, mainly due to profit imperatives, local business culture and practices, and the demands of other influential leaders in the organization.

Overcoming these ethical obstacles is perhaps not helped by the fact that only around half of leaders can easily describe their personal mission, or their strengths and weaknesses, or say that their values and principles help them navigate dilemmas.

03 Hygienes

4 Many leaders are habitually engaging in personal mindfulness practices – but feedback is often skipped.

Proactive feedback-seeking is vital for self-awareness and self-development, but is far from widespread. (We recall that only around half of leaders can easily describe their strengths and weaknesses).

'Mindfulness' or 'reflective' practices are another important hygiene. They help to gain awareness and insight and often bring about a state of 'flow'. In terms of specific activities, walking is the most widely practiced, with high scores regarding its positive effect on decision-making. However, its effectiveness is far surpassed by a far less common one: meditation.

Going Deeper | 11 Selected Findings

01 Self Leadership

Leaders are on the path from smart to wise, but missing vital steps and opportunities

1 Leaders are missing their rear-view mirror

Only 10% consciously reflect on their experience

Only around 1 in 10 leaders dedicate themselves to reflecting on past events, or recalling the past to see if they have changed. Yet for those who do, looking back is helping them gain knowledge and perspective.

The Full Amrop Report shows why reflecting on experience can lead to wiser decisions.

2 Few leaders master reflection in action

Only 12% always reflect about their thinking

'Reflection in action' involves taking a step back. On average, across 5 practices, only around 1 in 10 leaders always do it when making a difficult decision (12%), and only around a third generally do (35%). Around twice as many are able to step back and take distance on the content level (19%) than on the level of feelings, habits, (11%) or mental leaps and generalizations (7%).

See the Full Report for 5 ways to exercise reflection in action.

3 Many leaders are speeding without a safety belt

40% display high self-confidence – which may cause some biases

Self-confidence is critical for leaders, especially in executing fiduciary duties. Indeed, for around 4 in 10, the future looks bright. They strongly believe they'll achieve most of their goals and succeed at most endeavors. But there's a catch. Under 5% really agree that thinking about all the risks makes them hesitate or delay difficult decisions. And only 33% will always stop or adapt a decision given counter evidence. We also see an under-use of safety mechanisms to ensure decision trains start – and stay – on the right track.

The Full Report contains ways to underpin confidence and minimize overconfidence biases.

4 Leaders are under-using a powerful toolkit to transcend bias

33% will always stop or adapt a decision if evidence indicates it may be flawed or wrong

Much has been written on bias. Less on processes that can help leaders manage it. Presenting a range of tools, we found 3 buried at the bottom of the toolbox, used by only 30%-40%: thinking about what they'll miss, if they make a certain choice; imagining the advice they would give someone else if they were not involved; conducting a pre-mortem.. Somewhere in the middle, deployed by 40% - 60%, is intuition. Combining System 1 (fast, intuitive) and System 2 thinking (slow, rational, analytical) is an indicator of smart leadership, yet only around half of leaders do this.

The Full Report contains a Toolkit to help transcend bias, and good news on ambiguity-handling.

5 Leaders are failing to systematically involve the right people in decisions

52% generally or always use stakeholders as allies to validate their opinions

When it comes to involving key stakeholders in decisions, more opportunities are being missed. Looking at what leaders systematically do, 30% interview top executives one-on-one, 23% involve different groups. Only 36% select stakeholders on knowledge or competence. Only 4% involve 'difficult' people who raise blocking/delaying questions. Looking at what leaders *generally* or *always* do, the majority are creating good conditions. Even then, 52% use stakeholders as allies to validate their opinions, and 20% select people on a harmonious working relationship.

See the Full Report for the fragmented nature of compassion, and the why and how of humor.

The moral guiding light is in sight, but often lost in the clouds

6 Many leaders are missing their personal True North

45% can easily describe their personal mission

How robust are leaders' personal guiding frameworks? Whilst 73% can easily describe their personal values and ethical (moral) code, 65%, can say as much for their principles - the way in which they will, and will not, treat others. Only around half can easily describe their personal mission, or their strengths and weaknesses. We also find gaps between personal frameworks and action. Only around half of leaders strongly agree their values or principles help them find their way through dilemmas.

The Full Report contains a question catalog to kick off the design of a Life Plan and Goals.

7 Leaders place a high premium on ethics, but face barriers in practice

82% believe businesses should operate at the highest moral level but 71% meet ethical blockages

Just how high should businesses set the moral bar? 54% of leaders believe businesses should obey the letter and spirit of the law, with 28% saying businesses should aim higher than the letter and even the spirit of the law. So over a quarter are truly forward-looking with a higher cause in mind. When it comes to what they can directly control, 99% actively check for ethical misconduct in judging a success, with 57% paying just as much attention to standards as to results. However, 71% report that they have had to take a professional decision that conflicted with their own ethical principles in the last 3 years. The top 3 reasons? (1) The need to maximize cost efficiencies/profit, (2) local business culture and practices, and finally (3) the demands of one or more influential leaders in the organization.

Planet, profit or people: find out in the Full Report how leaders solved 5 hypothetical tensions - and test yourself.

02 Motivational Drivers

Leaders are driven by service, values and entrepreneurship, but not to the point of self-sacrifice

8 Leaders are driven by 'sustainable entrepreneurship'

86% strive to fulfil the organization's objectives, even when it's not to their own benefit

Presented with 6 leadership styles paired into 3 paradoxes, we find that leaders tend to be driven in ways that echo the concepts of 'wise decision-making'. In terms of core interests, 86% are moved more by *service* than by *sovereignty*. Concerning purpose, 60% are moved more by *virtue* (or values) than by *value*. And when it comes to strategic priority-setting, 69% tend more towards a future-orientated, *entrepreneurial* style, than an *executive* style (focusing on optimizing what already exists).

The Full Report unpacks the 3 paradoxes, and opens avenues for leaders to reconcile them.

9 Power is the strongest career motivator

A hypothetical job description answering the 'Need for Power' was seen as a promotion by 63% of leaders - by far the most popular proposition

What happens when we drive moral tensions into the epicenter of leaders' lives - their careers? We presented 5 hypothetical career moves, each testing key motivators. To what extent do leaders view each as a real promotion? 'Need for Power' is about prestige, status, social eminence and superiority and this is the strongest driver by far: the job description built around such indicators seen as a promotion by 63% of leaders. Yet only 10% strongly see as a promotion a position designed to appeal to 'wise' values and demanding a temporary financial sacrifice, perhaps a sign of the lack of a personal 'true north' for many.

You can find the 5 career moves in the Full Report.

03 Hygienes

Many leaders are habitually engaging in personal mindfulness practices - but often skip feedback

10 Leaders are missing vital feedback

58% actively seek feedback on their attitudes and behavior and take it into account

Active feedback-seeking is vital for self-development, yet only a small majority of leaders (58%) engage in it. (We recall that 46% can easily describe their strengths and weaknesses and only 45% can easily describe their personal mission). However challenging it may be to seek out personal feedback, the importance and value of doing so cannot be over-emphasized.

The Full Report contains a Feedback Toolkit with 5 common feedback traps.

11 Meditation is the most powerful mindfulness practice

95% of those engaged in meditation report a highly positive effect on their decision-making

'Mindfulness' or 'reflective' practices help us gain awareness and insight and often bring about a state of 'flow'. We presented leaders with a series of practices, to discover which they engage in, how regularly, and which habitual practices are most widely reported to have a highly positive effect on decision-making. Of specific practices, walking is most widely practiced, (by 49%) and most habitually (62% walk several times per week/daily), with 74% reporting a highly positive effect on their decision-making. However, although only 18% of leaders practice meditation, (57% several times a week/daily), 95% of them report a highly positive effect on their decision-making.). In a world dictated by fast movement, stillness gives wings.

How do different mindfulness practices affect decision-making? Find out in the Full Report.

In Conclusion

Smart leaders become wise(r) when they address the socio-economic and environmental dilemmas of modern business in a holistic way. Not only do wise leaders create and capture vital economic value, they also build more sustainable - and legitimate - organizations.

The path from smart to wise decision-making is a never-ending process of self-reflection and learning. Our findings suggest that whilst most leaders are firmly embarked on that path, too many are submerged by the vortex of daily business, cognitive overload and short-term imperatives. Too few are taking vital time for self-reflection, and miss the guiding frameworks that will enable them to step back and re-orient before plunging into battle.

“Leaders are often very lonely when taking decisions,” one CEO told us. Indeed, it’s often said that it is lonely at the top, and it is perhaps this very isolation that is undermining wise decision-making – isolation not only from others, but from ourselves. Involving the right stakeholders in decision-making, applying processes to transcend the thinking traps that lurk beneath the surface of supposed rationality, these are all management essentials. Just as important for managerial wisdom, however, are personal processes: seeking feedback, investing in coaching to identify one’s true motivations and strengths, design a Life Plan on the basis of these factors, and identify avenues for self-development. These are just some of the steps that leaders can take today – irrespective of age or seniority.

Where to start? If the journey begins anywhere, it is perhaps in mindfulness, habitually engaging in one or more recognized reflective practices. These enable internal answers to emerge – also when it comes to which external support to seek, from whom, and why. It’s time to tune in.

For the full story, go to the Full Amrop Report on www.amrop.com.





José Leyún
CEO
Amrop

Concluding Remarks

Leadership, it's fair to state, has never been easy. Yet it has never felt more difficult than today. This global study reveals multiple pressure points. As one senior executive told us: "It needs passion, perseverance - and true dedication." And while she believes that "failures are stepping stones to a great success..." she also warns: "success is short lived and plateaus immediately..." Another sees leadership as "an eternally unfinished learning process." Still others cite complexity, loneliness, and the sheer number of conflicting variables leaders need to resolve every day.

Unsurprisingly, leaders are struggling. Despite their cognitive dexterity, too few are taking the time to look in the rear-view mirror and learn from their experience. When emotions run high, many are failing to stop and reflect in the heat of the moment. The humor that could add humanity and relief to tense workplaces is under-deployed. Neither is compassion necessarily given, (or presumably received) by leaders.

Furthermore, despite high personal moral standards, many leaders are being blocked from acting in accordance with them. Beating those obstacles is probably not helped by the fact that too few leaders have a clear personal mission or picture of their strengths and pitfalls. And feedback, something that could enrich this self-knowledge, is far from universally sought-out. Yet it should be. Furthermore, when it comes to the crunch, and no matter how high their own moral bar, very few leaders see as a promotion a career step that serves the greater good but lacks obvious power and status and even involves a temporary self-sacrifice. Hiring organizations, take note.

I have proposed before that leaders don't just need to be able to withstand the waves of change, they have to surf them - and be ready to get soaked. Yet it is sometimes tempting to imagine the relief if we could snap our fingers and transform this VUCA business landscape into its opposite - one of solidity, certainty, simplicity and clarity.

Of course, such peaceful waters would likely stop innovation in its tracks. Yet one critical non-negotiable emerges from the dream - and that is sustainability

Amrop has been serving the leadership talent needs of organizations for forty years. We have used our fortieth anniversary to reflect on our own guiding Mission.

As a result, we have set sustainability as a core element of our purpose: *shaping sustainable success through inspiring leaders.*

Sustainability is a key facet of wise decision-making. At Amrop, we are fully embarked on our own 'eternally unfinished learning process' - and on a quest for answers in the domain. We will continue to place wise decision-making - and sustainability - at the center of our explorations to unpack the true implications for 'Leaders For What's Next'.

In conclusion, where do we go from here? Given the wealth of insights and tools provided by this study, where to start? Our research team highlights two key avenues: coaching and mindfulness.

To the first, and as a passionate believer in coaching, I add that the best coaches consolidate our strengths, asking questions we cannot immediately answer, questions that skillfully and positively confront us to take us to our core. To the second, consider the business trip. The long-haul flight is often seen by senior executives as a drain on their energy and resources. Yet a flight represents a unique opportunity for mindfulness. Our study reveals that only a minority of leaders meditate or write. Both have a highly positive effect on decision-making- and both can be practiced in-flight as we look out on the ultimate helicopter view. It's time for wise decision-making to become increasingly integrated into our lives, at every opportunity, and at every moment. Not only as an aspiration, but as a fundamental part of what we do.

José Leyún

Going Forward | Round-up for Leaders

This section contains leading questions arising from observations in the Full Report, as well as some decision-making tips.

The purpose is to stimulate the thinking of individual leaders concerning factors over which they can exercise some control.

01

Self Leadership

Key features that determine how we make decisions that translate into smarter and wiser actions or behavior. We focus on 5 areas: experience, reflection, affective and cognitive intelligence, concluding with a personal guiding framework. We will see how leaders position themselves on a moral scale, and a series of tricky dilemmas.

EXPERIENCE

When did you last look back?

In today's business environment the pressure to forge ahead is like a siren call. Wise decision-making means taking the time to consciously look back to your past experience in order to move forward in a sustainable way: gain insights, become more mindful and take a broader perspective. Mindfulness practices (see 'Hygienes' can help to do this in the most time-effective way.

REFLECTION

Perception of reality

You get the facts. What about your feelings?

Leaders are better able to analyze the content of a situation, than the feelings that surface. Yet feelings are just as critical as content - and deserve a non-judgmental analysis.

How is your room temperature?

When did you last feel that a discussion was slipping out of your control, and pulling you and others down with it? Wise decision-making not only demands exercising reflection in action, it also involves helping others to do so, by asking the right questions in a non-violent way: "I am asking myself whether... what do you think?"

SELF EFFICACY

How do you balance confidence with caution?

Just as climbers take helmets, harnesses and grips on an exhilarating ascent, this report contains a wealth of decision-making equivalents for business mountaineers.

AFFECTIVE INTELLIGENCE

Compassion

Why should you care?

Be compassionate – also with senior peers. It's lonely at the top – leaders need to support each other in order to diffuse pressure, share problems, and create the conditions for wiser decision-making – based on consultation and dialogue.

Mood and humor

Do you fear the funny?

Accusations of failing to take a situation seriously, appearing nervous, making jokes that misfire across a cultural divide... leaders can be forgiven for having reservations about humor. How about starting with 'polite self-deprecation', an indicator of humility and wisdom?

Do you think Good Luck belongs in a casino?

Think again. Luck favors the persistent. That simple truth is a fundamental cornerstone of all successful company builders.

COGNITIVE INTELLIGENCE

AMBIGUITY AND COMPLEXITY HANDLING

How can you be trusted?

Only 6% of leaders strongly agree that they rely on trusted leaders and experts. As a leader yourself, it follows you cannot assume that your peers will automatically trust you. They may need some help.

Transcending bias

Do you have a bad feeling about intuition?

Gut feel has a place in business – if used right. Combining System 1 (fast, intuitive) and System 2 thinking (slow, rational, analytical) is an indicator of smart leadership. Around half of leaders generally or always apply the combination.

How do you decide on the who?

Business life is pressured and turbulent. It is for leaders to decide how high they set the 'consultation bar' in the challenging process of decision-making. A conscious reflection regarding the complexity of a decision - and the stakes - can help set the process, reduce risk, and raise sustainability. This implies drawing on experience, and exercising Reflection in Action – all skills unpacked in the Full Report.

GUIDING FRAMEWORK

Personal mission, values and principles

Finding Your True North - A question Catalogue

General questions

How happy am I with my life in general?

How happy am I professionally?

How have I developed professionally?

How heavy is my workload and how stressed do I feel?

What kind of fears and worries am I preoccupied by?

What setbacks have I experienced and how did these help me progress?

What kind of development steps am I personally striving for?

Questions to do with sense and meaning:

To what extent is what I do important to me?

Is there really nothing more important for me?

How do I define what is a meaningful task for me?

What is the essence of my (personality) profile?

How can I best utilize my resources – for myself and for my social environment?

What goals do I need to set for myself, to ensure that my life has meaning and sense for me?

What do I really want for myself?

Ethical positioning

Where's the moral gap?

How high do you think the moral bar should be set for your organization? How does your view compare with that of your Board? Between aspirations and practice, where are the biggest zones of difference? What are the stumbling blocks?

What's slipping under your ethical radar?

Signal-spotting reflexes are essential to ensure a company's ethical antennae are fit for purpose. Any firm is a potential breeding ground for unethical behavior. *Ill-conceived goals and incentives* may intend to promote a positive behavior, but encourage a negative one. Ambiguous goals may lead to corner-cutting. In cases of indirect blindness, third parties are not held sufficiently accountable. *Motivated blindness* means overlooking unethical behavior because it's in our interest to remain ignorant. When we give a pass to ethical behavior because the outcomes seem to serve the firm, we are *overvaluing outcomes*. All too easily we find ourselves on the *slippery slope* - unethical behavior develops gradually - and ends in a reputational crisis. What signal-spotting reflexes do you have?

02

Motivational Drivers

This pillar concerns our motors – our fundamental reasons for taking the decisions we do. Motivation is related to what drives our choices, how hard we try, and how long we persevere. We examine leadership styles and drivers, as well as the extrinsic and intrinsic motivational factors that drive career choices.

Leadership styles

How to get the best of both worlds?

Reconciling paradoxes demands reflection. How can leaders temper their entrepreneurial style by checks and balances to ensure that seizing opportunity (or positive risk) does not lead to poor decision-making (negative risk)? Can a personal mission of ensuring ecological sustainability be reconciled with a 'sovereign' style of leadership? Very possibly. Wisdom can also lie in getting the best of both worlds, rather than simple 'either-or' trade-offs.

Career choices

Whose values are leading you?

The results of our questions regarding career choices give clues to hiring organizations regarding the true motivations of leaders. The low interest of the not-for-profit project also echoes the findings on leaders' personal mission. Defining a personal mission means asking ourselves what really matters to us – also financially – and to what extent we are influenced by the demands of our personal entourage. And that, in turn, should influence our career choices.

Unlocking your motivations | Avenues for reflection

Can you summarize yourself in just two sentences? If you were a trusted brand, what would be your message and promise - based on deep and honest analysis?

To unlock your key motivational drivers, and triangulate these:

- Map your past career with a professional coach. Describe in single keywords the good AND bad aspects of your last 6 jobs
- Check your conclusions with key selected colleagues
- Go deeper, with your closest friend or partner.

Transform negatives into positives wherever appropriate, and plan your next step accordingly. An example of this kind of thinking: are you a 'career hopper'? Or rather, an executive who is quick to translate strategy into action, is energized by the unexpected, and thrives on freedom?

Beyond 'seeking a change' the quest is to 'find your core excellence' - wherever that may lead.

As well as positioning yourself on the paradoxes featured in this report, what other personal leadership paradoxes apply to you? Where do you stand on each of these? What are the advantages and disadvantages of your position/s, and how can you reconcile the paradoxes to find the 'best of both worlds?'

What is your hobby? What hobbies did you practice before taking up your professional career, then abandon as events took over? It may hold the keys to your core.

The journey to your core may reveal uncomfortable truths as well as 'aha' moments. The challenge: to strike the balance between who you are, and what you are capable of (and not).

01

Hygienes

This final pillar addresses two fundamental ways in which leaders nourish their decision-making 'health.' First in terms of the degree to which they proactively seek feedback on their attitudes and behavior, secondly, in terms of 'mindfulness' practices and their effects on decision-making quality.

Feedback

When did you last look in the mirror?

See our guide below to transform the feedback process from a source of pointless pain to a constructive voyage of discovery.

Giving Feedback

Check that your attitude and intent are constructive, (whether giving or receiving)
Ensure your feedback is solicited and the timing works on both sides
Send 'I' messages: personal perceptions based on observable behavior
Positive feedback first: where there is shadow, there is light
Describe, don't judge: describe your perceptions and the feelings, associations, hypotheses and questions these raise
Be concrete and differentiated: also cite recent examples
Adapt to the needs of all the affected stakeholders: not just your own urge to let off steam
Assume ignorance, be humble: we cannot fully understand the other person
Ensure a basis of trust and confidentiality: feedback discussions have an intimate character.

Receiving Feedback

Declare your goals and fields of interest: for more concise and useful feedback
Give feedback on the feedback: this is a learning process for both sides. Irritations should be aired early on to enable the process to move forward.
Ask clarifying questions, examples, recommendations on what to do differently
Never self-justify: No-one is fully right. Holding back is an art – linked to reflection in action
It is up to the receiver to process and apply feedback: control, follow up and warnings are not part of the process.

Feedback Traps

'You' messages: these are far more common than the recommended 'I' messages: *"you handled that all wrong"* or *"you're so negative, you're a real spoilsport..."* *"you need to learn to see it this way"*. The important, relativizing sentence: *"in my view"* is often omitted.
'No' messages: starting a contradiction with a 'No' doesn't help trust-building: *"no, that's not how it is, it's..."* *"no, that will never work"* or *"no, you've got it all wrong..."*. "No" needs to be used selectively, because it disrupts communication.
Generalized value judgments: in personal feedback, these should never be applied to an individual. They unleash feelings of rage, hurt and powerlessness, and block communication. *"You're not a team player, you never learn and you have a sloppy work ethic,"* is a concentrated and undermining presumption that sends the receiver into shock and makes it difficult to react. It can be worse when a generalized value judgment is more subtly-formulated: *"You're not (and most people around here would agree) really a team player, and learning doesn't seem to be one of your strengths. Both of these points seem to be part of your work ethic, which frankly, we couldn't say is entirely up to scratch..."*
Accusations: people are approached in a hostile way with statements such as: *"you're hindering..."* *"you're blocking..."* *"you're making it impossible to..."* etc., These harm the work climate, and limit people's choice of responses.
Moralizing: Implicit or explicit judgments regarding moral behavior are overbearing and impede communication. Examples: *"the well-being of the company/employees isn't important to you"* *"justice is an alien concept to you"* *"you're only interested in money."*

Going Forward | Leading Questions for Boards and Leadership Talent Strategists

This section contains some leading questions that emerge from the report and that can be considered at the general strategic level.

The purpose is to stimulate wider reflection and discussion in terms of organizational strategy, to help create the conditions for wise(r) decision-making. The hope is that further questions will emerge that have a direct relevance to the unique context of your own organization.

TERMINOLOGY

WDM = Wise Decision-Making.

Wise leaders make better and smarter decisions with more sustainable outcomes, in a risky, uncertain environment.

- Transcending biases
- Embracing ambiguity and complexity
- Taking pragmatic actions
- In a context-sensitive way
- Adapting a broader socio-ethical and environmental perspective.

The aim is to create and preserve organizational shared value, conform to a well-defined and communicated organizational vision and purpose.

Smart leaders become wise when they address the socio-economic and ecological dilemmas of modern business in a holistic way. Not only do wise leaders create and capture vital economic value, they also build more sustainable - and legitimate - organizations

ESG = Environmental, Social and Governance Criteria

Organizational strategy

Purpose

What kind of an organization does the Board envision? At what moral level should it operate? How important are *non-financial objectives* currently considered to be, when it comes to sustainable performance? What should be the (business) case in your view?

To what extent are ESG criteria embedded in corporate reporting?

Culture

How does your organizational culture influence the quality, scope and intention of decision-making behaviors (positively or negatively)?

To what extent does that culture value and nourish diversity of thought? Between an emphasis on *smart* (commercial, short-term focus) and *wise* decision-making (holistic, longer-term scope) where does your culture sit on the spectrum?

To what extent are socio-ethical dilemmas surfaced and discussed within the organization? What values or principles determine how these are resolved?

To what extent are confidence and power emphasized? How do these translate into the way in which decisions are made (and the speed)? What values and principles ensure the right balance between confidence and power, and risk?

What value is attributed to supposedly 'soft' factors: compassion, humor, mindfulness?

Board

What value do individual Board Members attribute to sustainability and ESG criteria? What beliefs? E.g.: vital for a legitimate organization, old wine in new bottles, hidden socialism? Where are the zones of tension (and/or consensus)?

Trust in business leaders remains fragile. What remedial measures should the Board take vis-à-vis external and internal stakeholders?

What criteria are in place for enhancing WDM in terms of recruiting, developing and assessing Board Members? (Executive or Non Executive)?

The 3 pillars of Amrop's WDM model are Self Leadership, Motivational Drivers, and Hygienes. How exemplary are *individual* Board Members and the Board as a whole? What could be improved or reinforced?

What Board Assessment measures (and KPIs) could be installed to secure behaviors and standards to meet WDM and ESG criteria? What space on board agendas for debate and discussion?

How can the Board develop its coaching/advisory function to optimize the self leadership of its top executives/CEO, and better understand their deeper motivational drivers? How to facilitate and understand, without invading or micro-managing?

What can the Board do to relieve any pressures preventing executives from meeting their personal ethical standards; for example, (1) cost efficiency and profitability, (2) local business culture and practices, (3) the demands of influential colleagues?

How does the Board stimulate a feedback culture amongst top executives? What value is attributed to personal mindfulness practices to self-awareness and decision-making? (e.g. writing, meditation, walking, the arts).

Leadership talent strategy

Selection and development

To what extent are WDM criteria (Self-leadership, Motivational Drivers and Hygienes) engrained in the selection, assessment and development of your senior executives and influencers? What training and coaching measures are in place?

How much do you know about the personal mission and personal ethical framework of each of your key leaders? How well do these align with your organizational mission and ethical frameworks?

How strongly do your key leaders identify emotionally with your organization? To what extent do you believe such identification is even important or relevant? What factors are strengthening or weakening this bond?

What training, coaching or other measures are in place to ensure senior executives are able and willing to seek - and give - healthy and constructive feedback?

What opportunities are created for executives to engage in and become competent in personal mindfulness practices that can enhance self-awareness and decision-making?

Goal-setting and incentives

To what extent do people's performance measures and KPI's need to be extended beyond shareholder value and short-term profit? How do ESG criteria fit in to these?

To what extent does executive leadership use penalties or rewards to motivate WDM? How to build up healthier behaviors - for individual executives and teams?

In terms of role design and compensation, how can intrinsic (e.g. job content) and extrinsic (e.g. financial) motivators be optimally balanced? What could be the business case for that? How to avoid extrinsic motivators crowding out intrinsic ones?

Operational processes

What systems and procedures are embedded within the organization to create an environment for WDM and improve signal-spotting for unethical or unwise behaviors? Where are the hotspots – the areas of greatest risk and opportunity?

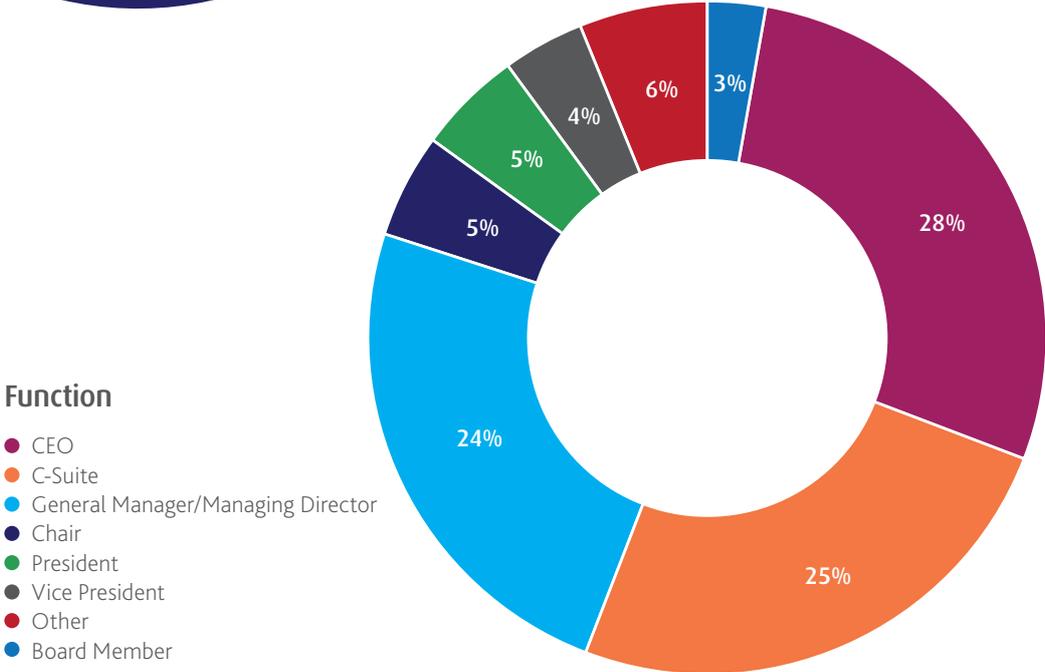
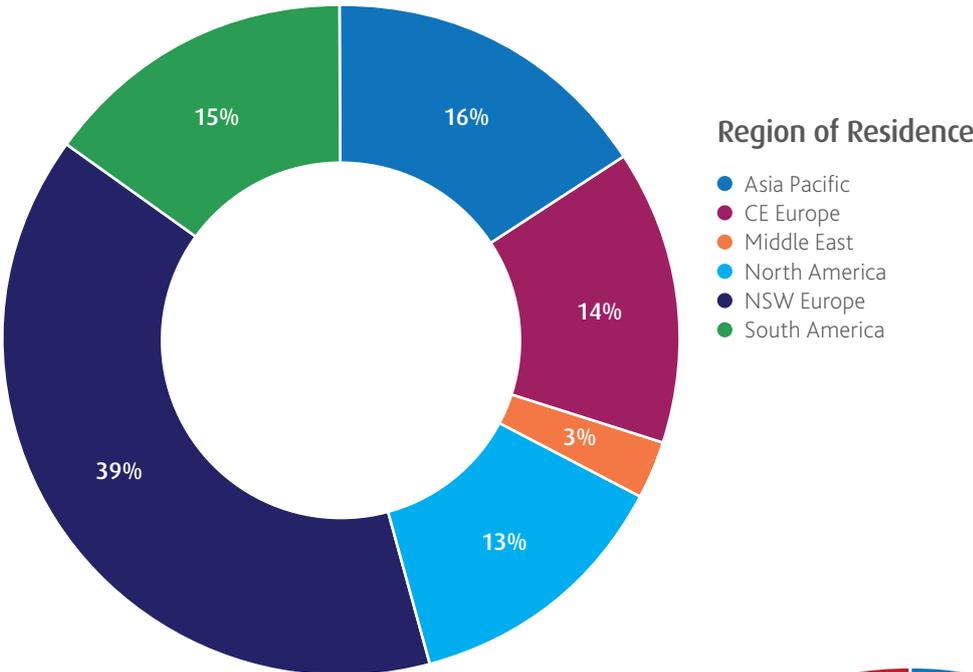
What specific tools presented by this study could be installed to ensure a more robust decision-making process (transcending bias, involving others, principles to follow in solving dilemmas specific to your sector or organization, etc.)?

How could feedback loops and behaviors be installed during exchanges between executives (virtual or live) to help decision-makers improve their 'reflection in action' and integrate emotional and rational thinking?

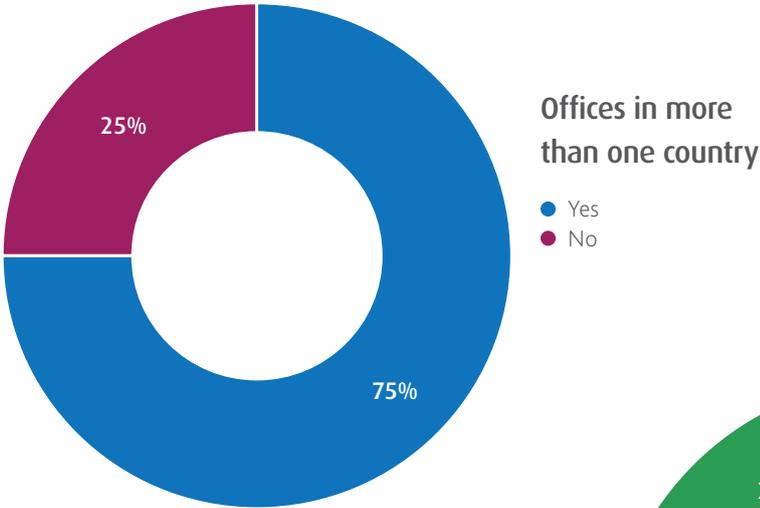
Methodology

Between Q4 2016 and Q1 2017, 363 executives residing in all regions of the world and representing all major business sectors completed a confidential online survey. 94% held posts at C-suite level or above. Of the organizations for whom they worked, 75% had offices in more than one country, 81% had ambitions to expand internationally.

About the participating executives

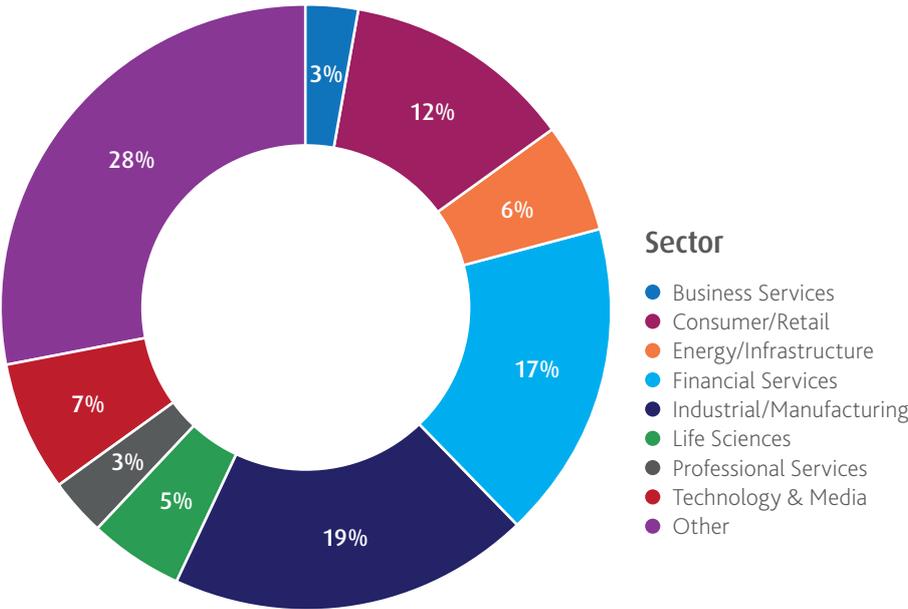
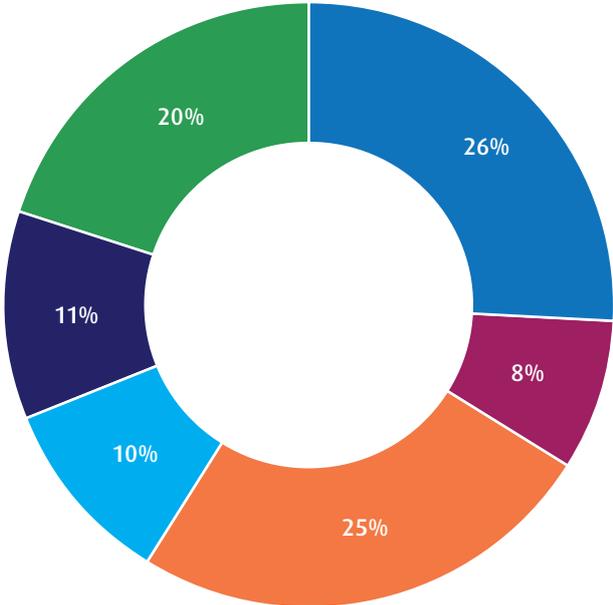


About the organizations



Employees

- 1-500
- 501-1000
- 1001-5000
- 5001-10000
- 10001-25000
- 25001+



Credits

We warmly thank all the executives who took the time to participate in this study, and for their invaluable feedback and reflections, many of which we include.

As always, any intellectual effort stands on the shoulders of wise practitioners and thinkers and the contemporary research is referred to in our References and Footnotes.

Research design by Peter Verhezen, Steffi Gande, Fredy Hausammann, and Preety Kumar. Data analysis by Steffi Gande, Melanie de Ruyter and Peter Verhezen. Report writing by Steffi Gande and Peter Verhezen, with input from Fredy Hausammann.

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About Amrop

With over 70 offices in more than 50 countries, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. It is the largest partnership of its kind.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

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