

# Leadership Study

## Wise Decision-Making

Stepping Up to  
Sustainable Business  
Performance

Full Report



**Amrop**

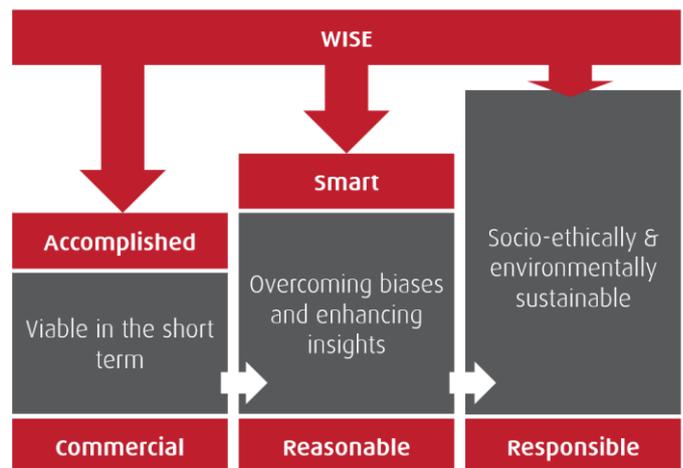
Leaders For What's Next

“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.

\*(1969), The Age of Discontinuity, New York, Harper Collins

## Foreword

By Preety Kumar

Member of the Amrop Executive Board



An ambiguous, complex business environment. A world more interconnected 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 CEOs, the Harvard Business Review for the first time took Environmental, Social and Corporate Governance (ESG) ratings into account. Elsewhere, a recent study<sup>1</sup> suggests that highly "principled" CEOs 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.<sup>2</sup>

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

Our full report 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. The majority (94%) held posts at C-suite level or above. 75% of their organizations had offices in more than one country, and 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), Ardeli (2003), Chen et al., Rovira & Trias De Bes, (2004), Soll, et al., (2015), Magnien et al., (2002), Meyer & Meijers, (2008).

# 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

We presented leaders with 6 leadership styles and 3 paradoxes which we relate to *smart* versus *wise* decision-making (and core leadership motivations). Their responses suggest that leaders tend to be motivated by indicators that we can associate 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 judgments, 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. Only 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, while 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, and 20% select people on a harmonious working relationship.  
See the Full Report for more: 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 leaders' positioning on 5 hypothetical tensions - and test yours.

## 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* 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 in 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, designing a Life Plan on the basis of these factors, and identifying 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.



# O

## Full Report

A structured decision-making process, in steps, where the leader is guided through a series of valuable processes, helps to create the full picture before proceeding.

*Managing Director*

After every decision when you look in the mirror you have to love what you see there.

*Managing Director*

Ethics and results must be tied together for an organization to succeed in the long run.

*Board Member*

Leadership requires both flexibility and decisiveness.

*Managing Director*

Decision-making can never be a perfect process nor can anybody be a complete expert on it. Mainly because situations and variables always change. But the use of personal values and principles coupled with a deep analytical mind will always be an advantage, especially in the age of technology when it is easier to gather information for decision-making.

*CHRO*

When a company operates in a "un-ethical" environment, it's hard to stand upon your principles and still build the business. It takes time to earn a reputation and win the battle. Having strong and simple ethical principles makes it easy on everyone. It may take more time to succeed, but in the long run it's the only way to go.

*CHRO*

Decisions can never be made without a full commercial context but you must never compromise your personal principles. Whatever the outcome of your decisions commercially, you must emerge with your integrity intact.

*CEO*

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## Setting the Scene<sup>3</sup>

So often, seemingly accomplished leaders make terrible decisions. Overconfidence, unconscious biases<sup>4</sup> and judgment noise<sup>5</sup> 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 practices<sup>6</sup>, to predictive algorithms for repetitive challenges.<sup>7</sup>

As we argue in the Foreword of this report, smartness alone will not resolve the dilemmas and ambiguity that modern organizations face. Breakdowns in thinking<sup>8</sup> 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.<sup>9</sup>

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 intelligence.<sup>10</sup> All underpinned by experience, and guided by values and a clear mission-vision-purpose.<sup>11</sup> Furthermore, recent research in neuroscience<sup>12</sup> 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 effectiveness.<sup>13</sup> 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 that encompasses the fiduciary duty of loyalty and care to the organization, looking after shareholders and others with a critical stake.<sup>14</sup>

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 that 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

# 3 Pillars of Wise Decision-Making

Unconscious biases, values and beliefs all affect our decisions. So, too, do multiple pressures from our operating context, the governance mechanisms and processes of the organizations in which we work. This research focuses on factors leaders can do something about – factors within our scope of control that we can learn to stimulate and develop. Mastering these better, we argue, will improve our individual propensity to make smarter and hopefully also wise(r) decisions. This report provides avenues for personal development, coaching and career planning, as well as insights to better manage our bias and over-confidence. It can be seen as a toolkit to help us become more reasonable, more ethical, more responsible, and thus wiser leaders. Our theoretical model for wise(r) decision-making is organized into three pillars:

## Self Leadership

We examine key features that determine how we make decisions that translate into smarter and wiser actions or behavior. We focus on five areas: *experience, reflection, affective and cognitive intelligence, concluding with mission and guiding framework.*

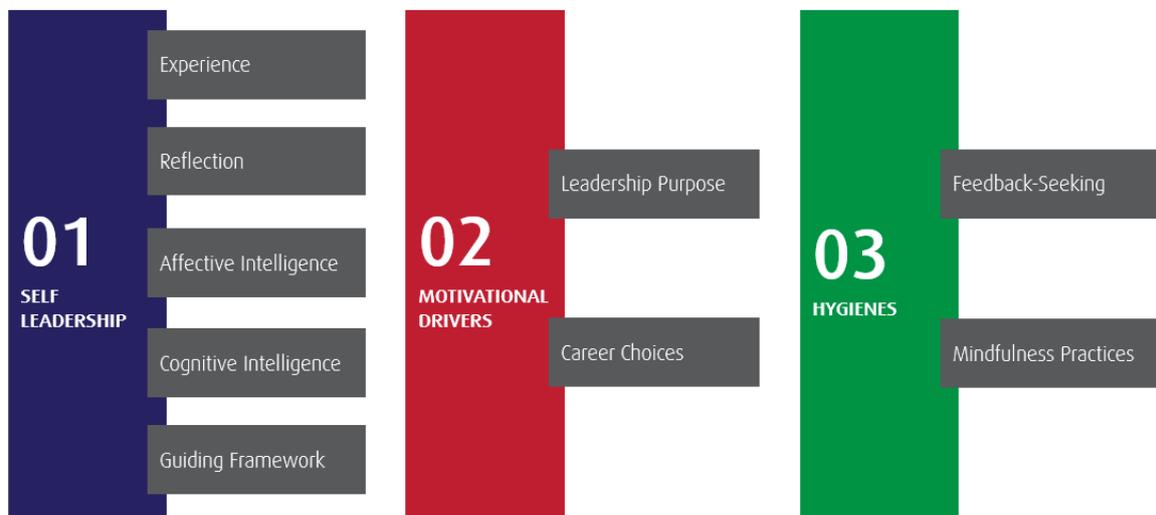
In addition, our behavior is directly or indirectly affected by two further pillars: motivational drivers and hygienes.

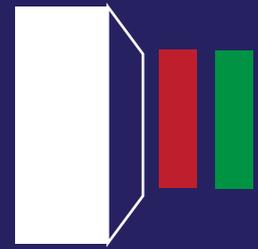
## Motivational Drivers

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 factors that drive career choices.

## Hygienes

This 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 the quality of their decision-making.





# 01

## Self Leadership

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

### Wise Decision-Making Tips

- Take time to reflect on your own experience
- Install and exercise 'reflection in action'
- Underpin confidence and risk appetite with checks and balances
- Prepare to give – and receive - compassion
- Allow yourself to see the funny side
- Believe in and cultivate good luck
- Dig deep into the full toolkit to help transcend bias
- Go the extra mile to involve the right people in the right decisions
- Take the steps to design a personal mission

**The results of our study reveal that all the above are under-utilized.**

## Leaders are missing their rear-view mirror

“Past experience and defeats add a lot to decision-making capabilities. Changing sectors, circumstances, company size, improve a lot your ability to judge and make decisions. Sometimes you need to push yourself and others to borders which may seem unacceptable today but prove to be correct years later”.

*Chairman*

Only around one in ten leaders really make a habit of drawing on their 'experience'<sup>15</sup> in that they 'dedicate themselves to remembering past events', or 'recall the past to see if they have changed since then'.<sup>16</sup> Yet looking back is clearly helping leaders deal with the here and now. It is supporting a significant proportion to take perspective and tap into insights from their past.

Later we will see examples of reflective/mindfulness practices that can help leaders draw on their rich bank of experience. We will also see which are reported to be the most effective in improving decision-making.

### EXPERIENCE | THE CONCEPT

Managerial wisdom is rooted in practical experience. It can be defined as expertise in creating meaning and appropriate conduct in business life<sup>17</sup>, improving our ability to face the future in a more profitable but also more sustainable way.<sup>18</sup> Leaders who systematically examine and reflect on their experience will likely create opportunities to strengthen their core capabilities whilst acknowledging their limitations and potential biases.<sup>19</sup> These insights from the past (via experiences) and being more mindful (about experiencing) can be important resources for a broader perspective and lead to wiser decisions.

# 10%

habitually draw on their experience. Yet three times as many report benefits when they do: gaining knowledge and taking perspective.

## 10%

...dedicate themselves to remembering past events, or recall the past to see if they have changed since then

## 44%

...notice, however, that insights from their past can be an important source of knowledge today

## 30%

...say reviewing their past gives them a good perspective of their professional concerns

All percentages represent 'strong agreement'



## 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. Some of the mindfulness practices we'll see later can help to do this in the most time-effective way.

## Emotions are obscuring leaders' helicopter view

"Listen, Think, Act". *Vice Chairman*

Taking different perspectives to see clearly is part of reflectiveness. But it is not easy, even for this senior population. When people are having a disagreement, only a quarter of leaders consistently look at everybody's side or imagine the consequences for someone before they criticize him or her. And when they are feeling *cheated*, only a minority are really able to review a professional situation from all angles and see it in a positive light.

Far more can apply their analytical powers when they are merely *confused* by a problem. And few people get so emotionally charged up that they cannot see alternative ways of dealing with their problems, or cannot take a holistic perspective, limiting their decision-making abilities.

REFLECTION | PERCEPTION OF REALITY |  
THE CONCEPT

'A deeper understanding of life is only possible if one can perceive reality as it is without any major distortions. To do this, one needs to engage in reflective thinking by looking at phenomena and events from different perspectives. This practice will gradually reduce one's self-centeredness, subjectivity and projections, and increase one's insight into the true nature of things, including the motivations of one's own, and other people's behavior'.<sup>20</sup>

# 13%

are truly able to take a broader, analytical perspective when feeling cheated by a professional situation.



All percentages represent 'strong agreement'



### 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.

## Few leaders master reflection in action

"You have to have real consciousness about yourself, your behavior, and getting to know and care about others. There is no: *this is how I am...*"

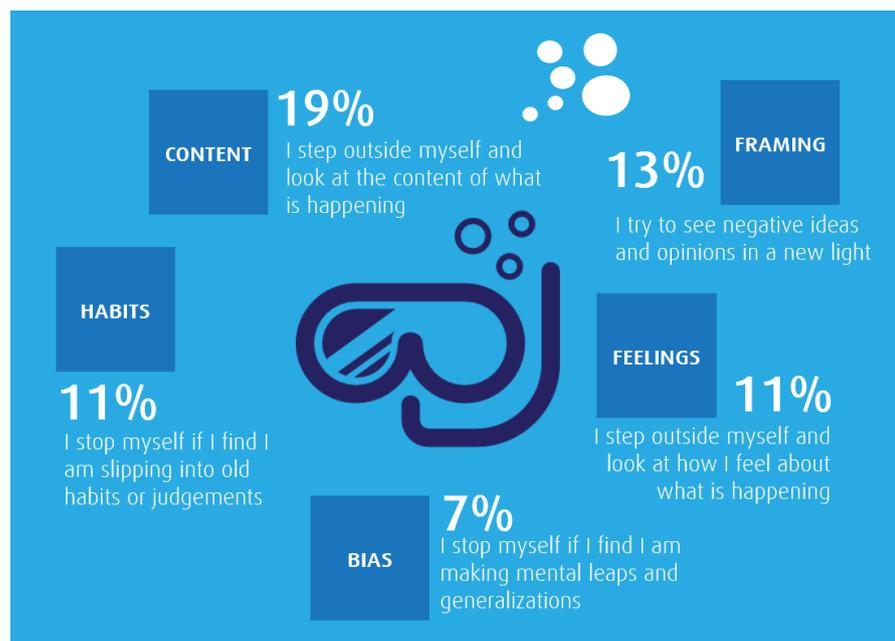
CEO

As part of our exploration of leaders' perception of reality, we looked at their 'reflection in action' – the ability to take a step back and 'think about thinking', when taking a difficult decision. The results were highly revealing. Whether in terms of looking at the content, framing a problem, checking their own habits, feelings, mental leaps and generalizations, only around one in ten leaders always exercises reflection in action. And only around a third generally or always do.

Around twice as many systematically exercise reflection in action on the level of content (19%) than on the level of judgments and habits, or checking mental leaps and generalizations. Only around one in ten always tries to see negative ideas or opinions in a new light.

# 12%

of leaders on average systematically step back and think in the heat of action. Around a third generally do (35%), across a range of key practices.



All percentages represent 'strong agreement'



## 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?"*

## Many leaders are speeding without a safety belt

"Leadership is about taking bold decisions." *Chairman*  
 "Self-confidence is key." *CEO*

Self-confidence is critical for leadership.<sup>21</sup> For around four in ten, the future looks very bright. They strongly believe they'll be able to achieve most of their professional goals and succeed at most endeavors given sincere and dedicated efforts. And they are certain they'll accomplish the difficult tasks they face.

But there's a catch. Hardly any strongly agree that thinking about all the risks tends to make them hesitate or delay when making difficult decisions. This, irrespective of the kinds of risks (operational, competitors, shareholders, customers, overall strategic risks). And only a third will systematically stop or adapt a decision in the face of counter evidence. Later we'll also see an under-use of safety mechanisms to ensure more effective decision-making.

REFLECTION | SELF-EFFICACY | THE CONCEPT

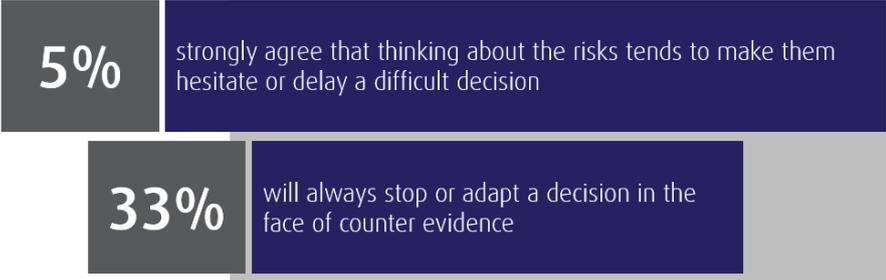
We propose 'self-efficacy' as a key aspect of reflection. This is defined as 'beliefs in one's capabilities to mobilize the motivation, cognitive resources and courses of action needed to meet given situational demands.'<sup>22</sup>

We also explore the extent to which reflecting on the risks associated with a decision causes a leader to procrastinate or delay.

Both over-confidence and over-thinking can be pitfalls!

# 40%

are highly confident in their ability to succeed, to achieve and accomplish\*. But other evidence in our study suggests the need for checks and balances.



### 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. See pages 23 and 24 of this report for more on ways to transcend bias and involve others.

\*Average scores across 3 questions marked in green on the graphic.<sup>23</sup>

## Compassion is in short supply

“Think and act taking into consideration what you would like your children to receive from their future boss or supervisor. It helps me a lot.”

CEO

Colleagues who have a negative disposition cannot rely on tea and sympathy from senior executives, it seems. Around one in five leaders truly has little sympathy with unhappy colleagues who 'just feel sorry for themselves' (which we can interpret as 'having a negative disposition'). And even if half would strongly contest the notion that a colleague's difficulties are not their problem, rather fewer (39%) have often gone so far as to comfort a colleague in personal difficulty.

However, when the *personal* factor is removed from the equation, slightly more leaders try to help colleagues.

Finally, compassion for non-humans is an important indicator of wisdom.<sup>24</sup> Yet only one in five leaders really disagrees with the statement “people over-estimate the feelings and sensitivity of animals.”

### AFFECTIVE INTELLIGENCE | SYMPATHY AND COMPASSION | THE CONCEPT

It is now well-accepted that low self-centeredness and a better understanding of people's behavior are likely to improve the way we behave towards others.

The first element in our Affective Intelligence pillar is the leader's propensity for sympathy and compassion.<sup>25</sup>

# 18%

have a hard time feeling sorry for self-pitying colleagues.



## 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 (fed by consultation and dialogue).

## Few leaders see the funny side

"A leader must create the conditions to let people have fun. If we do not have fun, we will never perform."

CEO

Fun is a serious business. But seriousness is stronger, it seems. Whilst nearly half of leaders can find the humor in difficult professional situations, they may be keeping their smiles to themselves. Because only around a third strongly agree that they often use humor to put colleagues at ease, or can laugh easily at other people's jokes.

When it comes to their own mistakes, leaders' smiles really do fade to gray – on average only around a quarter strongly agree they can easily laugh at their own bloopers, or in generally embarrassing professional situations. So, humor comes more easily in general situations than in those where the leader feels personally implicated or embarrassed (and pride may be at stake).

AFFECTIVE INTELLIGENCE |  
MOOD AND HUMOR | THE  
CONCEPT

Not only does humor relieve tension, it creates cohesion and helps people to analyze situations from a positive point of view, enabling us to find common ground for solutions. Humor is also a sign of humility.



All percentages represent 'strong agreement'



### 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.

## Leaders are missing out on Good Luck

"Trying to answer any question involving luck is quite difficult for me."

*Managing Director*

Frivolous (or fatalistic) though 'Good Luck'<sup>26</sup> may sound, the questions in our study are anything but (see 'The Concept') right. They are actually testing leaders' attitudes to abundance as well as their 'locus of control'- the belief one can influence events.

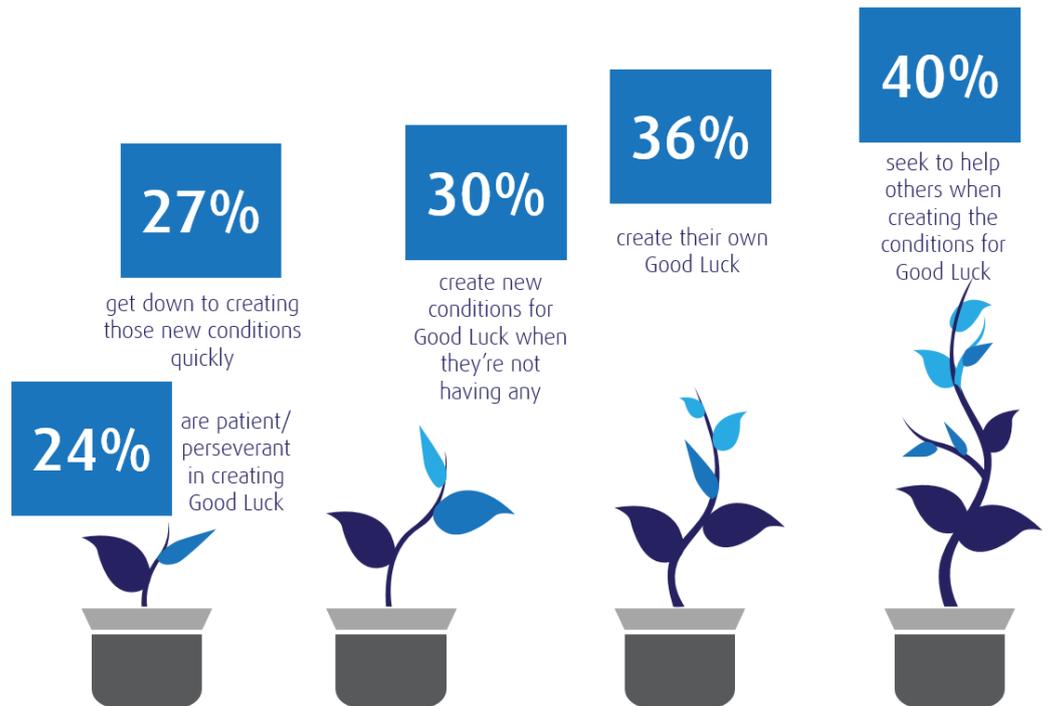
Only around a third strongly agree that they create their own Good Luck, or really create the conditions to change their fortunes when Good Luck is escaping them. Fewer - around a quarter - get down to creating the new conditions rapidly, or patiently persevere with the task. However, 40% of the 'company builders' who participated in our study do bring others into the equation when they are creating the conditions for better circumstances - seeking to help others, not only themselves.

AFFECTIVE INTELLIGENCE |  
ABUNDANCE THINKING |  
THE CONCEPT

Finally, we suggest that affective robustness is improved by the leader's belief that he or she lives in a world with enormous potential. One that he or she can influence. This is related to abundance thinking.<sup>27</sup>

# 36%

of leaders strongly agree that fortune lies in their own hands.



All percentages represent 'strong agreement'



## 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."<sup>28</sup>

## Leaders are comfortable with ambiguity - and mentally perseverant

“Decision-making is a key attribute defining a leader from a manager. The trick is to take the complex and reconstruct it so that it is understood and bought-into by all stakeholders.”

CEO

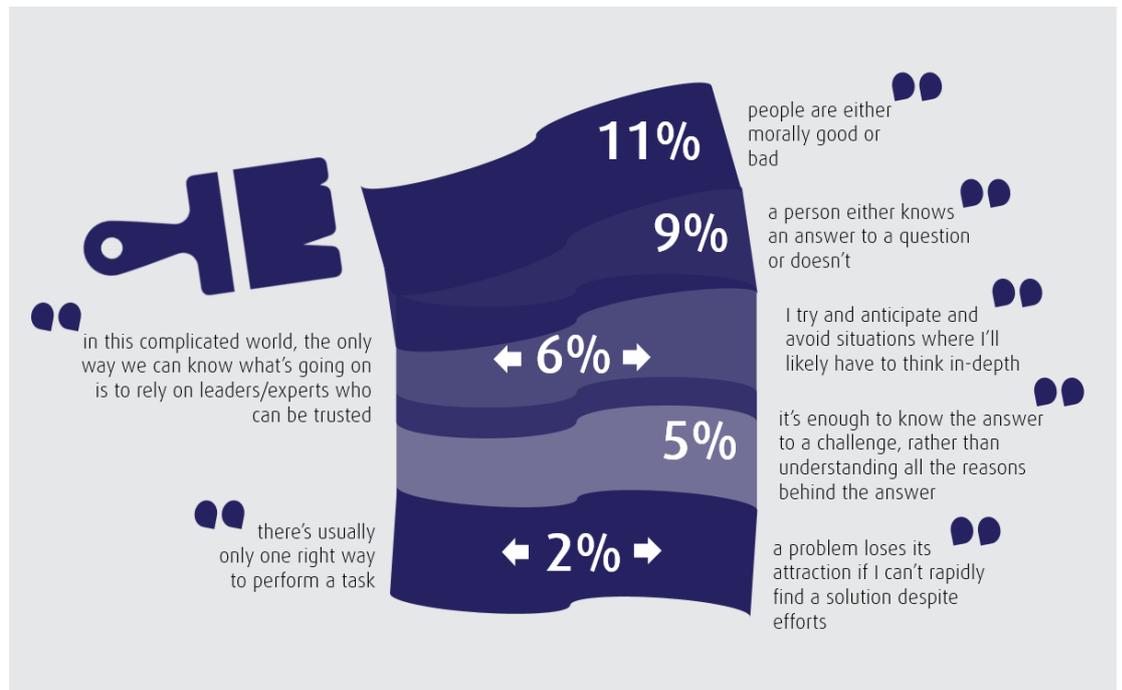
When it comes to complex problem-solving, the news is good: most leaders feel well-armed. Across all the areas tested, only 7% are displaying a strong tendency to avoid mind-bending thought or to make black and white assumptions in a world that is, in reality, composed of shades of gray.

### COGNITIVE INTELLIGENCE | AMBIGUITY and COMPLEXITY HANDLING | THE CONCEPT

Every day, leaders must navigate a labyrinth of complexity and ambiguity. This ‘cognitive’ item of Wise Decision-Making refers to our understanding of a given context and the deeper meaning of relationships with ourselves and others. Hence wisdom means balancing potential tensions in business dealings.

# 93%

of leaders are comfortable with cognitive complexity.



All percentages represent 'strong agreement'



## How can you be trusted?

Only 6% of leaders strongly agree that they rely on leaders and experts. As a leader yourself, it therefore follows you cannot assume that your peers will automatically trust you.<sup>29</sup> They may need some help.

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

“There should be no personal agenda in any decision-making. There should be a balance of data, information and gut feel.”

*Board Member*

In a previous article, ‘Wising Up’,<sup>30</sup> we set out the steps from smart, to wise decision-making. We now explore a core facet of *smartness* (a pre-requisite for *wisdom*) – managing bias. Much has been written about bias. Less, about processes that can help leaders reduce their likelihood of falling into the thinking traps that lurk beneath the surface of supposed rational decision-making. Presenting a range of options, we found that at least three are buried at the bottom of the leaders’ toolkits (see below), generally or always used by only 30-40%.

Somewhere in the middle, used by 40%-60%, we find intuition. Around half of leaders say that, as they listen to their intuition or ‘gut feeling’ as well as the information gathered during a decision-making process. Yet the combination of System 1 (fast, intuitive) and System 2 thinking (slow, rational, analytical), is one of the keys to wise decision-making.<sup>31</sup>

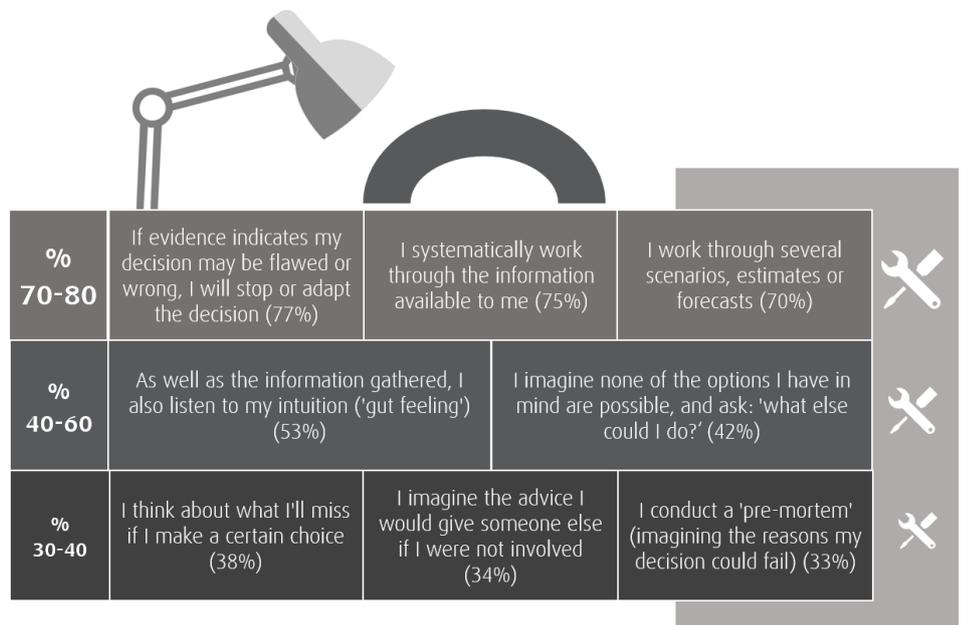
Given these missed checks and balances, it’s perhaps unsurprising that only a third of leaders will always stop or re-route a running train in the face of counter evidence.

COGNITIVE INTELLIGENCE |  
TRANSCENDING BIAS |  
THE CONCEPT

We develop unconscious routines or *heuristics* to cope with complexity, especially when data is scarce or limited. Whilst these ‘rules of thumb,’ may be useful, they are not foolproof. Decisions are prone to biases, sensory misperceptions and irrational anomalies. We all occasionally fall into such traps, making us less-than-smart-decision-makers. We asked leaders about the actions they took to help them transcend bias.<sup>32</sup>

# 33%

of leaders can be relied upon to adapt or stop a decision in the face of counter-evidence.



All percentages represent 'generally or always'



### Do you have a bad feeling about intuition?

Gut feel has a place in business – if used right. Combining System 1 (fast, intuitive, gut feeling<sup>33</sup>) and System 2 thinking (slow, rational, analytical) is an indicator of smart leadership, and around half of leaders generally or always apply the combination.<sup>34</sup>

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

“Surround yourself with both similar and different associates and include them in decision-making whenever possible. This [not only] helps you out, but positively influences them feeling involved and appreciated.”

*Zone General Manager*

We have seen that many leaders are speeding without a safety belt. When it comes to involving key stakeholders in making difficult decisions, leaders are missing still more opportunities to avoid the skids.

Only a quarter to a third systematically get in-depth or diverse viewpoints (from colleagues who are, presumably, close to hand), in that they always conduct one-on-one interviews with selected top executives, or involve different stakeholder groups.

In previous questions, leaders have said they assess information. Questions may surround the *quality* of that information, since only around a third always select stakeholders on the basis of their knowledge or competence.

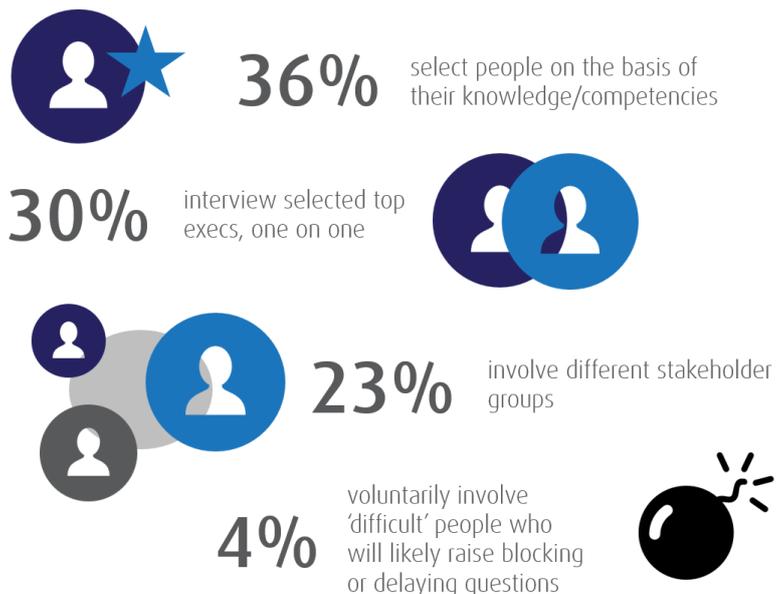
A small minority of leaders (14%) systematically fall into the honeypot of using stakeholders as allies to validate their opinions.<sup>35</sup> And hardly any do the opposite: taking the equivalent of a trip to the dentist and involving ‘difficult’ people who raise blocking/delaying questions.

When we relax the criteria to include what leaders *generally* or *always* do, the majority is indeed creating the right conditions: interviewing top executives, selecting competent, or diverse stakeholders.

Even then, half still use stakeholders as allies to validate their opinions, with around one in five selecting the people they involve on the basis of a harmonious working relationship, and only a quarter voluntarily involving difficult people.

# 23%

of leaders are systematically basing their decisions on the input of diverse stakeholder groups.



All percentages represent 'always'



### How do you decide on the who?

In the turbulent pressure of business life, 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 and the stakes can help set the process, reduce risk and heighten sustainability. This implies drawing on experience, and exercising reflection in action – as covered in previous sections.

## Many leaders are missing a personal True North

“What I feel wrong with all leaders or today’s business practices is that most are tending to judge peoples’ performance with no judgment on their own vision.”

*General Manager*

How robust are senior leaders’ personal guiding frameworks, the light that helps them navigate in the dark, the reference points that enable them to re-orient when dealing with nasty dilemmas? The results suggest that the navigational aids of a large proportion of senior leaders are missing in action. Three quarters can easily describe their personal values and ethical (moral) code. Rather fewer can say as much for their personal principles - the way in which they will, and will not, treat others.

And this is the (relatively) good news. For only around half of leaders can easily describe their guiding star - their personal mission, or their strengths and weaknesses – the self-awareness that is so important to tailor a personal mission to who we really are. This raises the question: how can leaders know the *why* behind the *what*?

We find gaps, too, between personal codes and action. Facing dilemmas, only six out of ten leaders say their values help them find their way, and only half say the same for their personal principles. Later we’ll see that nearly three quarters are encountering organizational blockages to their own ethical codes. Without a personal True North,<sup>37</sup> these hurdles must be all the more difficult to overcome.

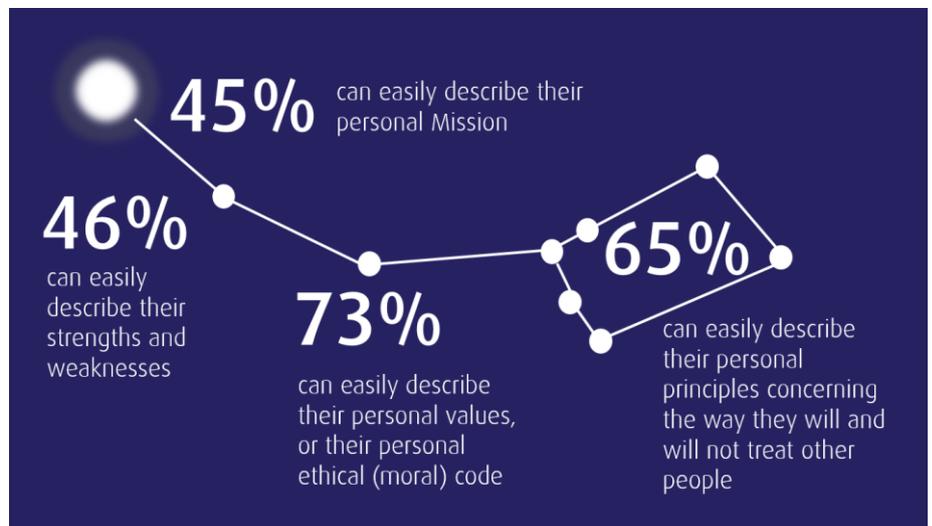
GUIDING FRAMEWORK | PERSONAL MISSION, VALUES AND PRINCIPLES | THE CONCEPT

A distinctive mission is part of Corporate Governance and the hallmark of a good organization. Whether by accident or design, it can never be completely detached from a company’s socio-ethical context.

*Great* organizations go further: they embrace the broader picture, to build enduring organizations in which leaders are willing to invest while being aware of the needs of people and society.<sup>36</sup>

# 45%

of leaders have a clear idea about their personal purpose – why they do what they do.



All percentages represent strong agreement



## How do you know where you’re going (and why)?

See our ‘Life Plan Toolkit’ on the next page for key questions to kick off your Life Planning process. A Life Plan is best worked through with a professional coach.

## Zoom-in on Life Planning

“Just as a well-run organization has a guiding mission, so too do leaders with good personal governance”, Fredy Hausammann writes.

This ‘Life Plan’ is an ongoing project. It is far-reaching and carefully-orchestrated. It serves as a common thread, a ‘Leitmotiv’, to guide, motivate and inspire executives through uncertainty and change, success and opportunity.

The Life Plan is also a personal strategic project. We should treat it like a corporate mission, ‘creating something’ for the medium and long term with a healthy dose of *carpe diem*. Milestones help us define what matters. Setting them means knowing our true desires and talent, the intrinsic motivational factors that create our happiness, a state of physical and psychological ‘fullness’ and ‘flow’. Our talent is best identified with the support of others.”\*



Fredy Hausammann is a Member of the Amrop Executive and Editorial Boards and author of ‘Personal Governance as an essential part of Corporate Governance and Business Leadership’ (Haupt Berne, 2007).

## 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?

\*For more on the topic of the Personal True North, see the Amrop article: Personal Governance 2 – Principle I – Life Plan and Goals – [www.amrop.com](http://www.amrop.com)

## Leaders place a high premium on ethics

“Leaders should not believe that they can ‘get away with it’ - the results of their behavior can be seen in the team's performance and behavior... with consequences on medium and long-term results.”  
*Chief Human Resources Officer*

Just how high should businesses set the moral bar? To find out, we presented leaders with four multiple choice options designed according to a ‘four level scale’ ranging from ‘legal risk’ to ‘moral excellence’, above and below a moral line (see below). The options were scrambled.

The results surpassed our expectations. Certainly, a significant minority of leaders are happy for businesses to function below the moral line, simply obeying the letter of the law, (or even exploiting legal loopholes). However, just over half believe that businesses should obey the letter *and* spirit of the law, with around a quarter more demanding still. For these leaders, businesses should aim *higher than the letter and even the spirit of the law*. So, they are truly forward-looking – aspiring to run businesses in a way that takes account of unprecedented socio-ethical and ecological standards.

### GUIDING FRAMEWORK | ETHICAL POSITIONING | THE CONCEPT

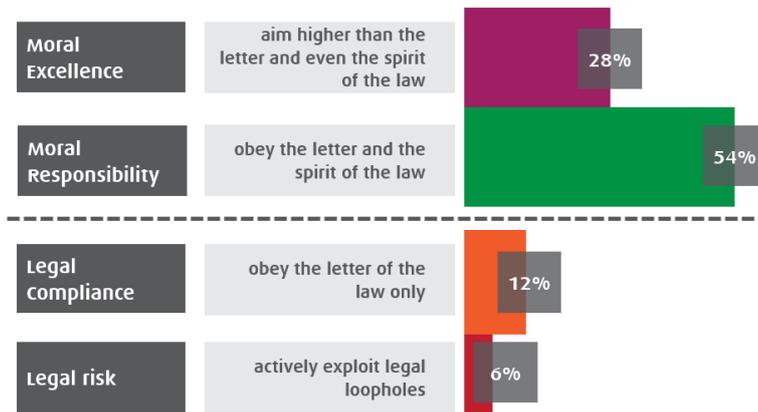
At what moral level does a business earn its legitimacy? Is it sufficient to *comply* with the letter of the law and practice minimal disclosure, even exposing itself to *legal risk* (and regrettable decisions) by actively and assertively exploiting loopholes? Below a certain moral line, the operating climate will likely be characterized by a fear of negative risk and threat.

Or should businesses take *moral responsibility* – exercising radical transparency<sup>38</sup> as per the best corporate governance practices? Should they take a more visionary approach still, aligning KPIs with socio-ethical concerns and values, based on a clearly communicated and facilitated organizational purpose, in an atmosphere of positive risk and trust?

# 82%

of leaders have high moral and ethical expectations.

### When it comes to the overall relationship between business and ethics, businesses should...



## Where's the moral gap?

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

## Leaders are scrutinizing ethics, but still face barriers

“The important thing is not the results. What is really important is the way we achieve them.”

CEO

When it comes to the smoke and mirrors of daily business, how proactively do leaders examine the moral price of a success? Again, we presented a 4-level scale<sup>39</sup> (with the options scrambled). We discovered that 99% of leaders are actively checking for ethical misconduct in judging a success, with 57% paying *just as much* attention to standards as they do to results.

Regarding what they can directly control, leaders are pretty exacting. However, ethical and environmental factors intervene. Asked, “how often have you had to take a professional decision that you feel conflicted with your own ethical principles in the last 3 years?” 71% reported that they were *at least* sometimes blocked. The top 3 reasons? The need to maximize cost efficiencies/profit, local business culture and practices, and the demands of one or more influential leaders in the organization.

# 71%

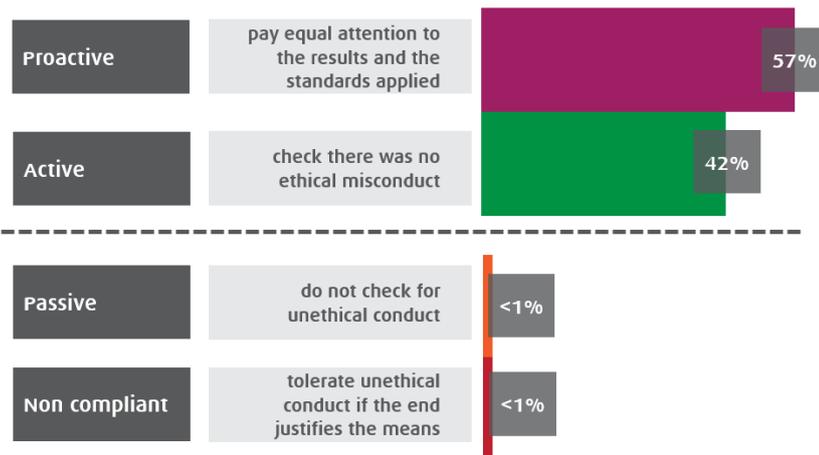
have had to take a professional decision that conflicted with their own ethical principles in the last 3 years. Main reasons:

1. Cost efficiencies/profit
2. Local business culture and practices
3. Demands of one or more influential leaders in the organization

# 57%

would discount a success if it failed to meet ethical standards.

### when deciding whether to judge something a success I...



## 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 unethical behavior because the outcomes seem to serve the firm, we are *overvaluing outcomes*.<sup>40</sup> All too easily we find ourselves on the *slippery slope* - unethical behavior develops gradually, and ends in a reputational crisis.<sup>41</sup>

## Faced with dilemmas, leaders make holistic choices – at least when it is up to them

“In the current context of high complexity in the industrialized countries, making good decisions is very difficult as there normally is no totally right or wrong decision. Key is still to listen to people and your team before making final decisions and be open to different perspectives.”

*President*

We have seen that leaders place a high premium on ethics, with most taking a keen look at the way in which results are achieved. We have also seen 71% blocked from acting according to their principles in the past 3 years. Ethics is of course only one element of wise decision-making – if a critical one.

Let’s look again at our definition of wise leaders. They are not just commercially accomplished or cognitively smart, resulting in reasonable decisions, but are also able to make responsible decisions, resolving fiendish ethical dilemmas and addressing socio-ecological challenges in their business.

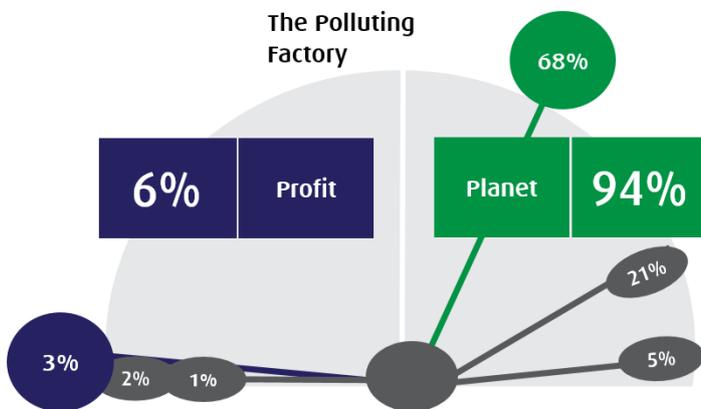
With this in mind, we now turn to what leaders say they would actually do when facing a set of tricky dilemmas – if it is up to them. We designed the following five cases to pull them in conflicting directions in a personal, socio-economic and environmental context.

The green and blue circles show the percentages of leaders who signaled strong disagreement and strong agreement with the way each dilemma was solved in the case, thus showing where they stand on each scale (profit or planet, profit or people). The gray ovals indicate moderate or slight agreement and disagreement.

### Profit or planet?

#### Case 1

Your consumers are demanding low cost, 'fast' fashion. Your factory, like those of many of your competitors, is in a location that has zero environmental regulation, and your factory is polluting the local river. Your company invests in a cleaning system, slowing Q4 production and hitting share price. To what extent do you agree with that?

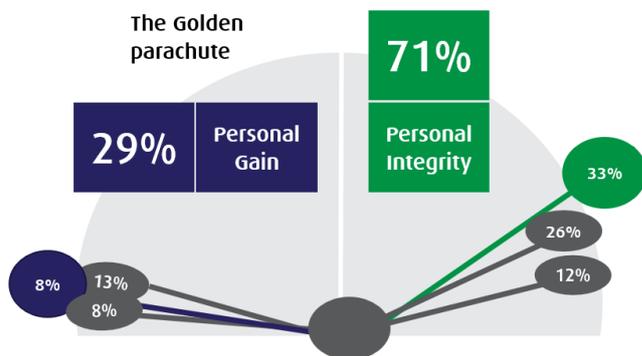


#### The planet takes primacy

This dilemma drew the strongest reactions of all we set. 94% of leaders voted in favor of ecological sustainability, 68% strongly so, even at the expense of production targets and share price.



## Personal integrity, or personal gain?

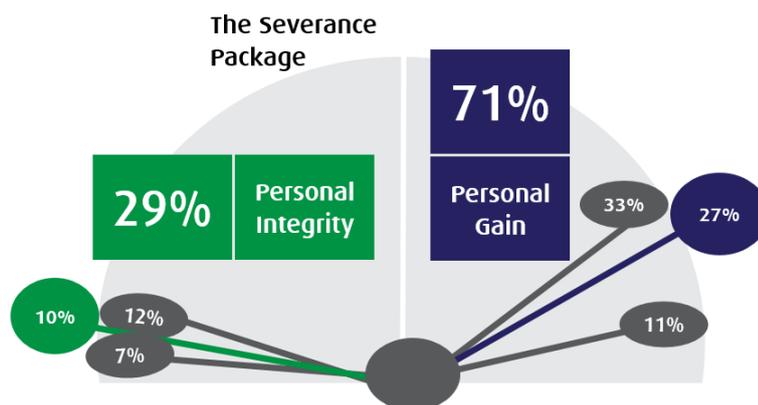


### Case 2

Jeffrey, an outgoing CEO, is legally entitled to a 'golden parachute' of €1 million after 20 years' service. But his company is about to fire 10% of its workforce due to the difficult economic climate. Jeffrey refuses the parachute. To what extent do you agree with him?

### Case 3

Magda is a Chief Finance Officer in post for 10 years. She always performed to a high standard. Now an accounting error by one of her direct reports has cost the company €500 000. Magda and the company agree Magda's position is untenable, and she is offered a legal severance bonus for past good service. She accepts. To what extent do you agree with her decision?



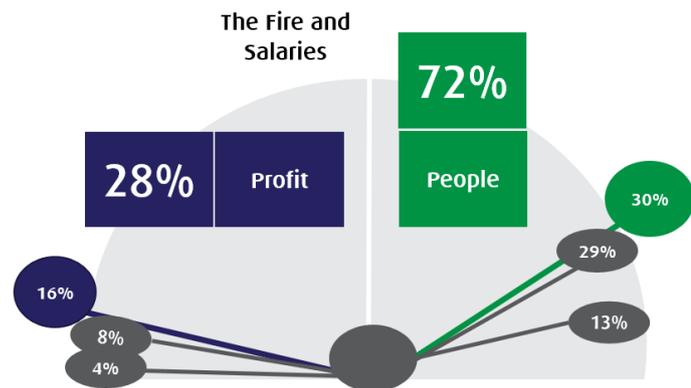
## The harshest scrutiny is reserved for the people at the top

Reactions to this dilemma indicate that senior leaders judge top leaders more severely for their mistakes than they do the second tier. Although Jeffrey's 20-year tenure has arguably been compromised by circumstances outside his control, 71% of leaders believe he should sacrifice his golden parachute and preserve his integrity. Yet when it comes to a senior executive who has overlooked a costly accounting error, the trend is reversed – 71% of participants believe Magda should receive her legal severance bonus.

## Profit or people?

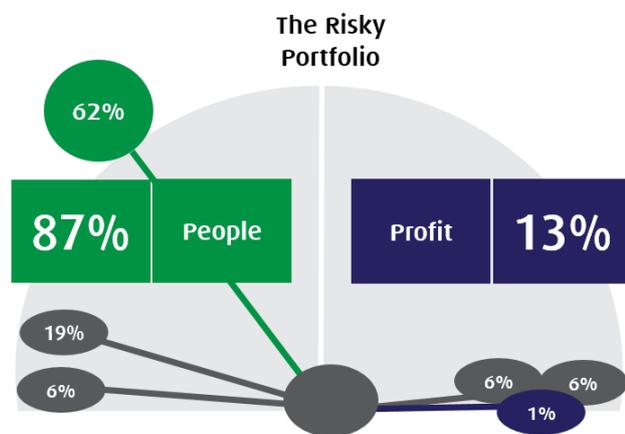
### Case 4

Your offices have been destroyed in a fire. Your insurance company is contractually obliged to pay the minimum salaries of the employees during re-construction. It voluntarily tops up the pay of the employees, despite a profit warning. To what extent do you agree?



### Case 5

Tom is senior account manager of a major bank. His client, Klara, is a wealthy pensioner, not financially savvy and scoring 2 on a 5 point 'risk appetite scale' (willing to take small risks). Tom has the opportunity to persuade her to switch to a portfolio that potentially carries a higher risk for her, a higher potential profit for her, for the bank and for Tom. Not only will Tom get a commission for selling this new, riskier product, his targets depend upon it. So, he presents the product, briefly outlines its risks and persuades Klara to switch. To what extent do you agree with Tom?



### A clear test of ethical antennae

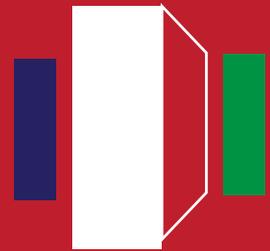
In both of the above dilemmas, acting in the interests of profit obeys the letter of the law. In the second case, however, considerably more leaders (87%) favor the people perspective than in the first (72%). A key difference lies in the introduction of an ethical gray area to Tom's behavior. A personal commission is attached to his recommendations, and he only briefly outlines the risks of the riskier product to the (wealthy) pensioner. For an executive to overlook Tom's behavior in the interests of the bank's profits is precisely the kind of *motivated blindness* to which we referred earlier, and these two dilemmas also echo the notions of the moral line – above which the letter and spirit of the law are upheld.

# 01

## Self Leadership | Summary

We find that whilst leaders are indeed on the path from smart to wise, they are missing vital steps and opportunities in almost all areas. And while the moral guiding light is in sight, it is often lost in the clouds. The research reveals areas to address in order to enhance decision-making processes at individual, team and organizational level. It also raises potential disconnections not only between leaders and their own 'true north', but between leaders' personal moral frameworks and that of their organizations. For organizations to be sustainable, opportunities exist to surface and discuss these gaps and consciously deploy them as creative tensions, or take measures to create a better sense of alignment.

# 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.

### **Wise Decision-Making Tips**

Work with paradoxes to identify your leadership styles and reconcile contradictions in new and interesting ways.

When it comes to career choices, identify your deepest motivation factors, and how these reflect wise decision-making.

**The results of our study suggest potential dissonance between leaders' professional values and their career choices.**

## Leaders are driven by ‘sustainable entrepreneurship’

“Whether I am at home or at work I am transparent in the way I make decisions. I run my own race with my own score card and do not compare myself to others. I believe that if the success of decisions benefits our employees, they will ultimately in turn benefit me.”

*President*

Why are leaders in the business of leadership? What drives them at a personal level? And to what extent do those drivers suggest a tendency towards wise, sustainable decision-making?

Derived from the work of Meyer and Meijers (2008) we selected 6 leadership styles – or archetypes - and their 3 related paradoxes, which in our view closely relate to the paradoxes of *smart versus wise decision-making*, and concern core leadership motivations that will likely influence the choices leaders make.

We position each style at opposite ends of a spectrum and show the whole range of responses.

The results are consistent with our findings so far. Leaders are showing a marked tendency to be driven more by virtue than value, more by service than by sovereignty, more by entrepreneurship than by execution.

## Value- or virtue-driven?

# 60%

emphasize a sense of meaning to motivate people, more than economics and competition.

The leadership styles of ‘Value’ and ‘Virtue’ relate to the paradox of Wealth and Health. They concern core purpose – what people find fundamentally important. The key question: which should the leader emphasize to give meaning to people’s work in the organization?

LEADERSHIP STYLES | THE CONCEPT

‘Leadership tensions are situations in which leaders need to do two contradictory things at the same time. These conflicting demands, pulling a leader in opposite directions, are what make leadership inherently difficult.’<sup>42</sup> They can be viewed as *dilemmas*, which may require an ‘either/or’ choice, or a *trade-off* between opposite demands. However, wise leaders do not necessarily choose between them, but opt to transcend them in an agile way – one that is flexible, adaptable and responsive. Resolving these *paradoxes* means being able to combine seemingly opposite demands in innovative ways, allowing the leader to get the best of both worlds.

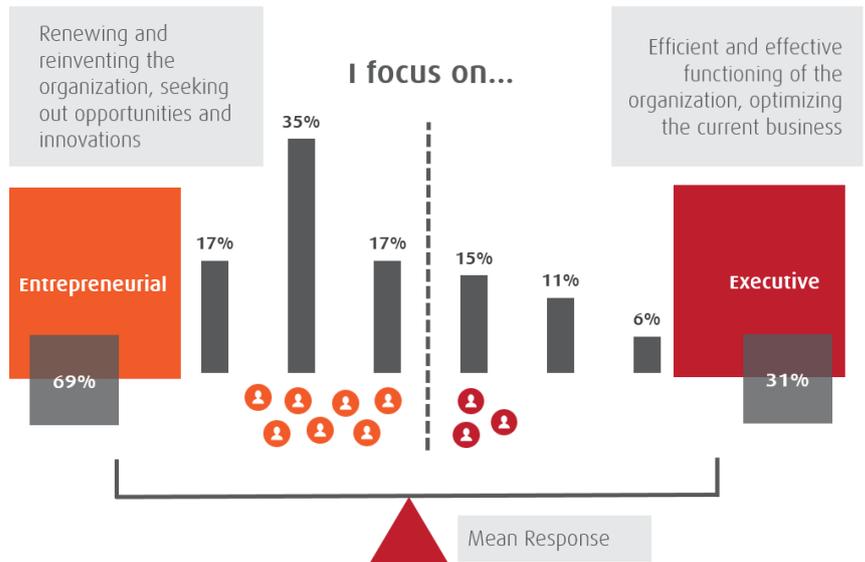


## Entrepreneurial or Executive?

# 69%

are interested more in exploring what could exist, than optimizing what is already there.

The leadership styles 'Entrepreneurial' and 'Executive' relate to the paradox of Exploitation and Exploration. They concern strategic priority-setting. The key question: how much renewal does the leader need to pursue for the organization to survive and prosper?

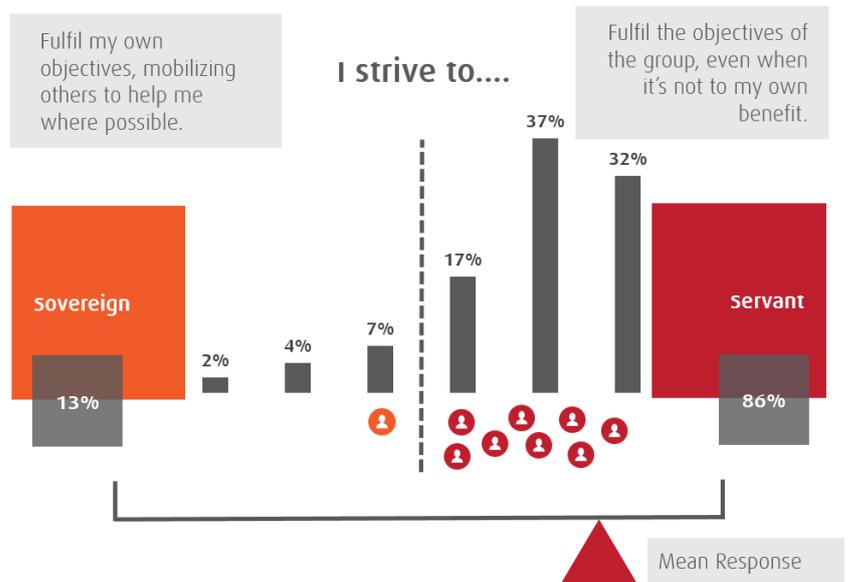


## Sovereign or Servant?

# 86%

are more motivated by the good of the organization, than their own self-interest.

The leadership styles: 'Sovereign' and 'Servant' relate to the paradox of Self-actualization and Service. They have to do with the core interests of the leader. The key question: whose interests should the leader serve? And subsequently, how to accomplish them within the organization?<sup>43</sup>



### 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.<sup>44</sup>

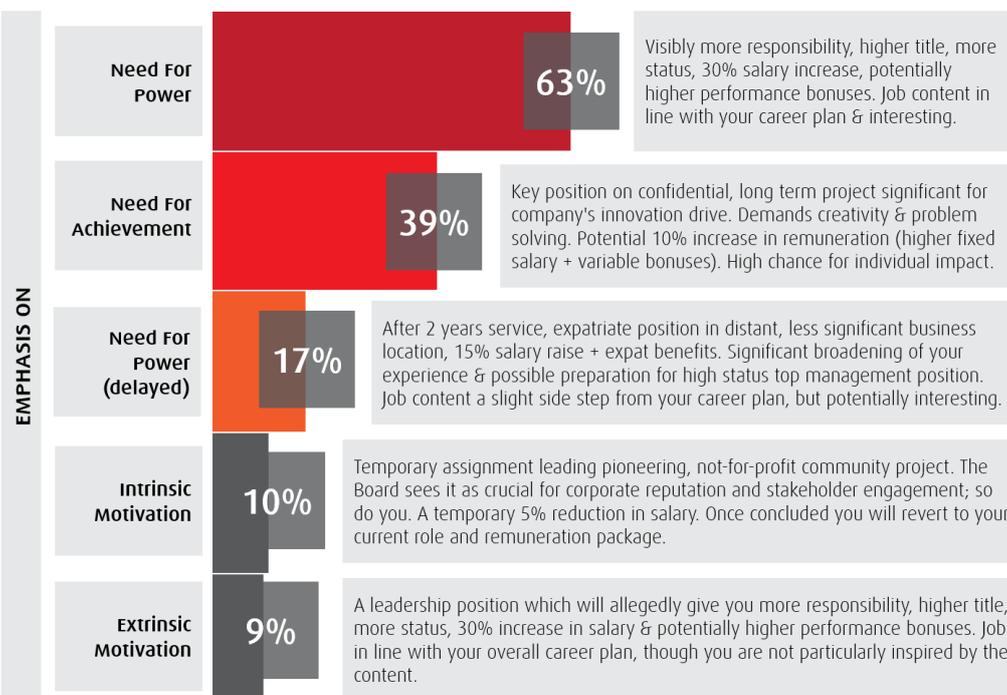
## Power (now) is the strongest career motivator

“I think the purpose of power is to give it away; i.e. let others learn to take the lead and own the results and sense of accomplishment. It is not a fixed-size pie; it grows as you let others utilize it.”

*Chief Strategy Officer*

Exploring moral dilemmas and leadership paradoxes, we have seen leaders striving to balance profit with values. What happens when we drive these tensions into the epicenter of leaders’ lives – their careers? We presented 5 hypothetical moves. To what extent did leaders view each as a real promotion? Our career moves tested some key motivators<sup>45</sup> (shown in gray/bold), loosely based on definitions from work and organizational psychology.

The answers reveal ‘Need for Power’ as the overriding motivator – seen as a promotion by six out of ten of leaders. The ‘Need for Power’ is associated with items such as prestige, status, social eminence and superiority<sup>46</sup>. However, when we removed the interesting job content from a move that otherwise fulfilled the ‘Need for Power’, interest tanked. Only 9% of leaders strongly agreed this was a promotion.



### CAREER CHOICES | THE CONCEPT

Most monetary incentive systems (extrinsic motivators) remain rooted in shorter term profitability measurements. Few are related to ecologically or ethically sound criteria, or meaningful job content (intrinsic motivators), unless these contribute to the bottom line.

Interest also plummeted when we introduced some delayed gratification and uncertainty into a move: only two in ten leaders strongly agreed this constituted a promotion.

Uncertainty will not automatically be a turn-off, however, (recalling that the leaders surveyed say that they are entrepreneurially-inclined). Need for Achievement<sup>47</sup>, is also associated with uncertainty and difficulty. However, it *also* involves personal rather than shared responsibility, calculated risk, and problem-solving/inventiveness. This job description was the second highest-scoring (around four in ten saw it as a real promotion).

Perhaps most thought-provoking are responses to a position designed to appeal to ‘wise’ values and demanding a temporary financial sacrifice. Only one in ten leaders strongly considered this as a promotion. Do high moral values stop at the front door?

### Whose values are leading you?

These results give clues to hiring organizations regarding the true motivations of leaders. The low interest of the not-for-profit project echoes the findings on leaders’ personal mission: a 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.



- 1 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?
- 2 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.
- 3 Transform *negatives* into *positives* wherever appropriate, and plan your next step accordingly:

Are you a 'career hopper'? Or rather, someone who is quick to translate strategy into action, is energized by the unexpected, and needs freedom?
- 4 Beyond 'seeking change' the quest is to 'find your core excellence' - wherever that may lead.
- 5 As well as the paradoxes featured in this report, what other personal leadership paradoxes apply to you? What are the advantages and disadvantages of each position, and how can you reconcile the paradoxes to find the 'best of both worlds'?
- 6 What is your hobby? It may hold the keys to your core.
- 7 The journey 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).

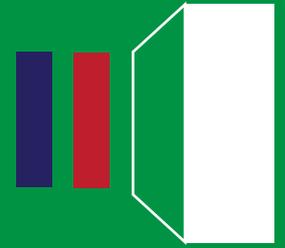
\*For more on this topic, see the Amrop article: The Great Executive Rebrand ([www.amrop.com](http://www.amrop.com))

# 02

## Motivational drivers | Summary

To improve the engagement and productivity of managers and employees, leadership should provide guidelines and processes that allow intrinsic motivation to play a more crucial role, next to the traditional extrinsic motivation of monetary incentives.

And in terms of leadership styles, it is the board and its top executives who are responsible for a corporate culture that allows enduring career choices that create connected teams, instead of isolated individuals. Such enhanced cooperative behavior will benefit the organization.



# 03

## 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 the quality of decision-making.

### Wise Decision-Making Tips

- Identify the barriers that prevent you from proactively seeking feedback
- Incorporate a mindfulness practice into your weekly routine

**The results of our study suggest that many leaders fail to proactively seek feedback and are missing out on the powerful benefits of mindfulness practices.**

## Leaders are missing vital feedback

“Leaders are humble enough to continue learning every day, to be aware of their behavior, and to be at the service of their team.”

*Vice President*

We presented a multiple-choice question designed to assess on a 4-level scale how proactively leaders sought feedback on their attitudes and behavior.<sup>48</sup> The results suggest that proactive feedback-seeking is far from systematic – 58% of leaders (a small majority) report that they do it.

We recall that just under half of leaders can easily describe their strengths and weaknesses or their personal mission. However difficult it may be to proactively seek and process personal feedback, the importance and value of doing so cannot be over-emphasized.

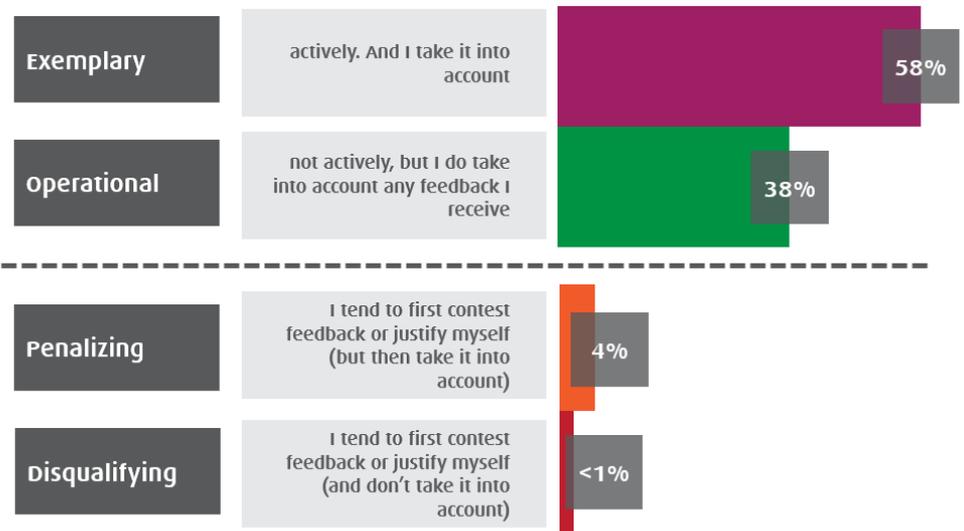
### FEEDBACK | THE CONCEPT

Constructive feedback, especially on one’s attitudes and behavior, remains a core part of lifelong personal development. Furthermore, ‘continuous learning’ is a facet of leadership wisdom<sup>49</sup>. It therefore follows that conscious and proactive feedback-seeking is a key element of a leader’s self-knowledge, and ability to make wise decisions.

# 42%

of leaders are passive about seeking out critical feedback on their attitudes and behavior, which could explain the low awareness of strengths and weaknesses.

### I seek feedback on my attitudes and behavior...



### When did you last look in the mirror?

See our guide on the next page to transform the feedback process from a source of pointless pain to a constructive voyage of discovery – both in terms of how to seek it – and how to deliver it.

# Feedback Toolkit



## Giving It

- Check that your attitude and intent are constructive, (whether giving or receiving feedback).
- 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 It

- 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, and offer examples and recommendations for what to do differently.
- Never self-justify: no-one is fully right. Holding back is an art, linked to reflection in action.
- The receiver alone should process and apply feedback: control, follow up and warnings are not part of the process.

## 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."*

## Meditation is the most powerful mindfulness practice

“In many ways leadership is an internal journey. As I have progressed down that road its meaning keeps changing.”

*Managing Director*

‘Mindfulness’ or ‘reflective’ practices can take many forms. We presented a series of options<sup>50</sup>, which we framed as having the aim of gaining awareness and insight into situations, others, and/or ourselves. They often bring about a state of ‘flow’- a state of total, concentrated dedication to an activity, one that stimulates us so positively that we forget just about everything else.

Which of these practices do leaders engage in regularly (several times a week or daily), and which are most widely reported to have a highly positive effect on decision-making? Of the specific practices evoked, walking was most commonly and regularly practiced. Three quarters of walkers also report a highly positive effect on their decision-making. However, if only a minority of leaders practice meditation, (over half doing so on a regular basis) almost all reported a highly positive effect on their decision-making.

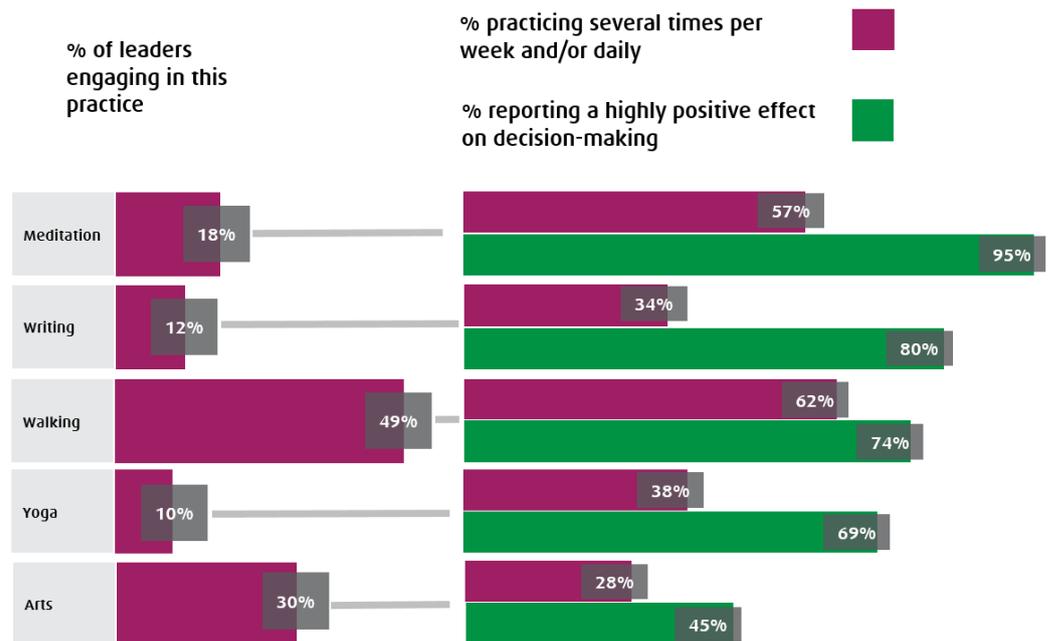
REFLECTIVE/MINDFULNESS PRACTICES | THE CONCEPT

Mindfulness, once the terrain of clinical research, is garnering increasing attention from leadership researchers. It refers to our awareness internally (our own thoughts) and externally (what is happening in the environment).<sup>51</sup>

Recent empirical evidence suggests that mindfulness is connected with ethical decisions and the well being of leaders.<sup>52</sup>

95%

of leaders who regularly meditate are benefiting from a very positive effect on decision-making.



## How do you find your mind?

One of the reasons that meditation may be so effective is that the concept articulates the principles of mindfulness and reflectiveness. For further reading, we recommend the mini-review: *Focused Attention, Open Monitoring and Loving Kindness Meditation*.<sup>53</sup> When applied to activities that we might not automatically associate with ‘meditation’, the characteristics of ‘Focused Attention’ and ‘Open Monitoring’ could transform them into ‘meditative’ ones. Mindful and reflective walking is just one example –practiced by almost half of leaders.

# 03

## Hygienes – Conclusion

### Summary

Creating the conditions to support the health of leaders' decision-making apparatus is critical for sustainable organizational vitality. These results raise the need to improve the readiness and ability of leaders to seek and give feedback in a constructive and well-reflected way, creating fertile ground for habitual – and proficient – mindfulness practices.

## What's Next?

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.

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 used our fortieth anniversary in 2017 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'.

**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.**

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, and practising mindfulness. Our study reveals that only a minority of leaders meditate or write. And yet both have a highly positive effect on decision-making.

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.

## **Going Forward** | Round-up and leading questions for Executives

This section contains leading questions arising from observations in the 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.

You can find the full range of questions we asked leaders, and which can also serve as thinking material, in the Full Report (previous pages).

# 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. See pages 23 and 24 for examples.

### 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.

# 01

## Self Leadership

### 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).

## 03

### 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 our 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.)?

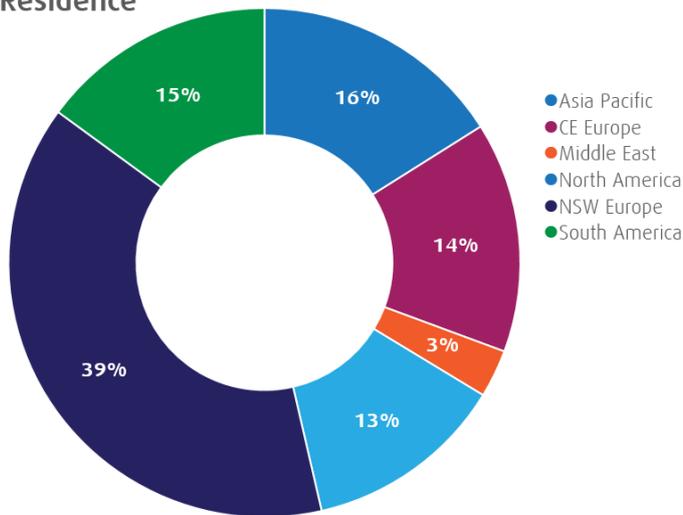
How could feedback loops and behaviors be installed during exchanges between executives (virtual or live) to help decision-makers improve their 'reflection in action' and integrate emotional and rational thinking?

# Methodology

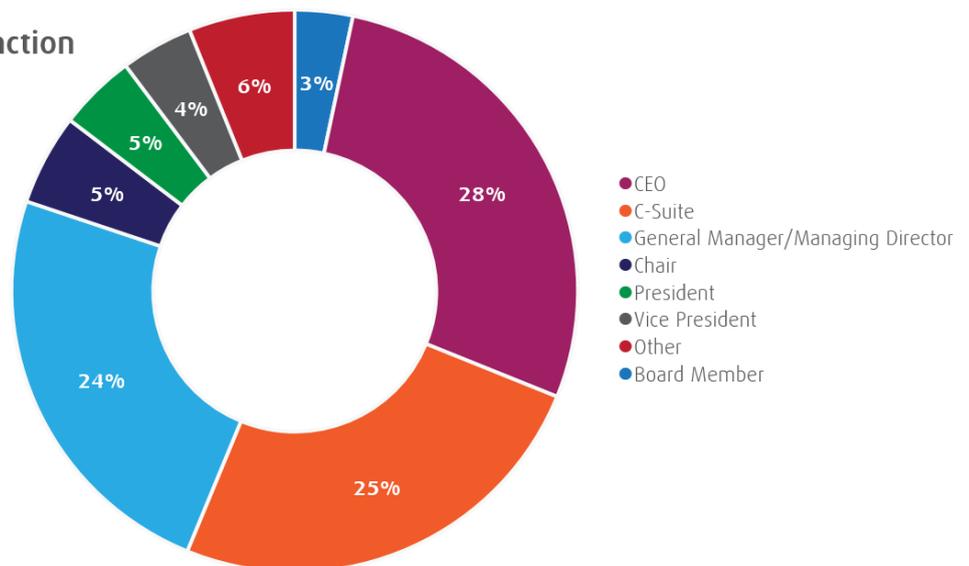
Between Q4 2016 and Q1 2017, 363 executives residing in all regions of the world and representing all major business sectors completed a confidential online survey. 94% held posts at C-suite level or above. Of the organizations for whom they worked, 75% had offices in more than one country, 81% had ambitions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

## About the participating executives

Region of Residence

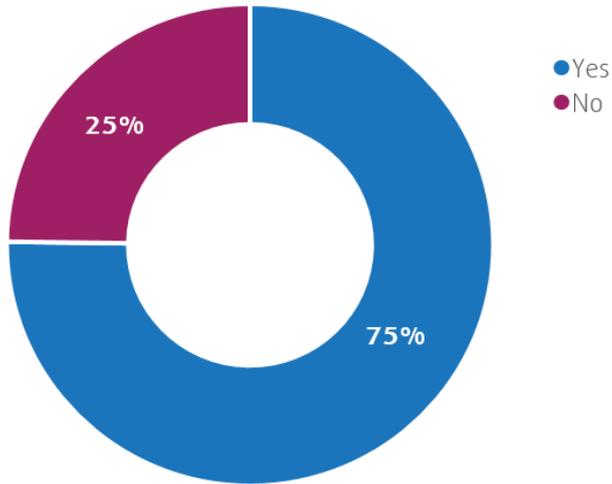


Function

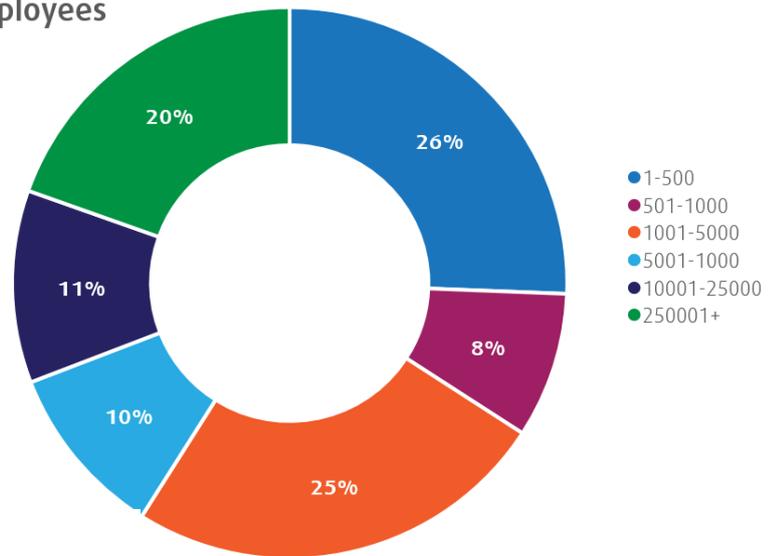


## About the organizations

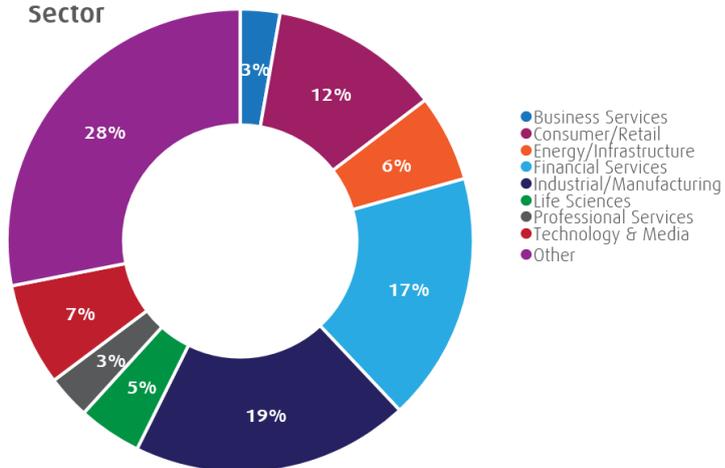
### Offices in More than One Country



### Employees



### Sector



## Credits

We warmly thank all the executives who took the time to participate in this study, and for their invaluable 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 Rooter and Peter Verhezen. Report writing by Steffi Gande and Peter Verhezen.

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Peter is Adjunct Professor for Governance and Ethical Leadership at the Melbourne Business School (Australia) and Visiting Professor for Business in Emerging Markets and Strategy and Sustainability at the University of Antwerp and Antwerp Management School (Belgium). As Principal of Verhezen & Associates Ltd. and Senior Consultant in Governance at the International Finance Corporation (World Bank) in Asia Pacific, Peter advises boards and top executives on governance, risk management and responsible leadership. He has authored a number of articles and books in the domain.

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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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<sup>27</sup> There is a huge liberal arts literature on "abundance thinking" as reaction to the mainstream thinking of scarcity within economics and management. We also refer to attempts to enrich the business notions by bringing notions from modern physics and even philosophical spirituality. To just name two: Zohar, D, (2016), *The Quantum Leader*, o.c.; and Zohar, D. & I. Marshall, (2004), *Spiritual Capital. Wealth we can live by*, London, Bloomsbury.

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