



Amrop

Leaders For What's Next

Stepping up to sustainable
business performance

Wise
Decision-Making

A Global
Leadership Study





Amrop

The business environment is ambiguous and complex.

Society is switched on 24/7 to corporate misdemeanors

70% of consumers see an over-focus on short-term results^{*}

There are multiple ethical, ecological and societal challenges

CEO focus is misaligned with what the general population considers most important^{*}

It is time for a different kind of decision-making.

^{*}Edelman Trust Barometer, 2016

Not just accomplished
or smart...

...but wise.



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WISE

Smart

Accomplished

Viable in the short term

Overcoming biases and
enhancing insights

Socio-ethically &
environmentally
sustainable

Commercial

Reasonable

Responsible



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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.





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There is a strong business case for **smart**

**Create
innovative
solutions**

**Minimize risky
errors in an
informed way**

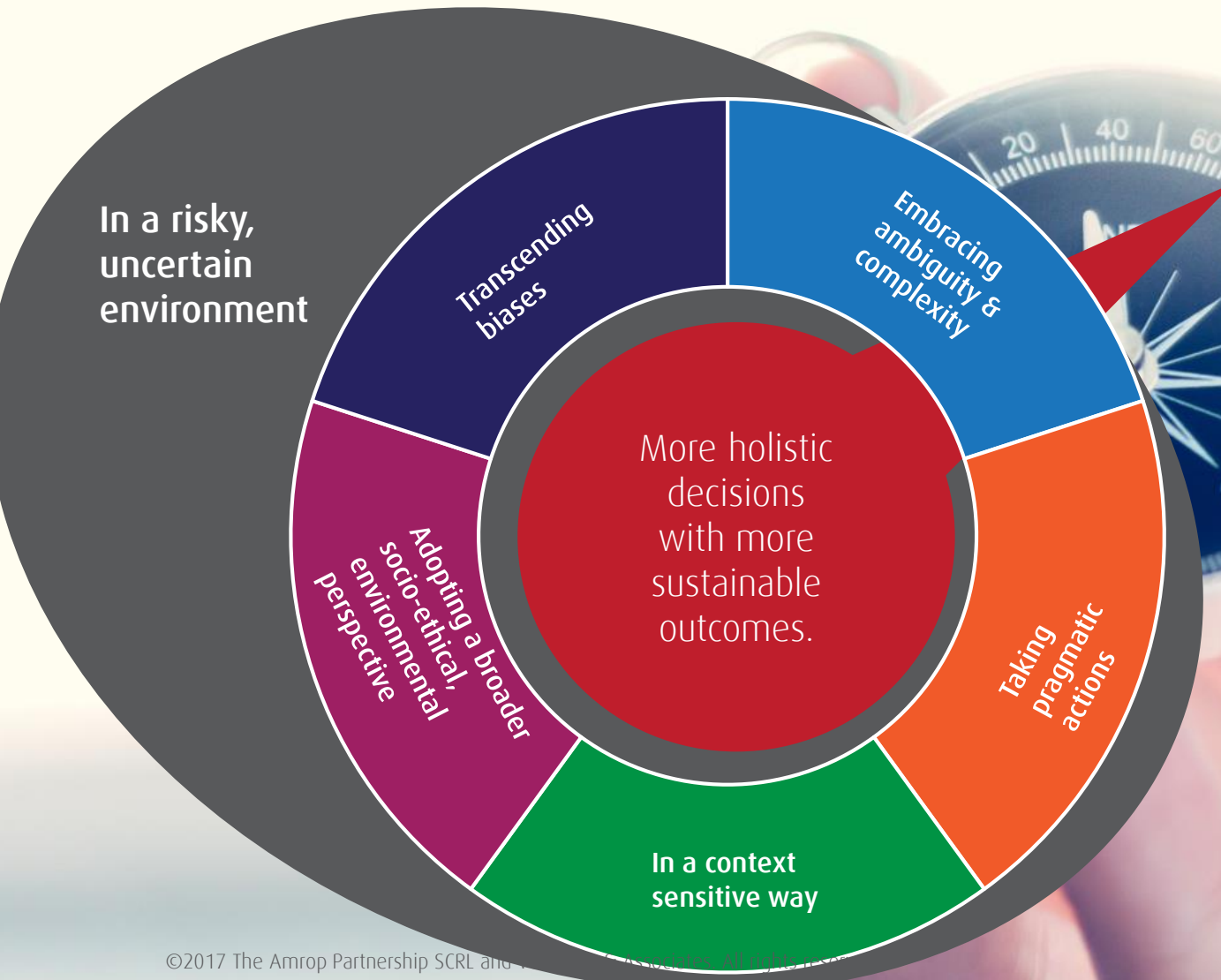
**Optimize
insights to
create value.**





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There is a stronger business case for **wise**



Create and preserve organizational **shared value** conform to a well-defined & communicated **organizational purpose.**



Amrop

Smart leaders may be able to reduce errors & biases & avoid costly mistakes...

...but may still destroy long term value via unsustainable or unethical decisions.

Highly
"principled"
outperform
"self-
focused"
CEOs by a
factor of ...

5

*Kiel, F., (2015b), "Measuring the Return On Character", Harvard Business Review, April: 20-21.



Wise leadership is increasingly under the spotlight...

Harvard
Business
Review

LEADERSHIP

The Best-Performing CEOs in the World

Resisting the Lure of Short-Termism

by Daniel McGinn

This is a challenging time to be a CEO. Around the world, economies are in slow-growth mode. In nearly every region, political uncertainty undermines attempts to develop long-term plans. In the United States in particular, shareholder activists have become powerful (and vocal) critics of business leaders. These forces help explain why the C-suite sometimes appears to have a revolving door: In 2015 turnover among global CEOs reached a record rate of nearly 17%, and more than a fifth of the CEOs who left their posts over the past few years were dismissed.

Is it any wonder so many CEOs focus on the short term?

Against this bleak backdrop, it's heartening to see a group of business leaders compiling track records that allow them to stick around and implement long-term strategies. On average, the world's 100 best CEOs have been on the job for 17 years –and have generated a 2,091% overall return on their stock (adjusted for exchange-rate effects), or a 20.2% annual return.

This year we have again done some fine-tuning. In 2015 we began utilizing ratings of companies' environmental, social, and governance (ESG) performance as a variable. (Prior to that, our ranking was based purely on financial returns; by that measure Jeff Bezos of Amazon has led the pack for three years running.)



Wise leadership is increasingly under the spotlight...

Harvard
Business
Review

LEADERSHIP

The Best-Performing CEOs in the World

Methodology & Data

READ MORE

Although all investors of course pay close attention to financial performance, there's evidence that many are beginning to watch ESG measures carefully, too. Earlier this year Amir Amel-Zadeh of Oxford University's Saïd Business School and George Serafeim of Harvard Business School published the results of a [survey](#) of 413 investment

executives, whose firms collectively manage \$31 trillion in

assets. Half reported using ESG information because they believe it is material to investment performance, and nearly half said they believe that a company with a high ESG score is a less risky investment. Today money managers most frequently use ESG scores as a negative screen—they decline to invest in companies that have very low scores—but the managers surveyed said they expect that more investors will seek high-scoring companies over time and will use the scores to urge companies to do better. “Overall, the evidence in our sample suggests that the use of ESG information is driven primarily by financial rather than ethical motives,” the researchers write.



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Leaders For What's Next

Take measures to identify and cultivate wise leaders.

A challenge for
Boards and Talent
Strategists





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Leaders For What's Next

**How big is the
gap between
aspiration and
performance?**

**The current health of leadership
decision-making**
is the subject of this global study.



Study Methodology

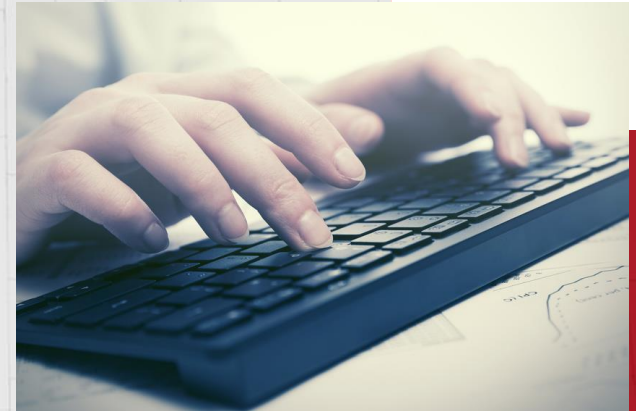


Confidential Online Survey completed Q4 2016–Q1 2017

To avoid bias in
responses

No reference to
'wisdom'

For most questions, no
'right' or 'wrong' answer.



Several questions from validated research or concepts.
All referenced in the report.



Online Survey completed Q4 2016–Q1 2017

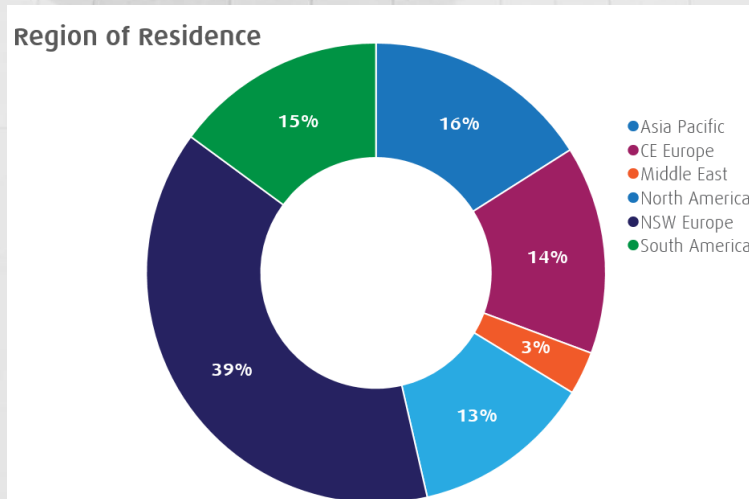
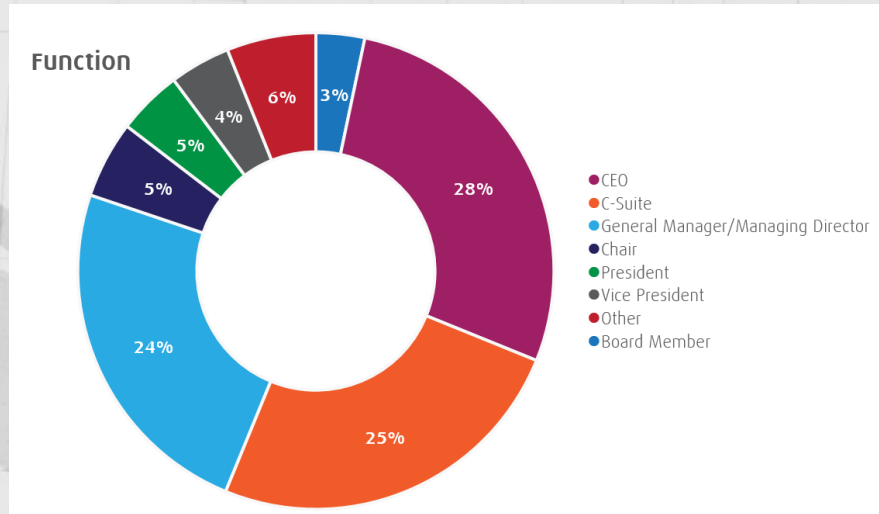
363

Senior executives

94%

C-suite or above

Residing in all regions of the world

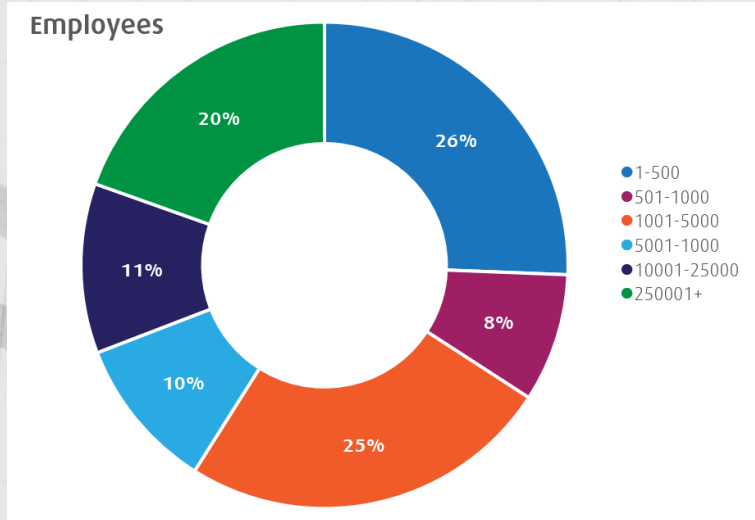




Online Survey completed Q4 2016–Q1 2017

75%

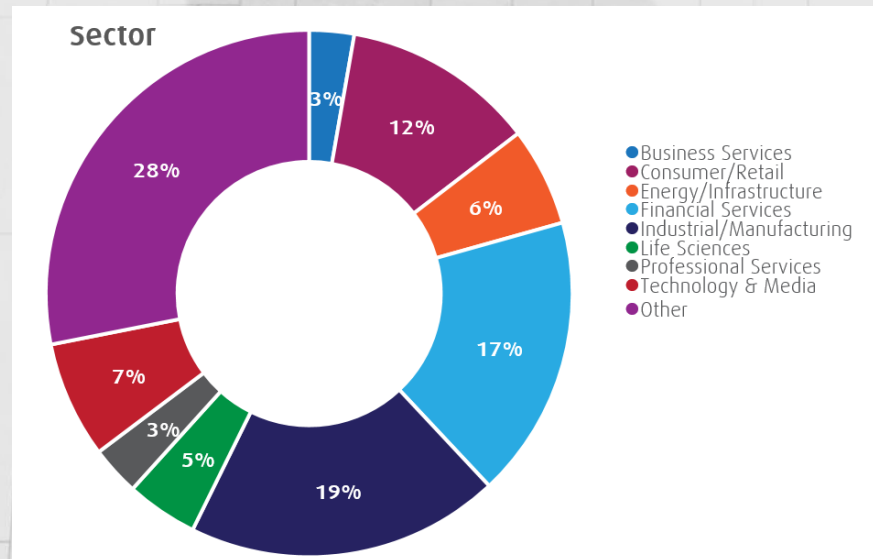
organizations with offices in >1 country



66%

with >1000 employees

From multiple sectors



Framework



3 Pillars of Wise Decision Making.

Focus: factors within leaders' scope of control

01

SELF LEADERSHIP

How leaders exercise self governance

02

MOTIVATIONAL DRIVERS

What drives leaders' choices

03

HYGIENES

How leaders nourish their decision-making health



3 Pillars of Wise Decision Making.

Focus: factors within leaders' scope of control

01

**SELF
LEADERSHIP**

Experience

Reflection

Affective Intelligence

Cognitive Intelligence

Guiding Framework

02

**MOTIVATIONAL
DRIVERS**

Leadership Purpose

Career Choices

03

HYGIENES

Feedback-Seeking

Mindfulness Practices

Overview | 4 Topline Findings



4 Topline Findings

1

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

01

SELF LEADERSHIP

Smart Cognition

Accomplished & perseverant problem-solvers, seeing the world in shades of gray, rather than mono.

Missing Reflection

Few consciously reflect on & learn from their experience, or exercise reflection in action. Decision-making is prone to emotion.

High self-confidence

Many display very high levels of self-confidence and optimism – vital components of leadership.

Needing a safety-belt

Fewer stop a decision given counter-evidence or risk, under-deploying mechanisms to transcend bias & involve stakeholders.

How leaders exercise self governance



4 Topline Findings

2

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

01

SELF LEADERSHIP

Ethical aspirations

Leaders place a big premium on ethics: setting a high moral bar for business, scrutinizing the ethical path to a result, solving tricky dilemmas in a holistic way.

Real-life complications

Most faced ethical blockages last 3 years, mainly due to profit imperatives, local business culture & practice, the demands of other influential leaders in the organization.

Clear personal ethical codes

Most leaders can easily describe their personal values and ethical (moral) code.

Fuzzy personal missions

Far fewer can easily describe their personal mission, strengths or weaknesses.

How leaders exercise self governance



4 Topline Findings

3

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

02

MOTIVATIONAL DRIVERS

Professionally wise

In terms of why leaders are in the business of leadership, they are moved more than service than sovereignty, more by virtue than value, more by entrepreneurship than execution.

Personally smart

In career moves a position satisfying the Need for Power (prestige, social eminence and superiority) proves far more attractive than one designed around 'wise' values & a temporary personal sacrifice.

What drives leaders' choices



4 Topline Findings

4

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

03

HYGIENES

Flow activities are effective

Mindfulness/reflective practices promote self-awareness and 'flow'. Of specific practices, walking is most common & most habitual with highly positive scores on decision-making. However, meditation, if less common, has the highest positive effect.

But the feedback tap is turned off

Proactive feedback-seeking is vital for self-awareness and self-development, but only a small minority of leaders engage in it.

How leaders nourish their decision-making health

Going Deeper | 11 Selected Findings



Self Leadership

1

Leaders are missing their rear-view mirror



10%

Consciously reflect on their experience

When did you last look back?

Wise decision-making means taking time to consciously look back to your experience to move forward in a sustainable way: gain insights, become more mindful & take a broader perspective.

01
SELF
LEADERSHIP

10%

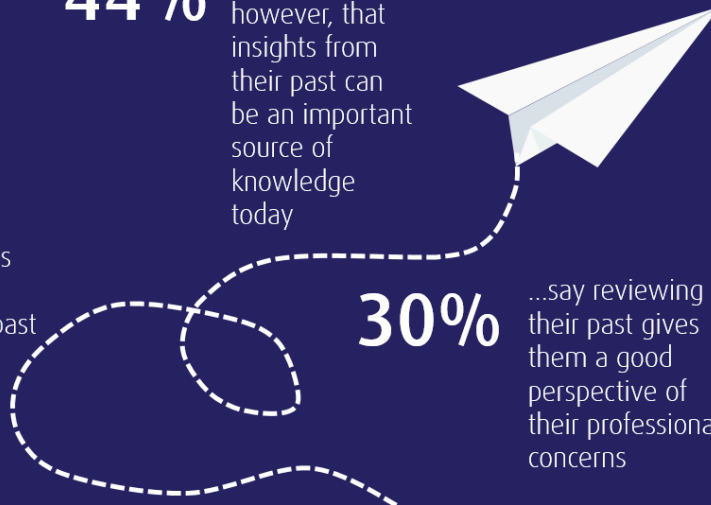
...dedicate themselves to remembering past events, or recall the past to see if they have changed since then

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





11 Selected Findings

2

Few leaders master reflection in action



12%

Across all indicators, always think about their thinking

CONTENT

19%
I step outside myself and look at the content of what is happening



FRAMING

13%
I try to see negative ideas and opinions in a new light

HABITS

11%
I stop myself if I find I am slipping into old habits or judgements



FEELINGS

11%
I step outside myself and look at how I feel about what is happening

BIAS

7%
I stop myself if I find I am making mental leaps and generalizations

How is your room temperature?

When did you last feel a discussion slipping out of control? Wise decision-making also involves helping others to reflect in action, by asking the right questions in a non-violent way: "I am asking myself what do you think?"

01 SELF LEADERSHIP

All percentages = 'always'



11 Selected Findings

3

Many are speeding without a safety-belt



40%

Display high self-confidence – and risk some bias



46%

strongly agree they can succeed at most any endeavor given sincere, dedicated efforts

38%

strongly agree they'll be able to achieve most of their professional goals

37%

are certain they'll accomplish difficult tasks they face

5%

strongly agree that thinking about the risks tends to make them hesitate or delay a difficult decision

33%

will always stop or adapt a decision in the face of counter evidence

How do you balance confidence with caution?

Just as climbers equip themselves for an exhilarating ascent, how do you ensure that your confident decision is supported by checks and balances?

01 SELF LEADERSHIP



11 Selected Findings

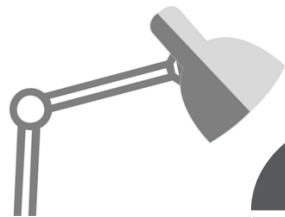
4

Leaders are under-using a powerful toolkit to transcend bias



33%

Will always stop or adapt a decision given counter-evidence



% 70-80	If evidence indicates my decision may be flawed or wrong, I will stop or adapt the decision (77%)	I systematically work through the information available to me (75%)	I work through several scenarios, estimates or forecasts (70%)	
% 40-60	As well as the information gathered, I also listen to my intuition ('gut feeling') (53%)		I imagine none of the options I have in mind are possible, and ask: 'what else could I do?' (42%)	
% 30-40	I think about what I'll miss if I make a certain choice (38%)	I imagine the advice I would give someone else if I were not involved (34%)	I conduct a 'pre-mortem' (imagining the reasons my decision could fail) (33%)	

All percentages = 'generally or always'

Do you have a bad feeling about intuition?

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

01 SELF LEADERSHIP



11 Selected Findings

5

Leaders are failing to systematically involve the right people in decisions



52%

Generally or always use stakeholders as allies to validate their opinion



36%

select people on the basis of their knowledge/competencies

30%

interview selected top execs, one on one



23%

involve different stakeholder groups



4%

Voluntarily involve 'difficult' people who will likely raise blocking or delaying questions



All percentages = 'always'

How do you decide on the who?

Leaders must decide how high to set the consultation bar. A conscious reflection on complexity & stakes can help manage the process, risk & sustainability. This implies drawing on experience, & reflecting in action

01 SELF LEADERSHIP



11 Selected Findings

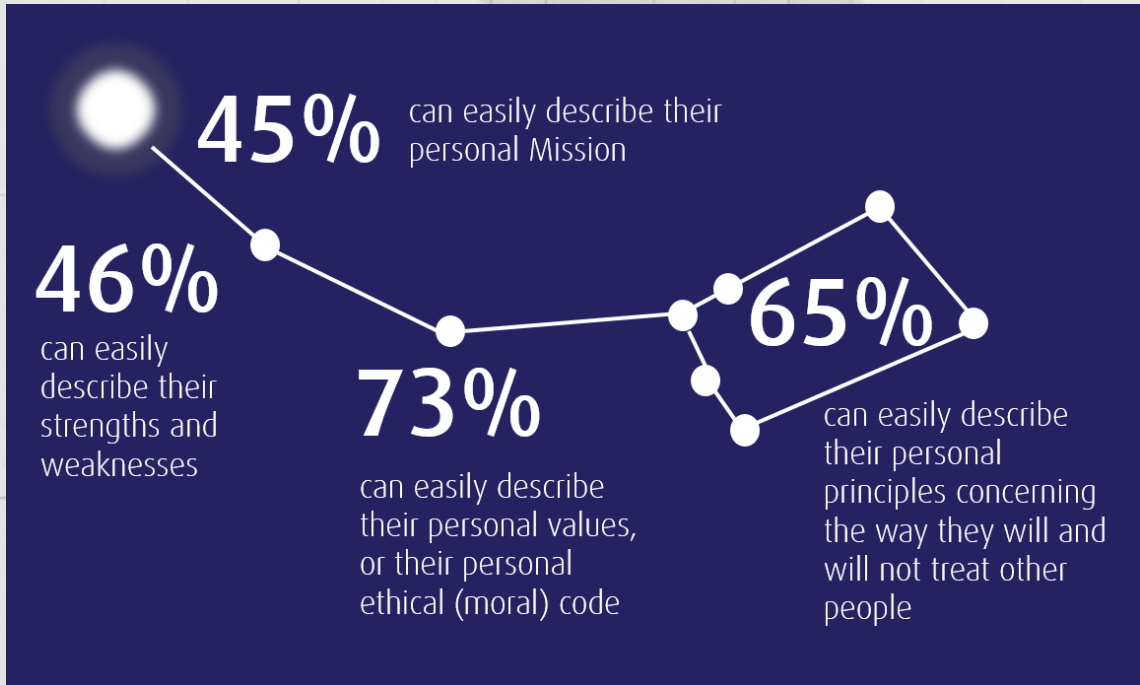
6

Many leaders are missing their personal True North



45%

Can easily describe their personal mission



How do you know where you're going, and why?

How easily can you describe your personal mission, values and principles? Your ethical code, or your strengths and weaknesses?

01 SELF LEADERSHIP



11 Selected Findings

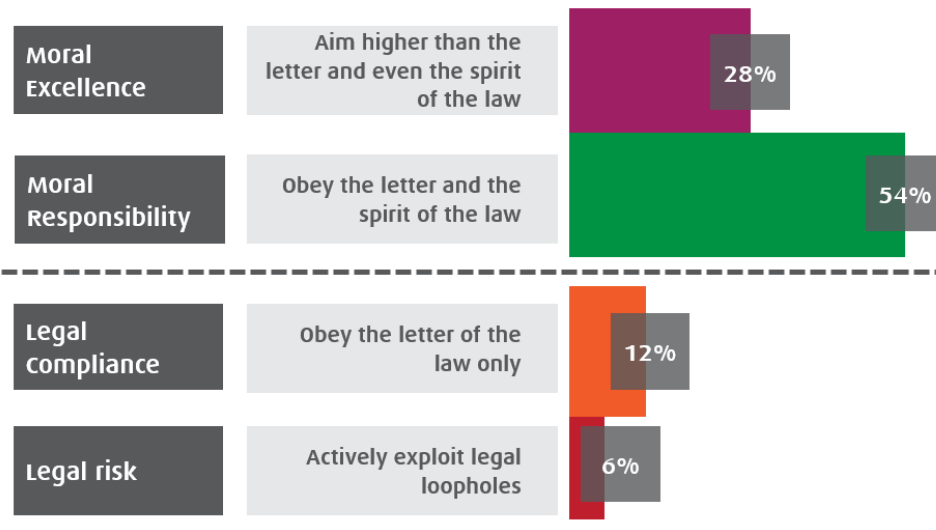
7

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

82%

Believe business should operate at a high moral level. But 71% meet ethical blockages.

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



Multiple choice question



Where's the moral gap?

How high do you think the moral bar should be set for your company? How does this view compare to that of our Board? Where are the biggest zones of difference, the ethical stumbling blocks?

01 SELF LEADERSHIP



11 Selected Findings

9

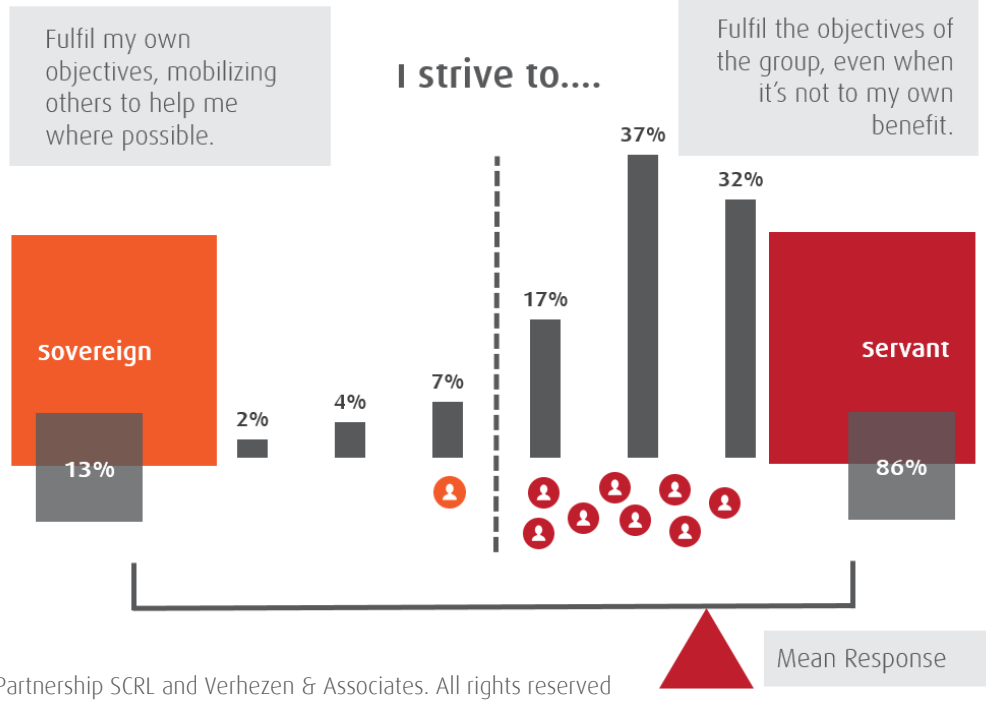
Leaders are driven by 'sustainable entrepreneurship'



86%

Strive to fulfil the organization's objectives, even when it's not to their own benefit.

02 MOTIVATIONAL DRIVERS



How to get the best of both worlds?

How to exercise a 'servant' positioning whilst avoiding total self-sacrifice?



11 Selected Findings

9

Leaders are driven by 'sustainable entrepreneurship'



60%

Emphasize meaning to motivate people, more than economics and competition.

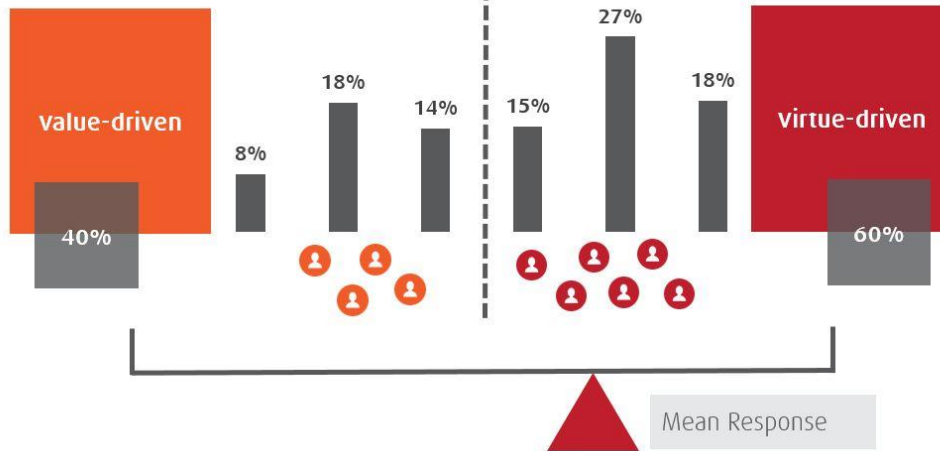
02

MOTIVATIONAL DRIVERS

I motivate people by...

Focusing on doing the job well, beating the competition and making a profit

Emphasizing the importance and meaning of our work to others and ourselves



How to get the best of both worlds?

How to exercise a virtue-driven style whilst exercising fiduciary duty?



11 Selected Findings

9

Leaders are driven by 'sustainable entrepreneurship'



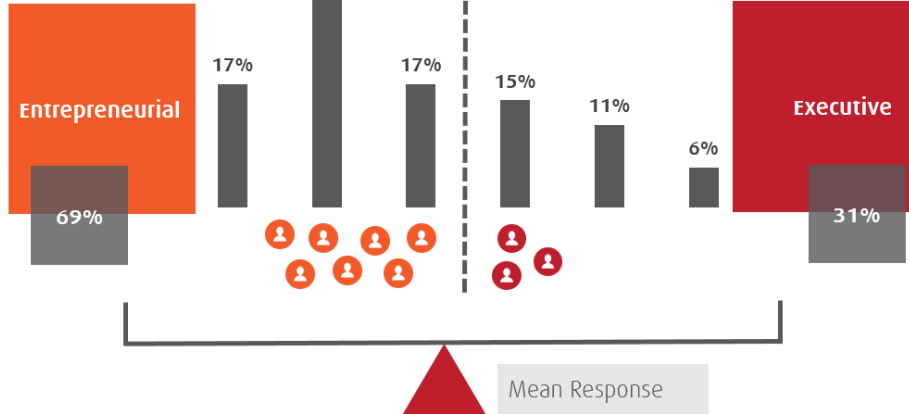
69%

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

Renewing and reinventing the organization, seeking out opportunities and innovations

I focus on...

Efficient and effective functioning of the organization, optimizing the current business



02 MOTIVATIONAL DRIVERS

How to get the best of both worlds?

How to embrace creativity, whilst avoiding chaos?



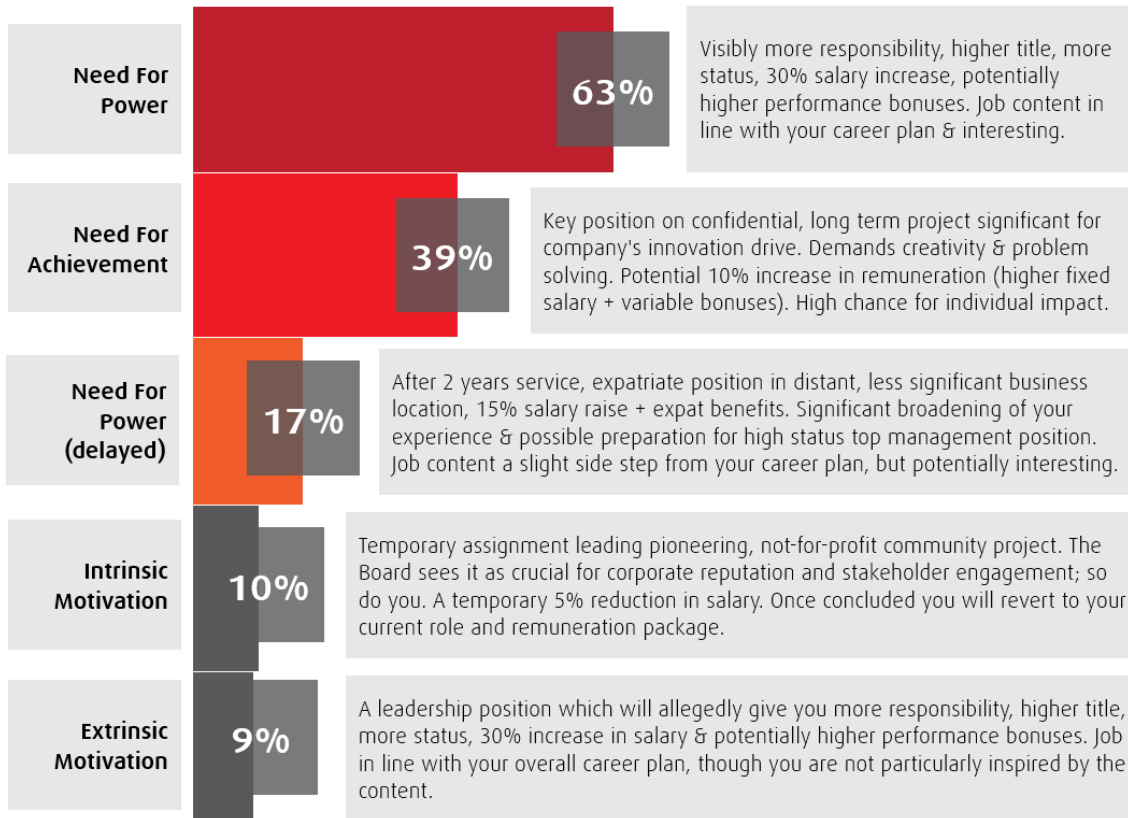
11 Selected Findings

9

Power is the strongest career motivator



EMPHASIS ON



Whose values are really leading you?

The low interest of the not-for-profit project echoes the findings on leaders' personal mission: defining this involves questioning what really matters to us (also financially) & understanding the influence of our personal entourage.

02 MOTIVATIONAL DRIVERS

All percentages = 'strong agreement'



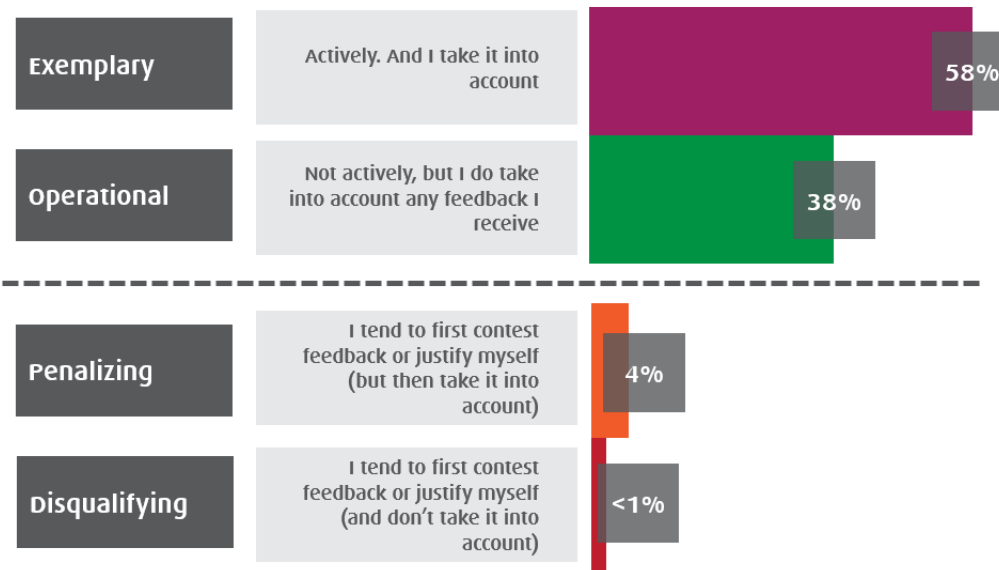
11 Selected Findings

10

Leaders are missing vital feedback



I seek feedback on my attitudes and behavior...



When did you last look in the mirror?

How could you 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?

03 HYGIENES

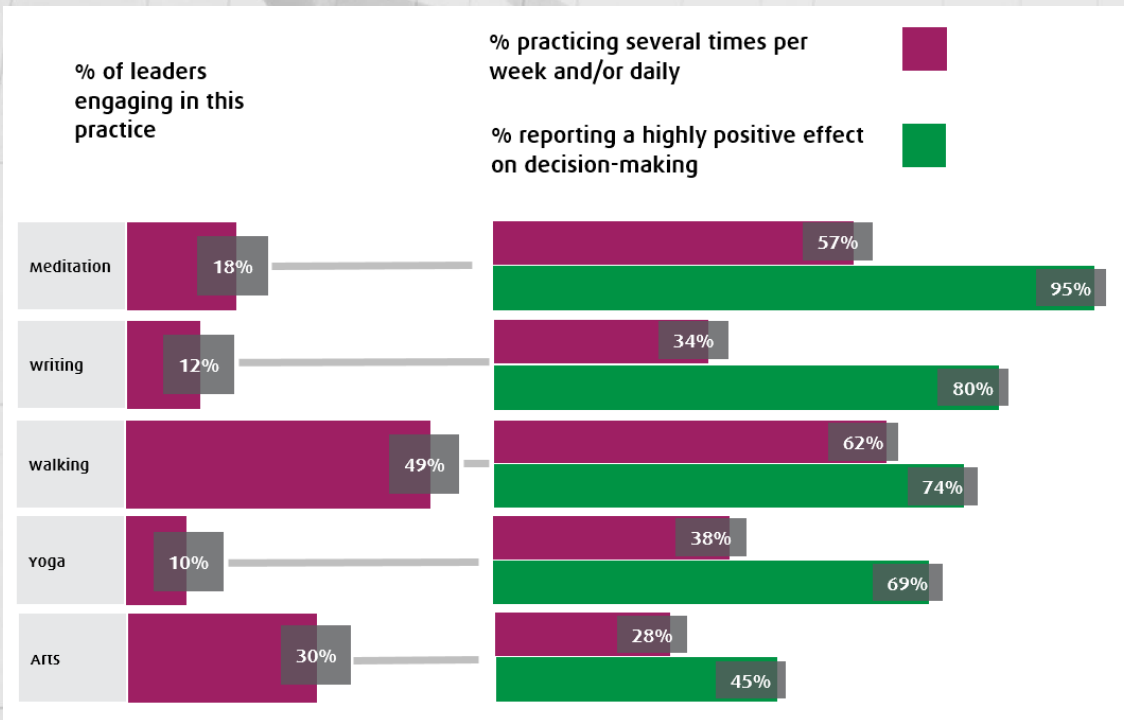
Multiple choice question



11 Selected Findings

11

Meditation is the most powerful mindfulness practice



How do you find your mind?

Meditation may be effective partially because the concept articulates the principles of mindfulness and reflectiveness. When applied to activities that we might not automatically associate with 'meditation', the characteristics of Focused Attention & Open Monitoring could transform them into 'meditative' ones. Mindful and reflective walking is just one example -practiced by almost half of leaders.

03 HYGIENES

Conclusions



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3 Pillars of Wise Decision Making.

Focus: factors within leaders' scope of control

01

SELF LEADERSHIP

Leaders are on the **path** from smart to wise, but **missing** vital steps and opportunities in almost all areas.

If the moral guiding **light** is in sight, it is often **lost** in the clouds. We find opportunities to enhance decision-making **processes** at individual, team and organizational level.

We find potential **disconnections** between leaders and their own '**true north**' and between leaders' **personal** moral frameworks and that of their **organizations**.

For organizations to be **sustainable**, they must surface these gaps and consciously **deploy** them as creative tensions, or **resolve** them.

02

MOTIVATIONAL DRIVERS

To improve engagement and productivity, 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.

In terms of leadership styles, the board and its top executives are responsible for a corporate **culture** that allows enduring career choices that create connected teams, instead of isolated individuals.

03

HYGIENES

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.

Dilemmas | For debate and discussion

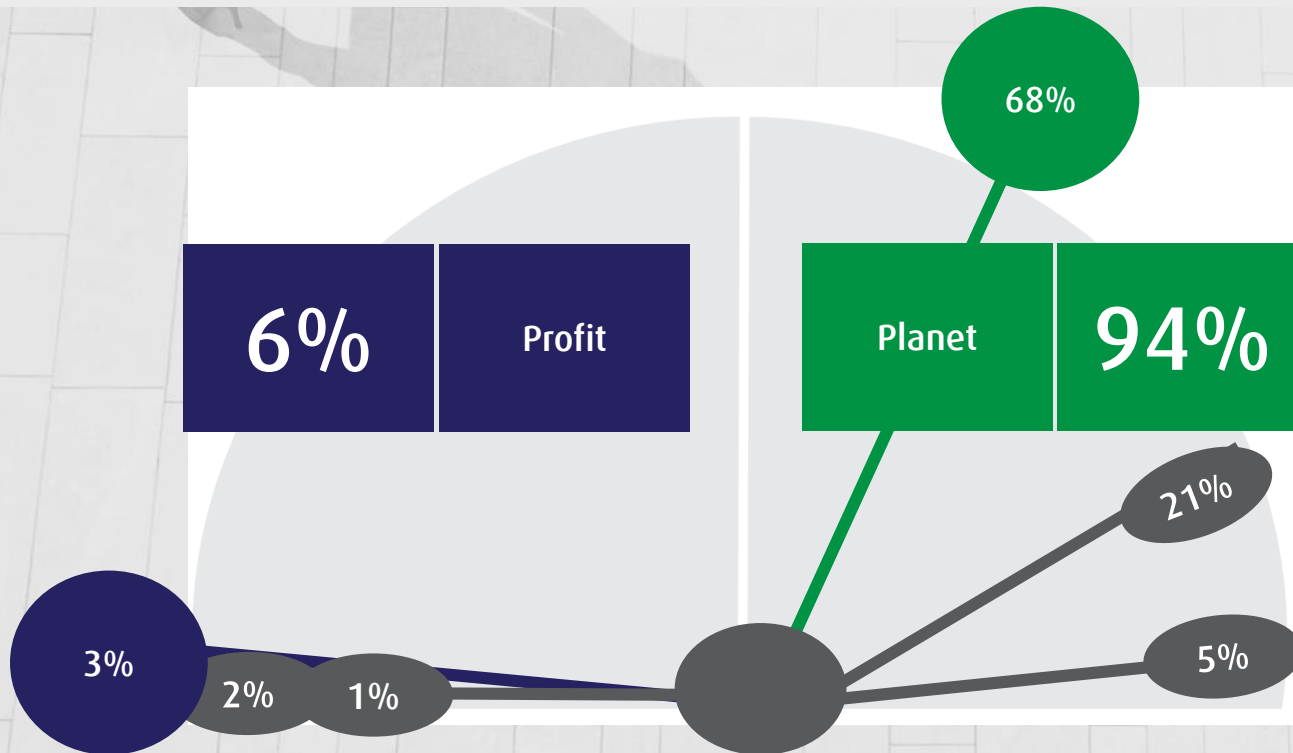


Ethical dilemmas

Profit or planet? The polluting factory.

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?

01 SELF LEADERSHIP

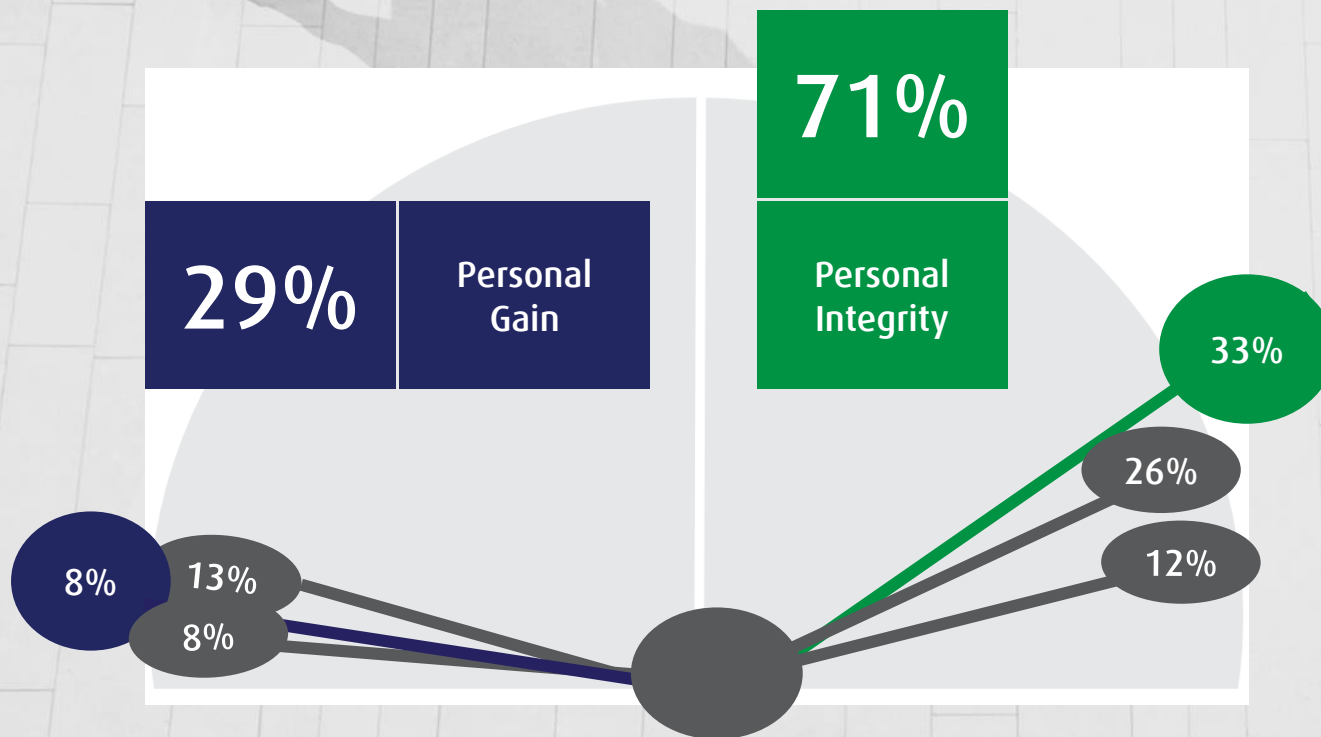




Ethical dilemmas

Personal integrity or personal gain? The golden parachute.

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?

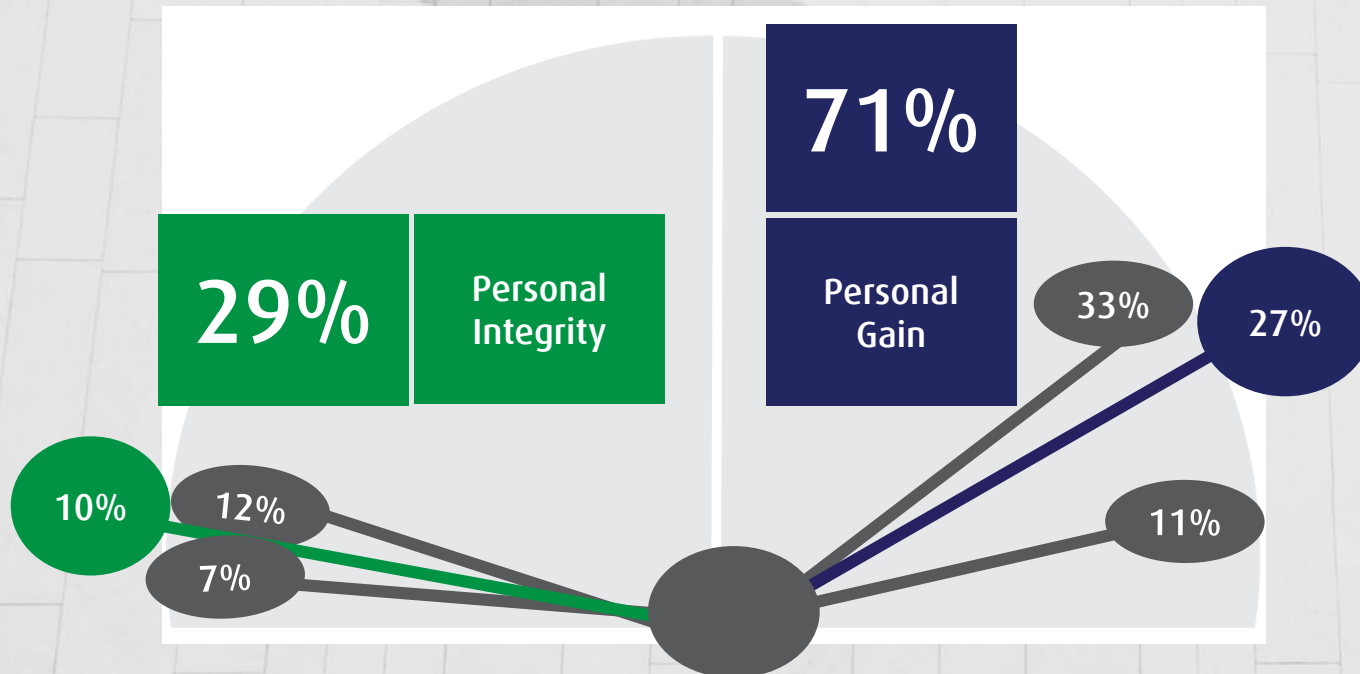




Ethical dilemmas

Personal integrity or personal gain? The severance package

Magda is a CFO 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?

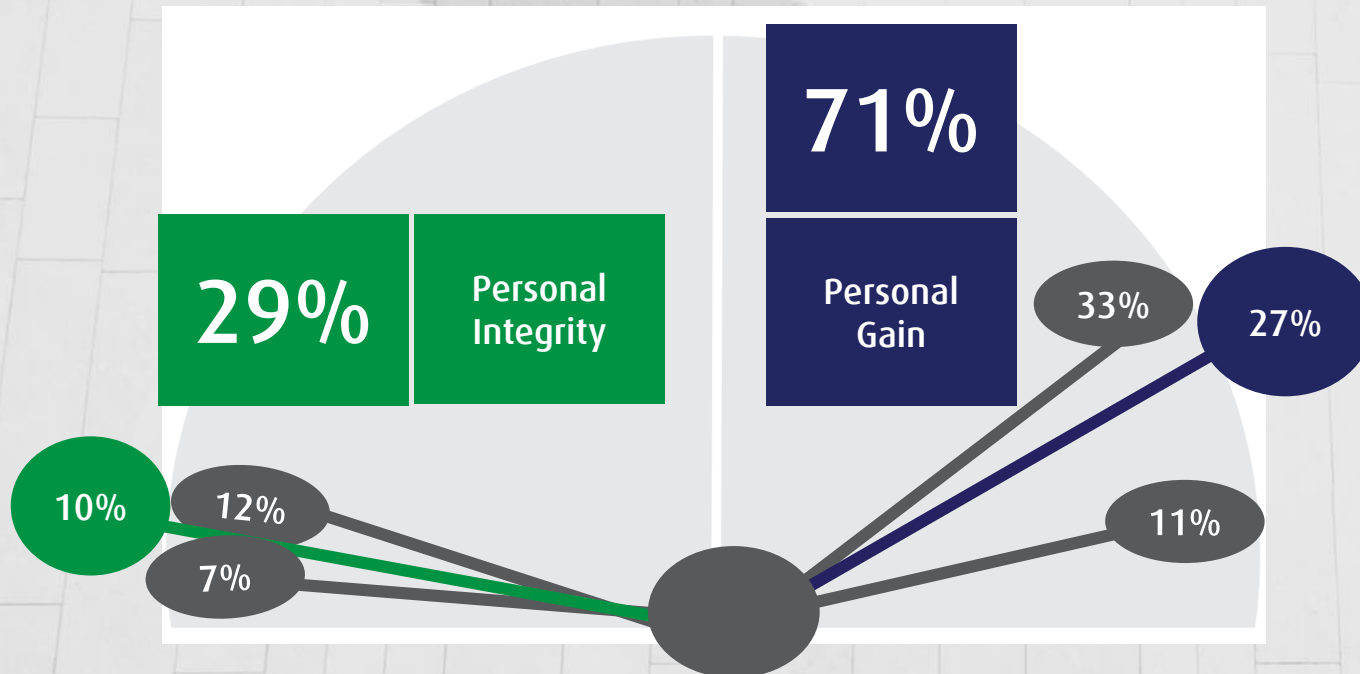




Ethical dilemmas

Personal integrity or personal gain? The severance package (2)

Magda is a CFO 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?



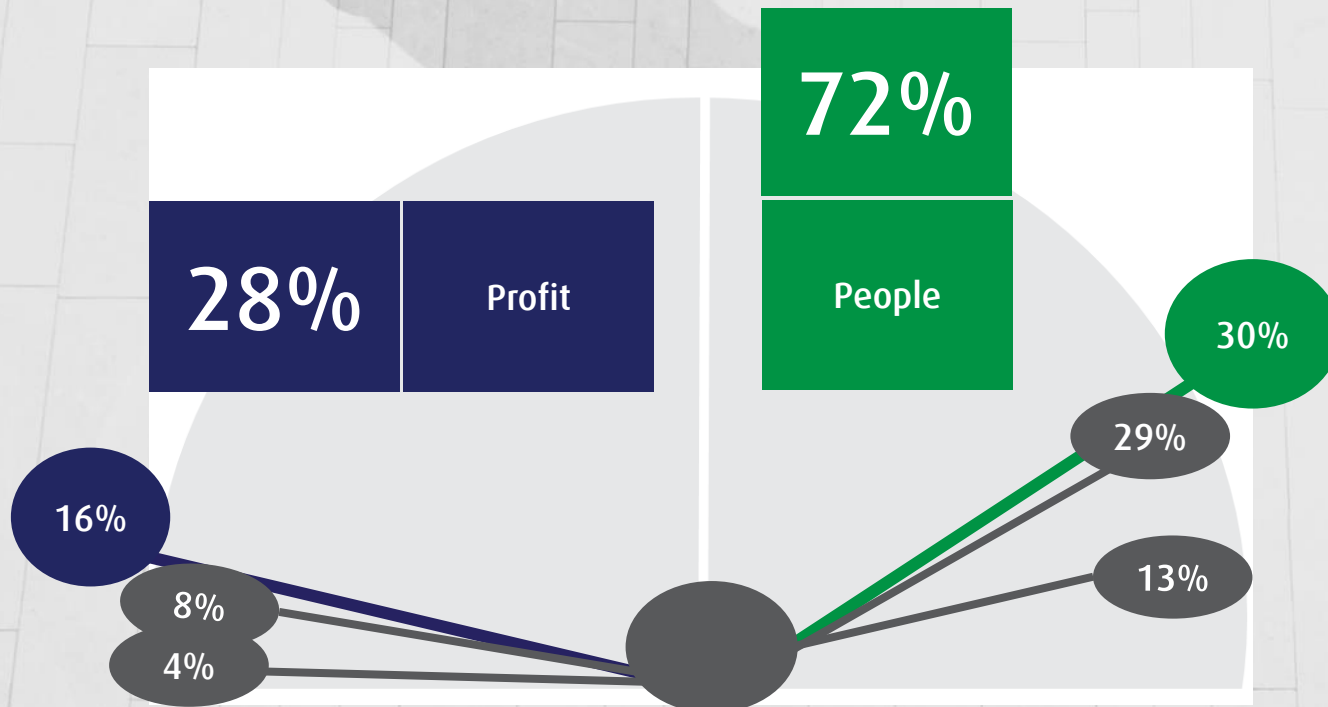


Ethical dilemmas

Profit or people? The fire and salaries

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?

01 SELF LEADERSHIP

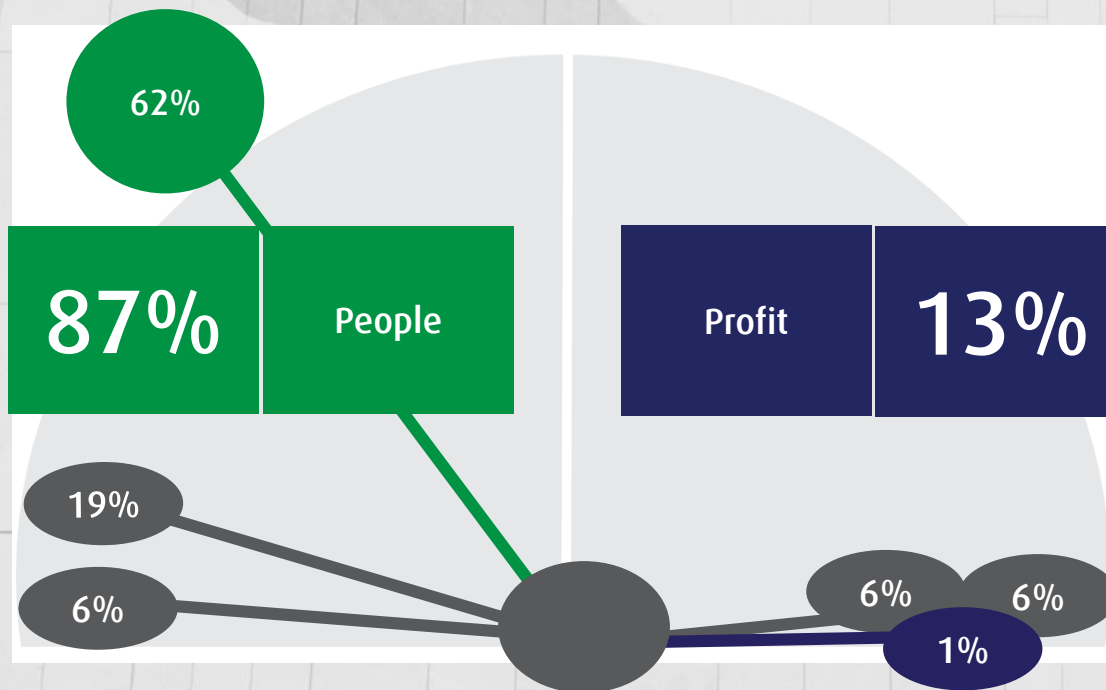




Ethical dilemmas

Profit or people? The risky portfolio

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, more risky 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?



More Resources



Visit www.amrop.com

Executive Summary

Full Report

- Definitions of concepts - and more.
- Full range of wise decision-making indicators
- Full data, insights and toolkits to help
 - **Leaders** identify avenues for personal development, coaching and career planning
 - **Boards and leadership talent strategists** identify measures in terms of organizational strategy, (purpose, culture, and board governance), leadership talent development, and operational processes

Videos

Amrop Leaders For What's Next

40 years Leadership

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Leaders For What's Next

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