

Amrop Leadership Series



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Leaders For What's Next

Wising Up

Your Decisions
May be Smart.
Are they
Sustainable?

By Dr. Peter VERHEZEN



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Today's ethical,
ecological and
societal challenges
demand a
different kind of
leader.

Wising Up



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Not only
accomplished
and smart...

- 1
- 2
- 3

Wising Up

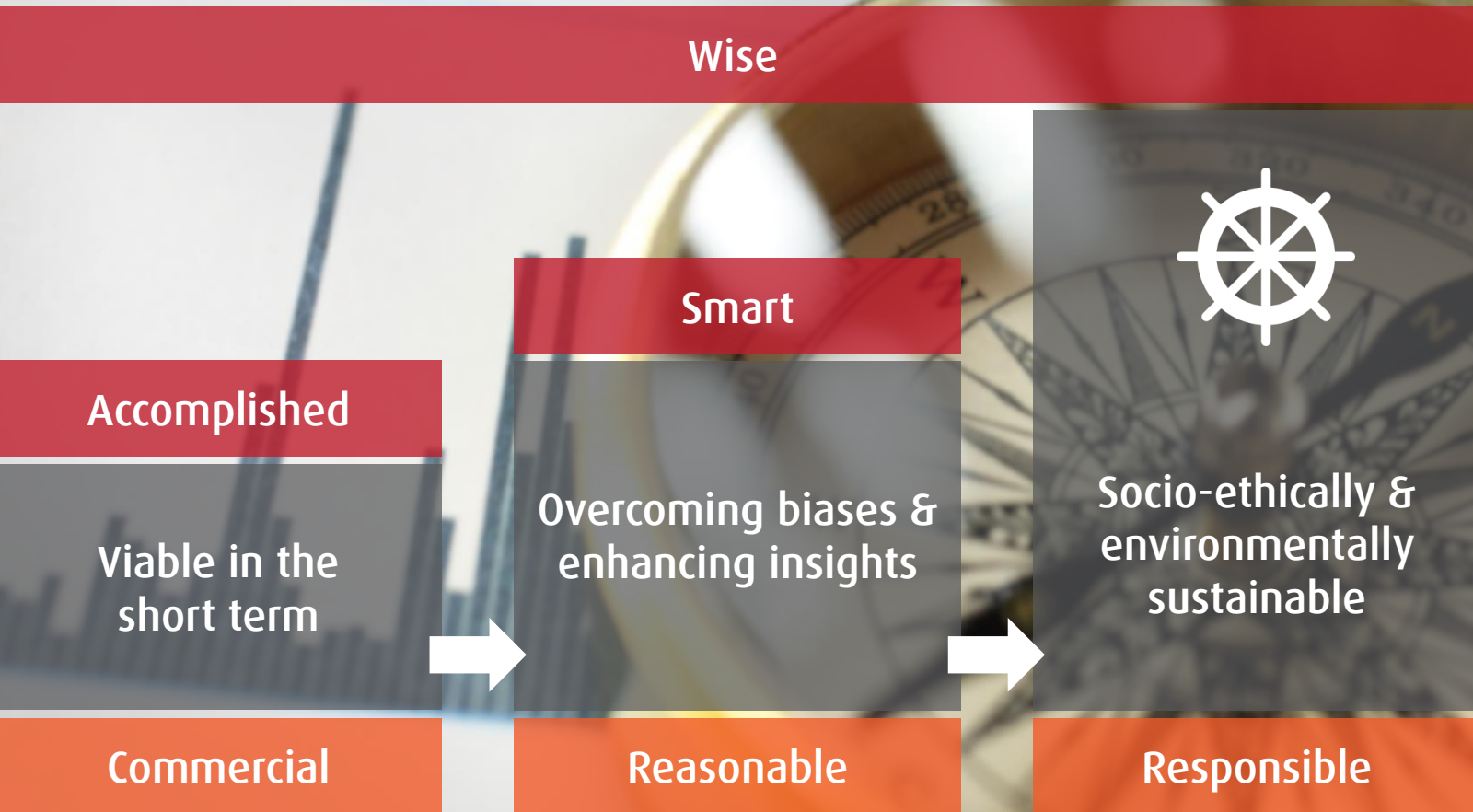
...but wise.





Stepping Up to Wisdom

Wising Up





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Business is a
world of gray
areas, dilemmas
and complexity...

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First, some
check
questions
you may
like to ask
yourself...

Wising Up



Have you ever taken a lucky risk based on instinct and used hindsight to justify the 'innate wisdom of your gut?'



Noticed a leader hired on the basis of self-confidence & commercial accomplishments?



Or overconfidence leading to disastrous decisions?



How do you decide?

You are CEO of a mid-sized French fashion company. The market is tough. The contract on your factory in Southern France is up for renewal. Should you renew it or transfer it to a reputable low-cost supplier in Bangladesh? (The latter will mean layoffs in your current factory).

What steps will you take to ensure that your decision is not just *smart*, but *sustainable*?



How do you judge?

Jack, a Chairman, has to decide whether to adopt a new program. It should increase profits *and* help the environment. "I don't care about the environment", says Jack, "I just want to make as much profit as I can." Profit goals are realized, and the program happens to have a positive effect on the environment.

? Did Jack intend to help the environment?

Simon, a 2nd Chairman, also doesn't care about the environment. He authorizes the program. Profit goals are realized but the environment is harmed.

? Should Simon take responsibility for harming the environment?



How do others judge?

Most people Jack should be applauded for helping the environment, although he had no intention to do so. And that Simon should take responsibility for harming the environment.

Although the environmental outcome may have been different, both Chairmen were equally indifferent.

Yet the way the two are (mis)judged is a typical example of a 'framing bias'.



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- 1
- 2
- 3

There is a strong business case for 'smart'.

Wising Up





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- 1
- 2
- 3

A strong business case for 'smart'.

Wising Up

Minimizing risky errors
in an informed way

Creating innovative
solutions

Optimizing insights to
create value.



- 1
- 2
- 3

A strong business case for 'smart'.

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Smart Leaders Avoid Errors:

They apply processes to avoid pitfalls

(Eg: working on the wrong problem, or disregarding uncertainty/ambiguity).

Smart Leaders are Confident, but not Hubristic, balancing:

System 1 thinking (fast, intuitive)

+

System 2 thinking (slow, rational, analytical).

Smart decisions imply 3 conditions:

Conscious switching from 'auto' to 'manual' thinking

Grit & gravitas.

Continuous learning



There is an even stronger business case for 'wise'.



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An even stronger business case for 'wise'.

Highly “principled” CEOs outperform “self-focused” CEOs by a factor of **5***

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

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

*Kiel, F., (2015) Return on Character, The Real Reason Leaders and Their Companies Win

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Wising Up



An even stronger business case for 'wise'.

Wise leaders are not only smart, they:

- Are more aware of the impact of their attitudes, emotions & behavior
- More mindful of 'blind spots'
- Leverage long individual experience & organizational processes.

Wise leaders dive deeper. When deciding, they ask:

- What are the net consequences?
- My core obligations?
- What can I live with as a virtuous human being?

Wise Leaders are guided by a strong moral compass.

MQ
(Moral Intelligence or Character)

IQ

EQ

RQ*

Wising Up

*Risk Sensitivity

Wise Leaders are guided by a strong moral compass.

Some example criteria of 'MQ'



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Moral Intelligence or Character



Wising Up



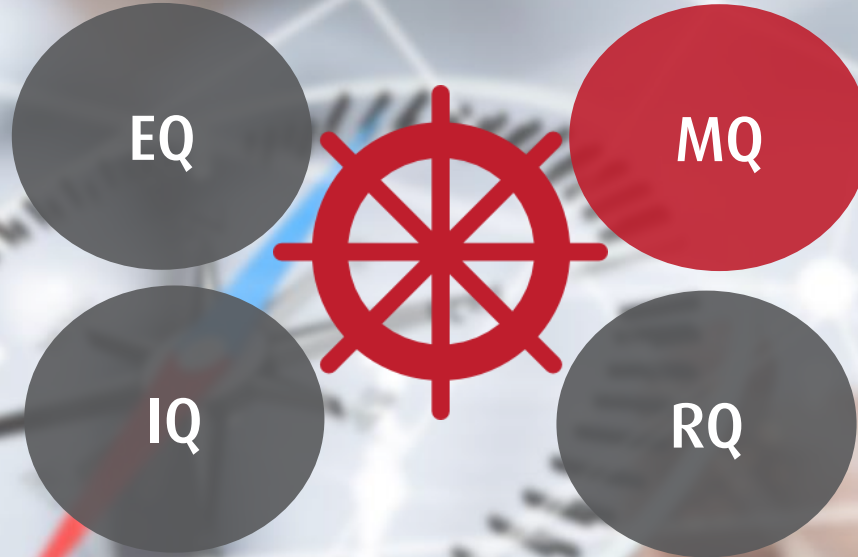
Wise Decision Making - A Moral Equation



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Wise Decision Making is associated with Responsible Leadership.

Outcomes are not just reasonable. They are as sincere (trustworthy) & accurate (truthful), as possible.



Wising Up



Overconfidence



Biasness



Risk aversion



Herding behaviors



Wise Decision Making – in Conclusion



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Wise Leaders make better, more sustainable decisions



In a **risky, Uncertain** environment



Taking **pragmatic** actions



Transcending **biases**



In a **context-sensitive** way



Embracing **ambiguity & complexity**



And a **broader** socio-ethical & environmental **perspective**

Wising Up

Aim: Create & preserve organizational shared value, conform to organizational purpose



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About Amrop

With over 70 offices in over 50 countries, Amrop provides 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.

www.amrop.com

About Dr. Peter Verhezen

Dr. Peter Verhezen is Adjunct Professor for *Global 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 as Senior Consultant Governance at the International Finance Corporation (World Bank) in Asia Pacific, Peter advises boards and top executives on governance, risk management and ethical leadership. He is the author of a number of articles and books on corporate reputation and governance.

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Leaders For What's Next

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