

FORTUNE
Knowledge
Group

EXECUTIVE SUMMARY

Only Human: The Emotional Logic of Business Decisions



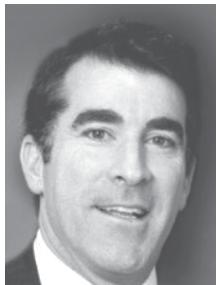
IN COLLABORATION
WITH

gyro:

gyro.com/onlyhuman

A NOTE FROM

FORTUNE Knowledge Group



JED HARTMAN

BUSINESS IS PERSONAL. IT'S A TRUISM WE'VE ALL HEARD OR USED. BUT IN THE NEW ERA OF big data is it still actually true?

Has technology transformed business to the point that hard numbers are now the driving factor in business decisions? Or are "soft" factors—such as trust, relationships, and reputation—still as important as ever?

In short, how important is the power of emotion in business today?

At FORTUNE, we know that our *Most Admired Companies* and *Best Companies to Work For* lists serve as powerful reminders that corporate culture and employee engagement remain highly important to decision-makers judging the capabilities of businesses around the world—and they remain critical foundations for success. We know, too, that a 2013 study by Deloitte determined that "company reputation and repercussions from reputational damage" have become "the number one strategic risk for large companies." Moreover, engagement—which has been linked to productivity—is an issue, according to 52% of employees (Gallup, 2012).

How much of a role do these and other "intangible" factors play in how executives make critical decisions about whom to do business with?

In this new research, we have set out to quantify the extent to which emotional, situational, and cultural factors influence business decisions. With so much information now available to executives, what strategies do they use to sift and parse the data in order to make the best decisions possible? To what extent can new technological tools and advanced analytics substitute for human knowledge and experience? The results are enlightening and carry significant implications both for executives who are making tough decisions and companies that are trying to grow their businesses in the months and years ahead.

Jed Hartman

Group Publisher, Worldwide
TIME FORTUNE Money

A NOTE FROM gyro:

BUSINESS DECISIONS ARE MADE EMOTIONALLY AND JUSTIFIED RATIONALLY.

There is no machine, acting logically and automatically, to make decisions for us. Rather, there are hands, hearts, and brains influenced more strongly by their own personal feelings than by the incessant flow of data and information.

Yes, bright, new technologies are bringing humans together as never before.

But too often, a side effect of the tsunami of digital content is an utter lack of human relevance. To connect with business decision-makers, you must engage them on a personal level.

You must focus on the “why” of the business, the pure idea. The overwhelming desire to connect to this essence has been, and always will be, incredibly powerful. You need to share it, celebrate it, and elevate it, beginning with the most important element of all: the people inside the business.

Anything is achievable when those who work for a company have an emotional connection with what they do. That’s why the whole culture of a business should be built on its why—and everything a business says to the outside world should start on the inside.

These aspects are more vital than any time before. As you will see in this groundbreaking report, powerful factors such as trust, culture, and reputation play crucial roles in the minds of business decision-makers. These ultimate intangibles will rarely show up in the data—but they are the most powerful drivers of true success.

Business decision-makers want to feel something positive. After all, the choices made at work are the choices made in life; there is no separation. Work risks are personal risks. While hard facts inform our decisions, we are ultimately influenced by emotion and won over through our hearts, not data.

In order to better understand and quantify the role that emotional, human factors play in decision-making, gyro partnered with the FORTUNE Knowledge Group to survey more than 700 high-level executives from a variety of disciplines across nine industries. We asked pointed questions about their hopes and fears, how they choose their partners, and how they deal with the tremendous complexities of business decision-making within this hyperconnected world.

I know the results of this important study will help decision-makers and marketers alike better comprehend and respect the humanity within businesses around the world—as well as the hopes, fears, and dreams that power them.

Business has never been more exciting. It’s our role to make it even more humanly relevant.

*Christoph Becker
ceo+ccoo
gyro, the global ideas shop*



CHRISTOPH BECKER

Methodology

Who took the survey?

The FORTUNE Knowledge Group, in collaboration with gyro, a global advertising agency, carried out the survey on emotion in business decision-making in June 2014. The sample includes 720 U.S.-based senior executives, of whom 88% hold the position of director or above. All survey respondents have influence over key business decisions in a wide variety of functional areas, including 15% each in marketing and operations/production, 13% in IT, 9% in finance, and 8% in general management. About 80% of the companies represented in the survey have annual revenues of \$500 million or more, while 41% report \$10 billion or more.

Our study included a range of senior-level executives:

JOB TITLE	PERCENT OF RESPONDENTS
CEO, president, chief operating officer/owner, partner, CMO	5
Vice president (other than finance)	26
Associate vice president	2
Chairman, vice chairman/executive director, managing director, general manager	14
Senior director	5
Director	17
Director (other than finance)	10
Marketing director	9
Associate director	1
All other senior management	11

Key Findings

- **Human factors are the deciding factors:** Nearly two-thirds (65%) of executives believe subjective factors that can't be quantified (including company culture and corporate values) increasingly make a difference when evaluating competing proposals. Only 16% disagree.
- **Executives “trust their gut”:** A majority (62%) of executives say it is often necessary to rely on gut feelings and soft factors.
- **Strong reputations and cultures win:** When choosing a company to do business with, 70% of respondents cite company reputation as the most influential factor. Company culture is also a top driver, according to 53% of executives surveyed.
- **Emotional insight enhances data interpretation:** A majority (61%) of executives agree that when making decisions, human insights must precede hard analytics.
- **Positive gains outweigh negative risks:** Most executives (52%) say that ambition, admiration, and potential rewards outweigh fear of failure and being blamed for making a bad call.
- **Long-term partnerships are the goal:** Short-term financial sacrifices are worth more than long-term gains, according to 71% of respondents.

Executive Summary



Data. It is a powerful tool for executives, delivering them greater analytical depth than ever before. What does this mean for the decision-making process? Are executives leaning deeper into the numbers to help make important choices? Undoubtedly, the answer is yes, but despite vast pools of information, the intuitive still precedes the rational when it comes to business decisions.

This was the key finding derived from an expansive research study conducted by the FORTUNE Knowledge Group in collaboration with gyro, a global advertising agency. The study polled 720 senior executives (88% of whom had director-level titles or higher) in June 2014 to explore how emotions and other subjective factors influence business decision-making. Among the findings, results show that executives increasingly rely on emotions, intuition, or “gut feelings” when making important choices. Our respondents strongly agree that as the amount of information available to them increases—often to the point of becoming overwhelming—they place greater emphasis on “softer” factors, such as a business partner’s corporate culture and reputation.

Companies with reputations for positive culture regularly appear in rankings such as FORTUNE’s *World’s Most Admired Companies* and *Best Companies to Work For* lists. This research affirms the paramount importance of a strong culture. The majority of respondents report that companies demonstrating cultures rooted in respect and engagement with employees are viewed as more attractive business partners. Fostering trust between employees and management is also important; in fact, trust is one of the characteristics most valued by decision-makers overall.

Despite continued economic pressures, the emotions that most powerfully affect business decision-making are overwhelmingly positive. Executives are motivated by

optimism, ambition, and the desire to be admired or viewed as an innovator by peers. They are ruled less by fear of failure and blame for making the wrong decision.

Respondents also report that a commitment to building long-term relationships is a priority—even when weighed against short-term financial gain. This makes selecting a partner that offers intriguing soft benefits all the more enticing. The findings of this research have practical implications for decision-makers and those who want to influence them. This report identifies a number of important takeaways that can help marketers appeal to executives and can guide executives themselves with future decisions.

WHAT YOU NEED TO KNOW: In a complex business environment, executives rely on “intangible” differentiators (such as culture or reputation) over quantifiable differentiators as a way of judging potential business partners.

About two-thirds (65%) of executives agree that an increasingly complex business environment has made it more difficult to base decisions on purely “functional” factors (for example, cost, quality, or efficiency). Remarkably, only 16% disagree with this proposition.

Respondents believe that insufficient analytical capacity (37%), excessive data volume (34%), and rapid growth in the types of information available (31%) are among the top factors hampering a strictly analytical approach.

As a result, factors that can’t be quantified—such as a company’s values, reputation, and corporate culture—increasingly make a difference when executives choose among competing proposals. Many respondents (62%) believe that it’s often necessary or even preferable to rely on “gut feelings.” Respondents also indicate that unquan-

Human factors are the deciding factors. Percent of executives who agree that an increasingly complex business environment has made it more difficult to base decisions on purely “functional factors,” such as cost, quality or efficiency.



Executives trust their gut. Percent of respondents who contend that it's often necessary to rely on “gut feelings,” and that soft factors should be given the same weight as hard factors.



Strong reputation and culture win.

When considering companies to do business with, 70% of respondents cited the importance of a company's reputation, while 53% look for an excellent employee culture.



tifiable factors should be given at least the same weight as quantifiable factors. Only a minority (38%) feel that executives and managers should disregard these factors in favor of a strictly analytical approach when making decisions.

WHAT YOU NEED TO KNOW: In addition to interpersonal skills, executives look for business partners with a strong culture and reputation built on trust.

Choosing a business partner means choosing the people with whom you want to work. More than half of the respondents (52%) prefer to work with a company that has "a strong culture committed to shared goals," and 50% cite "respect for employees by management" as a desired attribute. Our research suggests that companies can make themselves more attractive by establishing a reputation for strong and open management practices—especially respect for employees (50%), management credibility among employees (39%), and employee pride in association with the company (41%).

A company's reputation exerts a strong influence—notably, a reputation for superior products/service (70%) and an "employee culture known for excellence" (53%). The team is even more important than the star players; a mere 11% cited "charismatic or interesting leadership" as a key factor in choosing a partner.

It is important to note that, of course, traditional functional performance indicators such as quality of products and services (63%) and financial soundness (50%) still matter.

WHAT YOU NEED TO KNOW: Executives believe that human experience and knowledge must direct data analysis for the most effective results.

Executives' feelings about the importance of human factors extend to their approach to big data. A solid majority

(61%) say that in order to uncover the most effective, actionable insights, people who know the business should filter data to frame analysis before using predictive analytics. Only 39% of respondents contend that advanced analytics should be used *before* human analysis. This finding suggests that executives feel they're most successful at managing and leveraging the increased volume of information available to them when supported by experts who can ask the right questions of their data sets.

WHAT YOU NEED TO KNOW: Overall, positive emotions have a greater impact on decision-making than negative emotions.

More than half (52%) of respondents feel that positive feelings such as ambition, hope, and desire for admiration are the most motivating to decisions in all business contexts. This finding is even stronger when it comes to data; despite the often daunting pace of change, more than two-thirds (68%) of executives cite positive emotions over negative ones.

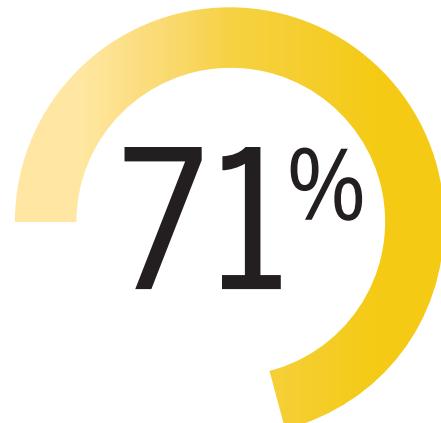
WHAT YOU NEED TO KNOW: Above all, executives strive to build long-term partnerships.

A full 71% of executives are willing to make short-term financial sacrifices in order to cultivate long-term relationships. This finding supports an overall trend toward trust as a crucial component of business partnership success. Not only do business decision-makers forgo potential short-term gain in hope of fostering trust, but they also look to businesses whose employees have the interpersonal skills necessary to sustain these trusted relationships. Approximately 42% of respondents agree that it is preferable to do business with companies whose employees have "excellent interpersonal skills and emotional insight, as opposed to analytical intelligence." ●

Positivity is more powerful than negativity. Percent of respondents who feel that positive feelings such as ambition, hope, and desire for admiration are the most motivating to decisions in all business contexts.



Stay focused on the long haul. Percent of respondents willing to make short-term financial sacrifices in order to cultivate long-term relationships.



49% of respondents surveyed say they've encountered policies that discourage decision-makers from cultivating trust-based relationships.

Conclusion

Despite having more information than ever upon which to make decisions, executives still rely heavily on human factors when making most business decisions. Business decision-makers are, of course, using data to their benefit. However, especially when selecting business partners, executives are ultimately less analytical and more emotional. Decision-makers place a high value on trust, reputation, and experience. They also want to develop relationships that can be successful over the long term. Today's executives remain motivated by optimism and ambition—and they trust their own experience and intuition when using emotional logic to make business decisions.

The full results of this survey and further insights into the human dimensions of business decision-making will be released in summer 2014 at www.gyro.com/onlyhuman.

The **FORTUNE Knowledge Group** (FKG) is a custom business intelligence division of Time Inc., publisher of FORTUNE. FORTUNE Knowledge Group develops proprietary research and analysis on a range of issues, such as management, regulatory compliance, innovation, and strategy. The views expressed by FKG do not necessarily reflect the views of FORTUNE editors.

About gyro

As a global ideas shop, our mission is to create ideas that are humanly relevant. gyro is the 2014 BMA Global B2B Agency of the Year and an *Advertising Age* Top 50 Agency. gyro also serves as Global Marketing Advisor to FORTUNE. Our 600 creative minds in 14 offices work with top companies including BBC, Cars.com, DuPont, eBay, FedEx, HP, John Deere, SAP, Tate & Lyle, TD Ameritrade, and USG.

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