

"A practical guide for accelerating your own wise leadership development."
—INDRA K. NOOYI, chairman and CEO, PepsiCo, Inc.

PRASAD KAIPA and NAVI RADJOU

From
SMART
to
WISE



ACTING AND LEADING
WITH WISDOM

Table of Contents

[More Praise for *From Smart to Wise*](#)

[Title page](#)

[Copyright page](#)

[Dedication](#)

[Preface](#)

[CHAPTER ONE: Wise Leaders Wanted](#)

[The Pitfalls of Smart Leadership](#)

[The Functional Smart Leader and the Business
Smart Leader](#)

[Evolving from Smart to Wise](#)

[What Is Wisdom?](#)

[The Six Leadership Capabilities](#)

[Becoming a Wise Leader](#)

[The Path to Wise Leadership](#)

[CHAPTER TWO: Shift Your Perspective: Connect to Your Noble Purpose](#)

[What Is “Perspective”?](#)

[The Limits of a Smart Perspective](#)

[The Wise Leader’s Perspective](#)

[Shifting Your Perspective](#)

[Noble Purpose: It’s Your Personal North Star](#)

A Mindful Mind-set
Openness Through Reframing
Conclusion

CHAPTER THREE: Be Aware of Your Action Orientation: Act Authentically and Appropriately

Authenticity and Appropriate Action
Authentic and Appropriate Action in the Age of Complexity
The Limits of a Smart Action Orientation
How Wise Leaders Act
Bridging the Integrity Gap
Conclusion

CHAPTER FOUR: Gain Role Clarity: Lead from Any Position

The Limits of Smart Leadership Roles
How Wise Leaders Demonstrate Role Clarity
Role Clarity and Becoming a Wise Leader
Cultivating Role Clarity
Cultivating a Beginner's Mind
Learning to Let Go
Conclusion

CHAPTER FIVE: Clarify Your Decision Logic: Decide with Discernment

The Neurobiology and Psychology of Making Decisions

[Smart Versus Wise Styles of Decision Logic](#)
[Deciding with Discernment](#)
[Conclusion](#)

[CHAPTER SIX: Develop Flexible Fortitude: Know When to Hold and When to Fold](#)

[Smart Leaders Get Stuck](#)
[Wise Leaders Display Flexible Fortitude](#)
[Cultivating Flexible Fortitude](#)
[Conclusion](#)

[CHAPTER SEVEN: Discover Drivers of Your Motivation: Act with Enlightened Self- Interest](#)

[Enlightened Self-Interest: The New Business
Imperative](#)
[Smart Leaders and Self-Interest](#)
[Wise Leaders Are Driven to Serve Others](#)
[Cocreating Sustainable Value with All
Stakeholders](#)
[Cultivating Enlightened Self-Interest](#)
[Conclusion](#)

[CHAPTER EIGHT: Cocreate a Field of Wise Leadership: Find Your Wisdom Logic](#)

[One Journey to Wise Leadership: Steve Jobs](#)
[Wisdom Logic: Your Authentic Pathway to Wise
Leadership](#)

[Cultivating Leadership Wisdom Across Social Systems](#)

[Wise Leadership in a Complex World](#)

[Conclusion](#)

[Acknowledgments](#)

[About the Authors](#)

[Index](#)

More Praise for *From Smart to Wise*

“With examples from today’s best leaders, Kaipa and Radjou have created a practical guide for accelerating your own wise leadership development, a true competitive advantage in today’s rapidly changing world. We can all benefit from the self-reflection that *From Smart to Wise* encourages. By defining our unique ‘noble purpose,’ we can bring about meaningful change and progress in our companies, communities, and society.”

—**Indra K. Nooyi**, chairman and CEO, PepsiCo, Inc.

“Developing wisdom can turn a long and arduous trip into a compelling, sustainable, and inspiring leadership journey. Read this fascinating book and let it teach you the tools you’ll need to go from smart to wise!”

—**Marshall Goldsmith**, *New York Times* best-selling author, *MOJO* and *What Got You Here Won’t Get You There*

“*From Smart to Wise* is a practical and powerful book that reminds us of the ultimate destination of our leadership journeys: wisdom earned through experience and shared in service of others. Even better, Prasad Kaipa and Navi Radjou offer a step-by-step road map for getting there, complete with real-world examples sure to inspire and challenge us along the way.”

—**John R. Ryan**, president and CEO, Center for Creative Leadership

“This extraordinary book takes the intangible concept of wisdom and brings it to life, giving it context and ways for us to practice wise leadership in our daily lives. Kaipa and Radjou show us how to connect with other leaders in

today's interdependent world to cocreate a field of wise leadership. You must read *From Smart to Wise*. It is a journey worth taking."

—**Cynthia Cherrey**, president, the International Leadership Association; vice president, Princeton University

"Getting from smart to wise is the most important leadership challenge of the twenty-first century. Prasad Kaipa and Navi Radjou offer a guidebook to this transformation, one that any leader will find of great use."

—**Daniel Goleman**, author, *Emotional Intelligence*

"*From Smart to Wise* is a good example of what it talks about. It is wise, clear, and grounded in real experience. It reminds us that our humanity is the key to success in business, and also that a purpose greater than profit is needed to create a world that is fulfilling as well as productive."

—**Peter Block**, author, *Stewardship and Abundant Community*

"*From Smart to Wise* is a very timely and unique book. Kaipa and Radjou offer us a pathway to evolve from behaving smartly to acting and leading wisely, extending benefits of wise leadership not only to ourselves and our companies but also to our societies."

—**Jeff Smith**, CEO and cofounder, LUNAR Design

"*From Smart to Wise* is the book managers from all walks of life and in all institutions ought to read. Kaipa and Radjou credibly and convincingly make the point that smartness is no longer sufficient to be sustainably successful today and provide those interested in becoming wise leaders with a useful road map."

—**Dr. Klaus M. Leisinger**, chairman, Novartis Foundation for Sustainable Development

“Ordinary organizations become extraordinary organizations when some wise leaders embrace the collective good and invite others to do the same. *From Smart to Wise* is a magnificent book about how to become a person of wisdom and influence.”

—**Robert E. Quinn**, professor, Ross School of Business, University of Michigan; author, *Deep Change*

“Kaipa and Radjou have spent most of their lives bringing the wisdom traditions to bear on the art of business. *From Smart to Wise* offers depth, context, and timeless tools to lift the mechanical into the noble, marrying the practical and the compassionate—a rare, effective, uplifting companion.”

—**Mark Nepo**, best-selling author, *Seven Thousand Ways to Listen* and *The Book of Awakening*

“*From Smart to Wise* is a game changer! Read it to find how to apply practical wisdom in your business. Use the framework in this book to create your own wise leadership road map—and you too can become a highly effective leader like Warren Buffett, Ratan Tata, and Alan Mulally.”

—**Professor Theodore R. Malloch**, Yale University; director, The Academy of Business in Society; and author, *Doing Virtuous Business*

From
SMART
to
WISE



ACTING AND LEADING WITH WISDOM

Prasad Kaipa
Navi Radjou

JB **JOSSEY-BASS**
A Wiley Imprint
www.josseybass.com

Cover image: Thinkstock

Cover design: FaceoutStudio

Copyright © 2013 by Prasad Kaipa and Navi Radjou. All rights reserved.

Published by Jossey-Bass

A Wiley Imprint

One Montgomery Street, Suite 1200, San Francisco, CA
94104-4594—www.josseybass.com

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, 978-750-8400, fax 978-646-8600, or on the Web at www.copyright.com. Requests to the publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, 201-748-6011, fax 201-748-6008, or online at www.wiley.com/go/permissions.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable

for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages. Readers should be aware that Internet Web sites offered as citations and/or sources for further information may have changed or disappeared between the time this was written and when it is read.

Jossey-Bass books and products are available through most bookstores. To contact Jossey-Bass directly call our Customer Care Department within the U.S. at 800-956-7739, outside the U.S. at 317-572-3986, or fax 317-572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at

<http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of congress cataloging-in-publication data

Kaipa, Prasad, date.

From smart to wise : acting and leading with wisdom /
Prasad Kaipa, Navi Radjou. – First edition.

pages cm

Includes bibliographical references and index.

ISBN 978-1-118-29620-2 (cloth); 978-1-118-33185-9 (ebk);
978-1-118-33407-2 (ebk); 978-1-118-33518-5 (ebk)

1. Leadership. 2. Wisdom. I. Radjou, Navi. II. Title.

HD57.7.K345 2013

658.4'092-dc23

2012048513

Maatru devo bhava (Respect Mother—as your personal God)
Pitru devo bhava (Respect Father—as your personal God)
Aachaarya devo bhava (Respect Teacher—as your personal
God)

—Taittiriya Upanishad

• • •

We dedicate this book to our parents and teachers

Preface

If its first twelve years are any indication, the twenty-first century risks going down in history as the century of scandals. A series of increasingly high-profile financial scandals—Enron, subprime mortgages, the LIBOR rate rigging—coupled with bailouts have knocked corporations off their high pedestal. Business leaders now grace the covers of leading magazines for all the wrong reasons—among them, Bob Diamond, Barclays Bank’s former CEO implicated in the LIBOR scandal, and Rajat Gupta, McKinsey & Company’s former managing director convicted of insider trading.

Diamond and Gupta are smart leaders known for their sharp intellect, and their organizations benefited greatly from their smartness. What got these leaders into trouble is not their lack of intelligence but their lapses in judgment. In a 2009 *McKinsey Quarterly* survey of 2,207 executives, only 28 percent responded that the quality of strategic decisions in their companies was generally good, 12 percent thought good decisions were altogether infrequent, and the rest (60 percent) thought that there were as many bad decisions as good. Smartness is like a wild horse: riding it can be exhilarating for a while until you are thrown from it. To tame and harness smartness for the long run, you need wisdom—the stuff that gives you ethical clarity and a sense of purpose. When wisdom provides the moral compass, smartness can become even more potent. Clearly, the need of the hour is for smart leaders who can act and lead with wisdom. Many business leaders who attended World Business Economic sessions in 2010 and 2011 have called for business reformation and renewal by rethinking values. Many corporate leaders intuitively appreciate the value of

wisdom. Yet with a few notable exceptions, like Warren Buffett, Bill Gates, Bill George, John Mackey, Narayana Murthy, Ratan Tata, and Oprah Winfrey, they don't know how to operationalize it in a business context. Some leaders view wisdom as a noble concept but difficult to put in practice in the business world. Others hear about wisdom in a religious context when they go to church on Sunday but are at a loss on how to apply this spiritual wisdom at work on Monday morning.

Wisdom is both timeless and timely. Yet few attempts have been made to date in the West to articulate wisdom in the language of business, let alone provide corporate leaders with practical tools to systematically apply wisdom in their day-to-day work. This book frames wisdom in a modern context that makes it accessible and practical for smart, busy leaders like you, so that you can learn to act and lead as a wise leader. By reading this book, you will gain new perspectives, learn new capabilities, and develop new practices that will help you become a wise leader no matter what role you play in your organization.

We have been studying the concept of wise leadership—the practice of wisdom in a leadership context—since 1989. Both of us share the motivation to help leaders discover the genius that lies dormant within the wider ecosystem of employees, customers, and partners and to tap into that collective intelligence to bring value to their organizations as well as the larger society.

In our multiple lines of work as management consultants, advisors, business researchers, and teachers, we have worked with over seventy companies around the world and with hundreds of top executives in different parts of the world. This book is the result of our cumulative experiences, insights, study, and observations.

The germ of this book came from our own desire to discover our full potential. We both consider ourselves

smart, but we have not always been wise when it really mattered. We came to realize that our own smartness created invisible boundaries to what we could accomplish and where we could go with our lives and our profession. As part of this process, we realized that by breaking down boundaries, we could change our lives. In that sense, this book reflects our own experiences and personal journeys. By sharing our learning with you, we hope to ignite your leadership genius.

Prasad: I grew up in two worlds. One was the world of science, competition, and academic smartness and the other the world of wisdom and contemplation. Like many other Indian children from traditional families in the 1970s, I went to a Sanskrit teacher to study Hindu scriptures in the mornings while attending regular school during the rest of the day. I got my doctorate in physics at the Indian Institute of Technology in Chennai, India. For a long time, the path of smartness and the path of wisdom did not intersect in my actions or my consciousness. While working as a physicist at the University of Utah, I moved gradually into the world of technology and tool making and ended up at Apple. As a research fellow at Apple University, I had the opportunity to interview several Nobel laureates, high achievers, psychologists, and spiritual leaders while researching how people learn, lead, think, communicate, create, and collaborate. I became interested in the relationship between ordinary and extraordinary changes in thinking, between individual learning and team learning, and began thinking about how to synthesize ancient wisdom (e.g., from classical Hindu texts like the *Upanishads*) with contemporary ways of thinking. Through such personal explorations, interviews with extraordinary leaders, and experimentation with corporate clients as an educator and a facilitator, I gained insight into the concept of practical wisdom and its application in the field of leadership and innovation.

Since 1990, my research and consulting focus has been on cross-cultural leadership and innovation, and it has led me to understand more about smart and wise leadership. I have had the opportunity to work closely, as a coach and an advisor, with over one hundred CEOs, executive team members, and board members from the United States, Europe, and Asia over the past twenty-three years. Those experiences helped to hone my understanding of the importance of values and a noble purpose and shaped my thinking further around wise leadership. This book draws on these lessons.

Navi: I grew up in India in a bicultural (French and Indian) environment and was the first child in my family to go to college. I set high standards for myself, which led me to the United States to study for an M.B.A. Then it dawned on me that there is more to life than becoming a smart management consultant who would make organizations run smarter and help them compete and win in the marketplace at all costs. I decided to dedicate my career to helping smart corporate executives evolve into wise leaders who are open to learning from others and willing to serve a higher purpose. Over thirteen years, in various capacities—first as an industry analyst, then as an academic researcher, and now as an independent strategy advisor—I have helped hundreds of business leaders worldwide cultivate an open, collaborative, and global mind-set that they can use to act and lead wisely in today's interconnected world. My purpose is to leverage my multicultural background, interdisciplinary educational training, and extensive consulting experience to create practical new business frameworks that integrate Western and Eastern perspectives on innovation and leadership. This book and my first one—*Jugaad Innovation: Think Frugal, Be Flexible, Generate Breakthrough Growth*—are aimed at helping people leverage the ingenuity and

wisdom that we all possess so we can transcend our differences and forge a wise global community.

• • •

In this book, we distill practical wisdom into six capabilities that twenty-first-century business leaders can use to cultivate wise leadership. Here you will learn how to evolve from a smart leader to a wise leader by discovering your noble purpose, acting authentically and appropriately, learning when to lead and when to let others lead, deciding with discernment, knowing when to hold on and when to let go, and cultivating enlightened self-interest. Through the practice of these six capabilities, you will gain practical wisdom, using values and ethics to guide your smartness towards serving a noble purpose. Warren Buffett, CEO of Berkshire Hathaway; Ratan Tata, former chairman of Tata Group; Oprah Winfrey, CEO of OWN and Harpo Productions; and Narayana Murthy, cofounder of Infosys, are some of today's leaders who have found ways to apply practical wisdom in their businesses and made their companies highly successful. You can too—and in the dynamic, complex, globalized business context of today, cultivating this kind of practical wisdom is both a smart move and a wise one.

Prasad Kaipa
Campbell, California
November 2012

Navi Radjou
Palo Alto, California

CHAPTER ONE

Wise Leaders Wanted

We'll start with a truism: in business, you need to be smart. In fact, smartness—whether it's called cleverness, practical intelligence, or savvy—is the operating currency of twenty-first-century organizational culture. The leaders the world admires are tremendously smart, whether they're in business—like Bill Gates of Microsoft, Indra Nooyi of PepsiCo, Tim Cook of Apple, and Ursula Burns of Xerox—or in politics—like U.S. presidents Obama and Clinton and former U.S. secretary of state Condoleezza Rice.

What all very smart leaders have in common is an ability to impress us with their intellectual prowess and ability to succeed at very high levels. They see patterns in seemingly random information. They take decisive action while others are still trying to understand or appreciate the situation. They seize opportunities that many regard as too risky and show an ability to make strategic choices that confer them a competitive edge. Some are big picture thinkers; some excel at executing strategies and others at innovating breakthrough products.

All this considered, it seems desirable to be a smart leader, and it is. When we exercise our smarts, we not only experience success; we also feel strong and capable, operating at the top of our game. We want more of this good thing. If we are in the position of leading an organization, we want to leverage our smartness to succeed and help others succeed.

But these are complex and uncertain times, and many leaders are discovering that smartness alone is insufficient to achieve both success and a sense of accomplishment and fulfillment. Smartness and more smartness is increasingly failing to bring meaningful growth and prosperity to organizations and their leaders. In our experience, wise leadership succeeds where smart leadership cannot.

Thus, this book is not about moving you from smart leadership to *smarter* leadership, but about setting a trajectory toward *wise* leadership—an expanded capacity to act and lead wisely (without losing your smartness). It's about what potentiates your wise leadership and what it is that wise leaders do differently. At its core it is an exploration of practical wisdom—how reflective actions, thoughtful application of smartness, and the deployment of enlightened self-interest allow you to become successful in a sustainable way while making a difference to others along the way. And it contains a road map and personalized tools for you to make the journey.

The Pitfalls of Smart Leadership

Smart leaders are an eclectic bunch that includes brilliant strategists and functional experts as well as superefficient tacticians and gifted managers of people. They may be start-up entrepreneurs or high up in the ranks of large, global corporations. They can be quite diverse when it comes to their perspectives, actions, and motivations.

For the purposes of this book, we'll divide smart leaders into two broad categories according to their primary area of strength, which we refer to as functional smart and business smart. To generalize, functional smart leaders excel in one field or function, such as R&D or operations, and tend to dig deep to establish their expertise in the domain that they have chosen. Effective execution is their forte. They tend to

be cautious in risk taking, think carefully before they act, and when they act, they tend to stick to what they know best. Whereas functional smart leaders go deep, business smart leaders go broad. They tend to be big picture thinkers who are risk takers at heart. They are prone to taking action quickly and generally have a competitive temperament. (You might not identify yourself strongly with either category at first, but as you read further, keep looking for patterns of behaviors that match yours.)

We'll discuss these differences more in depth later in this chapter, and we'll also examine a quality nearly every smart leader we've met or studied has in common: a powerful and ever-increasing tendency to play to their own strengths. As they succeed and move up, smart leaders tend to become increasingly attached to their particular type of smartness and show themselves less able to exhibit or appreciate the other type of smartness. This makes sense: most people build their skills and expertise on their existing strengths and temperaments; success breeds success. But this consolidation can exact costs—personal, professional, and organizational—that the otherwise very smart leader doesn't see coming.

We'll talk about this peculiar kind of blindness shortly, but first we turn to an example of an exception to the rule: a leader whose actions over time have shown an evolution from a highly consolidated style of smartness into wisdom.

Bill Gates is an exemplar of the kind of smart leader we call "business smart." Gates was only twenty years old when he cofounded Microsoft with Paul Allen. Despite his unassuming appearance and apparent shyness, Gates, a Harvard dropout, was a determined and ambitious businessman who used every opportunity to outsmart the competition with great strategic moves that helped Microsoft reach a market capitalization of over \$616 billion in December 1999.^{[1](#)}

That supremacy took a blow in May 1998 when the U.S. Department of Justice filed suit against Microsoft, accusing the company of abusing its alleged monopoly power on Intel-based personal computers in its handling of operating system and Web browser sales. A number of European countries followed with similar lawsuits. All of a sudden, a company and a business leader who were riding high faced a formidable threat.

Gates appeared by video at Microsoft's antitrust trial, a decision that was widely interpreted as a snub to the Department of Justice. Under questioning, he appeared combative and defensive. He told the media that the lead government attorney was "out to destroy Microsoft." When the deposition was read in court, Gates's condescending attitude toward his accusers and the legal system in general stood out. According to CNN, that testimony helped turn public opinion against Microsoft and Gates. Microsoft settled the case in 2001, but in the aftermath of the lawsuit, Microsoft lost its momentum in the marketplace. Its market capitalization dropped from \$616 billion in 1999 to about \$260 billion in 2012.

While Microsoft was contending with scaling back its operations, Gates made a major course correction in his life journey. In early 2000, while awaiting the court decision, he stepped down as Microsoft's chief executive to focus on his passion for software, becoming the company's chief software architect and chairman of the board. Being a great strategist, Gates probably realized that it would be better to have a different CEO representing Microsoft to the outside world. In the same year, he and his wife established the Bill & Melinda Gates Foundation; by 2008, Gates had completed his transition to foundation and philanthropic activities (he remains the nonexecutive chairman of Microsoft).

As cochair of the Gates Foundation, Gates has awarded billions of dollars in grants to various charitable

organizations and scientific research programs. While some people initially accused Gates of using his charitable activities to sugarcoat his image, his foundation is respected and appreciated for its compassionate and highly effective approaches to combating global problems ranging from infectious diseases to lack of education. Gates, the successful but polarizing figure for his ultracompetitive strategy, has become a more righteous and moral figure in the eyes of many people.

From what we can understand through observation and a study of his career, Gates's actions in his business and personal life suggest that he evolved from a smart leader to a wise one. He moved beyond his corporate role at Microsoft and explored how he could use his wealth, smarts, and leadership skills to contribute to the common good. We see this as a reflection of how Gates shifted his perspective and broadened his approach beyond building a business empire to solving big problems facing the global community.

We have never discussed this book with Gates, and our view of him as a leader who broadened his approach from smartness to wisdom is based on inference. But our analysis of his actions suggests that Gates managed to transcend his particular style of smartness (in which he had remained fixed for a long time) by shifting his perspective, an ability that this book is designed to foster.

The Functional Smart Leader and the Business Smart Leader

We all tend to have a perspective on life that is relatively narrow, shaped by our predispositions, assumptions, and experiences. Psychologists call this phenomenon our perceptual filter—think of it as a pair of tinted glasses—and describe the ways it conditions how we organize and

interpret the meaning of everything we experience in our environment.² The longer you wear your perceptual filter without challenging it or finding a vantage point outside it, the more you tend to get attached to your limited perspective. Worse, you end up seeing only what you want to see and rarely observe anything that is outside your zone of interest. You develop a well-worn autopilot mode and, unknowingly, a tunnel vision: you see only a limited portion of the whole spectrum of smart leadership possibilities and positive human endeavor.

Generally business smart leaders, many of them known for their intensity and risk taking, tend to perceive the world through a set of filters that for ease of identification we'll call "red." Business smart leaders thus tend to operate in what we designate the red zone at one end of a metaphorical spectrum of leadership style and skill, where the emphasis is on characteristics like drive, vision, and risk taking. At the other end of our metaphorical spectrum are functional smart leaders. Intensely focused on and competent in their particular area of technical or business expertise, they tend to wear what we call a blue set of filters, which make them see the world in terms of their own narrow focus. Hence, they are at ease while operating within a blue zone, where the emphasis is on qualities like groundedness, execution excellence, and deep expertise. What is highly visible and exciting to leaders operating in the red zone is often practically invisible or unappealing to those operating in the blue zone, and vice versa. Both kinds of smart leaders see what they are conditioned to see, in both cases narrowing their experience of a wider spectrum of reality.

It's not just senior leaders—or people in the business field alone—who wear these filters. We all wear them—whether we are a teacher, an architect, a husband, a mother, and whether we work in a nonprofit, government, or business.

These filters do color our perspective and shape our motivation, decisions, and actions.

To actually see the world as it is, not as we are used to seeing it, we first need to become aware of and then set aside our perceptual filters. It means stepping out of the zone that we know so well and in which we feel capable and comfortable. When we appreciate and embrace the objective world as it is—in its full range of colors, so to speak—and bridge the gap between our subjective reality and the rest of the world, we become capable of wisdom.

Wearing these red or blue glasses all the time hurts us in another way: it prevents us from incorporating certain qualities like prudence, judgment, humility, ethics, and the common good, vitally important when we widen our focus to include the whole spectrum of leadership potential. Many smart leaders have an intellectual understanding of—and an intuitive appreciation for—such qualities, but since they can't discern them in relation to their leadership privileges and duties, they don't incorporate them into their role. A leader who removes her filters and experiences the full spectrum becomes highly aware of the gaps between her intentions and actual behaviors—so much so that that values and ethics, which may have been less tangible before, become the cornerstone of her leadership approach.

Gates, for instance, was known for his intensely competitive personality while running Microsoft: you could say that his filters were truly red. Yet after going through the antitrust trial, Gates realized that he was seeing the world differently from the American public, Department of Justice, or judges, and that understanding led to reflection and introspection, which helped him find a larger purpose: using his smartness for the betterment of humanity. By creating the Bill & Melinda Gates Foundation and taking an active role in it, Gates gradually became aware of his red filters and was able to consciously remove them to gain a larger

perspective on how exactly he could best contribute to the world. In the process, he evolved from a smart leader to a wise leader; he didn't lose or change his essential business smarts, but he became able to deploy his gifts mindfully across a wide range of situations.

Gates's Microsoft career represents the typical trajectory of business smart leaders who perceive the world through red filters and tend to operate in the red zone. Tim Cook, who became CEO of Apple in 2011, was for most of his career the epitome of the other type of smartness: the functional smart leader who generally operates in the blue zone. A closer look at Cook's contribution to Apple will show why it's vital for functional smart leaders to drop their blue filters and step out of the blue zone to grow personally and professionally.

In the 1980s, Apple was not known for its operational efficiency, and the situation was not very different in early 1998, when Jobs interviewed Cook for a position to head up Apple's supply chain operations. As a functional smart leader, Cook was driven to bring higher efficiency and bottom-line productivity to Apple. He knew how to squeeze every last bit of fat out of operations. While Jobs, renowned for his business smartness, was in the media spotlight and creating great demand for Apple products, Cook operated behind the scenes to manufacture and distribute those products efficiently. Since he became CEO, however, it appears that Cook has begun to remove his blue filters and broaden his perspective. He seems to have realized that he would never be able to match Jobs's larger-than-life personality, yet he had to serve the interests of Apple effectively at this critical juncture. That apparent change in perspective enabled Cook to step up and take on roles that Jobs had traditionally assumed. In this way, Cook is stepping out of his autopilot zone—the blue zone—and is learning to act as a wise leader.

As he starts to lead with practical wisdom, Cook is now spending more time discussing strategy with investors, reaching out to developers, and focusing on top-line growth. In his first year as CEO, Apple's stock increased in value by 76 percent, and Apple became the most valuable company in the world. He provided great dividends to shareholders, supported philanthropic activities by matching employee contributions, and defended Apple's innovation lead by winning a patent infringement case against rival Samsung.³

Cook does not seem to be trying to emulate the agenda or style laid down by Jobs, whom he greatly admired. In other words, he *didn't trade his blue filters for Jobs's red filters*. In moving beyond the functional smart style more often than not, Cook wisely didn't switch to the style that Steve Jobs, a strong-willed and mercurial business smart leader, had operated from. In fact, many of Cook's recent decisions are contrary to what Jobs would have done, such as paying dividends and improving working conditions at Apple factories in China. We regard Cook's actions as more balanced and wiser than many of those Jobs took. He has broadened his perspective with practical wisdom and is evolving into a wise leader.

Gates and Cook alike consciously and gradually detached themselves from their particular type of smartness and discovered a larger sense of purpose. By changing their perspective, they gained wisdom, which provides an ethical compass. You don't have to be Gates or Cook to become aware of your filters and remove them and use wisdom as a compass to guide your leadership behavior. You can begin your journey from smart to wise leadership right now.

Evolving from Smart to Wise

Smartness is another word for *intelligence*, which means many things in both popular understanding and scholarly

circles.⁴ Our use of it here is closest to a definition from Robert Sternberg, a renowned contemporary scholar in the area of human intelligence who described “successful intelligence” as “one’s ability to attain one’s goals in life, given one’s sociocultural context, by adapting to, shaping, and selecting environments, through a balance of analytical, creative, and practical skills.”⁵ This is aligned with our own definition of *smart leadership* as a capacity that goes beyond simply being a smart or intelligent person to being a person who applies his or her smartness through action for moving forward for primarily personal growth and success.

It’s this quality—intelligence applied through action in the service of personal growth and success—that we divide into two main styles: business smartness and functional smartness, or in our shorthand, the red zone and the blue zone. Each represents significantly different intelligences, energies, and capabilities. Each of us is born without filters, but with innate tendencies and external conditioning, we tend to put on the red or blue filters that gradually color our perspective, and we soon forget that we have those filters on. This skewed perspective influences where we focus our own developmental efforts, and typically we end up cultivating exclusively either a blue or a red perspective.

As we grow older, we tend to lean on our particular area of strength, honing our capabilities in that area. As we do so, we become attached to that kind of intelligence, and without much conscious thought, we can get stuck there. Our strength becomes a winning formula, and we grow dependent on it, which eventually makes us weak and vulnerable in other areas. The type of smartness—functional or business—that we gravitate toward shapes our worldview and defines our personality. We can develop such an attachment to our kind of smartness that we see only negative aspects of the other kind of smartness without recognizing—or being willing to accept—the limitations of

our own kind of smartness. Yet our two definitions of smartness—functional and business—are actually complementary.

Functional smartness is grounded in issues that are concrete, tangible, and tactical, and when this becomes well developed, it leads to operational and execution smartness. Functional smartness also allows us to focus on developing strength in the domain that we are inherently good at—say, marketing or finance—without getting distracted by anything outside that domain. Functional smart leaders, at least those we have studied, are generally comfortable with details. They take on work with careful focus, and whatever they accept as work, they execute it effectively and deliver predictable, high-quality, and reliable results. Many of them are effective managers and maintain a healthy bottom line by pursuing operational efficiencies. Using a sports metaphor, functional smart leaders tend to play defense, protecting their turf against the competition. Not surprisingly, they are often risk averse, preferring to place safe bets when considering investing in new projects because their motivation stems from a basic need to be safe and secure. Being a functional smart leader offers many advantages and benefits because such a leader tends to be prudent and efficient. Over time, these leaders grow in their ability to apply their practical intelligence to bring success to themselves and their organization.

Business smart leaders, in contrast, are often driven by the desire to do bigger and better things and are not easily intimidated by risks. They tend to have a visionary perspective and are strategic in their approach as they focus on entrepreneurial growth opportunities more than bottom-line profitability.

Business smart leaders relish high-stakes games and sometimes have a winner-take-all mentality. They can be dynamic, proactive, and even aggressive in search of