

Leadership Principles and Purpose

Developing Leadership
Effectiveness and
Future-Focused Capability

David Sharpley

Leadership Principles and Purpose

This book provides a fresh perspective on leadership and the steps required to achieve high performance. It explores how we create purpose by moving from vision and values through principles to action. Effective leaders do not only support and develop people. They also develop systems (anchored in principles and procedures) that support future-focused capability. We all benefit from understanding the elements that contribute to exceptional leadership. Increasingly, we also need to appreciate the building blocks that link to Sound Third Generation Corporate Governance. Hence, the focus on *Environmental, Social Governance* (ESG) criteria. The book explains how principles shape competencies and build motivation and commitment. The insights also reveal the importance of *confirmed competence*. This enhances self-belief and increases personal confidence when faced with challenging situations. It adds to resilience. Building on principles helps clarify how energy is best directed to achieve high performance. This also ensures consistency of approach. Values need to be made explicit through principles, which support the design of systems and help shape the culture of the workplace. Principles have relevance for managers, team leaders and professionals who want to gain insight into how we enhance motivation and commitment at work. However, the information contained in this book goes further as it also raises self-awareness and encourages reflection on the broader issue of how people find meaning and purpose.



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Leadership Principles and Purpose

Developing Leadership Effectiveness
and Future-Focused Capability

David Sharpley
Principal Business Psychologist

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The book builds on insights from significant areas of research. Notably, **Self Determination Theory** reveals that everyone has an innate need for positive, trust-based *Relationships*. We also seek to develop the *Competence* that fuels meaningful activity and builds motivation. *Autonomy* adds to self-direction, responsibility and purpose. Underlying needs are also reflected in **Superordinate Principles** (*Super-Ps*) that support social cohesion and stability. These higher-order principles include our desire for justice, equality, compassion and accountability. Principles are closely aligned with ethical values, but expressed in the form of rules, protocols and norms. They serve to shape culture.

Mastery, I learned, was not something genetic, or for a lucky few. It is something we can all attain if we get rid of some misconceptions and gain clarity as to the required path.

Robert Greene – Author of *Mastery*
Interview with *Forbes* (2012)



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Preface: Future-Focused Leadership

Leadership must be viewed in context. Organisations deliver a product or service, whilst larger institutions may serve to maintain order, stability and social cohesion. Effective leaders work to enhance current performance, but they also create the conditions for future success. Contrast this mindset with that of administrators or specialists who operate within existing systems. They struggle to develop capability, especially the motivation and commitment that enables people to embrace change. There is talk of *Vision, Values and Mission*, but much less on *Principles* and *Competencies* central to excellence. Leaders need to ensure the transparency, capability, accountability and trust that helps build healthy organisations. This book explores essential steps.

In the past, the purpose of business corporations was quite simple. The focus was on maximising returns to shareholders and typically doing the minimum necessary to comply with legal requirements. This is *raw capitalism*, emphasising short-term returns, but also neglecting future capability. It helped fuel 'boom and bust' economics and still mesmerises those who fail to appreciate interdependencies. Financial performance is only one measure of success and always 'historical'. It reflects previous performance. However, current financial returns are no guarantee of future success. This prompted Kaplan and Norton to develop the *Balanced Scorecard* (1992), which reviews both *internal* and *external* performance criteria. The external focus asks: *How do customers see us?* (customer perspective) and *how do we look to shareholders?* (financial perspective). The internal focus asks: *What must we excel at?* (systems and operations) and *can we continue to improve and create value?* (innovation and learning perspective).

ESG takes this thinking to the next level. The external perspective now focuses on stakeholders (not just shareholders), and there is increased emphasis on creating ‘enabling conditions’ that support capability. Alan Jope, CEO of Unilever, stated in 2021: ‘*Without healthy societies we don’t have a healthy business*’. In effect, ESG represents *Third-Generation Corporate Governance* and requires a real grasp of interdependencies. ESG places increased emphasis on *how goals are achieved*. Leaders develop the capability and alignment that supports future progress. They build on vision and values, but also define the principles that guide actions. Principles provide a point of reference that supports purpose. They create consistency when responding to inevitable questions of *why? what? and how?* Explicit standards are important as they help safeguard values. They ensure effectiveness over time, encouraging transparency and accountability. In contrast, a task-focused and expedient mindset limits appreciation of issues, narrows our perspective and reduces consistency. In November 2021, UNESCO set out recommendations on the *Ethics of Artificial Intelligence*; it notes (p. 18, item 10), *...principles unpack the values underlying them more concretely so that the values can be more easily operationalized in policy statements and actions*.¹

Exceptional performance requires self-discipline, conviction and consistency of approach. Principles support continuity by defining professional standards. As the context changes, leaders must adapt, but also maintain focus on overall purpose. Most importantly, leaders also actively assimilate feedback to improve systems, enhance people’s motivation and take action to ensure well-being. However, there is an underlying problem, which is linked to human nature. Our responsiveness to feedback tends to decline over time. Success undermines humility. Politicians, for example, can start to believe they are special people.

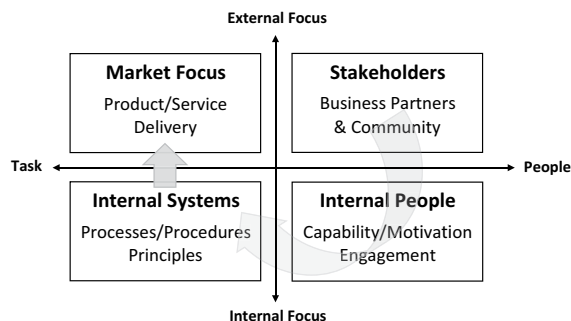
Context is always changing, but principles guide actions and serve to overcome resistance. We might, for example, note the rapid pace of technological change during the 19th century. In England, this prompted the 1870 *Elementary Education Act*, which was immediately opposed by traditionalists who warned of the dangers of a better educated labouring class, and libertarians who feared indoctrination by *The State*. The Church was worried by a perceived loss of influence. A lesson for aspiring leaders is that change prompts resistance and disagreement. Whilst some see opportunities, others perceive threats. We need time to adjust to change and some require more time than others. This can trigger polarisation. People move at different speeds, which causes an emotional reaction. The *First Rule* states: *As complexity increases, the process of engaging others becomes more challenging*.

Introducing new ‘points of reference’ contributes to disturbance. Many people want to stay secure on an old ‘three-legged stool’ that offers stability.

Human personality has changed little in 2,000 years. As a result, outdated assumptions and rigid thinking are ever present. The context changes, but mindset persists. Some who opposed the 1870 Education Act would also have lamented the end of public executions and the clear deterrence of being ‘hung, drawn and quartered’. The penal reforms occurred around the same time as the hesitant advances in education. History serves to remind us that, to some extent, we are all held captive by *patterns of thinking* that restrict our ability to see things clearly. Many leaders struggle to anticipate requirements or foresee the consequences of expedient action. This is not an inevitable process, but it is far more likely when *future-focused leadership* is lacking. ESG represents a force that drives transparency, consistency and high performance.

Ingrained patterns of thinking run deep. Economists and ‘Political Scientists’ [*sic*] still refer to *Bounded Rationality* in a misguided attempt to explain why people make sub-optimal decisions. It’s argued that these ‘errors’ are caused by complexity, time pressure or a lack of cognitive ability. Note that this concept is applied to both individuals and groups. However, the model neglects psychological processes that shape people’s perceptions, motivation and expectations. The value of outcomes is influenced by shared purpose, not simply self-interest. Contrast the dysfunctional outcomes associated with mediocre leaders and the results achieved by those who *develop enabling condition, maintain focus and create purpose*. Effective leaders apply principles, anticipate problems and enhance motivation linked to overall goals.

Building on the *Balanced Scorecard*, ESG helps us develop a broader perspective by clarifying both ‘what’ and ‘how’. The focus involves recognising internal and external considerations, which can be broadly grouped in terms of ‘task’ and ‘people’. Making progress may well involve overcoming old assumptions and restricted thinking.



The concept of *Bounded Rationality* is linked to *Legacy Thinking*. It's part of a reductionist mindset that sidesteps unfamiliar concepts. In reality, people are not simply motivated by self-interest. However, outdated concepts are attractive, offering simplistic validity, and they have a long history. *Phrenology*, for example, was widely accepted by professionals as a scientific process. Similarly, before we appreciated the role of viruses and bacteria in causing disease, *miasma* (bad air) was blamed for epidemics. Unfortunately, inadequate theory undermines insight. This results in outdated thinking, not least in our understanding of motivation, commitment and elements that contribute to innovation. Leaders who lack insight and overlook guiding principles are then left vulnerable to error.

Effective leaders work to ensure alignment of activities, the best use of resources and clarity on how to achieve excellence. This involves building relationships, developing capability and providing support. Leaders build trust through consistency, integrity and management of interdependencies. They create shared purpose. However, a shift of context can expose shortfalls. Politicians, for example, may pursue an ideology of *laissez-faire individualism*, but struggle to find solutions to 21st century challenges. Executives strive to balance short-term priorities with wider stakeholder expectations. These include issues relating to environment and sustainability.

The new standards, e.g. '*the polluter pays*', now shape corporate governance and require leaders to understand and manage the interdependencies that are critical to future outcomes. In 2022, the UK Financial Reporting Council (FRC) stated: *Companies should disclose the effects of their policies and procedures by highlighting the outcomes and impacts of their initiatives/actions and explaining how these relate to company purpose, strategy and values.*² In 2023, a *Business Green* article noted: '*dozens of companies and financial institutions have been singled out by the Science Based Targets initiative (SBTi) for failing to submit promised emissions targets for independent accreditation*'.³ Also in 2023, the UK government announced that those that pollute the environment will face unlimited penalties.

To ensure consistency of approach, values are best expressed through operational principles. This means that standards must be explicit, not least because the culture of the organisation is shaped by a shared understanding of what is expected. Principles define what we do and how it gets done. *Without leadership, people will 'continue to do what they do'*. This means, for example, that bureaucrats will create ever more 'red tape'. We hear of theatres issuing ill-considered 'trigger warnings', e.g. 'the play "Macbeth"

depicts violence'. This type of behaviour is irritating, not least because it conflicts with our core need for autonomy, i.e., self-direction, which supports healthy functioning. Rote-learned actions can threaten self-determination and prompt accusations of 'woke excess'. Leaders need to create appropriate terms of reference that safeguard purpose, respect core needs and eliminate problems created by bureaucratic diktat (or well-intentioned gestures that compromise professional impartiality and reputation).

Essential insights for leaders come from *Self-Determination Theory*. Meaningful activity, positive relationships and personal responsibility enhance our core need for relatedness, competence and autonomy. However, it's important to note that whilst good leaders appreciate individual strengths, they also prioritise alignment. Higher-order *Superordinate Principles (Super-Ps)* add legitimacy to leadership action. Principles create the foundation for transparency, accountability and agreement. Principles also help prevent development of a dysfunctional work culture. Without guiding principles we should expect naivety, impulse and reaction.

Expressing values through principles and *explicit standards* serves to protect intangible assets, e.g. a positive corporate culture, and also enhance *Business Intelligence Systems* that safeguard the health of the organisation. In the context of ESG, sound metrics provide the foundation for feedback and development. Advanced team-focused surveys, for example, highlight variations across groups and departments. They help identify *cohesive factors*, not isolated questions. Note that active monitoring is particularly important for '*values focused*' and Third Sector organisations. Values should be clarified by leaders and not left vulnerable to the opinion of individuals. Unfortunately, if left unchecked, some people seek to elevate their self-regard by criticising others and pursuing *virtue signalling*. This then undermines efforts to develop an inclusive, enabling culture. We also find that some leaders, notably from technical backgrounds, struggle with empathy and abstraction. They can gain significant benefit from clearly stated guiding principles. This helps create a healthy workplace with strong ethical foundations. Neuro-diverse team leaders, for example, may need additional training to meet role requirements.

The responsibilities of management and team leadership roles include developing positive, trust-based relationships and ensuring constructive engagement with colleagues. Operational leadership builds on trust and responsiveness to a shifting context. This requires awareness of TEAM health, which builds on *Trust, Energy, Action and Motivation*. Our studies

suggest that important ‘inputs’ include *Leadership Style, Positive Team Ethos, Support for Personal Development, Role Clarity, Progress and Purpose*. The inputs or ‘drivers’ affect outcomes, notably Motivation and Commitment. These are described by Human Resource (HR) managers, sometimes rather vaguely, in terms of ‘*Employee Engagement*’.

The key drivers enhance engagement and help organisations retain talented people. This becomes increasingly important in high-skill work environments. A leading consultancy firm (McKinsey) has stated that organisations must focus on ‘*a holistic employee experience that puts equal emphasis on growth, engagement, and well-being*’ (Money Can’t Buy Employee’s Loyalty: March 28, 2022). Effective leaders consciously create the conditions that link to future success. They understand, for example, that the principle of *Equality* can be operationalised through action that supports *Diversity* and *Inclusion*. Note that these elements, and also initiatives to promote *Equity*, follow on from the higher-order principle of *Equality*.

We may find that well-intentioned, but confusing, HR references to ‘DEI’ may not grasp that the primary element is the *Superordinate Principle* (Equality). In the UK, this is anchored in the Equality Act (2010). It’s an important distinction, not least because research suggests that people apply *Super-Ps* in their reasoning.⁴ *Superordinate Principles* prompt strong emotion when threatened by subjective opinion or actions that undermine what is regarded as ‘fair and reasonable’. *Super-Ps* are also closely aligned with *Overarching Principles* (OPs) that take account of context. For example, under English law, *Sentencing Council Guidelines* define specific conditions, so the *Super-P* (e.g. Social Justice) is linked to the OP of ‘*Proportionality*’. This requires the judge to consider *the seriousness of the offense and the culpability of the offender*. More broadly, OPs are perhaps more accurately described as ‘Intermediate Principles’ best viewed as the expression of *Super-Ps*.

Initiatives intended to promote ‘*Equity*’ should be anchored in the *Super-P (Equality)*. Equality is a non-negotiable precondition; equity is a desirable outcome that requires a binding foundation. Everyone gains from insights that support personal development, professionalism, shared purpose and well-being. Intermediate Principles have operational relevance when they enhance consistency, fairness and development of talent. When done correctly, *Equality, Diversity and Inclusion* (EDI) helps improve an organisation’s performance and future capability.

In the US, academics, sociologists and politicians have, in many instances, focused on ‘equity’ rather than ‘equality’. However, it’s evident

that strategy and ESG should build on *Super-Ps*, which start with equality, accountability and sustainability. We note that EDI (as defined in this book) helps build trust and reputation, shapes competencies and contributes to commitment. Positive initiatives help support exceptional outcomes. Leaders develop capability and create enabling conditions. In the UK, the FRC guide, *Creating Positive Culture* (2022), discusses issues relating to EDI⁵ (the letter ‘E’ refers to ‘Equality’). Further consultation by the FRC in 2023 suggests: ‘...companies should, when reporting on their governance activity, focus on activities and outcomes to demonstrate the impact of governance practices’.⁶ The FRC also note that ‘reporting has been lacking in this respect’.

Super-Ps help politicians deal with contentious issues, including development and implementation of immigration policy. People expect fairness, balancing the *Competing Virtues* of Justice and Compassion (Mercy). Explicit standards should reflect guiding principles, expressed through effective operational systems. Competency in *delivery of outcomes* contributes to collective purpose and supports social cohesion. This is central to leadership and enhances decision-making. The context changes, but principles continue. The *Super-Ps* relating to Freedom and Self-Determination, for example when applied to the Ukraine War, could be evaluated in the context of *Cultural Genocide*. This would have influenced the US decision in 2023 to supply Ukraine with Cluster Munitions. Although this goes against the UN Convention that prohibits the production or use of the weapon, the OP of *Proportionality* served to justify the decision, given that (1) the US, Ukraine and Russia were not signatories to the UN agreement, (2) the context is defensive, specific and within Ukraine’s territory, and (3) the threat, to Ukraine’s survival as a nation (and ability to maintain its own language and laws), was viewed as ‘severe’.

To see things clearly, it’s important to let go of old ideas. Traditional philosophy, for example, is riddled with inconsistencies arising from a failure to appreciate *Self-Determination Theory* and the critical role of *Super-Ps* in shaping social identity, collective interest and shared purpose. Between the individual and the state is the community, with social norms and expectations backed by guiding principles. People are naturally ‘purpose seekers’, capable of self-direction – and well-adjusted individuals will pursue meaningful activity that satisfies their core need for relatedness, competence and autonomy. Nineteenth-century philosophy has no grasp of modern psychology and insights from neuroscience. The need for power, for example, is not a primary factor. It’s an acquired secondary need, shaped by environment, and largely directed through socially acceptable,

constructive activity. Effective leaders may have ‘sheepdog genes’, i.e., they ‘round-up’ people and set direction, but those biting ankles are likely to be replaced. That said, Australian cattle dogs have a more forceful approach, but operate in a different context!

Leadership theory has evolved in the 21st century, but outdated assumptions still linger. To take one small example, many workplace surveys still refer to the concept of *Job Satisfaction*. However, this is not a good indicator of engagement, which builds on *Motivation* (discretionary effort) and *Commitment* (identification).⁷ We are reminded that we need robust models to help make sense of complex problems. At the same time, investors and stakeholders are now more aware of intangible assets, including the impact of corporate culture, the value of positive ESG metrics and standards linked to ISO accreditation. The International Organisation for Standardisation (ISO) is an independent, non-governmental international organisation. It encourages shared standards in a complex, interdependent world. This perspective can be contrasted with the rhetoric of volatile, transient politicians who rely on emotive calls for ‘freedom’ but fail to grasp interdependencies and standards that protect people’s well-being (and the quality of outcomes). Increasingly, leadership requires an understanding of core principles, and the insight that helps deliver exceptional results. There is also an urgent need to apply guiding principles to the development and operation of AI.

Future-Focused AI: Critical Principles

Failing to operationalize data and AI ethics leads to wasted resources, inefficiencies in product development and deployment, and even an inability to use data to train AI models at all. For example, Amazon engineers reportedly spent years working on AI hiring software, but eventually scrapped the program because they couldn’t figure out how to create a model that doesn’t systematically discriminate against women.

**– A Practical Guide to Building Ethical AI
Harvard Business Review, 15 October 2020**

This book identifies important elements that impact on leadership effectiveness and the issues that affect outcomes. Part II links to the Pario Leadership Course, with the option to complete the online work preference questionnaire. Details are available at Pario360.com. Part III of the book summarises ChatGPT insights. This is a conversation you may wish to continue.

About the Author

With a professional background in Organisational Psychology, **David Sharpley** specialises in leadership development and how leaders create enabling conditions that support motivation, well-being and high performance. He has worked with many large companies, charities and the health sector in the UK and run competency and leadership training events in the Middle East and Southeast Asia. He has also worked as a visiting lecturer at Warwick University, focusing on *Organizations, People and Performance*. His wider experience includes facilitating impact investment in Ghana, most notably the Blue Skies venture (1997). This provided the start point for the development of a multinational group.

David has completed research relating to leadership assessment methods,⁸ the impact of assessment methods,⁹ and the significance of higher-order principles that enhance meaning and purpose.¹⁰ He has highlighted how *Superordinate Principles* help resolve complex problems and contribute to solution-focused interventions. David has also developed the Pario online resources, used by organisations to support training and development. The tools include the TEAM Index (employee engagement survey) and tailored 360-degree feedback. The work-preference report features in the case study in Part II.

Qualifications & Accreditation

Chartered Organisational Psychologist (UK Registered)
AFBPS (Associate Fellow of the British Psychological Society)
MSc Organisational Psychology (Manchester Business School)
Certified Principal Business Psychologist - Association for Business Psychology (UK)

Introduction

Stories about *Great Leaders* go back centuries but are often blurred by myth and legend. Move forward to the present and we face complex interdependencies, uncertainty and the need to create shared purpose. Leaders also need to overcome *legacy thinking* that contributes to outdated assumptions and a restricted mindset. The disruptive '*tripwires*' are barely visible, but it becomes vital to recognise them. In wider society, there are also new expectations relating to integrity, authenticity and corporate governance. These serve to raise the standards expected of leaders, but also wider considerations relating to professional behaviour.

Potential *tripwires* that could reduce your effectiveness include the following:

- Assuming that others share your viewpoint
- Lacking conviction when faced with challenges
- Moving to action before fully exploring options
- Neglecting the consultation that helps engage others
- Failing to anticipate people's expectations and response

Failure to understand other people and show empathy contributes to executive derailment. This has its roots in relationship problems. *When relationships are strong, people will forgive mistakes. But when relationships erode, tolerance disappears, and mistakes will get a manager fired.*¹¹ To achieve positive change, you need insight into how your analysis, mindset and approach affects other people's motivation, performance and well-being. There are also underlying principles, the *Super-Ps*, that serve to translate a leader's vision and values into operational standards. They underpin the new thinking. Principles help clarify the competencies that describe *how* activities are conducted. They help us to achieve superior outcomes.

Leaders ensure that the *Rules of the Game* are clearly understood. When principles are poorly defined, communication is weakened and problems emerge, most notably in a dysfunctional work culture.

In organisations, principles help define how vision and values are expressed. They support *cascaded leadership* by ensuring consistency of approach. The themes are also articulated in the competencies linked to roles and responsibilities. Clear principles help ensure transparency and accountability. They shape the culture, and should also underpin the initial assessment of people seeking to join an organisation. In a broader context, the themes linked to *Super-Ps* are also seen in the ‘triple bottom line’ (TBL) criteria that underpin impact investment. They influence *Environmental, Social Governance* (ESG) and shape expectations of fairness and sustainability. Positive outcomes often require collaboration with stakeholders. Principles are also expressed through legislation designed to safeguard employees, the wider community and the environment. *Super-Ps* protect reputation and help secure the investment that supports future development.

Important themes for those in leadership positions include the following:

- Creating Purpose (e.g. through vision, role clarity and meaningful activity)
- Developing Systems that ensure fairness and consistency, and that mitigate risk
- Pursuing Actions that support integrity, safeguard values and enhance alignment
- Building Trust (e.g. positive relationships, honesty and integrity)
- Enhancing Motivation (e.g. through *autonomy supportive leadership*)
- Developing Capability (e.g. coaching and resources to meet challenging goals)
- Ensuring Responsiveness (to people and a changing context)
- Authenticity (e.g. identification and personal conviction: *why, what and how*)

Effective leaders are both reflective and ‘action orientated’. They are proactive in their approach and aware of wider issues, including themes of dignity, compassion, well-being and how best to manage change.

Future-focused leadership requires an appreciation of the elements that deliver results, including the systems that ensure consistency, transparency and accountability. Effective leaders also help others develop awareness and

insight, clarifying issues relating to role and context. They provide the support and development opportunities that increase engagement.

Insight requires feedback that clarifies issues affecting motivation and commitment. People experience disaffection when relationships become transactional, and there is a loss of purpose. Ongoing feedback helps reveal problems and enables team leaders to self-manage. The insights will confirm, for example, that team members value opportunities for self-directed activity and personal development. The expectations go beyond old notions of ‘*Reward and Recognition*’.

Most importantly, we all need to develop *confirmed competence* that contributes to our self-belief and resilience. Effective leaders support the process by building confidence and capability. They also build personal networks and positive relationships that offer important sources of support. Meta-analysis of research evidence shows that four external elements, *organisational climate, organisational justice, leader–member exchange and authentic leadership*, contribute to people’s Psychological Capital (*PsyCap*).¹² The term *PsyCap* refers to the inner resources, developed over time, which increase resilience when we experience problems and setbacks.

With complexity, leaders must understand interdependencies and how these affect outcomes, but the challenge is to appreciate all the steps in the process. *Horizon Scanning* that focuses only on technological change does not equate to foresight. We need awareness of our own thinking and insight relating to wider issues. Elements that complicate outcomes include inadequate systems, conflicting goals, confusing role demands and other people’s (misplaced) expectations. Attributes contributing to exceptional performance include clear analysis, positive influence and positive purpose. However, we also need the resilience required to deliver results. Leaders display these qualities, but they also help develop capability in other people. And it’s never sufficient to simply focus on the task, i.e., specific goals and objectives. Leaders also consider *how* activities are undertaken. The broad vision and underlying values are expressed through *core principles* that define how things get done. These insights also help define competencies.

Note that the term ‘*Competence*’ defines the skills and knowledge needed to perform a task. However, *Competencies* involve personal attributes and an approach that leads to effective or exceptional performance. Competencies relate to ‘*characteristics that are causally related to effective and/or superior performance*’.¹³ Unlike personality traits, which are largely fixed, competencies can be developed through awareness and insight. A shift of mindset, for example, can enhance conviction and contribute to a new pattern of behaviour. The script has changed.

Elements of Exceptional Performance

Organisations seek to align activities, ensure effective use of resources and create a culture that contributes to high performance. The process is supported by *Super-Ps* that enable leaders to develop a strategic perspective that links vision and values through principles and competencies. The principles serve to shape an organisation's culture and help create an 'enabling environment'. They make values explicit, so they are linked to operational standards and provide the foundation for future success. However, when guiding principles are neglected, organisations start to lose focus, values are compromised and reputation is damaged. Problems frequently emerge when leaders lack the insight needed to respond to a changing context. Traditional thinking tends to be reactive and overlooks important interdependencies and expectations. We can miss changes that shape the *Rules of the Game*. Higher-order principles always underpin effective, sustainable action.

Insight builds on sound theory coupled with practical experience, but there's also a willingness to question traditional thinking. My own experience includes senior management development initiatives in large organisations, including BT, the NHS, UK banks and the Third Sector. We find that some leaders suffer an *excess of democracy*, e.g. endless meetings and discussion, but fail to show personal conviction, define constraints or create effective systems. There is no 'compelling vision'. In contrast, others are too directive, close down options and do little to encourage initiative and innovation. A good balance supports sound analysis and helps build trust. Unfortunately, we still find managers locked into 20th century thinking. In commercial organisations, too many repeat the old mantra '*our only responsibility is to shareholders*'. There is little reflection on the critical distinction between short-term profit and long-term success. Elsewhere we find careless complacency and a failure of conviction. Some may occupy a leadership role but fail to appreciate guiding principles or manage people's expectations. They neglect the 'action steps' that facilitate shared purpose and help build future effectiveness.

Leadership differs from management in its scope. It inevitably requires *Future-Focus* and insight relating to interdependencies and the ability to achieve positive change. This creates an emotional dimension that addresses the well-being, motivation and performance of others. However, the role will also place psychological demands on the leader. They arise from the personal responsibility that comes with the role – and the self-belief required to handle setbacks and adversity. There will be situations when

resources are inadequate and support is lacking. As Harry S. Truman said, ‘the buck stops here’. There is an *existential dimension*, so leaders need to develop the *PsyCap* to handle setbacks, disappointment and lack of support. Effective leaders also take steps to develop other people’s resilience, which starts with trust and meaningful involvement in purposeful activity. However, if we look more closely at *Situational Judgement*, we find that many aspiring leaders fail to grasp key priorities and may not appreciate the implications of actions. Their thinking is restricted. Guiding principles help establish a wider frame of reference that confirms how activities are conducted. They also serve to remind us of the need for transparency and fairness – and the leader’s responsibility to overcome the dysfunctional behaviour that undermines high performance.

There are consequences when leaders lack insight and neglect *Super-Ps*. Clear standards are particularly important when organisations carry political, religious or legal responsibilities. In the UK, for example, we might note that in June 2021 an independent panel reported on the 1987 murder of Daniel Morgan in Sydenham, London, and the role of the Metropolitan Police. The Chair of the Independent Panel concluded: ‘...*concealing or denying failings, for the sake of the organisation’s public image, is dishonesty on the part of the organisation for reputational benefit and constitutes a form of institutional corruption*’. This is a deep-rooted problem in many organisations. We need to shift traditional culture, so new standards are both explicit and backed by robust systems. Effective selection processes also help block entry by dysfunctional people, and robust 360-degree feedback encourages accountability.

In a challenging world, issues relating to *mindset*, *principles* and *professional competencies* become central to exceptional performance. Organisations create a *vision* based on values and direction, which can be expressed in *principles* linked to the *mission statement*. Toyota’s global corporate principles include the following: ‘*Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities*’. We might note that *Super-Ps* guide *Superordinate Goals*. They establish boundaries that contribute to strategic alignment, but also support integrity and authentic leadership.

In the 2020s, expectations of *corporate governance* are changing. Look at Unilever, a global business that is aware of principles guiding the business.¹⁴ These are shaped by values, set boundaries and clarify how activities are conducted. By 2030, the company will require all suppliers to pay a living wage above the legal minimum wage. Alan Jope (CEO) stated:

...Unilever is well-recognised for the work we've done over the years on sustainability, and (in 2020) we took a number of important steps to regenerate and improve the health of the planet... so things like climate action, regenerating nature, working on waste and plastic waste... and today we're sharing our plans to be a positive force in the world, in tackling this persistent and worsening issue of social inequality. Without healthy societies we don't have a healthy business.

(BBC Radio 4 'Today'-21 January 2021)

Jope stated that *customers want to buy products with good credentials, and that this desire has only increased during the (Covid) pandemic*. The BBC noted that the next consumer battlegrounds might not be *price, convenience or range of product*, but *environmental and social considerations*. They say: *Unilever wants to get ahead of that trend and plans to do well, by doing good*.¹⁵ Other companies, such as Netflix, may play down the significance of 'rules', but it then becomes even more important to ensure that the culture is guided by principles. *They ensure the standards and consistency that protects the Brand*.

Systems are required to safeguard employee safety and well-being, and also to prevent potential problems. These issues include 'banter' (aggressive humour) and sexual harassment. Senior-level leaders should anticipate worse-case scenarios and ensure that systems are designed and updated to counter the threat. There are already legal obligations concerning data privacy, financial reporting and responsiveness to stakeholder interests. They require a future-focused mindset. Leaders at all levels need to understand the *Rules of the Game* expressed through the principles that guide effective action. The philosopher John Rawls introduced a thought experiment, *The Original Position*, also called the *Veil of Ignorance*. This asks us to assume that we do not know our gender, status, race or position in society. In this situation, what principles should be established to ensure solidarity? What would you expect? In an organisation, leaders must identify the *Super-Ps* that shape the culture and contribute to an *Enabling Environment*.

Warren Buffett once said, '*You never know who's swimming naked until the tide goes out*'. Think of this in terms of leadership and we see the need for principles, resourcefulness and resilience. It also becomes apparent that old 20th century ideas relating to *Charisma* and a *Compelling Vision* were never enough to make a leader. Significant qualities include the ability to anticipate problems, overcome setbacks and create shared purpose. Faced

with challenging *Job Demands*, we need the *Resources* to maintain focus and support our well-being. Effective leaders create trust, encourage initiative, build motivation and support personal development. In contrast, inadequate leaders drain people's energy, create pressure and contribute to disaffection.

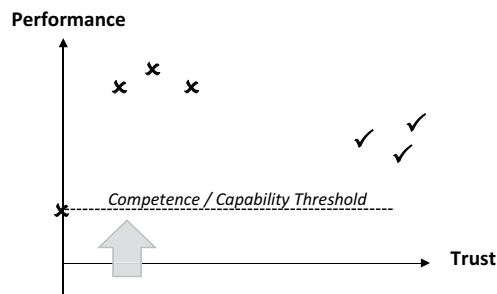
Rapid change and unpredictable events demand *Agile Leaders*.

Organisations need people who explore options, improve systems and find innovative solutions. These are the leaders who create enabling conditions with a supportive, purpose-focused culture. Flexibility of response is also linked to commitment to high professional and ethical standards. Actions are more often guided by *Super-Ps*. The wider focus matches the TBL criteria of '*people, profit (prosperity) and planet*'. The rules involve social responsibility and sustainability as well as sound judgement relating to financial performance and business criteria. ESG is at the heart of the new thinking. KPMG make the point: *Businesses not taking ESG seriously are beginning to lose customers, employees and financing; eventually they will become unviable* (ESG Introductory Guide – 2020/08).

The new perspective emphasises a stakeholder model, rather than one based purely on the interests of shareholders. We are reminded that 'lag indicators', such as financial results, are the consequence of *what has gone before*. They do not guarantee future success. We also know that dysfunctional leadership and poor decision-making can quickly lead to corporate failure. Remember Enron, Lehman Brothers and RBS? There's also the damaging legacy of neoliberal economic theorists who failed to deliver a sustainable future. It becomes increasingly important to understand the qualities that contribute to long-term success. These include an understanding not only of *Superordinate Goals* but also of the *Super-Ps* that guide actions.

Awareness requires the ability to see things clearly and recognise options and possibilities. This also helps improve self-management. Future-focused leaders develop competencies in three broad areas. These include (i) analysing requirements and setting clear direction, (ii) enhancing people's capability, building working relationships and going beyond the immediate team, and (iii) having the drive, initiative and resilience to resolve problems and maintain focus. *Competencies* describe the *insights, approach and personal strengths* of superior, '*Star Performers*'. The attributes go beyond basic skills (competence) and qualifications – of *what is required* to be 'acceptable'. We can therefore differentiate *Competence* (threshold standards) and *Competencies* that describe *how* people achieve superior performance in a particular role.

We find that *Star Performers* are more responsive to *shifts of context* and adapt more readily to unexpected demands. Over time, effective leaders develop an *internalised gyroscope* anchored in values and principles that shape action, mission and purpose. These *guiding principles* go beyond self-interest and self-referenced thinking. They are now the new currency shaping the *Rules of the Game*. Unfortunately, previous ventures, including the UK *Management Charter Initiative* (1988) have conflated *competence* and *competency*. The confusion arises when we apply *Functional Reductionism*, which breaks things down into pieces, but overlooks *how* we go about the process, e.g. shaping culture, and achieving integrity, authenticity and trust.¹⁶



*A high level of trust is viewed as more important than a leader's technical capability and (skills) ...
Performance needs to be backed by attributes that support integrity, authenticity... and trust.*

Trust-based relationships shape the culture. Explicit standards create boundaries for action and help protect reputation. When this insight is lacking, problems follow. For example, in July 2023, Alison Rose (then CEO of NatWest bank) had to resign '*after leaking information to the BBC about ex-UKIP leader Nigel Farage*'. This outcome was inevitable after the government raised '*significant concerns*'.¹⁷ To put this in context, the government had to rescue RBS/NatWest after the 2008 crash and still owned 38.6% of the bank (July 2023). The episode raised wider questions about the right of banks to close accounts because the Board disagreed with a client's (legally held) political views. The events may well represent the final chapter in the RBS saga. The incident also illustrates why we need explicit principles that inform behaviour.

Issues linked to operational effectiveness, and how we achieve positive outcomes, are discussed further in *7 Principles for Exceptional Performance*. These are summarised as follows:

The First Principle: Direct the Compass

The first principle involves fundamental questions of *why*, *what* and *how*. It requires reflection on purpose, values and future direction. This clarity enhances personal conviction, integrity and authenticity. It helps build trust. This type of 'First Principle' thinking is the starting point for shared purpose and exceptional performance. Effective leaders will question assumptions, define boundaries and take action to shape the culture.

The Second Principle: Be Positive and Proactive

The second principle focuses on adopting a positive mindset and a proactive approach. This involves taking the initiative and also recognising issues that affect progress. Understanding the context opens up possibilities to increase effectiveness, but we must also take care to avoid the danger of hubris and self-deception.

The Third Principle: Find Passion and Purpose

Leaders understand the elements that shape motivation – and the steps required to achieve positive outcomes. Overcoming limitations in thinking helps clarify priorities. We can take steps to strengthen our sense of purpose, finding opportunities that contribute to a sense of engagement in meaningful activity.

The Fourth Principle: Take Effective Action

The fourth principle involves awareness of context and application of the competencies, backed by underlying strengths, that contribute to superior performance. Competencies describe important aspects of mindset, values, behaviour and responsiveness to demands. Building on *Purposeful Conversations* and feedback contributes to insight, helps achieve positive change and supports personal development.

The Fifth Principle: Resolve Issues

The fifth principle involves action to *fix problems* linked to dysfunctional behaviour. It's not enough to be positive. Leaders need to ensure clarity

and accountability. Some people lack self-awareness and clear *professional focus*. Self-referenced thinking undermines team performance and hinders future progress.

The Sixth Principle: Develop Resilience

Resilience is needed to deal with work demands, setbacks and disappointments. We need to create the personal resources, the *PsyCap* linked to *hope, efficacy (self-belief), resourcefulness and optimism* (HERO) and *Purpose, Optimism, Will-power, Emotional Stability, and Resourcefulness* (POWER).

The Seventh Principle: Create Enabling Conditions

The seventh principle relates to *enabling conditions* that enhance well-being and high performance. Successful organisations develop an environment that enhances future growth. Contrast this with negative conditions that damage people's health and stifle innovation.

The *7 Principles* offer insight into various themes affecting mindset, response and effectiveness. They also help contrast a reductionist approach with a future-focused perspective. Principles provide the foundation for integrity and authenticity. The themes also resonate with the findings of the GLOBE leadership study (of over 17,000 managers in 62 countries). This found that effective leaders pursue high-performance outcomes and also work to inspire and motivate others. The operational principles relate to a team-orientated, participative, supportive style. Research also shows that *autonomy supportive leadership* increases people's motivation and contributes to long-term success.

The insights suggest that impact investing might well add '*Purpose*' to the 3P model of *People, Profit and Planet*. It becomes clear that *purpose, progress and support* encourage *discretionary effort*, initiative and problem-solving. The GLOBE study confirms that performance is improved by leaders adopting a supportive, consultative style (backed by consistently high standards) and a clear focus on achieving results. We need professionalism and purpose to achieve significant progress. Future-focused leaders ensure that the activities of individuals and teams are aligned with overall objectives. *Shared Purpose* and collective interest (directed towards significant outcomes) provide the basis for building motivation and encouraging initiative. Acquiring greater insight helps leaders develop important competencies, both in themselves and in other people.

Back in the 20th century, theories of leadership focused on the personal traits of the leader. Aspects of outgoing, positive behaviour are clearly important, but leadership needs to be viewed in context. Faced with the increasing complexity of the 21st century, leaders need to do more than ‘*overcome people’s self-interest*’ or seek to ‘*energise*’ (passive) ‘*followers*’. These are old, outdated ideas. Leaders now need to grasp context, understand *Super-Ps* and create enabling conditions.

Context can sometimes be viewed as a continuum. This moves from clearly defined activities (and a situation of consensus) to one of uncertainty and discord. In many situations, leaders also need to be aware of both the immediate task and wider *Superordinate Goals*. Alignment involves ensuring that team activities resonate with wider objectives. However, leaders are also responsible for establishing the *Super-Ps* that shape the work climate and culture. In business, politics and everyday life, it is not sufficient for leaders to simply focus on goals; they must also create an expectation relating to how things are done. This means that values must be expressed through principles that are anchored in explicit standards that serve to regulate behaviour.

Feedback systems ensure transparency and contribute to a culture of accountability. Research shows that ‘*people are better at selecting and coding information than they are at integrating it... the evidence shows that rules and principles can improve decision-making*’.¹⁸ The line of sight that runs from *Vision and Values* to *Principles and Competencies* should be clear. However, it is easily obscured when there is little appreciation of issues affecting people’s underlying needs and expectations. At work, guiding principles provide the link to the systems and the competencies required for exceptional performance. These start with our underlying need for *Relatedness, Competence and Autonomy*. This means that people are motivated to seek (i) trust-based, supportive relationships, (ii) the competence to make a meaningful contribution, which is then coupled with (iii) the opportunity for self-directed activity and responsibility. The underlying sequence helps build *confirmed competence*. Over time, the process contributes to development of self-belief and personal resilience.

Super-Ps reflect core needs and underlying values. Faith leaders, for example, refer to the *dignity of the individual*. There are also professional and legal obligations that create a *duty of care*. From a leadership perspective, it’s important to understand the links between principles, obligations and goals. *Strategic Alignment* builds on this insight, with guiding principles helping confirm the rationale for action. Effective leaders consider context, resources and constraints, and how these influence priorities and objectives.

The process becomes more difficult when people are faced with challenging scenarios. We need to remove old assumptions and shift mindset. Leaders strive to grasp context, assess demands and review options. The professional obligation is to pursue standards of excellence, not to engage in cover-up or attempt ‘protect our own’ (dysfunctional staff), which has been a problem in public-facing organisations.

Super-Ps clarify standards, interdependencies and overall purpose. Maintaining effectiveness when faced with demanding and unfamiliar situations always requires cognitive flexibility. Our thinking and assumptions must adapt quickly to the next inevitable shift of context. With this in mind, Part I of the book focuses on *Leadership Insights* and how we might learn to *see* things more clearly. This goes beyond ‘self-awareness’ and requires real insight. Part II then builds on development modules. These also offer individually tailored content, linked to completion of the Pario work preference questionnaire. This helps clarify elements that can affect competencies. Part III focuses on insights from ChatGPT, with summaries of several important concepts. The following examples, also from ChatGPT, suggest ways we can link principles and competencies:

1. **Enhancing Diversity and Inclusion**

- **Superordinate Principle:** Equality and Respect for Diversity
- **Intermediate Principles:** Developing a diverse and inclusive workplace, providing equal opportunities for all, addressing any barriers that may prevent inclusion
- **Competencies:** Cultural competency, understanding of implicit bias and how to address it, effective communication skills

By adopting *Super-Ps* of equality and respect for diversity, organisations can develop Intermediate Principles that promote diversity and inclusion, such as developing diverse hiring practices, providing equal opportunities for all and addressing any barriers that may prevent inclusion. Developing competencies such as cultural competency, understanding of implicit bias and effective communication skills can help employees to implement these principles effectively and create a more inclusive workplace.

2. **Sustainable Practices**

- **Superordinate Principle:** Responsibility towards the environment
- **Intermediate Principles:** Reducing carbon footprint, using sustainable materials, promoting environmental conservation, developing sustainable business practices