

Transpersonal Leadership Series: *White Paper Ten*

# The Relationship Between Leadership and Productivity Beyond Rational Solutions

JOHN KNIGHTS



## Transpersonal Leadership

Routledge and LeaderShape Global in partnership are pleased to be continuing a series of White Papers around the subject of Transpersonal Leadership, all connected to the book entitled “Leading Beyond The Ego: How to Become a Transpersonal Leader” (Knights et al, 2018) which was published in March 2018.

So what is Transpersonal Leadership? The concept was first published in a report on tomorrow’s leadership based on a leadership development journey developed by LeaderShape (Knights, 2011). It was based on the personal experience of successful senior leaders, augmented with the needs of the 21<sup>st</sup> century utilizing neuroscience as well as emotional and spiritual intelligence. The word “transpersonal” was inspired by the use of the word in “transpersonal psychology” (Bynum, 2010). “Transpersonal” is defined as “Extending or going beyond the personal or individual, beyond the usual limits of ego and personality”.

The complete definition of a **Transpersonal Leader** is:

*They operate beyond the ego while continuing personal development and learning.*

*They are radical, ethical, and authentic while emotionally intelligent and caring.*

*They are able to:*

- *embed authentic, ethical and emotionally intelligent behaviours into the DNA of the organisation*
- *build strong, collaborative relationships, and*
- *create a Performance Enhancing Culture that is Ethical, Caring and Sustainable*



**LeaderShape Global** is a UK headquartered organisation with a global culture that operates without borders. It exists to develop people around the world who can lead beyond their ego to be radical, ethical and authentic, i.e. Transpersonal Leaders. It delivers programmes directly to clients around the world through its own faculty and partners, as well as training independent coaches to become accredited Transpersonal Leadership Coaches. LeaderShape also works with Universities and Business Schools to enable them to provide entire degree level and post-graduate programme or individual modules or courses in Transpersonal Leadership. Its methodology of delivery is based on work-based learning, interactive facilitation, blended with online content and web-based tools. [www.leadershapeglobal.com](http://www.leadershapeglobal.com)

You can get involved in developing the conversation around Transpersonal Leadership by joining the LinkedIn Group “Transpersonal Leadership – Leading beyond the Ego” at [www.linkedin.com/groups/8257117](https://www.linkedin.com/groups/8257117)

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# The Relationship Between Leadership and Productivity

## Beyond Rational Solutions

By John Knights

**This is our 10<sup>th</sup> White Paper, entitled 'The Relationship between Leadership & Productivity: Beyond Rational Solutions' written by John Knights.**

This paper, which demonstrates that improving productivity is not only about new technology, capital investment, improving processes and cutting costs but about people, follows nine white papers on the following topics which can be accessed collectively at [www.routledge.com/posts/9952](http://www.routledge.com/posts/9952):

- Ethical Leadership: How to Develop Ethical Leaders
- Women, Naturally Better Leaders for the 21<sup>st</sup> Century
- Sustainable Leadership: Rewire Your Brain for Sustainable Success
- Leading Across Cultures: Developing Leaders for Global Organisations
- Leadership in India: A Need to Keep Pace with India's Growth Story?
- Leadership in China: Harnessing Chinese Wisdom for Global Leadership?
- Adult Development: its Role in the Leadership Journey
- Digital Transformation: Creating a Digital-first Culture through Transpersonal Leadership
- Politics Beyond the Ego: Ethical Political Leadership for the 21st Century

## Summary

Despite all the technical innovation over the past 25 years or so, productivity growth is very sluggish not only amongst the major economies but also on a global basis. (OECD, 2019) (Economist, 2017). We can assume this is generally true despite the difficulty of measuring productivity accurately.

Much is written about productivity, mainly by economists, financial analysts and accountants who are all notorious for explaining the past but less successful in forecasting the future. This may at least partly be because they tend to work in the rational / logic zone of intelligence and as such have difficulty taking the human factor into account, not to mention the impact of nature and other unforeseeable events. This means that how people feel and behave are not usually taken into the equation, and nor is ethics! It is a well-known phenomenon that if a sports team does well, the productivity of the supporters in their work place goes up (Kapurhala, 2018). People have the same "feel good" factor if they are engaged and share the purpose of the organisation they work for. This general principle of humanity is almost always absent in discussions about productivity. New sub-disciplines of behavioural and neuro-economics which require operating in the emotional and value

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based (spiritual) intelligence areas do exist, but they are still in their infancy and at the moment have little impact on how most economists view the world.

In essence measuring productivity is easy to define; it is the ratio of output over input or the value add of outputs minus inputs. But how we accurately measure inputs and outputs is much more complicated and varies from country to country, industry to industry and business to business. Productivity comparisons between countries are often cited to demonstrate the effectiveness of their economies even though increasingly how productivity is measured is in question. For manufactured goods it is often about the formulae used to determine the number of hours worked which varies from country to country. For services, the calculation is even more difficult because outputs are more abstract and difficult to measure.

Productivity experts often discuss labour, organisational, investment, education and infrastructure factors as the source of higher or lower productivity. Poor trade or business skills, high employment and low interest rates keeping inefficient companies afloat are other reasons given.

However, the major premise of this white paper is that the one major area that is not given enough consideration is how the leadership of organisations impacts productivity through their behaviours and values, and their ability to establish a sustainable performance enhancing culture. In essence, this is attained by encouraging discretionary effort through focusing on the engagement of all the people in the organisation. While the focus of this paper is about improving productivity as traditionally defined, we should not ignore the need to redefine productivity to better meet the needs of the 21st century. Business, government and the not-for-profit sector need a more appropriate definition of productivity beyond pure financial measures to address the crises of our society and planet. However, engagement and discretionary effort will be a positive force whatever the definition of productivity.

This paper demonstrates how behaviours, values and culture have been neglected as a cause behind productivity even though it can be a main source for productivity gain. We will explain how leaders can increase productivity by addressing this issue.

## Introduction

Having a background as an international corporate leader and entrepreneur, I have focused the last 20 years on understanding how to develop leaders to meet the needs of our times.

My LeaderShape Global colleagues and I have been working with senior leaders and developing programmes up to Master's degree level that develop the right kind of leaders for the 21<sup>st</sup> century. We call these leaders Transpersonal Leaders (Knights et al, 2011, 2013, 2018).

With that experience, there is no doubt in my mind that the level of productivity in any organisation lies primarily with the CEO and the senior leadership team. That may sound obvious but in a large number of organisations, the accountability for productivity is pushed down to middle management. It is considered a management process issue rather than one for the leadership. Even when it is accepted as the responsibility of senior leaders, the focus is usually on capital investment and process while always highlighting causes outside the control of the organisation, such as market conditions, interest and exchange rates or full employment.

It has also been on my mind for a long time that the way the experts talk about "productivity" just does not feel right for today's world. The one area that is discussed far too little is the



productivity of human beings, other than when considered as a tricky piece of machinery producing so many widgets per hour, as demonstrated in the following quote:

*“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker”.*

– Paul Krugman, *The Age of Diminishing Expectations* (1994).  
Krugman was awarded the Nobel Prize for Economics in 2008.

If there is one thing I have learned in the last twenty years, it is that the behaviour and values of the top leadership, and the culture they create, have a huge impact on the performance of each individual in the organisation. The discretionary effort and performance that each human being will provide if treated in the right way and thus fully engaged can be truly staggering. But for that to work sustainably and effectively, the behaviours and values have to be genuine and connected to a purpose for the organisation that is beyond the narrow benefit of the owners and top executives.

This paper will focus on how leaders can increase sustainable productivity through people, primarily the people working in the company but also within other stakeholder groups (suppliers, customers, the community, etc.) by creating a performance-enhancing culture.

## Productivity: Definition and Relevance

Productivity is commonly defined as a ratio between the volume of inputs and outputs.

This is broken down into three sub-divisions by the Organization for Economic Cooperation and Development (OECD, 2019):

- 1. Labour Productivity**, best defined as the volume of output per hour worked. However, it is often defined as volume of output per number of persons employed. The working patterns of individuals can significantly impact these measures.
- 2. Capital Productivity** shows how efficiently capital is used to generate output and is measured as the ratio between the volume of output, measured as GDP for countries, and the volume of capital input. Capital investments are primarily used in ICT (Information and Communications Technology), technology to improve production, and intellectual property such as R&D.
- 3. Multifactor Productivity (aka Total Factor Productivity - TFP)** is measured as that residual growth of GDP that cannot be accounted for by labour or capital productivity themselves but from using that labour and capital more effectively. It is a confusing catch all and referred to by the OECD as “can often be a measure of our ignorance”. For example, technology change may be captured here or under capital productivity, and gains through education or better management practices might be captured as part of TFP or under labour productivity. It also includes such impacts as economies of scale, and other macro determinants. This part of productivity is also known as the Solow Residual based on the work of Robert Solow (Nobel prize for Economics 1987) which basically demonstrated America’s economic success was because of its know-how (Investopedia, 2019).

In summary, productivity measures how efficiently all production inputs, including labour and capital, are being used in a company or economy to produce a given level of output. It does not

measure quality, whether it be of the product or service produced, the quality of life it harnesses, or the quality of the environment that results. In short, it is purely a financial measure and although it has undoubtedly been a useful though incomplete measure of economic prosperity for many decades, it does not measure many things that are of value to us or needed to measure the holistic prosperity of humanity and the planet.

It is also worth mentioning that there is an increasing debate about productivity as a comparison measurement for performance between nations, industries and individual businesses because there is no absolute standard. A recent article in the Economist, referring to OECD research (Economist, 2018), demonstrated this by showing that productivity in the UK and Sweden were significantly undervalued compared to some other OECD member countries (e.g. USA, Germany, France and Italy) because how they calculated hours worked was significantly different. France for instance marks down employees' reported hours by nearly 20% to allow time taken off work whereas the UK accepts the figures submitted (OECD, 2018).

In addition, with a few exceptions, productivity around the world is on a downward trend (Majumdar, 2017) (Economist, 2017). The reasons given for the slowdown are widespread but do not mention the engagement level of employees which is also at an all-time low (Crabtree, 2013). Productivity in the UK is falling at its fastest pace in 5 years, no doubt partly due to Brexit but the Office of National Statistics referred to it as the "UK's productivity puzzle" (BBC News, 2019). Could it be something to do with the mood (engagement) of the people? A positive example in the UK shows the increase in productivity of a number of hospitals is due to a more participative leadership engaging with staff, enabling them to be more innovative. Wellbeing has also increased (Campbell, 2019).

There is no doubt that the focus on productivity has been a driver of economic development across the globe. However, productivity by its current definition is geared only as a measure to promoting growth and greater profits. In our current VUCA world maybe we should be focusing on the term "performance- enhancement" rather than "profit-enhancement" as this provides a much broader canvas for meeting the needs of our current times.

A key question though, however we define productivity is, "Are we missing a trick by not fully harnessing human motivation and potential"?

## Current Approach to Increasing Productivity

The priority and focus organisations usually use to increase productivity is shown in the diagram below. They often attempt first to improve productivity using financial management tools such as cutting costs – sometimes just an arbitrary percentage of overheads or people to increase profit – and investing capital in production equipment to reduce labour costs.

This is followed by improving productivity through operational management. Such techniques as LEAN and 6-Sigma are typical systems used to improve productivity as well as various project management and other tools. Finally, there are many other customised, proprietary or informal approaches to improve the effectiveness of work flow.

Lastly, in general, is the effort to improve people effectiveness. Some firms will provide incentives with the intention to get people to be more

**Current method for increasing productivity**



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productive through working harder or longer hours. Most research, perhaps mostly famously from Alfie Kohn's article in Harvard Business Review (Kohn, 1993), demonstrates quite strongly that financial incentives are ineffective in the longer term. New research (Smithers, 2019) demonstrates that also the way leaders are incentivised has led to sluggish productivity growth. The argument goes that giving senior leaders bonuses in the form of share options, incentivises them to pay dividends and arrange the buy-back of shares rather than investing cash in capital and people. This tends to boost share prices in the shorter term. To underscore this, it is pointed out that the proportion of cash paid out by non-financial American companies during the period 2000 - 2017 has doubled compared to the second half of the 20<sup>th</sup> century.

More advanced organisations will provide training to improve the performance capability of each individual, usually focusing on technical or business skills. Unfortunately, many leaders still argue that training employees just makes it easier for them to get a higher paid job elsewhere whereas the evidence is that people stay with companies that treat them well in the round. Training also often just focuses on technical competence because the return on investment is more easily measured and hence justifiable.

## A Better Approach to Increasing Productivity

The approach explained previously limits productivity because it does not usually address how organisations could maximise it by optimising discretionary effort through the full engagement of everyone employed by the organisation, or connected to it. If we look holistically, the engagement of people associated with other stakeholders such as suppliers, clients and the community can also impact productivity. This does not mean that we should dispel with using financial and operational management to improve productivity but rather that it should be a more balanced approach. We should only use those activities that increase productivity in a sustainable way (except potentially in a crisis situation). Increasing productivity through people effectiveness becomes more important than in the current model described above. This is achieved by providing personal development programmes to learn effective behaviours, how to manage emotions (emotional intelligence) and how to identify their core values and bring them into how they operate.

There is also a role for non-financial "benefit" programmes (a more collaborative term than "incentive") that are consistent with creating discretionary effort rather than those used to counter poor leadership. For example, providing flexible working is more sustainably effective and constructive than courses to help people reduce their stress.

A new category to be added in this new approach to productivity gain is "Leadership and Culture". Leaders set the climate of an organisation through the way they behave and demonstrate their values. This provides the core guidelines around which the culture of the organisation develops.

Engagement and discretionary effort is only sustainable in a culture that fosters the behaviours and values that support it.

There is much evidence that engagement is the route to discretionary effort (Rayton et al, 2012) (West & Dawson, 2012) yet actual engagement in organisations is very low. A worldwide study (Crabtree, 2013) showed that across 142 countries only 13% of employees are actively engaged, 24% are actively disengaged and 63% are not engaged. Even in the countries with the highest

level of engagement such as the USA, it is only 29%, whereas Western Europe is down at 14%, and East Asia at 6%. From these statistics, it is not surprising that the USA also has the highest productivity. While these figures should only be used as a guide, it is quite clear there is much room for improvement.

Increasing the engagement, increases the discretionary effort, which in turn improves productivity. It is the difference between what people “have” to do and they “want” to do.

Dr Fenja Ziegler, Principle Lecturer in the School of Psychology, University of Lincoln explains: *“We’re not rational beings. When people build emotional connections with their employer, they will naturally give more than minimum effort. This factor, which is intrinsically linked to engagement, rather than logical thought, is called ‘Discretionary Effort’”* (Sodexo, 2019).

So, what increases engagement? Here are some of the well-recognised ways:

1. Make sure the organisation has a purpose that is beyond a pure financial one and relates to the greater good. Ask how the organisation benefits its customers, the community and the planet. That will help individuals connect through their values.
2. Provide the necessary tools and support so everyone in the organisation can do the job effectively, and can get help, advice and support when they need it.
3. Give employees (whether permanent or on timed contracts) as much autonomy as possible without abdicating responsibility and support. In a command and control environment you can at best only get what you ask for. Given more autonomy, people can and will find ways to do things that are most productive in their organisational context.
4. It is obvious but give recognition of the discretionary effort and the success that provides. This validates what a person has achieved and encourages continuation. If done in the right way it is also a signal to others.
5. Encourage collaboration and teamwork. Research shows that for most people working in peer groups is stimulating and encourages discretionary effort.
6. Consistency reinforces realistic expectations and good behaviours. Inconsistency stresses people and soon eliminates that engagement.
7. Stay positive and be optimistic, but it has to be real.  
(Dickson, 2019)

However, it must also be acknowledged that acquisition of wealth is a strong motivator for some people, especially younger people who want to afford a house or a car, or have young children to bring up. The methods of increasing engagement described above are not a replacement for poor remuneration. People feeling they are valued by being paid fairly is at its best a motivator, and even at its worst inhibits de-motivation. Excessive remuneration of senior executives on the other hand can be a real-de-motivator even if average pay is at the industry norm. Research demonstrates that senior executives with too much discretionary power will “game” the process to maximise their own rewards (Billinger & Rosenbaum, 2019).

The diagram to the right shows a balance of priority and focus between the four categories that enable productivity.

This new focus on leadership and culture requires perhaps the biggest change and effort of all:

## Proposed method for increasing productivity



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*The acceptance by senior leaders that they need to be willing to assess and change their own behaviours as much as anyone else in the organisation and to bring their own values (virtues) to full consciousness in everything they do.*

An important part of this new and extra focus on people effectiveness includes helping people develop at an emotional and spiritual (value-based) level which enables the creation of a performance enhancing culture. In this way the leadership, teams and individuals can be more creative, agents-for-change and be both more accountable and responsible. The culture needs to provide for a more flexible, participative and delegated approach, offering benefits (rather than just financial incentives) such as flexible work hours or support from a mentor or coach.

So this is what needs to be done! The big question is HOW?

In this paper we will focus primarily on how leaders create the right culture to maximise discretionary effort, and guidance on how leaders need to develop themselves in order to create and maintain such a culture.

## Defining Productivity for Your Organisation

The first step is to define what you mean by productivity in your organisation over and above the financial criteria explained above. This is because it might impact the decisions you take. At the end of the day each organisation has to decide whether such goals as wellbeing of people and the sustainability of the planet need to be added to the financial performance when measuring productivity.

Here are a few suggestions that you might consider as important productivity factors for your organisation:

### **Fulfilment of individuals:**

- Training and development
  - Technical skills
  - Business skills
  - Emotional intelligence
  - Leadership development
- Fulfilment at work
- Satisfaction level of adults with their lives

### **Societal Issues:**

- Diversity and equality
- Ethical performance
- Involvement with local community

### **Impact on the planet:**

- Carbon footprint – including imports
- Treatment of waste

## Increasing Productivity through Leadership, Climate and Culture:

A key role of the Transpersonal Leader (as described in the prescript of this paper) is *to create a performance enhancing culture that is ethical, caring and sustainable* – a Transpersonal Culture. Culture plays a vital role in the productivity of an organisation.

*As Peter Drucker famously said, "Culture eats Strategy for breakfast", and as my colleague, LeaderShape Global's CEO Greg Young added, "And change for lunch ..... and performance for dinner".*

A Transpersonal **Culture** can only be created and maintained if the leadership first creates the right **climate**. Climate is the philosophy, attitude, spirit, beliefs and values of the organisation that is set by the top leader or leadership team and which is communicated and received by the people in the organisation. Importantly, a leader can only create the right climate if they demonstrate appropriate behaviours and values, consistently.

**Leadership:** The Transpersonal Journey to leadership excellence is first about increasing awareness of both self and others, learning to manage one's emotions and developing performance enhancing behaviours and cultures. In the advanced part of the journey, it is about learning to bring values to full consciousness, managing one's ego, working effectively with all stakeholders and understanding how to improve judgement to make the best decisions and choices.

The diagram on the following page details the various stages of the Transpersonal Leadership Development Journey which is described in full in "*Leading Beyond the Ego: How to Become a Transpersonal Leader*" (Knights et al, 2018). This will enable leaders to develop to a level where they can provide a climate that encourages a performance-enhancing culture.

One of the absolutely essential elements for leaders is to develop the appropriate leadership styles that are required to enable and maintain the right culture. This is discussed further under the section on culture.

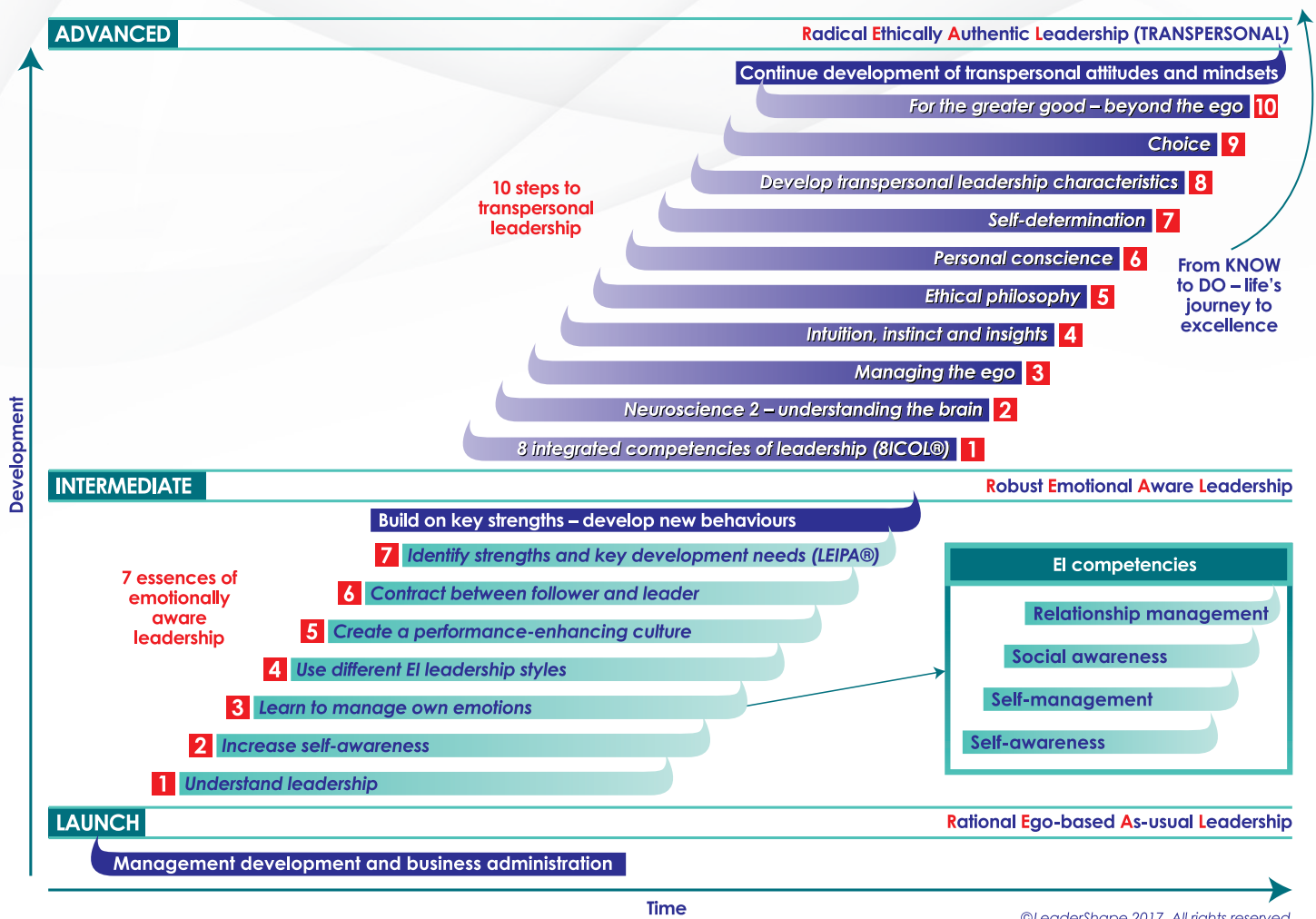
There is no shortcut to increasing productivity through people. It requires senior executives to develop as Transpersonal Leaders. This requires frequent practice, a willingness to be assessed to measure progress and ongoing support. It is a life long journey.

**Climate.** Continuing from the definition of "climate" provided above, Daniel Goleman (Goleman, 2000) explains how George Litwin and Robert Stringer (Litwin & Stringer, 1968) and David McClelland (McClelland, 1976) developed a definition of climate as six factors that influence an organisation's environment:

1. *Flexibility* by minimising red tape
2. Sense of taking *Responsibility*
3. Level of *Standards*
4. Aptness of *Rewards*
5. *Clarity* about mission and values
6. Getting *Commitment* to a common purpose

My view is that the first five are all firmly in the *Climate* camp whereas getting the commitment is the result of climate and more a desirable trait of the *Culture*.

## REAL Transpersonal leadership development journey to excellence



**Culture:** The simple standard definition used throughout the business world is, “How we do things around here”. We have no reference for where it originated, maybe (Bower, 1966), but alone we believe it is insufficient. We think an organisation’s culture should include an inbuilt desire to improve so our definition is, **“How we do and improve things around here”**. This implies a willingness to change continuously, not just for the sake of it, but with improvement always in mind.

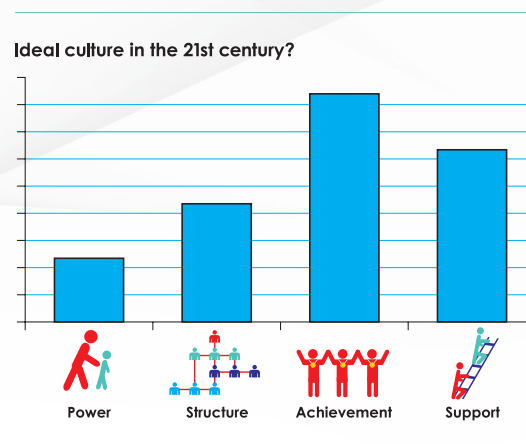
Every organisation has its own culture be it a business, a charity, the government, the local community, or our family. We believe there are three prime purposes to culture:

1. To do what we do as effectively as possible
2. To continue to improve what we do and how we do things
3. To enjoy what we do

One is not sustainable long term without the others and for each of us to perform effectively we need to understand the culture we work in both as individuals and as teams. Culture should be a means to achieving the goals of the organisation and as our own research has shown (Knights

et al – Ch10, 2018), the ideal culture that people desire turns out to be remarkably similar across all organisations and at all levels. As shown in the diagram on the right, based on the four broad parameters of culture we measure, they wish for a greater focus on Achievement and Support, and a reduction of emphasis on Power and Structure.

Our research shows that to provide this greater emphasis on the Achievement and Support parameters, leaders need to be effective in four leadership styles; visionary, coaching, affiliative and democratic. They also need to use the two most commonly observed styles in organisations (commanding and pace-setting) less frequently than is the norm. Most leaders are competent in one or two styles but need all six to develop the ideal culture. This reminds us of the ongoing development journey leaders need to continue on.



## The difference between Climate and Culture

Climate is about setting the scene and the style and communicating and role-modelling the philosophy, attitude, spirit, beliefs and values of the organisation. Climate impacts culture, for good or bad, rather than the other way around. You can't change the culture without changing the climate first – which firmly rests with the leaders of the organisation. These are all aspects of Transpersonal Leadership which we cover in detail in the book.

Culture on the other hand is primarily about behaviours, that is, implementing the climate into "the way we do and improve things around here". Emotional intelligence and values drive culture. Culture is changed by the influence of all the people in the organisation.

Climate can be very quick to establish and is often changed rapidly when a new leader is appointed. Any incumbent leader can change the climate too (see Case Study below). Culture, however, takes time to change; more likely to be measured in years. The reason for this is the natural human resistance to change due to fear and because ingrained habits need to change, requiring a rewiring of the brain that is energy intensive.

Climate and culture are intrinsically linked.

## The importance of Climate

The easiest and best time to set the climate is when new in the post, but with effort it can be done at any time. It is not what a leader may think should be done but what they actually do and do consistently themselves. They can set the scene with words but they must quickly demonstrate the climate they wish to create by their actions and behaviours.

### Case Study: - True and anonymised.

*Raphael was the head of the international operations of a major European organisation. He was brought on board because of his commercial experience and to drive a major initiative in Africa. He had excellent values in terms of integrity and courage and built a highly intelligent team around him. He was also a very nice person socially. But with his background in hierarchical cultures and organisations, he believed he should have the vision and albeit politely, tell people*



*what to do. He preferred verbal dialogue to written reports and he had a one-to-one relationship with each of the project leaders in his team. And Raphael was very busy. The result was decisions were delayed, key staff were stressed because they were very busy, but not involved, and therefore had not fully bought into the decisions they had to implement. After the first two years he was ahead of schedule with his goals but the situation was not sustainable and he was considered unreliable by other senior executives, despite his enormous achievement.*

*He realised that to bring sustainable success to this 6-year project, he had to change the climate in order to build a Transpersonal Culture into the organisation. With the support of the CEO, he engaged himself and his team in a Transpersonal Leadership programme and personal coaching. The first action he took was to tell everyone that he was not satisfied with his own performance and wanted to change his leadership style to become more democratic in decision-making and use the coaching style to help develop the capability of his bright team. In addition, he encouraged the project leaders to work more closely together and made an effort to better manage his time and ensure all decisions were recorded in writing. This created a climate where the whole team felt more valued and as a result felt ownership in the success of the venture.*

*Over time this resulted in a performance enhancing, caring and ethical culture where everyone could maximise their potential and as a result through their voluntary discretionary effort meet their extraordinary targets. As a result of its success Raphael has recently been appointed CEO and they are expanding the project to four other regions. This is a great example of how a leader with great potential was able to move away from his default modus operandi to change the climate through honesty, transparency and being willing to be vulnerable.*

Perhaps the most recent globally publicised examples of how leaders set a climate are those of the US Presidents Obama and Trump. Whoever you support, just objectively compare the different climates they set when they first came to power, the impact it had, and who they attracted to their cause and who disconnected.

All leaders of organisations, divisions or teams set a climate whether they intend to or not. It can be good or bad. It is best when the climate is consistent across the organisation. There will always be some variation because a climate will always depend to some extent on the unique character of each leader. Very different climates set by different leaders within one organisation can, however, be quite disruptive. But whatever, it must be authentic, credible and supported by actions.

As an example of the importance of climate, in a study of 19 Insurance companies, climate created by the CEOs among their direct reports, predicted the business performance of the entire organisation. In 75% of cases, climate alone accurately sorted companies into high v low profits and growth (Goleman et al, 2002). According to Goleman (Goleman, 2000), climate alone does not determine performance, but overall, it can account for 20 – 30% of business performance.

Creating and maintaining the right climate is the most important sustainable achievement of any leader. This will in turn enable the right culture to develop over time.

## Culture: the link between leadership and performance

Culture plays a vital role in the relationship between leadership and performance. Let us understand what a Transpersonal (performance-enhancing, ethical, caring and sustainable) Culture means in more detail.

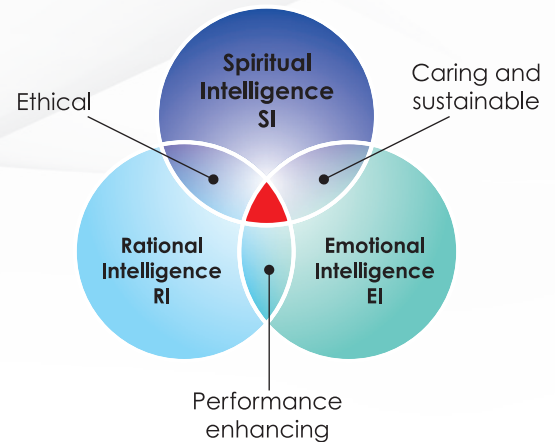
The diagram on the right shows the relationship between the words that define a Transpersonal Culture. Rational intelligence alone is not enough. A combination of rational and emotional intelligence (behaviours and managing emotions) enables improved performance whereas a combination of rational and spiritual (this is about values and beliefs) creates the critical ethical element. Combining the emotional and spiritual intelligences provides the caring and sustainable aspects of culture. The three intelligences come together to create the total Transpersonal Culture of which each aspect is defined below.

**Performance-Enhancing.** A critical quality for any leader and any organisation. In a Transpersonal sense, long versus short term performance is often an important choice. Many companies for example remain or revert to a private status so that they are no longer under pressure from stock markets for short term performance. What is important is to build leadership capability that reflects sustainable and enhancing performance. It is also important to define what performance means in the context of our own purpose and that of our organisation and its stakeholders. Purely financial performance goals will only be of benefit to shareholders and perhaps employees (more usually the senior executives) rather than the full range of stakeholders such as customers, suppliers, the community and the planet.

**Ethical.** As leaders we have a responsibility to create ethical cultures in organisations. Acting ethically means not only integrity but a social conscience and a willingness to follow the rules (or get them changed if that is what is needed). It means working for the greater good. And it is not only about “me” as an individual leader being ethical. We have a responsibility to create ethical cultures in organisations. Ethical Leadership is defined in *How to Develop Ethical Leaders* (Knights, 2016) - a sister white paper published by Routledge - as “the process of influencing people to act through principles and values and beliefs that embrace ethical behaviour. Ethical Behaviour is about acting in a way that is consistent with one’s own principles and values which are characterized by honesty, fairness and equity in all interpersonal activities, be they personal or professional, and by respecting the dignity, diversity and rights of individuals and groups of people”.

**Caring.** Primarily showing kindness and concern for others, often for others who need support, but also a care for the things that will create a better world. However, the essence of caring is not about being “nice”. Sometimes caring can mean having tough conversations and challenging people but in a way that is for the other’s benefit. It is important in such a situation that the other person knows we care in order to minimise negative emotions and distress, but our motive should be about concern for another not because we want to be liked.

In general, we have too little care in our organisations and because of that we are often brainwashed into thinking there is no place in our organisations for caring. I remember talking to a senior executive of one of our clients who had recently joined having come from a government department. He explained that the reason he left the department was because he was criticised every time he was kind to someone. Actually, “caring” is the main creator of productivity through people being willing to put in extra discretionary effort for people or things they care about. Our default ‘alpha-male’ organisation cultures also tend to consider toughness as desirable and caring as a weak attribute. When working recently on organising a conference on leadership, I was advised not to put “caring” in the title as it might turn business leaders off from attending. As Transpersonal Leaders we must work to overcome this default.



**Sustainable.** Enduring into the future while upholding and defending. It is not about maintaining the status quo but rather providing the foundations, systems and design to enable continuation and improvement into the foreseeable future. Sustainability does not only require a vision, a plan and actions but also an interrelationship between the people, the other stakeholders and the purpose of the organisation. As we move forward we need to rethink the current mindset of continually increasing turnover or profits which will not be sustainable in all cases. Whether or not, we need to find new measures of sustainability but we must also be practical in the real world.

## The Benefits of a Transpersonal Culture:

We have been working with leadership teams for more than a decade to provide them with a development journey that enables them to become Transpersonal Leaders and through that develop Transpersonal Cultures. Without exception these cultures enable exceptional productivity gains. Here are just a couple of examples:

One senior executive who had been through a Transpersonal Leadership programme, and who as a result had shifted her leadership style, climate and culture in her department reported that measured performance of her business area had increased by 30%. She calculated that her 39 reports were delivering what it would have taken 51 people before she had made the shift. In the one year post programme, taking into account the average salaries of the reports, this was worth almost £1m per year to the organisation.

After providing a Transpersonal Leadership programme to the top three layers of a recruitment firm, turnover of staff per annum was reduced from 48% to 23% (industry norm 50%), sales team efficiency increased by 10%, and the time new recruits take to create sustainable earning reduced by a third.

While, the examples described focus on productivity gains through employees, our experience is that the attributes of a Transpersonal Culture also have a significant impact on the loyalty of customers, the willingness of suppliers to work with the organisation for win-win solutions and the general appreciation of the community. All important, though difficult-to-measure aspects of productivity.

In conclusion, we believe that productivity through people is an important, often overlooked element. It is achieved best through discretionary effort which requires a high level of engagement of the people in the organisation. It is not complicated – but it is complex, and requires thought leaders to operate at an emotional and spiritual, as well as a rational level. Ultimately, it is down to leaders to proactively rewire their own brains to learn new, sometimes counter-intuitive, behaviours and develop a high level of consciousness.

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