

# **Objective Leadership**

## **Values-based philosophy of business leadership**

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# Objective Leadership

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### 1. INTRODUCTION

What are leadership principles? *I.e.*, what is the “comprehensive and fundamental law, doctrine, or assumptions” underlying leadership? [1]

In studying leadership, often the system of principles (the “philosophy”) of leadership is taken as implicit. But, the study of a subject is flawed if it does not proceed from a firm set of fundamentals. In *Objective Leadership: Values-based philosophy of business leadership*, we will consider what leadership is, what underpins it, principles of leadership, and some topics related to the application of leadership.

#### 1.1 Scope

The scope of the discussion in this paper is limited to leadership of business organizations. Specifically, business operations of a free enterprise that performs high-skill work with an educated workforce. The fundamental concepts in this paper may be extended to other contexts, but some conclusions reached based on the current context will be different in other contexts.

### 2. PRINCIPLES, CONCEPTS, AND THE STRUCTURE OF THIS PAPER

Principles are a type of concept. Conceptual knowledge is structured. Concepts form a “hierarchy of knowledge”, where concepts start from simple, basic concepts and build from these foundations to more complex and abstract concepts.

For example, understanding the operation of an electric fluorescent light first requires understanding the nature of light, electricity, and fluorescence. These, in turn require the more basic physics concepts, such as electromagnetics. The more complex concept of the electric fluorescent lighting can be derived only from the fundamental concepts.

The structure of this paper reflects this hierarchal nature of knowledge. First, we start with the basics of: what is leadership and why do people join business organizations. Then, we proceed to the basics of values: why they enter the discussion, what is their nature, and which values should one hold. Next, we begin building on these basics: we discuss how values apply to leadership and the business organization. Then, more integration: what a leader's mission should be. Finally, from these answers, we discuss implications for a variety of leadership techniques.

### **3. LEADERSHIP AND BUSINESS ORGANIZATIONS**

Leadership of an organization is to “direct the operations of” that organization.<sup>1</sup>

In order to develop principles for directing the operations of organizations, we must first consider the nature of what is being directed — the organization.

Why do individuals choose to associate with any business organization? Why isn't everyone corporations of one? There must be a perceived advantage to an individual of joining the organization. This advantage is that the structure of a business allows the employees and owners to leverage what each other have to offer. The owners offer capital to create the business and the employees offer skills to operate the business. Furthermore, employees can leverage each others' skills and specialize more so than they could outside of the organization.

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<sup>1</sup> This is common phrasing of the definition given by multiple dictionaries for the *apropos* sense of the verb “lead”. See, for example, [1] [2] [3].

Imagine being a company of one. In this situation, you have to raise your own capital. You have to arrange the acquisition of all of the company's resources. Additionally, because of your small scale, many resources are not economical to acquire. You are also the “chief cook and bottle-washer” — you must take care of all of the corporate activities. There is no one to handle the work you find less interesting or less valuable, and therefore your time is consumed by these tasks. This limits your ability to focus and specialize.

The most common failure reason of businesses is insufficient resources. This risk is mitigated, and the need to devote effort to it is eliminated, by joining a substantial firm. The company has already acquired most of the resources you need to practice your trade. The company's larger scale permits it to have access to resources that you couldn't on your own. Other people handle “distraction” tasks like installing telephones, processing bills, organizing the library, paying corporate tax bills, and so forth. Other employees handle work that is part of your project or operation, but not in the specialty you choose, for example if you are a chemical engineer designing a chemical plant process, you may have electrical engineers designing the power and instrumentation to support the process. You can concentrate and become more expert at your chosen focus.

The effect called the “pyramid of ability” is demonstrated in the following passage:

When you work in a modern factory, you are paid, not only for your labor, but also for all the productive genius which has made the factory possible: for the work of the industrialist who built it, for the work of the investor who saved the money to risk on the untried and new, for the work of the engineer who designed the machines of which you are pushing the levers, for the work of the inventor who created the product which you spend your time on making, for the work of the scientist who discovered the laws that went into the making of that product....

[4]

To the employees, the business offers:

- (1) An environment allowing a focus on the work they desire,
- (2) The resources to be more productive, and
- (3) A higher valuation of their work.

This is the reason business organizations have employees, and therefore the reason leadership is needed.

## **4. VALUES**

Direction of an organization requires making judgments about actions or possible actions. When presented with alternatives, which is the “right” action? When evaluating another person’s actions, were the actions good or bad? These judgments are determined by values.

“Value is that which one acts to gain or keep.” [5] So, how are these values determined?

What are the proper values with respect to business leadership? This is the field of ethics.

Time to go back down the hierarchy of knowledge, and look at the fundamentals of ethics.

### **4.1 Volition and Values**

Try to imagine what not having values would imply. Any decision about actions would be left to chance or whim. Note that values are only necessary to the extent that we have decisions to make — to the extent that we have freedom of will.

In the introduction, I stated the problem under consideration in this paper is the one of high-skilled work with an educated workforce. This has not always been the environment in which leadership was practiced. Traditional military leadership has strong historical influences of the opposite situation: uneducated, unmotivated conscripts who are expected to perform tasks of

brute muscle under close supervision. Similarly, feudal systems expected the surfs to execute the unquestioned bidding of the feudal lord, because “might makes right”.

These situations resulted in leadership practices that attempted to remove nearly all volition from the followers. However, this situation has changed drastically. Modern militaries, particularly the U.S. military, are composed of highly educated, all voluntary members.<sup>2</sup> Militaries now expect their members to act in accordance with a value system, not blindly follow orders. In fact, the U.S. military’s law (the UCMJ) holds individual soldiers responsible for their actions that violate the system of values, even if the soldier was ordered to do so.

Similarly, modern business has granted increasing discretion to employees. Employees are expected to act without close supervision. They are given (compared to the past) broad direction and expected to develop their own plan of action. This flexibility leads to more complex interactions, and leads to tougher questions regarding what is the right action.

So, it is that fact that we have freedom to act means that we need values. And, increasing freedom in business organizations makes the need for clear-cut values more obvious than ever.

## **4.2 The False Subjectivism/Intrinsicism Dichotomy, and the Way Out of the Trap**

When you begin to discuss values, the discussion often quickly turns to the nature of truth and concepts. Typical points of contention are:

- “Maybe you’re wrong.”
- “Who are you to know?”
- “Don’t reason, rely on your faith.” (*e.g.*, “Use the Force, Luke.”)
- “What’s right is what works.”

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<sup>2</sup> To volunteer to defend one’s country, by force, and with possibly fatal consequences, is an action that demonstrates a very powerful application of a value system.

—“What’s true for you isn’t what’s true for me.”

These bromides are actually philosophical conclusions, based on the works of Plato, Hume, Descartes, and Kant, among others. Philosophy has, for centuries, presented the following two alternative views of concepts:

- (1) Concepts “just are”. We don’t create concepts, but they exist in the universe and we discover them or they are forced upon us. For example, mathematics is discovered, not invented. Certain knowledge is either unobtainable or only revealed through mystical processes. This is called intrinsicism. Two sub-types of intrinsicism are mysticism, the belief that “enlightened” people will be revealed the truth, and classical skepticism,<sup>3</sup> the belief that humans’ fallibility means we can’t form valid concepts. Intrinsicism and its variants are exemplified by the first four quotes above.
- (2) Reality is a figment of our consciousness, so each person has their own mini-universe. This is not simply the belief that different people can have differing perceptions of the same thing, but that the thing *itself* is different for different observers. For example, the chair that I describe as blue and you describe as green is not a blue-green borderline case of how we define colors, but is indeed two different chairs. This is an idea promoted by Descartes, Kant, and Marx, called subjectivism. The last quote above exemplifies subjectivism.

Both intrinsicism and subjectivism attempt to invalidate our ability to reason about things, especially values.

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<sup>3</sup> James’ pragmatism, Nietzsche’s nihilism, and Sarte’s existentialism are descendants of skepticism.

Intrinsicism tells us “don’t think”, because understanding true values is beyond human capability. Subjectivism tells us “think anything”, because whatever you want to believe is what is true.

The way out of this false dichotomy was finally provided by twentieth-century philosophy: objectivism. It holds that reality exists independent of the observers, and that humans acquire knowledge by a process of reason.

Man is neither infallible nor omniscient; if he were, a discipline such as epistemology—the theory of knowledge—would not be necessary nor possible: his knowledge would be automatic, unquestionable and total. But such is not man’s nature. Man is a being of volitional consciousness: beyond the level of precepts—a level inadequate to the cognitive requirements of his survival—man has to acquire knowledge by his own effort, which he may exercise or not, and by a process of reason, which he may apply correctly or not. Nature gives him no automatic guarantee of mental efficacy; he is capable of error, of evasion, of psychological distortion. He needs a *method* of cognition, which he himself has to discover: he must discover how to use his rational faculty, how to validate his conclusions, how to distinguish truth from falsehood, how to set the criteria of *what* he may accept as knowledge. [6]

The objective view of reality, and of humans’ conceptual faculty, concludes that humans must use their capability to think to derive concepts. Values are a type of concept. So, reason is the way to creating a value system. Rather than “don’t think” or “think anything”, we must “think rationally”.

### **4.3 Values for People**

Remember that values are needed because we have volition — our freedom of will. A person’s actions can be useful or harmful to one’s self. If one adopts the position that good actions

are those consistent with one's life, a position of rational self-interest,<sup>4</sup> then a value system quickly follows as logical consequents.

Reason is our first value. In our epistemology discussion above, we concluded reason is the manner in which humans come to know concepts — knowledge beyond raw sensory input. If a person chooses to not use reason, to not think, then he or she is attempting to deny knowledge of reality. Actions not based on reason are whims, inconsistent with reality. In the end, Mother Nature (reality) will triumph over attempts to contradict it. So, in interest of your life, you must be rational.

Purpose is a second value. A rational, self-interested person needs to support their life. To do so, one produces what one needs, or produces something of value to trade for what one needs. Not producing anything will eventually result in self-destruction. So, having a purpose—a productive pursuit—is in your interest.

Self-esteem is the third value. To the extent one is rational and productively self-sufficient, one has earned self-respect for one's self and accomplishments. Self-esteem is confidence in your ability to think and produce. “As a man is a being of self-made wealth, so he is a being of self-made soul.” [4]

These basic values lead to corollary values:

- (1) Independence—Your own judgment is your responsibility. You must not choose to mindlessly accept others' assertions. “An error made on your own is safer than ten truths accepted on faith.” [4]

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<sup>4</sup> Rational self-interest as an ethical fundamental is deducible from the objective view of knowledge along with the nature of human life. Obviously, there is not universal agreement on this, since most ethical systems are based on intrinsic or subjective views of knowledge, and objective epistemology is relatively new to the field of philosophy. However, rational self-interest is the ethical view that is the basis for the free enterprise system. Since this paper assumes the context of a free business, we take rational self-interest as a premise. For a logical derivation of this premise, see [5].

- (2) Integrity—If you believe that a principle is true, then you must apply it resolutely and consistently. You must remain loyal to your values and always act in accordance with them.
- (3) Honesty—Obtaining anything of value by attempting to fake reality is the destruction of value. Furthermore, if you are dishonest, you become dependent upon your victims.
- (4) Justice—As these values apply to your actions, so must you apply them to evaluating other's actions. Judge actions on the basis of factual evidence and evaluate them on objective moral criteria. [6]

## **5. VALUES AND LEADERSHIP IN THE BUSINESS ORGANIZATION**

Now that we have laid out the beginning of our value system, we have a basis for selecting actions and evaluating others' actions. Here are some implications of our values for the business organization and leadership thereof:

### **5.1 Rationality**

Since rationality is a virtue, all members of an organization, leaders and otherwise, should be expected to behave in a fully rational manner. Unthinking, inconsistent, or irrational behavior must immediately be challenged by all.

The fundamental choice that humans have is to choose to focus one's mind, to pay attention, to choose to think. (Perhaps this is the *only* choice humans have.) Productive work is the consequence of thought. The business organization's success depends on its members' ability to think.

It's part of the leader's job to ensure that the organization facilitates that. Anything that interferes with or does not respect and encourage individual thought should be ruthlessly demolished.

## **5.2 Independence**

Independence is a virtue often lacking in people inside organizations. It's unfortunate that many people fall into a "herd mentality", placing more importance on the thoughts of others than on their own mind. These miserable creatures create nothing, and, in their emptiness, degenerate into irrational attempts at obtaining acceptance and prestige.

Leaders should ensure their actions reinforce individualism and encourage those who think for themselves. Sycophants should be ejected from the organization immediately.

Here is an issue that show the application of independence: Some organizations have a strict hierarchical "chain of command", where a higher level leader "orders" subordinates to take actions. These organizations have an old-style military view of this—subordinates are expected to comply unquestioningly. This is a violation of independence. Expecting unthinking servitude from someone is an attempt to suppress their rationality. Leaders should expect reasoned responses to their calls for action, and no one should tolerate attempts to subvert their mind.

## **5.3 Integrity**

Integrity demands that everyone acts in accordance with their principles and values. Pragmatism and subjectivism expect one to disregard principles. Leaders should set the example of consistent principle-driven action, even when not expedient. Leaders can reinforce integrity and the value system by clearly explaining the principles that lead to significant actions or decisions.

Everyone should be on the lookout for creeping pragmatism and subjectivism (because these ideas are so prevalent today), and stomp them out. Acts in violation of principles must not

be tolerated by anyone in the organization. It is also important that, in matters of principle, no compromises are accepted.

## **5.4 Honesty**

Of course, honesty is a virtue that many organizations claim. To evaluate this claim, though, observe what happens when it's not expedient to be honest? Are clients not told of problems, because "maybe we can fix it before they notice"? Are internal reports "fudged" when a target is missed? Are all apparent assertions limited by "weasel words" to avoid accountability? (One form of this I've recently noticed is marking all documents with DRAFT so that, when challenged, one can say "oh, no, we changed that in a later draft.")

Leaders should set examples of unwavering honesty. No dishonesty on any matter by anyone should be tolerated. This should be applied internally and externally. For example, during a job interview, if an applicant has "stretched" on their resume, kick them out of the interview. If someone fudges their "numbers" or status, fire them immediately. If a supplier surprises you by over-promising, terminate the contract. If a problem arises that might affect the client, let them know immediately. If you don't know the answer to a question, admit it.

By being honest and insisting on honesty from all, you won't become trapped in unreality. Unwavering honesty keeps you free.

## **5.5 Justice**

Justice in a business organization means that evaluations of people's actions are consistent with the values, and universally applied. It also means that people are judged on a factual, rational basis, not on whims, wishes, cliques, or irrelevant criteria.

When evaluating the justice in an organization, I suggest you observe the organization's behavior when (1) selecting people internally, and (2) handling performance problems. When

promoting, a just leader will be concerned with having good criteria for the position, ensuring all the potential candidates are aware of the opening, and picking the best person for the job. Unjust leaders rely on “short-cuts”, buddy networks, ingratiation, and political favors. When a member of an organization begins to have problems, a just leader will be concerned that the person be made aware of the problem, how it’s affecting others, what the expectations are, and the consequences of failure. The just leader will also gather the facts and try to understand the cause. An unjust leader will ignore the problem and wish it away. Eventually, the unjust leader will dodge the problem, or allow it to explode.

Leaders, in directing the organization, are constantly presented with the need to evaluate others. Justice requires that their actions be fact-based and principle-driven.

## **6. TYING IT TOGETHER: WHAT IS A LEADER’S MISSION?**

We have explained why employees choose to join business organizations—for focus and leverage—and we have detailed how a leader makes decisions—by applying values.

So, what should a leader do? Leaders and employees are traders: employees offer use of their skills and employers offer the environment and resources of their business organization. To make the business organization successful, the leader should focus on building the environment within and around the organization.

The environment should be designed to:

- (1) Reinforce the value system, and protect everyone from violation of a value,
- (2) Leverage each employee’s productivity by use of the resources of the business, and
- (3) Enable each employee to focus on work that fits his or her life purposes.

Note that each of these three items benefit both the business owners and employees—the trader principle continues to apply. Rational values ensure that employees and owners both serve

their rational self-interest. Leverage of resources means better productivity, benefitting employees and owners. Focus/specialization benefits the employees by giving them choice, and the owners by giving them better outputs.

In short, leaders build an organization that gives freedom and power to employees to better everyone's outcome. Freedom of choice and freedom given by rational values, combined with the power of the business' resources and the power of the employees' talents.

## 7. IMPLICATIONS FOR LEADERSHIP TECHNIQUES

This section is a collection of topical notes demonstrating the application of the principles developed above. Most of the topics were selected from *Leadership: Theory, Application, Skill Development* [7].

### 7.1 Why Executives are Derailed

In figure 2-2 of [7], six reasons for executive derailment are listed. Interestingly, four of the six are value system violations:

- bullying: violating the independence of others
- cold, aloof, arrogant: violating rationality (arrogance), failing to understand role of leader
- betrayed trust: violating integrity or honesty
- self-centered and overly ambitious: several possible violations: honesty (taking unfair credit, for example), independence (“stepping on others”), integrity (by whatever means)
- specific performance problems: (not necessarily a values problem)
- unable to delegate or build a team: (not necessarily a values problem, but could be symptomatic of one)

So, keeping consistent with the values system eliminates two-thirds of the derailment reasons.

## **7.2 The Pygmalion Effect**

The Pygmalion effect states that a leaders' expectations influence an individual's performance. In [7], Lussier and Achua say "Effective leaders ... expect the best from their followers." In this sense, using the Pygmalion effect is good. Reasonable, but high expectations encourage the value of self-respect in people.

However, the Pygmalion effect can be used in a way inconsistent with the value system. If a leader says makes expectations statements that the leader doesn't believe, then it is an attempt to manipulate people. Instead of respectful and encouraging, it's demeaning and dishonest.

So, the Pygmalion effect tells us that it's important to have high expectations and encourage people. But, make sure you are encouraging truthfully.

## **7.3 Contingent Leadership**

Contingent Leadership suggests the a leader's style needs to be altered to fit the situation. This is supported by the principles in this paper. Remember that concepts depend upon the more fundamental ones. How a leader interacts with others in a situation depends on the nature of the people and the nature of the situation. What doesn't change is the values; however, that does not preclude changes to the style of interaction.

## **7.4 Learning**

At first glance, one might conclude that taking time for learning would impair productivity and therefore not be supported by the value system. This would be wrong. Since learning improves one's performance, the time taken is an investment in one's future productivity. Ra-

tional self-interest leads one to conclude that both leaders and individuals should be encouraging continual learning.

## **7.5 Work-Life Integration**

Some people believe in keeping a strict separation, a firewall, between work life and outside of work life. Since one of the reasons for joining a business organization is to focus on areas that the employee wishes to, work should align with one or more of the employee's chosen life purposes. Firewalls between work and "real life" shouldn't be necessary. One's work should be congruent with one's life, since work is what provides for life.

## **8. CONCLUSION**

In *Objective Leadership: Values-based philosophy of business leadership*, we have laid a set of fundamental principles for leadership in business organizations. We have described the nature of leadership and business organizations. We have established a value system, and applied it to business leadership.

I hope you have found the discussion thought-provoking, informative, and useful. I invite your thoughts. Feel free to send an e-mail message to [john.thywissen@eds.com](mailto:john.thywissen@eds.com).

Happy thinking!

## **A. APPENDIX: CRITIQUE**

This paper represents a “snapshot” of the current state of my development of these ideas, and of my attempts to capture them in a coherent written form. I expect this paper to evolve.

Future versions will be consistent with the concepts presented here, but both the concepts and the presentation will be further refined. Also, I expect to collect more interesting questions of applications of the principles.

As I continue to review the paper, I am considering some criticisms that may be raised, and have collected them below for incorporation in the future revisions of the paper.

### **A.1 Too Analytic**

#### *A.1.1 Critique*

The paper presents from an analytic point of view. In MBTI terms, this paper is very INTJ.

#### *A.1.2 Rebuttal*

Agreed.

However, the epistemology discussion points out that conceptual knowledge is developed by means of reason, and that social/emotional/subjective “logic” is not a substitute for rationality.

#### *A.1.3 Improvements Needed*

That said, though, the social and emotional implications of the values can be presented, not as justification, but as consequences.

### **A.2 Too Inflexible**

#### *A.2.1 Critique*

The values appear to allow for no “flexibility” and would lead to a very oppressive environment.

### *A.2.2 Rebuttal*

See the value of integrity. Matters of principle are not subject to compromise. It may take significant mental effort to reject all the implications of intrinsicism and subjectivism, but it's worth the effort.

Either the values are true, and therefore universally applicable, or not true, and therefore should be discarded. To apply a principle only "sometimes" or even "most of the time" is actually anti-principle.

A compromise between right and wrong is the giving up of the value of the right to the wrong. Wrong wins, right loses. Compromise of principles is *abandonment* of principles.

Far from being oppressive, this insistence on independence, integrity, honesty, and justice results in extreme freedom. In this environment, no one is enslaved to irrationality or threatened by others. Everyone is "their own man", confident of their unfettered ability to have an impact.

Another advantage of these as organizational values is that members of the organization can rely on others without "looking over their shoulder". It improves the quality of results. It also attracts others who have these values, and becomes a "virtuous circle" (self-reinforcing situation).

### *A.2.3 Improvements Needed*

Discuss compromise in the integrity sub-section. Discuss the freedom resulting from a rational business in the body of the paper.

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