BOOK SUMMARY

The Psychology of Leadership

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THE SUMMARY IN BRIEF

The same ideas found in modern leadership books have been explored by philosophers, religious figures, and prophets throughout history. Connected to key models in research-based psychology, the principles in this book are timeless but offer a fresh perspective on setting goals, taking action, leading, understanding people, and managing stress. Witty, conversational, and personal, The Psychology of Leadership combines research, humor, and self-improvement tips to provide clear yet impactful advice on mastering the mental aspects of leadership.

Leaders will develop what seem like mind-reading skills for understanding workplace personalities, hidden motivations, and group dynamics. They will learn to inspire their organization to achieve great things, improve their ability to listen, communicate, and, when needed, persuade. Along the way, they will significantly strengthen their mindset and resilience.

IN THIS SUMMARY, YOU WILL LEARN:

- Discover the connection between research on happiness and goal setting.

- Define accomplishment and success in a nontraditional way.

- Leverage control theory to execute goals, personally and at the organizational level.

- Apply the Big Five Personality Traits model to reading and leading people.

PART I: Setting Long-Term Goals

You've heard that employee engagement, culture, and meaning are essential. But practical advice on how to achieve this has been lacking. How do you integrate these ideas into goals and practices that drive success? And what does the latest research on happiness reveal? Part 1 addresses these questions.

Principle 1: Beware of the Side Effects of Measurable Goals

Clear, metric-driven goals can be powerful. They motivate individuals, encourage accountability, and make performance reviews more transparent. Additionally, research shows that sharing goals—along with the metrics used to track progress—improves teamwork. It's easier to collaborate when everyone knows what others are aiming for.

However, like medicine, goals can have side effects. Measurability is a powerful active ingredient. It makes a goal more effective and more susceptible to side effects.

Research in psychology has revealed three important side effects: goal-induced blindness, reduced intrinsic motivation, and failure to differentiate between luck and skill. If we are not careful and if we rely too much on the measurability of goals, then we will encounter these issues problems.

Principle 2: Redefine Success

As a leader, you can leverage positive psychology, also known as the science of happiness, to set more effective long-term goals for yourself and your organization. To achieve this, you need to ask the right questions and shift your perspective on goals, ultimately leading to success.

When we establish goals for ourselves or our organizations, we define what "success" means. Many people believe that success leads to happiness. However, it's not that straightforward. Groundbreaking research in positive psychology shows that success often doesn't lead to happiness. Surprisingly, it's the other way around: happiness actually paves the way for success.

People thrive when they:

- engage in tasks that are challenging yet match their capabilities,

- maintain positive relationships with people around them, and

- find meaning and accomplishment in their work.

Principle 3: Set Goals That Maximize Engagement

When people are fully engaged, they can enter a state of flow, in which time seems to pass quickly and everything falls into place. There are also applications for leadership. You must set the

conditions for people in your organization to spend as much time in flow as possible, whether working individually or in teams.

The key to maximizing engagement is to maximize return on time spent (ROTS). Conducting a ROTS audit is straightforward. Just step back and consider how much time you spend each day on pointless emails and meetings. Activities with low ROTS aren't particularly enjoyable and are less likely to put you in a flow state compared to high ROTS activities.

However, low ROTS activities are tempting for two reasons. First, they have low activation costs—they require little effort to start. It's very easy to pull out your phone and scroll. Second, they tend to offer immediate gratification.

In contrast, high ROTS activities often have high activation costs. But once you begin, they lead to greater engagement and more time in a flow state. These activities are more aligned with your long-term goals and values. They also are more likely to utilize your full range of capabilities. Over time, they help build your energy reserves rather than deplete them it.

Principle 4: Prioritize Relationships

Relationships are crucial to the psychology of leadership. We are wired to seek social connections. Additionally, there is a connection between the importance of relationships and flow. Social interactions help your brain reach the ideal state for engagement. Conversely, the absence of positive relationships can be harmful.

Some of the most vital goals you can set for yourself and your organization should focus on relationships. These goals may not be perfectly measurable, and that is okay. Relationships are the most important and the biggest challenge to mastering the psychology of leadership.

For an organization, defining happiness can be challenging. Every CEO must address the tensions between maximizing profitability for shareholders, treating employees right, and keeping clients happy. These are all important relationships.

Principle 5: When You Talk About Meaning, Mean It!

Corporate leaders believe it's important to give goals a broader significance to motivate employees. There is value in this idea, but let's reframe it: You and your organization need to pursue goals that truly matter. There's a difference between adding significance to goals and pursuing goals that hold real meaning. This plays a powerful role in the psychology of leadership.

Meaning is a powerful motivator in life. Your sense of purpose motivates you to get out of bed in the morning and helps you overcome obstacles. Because of its importance, meaning isn't discussed nearly enough when organizations set goals.

Most people and organizations are craving meaning, especially considering the significant amount of time we spend working each day. Research in positive psychology shows that it's a crucial component of well-being. When discussing meaning, be genuine. Take it seriously. Roll up your sleeves, gather your leadership team, and start the conversation. Don't just attach meaning to goals; pursue goals that have meaning.

Principle 6: Don't Focus on Winning

When we set goals, we define what accomplishment means. It feels good to achieve your goals, to succeed, to win. And it should be the same for your organization.

All these concepts are interconnected: goals, achievement, and happiness. But if you want to lead your organization in an inspiring, sustainable, and positive way, you can't just focus on winning for its own sake. You need to get off the goals-achievement treadmill and rethink your entire goal-setting process. You must redefine success not as simply winning, but as a reflection of mastery goals.

Mastery in business leadership revolves around process. It involves continuously improving how you do things. This includes upgrading your technology, operations, culture, supply chain management, recruiting skills, strategic planning, and M&A capabilities, among others. When you lead your organization with a mastery mindset and inspire everyone to do things better, faster, and cheaper, you will, over time, achieve extraordinary results.

Principle 7: Choose Your Role Models Carefully

Research on role models shows that your sense of ethics and aspirations are influenced by whom you admire—perhaps more than you realize. Having good role models will make you a better person, which will make you a better leader... and, ultimately, a better role model to others. It's the circle of leadership life.

But remember that no one is perfect.

You can learn valuable leadership lessons from those who have achieved extraordinary things. However, these lessons come with caution signs. Take a balanced view of how money functions as a source of motivation.

For example, Steve Jobs, Elon Musk, and Jeff Bezos seem to have mastered the psychology of leadership, don't they? The truth is this: what worked for them may be innate, idiosyncratic, and come with unattractive traits that the rest of us can't overcome. Most incredibly successful people are bad at relationships. Jobs treated some of his colleagues poorly. At Twitter, aka X, Musk took a brutal and impulsive approach to employee layoffs. Jeff Bezos has been known to harshly insult the people who work for him.

It's not necessary to be a jerk in the name of accomplishment. And money is great, but it's not everything.

Principle 8: Unleash the Power of Social Comparison

Social comparison often motivates the ultra-wealthy. There's always someone to compete with. To harness the power of social comparison, however, you must manage both its positives and negatives.

As a leader, you can use healthy internal competition to boost productivity. Common tools for this include sales or productivity leaderboards and the traditional employee of the month award.

Like its benefits, the drawbacks of social comparison are straightforward. In organizations, social comparison can harm collaboration. Use it carefully. Internal competition should not undermine trust, mutual respect, or a shared understanding of the team's mission.

Principle 9: Identify and Manage Your Core Beliefs

One of the best ways to improve as a leader is to understand yourself better. To do this, it helps to comprehend your roots and define your (and your organization's) core beliefs. These are the mental reflexes that influence many of your decisions. You can trace most of your personal core beliefs back to your upbringing, just as corporations' core beliefs are often shaped by their founder.

How can you incorporate your core beliefs into your leadership role and your responsibility to establish goals and cultural norms for your team? Here's a three-step process:

1. Observe: Pay attention to the rules of thumb or common sayings being used at critical moments.

2. Discuss: Explain what core beliefs are. Reflect on the company's DNA, its founders, and critical moments in its evolution.

3. Formalize: Decide which core beliefs should be abandoned or modified, and which ones should be emphasized.

Part II: Executing Your Goals

Even if you clear your mental fog by setting long-term goals, your life and career can still go off course. Execution is difficult. Really difficult. And guess what? Stuff happens. This section focuses on execution. It starts with a discussion on managing stress for peak performance. You can't pursue big goals if you can't manage your stress. Then, it explains how control theory—a powerful set of mathematical models and principles often used in engineering—addresses many of the execution challenges you'll face on the way to your big ambition goals.

Principle 10: Optimize Stress for Peak Performance

Stress can be both beneficial and detrimental, and it's impossible to eliminate it. Instead, it must be optimized. This may seem counterintuitive, but you need stress to perform at your best. It's the same for your team in terms of organizational stress.

The Yerkes-Dodson (YD) curve maps performance to stress levels. It resembles an inverted U. Initially, as stress increases, performance improves because you become more motivated and alert. At some point, you maximize your performance. After that threshold, performance deteriorates. You choke under the pressure. Hence, the YD law seeks a Goldilocks level of stress.

Stress isn't a bad thing. You just need to operate in the intermediate range—the top of the U curve—that's optimal for performance.

Principle 11: Work Backwards from Your Goals

No matter your goal, you'll need to course-correct along the way. Reality won't match the plan you wrote down on paper. What's the best way to handle the inevitable deviations? In an unusual case of intellectual cross-fertilization, psychology borrowed concepts from control theory, a field that originated in science and engineering. It doesn't require complex scenarios or computer-based optimization models. Leaders can use the model as a way of thinking—a guiding principle.

Control theory is a framework for managing dynamic feedback loops. The three main rules are as follows:

1. Begin with the endpoint. Work backwards from your main goal to create plans, milestones, and evaluate performance indicators.

2. Optimize the path. Set targets that are challenging but attainable. Manage expectations and develop a plan that will enable you or your organization to progress at a rate that maximizes engagement.

3. Don't base decisions on past information. When results differ from your plan, adjust your actions using forward-looking analysis instead of relying on what has already happened far.

When things get tough, people look to you as a leader to remind the organization of a brighter long-term outlook. And they want you to explain how the organization will reach that point. You may need to revise the plan. That's okay. It's much better to re-baseline than to stick with a plan that has become unrealistic.

Principle 12: Learn Strategic Patience

Another lesson from control theory is that if you have a long window to decide, you should keep your options open. It may seem obvious, but it's often ignored in business. It relates to the psychology of decision-making under uncertainty. Most organizations fall victim to a false sense of urgency and a bias toward action. Of course, leadership sometimes calls for quick decisions. However, sometimes the best choice is to wait and see what happens. This is called "strategic patience. "If you're patient, problems have a way of working themselves out over time. Take some time, as appropriate, to assess each situation that requires you to make a high-stakes decision. Ask yourself, do I need to make this decision now?

Principle 13: Focus on What Matters

In addition to planning backward and exercising strategic patience, control theory teaches us to distinguish between signal and noise. When dealing with the noisy outcomes against your plan, you must answer several questions:

•   How often should you measure progress?

•   How should you calibrate your response?

•   When should you take corrective action, and when should you let things play out?

The simplest way to distinguish signal from noise is to adopt a long-term perspective. Regularly measuring performance against goals and adjusting can be valuable,

but only if you also consider the broader long-term trend before making significant decisions.

Part III: Unleashing the Power of Personality Psychology

As a leader, you can't achieve your goals if you don't bring others along. You're asking people to climb the hill with you. Will they follow?

Every leader needs to be somewhat of a psychologist and understand how people are wired. The most common model for understanding how people think and behave is known as the Big Five Personality Traits. Part III offers a unique perspective on this model by applying it to the psychology of leadership.

Principle 14: Call on the Introverts

The most well-known of the Big-Five personality traits is extroversion. Extrovert leaders often undervalue introverts. There are important leadership lessons to be learned from this trait.

The most important rule of thumb for extraversion that can help you as a leader is to call on introverts. Observe their non-verbal cues to know when they have something to contribute. Extroverts tend to dominate discussions, but they often talk past each other and struggle to narrow down options to find a good solution. To move forward, call on someone who has remained quiet during the debate. It's usually—but not always—one of the members who prefers to sit back, observe, and think. One of the introverts.

To do this, you might need to curb the extroverts from talking, including yourself. In business, listening is a superpower. In four words, here's a key leadership lesson: talk less, listen more.

Principle 15: Be Disagreeable, Sometimes

Do you know someone difficult to work with? Someone who enjoys conflict? A self-centered jerk? This person would score low in agreeableness, the second trait of the Big Five. This idea contradicts the common belief that agreeableness is always a positive trait. People with high agreeableness tend to avoid conflict.

They are more likely to be empathetic, flexible, and altruistic. However, someone can make a significant contribution by disagreeing with the consensus. And simply agreeing with everyone is not productive, especially in a leadership position.

One of the most important leadership qualities is being willing to make others uncomfortable. In doing so, you may not always be agreeable. However, you push people to grow, especially when you provide feedback in a respectful way that shows you acknowledge their efforts valued.

Principle 16: Harness the Positive Side of Neuroticism

A little neuroticism can be beneficial. If you score high on this scale, you can succeed as much, if not more, than your thick-skinned colleagues who score low.

First, there may be a positive relationship between neuroticism and creativity. Research has shown that individuals with anxiety tend to have a highly active imagination, which is why they often perceive threats before others or even when there are none.

Second, neuroticism can lead to increased vigilance and serve as a source of motivation. Being a little bit of a worrier can make you attentive, focused, and even driven. People who are low in neuroticism can be satisfied with suboptimal circumstances.

Principle 17: Balance Openness and Structure

Openness to experience is the fourth of the Big Five traits. It is a longing, desire, or pull for novelty or newness. Wanting to try different things, experiment, see something you've never seen, or do something you've never done.

On the other end of the scale, someone with low openness tends to follow routines. There's a pattern to their day. They're comfortable mastering something they've done a thousand times.

Openness is a good quality in a leader. You must drive change within your organization and adapt to trends in your industry. However, you need balance. To remain competitive, you must focus on a key set of priorities. A few things done very well are better than many things done half-assed. You may subscribe to the build fast and fail fast school of thought if you're prepared to shut down underperforming initiatives.

Principle 18: Unleash the Power of Good Habits

The final of the Big Five includes self-discipline, attention to detail, and dutifulness. Think of people who are organized, punctual, and thorough. A-students, if you will. This principle teaches you to maximize the positive side of consciousness while avoiding the pitfalls associated with extreme levels.

Conscientiousness is a tendency toward order, systematization, logic, reason, neatness, and structure. Of the five traits, conscientiousness is the most valued in the workplace. People who score low on this trait tend to miss deadlines, arrive late, and show up unprepared at meetings, often delivering subpar work.

Conscientiousness arises from a collection of good habits: punctuality, creating routines and checklists for quality control, rewarding excellence, tracking business win streaks, and more. However, it's also important to watch for perfectionism and workaholism while continuing to foster flexibility and creativity.

Starting with the end in mind is crucial to all the lessons in leadership and psychology covered in this book. There are many definitions of "the end," from completing a project to the inevitable end of life. When you start from an endpoint—whatever it may be—you gain clarity on your goals and how to achieve them. You become a better leader.