

Principle Based Management™

understanding and applying the fundamentals

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Introduction

A group of diverse people, including a woman with glasses and a man with a beard, are sitting around a table in a meeting. They are smiling and listening attentively. The background shows a window with green plants.

“If our employees had the opportunity to transform themselves, they would transform the [organization], and in turn help transform society. ... My task was clear: change the [organization’s] culture to one of empowerment, not control.”

Charles Koch
Founder of Stand Together
Believe in People

Principle Based Management: a framework based on the principles of human progress that enables individuals and organizations to succeed long term by creating superior value for others.

Principle Based Management is an approach that can help you live out principles of human progress. You can use it to create conditions that empower you, your teammates, and your organization to realize incredible success.

Success Comes from Empowering People

Our approach to management echoes history's profound lesson: lasting progress comes from enabling everyone – not just the few – to contribute and realize their potential. It comes from empowerment: from removing barriers so everyone can shape their own lives and use their unique gifts to contribute to the lives of others while finding meaning.

This lesson is at the core of a worldview we call an empowerment paradigm. And through Principle Based Management you can apply this worldview to empower yourself and others to accomplish more than you ever imagined.

Principle Based Management Is Rooted in a Belief in People

It is an approach anchored in a belief that people are capable of extraordinary things. They are capable of making good decisions and acting creatively. They are capable of finding the best ways to work together in a spirit of respect. They are capable of discovering better ways to do things and they have unique insights to share. They are capable of lifelong learning and transforming themselves and their organizations.

It is an approach to creating conditions that empower people, instead of gaining power over people. Through empowerment, people unlock their innate potential.

Principle Based Management is Rooted in Principles that Empower People

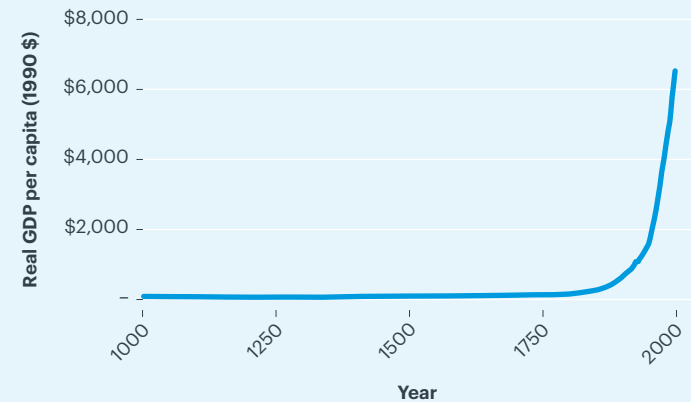
How are people empowered? People empower themselves and one another by applying **principles of human progress**. These principles include **dignity, openness, mutual benefit, bottom up, self-actualize**, and dozens more. They are time-tested and universal truths — and history shows that when people apply these principles, they improve their own and others' lives.

PRINCIPLES APPLIED:

The Great Enrichment

World GDP per capita, 1000-2000 CE

What caused an unprecedented, widespread improvement of peoples' lives? Principles of human progress. As people have increasingly applied these principles — though haltingly, and tragically imperfectly — more and more individuals have been empowered to contribute, and widespread progress has followed.



Source: HumanProgress.org

You Can Apply Principles to Empower Yourself and the People Around You

Because these principles are universal, each of us can apply them in different contexts — including how we lead our organizations and collaborate as colleagues. These principles are essential to management because good management does not come down to having pre-set steps to follow or micromanaging others. It comes down to having a way of thinking — a principle-based approach — that equips each of us to use our judgment in various situations. The time-tested principles of human progress are our compass for acting within unfolding problems and opportunities. They help us play jazz instead of follow sheet music.

The Principle Based Management framework, organized in five dimensions, is our guide for applying these principles. It is how we convert a paradigm of empowerment from a way of thinking into a way of acting.

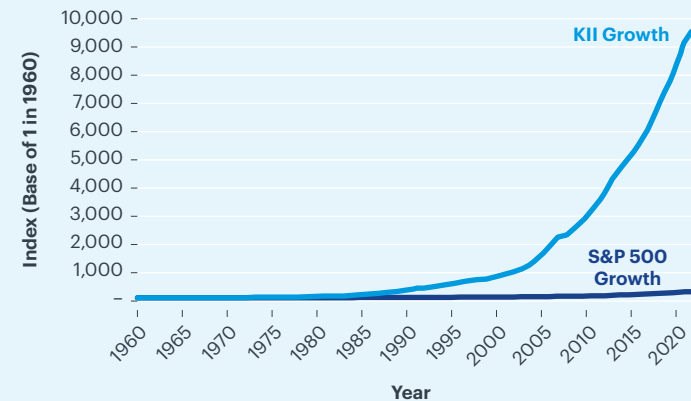
Over decades, tens of thousands of people — leaders, supervisors, and individual contributors in all types of organizations — have applied the framework to get better results and realize their potential.

Indeed, one of the most important measures of success for your application of Principle Based Management is whether it facilitates your own self-actualization. In the words of Charles Koch, “I want you to be all that you can be. That’s not only the secret to success, it’s the secret to a life of meaning.”

PRINCIPLES APPLIED:

Principle Based Management: Unlocking Growth at Koch Industries

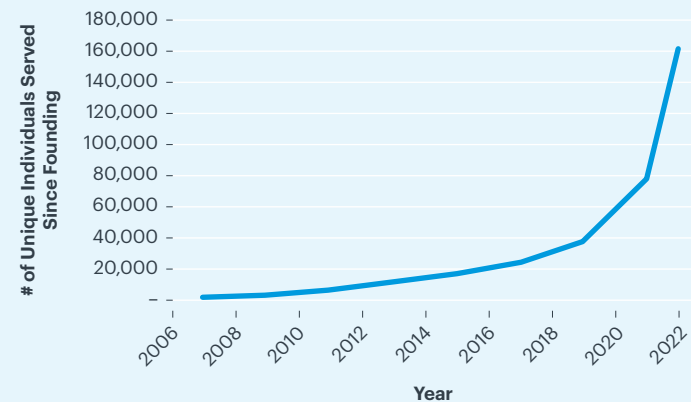
Koch Industries (KII), which pioneered Principle Based Management, has experienced sustained growth. First codified in 1990, this management approach has empowered more and more employees to contribute.



PRINCIPLES APPLIED:

Principle Based Management: Unlocking Growth at The Phoenix

Leaders at The Phoenix, a nonprofit, cite their increasing application of Principle Based Management — beginning in 2016 — as a driver of step-change results. It has enabled more employees, volunteers, and members to contribute to The Phoenix’s supportive community.



A Note About Principle Based Management's Evolution



“The [person] who grasps principles can successfully select [their] own methods. The [person] who tries methods, ignoring principles, is sure to have trouble.”

Harrington Emerson

Principle Based Management was previously known as Market-Based Management®. We have changed the name to more fully emphasize what has always been core to our management approach: **applying principles is key to success.**


We have also revised the five dimensions to better emphasize how we can each apply principles of human progress to empower ourselves and others.

The changes highlight that our approach is **principle-based, not methods-based.** Applying Principle Based Management is not about rotely using prescriptive tools or methods. It is about internalizing and creatively applying principles that equip us to handle a variety of situations. This ability to think through and act from principles differs from methods-based approaches. Methods only work in some situations — and even then, methods tend to stifle people's motivation, entrepreneurship, and creativity.

The improvements to our management approach are the result of our successes and stumbles, and the innovations we have observed from many more people applying these ideas. Business leaders and former gang leaders, athletes and educators, policy champions and activists, and others have applied these principles to dramatically improve their performance. From their efforts, we have witnessed an explosion of innovative approaches to discussing, organizing, and applying these principles. Their experiences have informed our approach.

As the principle of entropy tells us, closed systems fail. So we must continually seek better ways to get results. Today's improvements should equip us each to apply principles even more effectively and to innovate, learn, and share our learnings with one another. Our continual openness to new ways of doing things will help us all continue to transform our application of these principles and will help us all reach new heights of success.

The Five Dimension Framework of Principle Based Management



Principle Based Management is a framework based on the principles of human progress that enables individuals and organizations to succeed long term by creating superior value for others.

The Five Dimension Framework offers five lenses that we can each use to apply principles of human progress. When holistically applied, these dimensions help us create the conditions that empower ourselves and one another to contribute toward our organization's success and to self-actualize.

Vision



“The possibility of [people] living together in peace and to their mutual advantage without having to agree on common concrete aims, and bound only by abstract rules of conduct, was perhaps the greatest discovery [humankind] ever made.”

F.A. Hayek
Law, Legislation and Liberty, Vol. 3

Everyone is capable of extraordinary things.

+ As individuals, we are **empowered** when we discover, develop, and apply our **aptitudes** to contribute in the lives of others. As we do, we continually discover new and better ways to fulfill our potential (**self-actualize**) and live a life of meaning.

+ Our organization succeeds when we empower each individual to continually discover new ways to create value for others through our shared vision.

More than writing a vision statement, applying the Vision dimension is about developing a shared understanding of how we create value for others and creating conditions where each of us can contribute to that value creation.

Successful individuals and organizations actively discover new ways to create value and adapt to the world around them. They know closed-off individuals and organizations stagnate and fail (this is the reality of **entropy**), and they know the world is ever-evolving (this is the reality of **creative destruction**). Recognizing these truths, we continually discover new ways to pursue our North Star. This is essential to our long-term success.

We navigate uncertainty and adapt by creating **virtuous cycles of mutual benefit** — a process in which we succeed by helping others succeed. As we apply our capabilities to help others, we become a preferred partner — someone others prefer working with. Our success with partners opens new opportunities to add value, which points to the need to build new capabilities.

To drive virtuous cycles, we embrace continual transformation. We each contribute to transformation when we **entrepreneurially** find new ways to advance the organization's vision, applying our unique gifts and knowledge to solve problems and capture opportunities we see and have a passion for. This approach leverages the truth that progress emerges in a **bottom-up** way, through each person's contributions.

To cultivate a culture that empowers bottom-up entrepreneurship, we organize our efforts through a **spontaneous (or emergent) order** instead of a rigid order imposed from the top down.

To guide this spontaneous order and empower each employee to contribute, we create a shared vision. Shared vision includes an understanding of our *North Star* and a realistic *point of view* on the best opportunities to advance our vision given the *capabilities* we have or can build. It also includes enabling each employee to learn and become motivated to focus where they can maximize their contribution toward the vision. To ensure these contributions result in lasting progress toward our North Star, we prioritize the future rather than the current period.

Supervisors play an important role in creating an inclusive environment where each person discovers how to best use their gifts to contribute toward our shared vision. As each of us applies principles of human progress to discover new ways to contribute, we have more opportunities to become all we can be and help our organization do the same.

Highlighted Principles of Human Progress & Mental Models

- + Empowerment
- + Aptitudes, Everyone Has a Gift
- + Self-Actualize
- + Overcome Entropy
(Wasteful Bureaucracy, Disorder)
- + Creative Destruction
- + Virtuous Cycles of Mutual Benefit
- + Principled Entrepreneurship™
- + Bottom Up
- + Spontaneous Order
- + Mutual Benefit
- + Believe in People
- + Principle Based vs. Methods Based
- + Experimentation, Experimental
Discovery
- + Innovation
- + Time Preference
- + Headwinds and Tailwinds
- + Role of Key Institutions
- + Unite With Anyone to Do Right
- + *Long-Term Value Creation*
- + *Capabilities*
- + *Point of View*
- + *North Star*
- + *Shared Vision*
- + *Stewardship*
- + *Options*
- + *Measures*
- + *Satisfy Unmet Needs*
- + *Partnership: Shared Vision and Values,
Complementary Capabilities*

What has changed?

- + **Conditions of Empowerment:** New language in each of the five dimensions makes clearer how we each can apply principles of human progress to create conditions that empower ourselves and those around us to self-actualize and contribute to the organization's long-term success.

- + **Self-Actualize:** This principle has long been important to this management approach. As more people have applied it in recent years, we have seen incredible benefits for individuals and organizations. New language elevates this principle, making clearer that each of the five dimensions empowers people to self-actualize. Self-actualize is especially highlighted in the Vision dimension because as individuals use their *abilities* (aptitudes or gifts) to fulfill their potential, they help the organization use its *capabilities* to fulfill its potential.

- + **Virtuous Cycles of Mutual Benefit:** In recent years the idea of building virtuous cycles of mutual benefit has helped people think about how they, their teams, and their organizations can create more value for others and generate exponential growth. Including it as part of the Vision dimension gives guidance on succeeding long term in a dynamic world.

Virtue and Talents



“To make the growth choice instead of the fear choice a dozen times a day is to move a dozen times a day towards self-actualization.”

Abraham Maslow

The Farther Reaches of Human Nature

Everyone can embrace values and develop their gifts to self-actualize by contributing in the lives of others.

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- + As individuals, we are empowered when we embrace values that help us fully develop and apply our unique **gifts** to help others improve their lives. This is **contribution motivation**.
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- + Our organization succeeds when we hire and retain individuals who are contribution motivated and have gifts and passions that can help us advance our vision.

Contribution-motivated individuals seek opportunities to stretch and grow. They identify problems and seek solutions with an **entrepreneurial** mindset. They find **meaning** in work where they can fully express their gifts, enabling them to **self-actualize** by helping people improve their lives. They use a **principle-based** approach instead of pre-set directives, enabling them to excel in a spontaneous and creative way.

To encourage contribution motivation, as an organization we commit to shared values that provide a principle-based approach to ethical and effective behavior. (In the Stand Together community we use Our Values.) These values, derived from principles of human progress, set the standard for how we treat one another and how we get results. We each have a responsibility to live by them.

When we live by such shared values, we **respect** each person's **dignity**. This means we treat each person as an **individual**, and we empower them to apply their unique mix of perspectives, experiences, gifts, and passions.

As we seek individuals who bring different gifts and knowledge, we benefit from a wide variety of insights and innovations that are essential to advancing our vision. This is how we leverage the power of **diversity**.

Supervisors empower employees to make the greatest contributions to our organization's vision and self-actualize. They do so by holding themselves and each employee accountable to the shared values and helping each employee find roles and responsibilities that best fit their gifts and passions.

Highlighted Principles of Human Progress & Mental Models

- + Aptitudes, Everyone Has a Gift
- + Contribution Motivation
- + Principled Entrepreneurship™
- + Meaning, Will to Meaning
- + Self-Actualize
- + Principle Based vs. Methods Based
- + Respect
- + Dignity
- + Individualism
- + Diversity
- + Rules of Just Conduct
- + Comparative Advantage
- + Bottom Up
- + Mutual Benefit
- + *Shared Values (Our Values)*
- + *Right Role*
- + *Building Trust*
- + *Supervisor Responsibilities*

What has changed?

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- + **Contribution Motivation:** Contribution motivation provides us with another lens to understand the extent to which someone lives by the organization's shared values. It is critical when considering who to hire and retain. It is also important for people to foster within themselves.
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- + **Gifts Over Currently Needed Skills:** The previous focus for evaluating talents was often whether someone had the knowledge and skills needed to meet or exceed expectations for a current role. This approach limited the ability to see which opportunities people could pursue and grow into. We can each get much better results when we instead design roles and responsibilities around a person's gifts and passions.
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- + **Key Responsibility of Supervisors:** The changes further clarify that a supervisor's most important responsibility is helping their direct reports self-actualize.
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- + **Dignity:** The new dimension description further reinforces the importance of respecting, in all interactions, the dignity of each person. Respecting each person's dignity — and the individualized approach that flows from doing so — has long informed the approach to Virtue and Talents and all of Principle Based Management.

The Stand Together Community's Shared Values

Our Values (Previously the MBM Guiding Principles)

Shared values are a critical part of the Virtue and Talents dimension. Previously called Guiding Principles, the new title of the Stand Together community's shared values — Our Values — distinguishes them from other lists of concepts, especially principles of human progress.

Integrity

<p>Have the courage to always act with integrity.</p>	<p>WHAT HAS CHANGED? Simplified to better focus on the core action each of us can take.</p>
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Stewardship and Compliance

<p>Act with proper regard for the rights of others. Always ensure resources are used consistent with our principles. Act in a manner that advances our North Star. Comply with all laws and regulations. Stop, think, and ask.</p>	<p>WHAT HAS CHANGED? Broadened to better highlight that this value is about respecting the rights of all people, including partners and those we serve. Such respect includes using the resources entrusted to us in a manner consistent with our principles.</p>
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Principled Entrepreneurship™

<p>Create opportunities to become the preferred partner of those critical to advancing our vision. Take initiative and entrepreneurial risk to drive virtuous cycles of mutual benefit, consistent with the organization's risk philosophy. Continually seek to identify and close the gaps between what you are accomplishing and what you could be accomplishing if you were fully applying Principle Based Management.</p>	<p>WHAT HAS CHANGED? Changed to better demonstrate what this value looks like in practice.</p>
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Transformation

<p>Transform yourself and help the organization and others do the same. Overcome entropy by perpetually seeking, developing, and utilizing new ways to enable yourself and others to satisfy unmet needs and create long-term value.</p>	<p>WHAT HAS CHANGED? Changed to better emphasize that because of entropy (the idea that closed systems fail), transformation is not an option. To succeed long term, we must each drive transformation, and help the organization and others do the same.</p>
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Knowledge

<p>Seek and acquire the best knowledge from any and all sources that will enable you to innovate and improve your results. Share your knowledge proactively. Provide and solicit challenge consistently and respectfully.</p>	<p>WHAT HAS CHANGED? Broadened to help anchor our efforts to innovation that leads to better results.</p>
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Humility

<p>Be humble, intellectually honest, and deal with reality constructively. Develop an accurate sense of self-worth based on your strengths, limitations, and contributions. Hold yourself and others accountable to these standards.</p>	<p>No change.</p>
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Respect

<p>Honor the dignity of others by treating everyone with honesty, respect, and sensitivity. Include and embrace different perspectives, experiences, aptitudes, knowledge, and skills in order to leverage the power of diversity.</p>	<p>WHAT HAS CHANGED? Re-ordered existing concepts to better elevate dignity as the anchor principle we use to respect every person. Broadened to make clear we should actively include people with different gifts and knowledge.</p>
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Self-Actualize

<p>Be all you can be. Identify, develop, and apply your gifts and passions so you can best contribute to others in ways that are most meaningful to you. Be a lifelong learner.</p>	<p>WHAT HAS CHANGED? Changed the name to clarify this is an active journey, not a destination. Simplified to describe more clearly what we can each do to self-actualize.</p>
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Knowledge



“The knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess.”

F.A. Hayek
“The Use of Knowledge in Society”

Everyone has knowledge to contribute.

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- + As individuals, we are empowered when we embrace **openness**: seeking, sharing, and applying knowledge so we can continually improve.
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- + Our organization succeeds when we empower each individual to learn and apply knowledge at an ever-increasing rate, discovering better ways to create value in harmony with our vision and values.

Openness is essential to success because the world is always changing (**creative destruction**) and closed systems fail (**entropy**). No matter how well we are doing today, we can always do better. We each succeed long term when we perpetually inject new energy and knowledge to find better ways of doing things. We each do so by seeking to identify and close gaps between how we are performing and how we could be performing if we were fully applying principles of human progress. This helps us find new information and use it to drive transformation — of ourselves and our organization.

We practice openness because knowledge is dispersed and no one person has all the answers (**the knowledge problem**). We use **Republics of Science** — networks of people exploring ideas and ways to add value based on their unique gifts and passions — to learn and improve. We each generate and share learnings, speeding up our cycles of **innovation** to get better results.

Knowledge emerges in many ways. To cultivate it, we create a culture where we **humbly** consider and challenge different ideas and perspectives, regardless of the source or status of the individuals sharing them. We build broad knowledge networks, drawing on different perspectives from inside and outside our organization. We undertake well-designed **experiments** that lead to new insights, including about what works and what does not. And we use reality-based measures to understand whether our efforts help people improve their lives, what leads to success, and what we can do to succeed more.

Supervisors encourage a culture of challenge, exploration, and lifelong learning. They support experiments that help us each learn quickly so we can continually find new ways to advance our North Star.

**Highlighted
Principles of
Human Progress
& Mental Models**

- + Openness
- + Creative Destruction
- + Overcome Entropy
(Wasteful Bureaucracy, Disorder)
- + The Knowledge Problem
- + Republic of Science
(Knowledge Networks)
- + Innovation
- + Humility
- + Experimentation,
Experimental Discovery
- + Personal Knowledge
- + Science as Falsification
- + Transformation
- + Bottom Up
- + Economic Thinking: Transaction
Costs, Opportunity Cost, Marginal
Analysis, Sunk Cost
- + Price Signals
- + Free Markets
- + Free Speech, Free Expression
- + Diversity
- + *Measures*
- + *Benchmarking*
- + *Risk Management*
- + *Challenge*

What has changed?

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- + **A New Dimension Name:** The name change from Knowledge Processes to Knowledge conveys our commitment to principles rather than processes, systems, or tools. We stagnate when we rely on set ways of finding and applying knowledge. We accomplish more when we apply principles that help us continually find new ways to seek, share, and apply knowledge.

Comparative Advantage



“Endless human variation... creates the chance for endless cooperation, to the mutual advantage of participants. ... We may reap fruits of human variation and enjoy things not of our own direct creation only if we discover how to allow this cooperation to work.”

Baldy Harper
Why Wages Rise

Everyone has something to contribute.

+ As individuals, we are empowered when we partner with those who have complementary **gifts**. We maximize the benefits of such cooperation by applying the principle of **division of labor by comparative advantage**, achieving more together than we could alone.

+ Our organization succeeds when we empower each individual to be **entrepreneurial** — to discover where and how they can best cooperate toward our shared vision.

Comparative advantage does not mean focusing on what you are best at; it means focusing on your best opportunity to make the greatest contribution, in light of your next-best opportunity (**opportunity cost**) and other people who can contribute. Contributing based on comparative advantage matters because when we unite to achieve a shared vision, we each strive not just to add value but to add the greatest value we can.

When we each focus on our comparative advantage we position ourselves and others to succeed through teamwork. Teamwork and cooperation tend to work best when we know who is responsible for what results and who makes what decisions; to develop such clarity we use responsibilities and decision rights. Such clarity helps us confidently focus our efforts and discover who to partner with so we can best advance our vision.

Responsibility and accountability for results respects each person's **agency** and unleashes entrepreneurship. When we — and especially supervisors — hold ourselves and one another **accountable** for the results of our decisions and when we have decision rights in roles that fit our gifts and passions, we gain **personal knowledge** that fuels entrepreneurial insights. Acting entrepreneurially also includes taking the initiative to earn new responsibilities and decision rights, and acting when they are unclear. As decision makers we seek input and challenge from those who have different perspectives, experiences, and knowledge that can help us get better results.

Because comparative advantage depends on context, our comparative advantage will change as conditions and teams change; and so our roles, responsibilities, and decision rights should change accordingly. This means decision-making authorities are neither centralized nor decentralized. Instead, they flow to individuals whose comparative advantages enable them to make effective decisions. This fluidity is critical for our organization to succeed in a dynamic world and for each of us to focus where we can make the greatest contributions.

Supervisors, in partnership with employees, continually revisit comparative advantage across our organization, helping each employee find how they can best contribute to the vision based on their gifts and in collaboration with others.

**Highlighted
Principles of
Human Progress
& Mental Models**

- + Aptitudes, Everyone Has a Gift
- + Division of Labor by Comparative Advantage
- + Principled Entrepreneurship™
- + Opportunity Cost
- + Agency
- + Accountability
- + Personal Knowledge
- + Bottom Up
- + Self-Actualize
- + Property Rights
- + Tragedy of the Commons
- + Bureaucracy
- + Diversity
- + Principle Based vs. Methods Based
- + Specialization
- + *Cooperation and Teamwork*
- + *Stewardship*
- + *Partnership: Shared Vision and Values, and Complementary Capabilities*

What has changed?

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- + **A New Dimension Name:** The name change from Decision Rights to Comparative Advantage elevates a principle we each benefit from applying: the **division of labor by comparative advantage**. The previous name elevated a method we use to help us apply this and other principles.

Motivation



**“Ever more people today
have the means to live, but
no meaning to live for.”**

Viktor Frankl
The Unheard Cry for Meaning

Everyone can find success and meaning by benefitting others.

+ As individuals, we are empowered when we act on our innate motivation to apply our gifts toward pursuits we are passionate about and that improve the lives of others. This is how we increasingly succeed, **self-actualize**, and find **meaning**.

+ Our organization succeeds when we empower each individual to pursue opportunities beneficial to them and our organization — when we approach motivation through the lens of mutually beneficial partnership.

Long-term and meaningful success comes from benefitting yourself by benefitting others: from building mutually beneficial partnerships. **Mutual benefit** is the cornerstone of *all* partnerships across our lives, including those between teammates, external partners, those we serve, employees, and the organization.

For any partnership to be mutually beneficial, each of us needs to understand not only what we **subjectively value** and find motivating, but what our partner subjectively values and finds motivating. To learn this, we each seek to understand one another as unique individuals, taking an **individualized** approach to partnership. When we take a mutually beneficial, individualized approach we each create new ways to maximize our contributions.

This approach extends to the partnership between the organization and each employee. As we each learn and share with our supervisor and collaborators what we find motivating, together we craft roles and responsibilities that motivate us to create the greatest value, for which we are rewarded. The most motivating roles tend to be those where we tap into our gifts and passions, using them to create the greatest value for our organization. Such roles help us self-actualize and find meaningful success, which are both powerful sources of motivation.

Compensation, an important motivator, is most effective when individualized. When people's compensation is based on arbitrary standards such as credentials, title, seniority, or pay bands, people become disconnected from their contributions. But when each person is instead rewarded for the value they create — total compensation for total contribution — they become better connected to their contributions in ways that motivate them to

contribute more and pursue meaningful success. This approach includes compensating people for advancing our organization's culture and building capabilities that have or will generate results; and it includes compensating people for previously under-rewarded contributions.

In such ways, our organization seeks to align each employee's **incentives** with what will motivate them to maximize their contributions to our shared vision.

Supervisors recognize that our organization builds its success on empowering each employee to succeed. Supervisors create the conditions that empower each employee to increase their contributions and earn greater rewards. They share performance feedback and encourage a long-term perspective on growth and results. They help employees increasingly believe in themselves and empower them to be creative. They do not penalize well-designed experiments that fail because such experiments create knowledge that leads to better decisions. These and other actions support each person's unique journey to self-actualize.

Highlighted Principles of Human Progress & Mental Models

- + Self-Actualize
- + Meaning, Will to Meaning
- + Mutual Benefit
- + Subjective Value
- + Individualism
- + Incentives
- + Voluntary Exchange
- + Contribution Motivation
- + Synergy
- + Human Action Model
- + Self-Interest Rightly Understood
- + Marginal Analysis
- + *Long-Term Value Creation*
- + *Rewards, Recognition, and Compensation*
- + *Partnership: Shared Vision and Values, and Complementary Capabilities*

What has changed?

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- + **A New Dimension Name:** The name change from Incentives to Motivation better emphasizes the range of factors that people find motivating.
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- + **Meaning:** One of the deepest forms of motivation is to strive for meaning beyond oneself. As employees, supervisors, and leaders collaborate to craft mutually beneficial opportunities where each employee can simultaneously contribute, earn a living, and find meaning, everyone thrives.
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- + **Partnerships:** The Motivation dimension extends to all forms of partnership, not only those between employees and employers.

Prompts for Deepening Your Application



① Anchor to Principles, Not Methods

“When [Principle Based Management] is applied bureaucratically as a rigid formula or a prescriptive process, it ceases to be [Principle Based Management].”

– Charles Koch, *Good Profit*, 247

Actions to Take

- + Identify a tool or process you use regularly. Choose 1-2 principles that seem especially relevant to using that tool or process to get results.
- + What about your approach is consistent or inconsistent with those underlying principles?
- + What specific changes could you make to take a more principle-based approach?

2 Learn by Doing

“What works best is learning by doing. ... We don’t progress if we are afraid of making mistakes.”

– Charles Koch, *Good Profit*, 247

Actions to Take

- + What is one dimension, principle, or idea that seems especially relevant to your role or a current decision?
- + Focus there. Seek to deepen your understanding of the idea. Apply it through trial and error. Find others who have successfully used the idea and brainstorm with them.
- + Reflect on the results (positive or negative). Seek feedback and keep learning.

3 Holistically Apply the Five Dimensions

“When these five dimensions and their underlying concepts are understood holistically and applied in an integrated, mutually reinforcing manner, any [organization] can be transformed.”

– Charles Koch, *Good Profit*, 18

Actions to Take

- + Reflect on an ongoing project you care about (in or out of work).
- + For each of the five dimensions, consider its core idea. Consider how each might apply to the project.
- + What new questions or insights pop up? Act on your fresh insights and reflect on what you learn.

4

Prompts for Applying Each Dimension

Vision

- + How do my organization and team create value for others? Do I understand how my efforts advance our vision — how does my work help my colleagues, partners, and those we serve?
- + What am I doing to act as a principled entrepreneur and discover new ways to advance our vision?
- + What are my top priorities to create value? How can I ensure that my supervisor and I are on the same page about these priorities?

Virtue and Talents

- + What conversations do I need to drive to best discover, develop, and apply my gifts to create the most value toward our vision?
- + What opportunities do I see — big or small — to change my role so it better leverages my gifts and passions in ways that create the greatest value for the organization?
- + What am I doing to embrace our shared values (for the Stand Together community, Our Values) and become increasingly contribution motivated?

Knowledge

- + What can I do to better internalize principles such as humility and openness? How can I better invite feedback and challenge from my peers?
- + How can I expand the network of people my teammates and I are learning from and with?
- + What well-designed experiments and reality-based measures can help me gain knowledge I can use to advance our vision?

Comparative Advantage

- + What conversations do I need to have to clarify my role, responsibilities, and decision rights so I can be even more entrepreneurial?
- + What can I do to better understand my teammates' responsibilities and gifts, so we can improve our collaborations?
- + Thinking of my team, how can I drive a conversation around responsibilities and decision rights so everyone can focus where they can make the greatest contribution to the team's success?

Motivation

- + What motivates me to grow, contribute, and do my best work?
- + What motivates my partners (internal or external)? What conversations can I have to better understand them and find valuable areas of deeper mutual benefit?
- + Thinking about the long term, how does my role help me learn, grow, and self-actualize? What adjustments would further help me self-actualize and find meaning through my work?

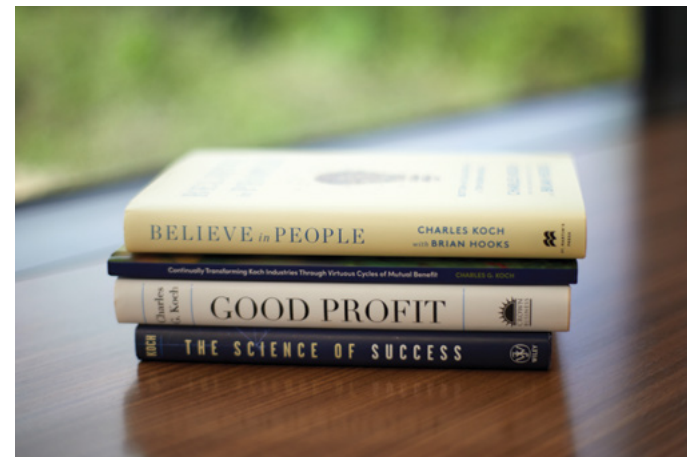
More Resources

Keep exploring how to apply Principle Based Management

- + *The Science of Success*
- + *Good Profit*
- + *Continually Transforming Koch Industries Through Virtuous Cycles of Mutual Benefit*

Explore how principles of human progress and a paradigm of empowerment can help Social Entrepreneurs transform themselves and society

- + *Believe in People*



“The greatest advances in history ultimately came down to principled men and women applying their gifts, empowering others, and transforming society from the bottom up. They became the best versions of themselves, making the world a better place for us all.”

Charles Koch
Believe in People

**Stand
Together**