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Applied Insights from the FH Kufstein Tirol

LEADERSHIP PRINCIPLES

Prof. (FH) Dr. Roman Stöger

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LEADERSHIP PRINCIPLES

CREATING A NORMATIVE FRAMEWORK FOR MANAGEMENT

Companies and employees are led by managers. But who, or rather, what, leads managers? It is leadership principles that constitute the “DNA” of the most important competitive factor - competent management. They provide impetus for entrepreneurial thinking and action, establish criteria for evaluating managers, and make an important contribution to leadership and cultural development.

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I. WHY ARE LEADERSHIP PRINCIPLES IMPORTANT?

For decades, there has been a consensus in business administration and management theory that cultural development and change management are essential prerequisites for transformation and success. Cultural cornerstones, collaboration guidelines, and mission statements have been established and can serve valuable purposes. However, there are still many companies that have not (yet) defined a normative framework for the decisive competitive factor - competent leadership. The underlying understanding of management here is strongly influenced by Peter Drucker and views leadership as a profession of effectiveness and as an integrative factor that enables people and organizations to perform at their best¹.

Leadership principles are the DNA of competent management.

At their core, leadership principles are normative guidelines oriented toward fulfilling the business purpose and social responsibility. They define how people or an organization should be managed. Therefore, they serve as a framework for daily actions, for collaboration, and consequently as a catalyst for corporate culture. Additionally, they can be utilized in management recruitment and in the assessment or development of leaders. Ideally, they are linked to leadership processes such as goal-setting, CIP (continuous improvement process), or planning. This ensures that the principles are applied and not only written down. Companies such as Toyota, Ritz-Carlton, SAP, Henkel, or Adidas have had leadership principles in place for some time and implement them consistently.

¹ See the classic: Drucker, P., *Managing the Future*, Düsseldorf 1992, p. 123 ff.



2. WHICH LEADERSHIP PRINCIPLES ARE CRUCIAL?

From the wealth of management literature, academic research, and sound business practice, six leadership principles can be identified (Fig. 1). The first is orientation competence. In a VUCA world of volatility, uncertainty, complexity, and ambiguity, it is especially important that leaders can convey a sense of purpose. This refers to the business, the products or services, daily activities, collaboration and so on. It also refers to the ability to navigate. For example, a strategy serves this purpose because it includes a long-term plan and keeps the company on a stable course. This encompasses business areas, functions, regions, customer or product groups, and business models.

Fig. 1: Leadership Principles	
1. Orientation Competence	<ul style="list-style-type: none"> • Conveying meaning • Ensuring navigation • Keeping the long term in view • Ensuring stability
2. Openness to opportunities	<ul style="list-style-type: none"> • Motivating for the future • Practicing a constructive approach • Developing strengths • Ensuring scalability
3. Adaptability	<ul style="list-style-type: none"> • Being open to transformation • Driving renewal • Being capable of adapting • Organizing a curiosity for learning
4. Implementation skills	<ul style="list-style-type: none"> • Ensuring effectiveness • Applying pragmatism • Ensuring professionalism • Ensuring focus
5. Networking skills	<ul style="list-style-type: none"> • Focus on the big picture • Integrating interfaces • Managing complexity • Balancing conflicting interests
6. Sense of responsibility	<ul style="list-style-type: none"> • Enabling entrepreneurship • Ensuring reliability • Building trust • Implementing sustainability

Willingness to seize opportunities is the second leadership principle. A defining characteristic of competent leadership is the ability to face challenges and crises, but above all to create opportunities. In a time of uncertainty, doubt, and negative sentiment in society, politics, and the economy, it is crucial to develop a positive outlook. This requires constructive thinking and action. Embracing opportunities as a principle also means continuously developing the strengths of companies, employees, and leaders. Driving factors include digitalization, AI, hybrid business models and the reconfiguration of global markets and industries. Truly capitalizing on opportunities means realizing them and ensuring scalability.



A third principle is the ability to adapt to change. Companies need to have a radar for transformation in order to recognize changes in a timely manner or stay ahead of them². Executives are not paid to just to run day-to-day operations, but rather to drive renewal in the sense of innovating products, services, competencies, and processes. This involves the corresponding adaptation of business models, the organization and the culture. It also includes the ability to foster an atmosphere of curiosity for learning and to continually stimulate it.

The fourth principle can be described as implementation competence. Key concepts in business administration and management theory are effectiveness and efficiency. The role of a leader is to enable people and organizations to be effective. Input factors such as ideas, knowledge, labor, and capital are indeed necessary prerequisites. However, what matters most are the results. That is, the output as value for customers and for the company. To be effective, pragmatism and professionalism are essential. This is evident in seemingly unspectacular areas such as meetings or projects. And, if there is one thing to be learned from highly effective managers, it is the ability to focus on a few key areas and avoid operational chaos.

Leadership principles serve as a guide for managers.

A fifth principle is the ability to network, which applies across multiple levels. The goal is to prioritize the company as a whole and avoid sub-optimization or departmental parochialism. This holistic view also encompasses professional interface management in the age of digitalization and multitasking. In general, the challenge is to recognize, identify and manage complexity. This can only be achieved through the competent application of management methods. However, experienced leaders also know that areas of tension and contradictions are always present. Therefore, striking a balance in a multidimensional world is very important.

A sixth principle is a sense of responsibility. Top management and the board of directors, in particular, must continually ask themselves self-critically whether genuine entrepreneurship on the part of managers is desired. This includes, on the one hand, ambitious goals, but on the other hand, decision-making freedom and a high degree of autonomy. A true leader is more than just an executor. Responsibility encompasses the two key themes of reliability and trust, which are mutually exclusive and reinforce one another. And finally, especially today, a key aspect of responsibility lies in ensuring genuine and honest sustainability for our society.

² Faerber, M., et al., "How to Succeed with Change in Small and Medium-Sized Businesses," in: Harvard Business Manager 01/2023, p. 69.



3. HOW CAN LEADERSHIP PRINCIPLES BE APPLIED?

When asked about leadership principles, many leaders first mention employee motivation. In the approach presented here, motivation is a result of the leadership principles outlined. Ultimately, the goal is not to turn employees into recipients or consumers of motivation, but to foster self-motivation through the application of these principles.

Motivated employees are a result of the leadership principles.

When implementing leadership principles, several points should be kept in mind. The principles listed here do not represent a definitive and universal model for any company. The list should be used pragmatically as a starting point and discussion guide, as it incorporates extensive insights from both theory and practice. Furthermore, sixth principle of a sense of responsibility is not a numerical requirement and can, of course, be expanded. However, care must be taken not to define too many principles and sub-points in order to keep everything manageable. The development and implementation of leadership principles³ (Fig. 2) depend heavily on the size of the organization and the company's history. It is advisable to design the development process broadly to ensure the commitment of managers. It is also important not to include too many different categories, such as values, norms, mission, vision and philosophy. The simplest approach is to focus solely on principles, formulate them clearly, and link them to leadership processes. Leadership principles guide leaders, and in our demanding world, this is a prerequisite for effectiveness.

³ Stöger, R., Management Toolbox, Stuttgart 2025, p. 32.



Summary: Application and Benefits

1. Solid principles as a framework for leadership and collaboration
2. Criteria for evaluating leaders and candidates for leadership positions
3. An important impetus for leadership development and corporate culture



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AUTHOR PROFILE

Prof. (FH) Dr. Roman Stöger

>> Professor of Strategic Business Management

Contact: roman.stoeger@fh-kufstein.ac.at



Fig. 2: Leadership Principles: Tool and Example (Mechatronics)

An internationally positioned mechatronics company has grown significantly in recent years and has established leadership principles. Implementation is being carried out through an executive board program.

A. Leadership Principles: Key Points

1. Orientation Skills	<ul style="list-style-type: none"> • Purpose: As mechatronics specialists, we play a vital role in enabling our industrial customers in the medical and security technology sectors to manufacture reliable products. • Stability: As a family-owned business, we think in terms of generations and ensure long-term business health and sound business practices.
2. Openness to Opportunities	<ul style="list-style-type: none"> • Perspective: We operate in forward-looking industries and are constantly evolving as leaders and as a company. • Strengths: We ensure that our problem-solving capabilities in business models, technology, and applications are continuously refined. • ...
3. Adaptability	<ul style="list-style-type: none"> • Change: We view leadership as a driver of change in our business and internally in our processes. • Renewal: We view change management as a key responsibility for leaders at all levels of the organization. • ...
4. Implementation skills	<ul style="list-style-type: none"> • ...
5. ...	<ul style="list-style-type: none"> • ...

B. Leadership Principles: Implementation

Action	Deadline	Responsible
1. Implementation of the communication plan with stakeholders: employees, managers, customers, suppliers...	April 30	Bauer
2. Management workshops on implementing leadership principles in the regions and divisions	Aug. 31	Stepic
3. Integration of the leadership principles into the annual goal-setting process and executive development	Nov. 30	Tammer
4. ...		