



The Case for Transformation

Building Resilient Teams
+ Adaptive Leaders

PREPARED BY

Anne McGhee-Stinson, Director of Practice



The Case for Transformation

In an era of unprecedented complexity and rapid change, organizations face significant challenges that demand a transformation in leadership and organizational design.

Traditional approaches emphasize stability and predictability and are increasingly insufficient to navigate the volatile and interconnected global landscape. This white paper explores the current crises and polarities affecting organizations, the inadequacies of conventional strategies, and the urgent need to change basic assumptions toward a more organic and human-centric approach. We discuss the necessity of fostering innovation, agility, and a culture of continuous learning, drawing on insights from recent surveys and research. Finally, we propose actionable solutions for building resilient, self-organizing teams and developing conscious, adaptive leaders capable of driving sustainable growth in the 21st century.

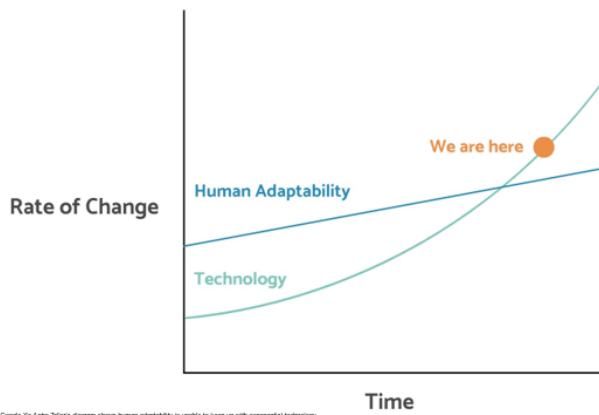
Confronting the Problem

“We are unsettled to the very roots of our being. There isn’t a human relation, whether of parent or child, husband and wife, worker, and employer, that doesn’t move in a strange situation. We are not used to a complicated civilization; we don’t know how to behave when personal contact and eternal authority have disappeared. There are no precedents to guide us, no wisdom that was not meant for a simpler age.”

– *The Fourth Turning is Here* by William Strauss and Neil Howe (Howe, 2017)

This quote resonates deeply in our current age, where the very foundations of our social, economic, and organizational structures are being tested. Organizations are struggling to reconcile the lessons of the past with the demands of an increasingly uncertain future. Old paradigms, which were once sufficient to guide decision-making and strategy, are rapidly becoming obsolete. In this context, leaders are required to adopt novel approaches that are as dynamic and adaptive as the world they operate in.

The current global environment is characterized by a series of crises that drive upheaval, confusion, and uncertainty across organizations. The rapid advancement of information technology and the rise of worldwide connectivity have created an increasingly dynamic and complex world. Political deregulation and economic interdependence further compound these complexities, making it clear that traditional, stability-focused strategies are inadequate.



Leaders must move beyond the familiar left-brained cause-and-effect thinking and embrace a whole-brain approach that fosters creativity and innovation. As technology advances, our environment rapidly changes, often exceeding the human ability to adapt.

This imbalance creates radical challenges for individuals and organizations, making the need for new styles of learning and leading critical to

achieving success in this new world. Not only must we redefine and expand how we connect, but we also need to reconsider what skills are necessary to lead and operate in this novel age. Expanding our current worldview is essential to addressing these challenges effectively.

Outdated Organizational Designs and Strategies

When Isaac Newton watched the apple fall from the tree and decided to apply mathematics to the speed and timing of the falling apple, he did more than invent calculus. Newton gave us a view of the world that, for several subsequent centuries, informed our understanding of how the physical world works.

This model is based upon a mechanistic paradigm of cause and effect leading to predictable results. The paradigm encouraged the concept that the more we understand the individual parts of any given system, the better those parts will work. Much of this is true and useful when working with machinery but human beings are not that simple, nor are the organizations that we work within. Still, we applied this mechanistic paradigm to everything, from how we educated our children to how we built our communities. It informed us on how to **structure, standardize, and organize the very way in which**

we lead, work, live, heal, and learn. Historically, an organization designed for this industrial, mechanized environment focused on maximizing earnings and minimizing risk. Stability and predictability were the hallmarks of an effective organization and the associated leadership capabilities.

One output of this is that even today, leaders are looking for a recipe and a reference table. “Here is the situation; let me look it up on my cheat sheet. In this circumstance, do this. In that circumstance, do that.” This is a carryover from a mechanical, left-brained, cause-and-effect predictable construct. The mindset is dangerously incomplete and out of date.

“It is time to stop perpetuating the myth of simplicity. The system of organization established by humankind generates complex problems that cannot be solved by simplistic quick-fix solutions.”
- *Creating a Quantum Organization* by Ralph Kilmann (Kilmann, 2021)

The challenges we face today are unstructured, open-ended, and multi-dimensional. Our outdated structures and associated mindsets and expectations have led to unprecedented levels of stress and anxiety within the global workforce, and it is getting worse.

Erosion of Leadership Confidence

A recent PwC Global CEO Survey revealed that 73% of CEOs believe global economic growth will decline in the next 12 months, marking the most pessimistic outlook in over a decade. Additionally, more than 4,400 CEOs were asked how long their businesses would remain economically viable if they continued their current paths. 40% said “ten years or less.” The pattern was consistent across multiple industries, including telecommunications (46%), technology (41%), manufacturing (43%), and health care (42%). This stark reality underscores the inadequacy of traditional organizational strategies in the face of contemporary challenges.



Only truly exceptional leaders can perform exceptionally well amid the **breakneck pace, complexity, and globalization** of modern business.

Executives who **focus only on managing risk** or making incremental progress are **no longer satisfactory** for CEOs who are “playing to win,”





Top executives believe that their businesses could be **in real trouble**. CEOs expect economic **growth to falter** in 2023 and beyond.

4,400+ CEOs were asked, *“How long can your business remain economically viable if you continue on your current path?”*
 Nearly **40%** said *“ten years or less.”*

**< 10
years**

(PwC, 2023)

CEOs are increasingly losing faith in their executive leadership teams. A survey by Korn Ferry revealed that confidence in direct reports dropped from 74% in 2021 to 66% in 2022. This decline is not due to a lack of leadership skills but rather the inability of executives to perform exceptionally in a world that demands more than just managing risk, delivering predictable results, or making incremental progress. The need for exceptional leaders capable of quantum, transformational progress has never been greater.

Global Workplace Disengagement

It is not just leaders who are struggling. The most recent Gallup State of the Global Workplace Report (2023) paints a dismal picture of employee engagement, with 77% of the global workforce actively disengaged and 53% actively looking for new jobs. The top reasons cited include organizational culture (41%) and a lack of well-being (16%), and stress levels remain at record highs. While these statistics are concerning on their own, the fact that these trends have continued year after year for the better part of the last decade indicates that we have reached a tipping point where incremental progress is no longer viable. (Gallup Poll, 2023)



(Gallup Poll, 2023, 2024)

Big Idea #1

Business organizations have the potential to be THE VEHICLE for socio-economic transformation, but new models of leadership and organizational design are required.

For decades, organizations were designed and managed for an industrial environment geared toward preserving stability, scale, and predictability and focusing on maximizing shareholder earnings. While well suited for the assembly line, these models were incomplete and paid little attention to the broader—often unintended—impact of their actions.

To shift the trends cited above and thrive in this new era, organizations must adopt new leadership and organizational design models. These models should embrace adaptive, human-centric principles that leverage our evolving understanding of the world and our place in it. Some companies like Allianz, Haier, Microsoft, Dell, and Nucor have already started and are transforming their industries by creating more open, fluid, and adaptable organizations. These companies focus on harnessing their teams' collective energy, passion, and capabilities, reimagining strategy, and delivering greater value to all stakeholders. The key lies in developing teams that function as living systems—where leadership is shared, relationships are resilient, and outcomes are collaborative and benefit multiple stakeholders.

Organizations as Living Systems

Many of our existing organizations were designed using a “top-down / command and control” construct that served us well in the industrial era. In this environment, there were only a few well-educated people and many less-educated workers. This organizational structure relies on the leaders at the top of the pyramid giving guidance and direction to others further “down” the chain of command.



We now know that an organization’s structure determines its behaviors within its boundaries. Traditional top-down, command-and-control structures are far too rigid and, therefore, inadequate for today’s complex challenges. The behaviors these “top-down” structures generate tend to be compliance, conformity, dependency, and loyalty to authority. When repeated by many individuals over time, these behaviors become the cultural norm and can be counterproductive in our modern environment, where innovation and creativity are badly needed.

Building a New Kind of Infrastructure and a New Leadership Imperative

Organizations today must learn to operate more like complex living organisms. This includes an integrated whole whose essential properties arise from the **relationships between its parts**. In today’s interconnected world, these relationships are vital as they enable learning from interactions within the environment to adapt, innovate, and grow. In this environment, leadership must evolve toward decentralized decision-making, recognizing ecosystem interdependencies and involving multiple stakeholders in the process. Organizations must build the capacity to function as a living system where real-time feedback and flexible roles replace command, control, and assumption. The operating behaviors in this type of structure include shared leadership, exploration, self-responsibility, engagement, and collective intelligence.



In practice, leaders can begin to implement more collaborative, flexible, fluid work environments by establishing new infrastructures to support new thinking. The infrastructure must be systemic and strategic and enable diverse groups of people working globally in hybrid environments to interact and collaborate. Surprisingly, these structures do not need to be complicated or cumbersome. Still, they need to be practiced and modeled consistently across teams or an entire organization.

“Whether you’re trying to become more innovative, agile, or inclusive, changing culture is really a matter of changing shared everyday habits. Those habits are motivated by clear principles, reinforced by congruent systems, and modeled by leaders across the organization.”

– Dr. David Rock

Big Idea #2

No organization can rise above the level of consciousness of its leaders.

In an increasingly complex world, traditional leadership models, which often emphasize technical skills and operational efficiencies such as process improvement, data-driven decision-making, strategic thinking, and problem-solving, are insufficient to address the multifaceted challenges that organizations face today. The need for a deeper, more transformative approach to leadership has never been more urgent.

Frederic LaLoux’s premise that “no organization can rise above the level of consciousness of its leaders” is foundational to his exploration of leadership in his book *Reinventing Organizations*. LaLoux suggests that an organization’s effectiveness, culture, and ability to innovate are fundamentally limited by the consciousness level of its leaders, which encompasses their values, self-awareness, emotional maturity, and worldview. Leaders operating from a lower level of consciousness may focus primarily on hierarchical control, rigid structures, or short-term gains. This often results in environments that stifle creativity, limit individual autonomy, and rely heavily on extrinsic motivators like rewards and punishments. (LaLoux, 2014)

The idea is not new. Authors including Peter Senge in the *Fifth Discipline*, Robert Kegan’s work in adult developmental psychology, and Otto Scharmer in *Theory U*, among others, collectively argue that the consciousness of leaders acts as a “ceiling” on the organization’s growth, adaptability, and innovation. Each emphasizes that transformational change at the organizational level requires leaders who have evolved in mindset and consciousness, as these qualities directly influence the organization’s potential.

Leaders at higher levels of consciousness are more inclined to embrace principles of wholeness, self-management, and purpose-driven work. These leaders cultivate a culture prioritizing trust, autonomy, and collaboration. They view their role as facilitators of growth and innovation rather than mere enforcers of policies and procedures, allowing the organization to become a living, evolving entity rather than a static structure. This leadership model encourages employees to bring their whole selves to work, fostering intrinsic motivation, adaptability, and collective resilience.

LaLoux states that the level of consciousness from which leaders operate directly shapes organizational culture and effectiveness, making self-awareness, empathy, and a commitment to personal growth critical for leaders aiming to create transformative organizations.

This requires leadership development to move beyond traditional skill-building to address deeper psychological and emotional layers, including mastery in self-expression and creating psychologically safe spaces for accountability.

Leaders!

It is your personal development
that makes the difference between
competency and **mastery**.

Big Idea #3

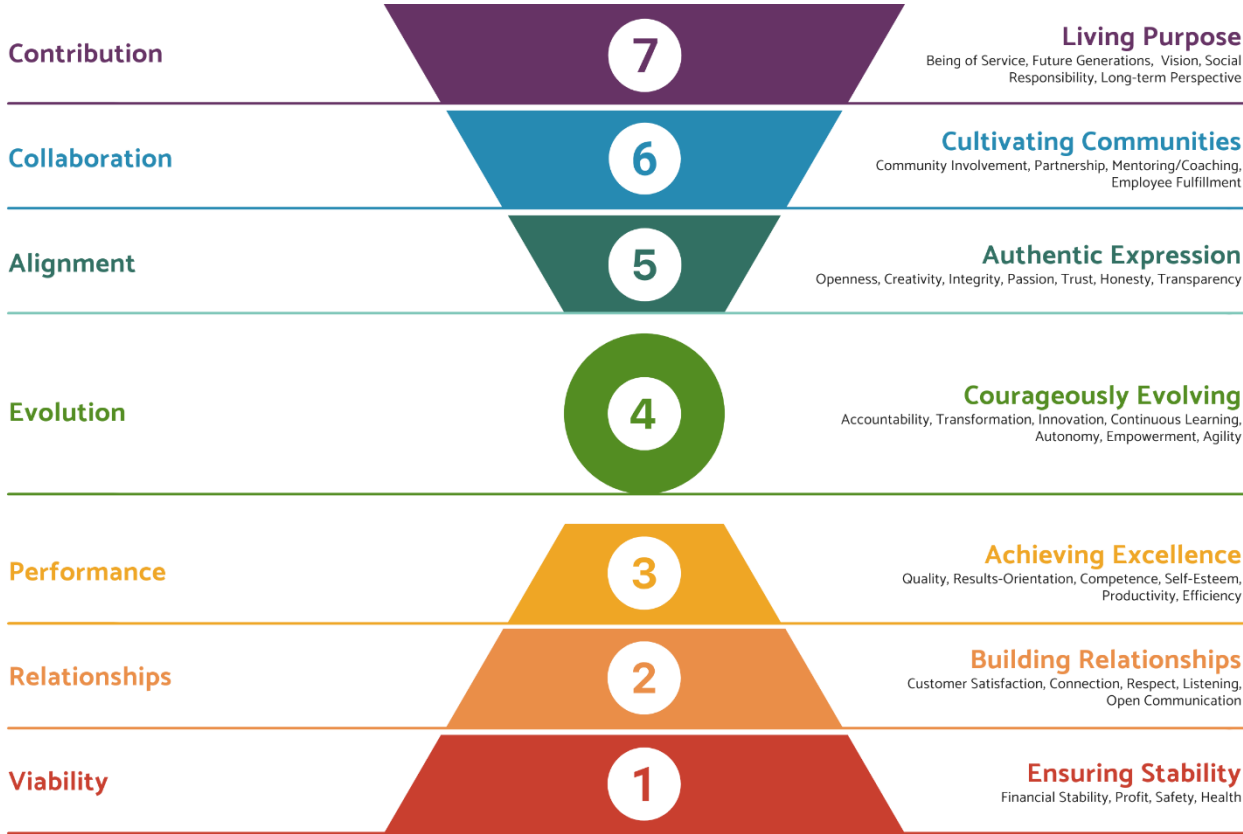
We have reliable strategies to calibrate and raise the consciousness of leaders.

The polarities we face in the world's sociological, economic, environmental, and political areas will not be solved until and unless we can transcend them and broaden our worldview. Leaders must develop the ability to hold multiple perspectives, navigate polarities, manage conflicting values, and engage with the deeper, often hidden, dynamics at play within their organizations and the world that influences them.

Several credible sources currently work in this area, and a growing body of work offers a promising perspective. Management scientists Bill Torbert and David Rooke developed an eight-stage model of leader mindset development known as "action logics," based on 40 years of research with tens of thousands of adults, including thousands of leaders. Each stage reflects increasingly complex mental and emotional capacities. Torbert and Rooke discovered that what differentiates leaders is less about their leadership philosophy, personality, or management style and more about their internal "action logic"—how they interpret their surroundings and respond when their power or safety is challenged.

Level of Development/Action Logic	Description
Level 8: Ironic 0.5% of US adults	Focused on being non-controlling and witnessing the flow of experience. Deeply visionary, Holistic, Unitive perspective; takes multiple points of view effortlessly. Respects the essence in others, no matter how different.
Level 7: Alchemical 1% of US adults	Focused on the interplay of awareness, thought, action, and effects. Seeks personal/societal transformation; embraces common humanity. Attuned to complexity of meaning-making, systemic interactions, and dynamic processes.
Level 6: Transforming 4% of US adults	Focused on process, principles, and self-fulfillment. Generates organizational and personal transformation. Conscious of systems and paradox; manages conflicting needs in shifting contexts. Actively seeks feedback for growth.
Level 5: Redefining 10% of US adults	Focused on context, systemic connections, and own role in them. Collaborative; questions assumptions and group norms. Tolerant of differences; seeks independent, creative work. Open to and asks for feedback.
Level 4: Achiever 30% of US adults	Focused on delivery of results, effectiveness, goals. Looks for success within the system. Interested in causes, reasons, consequences; future- and learning-oriented and proactive. Accepts behavioral feedback.
Level 3: Expert 38% of US adults	Focused on expertise and procedure. Prefers efficiency over effectiveness. Rules by reason and logic; sees from a technical, specialized perspective. Seeks the "right way" before acting. Accepts feedback only from experts.
Level 2: Diplomat 12% of US adults	Focused on socially expected behavior, approval. Loyal to group, conforms; avoids inner/outer conflict. Sees things as right vs. wrong; us vs. them. Status conscious; speaks in generalities. Feedback heard as personal disapproval.
Level 1: Opportunist 5% of US adults	Focused on own immediate needs, opportunities, self-protection. Strong fight/flight response; short-term horizon. Focus on concrete things and personal advantage; sees rules as loss of freedom. Rejects feedback.

Yet another researcher - Richard Barrett developed the Barrett Model™ on values, emphasizing the importance of values-driven leadership in elevating leadership consciousness. Inspired by Abraham Maslow's hierarchy of needs, the model was formed by leveraging ancient eastern philosophy to extend his self-actualization concept in his hierarchy of needs. The result depicted the full spectrum of needs underlying human motivation and behavior. The model identifies the seven areas that comprise human motivations. These range from basic survival at one end to service and concern for future generations at the other.



This is one of many models that provide a proven and extraordinarily useful map for understanding the values of employees, leaders, and stakeholders (see Appendix for additional models and resources). Even better, it offers a roadmap and a means of creating more supportive and productive relationships and a deeper alignment of purpose across an organization.

Why This Matters for Leaders

Leaders who can operate at higher levels of action logic are better positioned to foster organizational cultures that embrace complexity and adaptability. This approach enhances their effectiveness in a world where change is constant, and challenges are multidimensional. Such leaders can bridge divides, inspire collaboration, and make more strategic decisions aligned with long-term organizational and societal well-being.

Actionable Steps for Leaders:

1. **Develop Self-Awareness:** Leaders should invest time understanding their own “action logic” by engaging in reflective practices, coaching, or feedback sessions. This helps them recognize personal biases, triggers, and habitual responses under stress.
2. **Cultivate Emotional and Cognitive Flexibility:** Building mental flexibility through mindfulness practices, emotional intelligence training, and conflict resolution workshops enables leaders to handle polarized situations with poise and creativity.
3. **Encourage Diverse Perspectives:** Actively seek and consider input from people with differing views. By embracing a variety of perspectives, leaders can better understand and navigate the complexities within their organizations.
4. **Engage in Vertical Development:** Leaders can use structured models like Torbert and Rooke’s “action logics” to assess their current stage and take steps toward more complex thinking and reacting stages.
5. **Model Adaptive Leadership:** By embodying and showcasing adaptability in their actions, leaders set a precedent, inspiring their teams to embrace change and adopt a broader, more collaborative approach to problem-solving.

These actions enhance leaders’ ability to manage today’s polarized landscape and contribute to fostering a culture of openness, resilience, and growth within their organizations.

Big Idea #4

We need to transform our organizations through a new model of Leadership Development.

As we transition to a new age, the most valuable skills are those that are creative, empathetic, and holistic. Leadership in this new era requires balancing analytical, left-brain thinking and the more creative, intuitive, right-brain approaches. To accomplish this, we must rewire the brain to break habitual ways of thinking and instill new patterns of belief and behavior that support productivity and performance over time. We think of this as a quantum shift in mental complexity, from horizontal conventional development—where leaders acquire more skills and competencies - to Vertical Development - a profound evolution in how leaders think, feel, and relate to the world.

Vertical Leadership Development, with its focus on developing the whole person, aligns perfectly with InteraWorks' vision to encourage leaders to integrate these two ways of thinking, enabling them to address problems in innovative and comprehensive ways.

To cultivate Vertical Leadership Development, organizations need to invest in leadership development programs that go beyond traditional skills training and focus on the deeper psychological and emotional growth of their leaders. This includes creating opportunities for self-reflection, encouraging leaders to challenge their own assumptions, and providing experiences that stretch their thinking and expand their capacity to deal with complexity.

Developing Vertical Leadership		
Develop Mastery	Heal the Shadow	Establish Standards
Cultivate authentic, respectful self-expression and appreciation for all	Facilitate awareness to eliminate reactive triggers	Create a psychologically safe space to enable mindful accountability

Moreover, organizations must create environments that support Vertical Leadership. This means fostering a culture of psychological safety where leaders feel empowered to take risks, experiment with innovative ideas, and engage in candid, constructive dialogue. It also means embracing diversity of thought and encouraging leaders to learn from various perspectives and experiences.

The benefits of Vertical Leadership are profound. Leaders who work to develop this capacity are better equipped to foster innovation, drive strategic change, and create cultures of continuous learning and growth. They are better equipped to navigate the complexities of global markets, engage with diverse stakeholder groups, and lead their organizations through the inevitable disruptions and transformations of the 21st century. (Brown)

Vertical Leadership equips leaders with these capabilities, allowing them to operate more effectively in environments where the old rules no longer apply.

In practice, organizations can begin to cultivate Vertical Leadership by implementing the following actions:

1. **Leadership Reflection Practices:** Encourage regular reflection practices where leaders can examine their own mental models, assumptions, and decision-making processes. This could be through journaling, peer coaching, or facilitated group discussions.
2. **Experiential Learning Opportunities:** Engage leadership development programs that challenge leaders to step outside their comfort zones, engage with complex, real-world problems, and learn from their experiences. This could include cross-functional projects, global assignments, or action learning teams.
3. **Psychological Safety and Open Dialogue:** Create a culture of psychological safety where leaders feel supported in taking risks, sharing failures, and learning from mistakes. This can be fostered through open dialogue, inclusive decision-making processes, and a focus on learning and growth rather than blame and punishment.
4. **Diverse Perspectives and Inclusive Leadership:** Encourage leaders to seek out and value diverse perspectives within and outside their organizations. This can be achieved by promoting inclusive leadership practices, building diverse teams, and creating opportunities for leaders to engage with diverse cultures, industries, and sectors.
5. **Mentorship and Developmental Relationships:** Foster mentorship and developmental relationships where more experienced leaders guide others in their vertical growth. These

relationships can provide crucial support, challenge, and perspective to help leaders navigate their developmental journeys.

Impact of Failure

As organizations continue to approach complexity with traditional problem-solving methods, they fail to identify, map, and interact with the interconnected systems they face. This creates a significant gap between the leadership's effectiveness in managing complexity and the actual outcomes. The statistics cited at the beginning of this article speak for themselves.

Failure to expand our approach by incorporating Vertical Leadership Development into leadership development strategies could have profound and far-reaching consequences, impacting both individual and organizational performance in several critical ways.

Inability to Navigate Complexity

The modern business environment is increasingly characterized by volatility, uncertainty, complexity, and ambiguity (VUCA), or what author Jamais Cascio describes in his essay "Facing the Age of Chaos" as brittle, ambiguous, non-linear, and incomprehensible (BANI). Without vertical leadership development, which emphasizes transforming leaders' thinking and perspective-taking abilities, organizations risk being ill-prepared to navigate complex and rapidly changing environments. Leaders who lack the capacity to think systemically and adaptively may struggle to make decisions that address the interconnected challenges they face.

Decreased Organizational Agility: Organizations may find themselves less agile and more rigid in their responses to change. Vertical leadership fosters the development of leaders who can see beyond immediate problems and short-term solutions, enabling organizations to respond more effectively to disruptive forces.

Lower Employee Engagement and Retention: Vertical Leadership development is closely tied to cultivating a leadership style that resonates with employees on a deeper level, fostering a sense of purpose and alignment with organizational values. The failure to develop leaders who can connect with employees' intrinsic motivations, as highlighted in the Barrett Model on Values, may result in lower

engagement levels. Disengaged employees are less likely to be productive, innovative, or committed to the organization, leading to higher turnover rates and increased recruitment and training costs.

Stagnation in Innovation: Innovation thrives in environments where leaders encourage creativity, experimentation, and the exploration of innovative ideas—core tenets of Vertical Leadership. Without leaders who can transcend conventional thinking and inspire their teams to do the same, organizations may experience a stagnation in innovation. This could be particularly detrimental in industries where technological advancements and new business models are reshaping the landscape, leaving organizations that do not innovate behind.

Erosion of Organizational Culture: Vertical leadership development is essential for fostering a culture of continuous learning and growth. Leaders not equipped to model and promote these values may contribute to a culture of complacency and resistance to change. Over time, this could erode the organization's culture, making it difficult to attract and retain top talent and align the workforce with its mission and values.

Conclusion

The challenges of today's world demand a radical shift in how we think about leadership and organizational design. The traditional, stability-focused approaches are no longer sufficient to navigate the complexities of our globalized, interconnected environment. Instead, we must embrace complexity, build resilient and adaptive teams, and develop leaders capable of thriving in uncertainty. By expanding our thinking and adopting new models, we can create organizations that are more resilient, innovative, and aligned with the values of all stakeholders.

The time for change is now. Leaders and organizations must rise to the challenge and embrace new paradigms to navigate the complexities of the modern world. This will require courage, innovation, and a willingness to let go of old paradigms in favor of new, more adaptive approaches. The future belongs to those who are prepared to evolve their thinking and committed to building a more resilient, equitable, and sustainable world.

Appendix

In addition to Richard Barrett, William Torbert and David Rooke, recently several additional authors and key researchers have explored and contributed to the concepts of developing the consciousness of leaders through Vertical Leadership as applied to the business environment.

1. **Robert Kegan:** A developmental psychologist at Harvard, Kegan is one of the most influential figures in the field of adult development and Vertical Leadership. His theories, particularly the concepts of the "socialized mind," "self-authoring mind," and "self-transforming mind," are central to understanding how leaders can grow and evolve to meet complex challenges.
2. **William Torbert:** Torbert is known for his work on "Action Inquiry" and the development of leadership through a framework of vertical development. His research focuses on how leaders can cultivate various levels of awareness and action-logics to lead more effectively.
3. **Susanne Cook-Greuter:** A leading researcher in the field of ego development, Cook-Greuter's work complements Kegan's by exploring how leaders develop their understanding of themselves and the world, moving through increasingly complex stages of meaning-making.
4. **Antoinette Braks:** A leader in the "Drivers and Dynamics" of Vertical Leadership Development whose purpose is to enable people to realize their potential, and organizations their aspirations, through conscious evolution.
5. **Jennifer Garvey Berger:** Berger has written extensively on leadership development and complexity. Her books, such as *Changing on the Job: Developing Leaders for a Complex World*, apply Kegan's theories to practical leadership challenges, helping leaders understand how to grow vertically.
6. **Nick Petrie:** Petrie, associated with the Center for Creative Leadership (CCL), has conducted research on Vertical Leadership Development. His work focuses on how leaders can be supported in moving from one stage of development to another, particularly in organizational contexts.
7. **Otto Scharmer:** Scharmer's work on Theory U and the Presencing Institute explores leadership as a process of leading from the emerging future. His focus on mindfulness, collective leadership, and systems thinking aligns closely with the principles of Vertical Leadership.
8. **Frederic Laloux:** In his book *Reinventing Organizations*, Laloux explores how organizations can evolve to support more complex forms of leadership and organization. His concept of "Teal" organizations reflects the highest stages of development, where leadership is decentralized, and purpose driven.
9. **Keith Eigel and Karl Kuhnert:** Their work focuses on the intersection of Vertical Leadership Development and practical application in business contexts. They have explored how leaders develop over time and the impact of vertical growth on leadership effectiveness.

These researchers and authors have collectively advanced the understanding of how leaders can develop the capacity to navigate complex, dynamic environments by growing vertically expanding their cognitive, emotional, and relational capabilities.