THE SPIRIT OF LEADERSHIP

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Is Real Change Possible?

> Times of growth are beset with difficulties. But these difficulties arise from the profusion of all that is struggling to attain form. Everything is in motion: Therefore, if one perseveres, there is a prospect of great success.
> – I Ching

Increasingly, the issues that affect business are global in scope. Organizations are nested in a storm-tossed sea of global change where everything affects everything else. Issues of cross-cultural commerce, global economic shifts, resource constraints, ecological impact, and geo-political (in)stability are redefining the context of leadership.

Our old ways of thinking and leading are not capable of encompassing the level of interdependence and complexity we face. They simply are not up to the challenges of global change. In fact, they are barely up to the challenges of organizational change.

A recent study of more than 100 companies engaged in major change efforts demonstrated that 85% don't yield tangible much less durable results. Why?

Meg Wheatley, renowned author of *Leadership and the New Science*, suggests that: "Most of the ways we were taught to think, to reason, to understand simply don't give us the means to make wise decisions anymore. We don't know how to be wise stewards of the dilemmas and challenges that confront us daily. We were not taught how to make sense of a chaotic world, or a world-wide interconnected web of activity and relationships."

CAN WE DO BETTER THAN A 15% SUCCESS RATE?

Our answer is yes, but only if we manage change in an integral way addressing all inner and outer demands. Success is possible, only if we are willing to:

- Go through the same metanoia (fundamental shift of mind and heart) that we want for the organization.
- Engage in the difficult ongoing dialogue that brings to the surface that which is hidden in our culture and allows personal transformation to translate into cultural and systemic change.

We live in a time of great opportunity and great peril. The next fifty years are going to be interesting. We could well bring into being a global order going beyond nationalism to serve planetary welfare. We could destroy ourselves. Certainly business, with its growing global reach, plays a major role in the world's future and has a huge stake in the outcome.

The challenge for leadership in the new millennium is huge. Einstein makes the challenge clear: "The significant problems we face cannot be solved at the same level of thinking we were at when we created them." Something in our consciousness must shift in order for us to be able to see how to act in a way that can address the challenge of the times.

What The Leadership Circle is all About

> Thought and analysis are powerless to pierce the great mystery that hovers over the world and over our existence, but knowledge of the great truths only appears in action and labor.
> – Albert Schweitzer

The Leadership Circle is dedicated to preparing leaders for the next millennium, leaders capable of navigating the delicate balance between short-term profitability and long-term common good. The Leadership Circle is dedicated to serving leaders concerned with creating a sustainable thriving future for the planet and, thus, for global business.

We believe that corporate leadership is in the driver's seat. While global change ultimately requires political power and will, the power behind the political agenda today is corporate. Corporate leadership will set the agenda for the planet's future.
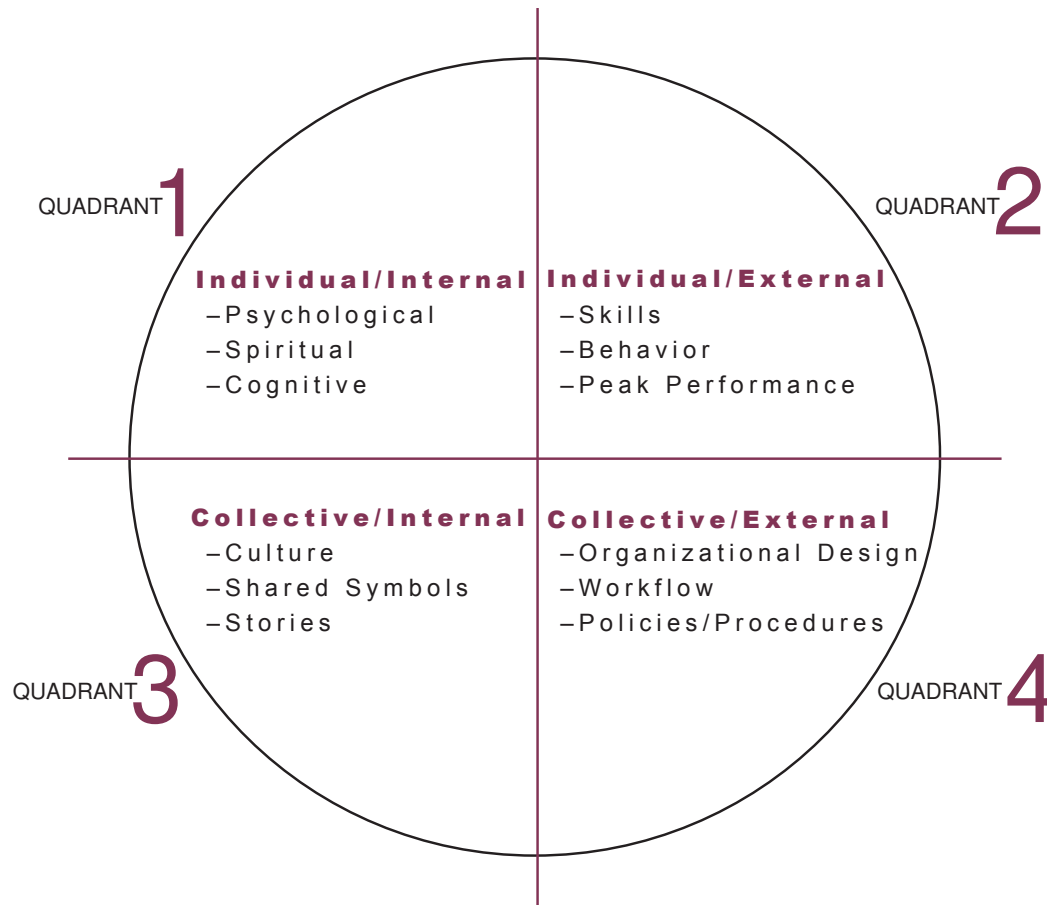
It is time for us to expand our notions of legacy, beyond the creation of a great company, to include a legacy of global welfare. The organizations we lead must become great organizations for sure. But, we are ready for — we need — an expanded definition of greatness. This definition includes sustainable returns of money and meaning. It is greatness that benefits shareholders and the environment that achieves breakthroughs in service, technology, and in the lives of those who are associated with the enterprise. The Leadership Circle is dedicated to expanding our measurement of greatness — and we do not know where the boundaries lie.

It is the vision of The Leadership Circle that, by orchestrating profound learning experiences and great conversations between the most senior levels of leadership and the world's greatest theorists, we can become leaders capable of the global challenges we face.

WHY CHANGE EFFORTS FAIL

Why do so many change efforts fall short? The truth is, systemic change is exceedingly complex, and there is no one cause, nor a single antidote, to these dismaying results. However, most of the unsuccessful change efforts that we have studied close-up reveal a common pattern: crucial variables are ignored. Usually the more obvious and easy to address aspects of the change are tackled. The more invisible, insidious, emotionally wrenching quadrants of personal and cultural change are often left out of the equation.

For any change effort to be successful, it must address each of four quadrants of change outlined below.

QUADRANT **1**
QUADRANT **2**

Individual/Internal
–Psychological
–Spiritual
–Cognitive

Individual/External
–Skills
–Behavior
–Peak Performance

Collective/Internal
–Culture
–Shared Symbols
–Stories

Collective/External
–Organizational Design
–Workflow
–Policies/Procedures

QUADRANT **3**
QUADRANT **4**

THE FOUR QUADRANTS OF CHANGE

Quadrant 1 is the individual/internal aspect of change. This is the interior reality of people. It is the area of cognitive, psychological, and spiritual development. In this quadrant leaders attend to the inner development of people, recognizing that no substantive change is possible without a prior change in consciousness.

Quadrant 2 has to do with the individual/external aspects of change. This is the domain of technical and interpersonal skills as well as the science (physiology/neurology/ psychology) of peak performance. This quadrant gets a great deal of attention from coaches and world-class athletes. It is where leaders pay attention to developing peoples' skills and supporting the physical and psychological ingredients that spark motivation and peak performance.

Quadrant 3 deals with the collective/ internal aspects of change. This is the domain of culture. It is the interior, often hidden, territory of our shared assumptions and images that direct what happens when we come together. This is the domain of myth, story, unwritten rules, and beliefs. It reminds leaders to pay attention to the deeper meanings of symbols, purpose, vision and values-not so much as written, framed, statements, but, as the subtle messages encoded in our day-to-day interactions.

Quadrant 4 has to do with the collective/external aspects of change, the social/ technical/ organization system. It is the quadrant of organizational design, technology workflow, policies, and procedures. This quadrant reminds leaders that system design determines performance and that if we want to get the system to perform at a substantively higher level, we must design for it.

Each of these quadrants is related to all the others. Development of one quadrant is inextricably bound up with all the others. Just a few examples:

- Individual consciousness affects physiology and vice versa.
- Culture stimulates or retards individual development and vice versa.
- Organizational structure shapes culture (and vice versa), which defines the opportunities people have/take for self-expression and growth.
- Consciousness shapes and guides the design of the system and vice versa.

Each quadrant affects all the others. Each is powerful. Ignoring any one of them can lead to haphazard results from our attempts at change.

When attempting to change a complex organizational system, an all-quadrants approach to change is needed. At The Leadership Circle, we call this taking an integral approach. It is possible to vastly improve on the prevailing 15% success rate in organizational change, but only if leaders are willing to move into the areas of change that are typically avoided.

What Is Overlooked?

> Spiritual warriors are courageous enough to taste suffering and relate to their fear… suffering is not seen as a failure or a punishment. It's a purification.
> – Sogyal Rinpoche

The goal of most change efforts is a new system capable of increased internal efficiency, expanded agility and capability in the marketplace, with new levels of energy, creativity, ownership, and productivity. Currently, there are two primary ways change efforts are set up to fall short. First, they lack a whole system approach. Most system approaches are lower right (external-collective). Change efforts fail when deep system design issues are mistaken as isolated problems to be solved. Change is programmatic and piecemeal. This is analogous to treating the symptoms of a disease and not the disease. Short-term improvement is often followed by worsening conditions long-term.

Second, and by far the most common way change efforts are not set up for success, (even with a whole system approach) is that the two internal quadrants are largely ignored. These change efforts focus only on the external side of change. New technology is introduced, the organization is restructured, teams are introduced, policies and reward systems are changed, workflows are reorganized, cross-training and cross-functional interfaces are put in place, etc. Individuals and teams receive training in the skills required to function in the new system. All very comprehensive, right? Seems like all the bases are covered and it should work. It seldom does, because the system cannot organize, in any sustainable way, beyond the median level of consciousness in the left (internal) quadrants.

Most change efforts suffer from both oversights mentioned above: focusing on problems not systems and ignoring the need for inner shifts in consciousness and culture. But, when we study change efforts through the lens of the integral model, by far and away the most common quadrant ignored is the individual/internal followed closely by the collective/internal. In other words, all the internal, deeper, psychological and spiritual aspects of individual and culture change are given short shrift.

This oversight is particularly critical because in a changing organization system and structure, managers and employees alike are implicitly being asked to evolve a new orientation towards themselves and their world. Organizational change is not a question of skills and structure alone, but of identity and world-view.

PRESSURE FOR PERSONAL TRANSFORMATION

Let's consider an example of how one type of organizational change effort, the establishment of high performance teamwork, requires a transformation of the internal personal identity system (1st quadrant) of every individual in the organization. (Identity is the inner system that makes up one's self concept. It is the system through which one relates to the surrounding world.) For this example, let's also assume that the change effort has been well-crafted vis-à-vis the two external quadrants.

Change efforts of this type require leaders to use power differently, to use their power to develop the power and expertise of others. This expectation becomes problematic for leaders who derive a sense of personal worth from being powerful, important, expert, decisive, heroic, and/or in charge. In the new organization they are no longer "the one", but one among many. For those who have spent a lifetime defining their worth in terms of their strength of command, technical expertise, and decision-making ability, this shift constitutes nothing less than a crisis of identity. They must ask, "Who am I if I am not my ability to take command and be the one who makes the right decision?"

Likewise, those leaders and employees who have shunned power and played the safe, loyal, hardworking follower as a way of being protected and valued by those in power, are now being asked to let go of this strategy. They are now asked to take on risk, step into conflict, make tough decisions, and generally take on more responsibility and visibility than they are used to carrying. For these individuals, this too is a crisis of identity. They ask, "How do I remain worthy and stay safe if I risk both failure and the displeasure of those above me?"

This example demonstrates how an organizational change places implicit demands for deep internal change upon every person in the organization. The organizational emphasis on high performance teamwork is making an invisible demand that each person fundamentally changes their system of identity, not merely make a few skill adjustments. They are being asked to phase-shift into a radically new way of understanding and expressing themselves and their world.

INNER DYNAMICS OF IDENTITY

The inner dynamics of identity are powerful forces. They operate at both individual levels (who I am) and at collective/cultural levels (who we are). For most of us, these powerful forces were organized years ago. They have decades of experience and momentum behind them. These internal dynamics, if ignored, can easily scuttle the most well intentioned change process (we think this accounts for much of the 85% short-fall).

For organizational change to be real, we need to personally transform ourselves. This is tough stuff. Much of what is termed resistance to change is the struggle people, individually and collectively, have with reorganizing their identity system. People need help and support to make this inner journey. They seldom get it in the way most change efforts are constructed.

In short, deep systemic change occurs only if we can be the change we want to see in the organization and the world.

What is Transformation Really?

> When you boil rice, know that the water is your own life.
> – Zen saying

What do we mean by transformation? It is a big word. Webster's definition: A complete change in form, shape, character or nature. A metamorphosis. The Leadership Circle is about transformation — transformation in an integral way.

The integral model presented above is a two-dimensional model. It is a flat grid illustrating four quadrants that need to be integrated for whole-system change to proceed. Adding the concept of transformation to the model makes the model three-dimensional.

It adds a vertical component. Transformation means that all four quadrants (the integral self) move through a series of levels, shifting from lower to higher orders of organization and effectiveness.

This can make transformation sound like a linear, step-by-step process. It is not.

George Leonard, in his book *Mastery*, describes the transformation process as the growth toward mastery (in any endeavor such as music, sport, martial art, leadership, or psychological and spiritual awareness). He suggests that transformation follows a learning curve that looks like this:
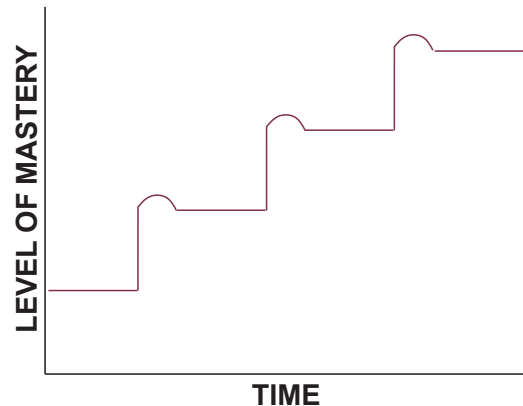
THE MASTERY CURVE

The learning of anything that requires ongoing practice looks like this — a sudden burst or breakthrough to a new level of performance is followed by a small contraction — the inability to fully maintain what was learned. Then there is a long period of seemingly no growth. This, Leonard refers to as "hanging out on the plateau". A great deal of learning is actually happening, but it is not as noticeable as the breakthrough period. The plateau is a time for the learning (which seemed to come in one large bite) to be digested and incorporated into the structure of the body and mind. The learning is incorporated into every aspect of that which is being mastered. The plateau is thus a time for integration and is essential preparation for the next forward/upward leap.

GROWTH IN CONSCIOUSNESS

The growth in consciousness follows this same pattern. There are major evolutionary shifts, where consciousness (over time) reorganizes at a higher level of order followed by a long period of learning how to inhabit the new way of being. Growth on the plateau is incremental, perhaps less noticeable. Eventually, with constant integral practice, momentum builds for the next evolutionary leap.

The premise at the heart of The Leadership Circle curriculum is that development proceeds from lower to higher through a series of well-mapped stages. Psychological researchers from Piaget to Kohlberg, Gilligan, Lovinger, Maslow, Kegan, Hall, Fowler, and Wilber have described a series of stages that we go through as we move from infancy to the highest stages of adult moral, ego and spiritual consciousness. It is remarkable that these (and many other) theorists, through independent research, arrived at stage descriptions that are quite similar. In addition, the world's great Wisdom Traditions have for centuries described the very same sequence of stages.

Consciousness is in the Driver's Seat

> Mindfulness must be engaged. Once there is seeing, there must be acting. Otherwise what is the use of seeing?
> –Thich Nhat Hahn

The research clearly suggests that human consciousness develops through a series of stages and that the sequence of those stages always is in the same order. Development follows an invariant sequence. Cross cultural studies further show that these stages exist in all cultures and in the same sequence. These stages are, therefore, universal and invariant. The stage-like development of consciousness is built into nature.

To ignore the significance of this line of research for leadership and organizational development is like trying to do space travel while ignoring the law of gravity. Organizational change places a demand on everyone in the organization to shift to a higher stage of development. If this transformation does not happen, the system may have a temporary surge in functioning, but will then go back to its prior equilibrium, back to "normal."

Transformation is the movement from one stage to the next. At each progressive developmental stage a new "design" principle is used to relate the self to the world. Reality does not change. What changes is the way we organize the self-world relationship. It is as if the self trades in its DOS operating system for a Windows 95 operating system. The interface between the self and the world is at once more complex and simplified. Now, it can handle much more complexity with far greater ease and grace. Unsolvable dilemmas at previous stages evaporate in the new reality. That which was not possible in the prior stage becomes doable. The person experiences a new burst of creativity, efficacy, freedom, power, and joy. The organization experiences a person standing more fully in their leadership capacity. The world gets someone who is capable of greater contribution and service.

The leader transforms into a higher version of him/her self. The system and culture of an organization transform into a higher version of the old system/culture. The evolution of each (the individual and the organization) is interdependent. The organizational system cannot organize at a higher stage of development than the consciousness of the leadership. And until the system (organization or society) organizes at the new level of order, it hinders the development of most of the people in the system. Only as the bulk of the population (of an organization or society) develops to the new stage of development is there a possibility for the system to take its next evolutionary leap.

Human development (psychologically and spiritually) is in the driver's seat.

There is no organizational transformation without a preceding transformation in the consciousness of the leadership. The process of cultural evolution first happens in the awareness of individuals. These individuals exert influence on the system and change it. The new system encourages a critical mass of people to develop. As that critical mass develops, the full potential of the new order is realized, the likelihood of regression to an earlier level of development is reduced, and the platform is built for the next evolutionary leap.

The Stages of Development

> To study the self is to forget the self. To forget the self is to be enlightened by all things.
> – Dogen

The development from one stage to the next does not happen all at once. Transformation may take years to unfold. Without practice, shifts from stage to stage do not happen. But, interestingly, when shifts occur, they are always associated with the emergence of significant new capability.

The research also shows that people seldom regress to a previous level. This is good news. We do not go back because the new order of consciousness transcends the limits of the old order; it is better matched to the demands of the world. It simply works better.

To describe each stage in much detail is beyond the scope of this paper. The interested reader can see the appendix for a more detailed description of the phases. What follows is a cursory overview. Do not be misled by the short emphasis given here. The developmental framework given below has profoundly significant implications for leadership and organizational development at the deepest levels.

Robert Kegan, author and professor at Harvard Graduate School of Education, is at the forefront of stage development research and theory. He is also a faculty member of the Leadership Circle. Our descriptions below, and in the appendix, closely track his systematic numbering of the stages of development.

THE EGOCENTRIC SELF
(Kegan Stages 0–2)

The development of the egocentric self involves many stages of development from birth up to and including adolescence. Since the focus of this paper is on adult leadership, all these stages are condensed into one.

The limit of this structure of identity is that it does not notice other's (often-competing) needs. It is egocentric. I relate to the other to get my needs met and don't yet know how to make your needs important to me.

This stage ends with adolescence, a time of transition where I learn how to pursue my wants and needs within a larger system of competing needs. It is a difficult time because something is being lost, my egocentric relationship to the world. The world does not revolve around me and what I want. I need to give up my egocentric agenda in order to take up membership in society. The adolescent does not yet know that this shift will actually aid him in achieving what he wants within a larger system.

Research suggests that 15% of adults do not fully make this transition and operate in the world as an egocentric self. Leaders at this stage tend to be very controlling, "My way or the highway." Employees at this stage tend to play out victim or rebel roles. Organizations that operate out of a culture organized at this level are dictatorial and oppressive.

THE SOCIALIZED (REACTIVE) SELF
(Kegan Stage 3)

Most of us successfully make it through adolescence and become well functioning, effective citizens. We spend a significant part of our adult life at this stage. We take up a role in a larger society and identify ourselves with our role. The new structure of the self can be articulated, as "I am my role." At this stage, the self is made secure and valuable by belonging to and succeeding within prescribed socially accepted roles. In this structure, we build a life, often very effectively. This is the structure referred to as the Problem-Reacting structure in all The Leadership Circle literature.

The limit of this structure is the unnoticed equating of my self with what I do, what I am good at, and/or how I am accepted by others.

At this stage, I usually do not notice how my goals and behavior are actually predetermined by others or by the culture. I am defined from the outside in. My vision appears to be self-authored, but that is only because I do not yet see the extent to which I am following the dictates of cultural conditioning (as voiced by significant others: parents, bosses, spouses, norms, rules, etc). As such, I am not yet free to follow the call of my own soul. I may hear the call and either ignore it, write it off as not possible, or respond in a compromised or overly ambitious manner. Fear gets in the way.

Leaders at this level usually no longer function as dictators; they often care deeply about the employees they manage and function as the benevolent parent. The organization is hierarchical and efficient. Employee input is solicited, but decision-making and creative expression is still vested in the top. Leadership is often humane but lacks the capability of broadly sharing power.
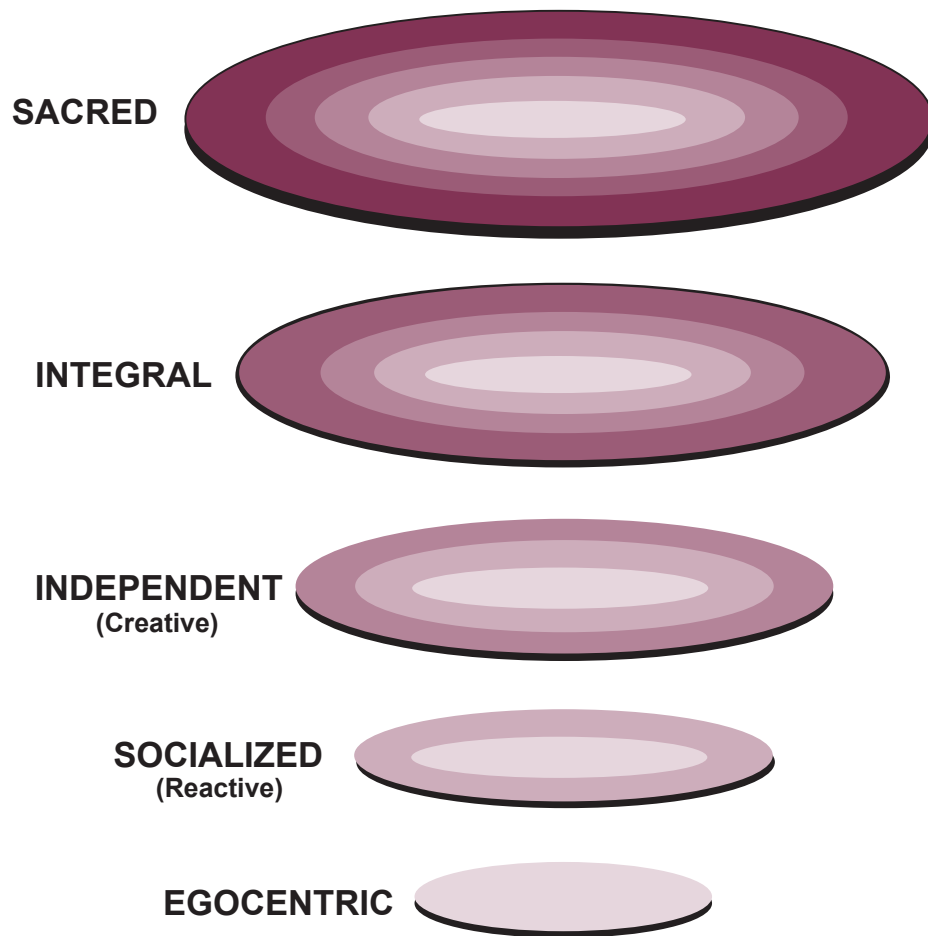
LEVELS OF SELF/WORLD DEVELOPMENT

THE INDEPENDENT (CREATIVE) SELF
(Kegan Stage 4)

Transitioning to an Independent Self is the major transition of adult life. This is the structure of the self referred to as the Outcome-Creating structure in all The Leadership Circle Literature. Only 25% of adults in our culture complete this journey. To make this transition, we no longer ignore or distort the call of the soul. We face the fact that following our own path often means disappointing others, risking failure, and/or otherwise contradicting the norms that link me to society and make me (as a socialized self) worthwhile and valuable.

This transition is particularly difficult because to make this journey, I have to let go of how I have come to define my self. I let go of the deeply held beliefs that my worth and value is tied up with what I do. I am no longer defined by cultural expectations. Now, I configure a self from the inside out for the first time. Vision springs from within. Action becomes an authentic expression of an emerging sense of inner purpose. As I begin to see and experience the power, creativity, freedom, and satisfaction of living from my own deep center, I also value and encourage that in others. I begin to treat others as equal participating members, whose rights, insights, and purposes need to be engaged and creatively aligned. Self-expression and cooperation become our new organizing principles.

Leaders at this level begin to share power. It is no longer perceived as "letting go" of control but of gaining power by sharing it. The development of self and others is prized. Organizations are structured on high-performing, self-managing teams. Leadership is shared but not yet a true partnership. Creativity and critical decision making is developed and expected at all levels of the organization.

THE INTEGRAL SELF
(Kegan Stage 5)

Only about 1% of adults develop to this stage. However, another 14% are in transition to it. Here, the inner self-definition shifts from "I am a whole and complete self that coordinates with other whole and complete selves" to an internal realization that, in fact, " I am not whole and complete." Rather, I am many selves. As American Zen teacher, Norman Fisher, simply states, "We are all many persons. Some of these people we know and others we don't — only someone else knows them. Some of them we long for, and others we want to run away from. All this is music; it's the music of our lives if we could only stop to listen."

This is not schizophrenia, but a deeper engagement of the shadow side of the self, the parts of me I have ignored and not developed. I realize, to paraphrase Pogo, that I have met the enemy — and he/she is within me. I no longer need to pretend completeness and can move toward the unacknowledged aspects of myself with compassion and curiosity. I am now able to hold the whole complexity of my personality, the good and the bad, the light and the dark, the hard and the soft. I can see this inner complexity without flinching or needing to engage in some strenuous self-improvement regime. I see others this way — as complex multi-dimensional beings. I also see the world this way — as a dynamic interplay of forces. Seeing the self as a rich ecology of discord and harmony opens me to the richness and complexity of the workplace and the world.

Leaders at this level become community oriented. The workplace becomes a self-renewing organization where members are true participating partners. The legacy of the leader is connected to developing the organization into a vehicle for service to a larger constituency. The organization is seen as a network of stakeholders nested within a larger system of networks. Vision often becomes global and oriented toward service to human welfare. Sustainability and long-term common good become salient values. This is the level of servant leadership.

THE SACRED SELF
(Kegan Stage 6)

Research strongly suggests that spiritual practices such as meditation and contemplative prayer accelerate the development through stages 2-5 thus far outlined. What is clear from experience and research is that level 6, the Sacred Self, seldom, if ever, develops without a long-term spiritual practice.

At this stage, another major shift takes place. Up to this point, the self has been largely seen as located within the body-mind. Now the self realizes that "I am not the body, nor the mind." We identify with the soul — a soul in communion with the divine. The integral self is not dispensed with. That richly nuanced self is used to act in the world. It is functional, a useful tool of the spirit. This is the stage where the person experiences the world as one. This oneness is not just an idea; not something gleaned from a book. It is a literal experience of oneness with life itself. This is the birthplace of universal compassion; for one knows, "I and my brother, sister, the earth and all beings are one life."

Leadership from this level of being seems to be rare, although it becomes more available through long-term integral practices. Leaders at this level function as global visionaries. They enact world service for the universal good.

Integral Transformation and Leadership

> Jesus said, "If you bring forth what is within you, what you bring forth will save you. If you do not bring forth what is within you, what you do not bring forth will destroy you."
> – The Gospel of Thomas

Up to this point we have been describing the stages of development primarily from the perspective of how the inner structure of an individual reorganizes and how that new inner organization results in higher levels of mastery in the world of organizational leadership. We have also suggested that organizational culture (quadrant 3) and structure (quadrant 4) go through evolutionary stages that correspond to each stage of individual consciousness. This is how we see it. In fact, the stages of the development framework can be applied to all the quadrants. And, while it is beyond the scope of this paper to map out the stage-like progression in each of the quadrants, we want to be clear that each stage of personal development has its corollaries in the other three quadrants.

MORE THAN INNER CHANGE

Each stage is more than an inner awakening in the individual. While it is that, each stage also brings a new world-view, a new organization, and a new society. The Declaration of Independence is a good example of multi-quadrant transformation. Individual consciousness was beginning to shift from level 3 to 4 (especially in key leaders and thinkers). As this slowly unfolded, individuals could no longer accept the oppressive monarchial structure. New visions of social order were imagined. As "The Enlightenment" gained momentum, eventually the whole political structure through which people are governed was turned upside down. The same process is now going on in South Africa. At each level, a shift in the organizing principle of consciousness occurs. This reorganizes the whole of human experience:

- The world (as we experience and perceive it) is made anew.
- Our relationship to the sacred is upgraded.
- Our inner landscape is never the same.
- Relationship dynamics between partners/friends go through significant changes.
- Corporate culture, structure, and process get re-thought and re-designed.
- Social and political structures evolve.

All this happens because a new, more truthful, and more effective identity system and world-view have replaced a smaller one. The transformation in consciousness creates potential for change in both the inner and outer world.

As the research numbers sited above indicate, the bulk of our population is in the transition from Socialized self to Independent self; hence, in organizations we are in the midst of learning how to cultivate individual creativity, redistribute power, collaborate between autonomous teams, etc. At the international level, this same transition is perhaps best symbolized by the fall of the Berlin wall.

THE WORLD IS CHANGING

The level Egocentric organizations and leaders, embodying the dominator-hierarchical approach, are falling around the world. It would appear that the center of gravity for individual and social evolution is in the 3-4 Quadrant. Certainly, as evidenced by the "ethnic cleansing" in places like Kosovo, there are cultures that are behind the curve. But the world is rapidly (or, at an agonizingly slow pace, depending on your perspective) organizing on a higher principle of order; so, the old behavior (dictatorial, hierarchical, etc.) is increasingly intolerable.

At the beginning of this paper, we suggested that this is a time of opportunity and peril, and that both corporate and political leadership will be challenged in the new century to orchestrate change that is planetary in scope. It is our conviction that the only structures of consciousness that are capable of this task are at the Independent, Integral, and Sacred self levels. These are the only systems of thought and identity capable of suspending identification with one's own perspective and holding the oppositeness of the other as an opportunity for learning and creative cooperation. These are the only levels of leadership that are self-less enough to be the servant of the whole. These are the only structures of consciousness complex enough to see in the "enemy," our own shadow. As a result of all this, the inner compassion for one's own "un-developedness" is extended to others. This creates the ground upon which a true level of dialogue, forgiveness, and healing can take place.

The leadership gap, so often referred to, is real. It is a gap between the Social self and the Independent self. Most leaders are still struggling to make that journey. Yet, our complex world challenges require even more development — leaders who can function as Integral selves. Today's leadership challenge, thus, is one of consciousness evolution. The stakes are high; but then, they are always high during times of significant evolution.

Balancing Body, Mind and Spirit

> If we think of this existence of the individual as a larger or smaller room, it appears evident that most people learn to know only a corner of their room, a place by the window, a strip of floor on which they walk up and down.
>   – Rainer Maria Rilke

Our human potential includes a spectrum of bodily, emotional, rational, and spiritual capacities. As we move through stages of development, our body intelligence, emotional intelligence, rational intelligence, and spiritual intelligence are developed and ultimately brought into a beautiful and powerful balance.

In the Egocentric self (Stages 0–2) body intelligence is the primary focus. The infant is all body. The world is one big bodily-felt sense. There is no "other". There is no world. There is no concept of self. There is only bodily sensation. A good deal of what is happening in early years, up through and including adolescence, is the growth into bodily intelligence. The emphasis on play, sport, appearance, and sex is evidence that much of the curriculum of early life is about skillfully inhabiting the body we are given.

In adolescence, emotional intelligence begins to emerge. Any of us who have young teens know that relationships and emotions are a significant focus at this time. The adolescent's self-concept is located in the body and with the emotions. At this stage of development "I am my ability to meet my bodily needs and emotional desires."

With the Social self, identity shifts to the mind. Of course there is a great deal of mental development going on in earlier stages, but the Social self is the first structure of identity that locates the self in the mind. Part of the emotional turbulence of adolescence is the huge shift of moving identity from body to mind. This shift allows for all the accomplishment we see in young adult and adult life (families, careers, etc.).

ABANDONING BODY WISDOM

The downside of this development into the Social self is a tendency to leave our bodily intelligence and emotional intelligence behind. We come to rely more and more on rational capacities and less and less on the gut and the heart. This trend is less pronounced in women (who develop with relationship as the primary value). Men tend to focus on achievement. But, in our culture, a bias for rationality in both sexes is the norm.

As we move into rationality and develop a Social self, we lose touch with our bodily and emotional intelligence. In fact, from the point of view of rationality, our body and emotions don't seem to be all that intelligent. They are non-verbal, ambiguous, and "touchy-feely". Cutting off from the body and emotions can be a way of protecting ourselves from being overwhelmed by strong feelings (of pain or pleasure). As children, when we are centered in body and emotions, we don't have the rational capability to make sense of the hurts and praises that come our way. If Mom or Dad is angry, it "feels" like " I am bad." If they praise me, it "feels" like "I am good." Not rational perhaps, but congruent with the logic of bodily and emotional intelligence. In the early stages, we don't yet have the self-system and the cognitive development to conclude otherwise. We don't tell ourselves, "Dad/Mom's anger is their business. It does not mean I am bad. It means they had a rough day." Because we lack this capability to interpret reality, we are easily hurt. Some of us grew up in harsh environments where these hurts were huge. So what do we do with these hurts? We push them out of consciousness. We repress them. If we have emotions we don't want to feel, we cut off our bodily and emotional connections. We are safe but also disconnected from body and emotional intelligence. We operate in the world using only a limited portion of our full potential.

FACING FEARS

To develop into higher stages requires that we reclaim our bodily and emotional intelligence. We face our fears of abandonment and failure. We learn how our current fears are rooted in the past. We see the ways we defend and protect ourselves from our deeper wounds by successfully living up to the dictates of the culture around us. As we reintegrate these split-off bodily sensations and emotions, we discover resources of primal strength and passion. It is as though parts of us wounded in childhood stopped growing. Now, as we bring compassionate awareness to these parts, we heal the wounds, grow-up these parts, and reintegrate the body and emotional intelligence into a mature self-system. Body, mind, and spirit come into balance.

What Is Spiritual Intelligence?

> If you want to become whole, let yourself be partial.
> If you want to become straight, let yourself be crooked.
> If you want to become full, let yourself be empty.
> If you want to be reborn, let yourself die.
> – Tao Te Ching

So what, then, is Spiritual intelligence? It is literacy in navigating the pathways of transformation. It is the art and practice of inner and outer evolution. It is learning how to progressively live fully in body, mind, and spirit. It is navigating the journey from the Egocentric orientation of youth through the Social and Independent self-stages, to the Integral self, and finally surrendering into divine union and sacred service.

Spiritual intelligence is learning the "how-to's" of forwarding our own movement from stage to stage; of recreating our worldview at each stage; of stepping into a deeper and more global relationship with the world.

Spiritual intelligence increases at each new stage and reaches its omega point in unitive awareness and global service.

We think leadership development is intimately bound up with Spiritual intelligence. Many of the greatest figures in every discipline (spiritual, scientific, artistic, political, etc.) were functioning at a unitive level of awareness. At a minimum, they were functioning at a level or two higher than the average for the time.

We call this Spiritual intelligence — a way of seeing and acting that focuses on doing the tough work of transforming body, mind, heart and soul — personally, interpersonally, organizationally, globally.

When we adopt this evolutionary, transformative perspective, we accept that the organization's and the world's transformation is inextricably bound to our own. Spiritual intelligence is literacy in the practice of transformation.

Dialogue: Collective Spiritual Intelligence

> The reality is that healing happens between people. The wound in me evokes the healer in you, and the wound in you evokes the healer in me, and then the two healers collaborate.
> – Rachel Naomi Remen

While individual transformation is essential for organizational and global transformation, it is not enough. We have to find ways to work in higher order relationships with each other so that we can discover and create together higher order systems. With individual growth in consciousness, higher order relationships become possible. Dialogue is a key tool for coming into higher order relationships and discovering higher order systems. It is a tool for accessing the higher/deeper wisdom that is in the collective body, mind and soul.

Much is being re-learned about dialogue as a tool for the transformation. When people come together to practice dialogue (by suspending judgment, listening deeply, balancing advocacy with inquiry, etc.) something very special can happen. The conversation gets progressively more authentic. People share the truth of their experience and listen to the experience of others. People become more vulnerable, discussing risks, fears, and "undiscussables." The deeper the conversation gets, the more the assumptions and beliefs that shape our collective reality have a chance of being exposed and re-examined. As these assumptions and beliefs are rewritten, group and system behavior can change. This is Dialogue, Dia-Logos — or meaning moving through. Dialogue is a tool for large system learning and collective change.

INDIVIDUAL AND COLLECTIVE ARE LINKED

Because individual and collective are interdependent, dialogue is also a tool for personal transformation. As dialogue deepens, an amazing thing happens: the group consciousness expands, it accesses a flow state. People can feel this happening. It is quite palpable. This is what is meant by sacred space. Groups can create sacred space: a rich field of trust, connection, and learning. In the field of sacred space, collective wisdom is more easily accessed. The expansion of awareness within the group affects everyone present. It encourages everyone to step beyond the boundaries of their current identity and worldview. Boundaries and limits are temporarily suspended. Each person plays at a level higher than usual. It is an experience of living from a higher level of awareness. People access higher (spiritual intuition) and deeper (body wisdom) parts of themselves, perhaps for the first time. The experience of having accessed it once makes it more available on an ongoing basis. In this way, phase shifting is stimulated and supported in the sacred container of dialogue.

DIALOGUE CATALYZES CHANGE

Through dialogue, learning at personal, cultural and systemic levels happens simultaneously and can break through more readily. Dialogue catalyzes transformation at the individual, group, and system levels. It is a tool for collective spiritual growth and intelligence. Emerson said, "We lie in the lap of immense intelligence. We are the receivers

of its truth and the organs of its activity." When people come together in dialogue, create sacred space, and balance intuition and reason, "the truth will out." Dialogue is a core discipline of The Leadership Circle.

Becoming Soul and System-Literate

Listen. Make a way for yourself inside yourself. Stop looking in the other way of looking. You already have the precious mixture that will make you well. Use it.
– Rumi

The purpose of The Leadership Circle is transformation. It is experientially designed to help leaders determine where they (and their organizations) are in the great sequence of development and to help them make the evolutionary leap that can catalyze systemic transformation. The Leadership Circle intends to provoke and promote phase-shifting in the psychological and spiritual life of the leader and to provide new scientific, systemic, and cultural viewpoints required for translating new personal awareness into organizational and world change.

The process of cultural evolution begins with the awareness of individuals, and always in relationship to the culture's current struggles. The crisis in the culture stimulates reflection and evolution within the consciousness of emerging leaders. These individuals then exert influence on the system and change it — in terms of structure, processes, policies, and purposes. The new system establishes conditions that encourage other members of that system to develop. As a critical mass of people develops, the potential of the new order is realized. The likelihood of regression to an earlier level of development is reduced. When we work integrally — in all four quadrants — we set the stage for all four quadrants to move together to a higher level of expression. The platform is built for the next evolutionary leap. In this way, change leads to transformation. The four-quadrant model phase shifts to a higher, more integrated level of expression.

Our bias is clear — there is no organizational transformation without a preceding transformation in the consciousness of the leadership. Taking the thorniest corporate and world dilemmas deeply to heart expedite individual transformation. We need to become literate in a set of integral practices (action in all four quadrants) that facilitate and expedite ongoing transformation.

AVOIDING THE HARD WORK

While inner transformation is easy to talk about, and most of us say we want it, it is all too readily avoided. There is a part of us that would rather side step the challenge of working on ourselves. There is a part of us that would trade-in deep transformation for simple relief from the tension of living and working within our current situation.

But there is another part of us: an authentic part—a part that accepts no substitutes—a part that sees through easy answers and quick fixes. This part knows that if short cuts were possible, we would have all bought the package long ago and would now be enjoying the fruits of our success. This part of us knows there is no short cut to greatness of the soul. This part is willing to put in the time and effort required to do the deep inner work. This part knows that transformation is an acquired taste, which is developed with years of practice and sincere work.

SPIRITUAL LITERACY

Most leaders lack literacy when it comes to effecting inner personal and cultural transformation. Lack of literacy does not mean lack of intelligence or competence — it means we don't know what we don't know.

Many of us are parents. We have enjoyed, nurtured, and celebrated our children becoming literate in the English language. First, they recognized letters and then learned the sounds of each letter. Letters became words, and words became sentences, which in turn became paragraphs and books. Young children don't know they are illiterate, but they are. They also don't always know why it is important that they become literate. From our view as parents, we know what literacy means and what it brings. We make it clear they don't have an option and that claiming their place in adult society requires literacy. The development of literacy takes years if not decades. So we fervently support the process because we know it is essential.

The same is true for literacy regarding inner change: psychological, spiritual, and cultural — the domain of soul-work. We are not born literate in soul-work. It is not something we naturally know how to develop. Furthermore, little to no attention is paid to developing this literacy in our educational systems. The development of inner literacy requires intentional efforts and sustained attention supported by skillful guidance. Developing system literacy requires new worldviews. With this dual literacy, we will be capable of pursuing the transformation in consciousness (individually and collectively) that makes organizational shifts in performance sustainable.

Where Do We Start?

> A path is only a path; if you feel you should not follow it, you must not stay with it under any circumstances. But your decision to keep on the path or to leave it must be free of fear or ambition. My benefactor's question has meaning now. Does this path have heart? If it does, the path is good; if it doesn't it is of no use.
> – The Teachings of Don Juan

All spiritual traditions (and increasingly now, scientific traditions) acknowledge spiritual and physical aspects of reality co-existing together in the same space. As Teilhard de Chardin has said, "We are spiritual beings having a human experience."

Spiritual intelligence acknowledges that we don't have to "go" anywhere to find the spirit. We know that every level of reality is available "here" — in our present conditions and in the present moment. Yet, we also know that we, personally, in our relationships, our organizations, and our world, are working with only a pitifully small portion of our full capacities — our Divine inheritance.

WE ARE ALL ON A JOURNEY

We are each on a spiritual journey. This is why we are on this planet. Scott Peck once said that, "the earth is spiritual boot camp." If we did not need to grow and develop spiritually, we would probably not be here. Somewhere along the way this notion gets lost. The pursuit of safety and economic success, while necessary to support the journey, often become ends unto themselves. The reality that we are spiritual beings on an evolutionary journey has been effectively and completely excluded from the world of work, to the detriment of the individual, the workplace, and the world.

We live in a time of great transition. On every front, we are bumping into the limits of our current worldview. This is not bad. Limits, seemingly unsolvable dilemmas, and crisis force us to acknowledge that we are at the edge of our worldview. We are challenged to seek out a new, higher perspective from which to bring order out of the chaos. As Albert Einstein said, "the splitting of the atom changed everything except the way we think," and "we cannot solve our current problems using the same level of awareness that created them." We need to engage a new form of intelligence if we are to understand the relationship between transforming ourselves and transforming our world. Spiritual intelligence is fast becoming a leadership imperative.

HIGHER PURPOSE IN ACTION

We each have a contribution that is solely ours to make. Our task in life is to move toward an ever more complete expression of that purpose. Leadership is fundamentally about realizing our higher purpose and taking actions that make that purpose real in the conditions of our life.

Within us is a template or a blueprint for our true nature, a nature we have been crafting since before we were born. We have a soul, one that remembers who we are, what we are here to learn, what wounds we need to heal, how we want to fully deploy our uniqueness. The soul knows the contribution we most want to make through our lives. We do not invent this knowing. Through spiritual intelligence, we detect it and we let it find us. When we allow it to have its way in our lives, we become fully alive. We become ourselves. We become capable of the kind of leadership that is transforming.

Appendix

A TRANSFORMATIONAL MODEL OF DEVELOPMENT

This section will outline three phases of development that describe most of adult development after adolescence. There are stages that precede adolescence and higher mystical stages than the ones described below. We will stick to the phases that have immediate relevance to where leaders and organizations are today.

Robert Kegan, in his book *In Over Our Heads*, has described a five-phase model of development. Others describe very similar stages, but in our opinion, he is at the forefront of the research. (We will be discussing his levels 3 through 5 phases in much more detail than in the above paper. Level 2 Adolescence will be discussed briefly as a way of getting started.) Brian Hall, in his book *Value Shift*, describes how leadership style, organizational culture, and structure evolve with each stage. Hall's work will greatly influence the sections below that show how leadership style and organizational structure/culture evolve within stages. What follows is a very brief overview of the major stages of development that adults have access to and the types of leadership and organizations that emerge at each stage.

Kegan is an object-relations theorist. Consequently, he explains evolution in terms of major subject/object shifts in one's understanding of the self-world relationship. The easiest way to understand what happens in the structure of the self in the evolution from any one phase to another is to notice what goes on in an infant in the earliest phase development. When a child is born, there is no capacity to distinguish itself from the mother. From the infant's point of view, it is all subject — mother and self share the same self. The earliest phase of development happens when the child begins to recognize the mother as separate from it. The mother moves from subject to object. The self-world relationship takes a major step forward. The child individuates itself from the surround — which it used to mistake as itself. With this new construction of identity, the self-world relationship comes more individual separation (individuation) and also a higher capacity for relationship. The child can now relate to the mother as "other" rather than as "self."

This example illustrates a pattern that holds true at every level of development we will be exploring. There is a major subject-object shift. The person recognizes (perhaps over years) that what it used to think of as the self has too much of the world (surround) fused with it. That which is recognized as fused is then objectified in the same way the infant begins to take the mother as other (object). The self is more clearly individuated, and with that evolutionary step, comes whole new capacities for being in relationship to others and the world that were simply not available in the previous state of fusion — mistake of object (other) for subject (self).

This disintegration of the old self is very disconcerting. It is often an arduous passage. But as the new self-world relationship is constructed, the self experiences a new freedom and creative power that makes the old self seem small by comparison. Consequently, development, when it progresses, seldom regresses and it seems to progress in a linear direction toward greater individuation with correspondingly higher capacities for relationship.

LEVEL 2 — ADOLESCENCE
(Kegan — The Imperial Self; Hall Phase 1 — Surviving)

(The description of this phase is purposefully lean. It is simply a way of jumping into the stream of development that begins with birth and ends in death. It is used to mark the identity structure that most of us leave as we enter our early adult years.)

The onset of adolescence developmentally is marked by the subject-object shift from "I am my impulses" to which I, subject, must respond, and over which I have little control; to "I am my needs." This differentiation of the self from an over-identification with moment-to-moment impulses creates a newfound freedom and autonomy. I can now meet my own needs. Meeting my needs now becomes the focus. This phase is initially quite overly independent. Independence is its strength and the very thing parents both welcome on the front end of adolescence and then work to tame for the better part of a decade. Adolescence

is the movement from the too independent 10-year-old to the traditional good citizen of the 22-year-old.

The worldview of the Level 2 adolescent identity is that of a mystery to which I am at the effect and have no control. The ego is the center of an alien and dangerous environment and the focus on meeting personal/ physical needs is primary. It is subject. Looking out for #1 is the first and last focus. Decisions are made on the basis of physical and personal needs satisfaction only. This self-preoccupied stage is marked by the absence of a shared reality. My needs and others' needs are not integrated. I do not make decisions based on the impact on others with whom I am in relationship. I make them primarily based on what will happen to me if I please or displease others. For example, if I tell a lie, the concern is not on the loss of trust or the feelings another will go through as a result of that lie, but on the consequences to me if they catch me in the lie, and whether or not I can accept the risk of those consequences. There is no shared reality to which I am responsible. There are only effects that come back at me as I pursue my needs.

The absence of a shared reality is the structural limit of this phase. Since I am my newfound ability to meet my needs, it feels like death to the self to subordinate its own self-interest to that of another or the group. Yet this is precisely the evolution that is taking place in adolescence. Growth at this phase is taking others' needs and expectations into account. It requires giving up an absolute relationship to my point of view and subordinating that view to some larger way of knowing than just myself. It requires defining myself co-relationally. My principle loyalty is no longer to the self, but to the relationship (friend, parents, family, organization, church, and community). This is the process of socialization: turning the adolescent into the citizen. My needs are now moved from subject to object. I am no longer had by my needs, but have them. They are not me, they are just needs I have. I no longer am my needs; I can be in relationship to them in the context of a larger community of competing needs, to which I am responsible. It is this socially defined self that most of us enter adulthood with. It is this self that the adolescent is both moving toward and resisting.

Some adults have not fully made this transition. About 5% of the adult population is still configured at Level 2 and another 8% is transitioning between Level 2 and Level 3. That means that 13% or better of the adult population have not constructed a self at the next highest level of development.

Hall's research suggests that managers in Level 2 will adopt a dictatorial style of management. They are not yet self-organized in a way that will permit more participative forms of relationship (individuation allows for a higher level of relatedness). They are still too fused with their own needs to consider and value the needs and opinions of others. They will be autocratic and over-controlling. Loyalty to the leader will be the first priority. Their relationships will be distant and marked by lack of interpersonal sensibility. They will be demanding of others, making unrealistic expectations on subordinates who will feel oppressed. They will manage through strict organizational hierarchies that require unquestioned authority.

Managers who are moving from Level 2 to Level 3 will soften this style to a more benevolent autocratic approach (described in Level 3). It is important to note here that more participative forms of management make a hidden demand on this person. It demands that they evolve a whole new self. Unless they can do that, they will be unable to manage in ways described in the next three stages.

LEVEL 3
(Kegan — The Interpersonal Self; Hall Phase 2 — Belonging; TLC — Problem-Reacting)

Each new identity structure of the self is a triumph of development. The arduous and often tumultuous struggle of the adolescent is a testimony to the difficulty of shedding the old self for a new one. It is a death, and in this case it is the death of our unbridled independence in order to take up membership in a larger community. My independent needs, with which I have been identified, move from subject to object. We slowly see that

our needs do not define us. We can now have them without being had by them. As this shift takes place we begin to take, perhaps for the first time, others' needs into account. Instead of being an island unto ourselves, the new self is reconfigured by its connections to the surrounding world. "I am my attachments" is the emerging structure of the self. This new identity, while begrudgingly gained, allows for a wholly new relationship with the world. With this new identity we can now be responsible to/for that to which we are attached. Out of this structure we are now ready to take up membership in the world of work, marriage, family, church, community, etc. Now my needs are met, not in isolation, but in co-relationship to the needs around me. I define myself by the role I adopt in responding to the surround.

At this level we work to fulfill the expectations of this new world in which we are taking out membership. We are learning the rules and playing by them. It is a time of considerable effort to construct a life that best fits with these internalized expectations. We make ourselves into whatever we have been socialized to think is good and right. We work hard, creating businesses, careers, climbing the corporate ladder, getting married, having family, and establishing the homestead. If we succeed, we create much of what we have been taught will make us happy and worthwhile persons.

The downside of this way of defining the self is that the self is still externally defined. The self is still fused with the surround. It is located outside the self in the surround to which I am attached. I am my relationships. I do not have them, they have me. I am my achievements. I do not create them, they create and define me. I define my self not from the inside out, but from the outside in. I have an externally validated sense of self-worth.

That to which the self attaches as its external reference is different for different persons. Some people tend to attach the self to relationships. "I am my relationships," is the primary self-definition. This leads them to move into work and marriage in the one down position. I define myself based on your acceptance of me, meeting others' needs/expectations of me, fitting in, belonging, etc. It feels risky if not dangerous to assert my own needs, go against the grain, set boundaries, etc. This is what has been labeled dependency.

Others define themselves on achievement in the world. "I am my power, success, flawless performance, etc. This is what makes me who I am and secures my future." The tendency here is to defend against relationship and define oneself based on personal agency in the world.

These two broad categories (the tendency to define self base on fusion in relationship or fusion with achievement) will result in very different personalities, behaviors and competencies, but the internal structure of each self is the same. To be is to be 'X' is the structure of the self. Different types simply have different sets of 'X's" with which they externally define themselves. The structure of the self is the same, only the self-defining beliefs are different.

Most organizational consultants have typically pathologized this form of identity with labels such as dependency, co-dependency, high-control, driven ambition, workaholism, etc. Perhaps Kegan's greatest contribution to this whole area of exploration is to continually remind us that there is nothing wrong with functioning at this level. It is a triumph of development that most, but not all, adults achieve. No one escapes moving through a good part of his/her adult life in some form of this configuration of the self. It is not something wrong with the person, but something quite right. The main question for those of us leading change to consider is not how to fix this, but is this identity structure up to the increasing demands of adult life in the modern organization/ world? Kegan puts it this way:

"In *The Empowered Manager* [a very powerful, helpful, management bestseller] Peter Block writes, 'If we are focused on seeking others' approval…then we run the risk of sacrificing our integrity…for the sake of finding the most popular path.' The implication here is not that [this person] is acting in consonance with the commitments to which he is subject, but that he is actually compromising them on behalf of some over-riding character weakness, the need for approval… A transformational view of [this person's] predicament…rejects the notion that his 'dependency' is an invasive disease or a blight

upon his otherwise fine character that is in need of excision. Rather it considers his so-called 'dependency' as the perfectly respectable expression, not of an appendage to how he is formed, but of the heart of how he is formed. It considers that his current integrity, with which he is congruent (the perfectly respectable way in which he is now formed) may be a poor match with the curriculum he faces at work."

Most of the demands that current organizational change efforts make on people are Level 4 demands (see Level 4 below). If we are not careful, we run the risk of making those doing the changing wrong for functioning the way they do. The modern world of work often requires behavior that is simply beyond the capacity of the Level 3 structure of identity. Take, for example, the prescription to the high control manager to "stop being defensive" and use active listening skills. When we are identified with our performance and believe that our aggressive strength protects us, then if we are being criticized or have our performance questioned, the very structure of the self is being attacked. If my worth is my performance, then when my performance is called into question, I am being called into question. I cannot not take this personally. At Level 4, as we will see, defensive behavior for this same person, in the same situation, simply does not show up.

If, on the other hand, I "am my relationships," and attend an assertiveness training workshop, the probability is low that I will ever use the skills taught because asserting my opinions may get me disapproval. This feels like death to the person identified with pleasing others. Yet the modern world of leadership and teamwork requires that the leaders learn to listen non-defensively and assert their wants. These are Level 4 demands and do not become natural behavior until after this self has been shed for yet another.

The research suggests that most adults are at Level 3. Both Hall and Kegan suggest that 14% of adults are at Level 3 and another 32% between Levels 3 and 4; that is, not fully constituted with a Level 4 identity. If we add in the 14% at Level 2 the total of those below Level 4 is 60%. This research data is taken from samples that do not represent the population at large. Research subjects are taken from professionals returning for higher education. These samples are decidedly more white, wealthy, and educated than the population. Sub-samples of less white, wealthy, professional, and educated people show higher percentages of people below Level 4 — in the neighborhood of 70 to 80%. This means that much of what we are trying to introduce through change efforts in organizations is "over the heads" of those asked to change, ourselves included.

Leadership style at Level 3 is that of Efficient Management. It is ordered and efficient. It is competency driven and mechanistic. It uses well all the management tools like scientific management, MBO's, SWOT, etc. Institutional authority replaces parental authority. Loyalty is not so much to the leader, but to the organization and its objectives. Leaders can be sensitive listeners who genuinely care about peers and direct reports, but employee input is not taken seriously if it is not seen as loyal and efficient. People are informed but not significantly involved in decision-making. People feel supported financially and treated fairly, but most are not expected to be involved in important decisions.

The institutional style that emerges with leadership at this level is a large efficient hierarchy. It is an ordered and layered bureaucracy. Its political climate requires loyalty and obedience. While this type of organization is still very common in this country, most of the organizational change efforts are about establishing structures and cultures which are flatter and require higher levels of ownership and creative involvement than this structure could tolerate. Most organizational change efforts are attempts to create a Level 4 culture. The reason most of these change efforts fall short is because they can only be created if the leadership is functioning at or beyond Level 4. Since most leadership teams are not, what usually happens is a lot of activity that should put a high-performance organization in place but fails to do so. The leadership then moves on to the latest fad in the management literature not noticing that in order for any of these new approaches to work, there is an implicit requirement for them to grow. The leadership must engage deeply the transition from a Level 3 consciousness to a Level 4. This is no small undertaking.

LEVEL 4
(Kegan — Institutional Self; Hall Phase 3 — Self-Initiating; TLC — Outcome-Creating)

The transition from Level 3 to 4 is the major adult transition and the most difficult. This is the Threshold Crossing in the Hero/Heroine's journey myths. It is the transition Jesus referred to when he said, "If you want to save yourself you must lose your self." Those who come through it have won the pearl of great price and arrive at what the mystics refer to as illumination. It is the transition that strips away our illusions and leaves us without external references for the self. As we reconfigure the new self, for the first time we have a whole self-contained within the self. We now live from the inside out rather than from the outside in. This is the Level that all psychological and leadership literature point to as the destination — self-actualization.

In the transition to Level 4, we lose all our familiar moorings. Everything external that the self uses to validate itself eventually gets stripped away. We individuate from our fusion with the surround. Another great subject-object shift takes place. The self has mistaken (that is made subject) itself for its relationships and achievements. These become objectified. "I am not my relationships or achievements. I have them, they do not have me." What is now subject is the self. Like the infant who can now distinguish self from mother, we can distinguish self from surround. We have a self for the first time. We become detached, individuated, and independent and thus available for a whole new level of relationship.

This transition is the "Eye of the Needle." Research suggests that only 20 to 40% of adults end up a Level 4 in their lifetime, 60 to 80% do not. The reason for the wide discrepancy here in percentages was mentioned earlier when describing the demographics of research subjects. If you look at the more upwardly educated and successful, 40% reach Level 4. In the few subsets of subjects that look at lower educated and less wealthy, only 20% arrive at Level 4. So where is the general population of adults? While specific numbers are hard to pin down, it is reasonable to assume that nearly 70% do not fully configure an independent self.

Yet all of our psychological, marriage, and leadership literature describe behaviors and awareness that come at Level 4 and beyond. This is because with the emergence of this structure of identity, come competencies and abilities simply not available to the self that is fused with the surround. The following statements describe some of the differences between Levels 3 and 4.

- Authority is now viewed as coming from within rather than comfortably invested in an infallible guide outside ourselves to whom we are loyal and faithful.
- Law is seen as a guide for action rather than rules by which we must live.
- We seek to be ourselves, to find our own meaning, and create out of the desire for self-expression; rather than finding meaning and worth in the faithful adherence to the role prescribed by the culture.
- We become responsible for shaping our roles rather than responsive to the dictates of the role. We shape our roles through the self-authoring capacity of vision.
- We are able to set limits/boundaries upon the demands that come from the outside rather than having vision defined for us and the self-sacrificing inability to set boundaries which have us living our role requirements at the expense of the self.
- We place limits on what others and institutions require of us rather than feeling ripped apart and being pulled in different directions wanting everyone to be happy.
- We become independent thinkers and deciders (which does not mean we decide by ourselves) rather than unconsciously thinking in normative ways or in ways that ensure our approval, belonging, and/or advancement. We march to the beat of our inner drummer rather than to the beat of the cultural drum.
- In relationships we become aware that neither the other nor I is made up by the relationship, rather than seeing the other as the organizer of our self. We are capable

of standing side by side with our partners as two whole people who have a relationship rather than being caught in the romantic ideal that two people share one heart, mind and soul. Each comes to the relationship as a complete self and shares oneself with the other rather than being completed by the other. We no longer co-construct the self out of the relationship between myself and other.

- We can now speak directly rather than requiring our partners to read our minds — thinking that, "If I have to ask for it, it is not love."

- We can stand our ground speaking and listening to critical and unhappy feelings rather than feeling that the whole self has been violated when its opinions, values, etc. are challenged.

- We can live with differences not assuming that we are necessarily right. We no longer see difference as a transgression and resolution as the disillusion of difference. We can now maintain closeness, connection, and provide company/support for our partner's discontent with us rather than disconnecting and making approval, acceptance, and agreement a requirement for closeness.

- In conflict, we do not fall into reactive patterns of withdrawal or aggression because the self is not violated. Instead we stay connected and observe/manage our own feelings without taking them out on the other.

- Psychologically, we have an awareness of how our personal history influences our behavior and we do not hold our partners responsible for our negative feelings and reactions triggered by their behavior. We stop using our psychological awareness to require that the other never behave in ways that re-stimulate our woundedness. We stop blaming them for our reactions when they do.

- We become capable of facilitating the others' development because we reconfigure roles and the nature of the relationship to support them rather than defending the way the relationship is currently configured — because to change it erodes the way we define our self. We can support the others' development because we do not take what they say as a reflection on our self but can stand apart and help them achieve insight.

- At work, a personal sense of power and inner authority replaces institutional control of our behavior. We can, guided by our own vision, invent our own work, and be self-correcting and evaluating rather than looking to the boss to define the role, outline the objectives, design the means to accomplish those results, and determine the value of the work done.

- We can take responsibility for what is going on around us and within us rather than blaming others (especially bosses) and circumstances for why current reality does not match what we want.

- We know that the key to our survival is not in the hands of those above and are able to take action consistent with our vision even in the face of disapproval, rather than believing our safety is in the hands of those above and cautiously managing our behavior (and the positions we take) as a strategy to remain in good grace.

- We pursue what is in the best interest of the organization and the constituencies it serves rather than primarily pursuing our own ambition or approval-seeking agendas. In short, leadership (no matter what our position or level) is now possible rather than loyal followership or self-centered ambition.

Most of what is described above looks a lot like what Goldman has called emotional intelligence (EQ). This is no coincidence. Emotional intelligence is a Level 4 way of being. A point often overlooked, however, is that emotional intelligence is not a set of competencies to be learned, although there is a need for skill development. The development of emotional intelligence happens as managers deconstruct Level 3 identities and reconstruct the self at Level 4. If, however, we approach change (i.e., developing emotional intelligence) only

from the right quadrants (structure and skills) and fail to support the deep, often disconcerting work of transformation, the change effort is likely to fall short.

The leadership styles that emerge at this level are Enabling, and evolve to Collaborative and the beginnings of Servant Leadership. Each of these styles is distinctly more and more involving of larger constituencies. Servant leadership will be described in the next phase.

Enabling, according to Hall, is a transitional style between Levels 3 and 4 and is to be seen as transitional. It is overly laissez-faire because the leader is in a huge transition and caught between an external and internal locus of identity. It values individual expression and equality on a par with the work. It is about enabling human interaction and development perhaps at the expense of the work. It is short-lived and moves on to a collaborative style of leading.

With collaboration the emphasis remains on individual expression and development, but the emphasis shifts to group performance. The leader is no longer the sole decision-maker but facilitates the group in becoming more and more self-managing. The leader sees his/her role primarily as facilitating the development of others and the group to be more and more creatively involved in the success of the organization. The leader can support, challenge and confront the group and its members. The focus is on high performance through teamwork and self-development. Leadership is shared. The leader is now taking responsibility for authoring the vision and is about the process of enrolling others into the vision. The leader catalyzes alignment by helping group members discover how the vision allows them to fulfill their own personal visions collectively. The institutional style here is Participative. People at every level (and there are far fewer levels and broader spans of control) are deeply involved in decisions that affect them. There is a successful TQM culture that has often evolved into a self-managing organization.

LEVEL 5
(Kegan — The Interindividual Self; Hall Phase 4 — Interdepending)

Less than one percent of the population reaches Level 5 and only 17% (of our upwardly biased sample) are in a transition from Level 4 to 5. Because so few people embody this level of development, little is written about it. Steven Covey attempts to describe it in his notion of interdependence, but all his descriptions come out sounding like Level 4 independence.

In the transition from Level 4, there is another important intra-psychic transition happening that paves the way to Level 5. The whole indivisible self begins to lose its place as subject. It becomes seen as object in a larger more complex understanding of the self as a system of systems. In short, the person begins to notice that there is not just one self but multiple parts, some known and some in shadow, that form the self. This is when the person begins to claim the neglected parts of themselves. Generally speaking, those who had defined themselves based on relationships, begin to reclaim their power, aggression, self-assertion and creative independence. Those who defined themselves on achievement, move toward relationship and move into the soft, sensitive side of themselves. These transitions are often difficult as these parts were rejected because they were seen as the cause of pain and failure, or they were seen as the source of danger, labeled as bad and unlovable. As these parts are being re-engaged, the person meets the shadow self and realizes that he/she has within the very opposite of what they define as good, moral, and just. These realizations pave the way for a Level 5 understanding of the self.

The transition to this level begins with cultivating our shadow side, which facilitates another great subject-object shift. We differentiate from our illusion that we are whole and complete within ourselves. As we become more familiar with the uncomfortable side of ourselves, our own completeness is relativized and moves from subject to object. What we mistook for a whole self is now seen as simply a part of "who I am." "I can hold and acknowledge my incompleteness and inner conflicting elements." Wordsworth once said of this awareness, "There is a dark invisible workmanship that reconciles discordant elements and makes them move in one creation." We no longer begin with the premise of wholeness, but the tendency to pretend completeness.

This is the great "surrender" of the self into the larger whole. Intra-psychically the whole and independent self is surrendered to an awareness of incompleteness and oppositeness. In the world, the self moves from acting as an independent 'I' to an interdependent 'We.' As we embrace our inner ecology, we become ecologically active. We are now capable of acting in the world not to change it to match our vision but to bring harmony to its discordant elements. The independent self is surrendered to the whole and becomes one with the whole.

This is not fusion. We do not lose our identity, mistaking it for the whole; but having ourselves, we surrender it choicefully, joining the whole and working, now, for the benefit of the whole. We are no longer focused on creative self-expression, but on taking action in concert with like-minded others for the good of the whole. We see ourselves as a force along with others for making economic, political, and ecological balance/harmony a global possibility.

In this time of opportunity and peril mentioned above, we think that the move to Level 5 is necessary if the future is to be a time of opportunity not peril. Level 5 consciousness is the order of consciousness that can solve the seemingly unresolved dilemmas of an increasingly Level 4 world. This is because new and very powerful communal/global leadership capabilities emerge. To name a few:

- In relationship, conflict, and leadership we set aside our illusion of knowing, rightness, and completeness. We are no longer trying to enroll others into our vision or way of thinking but see ourselves as the keeper of a context where dialogue can happen.
- We create opportunities for dialogue where the 'truth' can emerge and even then we do not accept it as truth, but merely our best approximation for the moment.
- We pursue our visions and plans knowing that they are incomplete and stay open to their further evolution.
- In relationships, we surrender the notion of two complete selves having a relationship and refuse to see the self or the other as a single whole. In relationship now, both experience their multipleness.
- We engage in dialogue across differences to find understanding, accommodation, and cooperation. We can sustain differences within a broader context of respect for the multipleness of the whole. In this exchange the Palestinian discovers his/her Israeli-ness, the rich man discovers his poverty, and the woman discovers the man inside her.
- Differences are not to be eliminated, but understood as an opposite tendency within oneself that needs to be explored and integrated. The complexity of the outer world is seen as ecology to be preserved. Conflict is seen to exist because incompleteness is taken for completeness. Discord is seen as reflecting some inner intolerance within ourselves that is manifesting in the collective.
- Inner and outer worlds are no longer separate, but mirrors of each other.
- Conflict is used for the transformation of all parties.

This way of being in relationship happens in intimate partnering, at work, in the way we lead, in our relationship with the global community.

The leadership styles that emerge at this stage are Servant leadership and Visionary Global leadership. Servant leadership becomes possible in the 4/5 transition. Here the leader is one among many. Leadership is a team operation and the leader is the holder of this context. The organization becomes a system of learners, and learning is focused on continually recreating the organization to better serve the community. Organizations become less and less layered, mentoring more and more common. Ongoing dialogue and consensus arrive at vision and values. Cross-functional teams abound.

At Level 5 the Visionary Global leader expands awareness to community/global harmony. The good of the whole is held as primary. Leaders see themselves as global

citizens and act to enhance functioning at the planetary level. Leadership is globally visionary and prophetic. It does not attract attention to itself, but orchestrates the human collective's capacity to create sustainable optimal futures. Inter-dependent governance teams composed of peers replace hierarchical structure. Leadership is plural and trust, intimacy and community achieve synergy.

With the emergence of this way of being, trans-national harmony becomes possible. Leaders, and perhaps nations, become willing to look at the shadow side of their own heritage and culture. They stop projecting their shadow onto "the enemy," the "evil empire," the "great Satan." Like Gorbachev, engaging Reagan in the disarmament negotiations, leaders' actions and words say, "I will deprive you of an enemy," This structure of consciousness is up to the challenges we face globally. The others mentioned earlier are not.

Level 5, according to Ken Wilber, sets the stage for evolution to move into even higher stages of development. These stages emerge after long-term spiritual practice. They are within reach of everyone, but because so few people in leadership are at Level 5, detailed discussion of these stages is beyond the intent of this appendix. Interested readers can consult the work of Ken Wilber and James Fowler (see the bibliography).

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