



Powering a Culture of
High Performance

The Role of **Vertical Development** in Transforming Leadership in Today's World

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Turbulent times are here to stay. The post-COVID business environment is characterised by disruptions and uncertainties, increased digitalisation, heightened emphasis on flexibility and adaptability, shifting consumer behaviours, and a greater focus on employee well-being and sustainable practices.

BANI: Brittle, Anxious, Nonlinear, and Incomprehensible

Navigating the BANI nature of today's world – Brittle, Anxious, Nonlinear, Incomprehensible – is vital for modern leaders.

- The Brittle element points to the vulnerability of systems and plans; leaders must be ready to pivot swiftly when stable structures are disrupted by technological advancements or market changes. They need to develop strategies that are not just effective but also resilient to unexpected shocks.
- Anxiety is prevalent in an uncertain world, and leaders must navigate this stress, instilling confidence and resilience within themselves and their teams. They need the mental and emotional capacity to remain focused and the wisdom to make decisions amidst pressures and uncertainties that could provoke anxiety.
- Nonlinearity dismisses the straightforward cause-and-effect paradigm, requiring leaders to embrace complexity and polarities. They must be versatile, ready to adjust plans as they encounter unpredictable events and outcomes that defy conventional expectations.
- The Incomprehensible aspect deals with the challenge of deciphering complex information. Leaders must make sense of vast and often conflicting information, extract the most critical insights, and effectively communicate them, simplifying intricate issues to steer their teams through confusing scenarios and perplexing situations.

This **BANI** (Brittle, Anxious, Nonlinear, Incomprehensible) environment presents significant challenges to leaders across various domains. Leaders must evolve to thrive in a world where established methods are quickly outdated, anxiety is constant, causality is complex, and clarity is hard-won.



The Evolution of Leadership Development in Today's World

In addition, the modern workforce's evolving expectations are driving the need for a more human-centric approach in leadership. Today's employees value well-being, inclusivity, and a sense of belonging. They seek work environments that respect and nurture their diverse backgrounds and promote work-life balance. Addressing these needs through a people-first culture and human-centric leadership is key to meeting these growing expectations, ensuring employee engagement and satisfaction.

All of this created new awareness of the need for mature, wise leaders with a nuanced understanding of leadership that recognises the complexities of societal and organisational dynamics, the emotional and cultural aspects of change, and the importance of balancing innovation with tradition. Mature, versatile leaders are collaborative yet decisive, capable of perspective-taking and prompt action, and exhibit self-awareness, empathy, pragmatism, and courage. The COVID-19 pandemic further revealed the significant impact of effective leadership, with those possessing these qualities often navigating the crisis more successfully.

Leaders now need to develop the inner capacity to deal with the increasingly complex environment and challenges. Research is clear on the value of fostering leadership maturity in the age of the meta-crisis. But how do we sustainably develop the inner abilities that leaders now all need to lead in complexities?

This is where the concept of vertical development comes into play. Unlike horizontal development, vertical development focuses on improving the emotional, mental and intellectual capacity.

Vertical development empowers leaders by broadening their perspectives, enhancing their resilience, and equipping them to manage continuous change. This approach more effectively prepares leaders to tackle a diverse array of challenges and enhances their agility to navigate the BANI business environment.

Understanding Vertical Development

At its core, vertical development represents a fundamental shift in the way we perceive and engage in leadership growth.

Unlike horizontal development, which focuses on acquiring new skills and competencies, vertical development is about evolving one's internal capabilities, mindset, and consciousness. It's a deeper, more transformative process that changes how leaders think, feel, and make sense of the world, enabling them to handle more complex and adaptive challenges.

For example, consider a leader who is adept at project management (a horizontal skill) but struggles with strategic thinking (a vertical capability). Vertical development equips them with diverse perspectives and changes how they make of their people, organisation, and industry. This allows them to understand complex interdependencies and long-term implications more profoundly.

Vertical development in leadership is a transformative process that shifts how leaders perceive, think, and react to various situations. Unlike horizontal development, which focuses on acquiring new skills and knowledge, vertical development changes the leader's internal operating system.

Let's look at some examples and illustrations to understand how this works:



Development Area	Situation	Horizontal Approach	Vertical Approach
Self-awareness and Reflection	Leader faced with high-stress, high-stakes decisions	Learning decision-making frameworks and risk management techniques. However, in practice, decisions can still be influenced by stress and bias.	Engaging in deep reflection and mindfulness practices, the leader becomes aware of their stress triggers and understand how internal biases might influence decisions. This awareness allows them to approach the decision more objectively and calmly.
Perspective Taking	Managing diverse team with conflicting viewpoints	Learning about cultural diversity and team management skills that addresses external behaviour, not internal perspectives. May not fully resolve deep-seated conflicts or biases.	The leader actively seeks to understand the unique perspectives of each team member. They recognise their own cultural lens and work to see situations from multiple viewpoints. This not only resolves conflicts but also leads to more inclusive and creative team dynamics.
Adaptability and Resilience	Navigating a company through a major market shift	Acquiring knowledge in change management and market analysis (focuses on business strategies and knowledge). May lack flexibility and resilience in rapidly changing situations.	Embracing a growth mindset and viewing challenges as opportunities for learning and growth. They reflect on past failures, not as setbacks, but as valuable experiences. This mindset helps them remain flexible and resilient, adapting strategies as the market evolves.
Authenticity and Integrity	Facing an ethical dilemma in business operation	Learning about ethical business practices (focuses on compliance and rules). Might not address deeper moral values and personal integrity.	Examining core values and aligning actions with these values (focuses on internal authenticity and congruence). This integrity builds trust and sets a moral standard in the organisation.

Modern leadership is about shifting from doing leadership to being a leader, and the integration of vertical development alongside traditional horizontal development is not just beneficial but essential. Horizontal development equips leaders with the necessary tools – skills, knowledge, and competencies – required for specific tasks and roles. However, it's the vertical development that refines the tool-user. Vertical development in leadership is a transformative process that fundamentally changes a leader's approach to thinking, problem-solving, and relating to others. It reshapes a leader's worldview and enhances their cognitive and emotional ability to navigate complexity.

Key Areas of Vertical Development in Leadership

Vertical development in leadership encompasses the advancement of several key areas, each integral to fostering the capabilities required in today's complex and dynamic business world. Let's explore these areas and their significance:



1. Self-Awareness and Perspective Expansion

Central to vertical development is the growth in self-awareness. It involves a deep understanding of one's strengths, challenges, mental models, values, tendencies, and the impact one has on others. This awareness is critical in vertical development, as it helps leaders to recognise when their current way of thinking may be limited and to seek out new perspectives and approaches.

To illustrate the concept of “growing vertically” in self-awareness, let's turn our attention to Emily – a character who might resonate with many in the corporate world. You may even find parts of your own professional journey mirrored in hers. Emily is a seasoned manager known for her technical expertise and her knack for meeting tight deadlines. On the surface, Emily's leadership style seems effective, but it masks underlying issues. She's always on the go, perpetually juggling tasks, and often working late into the night. Her belief that “If I don't do it, it won't get done properly” has made her an indispensable part of every project, but at a cost. Her interactions with her team, though efficient, lack depth. She's often preoccupied, thinking about the next task even when conversing with her team members. This has led to a work culture that's high on delivery but low on innovation and collaboration.

Emily's mindset – a mix of feeling indispensable and a lack of trust in her team's autonomy, leads to her feeling constantly overwhelmed. She often thinks, “there's too much on my plate, but I can't afford to delegate”, which not only affects her well-being but also stifles her team's potential.

Vertical development challenges Emily to reconsider her approach to leadership. She needs to take a step back, become more self-aware, and then embark on a journey of deep personal transformation. This process enables someone like Emily to lead with insight and a broader perspective, moving away from a confined and often unrecognised mindset. By engaging in regular self-reflection, seeking feedback from peers and mentors, and keeping a leadership journal to track her progress and insights, she starts to delegate not just tasks but also trust and responsibility, shifting her focus from doing everything herself to empowering her team. This transition isn't easy, but it's necessary for her growth as a leader.



2. Cognitive Complexity

As leaders grow vertically, their cognitive abilities also evolve. They begin to think in terms of systems, understanding the complexity and interdependencies within their organisations and the broader environment. Their strategic thinking capabilities mature, enabling them to envision long-term implications and systemic outcomes of their actions. Critical thinking becomes more nuanced, as they learn to consider multiple perspectives and weigh different options more effectively. A prime real-world example of a senior executive who embodies this trait is Indra Nooyi, the former CEO of PepsiCo.

Under Indra Nooyi's leadership, PepsiCo not only thrived as a business but also made significant strides in integrating broader, systemic thinking into its strategy. Nooyi championed the "Performance with Purpose" initiative, which redefined PepsiCo's approach by focusing not just on financial performance but also on sustainability, health, and social responsibility.

This initiative exemplifies cognitive complexity in several ways.

Firstly, Nooyi recognised the interconnected nature of business success with societal and environmental factors. She understood that long-term corporate success was deeply tied to how the company responded to global challenges like obesity, climate change, and resource scarcity.

Secondly, her approach demonstrated an ability to think beyond traditional corporate goals. Instead of focusing solely on immediate financial gains, Nooyi's strategy involved a deeper consideration of the long-term impacts of business decisions on a broader range of stakeholders, including consumers, employees, and the environment.

Finally, by integrating this complex, systemic approach into PepsiCo's core strategy, Nooyi showcased how cognitive complexity in leadership could lead to innovative and sustainable business practices. Her leadership not only steered PepsiCo towards financial success but also positioned it as a leader in corporate responsibility and sustainability.



3. Emotional Intelligence and Mindset

As leaders ascend to higher echelons of responsibility, their emotional intelligence becomes a pivotal factor in their effectiveness. This is exemplified in the leadership style of Satya Nadella, CEO of Microsoft, whose tenure is a testament to the power of emotional maturity, humility, empathy, and a growth mindset in driving organisational transformation. Under his stewardship, Microsoft has witnessed a profound cultural metamorphosis, transitioning from a cut-throat competitive environment to one that prioritises empathy, collaboration, and an ongoing commitment to learning.

Nadella's approach embodies emotional maturity, characterised by his ability to manage his emotions and the emotions of others effectively. This is evident in how he handled crises and high-pressure situations, maintaining a calm demeanour and focusing on solutions rather than blame.

Nadella's humility is another key aspect of his leadership. He has been open about his mistakes and learning experiences, which has humanised the leadership at Microsoft and made it more approachable. This humility has fostered a culture of openness and continuous learning within the company.

Nadella's empathetic approach was particularly visible in his initiative to make Microsoft's products more accessible to people with disabilities, stemming from his personal experiences raising a son with special needs. With empathy, Nadella emphasises understanding the needs and perspectives of both employees and customers. This has not only improved product development but has also created a more inclusive work environment.

Central to Nadella's leadership philosophy is the concept of a **growth mindset**. This belief in the endless potential for developing skills and capabilities through perseverance and effort is aptly encapsulated in his own words: "Don't be a know-it-all; be a learn-it-all." This philosophy isn't just a tagline; it's the cornerstone of his approach to guiding Microsoft. It has galvanised the emotional intelligence of the entire organisation, leading to remarkable innovation and success. His nuanced understanding of the needs and aspirations of employees, customers, and partners, coupled with his use of growth mindset as a strategic asset, has propelled Microsoft into new realms of innovation and market leadership.

Nadella's approach demonstrates how leaders who evolve not just in their roles, but also in their emotional and psychological capacities, can foster environments of empathy, collaboration, and innovation. This evolution is crucial in today's rapidly changing business world, where the ability to adapt, learn, and understand diverse perspectives is key to navigating complexities and leading effectively.



4. Resilience and Adaptivity

Enhanced adaptability to change and resilience in the face of challenges are not just outcomes but defining features of vertical development in leadership. This developmental journey fosters a mindset where leaders view change not as a threat but as a fertile ground for growth, innovation, and learning. They become adept at navigating through adversity, seeing setbacks as opportunities for reflection, learning, and course correction. This transformation involves actively engaging in experiences that stretch and challenge their existing beliefs, assumptions, and ways of operating. Such experiences are essential for leaders, as they act as catalysts for profound growth, enhancing adaptability and resilience.

A quintessential example of a leader who has leveraged transformative learning experiences to develop resilience and adaptability is Howard Schultz, the former CEO of Starbucks. Schultz's tenure at Starbucks can be viewed as a series of transformative learning experiences that not only shaped his leadership style but also steered the company's trajectory.

Schultz's journey began with a visit to Italy early in his career, where he was captivated by the coffee culture. This encounter profoundly challenged his preconceived notions about coffee and its societal role. Inspired by this transformative insight, he introduced the concept of the Italian coffeehouse to the United States. This move did not merely change the American coffee experience; it revolutionised Starbucks, turning it into a global icon.

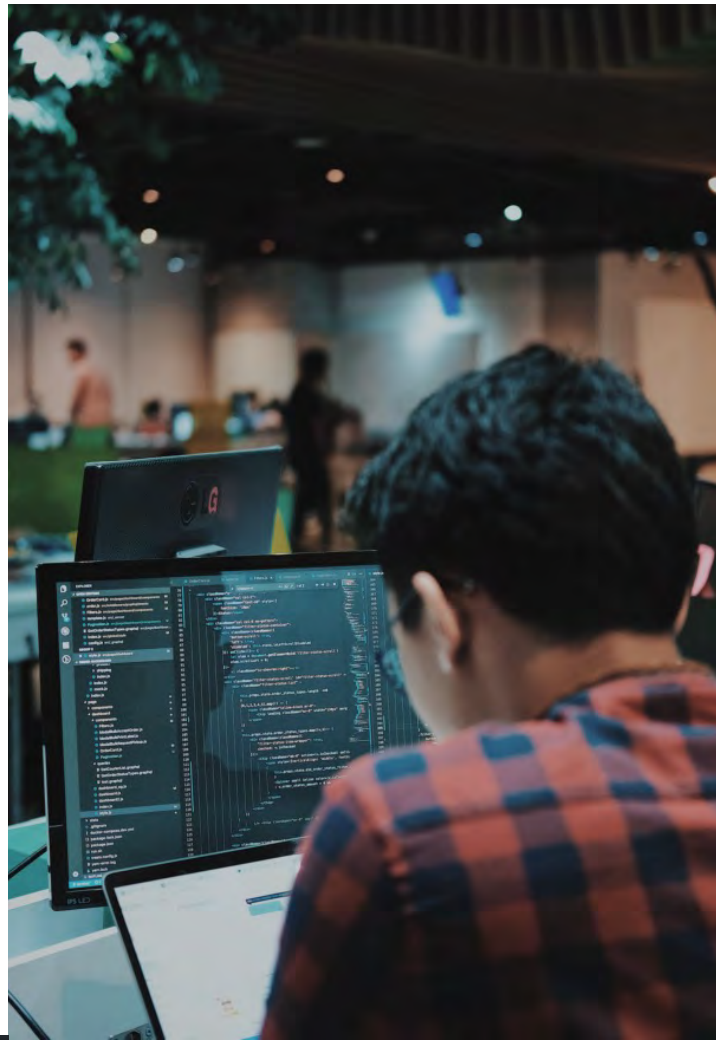
However, Schultz's transformative learning did not stop there. Facing criticisms about Starbucks losing its essence due to rapid expansion, Schultz took a bold step to retrain all employees, temporarily closing stores to focus on quality and customer experience.

Throughout his leadership at Starbucks, Schultz consistently sought out and embraced transformative experiences. Whether it was expanding into new markets, engaging with social issues, or evolving the company's business model, each step was an opportunity for growth and adaptation. Schultz's journey exemplifies how leaders can develop resilience and adaptability through vertical development. It also underscores the crucial role of these traits in the dynamic, rapidly evolving business world, where learning from experiences, adapting strategies, and facing challenges with resilience are key not only to individual success but also to the overall success of organisations.

Forging a Pathway into the Future with Vertical Development

At the heart of AI lies Machine Learning (ML), a dynamic field that empowers systems to learn and improve from experience without explicit programming. ML algorithms enable computers to recognise patterns, make predictions, and continuously refine their performance. Whether it's fraud detection in finance or personalised healthcare recommendations, Machine Learning is the engine that propels AI forward, ensuring adaptability and responsiveness to evolving circumstances.

Leaders who commit to this journey of inner growth and adaptation are not only more effective in their roles but also capable of inspiring and leading transformational change within their organisations. To truly excel in this era of rapid change and complexity, embracing vertical development is not just recommended; it's imperative.



For leaders and organisations looking to embark on this transformative journey, ILS offers a range of resources and programmes designed to facilitate vertical development. Discover more about how ILS can support your vertical development journey and help you be a *future-ready* leader for tomorrow's challenges.



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