



Organizational Transformation as a Function of CEOs' Developmental Stage by David Rooke and William R. Torbert

Introduction

In this paper, we discuss what appears to be one critical variable in successful organizational transformation toward becoming a learning organization: the ego development stage of the CEO and his or her senior advisers. During the past decade, the two authors (along with two other consulting colleagues) have participated in, and studied, ten longitudinal organizational development efforts, spending an average of 4.2 years associated with each organization. In retrospect, we realized that in seven of the ten cases the organizations prospered significantly during our association with them, success-fully undergoing no less than 18 developmental transformations and becoming unique industry leaders. On the other hand, despite our best efforts, three of the ten organizations did not progress developmentally and lost personnel, industry standing, and money.

Our retrospective sense-making hypothesis is that CEOs whose cognitive-emotional structure recognizes that there are multiple ways of framing reality and that personal and organizational transformations of structure require mutual, voluntary initiatives--not just single-framed, hierarchical guidance--are more likely to succeed in leading organizational transformation. In terms of developmental theory (see Table 1, 2, and 3 in theory section), this cognitive-emotional structure is characteristic of rare, late-stage leaders at the Strategist stage or beyond. The ten cases represent too small a number for confident conclusions, but our hypothesis is tentatively confirmed. In all five cases when the CEOs were measured as Strategists, their organizations transformed in positive directions based on business measures, and these five organizations are clinically assessed as undergoing 15 progressive developmental transformations (see methods section and Tables 4 and 5). By contrast, only two of the five organizations whose CEOs were measured at pre-Strategist stages of development transformed positively. Among these five organizations clinical developmental assessments indicate three progressive transformations in two organizations, two organizations that showed "no change" developmentally, and one organization that regressed three stages. We now discuss our theory, methods, and findings in greater detail.

Theory

Both our consulting itself and our findings in this paper are based on Developmental Action Inquiry. Developmental Action Inquiry works with developmental theory (Kegan, 1982, 1994), as applied to individuals and to organizations through a process we call 'action inquiry' (see Fisher & Torbert, 1995 re consulting method and cases; see also Torbert, 1987, 1991, 1995 re developmental theory and action inquiry as a social scientific approach).

The notion of qualitative, developmental transformations was introduced by Hegel in the nineteenth century (and is compatible with Platonic, Vedic, Buddhist, and Gurdjieffian appreciations of human development as well [Overton, 1997; Alexander & Langer, 1990; Wilber, 1980, 1995; Ouspensky, 1949]). Developmental theory has been given empirical expression through the studies of Piaget, Kohlberg, Loevinger, and Kegan during the twentieth century. Kegan's most recent reformulations (Kegan, 1982, 1994) recap this development and respond re-constructively to the well-aimed feminist critique (Gilligan, 1981) of Kohlberg's masculine, individualistic bias (Kohlberg, 1981). In the spirit of feminism and social constructivism, Kegan focuses on the active interdependence of multiple voices in the later stage



"self-transforming" mind and in later-stage life among others in organizations. Overton (1997) offers the most recent explication of the relational and transformational foundations of developmental theory. This tradition of inquiry offers developmental theory a level of construct validity (and construct contestation) not even distantly approached by other theories and studies of transforming leadership and organizational transformation (e.g. Tichy & Devanna, 1986; Bass, 1985; Greiner, 1972; Lippitt & Schmidt, 1967; see commentaries in Torbert, 1976, 1991). In effect, developmental theory offers a view of the path and the multiple transformations that leaders and whole organizations can follow in order to become "learning leaders" and "learning organizations".

According to developmental theory and workplace research (Fisher & Torbert, 1995), the Strategist stage of individual development is the first stage at which a leader can initiate personal and organizational double-loop learning (Argyris & Schon, 1974, 1978) in a potentially effective fashion--that is, in a fashion which does not attempt to unilaterally coerce transformational learning and which therefore creates the climate of mutual initiative conducive to genuine personal and organizational transformation. But 90% of managers score at earlier stages and only 10% of over 500 managers we have measured (Torbert, 1991) score at the Strategist stage (see Table 2, below, for characteristics of each developmental stage, and footnote 1 for more detail on the psychometric method of assessing a person's stage). Given these percentages, we can begin to understand why attempts at organizational transformation are usually so painful and often so unsuccessful.

Table 1

Analogies between Personal and Organizational Stages of Development

Stage	Personal development	Organizational Development
1	<u>Impulsive</u>	
	Impulses rule reflexes (Multiple, distinctive impulses gradually resolve into characteristic approach)	Conception Dreams about creating a new organization
2	<u>Opportunist</u>	
	Needs rule impulses (Dominant objective: gain power to have desired effects on outside world)	Investments Spiritual, social network, and financial investments
3	<u>Diplomat</u>	
	Norms/pleasing others rule needs (Adapting to wider culture or market)	Incorporation Products or services actually rule needs
4	<u>Technician</u>	
	Craft logic rules norms (Intellectual mastery / innovation to discover what structures work best)	Experiments Alternative strategies and structures tested
5	<u>Achiever</u>	
	System effectiveness rules craft logic (Institutionalize triangulation among plan, implementation, and outcome)	Systematic Productivity Single structure/strategy institutionalized

6 **Strategist**
 Self-amending principle rules system (Self-conscious reframing of mission, strategy, timing, listening to multiple voices of stakeholders & customers)
Collaborative Inquiry Self-amending structure to match dream/mission

7 **Magician/Witch/Clown**
 Process (interplay of principle/action) rules principle (Spiritual/material/transformational/inquiring praxis among others)
Foundational Community Structure fails, spirit sustains

8 **Ironist**
 Intersystemic development rules process (Acceptance of invisible alienation among multiple human paradigms, such that paradigm transformation best approached indirectly through ironic words, gestures, and event- structures)
Liberating Disciplines Widen members' awareness of incongruities among mission/ strategy/ operations/ outcomes and skill at generating organizational learning

Table 2

Managerial Style Characteristics Associated with Six Developmental Frames
Stage Name Characteristics

- 1 **Impulsive**
- 2 **Opportunist** Short time horizon; focus on concrete things; manipulative; deceptive; rejects feedback; externalizes blame; distrustful; fragile self-control; hostile humor; views luck as central; flouts power, sexuality; stereotypes; views rules as loss of freedom; punishes according to 'eye for an eye' ethic; treats what can get away with as legal; positive ethic = even trade.
- 3 **Diplomat** Observes protocol; avoids inner and outer conflict; works to group standard; speaks in clichés, platitudes; conforms; feels shame if violates norm; sin = hurting others; punishment = disapproval; seeks membership, status; face-saving essential; loyalty to immediate group, not 'distant' organization or principles; positive ethic = nice, cooperative.
- 4 **Technician** Interested in problem-solving; seeks causes; critical of self, others based on craft logic; chooses efficiency over effectiveness; perfectionist; accepts feedback only from 'objective' craft masters; dogmatic; values decisions based on merit; sees contingencies, exceptions; wants to stand out, be unique, positive ethic = sense of obligation to wider, internally consistent moral order.
- 5 **Achiever** Long-term goals; future is vivid, inspiring; welcomes behavioral feedback; effectiveness and results oriented; feels like initiator, not pawn; appreciates complexity, systems; seeks generalizable reasons for action; seeks mutuality, not hierarchy, in relationships; feels guilt if does not meet own standards; blind to own shadow, to the subjectivity behind objectivity; positive ethic = practical day-to-day improvements based on self-chosen (but not self-created) ethical system.
- 6 **Strategist** Creative at conflict resolution; recognizes importance of principle, contract, theory, and judgment-not just rules, customs, and exceptions- for making and maintaining good decisions; process oriented as well as goal oriented; aware of paradox and contradiction; relativistic, aware that what one sees depends upon one's worldview; high value



on individuality, unique market niches, particular historical moments; enjoys playing a variety of roles; witty, existential humor (as contrasted to prefabricated jokes); aware of dark side, of profundity of evil, and tempted by its power.

7 Magician Disintegration of ego-identity, near-death experience; seeks participation in historical/spiritual transformations; creator of mythical events that reframe situations; anchoring in inclusive present, seeing light and dark, order and mess; blends opposites, creating 'positive-sum' games; exercises own attention, researches interplay of intuition, thought, action, and effects on outside world; treats time and events as symbolic, analogical, metaphorical (not merely linear, digital, literal).

Table 3

Characteristics of Each Stage of Organizational Development

Stage Name Characteristics

1 Conception Dreams, visions, informal conversations about creating something new to fill need not now adequately addressed; interplay among multiple 'parents'; working models, prototypes, related projects, or business plans developed; critical issues -- timeliness and mythic proportions of vision.

2 Investments 'Champions' commit to creating organization; early relationship-building among future stakeholders; peer networks and parent institutions make spiritual, structural, financial commitments to nurture; critical issues -- authenticity and reliability of commitments; financial investment appropriately subordinated to structural and spiritual investments.

3 Incorporation Products or services produced; recognizable physical setting, tasks and roles delineated; goals and operating staff chosen; critical issues -- display of persistence in the face of threat, maintaining or recreating consistency between original dream and actual organizational arrangements.

4 Experiments Alternative administrative, production, selection, reward, financial, marketing and political strategies practiced, tested in operation and reformed in rapid succession; critical issues -- truly experimenting, taking disciplined stabs in the dark, rather than merely trying one or two preconceived alternatives; finding a viable, lasting combination of strategy and structure for the following stage.

5 Systematic Productivity Attention is legitimately focused only on the systematic procedures; for accomplishing the pre-defined task; marketability or political viability of the product or service, as measured in quantitative terms, is the overriding criterion of success; standards, structures, and roles are taken for granted as given and formalized, usually in deductive, pyramidal terms; reality is usually and most easily conceived of in deductive terms as dichotomous and competitive: win-lose, rational-emotional, leader-follower, personal-professional, practical-theoretical; critical issue: whether earlier development has provided a strong and appropriate analogical system that frames, and is not distorted by, the deductive systems developed during this stage.

6 Collaborative Inquiry Explicit shared reflection about the corporate dream/mission and actuality/history in the wider social context; open rather than masked interpersonal relations, with disclosure, support, and confrontation of apparent value differences; systematic evaluation and feedback of corporate and individual performance on multiple indices; direct facing and



creative resolution of paradoxes (which otherwise become polarized conflicts): inquiry-productivity, freedom-control, quantity-quality, etc.; interactive development of, and commitment to, unique, self-amending strategies and structures appropriate to this particular organization at this particular historical moment.

7 Foundational Community Political friction within organization and with different norms of behavior in wider environments; regular, personal, shared research on relations among spiritual, theoretical, and behavioral qualities of experience; structure fails ('dies'), phoenix rises from the ashes, shared purpose (spirit) revealed as sustaining; transcendence of pre-existing cultural categories, appreciation of continuous interplay of opposites: action/research, sex/politics, past/future, symbolic/diabolic, etc.; new experiences of time: his-story becomes my-story: interplay of creative timeliness, timeless archetypes, and timebound needs.

8 Liberating Disciplines Leadership practices deliberate irony; tasks incomprehensible and undoable without reference to accompanying processes and purposes; premeditated and precommunicated structural evolution over time; constant cycle of experiential and empirical research and feedback; leadership uses all available forms of power to support the previous four qualities, consistent with while also meeting the next three conditions; organizational structure open, in principle, to inspection and challenge by organizational members; leadership becomes vulnerable to attack and public failure in practice, if tasks, processes, and mission become incongruous and leadership does not acknowledge and correct such incongruities; requires leadership committed to, and highly skilled at seeking out, recognizing, and righting personal and organizational incongruities.

(Indeed, the two latest stages--Magician/Witch/Clown and Ironist, whose dialogics and practices are most mutuality-enhancing and transformational--are still empirically rarer [under 1% of all persons measured]. Fisher and Torbert [1995] devote a chapter [Chapter 11] to describing a sample of six "learning leaders" scored at these stages, and Torbert [1987, 1989, 1991] clinically assesses such historically well-known leaders as UN Secretary General Dag Hammarskjold, Pope John XXIII, Schlumberger CEO Jean Riboud, the Motorola executive team during George Fisher's tenure as CEO, Martin Luther King, and Shirley MacLaine as illustrating qualities characteristic of these latest stages.)

The key paradox of transformational praxis--that developmental theory highlights and that the action inquiry approach to practice enacts--is that no kind of power (coercive, referent, legitimate, or expert) can generate personal or organizational transformation when it is exercised unilaterally (Torbert, 1991). Only power exercised in a mutuality-enhancing, awareness-enhancing, empowering manner can generate wholehearted transformation. In other words, only power exercised in such a way as to make oneself, as well as the other potentially vulnerable to transformation can generate voluntary transformation rather than mere external conformity and compliance, or resistance (for examples of the exercise of transforming power, see Erikson, 1970; Fisher & Torbert, 1995; Torbert, 1987, 1989, 1991). According to developmental theory supported by our workplace research like this paper presents, only persons who develop to the Strategist stage or beyond appreciate in action the paradoxes of exercising this type of vulnerable power.

It is significant that most definitions and measures of power in the organization behavior field altogether omit transforming power, as here understood, from the field of study (French & Raven, 1959; Hickson, Lee, Schneck, & Pennings, 1971; MacMillan, 1978; Pfeffer, 1981; Finkelstein, 1992). Thus, Finkelstein writes that power is "the capacity of individual actors to



exert their will (p.506)" and Pfeffer contends that power is "the capability of one social actor to overcome resistance in achieving a desired objective (p.2)." Consequently, just as the practice of transforming power through action inquiry is unfamiliar to most managers, so too the concept of transforming power and the entire flavor of qualitative, developmental transformations to later perspectives that include one's entire previous perspective as a variable is by and large unfamiliar to the American management research community.

The developmental theory of organizing has been developed over the past thirty years in action settings and used in clinical fashion. Originally developed in grounded-theory style from comparison among five cases of organization development, it later gained increasing construct validity by explicit analogy to Erikson's, Loevinger's, and Kegan's theories of personal development and in comparison with Greiner's (1972) and Lippitt & Schmidt's (1967) theories of organization development (Torbert, 1976, 1987, 1991; Fisher & Torbert, 1995). This study--a retrospective field quasi-experiment, with multiple raters seeking reliability in the use of the organizational stage categories--is the first quantitatively assessed empirical test of the organizational theory. The three raters worked from the characteristics of each stage as listed in Table 3, and the reader can see from Table 3 how an organization becomes increasingly learning-oriented at the later stages.

Empirical Background and Methods

The ten organizations to which we consulted include five for-profit companies and five not-for-profit organizations. Their senior management teams range in size from five to fifteen persons. These senior management teams in turn manage between five and 1,019 employees, with an average of 485 (see Table 4).

There are four of us (two males and two females) who work alone or together in different participant/consultant/researcher combinations. We have had intensive, longitudinal relationships with each of the ten companies, always engaging directly with the CEO and the senior management team and, intermittently with some or all of the other employees. In three of the ten cases, we have interacted with the organization for about two years. In the other seven cases, we have interacted with the organization for about five years. The average length of our association with the organization is 4.2 years.

In each of the ten cases, we have served as consultants and action researchers. In three of the cases, one of us has also held a Board position; in another three of the cases, one of us has also held a management position. In short, we have become knowledgeable observant participants (Torbert, 1991) of these organizations, capable of offering 'thick' ideographic descriptions of events (see, for example, Chapters 9 and 10 of Fisher & Torbert [1995] for one such thick description of organization #6 in Table 4).

In all ten of our organizational intervention cases, some or all of the senior management team have completed the Washington University Sentence Completion Form (Loevinger & Wessler, 1978) and have received feedback on the results, as have we ourselves. (Participation in this research exercise has always been voluntary and has never been a condition of our work in the client system.) It happens that all ten of the CEOs participated in the sentence completion exercise. As Table 4 shows, five of the CEOs measured at the Strategist stage or later and five of the CEOs measured at pre-Strategist stages. All four of the consultants measured at the Strategist stage or later.

As mentioned above, developmental theory gains unusually high construct validity by virtue of its two century heritage of philosophical/theoretical contestation. At the same time, the

Washington University Sentence Completion Form, based on Jane Loevinger's version of this theory, shows split-half, test-retest, and inter-rater reliability coefficients of over .80, and considerable convergent validity with many other appropriate psychological variables such as Rokeach's "openness-closedness" measure (see methodological endnote 2). In the past decade, Fisher and Torbert have shown in a series of laboratory experiments, depth interview studies, and field interventions that Loevinger's measure also predicts statistically significant behavioral differences among managers scored at different stages (Merron, Fisher & Torbert, 1987; Fisher & Torbert, 1991, 1995; Torbert, 1989, 1994; Torbert & Fisher, 1992). Thus, this measure combines strong construct, content, and predictive validity (see methodological footnote 1 for more detail).

Although we are using a well-validated psychometric measure for CEOs' developmental stage, there is no such measure or comparable history of thought with regard to organizational transformation. The study began retrospectively when we as change agents realized that we had made a total of ten interventions in recent years, of which seven were viewed as successes by divergent stakeholders and measures. At the same time, three other long-term interventions resulted in organizational deterioration, blocked change, and reduced outcomes. Thus, the organizational variable was originally measured pragmatically by many stakeholders, rather than by a single, theoretically-constructed, empirical instrument.

At the same time, the organizational stage theory presented in Tables 1 and 3 has been tested through clinical case studies of organizational stages and transformations over thirty years, lending the theory some degree of empirical face validity and content validity (Torbert, 1976, 1987, 1991; Fisher & Torbert, 1995). Also, considerable construct validity can be said to have been established by the analogy to developmental theory at the individual scale, by comparison to other theories of organizational transformation (Greiner, 1972; Lippitt & Schmidt, 1967; Torbert, 1976) and by reference to the distinctive political philosophies which make explicit the ontological /epistemological assumptions behind each organizational stage (Torbert, 1991).

In this study, we test for the first time whether clinical raters can achieve reliability in applying the organizational stage distinctions to specific organizations over time. Three of the four consultants who have worked with this theory in these ten organizations assessed whether each organization had regressed, had remained developmentally stable, or had transformed in a progressive fashion (and how many times). First, on the basis of first-hand knowledge and the narrative documents already written about the organizations, each rater made independent judgments. In all ten cases, the three raters agreed on whether the organization had developmentally progressed, remained at the same stage, or regressed; and in nine of the ten cases all three raters agreed on what the specific changes were. In the case of the smallest organization (#3 in Table 4, with 10 employees), one rater rated a three stage change from Conception to Experiments, while the other two rated a five stage change from Conception to Collaborative Inquiry. In any event, the reliability among these trained practitioner/theorists is between .9 and 1.0.

Thick descriptions (Geertz, 1983) would be necessary to persuade others of the robustness of these judgments, and these actually exist for some of the cases (e.g. Fisher & Torbert, 1995, Chapters 8-10; Torbert, 1991, Chapter 4). Here, one brief example of successful organizational transformation and one brief example of organizational stagnation and regression will illustrate the kinds of data on which judgments about organizational transformation have been made. Over the five-year period during which we consulted to it, one of the not-for-profit companies in our sample (#6 in Table 4) increased its enrollments at more than double its industry's average;

increased its net worth twelve times; tied for first place nationally in consumer satisfaction according to a highly reputable, impartial consumer survey; and improved its employee climate from one year to the next more than ever before found by the large firm that specialized in conducting such surveys. These were the multi-measure, multi-stakeholder "business" results. During this same period, the company transformed developmentally from: 1) being run by the CEO; to 2) being run by a strategic plan developed by the senior management team which had internally developed a double-loop learning capacity; to 3) being run by a bottom-up strategic plan coordinated by the senior management team and implemented by cross-functional, quality-improvement teams throughout the company, cutting costs and time-to-market for new products far below other competitors.

By contrast, one of the three organizations counted as not transforming (despite espousing the intention of doing so) lost its national ranking during the time period studied, lost preferred clients to competitors, lost money, and endured the resignation of all the members of its strategic planning committee. This organization (Table 4, #10) is the one organization rated as regressing. Note that the CEO of this organization is measured at the Diplomat stage of development personally. He succeeded two successive CEOs measured at the Strategist stage who had evolved a Collaborative Inquiry stage organization. The Diplomat CEO appeared primarily concerned with pleasing others and avoiding conflict in a low-profile way (e.g. he publicly thanked the members of the first strategic planning committee as he appointed a second one, the resignations unmentioned). This CEO eliminated by simple disuse many of the peer learning systems built into the organization when he arrived, gradually turning the operating organization into a crisis-prone Incorporation stage system, paralleling his own developmental theory-in-use.

Results

Table 4 summarizes the data for each of the ten organizations. It shows: whether the organization is for-profit or not-for-profit; its size in terms of number of employees; the length of consultation and additional forms of participation, if any, by the consultants; what the personal developmental stage score of the CEO was; and whether the organization is judged to have transformed.

Table 4
Size & Type of Organization, Consultant Relationship,
CEO Developmental Stage, and Organizational Transformation

#					
(f-p/nfp)			Type of Org		
(empls)			Size		
CEO Developmental Stage			Length & Type of Consulting		
			Orgl Transformation?		
			(+=yes; 0=no change; -=regression)		

1	Not-for-p.	325	5 yrs; consulting & Board	Strategist	+ from Conception to Collab. Inquiry
2	For-profit	43	6 yrs; consulting & Board	Strategist	+ from Incorporation to Collab. Inquiry
3	For-profit	10	7 yrs; consulting & management	Strategist	+ from Conception to Collab. Inquiry
4	For-profit	732	15 months;	Strategist	+ from Systematic

			consulting		Productivity to Collab. Inquiry
5	Not-for-p.	627	6 yr.s; consulting & management	Magician	+ from Experiments to Collab. Inquiry
6	Not-for-p.	847	5 yr.s; consulting & Board	Technician	+ from Experiments to Collab. Inquiry
7	For-profit	183	2 yr.s; consulting	Achiever	+ from Experiments to Systematic Productivity
8	For-profit	1,019	2 yr.s; consulting	Achiever	0 Systematic Productivity
9	Not-for-p.	584	4 yr.s; consulting & management	Achiever	0 Systematic Productivity
10	Not-for-p.	481	4 yr.s; consulting	Diplomat	- regression from C.I. to Incorporation

Table 5 summarizes the results shown in Table 4. In seven of the ten cases, the organizations successfully transformed their size, profitability, quality, strategy, reputation, and systems-logic in progressive directions during the period studied. In the other three cases, the organizations have not so transformed; indeed, all three have experienced crises and highly visible performance blockages and one of them (#10, just described above) has clearly regressed in terms of how business gets done on a daily basis to the point where terms like 'vision' and 'strategy' are sour jokes for what is missing.

Table 5
CEO Stage of Development and Organizational Transformation:
A Data Summary of 10 Cases

Organizational Transformation	CEO Stage of Development	
Pre-Strategist → Strategist or later		
Yes	2	5
No	3	0

As Table 5 shows, in all five cases where the CEO is measured at the Strategist stage, the organization has positively transformed. Conversely, in all three cases where transformation did not occur despite consultative intervention, the CEO is measured at an earlier stage of development than the Strategist stage. The Fisher Exact probability of obtaining these data by chance is .083--suggestive, but not reaching the conventional .05 level for statistical significance. On the other hand, if we correlate CEO stage (ranging from Diplomat to Magician in our sample) with the number of organizational regressions or transformations (ranging from -3 through 0 to +5 in our sample), we use more of the information in Table 4. Applying the Spearman rank order test, we find a strong correlation of .65 between later-stage CEOs and the likelihood of progressive organizational transformation. This correlation accounts for a robust 42% of the variance in the observed organizational transformations, and this correlation is significant beyond the .05 level. Put still differently, the pre-Strategist CEOs generated a total of 0

organizational transformations (-3+0+0+1+2), whereas the Strategist CEOs generated a total of +15 organizational transformations.

Additional Qualitative Data

In the two anomalous cases, where the organization transformed but the CEO has been measured at a pre-Strategist stage, a thicker description shows that the CEO has treated the consultant and one or more team members who are measured at the Strategist stage as close confidantes. By contrast, in the three cases where different stakeholders and outcome measures, as well as the developmental ratings of the three consultants, all agree that the organizations have not transformed in a positive direction, the pre-Strategist CEOs have increasingly distanced themselves from the consultant(s) and from senior management team members who measured at the Strategist or later stage.

Here is a little more detail on the two anomalous cases of positive transformation. In one organization (#7 in Table 4), the consultant recommended a new Executive Vice-President position and identified the one Strategist stage member of the team (who was also the one woman member) as a likely candidate. During a two-day restructuring retreat with the consultant, the CEO and the rest of the senior team decided to make this structural change. This change made her the person to whom the other Vice-Presidents reported and the intermediary between them and the CEO. She led a whole series of subsequent changes, with the concurrence of the CEO and the continued occasional support of the consultant (see Fisher & Torbert, 1995, ch.8 for more detail on this case).

In the second case where the organization transformed even though the CEO did not measure at the Strategist stage (#6 in Table 4), the CEO worked unusually closely with the consultant for several years, inviting his influence in all aspects of the meeting-to-meeting operation of the senior management team. This CEO also promoted one Strategist stage manager to senior management and highlighted the work of another Strategist stage manager in a way that increased its influence over the whole organization. (In this case, the consultant's clinical appraisal of the CEO was that he regularly exhibited strong Technician, Achiever, and Strategist characteristics, even though measured at the Technician stage.) Thus, in both of the anomalous cases where CEOs who measured as pre-Strategists participated in the leadership of successful organizational transformation, the CEOs encouraged the widening leadership influence of senior members and consultants at the Strategist stage.

By contrast, as already noted, in the three cases where different stakeholders and outcome measures agree the organization has not transformed in a positive direction, the pre-Strategist CEOs increasingly distanced themselves from the consultant(s) and from senior management team members who measured at the Strategist or later stage. In one case (#8 in Table 4), for a year and a half, the CEO welcomed the senior management team building efforts and successes of the consultants, who had been invited at the initiative of a senior management member who measured at the Strategist stage. Then, during the critical days of an international merger, which his own team viewed him as mishandling, the CEO invited detailed feedback and strategy development with regard to his own merger-related actions from the senior team and the consultants. Because of the organizational urgency of this issue, and because the consultants judged that a 'hard truth' intervention in a supportive environment might join with the CEO's own transformational energies, the consultants phrased the feedback in colorful metaphors, estimating that the company was "three quarters of the way down the (merger-partner)'s throat" and that the CEO needed to play some role other than that of "silent mouse" in the merger negotiations. Other leadership initiatives were role-played, and the CEO stated his commitment to taking a new level

of confrontative political initiative in the construction of the future company. In the months following this meeting, however, none of the senior management team could report any such actual leadership initiative by the CEO. Nevertheless, the merger was aborted because of other stakeholders' political initiatives. Once the merger-crisis was eliminated, the CEO discontinued work with the consultants and distanced himself from the senior management team member measured at the Strategist stage.

In the other two cases, the CEOs also distanced themselves from the consultants. In one case (#9 in Table 4), one of the consultants was actually a member of the senior management team as well as an internal consultant. Her work, and that of a second one of us who joined briefly in that work as an external consultant, led to significant insight and action changes by individual members of the 15 person senior team, as well as to some organizational changes. But the CEO weaved between valuing his internal consultant/senior manager and the change process highly, on the one hand, and, on the other hand, trying to displace her from the senior team altogether while freezing the change process. When he publicly misrepresented certain actions of hers, she took him on in an adjudicated administrative case, and he lost to her. A year later he resigned. The organization did not transform during this period.

The third case where the CEO was measured at a pre-Strategist stage and the organization foundered rather than transforming has already been described in the final paragraph of the Methods section. In addition to what is said there, we can add that the CEO maintained throughout that he highly prized the consultant, even though the consultant openly proposed that the CEO resign, both to the CEO himself and to the Board Chair. When this did not occur, the consultant eventually initiated the discontinuation of his own consulting role.

Discussion

Contrary to our finding about the significance of the CEO's developmental stage in supporting organizational transformation, Finkelstein (1992) has argued against studying just the CEO and in favor of considering the distribution of power among top managers in predicting a company's destiny. Recall, however, that Finkelstein's definition of power does not include the non-unilateral type of power--transforming power. Recall, also, that only ten percent of managers score at the Strategist stage, where the possibility and practice of mutuality-enhancing, transforming power becomes meaningful. Thus, Finkelstein's argument is likely to hold for those types of power that are broadly understood and broadly distributed among senior managers. But, in the case of transforming power, which is neither widely understood, nor widely practiced, the special legitimation and company-wide voice of the CEO is likely to be critical in sustaining transformational processes until the time when results persuade an increasing proportion of the workforce to commit more fully and internally to the new order. And, conversely, as our final illustration in the results section illustrates, a single CEO incapable of exercising, recognizing, or supporting transformational power among his or her colleagues can be enough of a bottleneck to undo prior organizational abilities and accomplishments.

From this small number of cases, it does appear that the ego development stage of the CEO and of his or her most trusted advisors is a critical variable influencing the likelihood of successful progressive organizational transformation. More specifically, it appears that a CEO at the Strategist stage has a major influence on the likelihood of organizational transformation. The data in Tables 2 and 3 do not rule out alternative hypotheses, however. The reader will note that the organizations where transformation did not occur were, on average, somewhat larger, hosted shorter interventions, and were more likely to be not-for-profits. None of these possible alternative explanations is strongly supported by the data, though, since: 1) three of the



organizations that did transform are larger than two of those that did not; 2) two out of three of the shortest interventions resulted in organizational transformation; and 3) three not-for-profits did transform and only two did not.

Another alternative hypothesis can also be constructed to explain the data from these cases, however. This hypothesis accepts that the ego development measure succeeds in identifying persons who hold a similar worldview, but does not accept the stronger argument of developmental theory that the rare late-stage managers are the only ones who understand and facilitate organizational transformation. Instead, this alternative hypothesis simply states that when consultant and CEO in fact hold a similar worldview, successful influence and positive transformation are more likely to occur (Reeves, 1997, offers more data bearing on this hypothesis).

Looking at our data from the point of view of this hypothesis, we see that it successfully explains the same eight cases as our own hypothesis. In other words, it explains all five cases when the CEO and the consultant(s) share the same worldview (in this case the Strategist worldview) and the organization transforms in a timely and successful fashion. It also explains the three cases when the CEO and the consultant(s) do not share the same worldview and the organization does not transform.

This alternative hypothesis ought to be taken very seriously since it is as successful at interpreting the main effects as our own hypothesis, and since it serves as an always-to-be-welcomed reminder for executives, consultants, and scholars that, throughout any professional service engagement, the alchemy of generating honesty, effectiveness, mutuality and, possibly, transformation across worldview differences is a continual, delicate, mysterious process that we know all-too-little how to cultivate. In the study we are here reporting, we were clearly more successful at cultivating organizational transformation in those cases when we shared a worldview with CEOs (5 for 5) than we were when we did not (2 for 5).

Despite this serious alternative explanation for our findings, we prefer our own hypothesis. Our hypothesis is consistent with the thick description of the two cases that initially appear to contradict both our own and this new hypothesis. In both those cases, as in the other eight, greater influence by Strategist stage senior members is associated with organizational transformation. Thus, there is a sense in which a variant of our hypothesis explains every single case. Moreover, our hypothesis provides a coherent theoretical explanation for why a Strategist stage CEO may be critical to generating organizational transformation (because of the rarity and significance of the Strategist and post-Strategist ability to exercise mutual, transforming power); whereas the CEO-consultant/stage-fit hypothesis only explains why the CEO and consultant may recognize and be open to influence by one another's logic, not why such mutual influence will lead to organizational transformation.

One other previous study lends tangential support to our hypothesis, although it did not study organizational transformation. Using multiple measures of organization development consulting competence, Bushe and Gibbs (1990) found that eleven internal consultants measured at the Strategist stage on the Washington University Sentence Completion Test were perceived as more competent by other organizational members, and as playing more of a change management role, than fifty-three other consultants who scored at earlier stages of development. Here too a Strategist perspective seems correlated with judgments by multiple stakeholders about efficacy in fostering organizational change.

Briefly let us consider a final alternative hypothesis. In cases like Table 4, #10, where the CEO is at an early stage, like the Diplomatic stage, a truly late-stage consulting approach may not accommodate the CEO's and/or the organization's intolerance for the risk, ambiguity, and vulnerability that action inquiry reveals. Instead, an intervention that minimizes loss of face or maximizes pre-defined structure may be more effective. The work of Barrett and Cooperrider (1990) and of Lewis (1996) are excellent examples of such alternate consulting strategies. These consulting strategies will be developmentally sound if they are based on the consultant's implicit action inquiry that clinically assesses the CEO, the senior management team, and/or the organization as a whole as unprepared for an intervention based on explicit action inquiry. If, however, such strategies are generalized without sensitivity to developmental considerations, we would predict a far lower success rate and far fewer organizational transformations than that achievable through the Developmental Action Inquiry approach.

Conclusion

So far as we know, these are the only ten cases in which the personal developmental stage of senior managers and organizational transformation have been studied together. Although only one of the ten CEOs and none of the organizations are measured at the latest stages of "learning leadership" and of "learning organization," our results show that, as theoretically predicted, "learning leadership" that intuitively uses power in a mutual, transforming manner begins at the Strategist stage and can help an organization transform through earlier stages and up to the organizationally unusual Collaborative Inquiry stage.

Developmental theory highlights the multiplicity of transformations that participants, teams, projects, and whole organizations are in fact continually engaged in, rather than defending against, if they are truly "learning leaders" and "learning organizations." The great challenge is how, as a participant in such a chaos of mutually intertwining and interrupting transformational processes, to cultivate a moment-to-moment attention that is at once active and focused, on the one hand, and, on the other hand, vulnerable to inquiry and influence -- while ever timely! This challenge is at least as great as the challenge of gaining unilateral political, economic, and technological control over nature and society that has preoccupied us during the past 500 years.

As consultants and researchers, we deeply admire the ten CEOs and organizations with whom we have worked for their active struggle to meet this challenge amidst the rigors of a political economy where unilateral, hierarchical control is still the more obvious reality.

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Footnote

¹ Developmental stage, or "ego development," is assessed by the Washington University Sentence Completion Test (SCT) (Lê & Loevinger, 1989a, 1989b; Loevinger, 1985; Loevinger & Wessler, 1970). The SCT contains 36 sentence fragments which, when completed, reflect a subject's reasoning and thinking processes and ways of relating to others. Embedded in the content and form of the sentence completions is the subject's overall way of mapping the world as conceptualized by his or her developmental stage. The scoring manual is extremely thorough, containing virtually every possible response to each of the sentence stems.

Loevinger and Wessler (1970) report high inter-rater reliability and internal consistency on the SCT. Other studies report generally high levels of inter-rater reliability (e.g., Cox, 1974; Hoppe, 1972), internal consistency (Redmore & Waldman, 1975), and split-half reliability (Novy & Francis, 1992; Redmore & Waldman, 1975). Test-retest reliability has not been well established due to methodological problems (Redmore & Waldman, 1975). It is virtually impossible to "fake" the SCT. Experiments have shown that persons almost never succeed in producing a stage protocol different from their own, even after the scoring procedure has been explained to them (Redmore, 1976).

The validity of the SCT has been criticized on two counts, first that it is simply a matter of verbal fluency, since later stage respondents write significantly longer protocols, and secondly that ego development's status as a "master trait," as proposed by Loevinger has not been proven psychometrically. On the issue of verbal fluency, it may be countered that the correlation is inevitable, since the expression of greater conceptual complexity and creativity characteristic of the later stages requires longer responses (Loevinger & Wessler, 1970; Vaillant & McCullough, 1987). It is clear from numerous studies that ego development, as measured by the SCT, entails many more facets than verbal fluency. Favorable personality characteristics found associated with developmental stage include rule-boundedness (a curvilinear relationship), nurturance, conscientiousness, trust, tolerance, interpersonal sensitivity, psychological mindedness, creativity, moral development, and a variety of measures related to mental health (Kohlberg, 1963, 1964; Lorr & Manning, 1978; Vaillant, 1977; Vaillant & McCullough, 1987).

A recent study by Novy, *et. al.* (1994) tested the structural validity of Loevinger's model, using structural equation modeling to examine whether ego development serves hierarchically as the source of covariation for specific personality constructs. While not proven to be a "master trait" by this analytic model, ego development was positively and significantly related to each of the four constructs posited by Loevinger: impulse control, interpersonal style, conscious preoccupations, and cognitive style.

Numerous studies have shown relationships between ego development and interpersonal behavior (e.g., see Hauser, 1976), and between ego development and managerial performance (see Torbert, 1994, for a review of these studies).

Although for simplicity we refer to the measure of ego development we use in our research as the Washington University Sentence Completion Test developed by Jane Loevinger,



we have in fact developed a slight variant on her measure that we have found more acceptable to adult managers. We found that Loevinger's two different 36-item forms for women and men evoked concerns about sexism, seemed too long, and failed the face validity test because none of the sentence stems refer to work settings.

We responded to these concerns by reducing the number of items from 36 to 24, eliminating items that were written differently for men and women, thus permitting a single form to be used for everyone. In addition, we introduced four sentence stems that relate directly to work settings (e.g., "A good boss . . ." "When a person gets out of line at work . . ."), based on a dissertation that established their reliability with Loevinger's items and construct validity *vis a vis* developmental theory (Molloy, 1978).

We then administered the 24-item version to 18 persons who had taken the 36-item form within the previous six months. Our Loevinger-trained-and-certified scorer scored the new tests, showing over .90 reliability with the earlier scores. Since that time, we have conducted many studies with the 24-item test and these establish that scores on the 24-item test successfully predict a variety of real-world actions and perspectives (Torbert, 1994).