Leadership development is broken. Vertical development is necessary to fix it.
You recognize that developing leaders is your opportunity to make a dent in the world.

You also likely feel discouraged at times because your efforts to develop leaders have not had the impact that you know is possible?

Consider this question:

If you were going to improve your computer, which would you prefer:

A. Add a program to broaden its functionality, or
B. Improve the computer’s operating system?

You are in a position with the potential to have a massive positive impact on the leaders you work with, the culture they steward, and the people they lead.

But, you may feel discouraged that your efforts have not had the impact that you know is possible.

The majority of leadership development is the equivalent of Option A (called Horizontal Development).
But, what we generally want is Option B (called Vertical Development).

In this white paper, I will:

1. Present the current state of leadership development, which suggests leadership development is broken.
2. Introduce Vertical Development and its importance for leadership development.
3. Provide cutting-edge guidance on how to elevate your leaders through Vertical Development.
Current State of Leadership Development

Organizations spend $366 billion on leadership development each year.¹

Yet, despite this investment:

- 75% of organizations rate their leadership development programs as not very effective.²
- 71% of organizations state that they ARE NOT confident that their current leaders can successfully navigate their organization into the future.³

These statistics indicate that **leadership development is broken.**

This brokenness is the result of two interrelated factors:

1. Not understanding that there are two types of leadership development, leading to a **focus on only one type of leadership development.**
2. **Overlooking** the foundational mechanism that directs how leaders think, process information, and operate: **the MIND.**

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Two Types of Leadership Development

There are two types of leadership development:

**Horizontal Development:**
Adding programs to the leader.
Enhancing leaders’ knowledge, skills, and competencies to broaden functionality.
- Focus: **Doing more**

**Vertical Development:**
Upgrading the operating system of the leader.
Elevating a person’s ability to make meaning of their world in more cognitively and emotionally sophisticated ways.
- Focus: **Being better**
Two Types of Leadership Development

Which form of development is most commonly focused on?

My research of 153 organizations indicated that the topics they most commonly focused on in their leadership development efforts are:

<table>
<thead>
<tr>
<th>Frequency Ranking</th>
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<tr>
<td>4</td>
<td>Coaching Skills</td>
<td>50%</td>
</tr>
<tr>
<td>5</td>
<td>Performance Management</td>
<td>45%</td>
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</table>

These topics are horizontal development topics.

While horizontal development can be beneficial, it is not going to enhance leaders’ ability to effectively navigate in a context of increasing pressure, change, uncertainty, and complexity.

Vertical development is necessary to elevate leaders’ ability to think in more complex, strategic, and interdependent ways.

To understand why organizations don’t focus on vertical development, we need to identify the foundational mechanism that directs how leaders think, process information, and operate. It is a mechanism that most leadership development philosophies and practices overlook.
Most Leadership Development Overlooks the Mind

**True/False:** Most current leadership development practices are rooted in philosophies that were developed pre-2005

**TRUE**

The year 2005 is significant because this is the year that neuroscience research exponentially took off.

A search of “neuroscience” in Proquest’s research database reveals the following:

![Graph showing the number of neuroscience articles published from 1960 to 2020](image)

We have learned more about the mind in the last 15 years than all of time before that.

This means is that when most leadership development philosophies and practices were developed, those who developed them had little understanding of the foundational mechanism that dictates how leaders think, process information, and operate: their mind.

**Our current leadership development efforts overlook the most foundational mechanism of a leader: the MIND.**

If we want to vertically develop leaders to elevate their thinking capacity to better navigate more complex and uncertain environments, what must we focus on? Their MIND.
State of Leadership Development

Summary

Leadership development is broken

Leadership development overlooks vertical development and emphasizes horizontal development

Leadership development does not include the most foundational mechanism of a leader: the MIND

Elevating Leadership Development

If you want to have the positive impact on your organization and its leaders that you desire, you must focus on:

VERTICAL DEVELOPMENT
THE MIND OF THE LEADER
Adult development researchers have identified three levels of mental development that leaders can operate from:

**Mind 3.0 – Contribution Mode**
- **Focus:** On adding value to others, not on self-protection or self-advancement.
- **Characteristics:** Wise sage and interdependent thinkers that sees systems, patterns, and connections; maintains a long-term outlook; and can hold multiple and even contradictory perspectives simultaneously. Altogether, a leader in Mind 3.0 has an elevated capacity to see and act upon a broader range of perspectives and possibilities.
- **Common feelings:** centered, resilient, hopeful, compassionate, curious, present, content, agile, and creative.

**Mind 2.0 – Achiever Mode**
- **Focus:** self-advancement; enhancing pleasure, gains, praise, popularity, power, and/or privilege.
- **Characteristics:** Independent and self-directed thinkers that are primed to focus on short-term gains and advancement. They have difficulty seeing a longer-term and/or more selfless perspective.
- **Common feelings:** competitive, egotistic, tunnel vision, obsessive, rigid, impatient, anxious, argumentative, and judgmental.

**Mind 1.0 – Self-Preservation Mode**
- **Focus:** Ensure comfort and safety.
- **Characteristics:** Dependent thinkers that are team players, faithful followers, and reliant on authority. They often take strong polarized positions based, not upon their own independent thinking but, upon the prevailing thinking of the groups they identify with. They are on consistent lookout to threats to their image, ego, and identity. Easily threatened, they commonly react by either fighting, flighting, or freezing.
- **Common feelings:** overwhelm, powerlessness, low-energy, envious, angry, defensive, and controlling.

64% of adults operate at this level
35% of adults operate at this level
1% of adults operate at this level
# Mind Levels in Action

<table>
<thead>
<tr>
<th>Mind Levels</th>
<th>Natural “Thinking” Around Leadership Situations Depending Upon Mind Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mind 3.0</strong></td>
<td>Receives it as a gift to learn and grow from</td>
</tr>
<tr>
<td><strong>Mind 2.0</strong></td>
<td>Response depends on who deliverer and how it is delivered</td>
</tr>
<tr>
<td><strong>Mind 1.0</strong></td>
<td>Gets defensive or tunes out</td>
</tr>
</tbody>
</table>
The reality is that, at different times, each of us operate in Mind 1.0, Mind 2.0, and Mind 3.0. But, we all have a center of gravity that we generally operate out of.

**So, the question is: What is your center of gravity?**

Our center of gravity gives us an indication of the type of leader that we are bringing to our situations:
Example: Microsoft

Consider the quotes from the last two CEOs of Microsoft:

- Steve Ballmer: “I've got my kids brainwashed: You don’t use Google, and you don’t use an iPod.”
- Satya Nadella: “Today, one of my top priorities is to make sure that our billion customers, no matter which phone or platform they choose to use, have their needs met so that we continue to grow.”

It appears that these leaders likely have different centers of gravity. One focused on competition with rivals and the other focused on cooperation with rivals.

What was the impact of these leaders on Microsoft during their tenure?

MARKET CAPITALIZATION OF MICROSOFT

<table>
<thead>
<tr>
<th></th>
<th>Percent change under Ballmer</th>
<th>Percent change under Nadella</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Ballmer</td>
<td>-45.7%</td>
<td>+417.9%</td>
</tr>
<tr>
<td>Satya Nadella</td>
<td>325.4</td>
<td>1685.3</td>
</tr>
</tbody>
</table>

How has Satya Nadella been able to have such a huge positive effect on Microsoft? He has focused on the key to vertical development.
The Key to Vertically Developing Leaders’ Minds

To vertically develop leaders, we need to focus on their minds.

But, the human mind is incredibly complex, what should leadership developers focus on?

Both psychology and neuroscience independently point toward a foundational mechanism for how leaders’ minds think, process information, and operate: Their Mindsets.

Mindsets are specific, recognizable, and repeatable orientations to what a person experience. They generally operate at a nonconscious level, automatically directing our thinking and operation. Simply put, they are the mental habits we use to process our world.

Mindsets have three primary jobs:

1. Because our body sends our mind way more information than we can process, our mindsets filter select information into our mind for further processing
2. They interpret that information in unique ways (e.g., failure is bad vs. failure is good)
3. They activate different elements of who we are to best respond to the situation based upon the information absorbed and how it is interpreted

To vertically develop leaders, we need to help them awaken to their mindsets and improve their mental processing habits.
I have developed the most comprehensive and research-backed mindset framework that identifies four sets of mindsets ranging on a continuum from negative to positive.

30+ years of research indicates that these mindsets cue leaders to develop different desires depending upon their mental development level:

<table>
<thead>
<tr>
<th>LEVEL OF DEVELOPMENT</th>
<th>Mind 1.0</th>
<th>Mind 2.0</th>
<th>Mind 3.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed &lt;-&gt; Growth</td>
<td>Desire to gain others’ approval</td>
<td>Desire to be seen as a success</td>
<td>Desire to learn and grow</td>
</tr>
<tr>
<td>Closed &lt;-&gt; Open</td>
<td>Desire to be told what to think or do – Keep things simple</td>
<td>Desire to have one’s own opinion and be correct in that opinion</td>
<td>Desire to find truth and think optimally</td>
</tr>
<tr>
<td>Prevention &lt;-&gt; Promotion</td>
<td>Desire to stay in line with the norms of the group</td>
<td>Desire to avoid personal problems and discomfort</td>
<td>Desire to reach challenging, extraordinary goals</td>
</tr>
<tr>
<td>Inward &lt;-&gt; Outward</td>
<td>Desire to elevate group above others</td>
<td>Desire to personally get ahead</td>
<td>Desire to lift others</td>
</tr>
</tbody>
</table>

To help leaders awaken to their own mindsets, I have developed a [Personal Mindset Assessment](#).

I have had over 15,000 people take this assessment, and only 2.5% of respondents are in the top quartile for all four sets of these mindsets.

This suggests that most leaders can make meaningful improvements in their leadership effectiveness by vertically elevating their minds and mindsets.
Power of Mindsets for Elevating Leaders’ Vertical Development

In my research on 153 organizations’ leadership development programs, the majority of topics focused on were related to horizontal development. There were only two topics identified that primarily focused on vertical development:

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<td>Mindsets</td>
<td>12%</td>
</tr>
<tr>
<td>19</td>
<td>Mindfulness</td>
<td>10%</td>
</tr>
</tbody>
</table>

I also asked organizations the degree to which they were effective at developing their leaders. Comparing these two topics to the most popular leadership development topics, we can see the difference focusing on vertical development makes:

<table>
<thead>
<tr>
<th>Frequency Ranking</th>
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<th>Percent that focus on the topic</th>
<th>Percent that agrees they are effective at developing their leaders</th>
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<tbody>
<tr>
<td>18</td>
<td>Mindsets</td>
<td>12%</td>
<td>67%</td>
</tr>
<tr>
<td>19</td>
<td>Mindfulness</td>
<td>10%</td>
<td>57%</td>
</tr>
<tr>
<td>4</td>
<td>Coaching Skills</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>3</td>
<td>Leadership Styles (e.g., transformational, servant leadership)</td>
<td>50%</td>
<td>47%</td>
</tr>
<tr>
<td>1</td>
<td>Communication &amp; Interpersonal Skills</td>
<td>72%</td>
<td>41%</td>
</tr>
<tr>
<td>2</td>
<td>Developing Management Skills (e.g., planning &amp; decision-making)</td>
<td>54%</td>
<td>41%</td>
</tr>
<tr>
<td>5</td>
<td>Performance Management</td>
<td>45%</td>
<td>35%</td>
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When I compared the organizations the focused on mindsets to those who did not, it revealed that those that focus on mindsets (i.e., vertical development) are more than 2x more effective at developing their leaders.

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<tbody>
<tr>
<td>Mindsets</td>
<td>12%</td>
<td>67%</td>
</tr>
<tr>
<td>Organizations that do not focus on mindsets</td>
<td>88%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Satya Nadella credits a focus on mindsets as being a key element in Microsoft’s remarkable transformation.
Vertically developing the minds of your leaders requires three things:

1. **Awaken to Quality of Mental Habits (Mindsets)**
   - **BEST PRACTICES:**
     - Mindset assessment
     - Workshop(s) to help them (1) understand what vertical development and (2) “learn the language” of the different sets of mindsets

2. **Awaken to Impact of Mental Habits (Mindsets)**
   - **BEST PRACTICES:**
     - Individual or small-group coaching to help leaders (1) clearly see how their current mindsets are currently limiting their effectiveness, and (2) receive specific direction on how to elevate their mindsets.
     - 90° to 360° feedback to help deepen leaders’ self-awareness of how they and their mindsets and motives are being perceived.

3. **Exercise and Strengthen Positive Mental Habits (Mindsets)**
   - **BEST PRACTICES:**
     - Digital Mindset Coach – an online tool or app that helps leaders regularly exercise their positive mindset neural connections
     - Investigating elements of the organization’s culture that might be socially incentivizing negative mindsets
     - Implementation of wellness practices and supplemental activities to support the development of positive mindsets

When working with organizations, I will generally produce a [Collective Mindset Report](#) to investigate (1) the quality of leadership across the organization, (2) the leadership culture of the organization, and (3) the psychological safety of leaders.

If you want to elevate your leadership development efforts and focus on vertically developing the minds of your leaders, I would love to help you out.

**You can connect with me by:**
- Grabbing a time on my calendar: [Connect with Ryan](#)
- Sending me an email: ryan@ryangottfredson.com
- Browsing my website: [https://ryangottfredson.com](https://ryangottfredson.com)
Success Starts with Your Mindsets

Ryan Gottfredson, Ph.D., is the author of the Wall Street Journal Best-Seller Success Mindsets: Your Keys to Unlocking Greater Success in Your Life, Work, & Leadership. He has developed the most comprehensive and research-backed mindset framework to date, and uses it to help organizations, leaders, and people unlock greater success, emotional intelligence, agility, and future-readiness.

Ryan’s informative and engaging presentations are based upon decades of academic research, including his latest cutting-edge research featured in Leadership Quarterly and Journal of Organizational Behavior as well as experiences working with dozens of organizations, including the top 100 executives at CVS Health, the top 500 executives at Deutsche Telekom, and leaders at other companies including Mondelez, American Airlines, Paylocity, Volcom and CertaPro Painters.

Ryan is one of the most recognized professors at California State University-Fullerton’s College of Business and Economics, the fourth largest business school in the country, where he teaches and conducts research with MBA's and upper-division undergraduates on topics related to leadership and organizational behavior.

Past Clients

- Deutsche Telekom (top 500 executives)
- Mondelez
- Circle K
- CertaPro Painters
- American Airlines
- Paylocity
- National Council of Farmer Cooperatives
- AgFirst Farm Credit Bank
- Western Bankers Association
- Utah Coaching Association

Praise for Ryan’s Workshops

“The training and content was fantastic and applicable. Ryan was great with his delivery that resulted in meaningful personal and professional reflection and discussions.”
—Manager at Experian

“Great seminar that truly helps change the perspective on leadership behavior. The simplicity of the material makes it easy to understand how improvement is possible for everyone.”
—Manager at Volcom

RESOURCES

- Book: Success Mindsets
- Personal Mindset Assessment
- Collective Mindset Report
- Digital Mindset Coach
- Online Course

Contact Ryan Today

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