



Leading in the 21st Century

The challenges that CEOs face today are more complex when compared to the challenges of even a decade ago

In McKinsey's conversations with senior leaders across the private, public and social sectors in India, we consistently come across themes of opportunity and growth coupled in equal measure with those of uncertainty and complexity. The challenges that CEOs face today are more complex when compared to the challenges of even a decade ago. These challenges are driven by three factors: first, there are tremendous expectations for performance since, along with the other BRIC economies and Indonesia, India is at the center of the global growth story; second, sluggish growth, stalled projects and uncertain policy direction at home makes delivering on this expectation challenging; thirdly, as more Indian companies globalize they face unfamiliar challenges on multiple dimensions – managing talent, risk, political risk, complexity of global organisations. How, then, do CEOs equip themselves to lead effectively in this environment?

As CEOs look to master these challenges, we believe that they will have to develop new mindsets and skills:

Look through the telescope and microscope:

Over the next two decades, McKinsey research suggests that the conditions of the late

20th century—cheap capital, low interest rates, a global demographic dividend, and a gradual decline in commodity prices—will either be reversed or experience acute volatility. Managing these imminent changes, while also remaining alert to the inflection points that signal bigger, long-term “trend breaks,” will require leaders to see the world in multiple, and simultaneous, ways. Leaders need a telescope to dream big, recognise long-term trends, and chart the company's path for the next

five or ten years. They will also need a microscope to provide an equally critical perspective, focusing on short term performance and immediate actions that need to be taken. In conversation with McKinsey, Chanda Kochhar, MD and CEO of ICICI Bank explains: “Leaders have to have an eye on broad trends...I am always asking ‘what if’ and keeping the big picture in mind while also keeping a very clear view on day-to-day operations. Getting that mix right – thinking strategically and staying close to execution – is the essence of the essence of the CEO's job.” Most leaders naturally tend towards being either ‘farsighted’ or ‘nearsighted.’ The CEO of the twenty-first century, however, needs to be at ease with both lenses and be able to switch easily between the two.

Manage both performance and health:

It is becoming increasingly difficult to sustain excellence. In 1963, the average tenure of companies in the S&P 500 was 45 years; in 2010, the average was only 15 years. As organisations narrow their focus on quarterly performance, it is worth pausing to reflect that one of the keys to sustained excellence is organisational health. McKinsey research demonstrates that companies in the top quartile on these dimensions are 2.2 times more likely than lower-quartile companies to have an above-median EBITDA. The biggest health challenges before Indian CEOs are - aligning the organisation on a long-term direction, building strong leadership capacity, sharpening accountability and moving beyond execution to create a culture of innovation. Importantly, since several of the elements are not captured by traditional metrics companies run the risk of not paying attention to them- CEOs must guard against this and bring rigour to this soft stuff.

Build resilience through crisis after crisis:

Senior leaders today spend far more time firefighting than their predecessors did. Most crises earlier were domestic and largely internal. Today, with greater global exposure and the ubiquity of technology, these crises have expanded to include the international and the external. A flood in Thailand, a softening economy in Europe, currency risk, stock market fluctuation based on housing demand in the US, customer criticism on Facebook, or an unguarded comment on an open microphone – any of these factors can seriously impact a company. Not only have the nature of the crises changed, they also occur more frequently and are discussed more extensively in the media now. CEOs speak of feeling constantly on edge, sure that the next fire is around the corner. Dealing with these situations requires deep-seated personal resilience – the ability to remain calm in the storm. As Carlos Ghosn, Chairman and CEO of Renault, told McKinsey Quarterly, “I don’t think leadership shows unless it is highlighted by some kind of crisis. Business schools may prepare people to deal with internal crises. But I think we need to be more prepared for external crises, where it’s not the strategy of the company that is in question; it’s the ability of leaders to figure out how to adapt that strategy.”

Cultivate new habits of mind: As the challenges become more global in scale and more complex in nature, the strategies to deal with them also require change. CEOs need to learn new ways of thinking about problems they face. This can be difficult as it implies challenging previously successful problem-solving strategies. The first step in this direction is for CEOs to revisit their understanding of themselves: What experiences have shaped my thinking? What are my strengths? What could be

my blind spots? The second step is to question the problem-solving approach: What assumptions am I making? Why could this fail? What alternate hypothesis could be true? Who should I include to complement my experience or problem-solving style? - The answers to these questions will enable leaders to take a fresh look at dealing with the very different problems of the twenty-first century business environment.

Manage in a 24/7 always connected world:

For all the benefits of the IT and communications revolution, the flip side includes information overload and attention fragmentation. It is crucial for CEOs to maintain focus in this demanding environment where global offices across multiple time zones expect quick responses. Although operating in this environment might initially seem overwhelming, the key to retaining concentration is to manage energy. Some CEOs identify a sanctuary – a place or activity they can use to centre themselves and recoup their energies. In a conversation with McKinsey, the CEO of an Indian auto company remarked: “It is critical to discover what increases your energy and focus on doing that every once in a while – it could be reading a book or taking a thirty minute walk or speaking to employees at the frontline. Focus on that time and guard it zealously.” This ability to relax is critical not just in managing attention and staying focused on the core issues, but also in ensuring long-term vitality.

The challenges facing CEOs today have never been as complex - nor indeed, as stimulating. While the pressures of leadership are undoubtedly immense, the potential for impact is far greater. CEOs who can embrace these leadership challenges and respond in creative ways to them can look forward to an exciting and rewarding ride ahead.

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