

JUNE 2012

# McKinsey Quarterly

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# Leading

## in the 21st century

Six global leaders confront the personal and professional challenges of a new era of uncertainty.

**It is often said** that the principles of great leadership are timeless, or based on immutable truths. But when we meet with the men and women who run the world's largest organizations, what we hear with increasing frequency is how different everything feels from just a decade ago. Leaders tell us they are operating in a bewildering new environment in which little is certain, the tempo is quicker, and the dynamics are more complex. They worry that it is impossible for chief executives to stay on top of all the things they need to know to do their job. Some admit they feel overwhelmed.

To understand the leadership challenge of our volatile, globalized, hyperconnected age more clearly, we recently initiated a series of structured interviews with the leaders of some of the world's largest and most vibrant organizations. Excerpts from six of those conversations appear below. The leaders—Josef Ackermann, formerly of Deutsche Bank; Carlos Ghosn of Nissan and Renault; Moya Greene of Royal Mail Group; Ellen Kullman of DuPont; President Shimon Peres of Israel; and Daniel Vasella of Novartis—represent a diverse array of viewpoints. All are grappling with today's environment in different ways. But the common themes that emerged from these conversations—what it means to lead in an

age of upheaval, to master personal challenges, to be in the limelight continually, to make decisions under extreme uncertainty—offer a useful starting point for understanding today’s leadership landscape.

After presenting the ideas of these leaders on leadership, we offer a few additional reflections on the topic. They draw in part on the interviews, as well as on our experiences with clients; on conversations with dozens of experts in academia, government, and the private sector; and on our review of the extensive academic and popular literature on the subject. All reinforce our belief that today’s leaders face extraordinary new challenges and must learn to think differently about their role and how to fulfill it. Those who do may have an opportunity to change the world in ways their predecessors never imagined.

# Leaders on leadership

## Meet the leaders



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**Josef Ackermann** is the former CEO and chairman of the management board at Deutsche Bank. He recently retired after a decade as CEO and six years as chairman.



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**Carlos Ghosn** is the CEO and chairman of the Renault-Nissan Alliance. He has been the CEO of Nissan since 2001 and the CEO of Renault since 2005. Together, the two companies produce more than one in ten cars sold worldwide.



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**Moya Greene** was appointed CEO of the United Kingdom's Royal Mail Group in 2010. From 2005 to 2010, she was CEO of Canada Post.



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**Ellen Kullman** has served as DuPont's CEO and board chair since 2009. She joined the company from General Electric in 1988 and was ranked fourth on the *Forbes* 100 Most Powerful Women list in 2011.



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**Shimon Peres** is the ninth and current president of Israel. In a political career spanning more than 65 years, he has served twice as Israel's prime minister and has been a member of 12 cabinets.



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**Daniel Vasella** has been chairman of the Swiss pharmaceutical company Novartis AG since 1999. He served as the company's CEO from 1996 to 2010.

## Leading in an age of upheaval

A convergence of forces is reshaping the global economy: emerging regions, such as Africa, Brazil, China, and India, have overtaken economies in the West as engines of global growth; the pace of innovation is increasing exponentially; new technologies have created new industries, disrupted old ones, and spawned communication networks of astonishing speed; and global emergencies seem to erupt at ever-shorter intervals. Any one of these developments would have profound implications for organizations and the people who lead them. Taken together, these forces are creating a new context for leadership.

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**Josef Ackermann:** We experienced a tremendous shift in the global balance of power, which manifests itself in our business. In the 1980s, over 80 percent of Deutsche Bank revenues were generated in Germany. In the mid-1990s, they still accounted for about 70 percent. Today, Germany, despite its continuing economic strength, stands for 38 percent of global revenues. Over the years, people in our headquarters, in Frankfurt, started complaining to me, “We don’t see you much around here anymore.” Well, there was a reason why: growth has moved elsewhere—to Asia, Latin America, the Middle East—and this of course had consequences on the time spent in each region.

Managing risk also has become much more complex for banks. It’s not only market risk; there is more and more political and social risk. Increasingly, financial markets are becoming political markets. That requires different skills—skills not all of us have acquired at university; how to properly deal with society, for example, a stakeholder that has immensely grown in importance since the financial crisis.

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**Carlos Ghosn:** I don’t think leadership shows unless it is highlighted by some kind of crisis. There are two kinds. There are internal crises that arise because a company has not been managed well. Then there are external crises, like the collapse of Lehman Brothers or the earthquake in Japan or the flood in Thailand. In

that case, you are managing your company, and all of a sudden there is this thing falling on you.

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.

We are going to have a lot more of these external crises because we are living in such a volatile world—an age where everything is leveraged and technology moves so fast. You can be rocked by something that originated completely outside your area.

I think one of the reasons Nissan has been able to cope with external crises better than some of our competitors is that we have a more diverse, multinational culture. We don't just sit around waiting for the solution to come from headquarters. We are accustomed to always looking around, trying to find out who has the best ideas. Our people in the US talk to our people in Japan on an equal level. We have a lot more reference points.

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**Ellen Kullman:** These days, there are things that just come shooting across the bow—economic volatility and the impact of natural events like the Japanese earthquake and tsunami—at much greater frequency than we've ever seen. You have to be able to react very quickly. And the world is so connected that the feedback loops are more intense. You've got population growth and the world passing seven billion people last year, and the stresses that causes, whether it's feeding the world, creating enough energy, or protecting the environment. We matched our focus, our research and development, and our capital expenditures up against megatrends like these over the last five years. This is the future, so we need to understand how our science relates to it.

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**Shimon Peres:** The last two decades have witnessed the greatest revolution since Genesis. States have lost their importance and strength. The old theories—from Adam Smith to Karl Marx—have lost their value because they are based on things like land, labor, and wealth. All of that has been replaced by science. Ideas are now

more important than materials. And ideas are unpredictable. Science knows no customs, no borders. It doesn't depend on distances or stop at a given point.

Science creates a world where individuals can play the role of the collective. Two boys create Google. One boy creates Facebook. Another individual creates Apple. These gentlemen changed the world without political parties or armies or fortunes. No one anticipated this. And they themselves did not know what would happen as a result of their thoughts. So we are all surprised. It is a new world. You may have the strongest army—but it cannot conquer ideas, it cannot conquer knowledge.

## Mastering today's personal challenges

The rigors of leadership have prompted many leaders to think of themselves as being in training, much like a professional athlete: continually striving to manage their energy and fortify their character. There is a growing recognition of the connection between physical health, emotional health, and judgment—and of how important it can be to have precise routines for diet, sleep, exercise, and staying centered.<sup>1</sup>

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**Moya Greene:** The first criterion is: do you love it? It's a seven-day-a-week job. I think that's true for anyone in these roles. If you don't love the company and the people—*really* love them—you can't do a job like this.

I'm pretty energetic. I start at five in the morning. I don't even think about it anymore; the alarm goes off and I'm up. I go for a 30-minute run. I do weight training three mornings a week. I try to eat well, but not too much. I'm a big walker—that's my favorite thing. I try to get a good walk every weekend. I go on walking vacations.

<sup>1</sup>For more on centered leadership, see Joanna Barsh, Josephine Mogelof, and Caroline Webb, "How centered leaders achieve extraordinary results," [mckinseyquarterly.com](http://mckinseyquarterly.com), October 2010.

I've usually got three or four books on the go. I've given up on novels. I can't get through them no matter how good they are; there's no way I'll finish before there's some kind of interruption. So I read poetry now: the collected works of Ted Hughes, Emily Dickinson. I'm working my way through Philip Larkin. You can take a Larkin poem and read it on the bus in 15 minutes. The good ones stay with you and will come back to you. That's what I like about poetry: you get a little shot of mental protein without a lot of time.

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**Josef Ackermann:** Just to give you an idea of my calendar for the next ten days: Berlin tomorrow, then Seoul, then Munich, then Frankfurt, then Singapore, then the Middle East. I'm almost constantly on a plane. With all this traveling, physical stamina has become much more important.

I remember a time when after flying to Hong Kong you could take a whole day off to recover. Today, right after landing you rush to your first meeting. And maybe you already have a conference call in the car on your way into town. You are lucky if you get enough time to take a shower.

And of course, with all the new information technology, you are constantly available, and the flow of information you have to manage is huge; that has added to the pressure. You are much more exposed to unforeseen shifts and negative surprises and you have to make quick decisions and respond to or anticipate market movements around the world. So you have to have a very stable psyche as well. I see more and more people these days who just burn out.

I'm not a tech freak. I use my iPhone and send text messages, that's it. I still like to have paper in front of me and I do a lot in written-memo form. I think people who constantly use their BlackBerry or iPhone easily lose sight of the big picture.

It also helps me enormously that I can sleep anywhere, whether I am in a car or an airplane. If you're unable to relax quickly, I think you can't be a CEO for a considerable length of time. Some people do meditation or yoga. I don't do any such thing. I think you have it in your DNA or you don't.

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**Dan Vasella:** I talk to my team about the seductions that come with taking on a leadership role. There are many different forms: sexual seduction, money, praise. You need to be aware of how you can be seduced in order to be able to resist and keep your integrity.

Every CEO needs someone who can listen—a board member, an adviser—someone to whom he can speak in total confidence, to whom he can say, “I’ve had it; I’m about to resign.” Or, “I really want to beat this guy up.” You need someone who understands and can help you to find the balance. Leaders often forget the importance of stable emotional relationships—especially outside the company. It helps tremendously to manage stress. Your partner will do a lot to help keep you in sync.

You have to be able to switch on and switch off. Are you entirely present when you’re present? Can you be entirely away when you’re away? The expectation is that your job is 24/7. But no one can be the boss 24/7. You need to have a moment when you say, “I’m home now,” and work is gone.

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**Carlos Ghosn:** Leading takes a lot of stamina. I became CEO at 45. But I was working like a beast. You think, “So I work 15, 16 hours a day; who cares?” But you can’t do that when you are 60 or 65.

And now companies are more global. So you have jet lag, you are tired, the food is different. You have to be very disciplined about schedules and about organizing everything. Physical discipline is crucial, for food, exercise, sleep. I live like a monk—well, maybe not a monk, but a Knight Templar. I wake at a certain hour, sleep at a certain hour. There are certain things I won’t do past a certain time.

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**Ellen Kullman:** I spend a lot more time on communication, more time out at plant sites, in sales offices, with customers, in our research laboratories. I’m bringing my board of directors to India in a couple of weeks to help them really see the issues we’re facing. That’s where I get my energy from. It’s contagious. I come away from these engagements with ideas, energy, and a real sense of focus on where we as a company need to go. That’s part of what drives me.

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**Shimon Peres:** The mind of a leader must be free—a mind that can dream and imagine. All new things were born in dreams. A leader must have the courage to be a nonconformist, just like a scientist. He must dream, even if he dreams alone or if people laugh at him. He must not let his heart falter.

Today, the separation between generations is stronger than between nations. Our children say, “Please don’t impose upon us your own arrogance—the world you created, wounded by war, corrupted by money, separated by hatred. And don’t try to build artificial walls between us and other youngsters.” Because they were born in a new age. For them, the modern equipment of communication is what paper and pen are for us. They can communicate much more easily and don’t feel all this hidden discrimination that we were born with and find so difficult to get rid of.

## **The (now 24/7) public face of leadership**

Nearly everyone we spoke with commented on the challenge of dealing with constant scrutiny and of acting as a connector in a complex ecosystem. As the face of the organization, leaders must be prepared to address the immediate, practical concerns of the job while also maintaining and articulating a long-term vision of the organization’s purpose and role in society—all against a backdrop of 24-hour financial coverage, ubiquitous blogs, and Twitter feeds. That means learning new modes of communicating across today’s far-flung networks and working harder to craft clear, simple messages that resonate across cultures.

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**Josef Ackermann:** CEOs have become highly public figures. And media scrutiny has become very personal. Particularly in our home market, Germany, it’s always, “Ackermann says this” or “Ackermann’s doing that”—even if I personally had nothing to do with it. You are the institution you lead.

You're a product. And the press will paint you as either a hero or a villain—whatever sells. If they paint you as a hero today, you should be prepared to be painted as a villain tomorrow.

—Dan Vasella

After I became CEO, the former head of the Bundesbank one day took me aside and gave me some valuable advice: “From now on, you must remember that you are two people. You are the person whom you and your friends know, but you are also a symbol for something. Never confuse the two. Don't take criticism of the symbol as criticism of the person.” That advice has helped me a lot.

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**Dan Vasella:** People have a legitimate demand for access to the CEO. But you have to modulate that so you avoid overexposure. You're a product. And the press will paint you as either a hero or a villain—whatever sells. If they paint you as a hero today, you should be prepared to be painted as a villain tomorrow. Not everything you do will work out every time, and you have to accept that people will be unfair.

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**Moya Greene:** A decade ago, I'd have said that it was harder to be a public official than an executive in the private sector. But the tables have turned. It's tough these days to be the CEO of any business—even a very successful one with a balanced view of the corporation's position in society.

My public-sector experience has helped me to understand how easily sound policies can be derailed by small, symbolic things. It

may not matter that the policy change you are advocating is the product of fantastic analytics or years of brilliant stakeholder management; the tiniest little spark can become a flash fire—something that takes hold and transforms perceptions in ways that don't seem rational. If you work in the public sector, you learn the value of developing antennae for popular perceptions and keeping them finely tuned.

I spend about 15 percent of my time trying to help our own people understand how good we are at what we do, which isn't always easy, because there is so much negativism in the press. I see good internal communications as a way to punch through and get our message out, to tell our people—who are the most powerful ambassadors for our brand—“Stand up and be proud.”

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**Carlos Ghosn:** In business, there are no more heroes. The media has become a lot more negative about corporate leaders over the past ten years. Small mistakes get blown up into huge things.

I cannot imagine myself today doing what I did in Japan in 1999, when I stood up and said: “We're going to get rid of the seniority system. We're going to shut down plants. We're going to reduce headcount. We're going to undo the keiretsu system.” I had a lot of criticism. But there were also people who said, “Let's give him the benefit of the doubt.” Today, if I were to stand up and try to do something like that, I would get massacred. I would need much more emotional stability and certainty. Leaders of tomorrow are going to have to be incredibly secure and sure of themselves.

Leaders of the future will also need to have a lot more empathy and sensitivity—not just for people from their own countries but for people from completely different countries and cultures. They are going to need global empathy, which is a lot more difficult.

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**Shimon Peres:** Words are the connection between leaders and the public. They must be credible and clear and reflect a vision, not just a position. The three greatest leaders of the 20th century were Winston Churchill, Charles de Gaulle, and David Ben-Gurion. Each had a brilliant mind and a brilliant pen. Their ability with

a pen demonstrated many things: curiosity, memory, courage. They understood that you lead not with bayonets but with words. A leader's words must be precise and totally committed.

## Decision making under uncertainty

A final theme is that leaders must increasingly resist the temptation to cope with chaos and complexity by trusting their gut. At a time of extreme volatility, past experience is an unreliable guide to future outcomes. Leaders must create cultures of constructive skepticism and surround themselves with people who bring multiple perspectives and have no fear of challenging the boss.

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**Carlos Ghosn:** It is a paradox: on the one hand, you have to be more confident and secure, but on the other, you have to be a lot more open and empathetic. You need to listen, but then when you make a decision, that's it—you must be a very hard driver. Usually, these are not attributes you find in the same person.

Once you have done the analysis and made the decision, then you have to learn to simplify the decision in communicating it to others. Everything's complex, but once you have decided, sometimes you need to simplify so much it's almost a caricature. You must say, "Nothing matters beyond this." You must reduce everything to zeros or ones, black or white, go or no-go. You can't have too much nuance.

In a crisis, you have to be able to do all of these things—listening, deciding, and then simplifying—very quickly. That is what makes leading in a crisis so interesting. And because you have to move so fast, you have to empower people to make decisions themselves. That's the best way to restore calm.

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**Moya Greene:** When I came here, we were running out of cash. I was grappling with decisions that would determine whether or not we could stay in business. But you cannot position your company

in the broader social and economic fabric of the nation if all you do is look at the financial dimensions of performance. You have to look at what your customers think, what your employees think, and what you can do for your customers.

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**Daniel Vasella:** As a leader, to whom can you express your doubts—and should you? In which situation is it appropriate and when not? I believe that you have to be able to express doubt in your team and with a board. If you don't—and you pretend—then you are playing a role, which eventually leads to an unhealthy situation. That's not to say you should act like you're in a confessional. At some point [in decision making], you have to take the sword and cut through the Gordian knot and make a decision, despite any uncertainties.

But the question is: are you being led by the context or do you lead? Are you being led by your followers and are they choosing for you? Or do you choose and do you lead? I think you have to be aware of the context, and what people expect and hope for. But as a leader, you're not there to feed people with all the things they hope for. Your job is to persuade people to do the things you believe will be the right direction for the long term. People want you to lead. And if you lead, you will hurt. You will satisfy sometimes. You will celebrate and you will blame. That's all part of your job.

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**Josef Ackermann:** Problems have become so complex today that you have to collect the expertise and opinions of a lot of people before you can make a sound decision. Some people say, "Don't decide until you have to." I have a completely different view. I hate to be under time pressure. I think it is important that you aren't confronted with a situation where you haven't heard anything on a particular issue for half a year—and then suddenly you have to make a quick decision on the basis of an executive summary.

I believe in personal leadership, but no CEO can do it all on his own. You need the expertise, judgment, and buy-in of your team.

## Preparing for a new era of leadership

It's never been realistic to break leadership into a fixed set of essential competences, and that's particularly the case in today's complex, volatile environment. Still, the themes our interviewees sounded represent a rich set of opportunities for leaders to boost their effectiveness. To close, we'd like to amplify and extend those themes by emphasizing three skills that can help leaders thrive in today's turbulent environment, which for many has prompted a reexamination of fundamental assumptions about how they do their jobs, while underscoring the importance of leading with a purpose. Resilient leaders, as Shimon Peres reminded us, are those who have "ambition for a cause greater than themselves."

### 1. See with a microscope and a telescope

Over the next two decades, McKinsey research suggests, 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 seesaw violently. Managing the immediacy of these changes, while also staying alert for the inflection points that signal bigger, long-term "trend breaks," will require leaders to see the world in multiple ways at once.

In different ways, many leaders have told us they've needed to develop a facility for viewing the world through two lenses: a telescope, to consider opportunities far into the future, and a microscope, to scrutinize challenges of the moment at intense magnification. Most of us are naturally more comfortable with one lens or the other; we are "farsighted" or "nearsighted," but rarely both. In times of complexity, leaders must be able to see clearly through either lens and to manage the shift between the two with speed and ease.

Leaders must use the telescope to watch for long-term trends, dream big dreams, imagine where a company should be in five or ten years, and reallocate resources accordingly. The accelerating pace of technological innovation makes this aspect of a leader's

role more important than ever. The microscope, too, affords a critical perspective. Leaders must force their organizations to challenge conventional wisdom; consider the implications of unlikely, “long-tail” scenarios; and focus on pressing issues in minute detail. As organizations grow larger and more complex, leaders must work harder to stay in touch with the front line and view themselves as “chief reality testers.”

## 2. Compete as a tri-sector athlete

Many of the forces buffeting leaders in the private sector—slow growth, unemployment, sovereign indebtedness—can be addressed only in concert with the public sector and are heavily influenced by the actions of groups that are neither commercial nor governmental entities. When governments play an ever more active role in regulating markets, and social movements can spring up in a matter of days, corporate leaders must be nimble “tri-sector athletes,” to borrow a phrase from Harvard political scientist Joseph Nye: able to engage and collaborate across the private, public, and social sectors. Leaders of governments and nongovernmental organizations must likewise break out of their silos. Issues such as infrastructure, unemployment, education, or protecting the environment are too complex and interrelated to deal with in isolation. Many of the leaders with whom we spoke said they have learned the value of examining their business decisions in a social and political context. Even those wary of open-ended discussions about corporate social responsibility say

As organizations grow larger and more complex, leaders must work harder to stay in touch with the front line and view themselves as “chief reality testers.”

they find it useful to think about managing a “triple bottom line” that reflects their organizations’ performance in the public, private, and social spheres.

### 3. Stay grounded during a crisis

Everyone we interviewed agreed that modern leaders spend far more of their time firefighting than their predecessors did. Coping with externally generated crises, many argued, has become a key part of the modern leader’s role. In an age when crisis is the new normal, global organizations need leaders who are able to act quickly and calmly amid chaos. Many leaders highlighted the value of “stress-testing” members of the top team to gauge their ability to cope with crisis. We heard again and again that otherwise competent managers can’t always perform in moments of extraordinary pressure. The chief executive of one of the world’s largest companies marveled at how, in the face of a cash flow crisis following the collapse of Lehman Brothers, two of his top reports “shattered like glass.”

The emotional and physical stamina demanded of leaders today is extraordinary. Many of those we interviewed reserve crucial decisions for moments when they know they will be rested and free from distraction. They also talked about sequencing decisions to focus on key issues first, not after they have been depleted by lesser matters. We are intrigued by the growing body of research in psychology, sociology, and neuroscience that highlights the importance of “decision fatigue.” The implication of this research is that trying to make too many decisions at once diminishes the ability to make wise decisions at all.



If the burden of leadership in the modern age seems overwhelming, the potential benefits are overwhelming too. Large organizations— if led well—can do more for more people than they have at any other moment in history. That is the flip side of all the chaos, complexity, and pressure, and it makes leading through those challenges a noble endeavor. ○

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