

Organization Practice

Leadership beyond the C-suite

Developing leaders at scale starts with a clear perspective on the leadership skills needed to execute strategy across the organization.



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In this episode of the *McKinsey Podcast*, Simon London speaks with McKinsey senior partner Claudio Feser and associate partner Nicolai Nielsen about the findings described in their new book, *Leadership at Scale: Better Leadership, Better Results* (Nicholas Brealey, 2018). Their research describes how the effective mind-sets and behaviors of leaders can be diffused throughout an organization.

Podcast transcript

Simon London: Hello, and welcome to this episode of the *McKinsey Podcast*, with me, Simon London. I think everybody wants to learn about leadership and with good reason. We all know from experience that the difference between a happy, high-performing team and a miserable, somewhat dysfunctional team often comes down to the quality of its leadership. And yet, what exactly is good leadership? How do you develop yourself as a leader? And, importantly, from a management perspective, how can organizations develop real depth of leadership? Not just among a few executives at the top but up and down the organizational chart and across business units and functions.

To answer these questions, I sat down in Zurich with McKinsey senior partner Claudio Feser and associate partner Nicolai Nielsen. Claudio and Nicolai are coauthors, along with Michael Rennie, of the new book *Leadership at Scale*. Claudio and Nicolai, thank you for being here, and welcome to the podcast.

Claudio Feser: Thanks for having us.

Nicolai Nielsen: Happy to be here.

Simon London: Let's start with the big question, probably capital "B," capital "Q." Claudio, what is leadership? What are our core beliefs at McKinsey about what leadership is and what it isn't?

Claudio Feser: There are hundreds of definitions of leadership. If you ask ten people for a definition of leadership, you're likely to get more than ten answers. To actually address it, we need to start

from a definition. We need to define what we mean by "leadership." The way we have defined "leadership" is as a set of behaviors that leaders exercise to influence organizational members to achieve a higher alignment on the direction that the organization is taking, to achieve a better execution of the strategy, and for the organization to continuously renew itself.

Alignment, execution, and renewal—that goes back to our work on organizational health. We learned that when organizational members are aligned on a strategy, when they execute consistently and effectively, when they continuously scan the environment for opportunities, and when they continuously learn and renew themselves, that organization tends to overperform, or outperform, over long periods of time. We decided to focus on a set of behaviors by which leaders align, improve execution, and improve the ability to renew an organization.

Simon London: So broadly speaking, it's about observable behaviors that lead to these measurable outcomes around alignment, around execution, and around renewal?

Claudio Feser: Correct. It's about observable behaviors, because we lead through behaviors. Communicating effectively is a behavior. Being able to engage people by listening is a behavior. Giving a direction is a behavior. Leaders influence their environment—and organizational members—through a set of behaviors. And that's our starting point.

Simon London: It's not some ineffable, indefinable something?

Claudio Feser: If you develop a perspective about leadership as innate type of capabilities, there will always be a finite number of leaders. But the reality is, if you ask any leader to describe where they learned leading, they will always talk about their own personal experience, how they have grown, and how they have learned a set of behaviors by which they influence others.

Once, I had a conversation with a CEO, and I asked him why he was leading in a certain way. He wasn't particularly strong in engaging, but he was very strong in directing. That was his way of achieving impact. After our conversation, he shared with me that he had a very painful experience as a young executive, where he had started to bond very closely with his employees. But then, when a cost-cutting program came his way, he had to fire lots of friends. That created with him a leadership style which was effective, but not very engaging. So he became a very directive leader.

That's just to explain that it's our experiences, it's behaviors that we've exercised in the past that were successful, that shape our leadership style. Yes, leadership is a set of behaviors in this sense.

Nicolai Nielsen: A couple of thoughts I have: the reason we focus so much on observable behaviors is because leadership has to be looked at objectively. Observable behaviors make it very, very clear what we see happen on a day-to-day basis on the job. And that helps us analyze whether this is effective leadership or not. One more thought is that leadership is highly contextual, so it is about behaviors. But those behaviors are based on the context. So effective leadership in one context can be very, very different from effective leadership in another.

Simon London: So that raises another interesting question, which is, can leadership be taught?

Claudio Feser: I do believe that the concept of teaching leadership might be a bit at the core of some of the problems that we have, because leadership is a set of behaviors, and because behaviors are learned in practice—not so much in a classroom, they're learned in practice. Maybe the concept of teaching leadership is at odds with how adults learn.

We learn by doing. We learn by trying. We learn by failing. As we do so, we develop skills. We learn to communicate. We learn to empathize. We learn to direct. We learn to execute. We learn to follow up. These are all behaviors that we learn by

trying, by improving, by succeeding. And because we do that ourselves most of the time, I think that this is a bit at odds with the concept of teaching. It's more a question about enabling learning.

For us, a leadership-development program builds a lot around coaching, mentoring, and having people trying to solve difficult problems—and being supported while they do so—because when they solve them, they learn. I'm not sure anyone picked up any leadership skill by sitting in a class and listening to a professor describing a skill, what that really is.

Simon London: There's that famous Henry Mintzberg quote that leadership is a bit like swimming, that you can't learn it from books. Ultimately, you have to get in the water.

Claudio Feser: Exactly.

Simon London: So it sounds almost like we're describing leadership like a skill, something that could be learned in that way. Is that the right way to think about it?

Nicolai Nielsen: Partly. I think we look at it a bit broader than that. We look at the leadership behaviors in a context. They need to be enabled by both a certain set of skills and an underlying mind-set. Let me build on that. From a skills point of view, we look at what it takes to display the leadership behaviors in the context effectively. And if a leader is able to consistently perform those behaviors over and over again, you could say that they have an underlying skill.

Claudio Feser: So leadership behaviors become skills if they're carried out consistently. Very often in discussions with leadership gurus or studies, you will hear the word "mind-set" and how mind-set is important for leadership. Now, the way we look at this is as follows: for us, mind-set is an enabler or a blockage for leadership skills.

I will never be a great communicator if I'm convinced I'm not good at communicating. Or I will never

“Mind-sets can very much be blockages but also can enable behavioral change, can actually allow leaders to grow and to expand their repertoire of leadership skills or competencies.”

engage in courageous conversations if I'm always afraid of looking for a discussion or a confrontation. Mind-sets can very much be blockages but also can enable behavioral change, can actually allow leaders to grow and to expand their repertoire of leadership skills or competencies.

Much of our work, when we work on developing new capabilities, new skills, new competencies, so new sets of observable behaviors, is at the mind-set level. We try to understand, why is that leader not behaving the way one would expect in the situation? What might be the mind-set that blocks him or her? And we then work at that dimension.

Simon London: Is it true that you cannot develop as a leader unless you're prepared to go there, you're prepared to actually engage in some reflection about yourself and your mind-sets? And that's the underlying hard work?

Claudio Feser: Let me be precise. I think you can be a great leader without doing that, by coincidence. You have thousands of leaders who actually don't go at that level. But they have developed their own leadership styles that work for them and work effectively in the situations they are in. However, what we very often see is, when the situation changes, they're not able to change their behaviors, because they have not worked at that level.

For us, when we talk about a leader growing, we talk about a leader developing new sets of behaviors, observable behaviors, that can help that leader also be successful in other circumstances and other situations. And for that, we need to intervene at the mind-set level, or help at the mind-set level, very often.

Nicolai Nielsen: A lot of this is around increasing the awareness of the leader. And that goes for making the unconscious more conscious and giving the leader a new language to think about how they actually can become a more effective leader. That starts with them thinking through, “What is it I'm trying to achieve on the job? What is my strategic imperative? Very concretely, what behaviors do I need to actually display to get there?”

If the leader needs to demonstrate a more, let's say, visionary and growth-oriented strategy, something that a leader is not comfortable with, because it's not something that they have gone through before, we help them think through, both at the individual and the organizational levels, what are the concrete skills? What are some of the tools that we've seen work in other places that they could actually use to demonstrate those behaviors?

In parallel, what are the underlying mind-sets that they need to have? And where are they today? It helps to just break it down, I think, in a more

systematic way, and a leader can then engage both at the skill level—what they do and don't have experience with today—and also at the mind-set level. How would they approach this task as their default, if you will? And what are some of the underlying mind-set shifts they might need to have to become a more effective leader?

Simon London: Can you just talk a little bit more about some of the typical situations where this level of growth or change is required in a leader? You mentioned, for example, maybe moving from a growth strategy to a more sort of containment strategy, or vice versa. Presumably, there are elements around just getting a promotion, moving to the next level, becoming a CEO, for example, and needing to learn new skills and therefore needing to examine your mind-set. Just talk a little bit about some of the situations that we come across in practice.

Claudio Feser: There are many reasons why we get into situations where it is desirable for someone to expand his or her leadership repertoire, when it's time to learn some new behaviors. We very often hear about dysfunctional leaders, or leaders that actually are weak in certain dimensions. That happens too.

But by and large, it is the context changing, it is the role changing, that very often prompts a leader to reflect about their own leadership capabilities and how to adapt their behaviors. The way we try to identify that is by having a good understanding of the context. We spend quite some time trying to understand, what is the mandate of the leader in this context? What are the challenges of this leader in this context? We then try to measure existing behaviors based on a 360 [assessment] so that we can almost clinically, or surgically, then help a leader grow in those areas where he or she might have the biggest bang for their buck, if I may say.

Nicolai Nielsen: What's interesting is that the leadership behaviors that have often gotten a leader to where they are in the organization—let's say, they've gotten a promotion, or they've grown

their mandate—those behaviors could sometimes even hold them back going forward. So they might have gotten to where they were because they were perhaps very, very directive. They were extremely good at what they did. They were the best at their jobs. And they were able to propel their team, their organization forward and get the results. When they then get to a larger mandate, perhaps when the organization needs to move to a more expansive strategy, what they might find is that those same behaviors can actually hold them back.

Simon London: You've mentioned this a couple of times, this shift that is sometimes needed from a more directive style of leadership. Presumably, in those kinds of circumstances, the leader is overindexing on execution. We mentioned alignment, execution, and renewal as being the three key tasks of leadership.

It sounds like this is something we come across quite often: that leaders are extremely good at execution. I mean, as you say, that's what got them to where they are. But actually, as they grow, the organization needs more inspiration. It needs renewal. It needs a little bit less focus on the direction and the execution. Is that a fair reflection?

Claudio Feser: That is a fair reflection. What I'd like, though, to highlight is that it is not *instead of*. Often, and maybe it's encapsulated a little bit in this phrase of "expanding their repertoire," as leaders grow, they don't need to throw out all that they've learned before. It took them where they are. It created a lot of values for the organizations in which they lead.

The way we think about this is, we want them to be able to expand their skill set. So as they grow in an organization, they add new dimensions on to the execution dimension. They will have to learn to allow the organization to renew. They have to learn to engage employees. They have to be able to inspire their people.

For us, it is more about expanding and learning new capabilities. It's not this classical, "What got you

here won't get you there, and you have to forget what you have done so far." That's not how it works in practice. And it's not even helpful to think about that that way.

Simon London: When we're working for organizations, are we typically working with one or two people at the top? Or is it helpful to think about leadership and leadership development across an organization?

Claudio Feser: We believe that there is a huge "unlock" for organizations to develop a cadre of leaders, a sizeable cadre of leaders. Our work and our research show that organizations that built a significant number of leaders tend to outperform those that focus in on the very few. And that's a reason why we're focusing our work on developing a large number of people in an organization.

Simon London: How many is a large number? How many people do you need to touch in an organization for this to be effective?

Claudio Feser: Well, for us, when we talk about leadership at scale, we start from 50 to thousands of people. This is really about developing leadership capabilities across an organization. It's about making sure that team leaders, department leaders, divisional leaders all learn in a facilitated way a set of leadership skills that will make them, and as a consequence, the organization, more effective.

Bear in mind that when we talk about the leadership capabilities of an organization, the organization, per se, is not a human being. An organization, per se, carries out behavior that is a sum of behaviors of the people who are in that organization. The more people lead in a consistent and effective way, the more effective the organization will be.

Nicolai Nielsen: And to build on that, individuals who are not engaged directly by leadership programs should all have an understanding of what great leadership looks like. All the individuals, the thousands upon thousands who are not directly touched in going through, let's say, a formal

leadership-development intervention, they need to have a very clear understanding of what type of leadership works around there.

Simon London: And there, you're talking about a leadership model, something that is explicit, that says, "For this organization, given our strategy, this is what good leadership looks like." Is that right?

Claudio Feser: That's a starting point. I think understanding what an organization needs, and what type of behaviors are desirable, is a starting point. There's also what we believe is the first prerequisite for successful leadership-development programs at scale: an articulated perspective of, "What is our strategy? And what type of behaviors will enable that strategy, or help to implement that strategy?" That then defines the leadership model. But that's just a starting point. It's just one of the four things that we believe are critical to be able to develop leadership at scale.

Simon London: And give us the others. What are the other three?

Nicolai Nielsen: We did a lot of primary research for the book, trying to answer the questions around, "What constitutes effective leadership at scale? And how do you make that happen in an organization?" As Claudio mentioned, the first prerequisite is looking at the specific leadership behaviors, the specific shifts, that are needed to enable the strategy. Some organizations call it value. Some call it a competency model. But it is a relatively top-down set of behaviors that are needed to implement the strategy from a leadership point of view.

Simon London: And that's the situational piece, right? Just to sort of make that clear. It's like, "What's going to work for us as an organization, given our context?"

Claudio Feser: Correct.

Nicolai Nielsen: Absolutely. That's step one. The second prerequisite is then looking at who needs to be involved, and engaged very actively, in the

leadership-development program. What we find is that you need to engage a critical mass of what we call “pivotal influencers.” It needs to be a critical mass of people in the organization who are engaged and who change the way that they lead in line with the leadership model.

Simon London: In practice, what is a critical mass?

Nicolai Nielsen: In practice, what we find is that around 5 to 15 percent of the pivotal influencers need to change the way they lead in order to affect the broader organization. The broader organization people, they change the way that they behave, given the context. And role modeling is a very powerful element of that context, especially role modeling by leaders. That can be superiors, leaders in the organization. But it can absolutely also be peers and subordinates who have an influential role, a visible role, in the organization, who the rest of the organization will take notice of.

Simon London: OK, so that’s the second step. How many people you need to touch is the second key design question. What comes after that?

Nicolai Nielsen: We talked a bit about the what, a bit about the who. The third element is looking at, how do you architect the programs for behavioral change? What we find is you need to architect the programs with modern adult-learning principles, which are very much grounded in neuroscience, and grounded in how individuals learn and change behaviors.

Claudio Feser: People learn by solving difficult problems by themselves. That’s core in every leadership-development program. We try to get people being stretched and trying to solve challenging issues, challenging leadership situations—be that having courageous conversations, be that communicating better, be that executing better with their teams.

The way we do that is by not only giving them tough objectives and tough tasks but also helping them. We coach them. We mentor them. We give them

opportunities to reflect on their behaviors in a guided way. That’s what best-practice adult learning is. And that’s what we try to apply in our work.

Simon London: But the key thing is, there are real projects going on through the leadership-development program. This is not just simulations. It’s not just sitting in a classroom.

Claudio Feser: We don’t invent problems. We ask them to consider their own problems. It might be making the budget this year. It might be entering a new market. It might be developing a new product. Whatever they are asked to do that is difficult, challenging, demanding for them, we focus on that. And we try to help them in their situation, in their real-life situation. When they go home and they try to solve a problem, they think about it. They try to find a new solution that they can apply the morning after. That’s when people learn. And that’s where we try to be.

Simon London: So that’s the third element, which is, how do you actually design the learning? How do you execute the learning? What’s the final piece of the puzzle?

Claudio Feser: The final piece of the puzzle is, you can’t ask people to change their behaviors if the systems in an organization are not supportive. If the incentive systems, if the leaders around you, if the narrative in the organization doesn’t support that, people won’t change their behaviors. We cannot ask them to better execute if, in the performance reviews, their superiors, the leaders who they report to, tell them a different story and say, “Oh, you need to be much more visionary.”

It is important that there is consistency in the systems supporting an organization. The communication by the leadership or top leadership, the incentive systems, the processes need to be able to support the desired behaviors that we want to see in leaders. When we spend time working with organizations on developing leadership at scale, we spend time trying to understand, what is the leader going through day by day? What behaviors is he

or she expected to exercise, given the incentive systems, given the organizational structure, and given how leaders above him or her are leading?

Simon London: Is that typically around the human-resource performance-evaluation incentive structures? It sounds like that's going to be a big component of this.

Claudio Feser: That's absolutely a big component of that. We do look into performance management and then incentive systems. But we also look at the organizational structure and what type of behaviors the organizational structure needs to work effectively.

If you have a very functional organization, as an example, you need to work a lot on collaborative behaviors, so that you can reach out of your silo and talk to someone else in another silo and find a common solution. That is a leadership skill. That is a capability of operating in a functional, or say, matrix organization. Now, if you're organized this way, we can spend a lot of time talking about how to manage the P&L [profit and loss] and how to execute top down. It won't really work. So for us, it's very important that an organizational structure, the operating model in which someone acts and behaves, is aligned with the behaviors that we're trying to help develop.

Simon London: It can go well beyond the performance-evaluation system and how people fill in the forms and take the feedback?

Claudio Feser: That's absolutely right. The performance evaluation, it's where we start. We try to understand what it is. But we try to take a broader perspective.

Nicolai Nielsen: At the end of the day, we're trying to set up the context to help enable leadership behaviors that are most desired and effective in that context. That does require quite a broad point of view. So as Claudio mentioned, performance evaluation is a starting point. But then, you look at the operating model. You look at the decision rights.

If you're asking a leader to act in a certain way but not giving the authority to do that, that does not work. And even more broadly, we look at the context, because we know that individuals—both those on the programs themselves but also their colleagues—they also need to have the right context to shift how their behaviors actually are aligned. And that whole ecosystem is an extremely powerful determinate of the individual's behavior. That looks at everything, from the communication to the role modeling to the performance management, the incentives, and the operating model.

Simon London: It sounds like a lot of work.

Claudio Feser: It is. But let me also say, though, that much of this work is being done anyway. This is more "aligning the stars," if you so want. It's making sure that when the performance-management system is being looked at, it is consistent with the behaviors we want to develop and that when leadership behaviors are being developed, we ensure that they're aligned with strategy and context.

We actually believe that leadership at scale needs consistency over time. So it's about aligning all of this and then letting the system take care of it over time. If these elements are done in a coherent and consistent way, over time the organization will build enough cadre over the next two to three years. It will build enough leadership capabilities for it to strive. This is not about developing three leaders, five leaders. This is about developing hundreds of leaders over a period of time. It needs to be thorough. It needs to be consistent.

Simon London: You mentioned two to three years. I know that was a bit of throwaway. But that sounds like a reasonable horizon over which to expect significant, measurable changes across the organization as a whole.

Claudio Feser: Yes. Let me say that the setup work might be, between diagnosis and design and implementation, three or four months. It might not take that much time. But the process needs to run. It's almost like an annual process that is being set up

and that needs to run a few times by itself. It doesn't need work, per se. The work has been done by setting it up. But the process needs to take hold and run a few times for the organization to start to build enough cadres that it can say it has built leadership at scale.

Nicolai Nielsen: We also do talk about the notion of pace in the book. And, especially when you have real transformations, what we do see is that it's often very helpful for the initial rollout to be quick, and for people down the line to begin to see and feel the change. That doesn't mean that the program is fully implemented.

But if you take the reverse, if people don't begin to see or feel a change after 12 to 18 months, then they also might begin to question the program: "How is this going to help us change in the context of the transformation?" So I think it's a balance of having a long-term view of saying, "over two to three years, we will begin to fundamentally shift how we lead." But at the beginning, there's also an element of pace, and moving fast, and beginning to show the change up front.

Simon London: I think the obvious question, if I put myself in the shoes of a CEO, is: "Why should I invest in this, versus other things that I could invest in? It could be anything, from acquisitions to more product development to a lean implementation program. All of the above. Why should I invest in leadership development at scale?"

Claudio Feser: Our research shows that organizations going through a transformation program, be that an organizational transformation, be that a digital transformation, be that an application of new technology-based transformation, will be significantly more successful if they concurrently invest in building leaders. Those with leadership-development interventions will be 2.4 times more successful than those that do not develop their leaders during a transformation.

So given the pace of change that organizations are going through these days, given the fact that basically

everyone is in one or the other transformation as we speak, organizations that do not invest in leadership-development interventions will simply have a higher probability of failing, as opposed to those that do work on their leaders, do work on fostering awareness and behaviors, and help leaders amplify their repertoires of how they lead.

Simon London: So it's not an "or," it's an "and." It's not, "Should I do digital transformation, or leadership development, or a lean implementation and leadership development?" It's, you can likely be more successful if you do both of these?

Claudio Feser: Correct.

Simon London: Just to be devil's advocate, the other thing that strikes me is, it takes a number of years for this really to take root, take hold, and change leadership behaviors at scale across an organization. On the other hand, we hear a lot that the pace of change is such that the organizational context for all the companies is changing almost on an annual basis.

So if I'm a CEO, I could invest in this. It's almost like a build versus buy. I could build my own leaders from within. Or I could try and hire people in with the kind of leadership behaviors and skills that I think are going to be more effective for now and for the future. What's your advice to a CEO going through that thought process?

Claudio Feser: That's very often the case, that we are engaged in this conversation. How much do you develop versus how much do you buy? And while the context is different, I think as a rule, let me say the following: it is always a combination of both. But the extent to which you want to go external: it obviously has an opportunity in that it is faster, in terms of fostering the leadership behaviors, but you also lose a lot of history. You also lose a lot of experience and understanding of the organization and of the industry. And therefore it's always a question of what the right balance is. It depends a little bit from the practice. But in practice, it will always be a combination of both.

Simon London: So in reality, a kind of “rip and replace” strategy, where you’re taking out a whole layer of the organization, trying to bring new people in ...

Claudio Feser: Seldomly works.

Simon London: ... seldomly works, right. So I think that’s all we have time for today. But Claudio and Nicolai, thanks so much for being here.

Claudio Feser: Thank you for having us.

Nicolai Nielsen: It was a pleasure.

Simon London: And thanks as always to you, our listeners, for tuning in. You can order the book, *Leadership at Scale: Better Leadership, Better Results* [Nicholas Brealey, 2018], either online or at your local bookstore. To learn more about our work in leadership and leadership development, please visit [McKinsey.com](https://www.mckinsey.com).

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