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McKinsey Explainers

What is leadership?

Leadership is a set of behaviors used to help people align their collective direction, to execute strategic plans, and to continually renew an organization.

All leaders, to a certain degree, do the same thing. Whether you're talking about an executive, manager, sports coach, or schoolteacher, leadership is about guiding and impacting outcomes, enabling groups of people to work together to accomplish what they couldn't do working individually. In this sense, leadership is something you do, not something you are. Some people in formal leadership positions are poor leaders, and many people exercising leadership have no formal authority. It is their actions, not their words, that inspire trust and energy.

What's more, leadership is not something people are born with—it is a skill you can learn. At the core are mindsets, which are expressed through observable behaviors, which then lead to measurable outcomes. Is a leader communicating effectively or engaging others by being a good listener? Focusing on behaviors lets us be more objective when assessing leadership effectiveness. The key to unlocking shifts in behavior is focusing on mindsets, becoming more conscious about our thoughts and beliefs, and showing up with integrity as our full authentic selves.

There are many contexts and ways in which leadership is exercised. But, according to McKinsey analysis of academic literature as well as a survey of nearly 200,000 people in 81 organizations all over the world, there are four types of behavior that account for 89 percent of leadership effectiveness:

— being supportive

— operating with a strong results orientation

— seeking different perspectives

— solving problems effectively

Effective leaders know that what works in one situation will not necessarily work every time. Leadership strategies must reflect each organization's context and stage of evolution. One important lens is organizational health, a holistic set of factors that enable organizations to grow and succeed over time. A situational approach enables

leaders to focus on the behaviors that are most relevant as an organization becomes healthier.

Senior leaders must develop a broad range of skills to guide organizations. Ten timeless topics are important for leading nearly any organization, from attracting and retaining talent to making culture a competitive advantage. A 2017 McKinsey book, *Leading Organizations: Ten Timeless Truths* (Bloomsbury, 2017), goes deep on each aspect.

How is leadership evolving?

In the past, leadership was called "management," with an emphasis on providing technical expertise and direction. The context was the traditional industrial economy command-and-control organization, where leaders focused exclusively on maximizing value for shareholders. In these organizations, leaders had three roles: planners (who develop strategy, then translate that strategy into concrete steps), *directors* (who assign responsibilities), or controllers (who ensure people do what they've been assigned and plans are adhered to).

What are the limits of traditional management styles?

Traditional management was revolutionary in its day and enormously effective in building large-scale global enterprises that have materially improved lives over the past 200 years. However, with the advent of the 21st century, this approach is reaching its limits.

For one thing, this approach doesn't guarantee happy or loyal managers or workers. Indeed, a large portion of American workers—56 percent—claim their boss is mildly or highly toxic, while 75 percent say dealing with their manager is the most stressful part of their workday.

For 21st-century organizations operating in today's complex business environment, a fundamentally new and more effective approach to leadership is emerging. Leaders today are beginning to focus on building agile, human-centered, and digitally enabled organizations able to thrive in today's

unprecedented environment and meet the needs of a broader range of stakeholders (customers, employees, suppliers, and communities, in addition to investors).

What is the emerging new approach to leadership?

This new approach to leadership is sometimes described as "servant leadership." While there has been some criticism of the nomenclature, the idea itself is simple: rather than being a manager directing and controlling people, a more effective approach is for leaders to be in service of the people they lead. The focus is on how leaders can make the lives of their team members easier—physically, cognitively, and emotionally. Research suggests this mentality can enhance both team performance and satisfaction.

In this new approach, leaders practice empathy, compassion, vulnerability, gratitude, self-awareness, and self-care. They provide appreciation and support, creating psychological safety so their employees are able to collaborate, innovate, and raise issues as appropriate. This includes celebrating achieving the small steps on the way to reaching big goals and enhancing people's well-being through better human connections. These conditions have been shown to allow for a team's best performance.

More broadly, developing this new approach to leadership can be expressed as making five key shifts that include, build on, and extend beyond traditional approaches:

1. beyond executive to visionary, shaping a clear purpose that resonates with and generates holistic impact for all stakeholders

2. beyond planner to architect, reimagining industries and innovating business systems that are able to create new levels of value

3. beyond director to catalyst, engaging people to collaborate in open, empowered networks

4. beyond controller to coach, enabling the organization to constantly evolve through rapid

learning, and enabling colleagues to build new mindsets, knowledge, and skills

5. beyond boss to human, showing up as one's whole, authentic self

Together, these shifts can help a leader expand their repertoire and create a new level of value for an organization's stakeholders. The last shift is the most important, as it is based on developing a new level of consciousness and awareness of our inner state. Leaders who look inward and take a journey of genuine self-discovery make profound shifts in themselves and their lives; this means they are better able to benefit their organization. That involves developing "profile awareness" (a combination of a person's habits of thought, emotions, hopes, and behavior in different circumstances) and "state awareness" (the recognition of what's driving a person to take action). Combining individual, inward-looking work with outward-facing actions can help create lasting change.

Leaders must learn to make these five shifts at three levels: transforming and evolving personal mindsets and behaviors; transforming teams to work in new ways; and transforming the broader organization by building new levels of agility, human-centeredness, and value creation into the entire enterprise's design and culture.

An example from the COVID-19 era offers a useful illustration of this new approach to leadership. In pursuit of a vaccine breakthrough, at the start of the pandemic Moderna CEO Stéphane Bancel increased the frequency of executive meetings from once a month to twice a week. The company implemented a decentralized model enabling teams to work independently and deliver on the bold goal of providing 100 million doses of vaccines in 12 months. "The pace was unprecedented," Bancel said.

What is the impact of this new approach to leadership?

This new approach to leadership is far more effective. While the dynamics are complex, countless studies show empirical links among effective leadership, employee satisfaction, customer loyalty, and profitability.

How can leaders empower employees?

Empowering employees, surprisingly enough, might mean taking a more hands-on leadership approach. Organizations whose leaders successfully empower others through coaching are nearly four times more likely to make swift, good decisions and outperform other companies. But this type of coaching isn't always natural for those with a more controlling or autocratic style.

Here are five tips to get started if you're a leader looking to empower others:

— Provide clear rules, for example, by providing guardrails for what success looks like and communicating who makes which decisions. Clarity and boundary structures like role remits and responsibilities help to contain any anxiety associated with work and help teams stay focused on their primary tasks.

— Establish clear roles, say, by assigning one person the authority to make certain decisions.

— Avoid being a complicit manager—for instance, if you've delegated a decision to a team, don't step in and solve the problem for them.

— Address culture and skills, for instance, by helping employees learn how to have difficult conversations.

— Begin soliciting personal feedback from others, at all levels of your organization, on how you are experienced as a leader.

How can leaders communicate effectively?

Good, clear communication is a leadership hallmark. Fundamental tools of effective communication include:

— defining and pointing to long-term goals

— listening to and understanding stakeholders

— creating openings for dialogue

— communicating proactively

And in times of uncertainty, these things are important for crisis communicators:

— give people what they need, when they need it

— communicate clearly, simply, and frequently

— choose candor over charisma

— revitalize a spirit of resilience

— distill meaning from chaos

— support people, teams, and organizations to build the capability for self-sufficiency

Is leadership different in a hybrid workplace?

A leader's role may look slightly different in remote or hybrid workplace settings. Rather than walking around a physical site, these leaders might instead model what hybrid looks like, or orchestrate work based on tasks, interactions, or purpose. Being communicative and radiating positivity can go a long way. Leaders need to find other ways to be present and accessible, for example, via virtual drop-in sessions, regular company podcasts, or virtual townhalls. Leaders in these settings may also need to find new ways to get authentic feedback. These tactics can include pulse surveys or learning to ask thoughtful follow-up questions that reveal useful management insights.

Additional considerations, such as making sure that in-person work and togetherness has a purpose, are important. Keeping an eye on inclusivity in hybrid work is also crucial. Listening to what employees want, with an eye to their lived experience, will be vital to leaders in these settings. And a focus on output, outcomes, results, and impact—rather than

arbitrary norms about time spent in offices—may be a necessary adaptation in the hybrid era.

How should CEOs lead in this new world?

Just as for leadership more broadly, today's environment requires CEOs to lead very differently. Recent research indicates that one-third to one-half of new CEOs fail within 18 months.

What helps top performers thrive today? To find out, McKinsey led a research effort to identify the CEOs who achieved breakaway success. We examined 20 years' worth of data on 7,800 CEOs—from 3,500 public companies across 70 countries and 24 industries. The result is the McKinsey book *CEO Excellence: The Six Mindsets That Distinguish the Best Leaders from the Rest (*Scribner, March 2022).

Getting perspective on leadership from CEOs themselves is enlightening—and illustrates the nuanced ways in which the new approach to leadership described above can be implemented in practice. Here are a few quotes drawn from McKinsey's interviews with these top-level leaders:

— "I think the fundamental role of a leader is to look for ways to shape the decades ahead, not just react to the present, and to help others accept the discomfort of disruptions to the status quo." —Indra Nooyi, former chairman and CEO of PepsiCo

— "The single most important thing I have to do as CEO is ensure that our brand continues to be relevant."
—Chris Kempczinski, CEO of McDonald's

— "Leaders of other enterprises often define themselves as captains of the ship, but I think I'm more the ship's architect or designer. That's different from a captain's role, in which the route is often fixed and the destination defined."
—Zhang Ruimin, CEO of Haier

— "I think my leadership style [can be called] 'collaborative command.' You bring different opinions into the room, you allow for a really

great debate, but you understand that, at the end of the day, a decision has to be made quickly." —Adena Friedman, CEO of Nasdaq

— "We need an urgent refoundation of business and capitalism around purpose and humanity. To find new ways for all of us to lead so that we can create a better future, a more sustainable future." —Hubert Joly, former chairman and CEO of Best Buy

What is leadership development?

Leaders aren't born; they learn to lead over time. Neuroplasticity refers to the power of the brain to form new pathways and connections through exposure to novel, unfamiliar experiences. This allows adults to adapt, grow, and learn new practices throughout our lifetimes.

When it comes to leadership within organizations, this is often referred to as leadership development. Programs, books, and courses on leadership development abound, but results vary.

Leadership development efforts fail for a variety of reasons. Some overlook context; in those cases, asking a simple question (something like "What, precisely, is this program for?") can help. Others separate reflections on leadership from real work, or they shortchange the role of adjusting leaders' mindsets, feelings, assumptions, and beliefs, or they fail to measure results.

So what's needed for successful leadership development? Generally, developing leaders is about creating contexts where there is sufficient psychological safety in combination with enough novelty and unfamiliarity to cultivate new leadership practices in response to stimuli. Leadership programs that successfully cultivate leaders are also built around "placescapes"—these are novel experiences, like exploring wilderness trails, practicing performing arts, or writing poetry.

When crafting a leadership development program, there are six ingredients to incorporate that lead to true organizational impact:

— Set up for success:

- Focus your leadership transformation on driving strategic objectives and initiatives.

- Commit the people and resources needed.

— Be clear about focus:

- Engage a critical mass of leaders to reach a tipping point for sustained impact.

- Zero in on the leadership shifts that drive the greatest value.

— Execute well:

- Architect experiential journeys to maximize shifts in mindsets, capabilities, and practices.

- Measure for holistic impact.

A well-designed and executed leadership development program can help organizations build leaders' capabilities broadly, at scale. And these programs can be built around coaching, mentoring, and having people try to solve challenging problems—learning skills by applying them in real time to real work.

What are mentorship, sponsorship, and apprenticeship?

Mentorship, sponsorship, and apprenticeship can also be part of leadership development efforts. What are they? Mentorship refers to trusted counselors offering guidance and support on various professional issues, such as career progression. Sponsorship is used to describe senior leaders who create opportunities to help junior colleagues succeed. These roles are typically held by more senior colleagues, whereas apprenticeship could be more distributed. Apprenticeship describes the way any colleague with domain expertise might teach others, model behaviors, or transfer skills. These approaches can be useful not only for developing leaders but also for helping your company upskill or reskill employees quickly and at scale.

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