

## Decoding leadership: What really matters

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New research suggests that the secret to developing effective leaders is to encourage four types of behavior.

**Telling CEOs** these days that leadership drives performance is a bit like saying that oxygen is necessary to breathe. Over 90 percent of CEOs are already planning to increase investment in leadership development because they see it as the single most important human-capital issue their organizations face.<sup>1</sup> And they're right to do so: earlier McKinsey research has consistently shown that good leadership is a critical part of organizational health, which is an important driver of shareholder returns.<sup>2</sup>

A big, unresolved issue is what sort of leadership behavior organizations should encourage. Is leadership so contextual that it defies standard definitions or development approaches?<sup>3</sup> Should companies now concentrate their efforts on priorities such as role modeling, making decisions quickly, defining visions, and shaping leaders who are good at adapting? Should they stress the virtues

<sup>1</sup> *The State of Human Capital 2012—False Summit: Why the Human Capital Function Still Has Far to Go*, a joint report from The Conference Board and McKinsey, October 2012, [mckinsey.com](http://mckinsey.com).

<sup>2</sup> See Aaron De Smet, Bill Schaninger, and Matthew Smith, "The hidden value of organizational health—and how to capture it," *McKinsey Quarterly*, April 2014, on [mckinsey.com](http://mckinsey.com).

<sup>3</sup> See Ralph M. Stogdill, "Personal factors associated with leadership: A survey of the literature," *Journal of Psychology: Interdisciplinary and Applied*, 1948, Volume 25, Issue 1, pp. 35–71. Also, for more on our work with Egon Zehnder, notably the contrast between organizations growing organically and those growing through acquisition, see Katharina Hermann, Asmus Komm, and Sven Smit, "Do you have the right leaders for your growth strategies?," *McKinsey Quarterly*, July 2011, on [mckinsey.com](http://mckinsey.com).

of enthusiastic communication? In the absence of any academic or practitioner consensus on the answers, leadership-development programs address an extraordinary range of issues, which may help explain why only 43 percent of CEOs are confident that their training investments will bear fruit.

Our most recent research, however, suggests that a small subset of leadership skills closely correlates with leadership success, particularly among frontline leaders. Using our own practical experience and searching the relevant academic literature, we came up with a comprehensive list of 20 distinct leadership traits. Next, we surveyed 189,000 people in 81 diverse organizations<sup>4</sup> around the world to assess how frequently certain kinds of leadership behavior are applied within their organizations. Finally, we divided the sample into organizations whose leadership performance was strong (the top quartile of leadership effectiveness as measured by McKinsey's Organizational Health Index) and those that were weak (bottom quartile).

What we found was that leaders in organizations with high-quality leadership teams typically displayed 4 of the 20 possible types of behavior; these 4, indeed, explained 89 percent of the variance between strong and weak organizations in terms of leadership effectiveness (exhibit).

- **Solving problems effectively.** The process that precedes decision making is problem solving, when information is gathered, analyzed, and considered. This is deceptively difficult to get right, yet it is a key input into decision making for major issues (such as M&A) as well as daily ones (such as how to handle a team dispute).
- **Operating with a strong results orientation.** Leadership is about not only developing and communicating a vision and setting objectives but also following through to achieve results. Leaders with a strong results orientation tend to emphasize the importance of efficiency and productivity and to prioritize the highest-value work.

<sup>4</sup> The 81 organizations are diverse in geography (for instance, Asia, Europe, Latin America, and North America), industry (agriculture, consulting, energy, government, insurance, mining, and real estate), and size (from about 7,500 employees to 300,000).

- **Seeking different perspectives.** This trait is conspicuous in managers who monitor trends affecting organizations, grasp changes in the environment, encourage employees to contribute ideas that could improve performance, accurately differentiate between important and unimportant issues, and give the appropriate weight to stakeholder concerns. Leaders who do well on this dimension typically base their decisions on sound analysis and avoid the many biases to which decisions are prone.

Exhibit

### Four kinds of behavior account for 89 percent of leadership effectiveness.

#### Top kinds of leadership behavior<sup>1</sup>

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|--|--|
| <b>1</b> Be supportive                                 | <b>11</b> Keep group organized and on task             |
| <b>2</b> Champion desired change                       | <b>12</b> Make quality decisions                       |
| <b>3</b> Clarify objectives, rewards, and consequences | <b>13</b> Motivate and bring out best in others        |
| <b>4</b> Communicate prolifically and enthusiastically | <b>14</b> Offer a critical perspective                 |
| <b>5</b> Develop others                                | <b>15</b> Operate with strong results orientation      |
| <b>6</b> Develop and share a collective mission        | <b>16</b> Recover positively from failures             |
| <b>7</b> Differentiate among followers                 | <b>17</b> Remain composed and confident in uncertainty |
| <b>8</b> Facilitate group collaboration                | <b>18</b> Role model organizational values             |
| <b>9</b> Foster mutual respect                         | <b>19</b> Seek different perspectives                  |
| <b>10</b> Give praise                                  | <b>20</b> Solve problems effectively                   |

<sup>1</sup>Based on a survey of 81 organizations that are diverse in geography (eg, Asia, Europe, Latin America, and North America), industry (eg, agriculture, consulting, energy, government, insurance, mining, and real estate), and size (from ~7,500 to 300,000 employees).

Source: McKinsey's Organizational Health Index

- **Supporting others.** Leaders who are supportive understand and sense how other people feel. By showing authenticity and a sincere interest in those around them, they build trust and inspire and help colleagues to overcome challenges. They intervene in group work to promote organizational efficiency, allaying unwarranted fears about external threats and preventing the energy of employees from dissipating into internal conflict.

We're not saying that the centuries-old debate about what distinguishes great leaders is over or that context is unimportant. Experience shows that different business situations often require different styles of leadership. We do believe, however, that our research points to a kind of core leadership behavior that will be relevant to most companies today, notably on the front line. For organizations investing in the development of their future leaders, prioritizing these four areas is a good place to start. ◉

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