

Article  
McKinsey Quarterly  
January 2015

What really works  
for leaders?

# Decoding leadership: What really matters

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New research suggests that the most effective way to develop leaders is to encourage four types of behavior.

**T**elling 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 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).

## Exhibit

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

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

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

- *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.
- *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.
- *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.

## ***About the Authors***

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The authors wish to thank Michael Bazigos, Nate Boaz, Aaron De Smet, Lili Duan, Chris Gagnon, Bill Schaninger, and Ekaterina Titova for their contributions to this article.