

How centered leaders achieve extraordinary results

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Artwork by Gwenda Kaczor

Executives can thrive at work and in life by adopting a leadership model that revolves around finding their strengths and connecting with others.



The problem

Today's complex, volatile, and fast-paced business environment is placing extraordinary stress on leaders.

Why it matters

Many leaders lack the skills needed to cope, which undermines organizational performance and personal satisfaction.

What you should do about it

Cultivate the capabilities we have identified in research on leaders who can unlock the organization's potential in challenging circumstances:

Give your life and work a sense of meaning that you communicate openly to others.

Frame challenges constructively, emphasizing opportunities in change and uncertainty.

Tap a broad constellation of internal and external constituents who can help your organization succeed.

Engage proactively with risks and help your organization do the same.

Sustain your energy while creating the conditions for others to restore theirs.

For the past six years, we have been on a journey to learn from leaders who are able to find the best in themselves and in turn inspire, engage, and mobilize others, even in the most demanding circumstances. And the business environment *has* become more demanding: the global financial crisis and subsequent economic downturn have ratcheted up the pressure on leaders already grappling with a world in transformation. More than half of the CEOs we and our colleagues have spoken with in the past year have said that their organization must fundamentally rethink its business model.

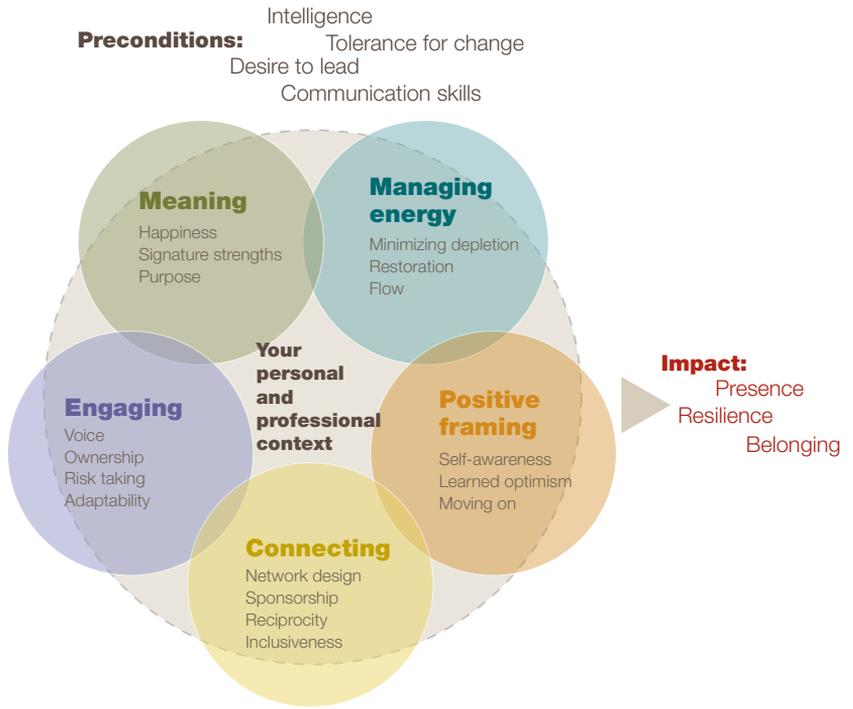
Our work can help. We have conducted interviews with more than 140 leaders; analysis of a wide range of academic research in fields as diverse as organizational development, evolutionary biology, neuroscience, positive psychology, and leadership; workshops with hundreds of clients to test our ideas; and global surveys. Through this research, we distilled a set of five capabilities that, in combination, generate high levels of professional performance and life satisfaction. We described this set of capabilities, which we call “centered leadership,” in the *Quarterly* in 2008 and subsequently in a book, *How Remarkable Women Lead*.¹ Since then, through additional interviews and quantitative research, we’ve continued to validate the model’s applicability to leaders across different regions, cultures, and seniority levels. Better yet, we have confirmed that centered leadership appears equally useful to men. In other words, it is not just for women, but for all leaders in demanding circumstances.

Five capabilities are at the heart of centered leadership: finding meaning in work, converting emotions such as fear or stress into opportunity, leveraging connections and community, acting in the face of risk, and sustaining the energy that is the life force of change. A recent McKinsey global survey of executives shows that leaders who have mastered even one of these skills are twice as likely as those who have mastered none to feel that they can lead through change; masters of all five are more than four times as likely.² Strikingly, leaders who have mastered all five capabilities are also more than 20 times as likely to say they are satisfied with their performance as leaders and their lives in general (for more on the research, see “The value of centered leadership: McKinsey Global Survey results,” on mckinseyquarterly.com).

¹ Joanna Barsh, Susie Cranston, and Geoffrey Lewis, *How Remarkable Women Lead: The Breakthrough Model for Work and Life*, New York: Crown Business Publishing, 2009.

² The online survey was in the field from July 6 to 16, 2010. It garnered responses from 2,498 executives representing all regions, industries, functional specialties, and tenures. Respondents indicated their level of agreement with statements representing various dimensions of the leadership model. We then aggregated their answers into degrees of mastery of each dimension.

Five dimensions of centered leadership



While such results help make the case for centered leadership, executives seeking to enhance their leadership performance and general satisfaction often find personal stories more tangible. Accordingly, as this article revisits the five dimensions of centered leadership—and their applicability to times of uncertainty, stress, and change—we share the experiences of four men and one woman, all current or former CEOs of major global corporations.

Meaning

We all recognize leaders who infuse their life and work with a sense of meaning. They convey energy and enthusiasm because the goal is important to them personally, because they are actively enjoying its pursuit, and because their work plays to their strengths. Our survey results show that, of all the dimensions of centered leadership, meaning has a significant impact on satisfaction with both work and life; indeed, its contribution to general life satisfaction is five times more powerful than that of any other dimension.

Whatever the source of meaning (and it can differ dramatically from one person to another), centered leaders often talk about how their purpose appeals to something greater than themselves and the importance of

conveying their passion to others (for more on conveying meaning to others, see “Revealing your moment of truth,” on mckinseyquarterly.com). Time and again, we heard that sharing meaning to inspire colleagues requires leaders to become great storytellers, touching hearts as well as minds. These skills are particularly applicable for executives leading through major transitions, since it takes strong personal motivation to triumph over the discomfort and fear that accompany change and that can drown out formal corporate messages, which in any event rarely fire the souls of employees and inspire greater achievement.

Avon Products CEO Andrea Jung described how meaning and storytelling came together when her company faltered after years of rapid growth. Andrea’s personal challenge was acute because some key sources of her passion—creating a bold vision for growth and inspiring others to dream big, being a member of a close-knit community, and achieving extraordinary results—were deeply connected with her work at Avon. Suddenly, it became harder for her to see where her momentum would come from. What’s more, she had to streamline her cherished community.

To remain true to her personal values, Andrea rejected the “more efficient” approach of delegating to managers the responsibility for communicating with employees about the restructuring and of sharing information only on a need-to-know basis. Instead, she traveled the world to offer her teams a vision for restoring growth and to share the difficult decisions that would be required to secure the company’s future. The result? Employees felt that Andrea treated them with honesty and humanity, making the harsh reality of job reductions easier to accept and giving them more time to prepare. They also experienced her love for the company firsthand and recognized that both she and Avon were doing all they could. By instilling greater resilience throughout the organization, Avon rebuilt its community and resumed growth within 18 months.

Positive framing

Positive psychologists have shown that some people tend to frame the world optimistically, others pessimistically.³ Optimists often have an edge: in our survey, three-quarters of the respondents who were particularly good at positive framing thought they had the right skills to lead change, while only 15 percent of those who weren’t thought so.

For leaders who don’t naturally see opportunity in change and uncertainty, those conditions create stress. When faced with too much stress (each of us has a different limit), the brain reacts with a modern version of the “fight, flight, or freeze” instinct that saber-toothed tigers inspired in early

³Martin E. P. Seligman, *Authentic Happiness: Using the New Positive Psychology to Realize Your Potential for Lasting Fulfillment*, New York, NY: Free Press, 2004.



humans. This response equips us only for survival, not for coming up with creative solutions. Worse yet, in organizations such behavior feeds on itself, breeding fear and negativity that can spread and become the cultural norm.

When Steve Sadove took over Clairol, in 1991, for example, the company had been shell-shocked by a significant decline in sales volume. “I remember going to a very creative person, who did all the packaging and creative development,” Steve told us, “and saying, ‘Why don’t we do anything creative?’ He opened some drawers in his desk and started showing me all of this wonderful work that he’d done. Nobody was asking for it; people kept their head down in that culture. So part of my role as the leader was to create an environment that was going to allow innovation and creativity and make it OK to fail.”

Fortunately, we can all become aware of what triggers our fears and learn to work through them to reframe what is happening more constructively. Once we have mastered reframing, we can help others learn this skill, seeding the conditions that result in a safe environment where all employees are inspired to give their best.⁴

Steve found ways to stimulate creativity, such as exploring opposing points of view in discussions with colleagues. Over time, he convinced others that speaking up wasn’t just tolerated but encouraged. He helped colleagues reframe the way they reacted to dissent, forging a less defensive and ultimately more innovative culture. Steve and his team introduced a winning hair care brand, Herbal Essences, and ushered in a golden period of growth for Clairol.

Connecting

With communications traveling at warp speed, simple hierarchical cascades—from the CEO down until the chain breaks—are becoming less and less effective for leaders. For starters, leaders depend increasingly on their ability to manage complex webs of connections that aren’t suited to traditional, linear communication styles. Further, leaders can find the volume of communication in such networks overwhelming. While this environment can be challenging, it also allows more people to contribute, generating not only wisdom and a wealth of ideas but also immeasurable commitment.

The upshot: CEOs have always needed to select exemplary leadership teams. Increasingly, they must also be adept at building relationships with people scattered across the ecosystem in which they do business and at

⁴Michael A. Cohn et al., “Happiness unpacked: Positive emotions increase life satisfaction by building resilience,” American Psychological Association, *Emotion*, 2009, Volume 9, Number 3, pp. 361–68.

bringing together the right people to offer meaningful input and support in solving problems.

Macy's CEO Terry Lundgren learned firsthand about the power of connecting the internal community in 1988 when, 15 months after joining the retailer Neiman Marcus, he became its president and CEO. Shaking things up was core to his role: "I was one of the first non-Marcus family members with that title for any extended period of time." Employees greeted him with widespread skepticism. "They were all thinking, 'Who is this 37-year-old guy who is going to tell us how we should run our fantastic business?'" So Terry held a town hall meeting in the library across the street from company headquarters, in downtown Dallas. He invited anybody who wanted to come. The first time, he recalls, "I had only about 30 people show up! I thought it was going to be a little bit bigger than that, but I tried to be very direct and use the time mostly to listen and respond." He kept holding meetings, noting that "it really moved the needle quickly in terms of getting things done in that company." By the time Terry left, the twice-a-year meetings filled a 1,200-seat auditorium.

Today, as Terry leads Macy's, he connects the dots internally and externally in many ways, from scheduling a monthly breakfast with new managers to forming relationships with peers who have led companies through change. Terry has also emphasized corporate connectivity, regrouping Macy's stores into 69 districts, each tasked with creating "My Macy's" for its customer base. And comparable-store sales are up this year, reversing a negative trend. Terry's top team believes its efforts to connect managers more closely to one another and to customers, through enhanced information sharing and product offerings tailored to local needs, help explain the company's trajectory.

Engaging

Of survey respondents who indicated they were poor at engaging—with risk, with fear, and even with opportunity—only 13 percent thought they had the skills to lead change. That's hardly surprising: risk aversion and fear run rampant during times of change. Leaders who are good at acknowledging and countering these emotions can help their people summon the courage to act and thus unleash tremendous potential.

But for many leaders, encouraging others to take risks is extremely difficult. The responsibility CEOs feel for the performance of the entire organization can make the very notion of supporting risk taking extremely uncomfortable. What's more, to acknowledge the existence of risk, CEOs must admit they don't, in fact, have all the answers—an unusual mind-set for many leaders whose ascent has been built on a virtuous cycle of success and self-confidence.



Doug Stern, CEO of United Media, has a number of ways to help his people evaluate risks and build their confidence about confronting the unknown. Because he has seen the destructive impact of anxiety, Doug follows an explicit process anytime he's facing a new, risky project (for example, selling some of his company's assets). The process helps everyone—himself included—prepare by devising risk mitigation strategies using these steps:

- asking the team to imagine every bad scenario, even the most remotely possible—what he calls the “darkest nightmares”
- giving everyone a chance to describe those scenarios in detail and then to “peer into the darkness” together
- devising a detailed plan for countering each nightmare—in effect, rehearsing the best collective response to each potential issue

Once fears have surfaced and been dealt with, the team has a protocol in place for every worst possible scenario and a set of next steps to implement.⁵

Managing energy

Sustaining change requires the enthusiasm and commitment of large numbers of people across an organization for an extended period of time. All too often, though, a change effort starts with a big bang of vision statements and detailed initiatives, only to see energy peter out. The opposite, when work escalates maniacally through a culture of “relentless enthusiasm,” is equally problematic.⁶ Either way, leaders will find it hard to sustain energy and commitment within the organization unless they systemically restore their own energy (physical, mental, emotional, and spiritual), as well as create the conditions and serve as role models for others to do the same. Our research suggests sustaining and restoring energy is something leaders often skimp on.

While stress is often related to work, sometimes simple bad luck is at play, as Jurek Gruhn, president of Novo Nordisk US, can attest. Nine years ago he was diagnosed with Type 1 diabetes. Working for a world leader in diabetes care, Jurek was no stranger to the illness and, along with his optimistic spirit, his no-nonsense orientation became a deep source of energy: “My first reaction was, ‘You may have Type 1 diabetes, but you

⁵Psychologist Gary Klein has developed and applied in a variety of settings a similar approach that he calls the “premortem.” For more on this technique, and on the broader problem of executive overconfidence, see “Strategic decisions: When can you trust your gut?” *mckinseyquarterly.com*, March 2010.

⁶Edy Greenblatt, *Restore Yourself: The Antidote for Professional Exhaustion*, Los Angeles, CA: Execu-Care Press, 2009.

could also have a lot of other diseases that are much worse.” So, he told us, “I went to the hospital for two or three days of testing and then went back home. We had our Christmas break. After that, I was back in the office. My wife, who is a physician, said to me, “That was a quick process!” I basically took on my disease as a task.”

Jurek realized that one key to living a normal life with the disease is to embrace life, at work and at home. “A healthy lifestyle is important. I have five kids: my oldest daughter is 25, and my youngest is 6. Sometimes they completely drain my energy, but they can energize me a lot. And now I feel healthier because I have also changed my lifestyle: I eat breakfast now every day, I exercise much more, and I started rock-climbing on a regular basis.” Everything improved—his physical condition, mental focus, emotional satisfaction, and spirit. He even learned to face what drained him most—unhealthy conflict at work—by addressing it directly and quickly, much as he handled his diabetes.

Even for leaders without such a challenge, Jurek sets another valuable example: “I saw this comedian who said that a man’s brain is filled with boxes, and one of them is empty. Well, when the day’s really tough in the office, I go into my empty box for 10 or 15 minutes and I do nothing. If I completely switch off for a short period of time, I get my energy back. Now, I’m not switching off every 15 minutes after working for 15 minutes—maybe I do it every few days. But I do not work weekends unless I really have to. And I’m not one who wakes up and the first thing is the BlackBerry. No way!”



Centered leadership is a journey, not a destination, and it starts with a highly personal decision. We’ll leave you with the words of one executive who recently chose to embark on this path: “Our senior team is always talking about changing the organization, changing the mind-sets and behavior of everyone. Now I see that transformation is not about that. It starts with me and my willingness and ability to transform myself. Only then will others transform.” ◦

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