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The art of 21st-century leadership: From succession planning to building a leadership factory

Complicated times demand great leaders. Here's an overview of traits and practices required to succeed as a leader today and a look at the factory model that can help aspiring managers ascend.

by Bob Sternfels, Daniel Pacthod, Kurt Strovink, and Wyman Howard
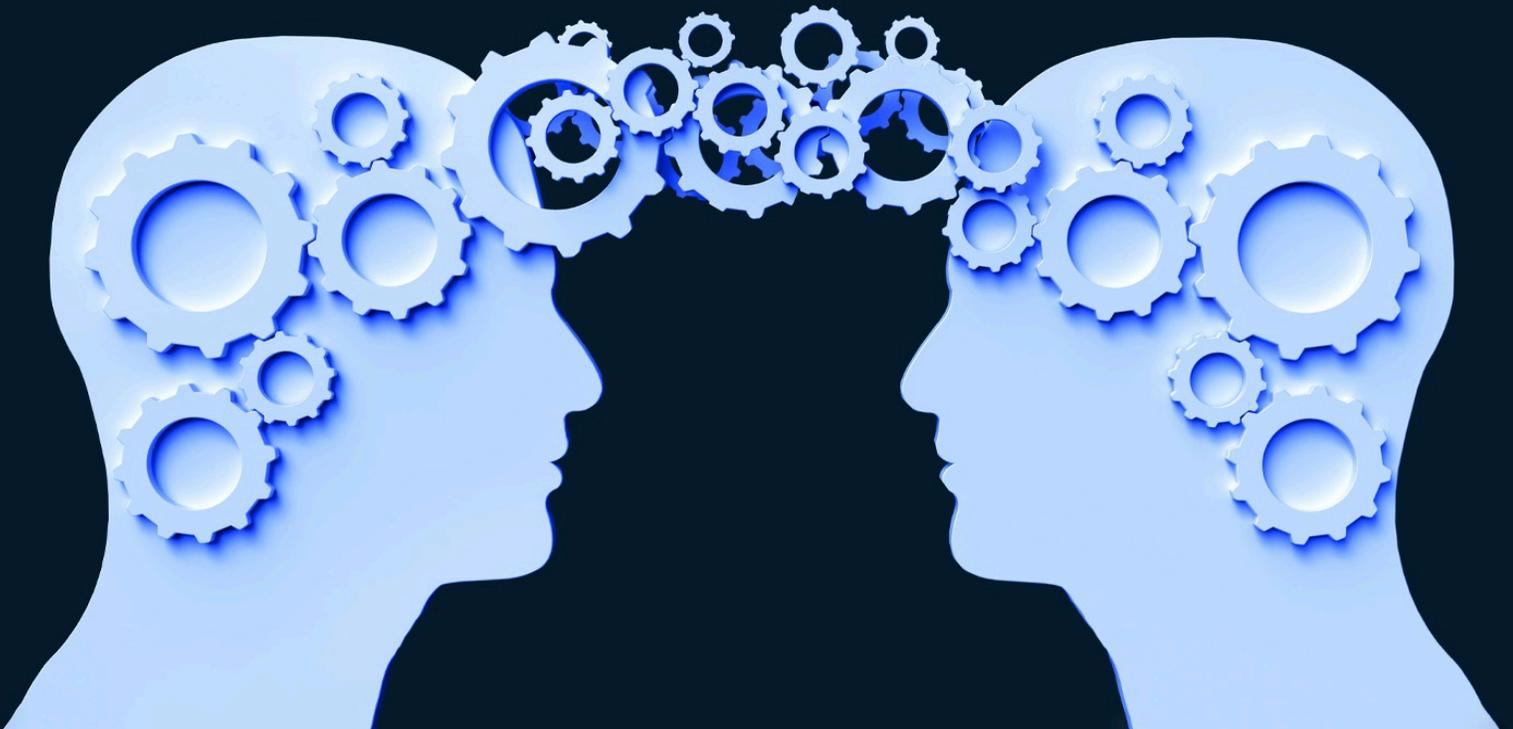
Leading a global organization in today's fragmented world is difficult—perhaps more difficult than ever. Since the outbreak of COVID-19 and the acceleration of geopolitical tensions, leadership teams have faced an increasing number of uncertainties and disruptions. These include the sudden emergence of upending technologies, such as generative AI; the energy transition; and a global workforce seeking more autonomy, empowerment, flexibility, and mobility.

There is a compounding and interconnected effect across all these disruptions—and less and less time for leaders to react to them. We estimate that ten years ago, CEOs and top teams typically focused on four or five critical issues at any one point in time; today, the number is double that.

From our engagements and discussions with CEOs and leaders across the globe, we see that the biggest obstacle to creating resilient and high-performing teams is having a deep bench of leaders who can not only thrive but excel in this uncertain 21st-century business environment. There are distinct differences between the personal attributes, best practices, and approaches to leadership development required in today's organizations and those of yesteryear.

In this article, we explore what it will take to be a leader for this century and how organizations can build a leadership factory that shapes, develops, and mentors the next generation of managers. The organizations that treat leadership development as a core capability and proactively address the needs of both existing and aspiring leaders can raise their overall resilience and substantially improve the odds that they will be able to withstand disruption—whatever it is, and whenever it appears next.

The character of 21st-century leadership: Personal attributes

As the world grows more complicated, so must our perceptions of and approaches to leadership development. From our work with leadership teams across companies, sectors, and regions around the world, as well as our own longitudinal research, we believe that six leadership traits are most needed to excel in today's uncertain environment:

— *Positive energy, personal balance, and inspiration.* This collection of traits is focused on managers' need to develop (and protect) the mind, body, and spirit. Managers will find themselves bereft of the energy to learn and lead if they don't have a clear understanding of what makes them tick. And at a time when—as recent McKinsey research shows—a mobile, postpandemic, multigenerational workforce is looking for more connection, more authenticity, and more inspiration from their leaders, that energy is becoming a critical commodity.[1]

— *Servant and selfless leader.* The highest-performing leaders we've observed are focused on making the team and others successful. It's not about them; it's about others' deeds, actions, and outcomes. It's about the organization's mission, deep purpose, and positive impact. Such a leadership approach becomes more important when considering the results of a recent McKinsey survey in which 70 percent of about 1,000 employees said their work largely defines their sense of meaning and purpose.[2]

— *Continuous learning and humble mindset.* Leaders can't be afraid to take risks; they must be endlessly curious and learn from their mistakes. The highest-performing leaders we've

[1] "Healthy organizations keep winning, but the rules are changing fast," *McKinsey Quarterly*, August 2, 2024.
[2] Naina Dhingra, Andrew Samo, Bill Schaninger, and Matt Schrimper, "Help your employees find purpose—or watch them leave," McKinsey, April 5, 2021.

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observed never consider themselves to be the highest expert or the smartest person in the room. Their superpowers are their humility and willingness to be vulnerable. Microsoft's Satya Nadella, for instance, advocated for greater transparency and a learn-it-all rather than a know-it-all attitude at all levels of the company, helping propel its cultural transformation.[3]

— *Grit and resilience.* Hard as it may be sometimes, leaders need to be stoic in the face of disruption. They excel at assimilating the best ideas around them but never waver from making the tough decisions when it is called for. They don't disappear when times get tough. They calmly analyze the root cause of a situation, adjust behaviors, depersonalize, and bounce forward—never too high, never too low. According to the latest Organizational Health Index research, those companies with leaders who act decisively—and who commit to the decisions made—are 4.2 times more likely than their peers to be healthy.[4]

— *Levity.* The high-performing leaders we've observed recognize that it's important to bring humor to their conversations, sometimes even during serious matters. Moments of humor can help teams bond, defuse high-stress situations, and unlock the creativity of the full group. Indeed, research has shown that leaders with a sense of humor—even a so-so sense of humor—are 27 percent more motivating and inspiring than others.[5] Employees are 15 percent more engaged when they work with such leaders versus with other leaders, and teams are twice as creative, as measured by having them solve a creativity challenge.

— *Stewardship.* The best-performing leaders take the long view; they see themselves as stewards of their organizations and teams "for now." They understand that markets will shift, customer demands will change, and the tasks of leadership will evolve as the organization does. With that in mind, they adopt an intentional approach to developing leadership capabilities across the organization. When they are done, they aim to leave the team and the institution stronger, more relevant, and more sustainable than when they joined.

[3] Dina Bass, "Satya Nadella talks Microsoft at middle age," Bloomberg, August 4, 2016.
[4] Alex Camp, Arne Gast, Drew Goldstein, and Brooke Weddle, "Organizational health is (still) the key to long-term performance," McKinsey, February 12, 2024.
[5] "Author Talks: Somebody tell a joke," McKinsey, May 17, 2021.

The craft of 21st-century leadership: Early best practices

Increasingly, our research and experience in the field suggest that organizations need to shift their leadership approaches in several core areas. Instead of managing with an eye solely on profits and preservation, leaders must also think about how to convey vision and possibilities (innovation) to all stakeholders. Instead of looking at value creation through the lens of scarcity and capitalizing on existing assets, leaders must consider opportunities to co-create with partners. Rather than simply command and control, leaders must collaborate and coach. And authenticity among leaders isn't just nice to have; it's expected by employees, customers, and almost everyone along the value chain.

Companies are still in the early stages of defining the craft of 21st-century leadership, but several best practices are emerging:

— *Engage—rigorously and relentlessly—with all key stakeholders.* Constructive dialogue and debate will set the best-performing companies apart from competitors. Leaders must therefore catalyze rigorous discussions across the organization—among senior leaders, with frontline workers, with the board, and so on. Leaders can rely on a number of tried-and-true methods, such as premortems, red team and blue team exercises, and what-if sessions, to facilitate these conversations. Such methods are particularly important to implement when considering tough-to-reverse decisions, which also require candor, a willingness to make trade-offs, and the courage to take a stand. And once those decisions are made, leaders must support them with clear communications. They need to craft brief, authentic messages that cut through information overload and set out tangible outcomes that people can measure and feel. The best communicators during the COVID-19 pandemic, for instance, had a clear playbook: they gave people the information they needed when they needed it, and they stated it clearly, frequently, and memorably.

— *Enroll (and reenroll) the team.* Leaders need to ensure that everyone is fully enrolled in the company's vision and strategy and willing to contribute of their own free will. This is different from simply gaining buy-in; individual members of an enrolled team are personally impelled to carry out the organization's mission. Enrolled employees are self-disciplined, self-motivated, and more likely than others to enforce standards and correct any deviations from them. Most important, leaders need to continually revisit the conditions—the behaviors, motivations, and processes—that will facilitate that deep enrollment and correct course as needed.

— *Build an operating model—and establish an operating cadence—that's wired for speed.* Rather than run business activities through traditional matrixed organizations and reporting lines, leaders should explore models that allow for speed: clear decision-making rights, few layers of bureaucracy, and tech-enabled information sharing. Leaders should aim to deploy standardization of processes where it makes sense, engage frontline leaders directly; institutionalize best practices through playbooks, trainings, and other formats; and share information via digital dashboards and other tools. Doing these things will create a performance edge, increase productivity, instill accountability, and substantially speed up decision making.

— *Emphasize a culture of trust.* The trust equation as developed by thought leader Charles H. Green looks like this: *credibility times reliability times intimacy divided by self-orientation.*[6] As American economist and statesman George Shultz wrote for his 100th birthday: "'Trust is the coin of the realm.' When trust was in the room, whatever room that was—the family room, the schoolroom, the coach's room, the office room, the government room, or the military room—good things happened. When trust was not in the room, good things did not happen. Everything else is details."[7] Thus, a critical task for the 21st-century leader is to analyze where the organization is strongest and weakest along each element of the trust equation, and systematically address any issues with reliability, credibility, or vulnerability.

The structure of 21st-century leadership: Leadership factories

When we ask CEOs and leadership teams about the biggest hurdles keeping them from achieving their aspirations and reaching their full potential, they cite talent and the leadership team on the field. Specifically, they cite an urgent need to build leadership capabilities in their organizations—not only to ensure that they can successfully manage through today's disruptions but also to fortify themselves against tomorrow's inevitable shifts in the business landscape.

Some leadership skills can be taught in the classroom, but by and large, the most effective training and transfer of leadership skills happen on the job. They occur in the assessment, selection, and training pathways of new hires and through mentorship and apprenticeship, role modeling and coaching, and other real-world interactions.

In the 1980s, former McKinsey global managing partner Ron Daniel coined the term "leadership factory" to describe just this dynamic—that is, colleagues investing their time in other colleagues, learning in situ, providing regular feedback, and sharing personal and collective insights, with the result of producing great leaders. The factory model that he envisioned some four decades ago is still successfully in place at McKinsey, which was ranked first in the list of best companies for future leaders in 2024.[8] And its practices have evolved through organizations such as GE, IBM, and P&G, all of which have created their own leadership incubators.

In our work with global leaders and teams, we've observed several new additions to the factory model blueprint—guidance that leaders can use in their own leadership factories and leadership development curricula:

— *Set leadership attributes.* The current leadership team must sharply define the attributes needed in the team and in the organization. It must help aspiring and high-potential leaders understand what leadership is—and isn't. Leadership isn't about consensus; it's about alignment. It's not about being popular, but it does require engagement. It's not about working apart from the team, but it does involve making sometimes-tough solo calls. It requires the temperament to manage these polarities and achieve balance. Leadership can be lonely at times. It requires extra reserves of confidence, grit, and an ability to compartmentalize. In the words of Douglas MacArthur, "The world is in a constant conspiracy against the brave. It's the age-old struggle: the roar of the crowd on the one side, and the voice of your conscience on the other."[9]

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[6] David H. Maister, Charles H. Green, and Robert M. Galford, *The Trusted Advisor*, Free Press: New York, NY, 2000.
[7] George P. Shultz, "Life and learning after one hundred years: Trust is the coin of the realm," December 13, 2020.
[8] "The best companies for future leaders," *TIME*, December 2023.
[9] Douglas MacArthur, speech to US Military Academy at West Point delegation, January 26, 1964.

— *Don't wait—get started now.* Right off the bat, leaders should assign high-potential managers to the toughest situations, putting them in uncomfortable positions, and providing them with the right mentorship and continuous coaching.

— *Rethink how to build capabilities at scale.* The current leadership team should create personalized immersion sessions for new leaders. The most senior executives should lead these courses rather than having them administered by HR or delivered through self-driven courses. Senior leaders should compare notes with future leaders, get them to open up about their biggest challenges, and jointly determine how to address them. Lessons can come from anywhere in the business ecosystem. A large part of Wendy Kopp's success with Teach for All, for instance, was her willingness to trust partners around the world. Her organization established a clear set of unifying leadership principles (such as a commitment to shared purpose, theory of change, values, and vision). Then it established a network of partners and trainings that leaders could use to learn from one another and apply lessons in their own countries and contexts. "There's such power in fostering grassroots efforts while also helping people gain global exposure," she says.[10] Other leadership factories should take heed.

— *Lead self before others.* Current leaders should invest time and energy to help new and aspiring leaders manage themselves and operate at their personal best. Feedback is a critical starting point for self-improvement. Retired US Navy Admiral Eric Olson discovered as much when he led the US Special Operations Command, overseeing a group of warriors not known for wearing their emotions on their sleeves. As Olson told the authors of *The Journey of Leadership: How CEOs Learn to Lead from the Inside Out* (Portfolio/Penguin Random House, September 2024), he went on a nine-month listening tour of the soldiers and found some emotional "fraying around the edges."[11] The feedback prompted Olson and his team to change some policies, prioritize resources, and create more support (such as from nutritionists, physical therapists, and psychologists). They aimed to improve the cohesion, effectiveness, and morale of Navy SEALs and their families—because health and readiness all start at home.

— *Empower leaders to build their own personalized, self-driven learning journeys.* Organizations should provide modules on a range of leadership topics, including leading self, leading teams, leading organizations, and using technology to do all three. Ongoing, candid feedback from peers and team members will again be critical. It will help raise new leaders' self-awareness, prompt their journey toward self-correction, and create development and mentoring opportunities across the organization.

The provision of 21st-century leadership: Preparation for CEOs and organizations

To facilitate the development of 21st-century leaders, today's CEOs will need to think of themselves as chief talent officers. They will need to help identify and stay close to the high-potential leaders in their organizations, making personal connections with managers several levels below.

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[10] Dana Maor, Hans-Werner Kaas, Kurt Strovink, and Ramesh Srinivasan, *The Journey of Leadership: How CEOs Learn to Lead from the Inside Out*, New York, NY: Portfolio/Penguin Random House, 2024.

[11] Ibid.

They should take care to protect the mavericks in the organization—the managers who, unwittingly or not, may stray from traditional processes or protocols. These individuals may be the very leaders who guide their organizations into the innovative future.

CEOs must be role models within the leadership factory. They should hold everyone to the highest standards for performance and productivity. They can inspire and enroll colleagues by sharing personal stories and experiences.

And finally, CEOs must step back and ensure that the leadership factory is bolstered by appropriate performance management systems: employee value propositions, incentives, feedback mechanisms, and so on. These systems should reflect the 21st-century leadership attributes discussed here. They

need to be designed for accountability, empowerment, and speed. Absent those systemic changes, a leadership factory won't achieve its full promise—and may even end up degrading the aspects of culture and the skills most required for success.

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The only certainty for today's global leader is that things will remain *uncertain*. 2025 will likely be just as challenging as this year. So will 2026. It's incumbent on leaders, then, to stop falling back on what's worked for them in the past, adhering to business practices and rituals that have long since expired. Instead, they can collaborate with their teams, employees, and other key stakeholders to create the new rules of leadership.

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