

2017 THOMAS D'AQUINO LECTURE ON LEADERSHIP

# IN THE ARENA: LEADERSHIP IN AN AGE OF DISRUPTION



AN ADDRESS BY DOMINIC BARTON  
GLOBAL MANAGING PARTNER  
MCKINSEY & COMPANY



Ian O. Ihnatowycz  
Institute for Leadership

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In the Arena: Leadership in an Age of Disruption, an address by Dominic Barton, Global Managing Partner, McKinsey & Company  
for the Thomas d'Aquino Lecture on Leadership  
London Lecture: October 17, 2017; Ivey Business School, London, Ontario  
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## Thomas d'Aquino

Chairman & Chief Executive  
Intercounsel Ltd.

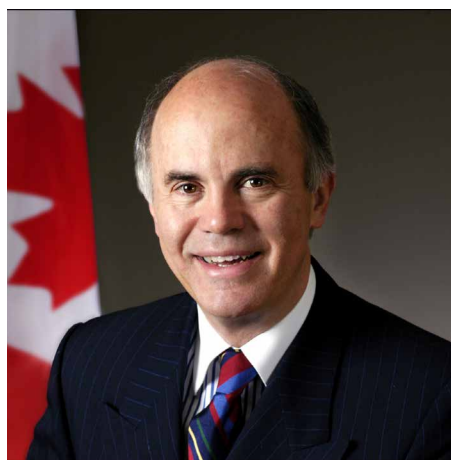


Photo by Jean-Marc Carisse

Thomas d'Aquino is an entrepreneur, corporate director, educator and author. He is Chairman of Thomas d'Aquino Capital and Chief Executive of Intercounsel Ltd.

He has served as a Director of two of Canada's leading global enterprises: Manulife Financial Corporation and CGI Group Inc. He is a Director of Coril Holdings Ltd. and is Chairman of the National Gallery of Canada Foundation. He serves as Canada Co-Chair of the North American Forum and as Honorary Professor at Western University's Ivey Business School. Earlier in his career, he served as Special Assistant to the Prime Minister of Canada, as an international management consultant in London and Paris, and as Adjunct Professor of Law at the University of Ottawa lecturing on the law of international trade and global business transactions. He has served as Special Counsel and Senior Counsel to two of Canada's leading law firms.

From 1981 to 2009, Mr. d'Aquino was Chief Executive and President of the Canadian Council of Chief Executives (CCCE), an organization composed of the chief

executives of 150 of the country's leading enterprises and pre-eminent entrepreneurs. Mr. d'Aquino assumed leadership of the Council in its formative stages. Upon his retirement from the CCCE as of December 31, 2009, member companies accounted for \$850 billion in annual revenues and \$4.5 trillion in assets. In recognition of his exemplary leadership, he was named by the Council's Board of Directors as a Distinguished Lifetime Member. The Council today is known as the Business Council of Canada.

A native of Nelson, British Columbia, Mr. d'Aquino was educated at the Universities of British Columbia, Queen's and London (University College and the London School of Economics). He holds B.A., J.D. (LL.B.), and LL.M. degrees, and an Honorary Degree of Doctor of Laws from Queen's University, from Wilfrid Laurier University, and Western University. He is the author of *Northern Edge: How Canadians Can Triumph in the Global Economy* and has addressed audiences in 40 countries and in more than 100 cities worldwide.

## Mark Vandebosch

Acting Dean

Kraft Professor in Marketing, Ivey Business School



In 2006, Ivey established the annual Thomas d'Aquino Lecture on Leadership to salute Tom d'Aquino's outstanding contributions to national and international business, public policy, and the volunteer sector. Starting with an inaugural presentation from Tom d'Aquino himself, each year our students hear from distinguished leaders such as Dominic Barton, Global Managing Partner of McKinsey & Company, who delivered the 2017 Lecture.

Dominic spoke about how we are entering into a period of rapid change and uncertainty and, more importantly, how this makes for exciting times for those willing to seize the opportunities. That's a sentiment we share at Ivey as we look at the future.

As a School that is committed to developing what we call "Leadership Essentials" in our students, it is a timely coincidence that we recently launched an initiative examining a similar topic of Dominic's speech: Leadership in an age of disruption. Dominic's insights come from being a self-professed "student of leadership"

and the collective wisdom of the leaders he has met during his career. In a similar way, ours come from roundtable discussions with prominent CEOs and senior leaders in many parts of the world. Through them we are learning about the leadership challenges facing Canada and specific industries and what's needed for forward-focused business education and thought leadership.

We are fortunate to hear Dominic's insights into such relevant topics through this lecture, which is organized by Ivey's Ian O. Ihnatowycz Institute for Leadership. It's an important event for the School that aligns well with Ivey's focus and the Institute's emphasis on leader character. Through it our students get a chance to participate in thoughtful discussions with the very leaders who are transforming the business landscape.

On behalf of Ivey faculty, staff, and students, I want to thank Dominic for his timely message. This kind of experience is at the heart of everything we do at Ivey and the key to leading through disruption.

## Gerard Seijts

Executive Director

Ian O. Ihnatowycz Institute for Leadership



On behalf of the Ian O. Ihnatowycz Institute for Leadership at Western University's Ivey Business School, I would like to thank Dominic Barton for delivering the 2017 Thomas d'Aquino Lecture on Leadership. His lecture, entitled *In the Arena: Leadership in an Age of Disruption*, sent a clear and powerful message both to Ivey students and to leaders from the public, private and not-for-profit sectors in Canada and beyond.

For example, Dominic highlighted four forces that are shaping the future: the shift in economic power; the acceleration in technology disruption; the rapidly aging world; and the need and desire for a new societal deal. Each of these forces is massive in its own right. But combine them, and there is great opportunity ... and risk. In his presentation to the Ivey students, he stated: "There are so many exciting things going on, there are so many frightening things going on. It is a time when we will really need leadership to get through this and have a wonderful time for humanity. You couldn't be in a better place than this School to go through it."

Leadership is the essence of what we do and what we always have done at the Ivey Business School. As educators, we have the opportunity and obligation to thoroughly examine, understand and commit to the development of good leadership. And as such, we must explore a number of critical questions. What good leaders do? Who good leaders are? And how good leaders are developed?

Dominic stated in his presentation to the Ivey students as well as leaders gathered in Ottawa that the bottom line on leadership is not what you know, it is who you are. Character, he told his audiences, is what is going to matter the most in the age of disruption. Their character, values, and the resilience they have to be able to deal with the setbacks and shocks that come into the system in which we operate, are essential for individuals and the organizations they lead. I believe few senior leaders would disagree with Dominic's words. While leaders readily agree that character matters, our research has also shown that they seldom refer to it, talk about it, or use it in meaningful ways in recruiting, selecting, promoting or developing leaders.

The Ian O. Ihnatowycz Institute for Leadership has made research, student programming, and outreach on leader character its distinct differentiator in the vast leadership space at academic institutions. The Institute amplifies the mission of Ivey and assists in cultivating strong business leaders for the 21<sup>st</sup> century through the development of leader character. We are grateful that exceptional leaders such as Dominic Barton help us to elevate the perceived importance of leader character in both individual and organizational effectiveness. We hope that the students and leaders who attended the lecture will take his words to heart as they continue on their own leadership journey.

## Dominic Barton

Global Managing Partner  
McKinsey & Company



Dominic Barton is the Global Managing Partner of McKinsey & Company. In his 32 years with the firm, Dominic has advised clients in a wide range of industries. Prior to his current role, Dominic was based in Asia for 12 years, including Shanghai as McKinsey's Asia Chairman from 2004 to 2009.

He is the Chair of the Canadian Minister of Finance's Advisory Council on Economic Growth and the Chair of the Seoul International Business Advisory Council. He is also a Trustee of the Brookings Institution, and a member of the Singapore Economic Development Board's International Advisory Council.

He serves on the board of FCLT Global (Focusing Capital on the Long Term), a non-profit organization dedicated to developing practical tools and approaches that encourage long-term behaviours in business and investment decision-making.

Dominic is a co-author, with Roberto Newell and Greg Wilson, of *Dangerous Markets: Managing in Financial Crises* (Wiley & Sons, 2002), the author of *China*

*Vignettes: An Inside Look at China* (Talisman, 2007), a co-author, with Dezso Horvath and Matthias Kipping, of *Reimagining Capitalism* (Oxford University Press, 2016), and a co-author, with Ram Charan and Dennis Carey, of *Talent Wins: The New Playbook for Putting People First* (Harvard Business Review Press, 2018).

Dominic has received multiple awards for his business leadership and contributions to the communities in which he has lived and worked. In February 2013, Dominic received the Order of Civil Merit (Peony Medal) from former President Lee of South Korea and, in August 2014, he was awarded the Singaporean Public Service Star (Distinguished Friends of Singapore). He is a Rhodes Trustee and an Honorary Fellow at Brasenose College, Oxford, as well as an Adjunct Professor at Tsinghua University, Beijing.

Dominic graduated from the University of British Columbia with a BA Honours in Economics and completed his MPhil in Economics at Brasenose College, Oxford University, where he was a Rhodes Scholar.

# LONDON



CLOCKWISE FROM TOP LEFT: Dominic Barton delivers the 2017 Thomas d'Aquino Lecture on Leadership at Ivey Business School, London, Ontario; Ivey HBA, MBA and MSc students ask Dominic Barton questions following his lecture; Ivey students; Ivey HBA student thanks Dominic Barton; Ivey faculty attend lecture; Dominic Barton



# OTTAWA



Dominic Barton delivers the Thomas d'Aquino Lecture on Leadership at the National Gallery of Canada in Ottawa, Ontario on October 31, 2017.



# IN THE ARENA: LEADERSHIP IN AN AGE OF DISRUPTION

## INTRODUCTION

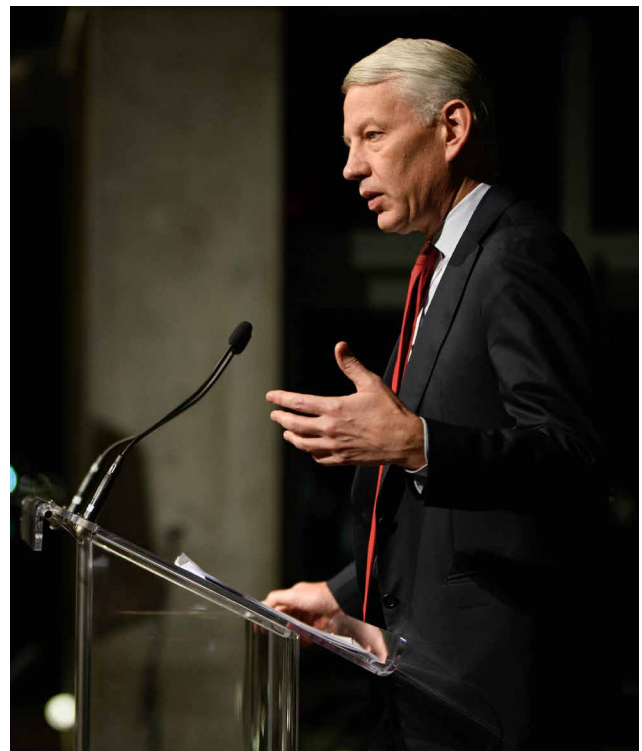
It is an honour to be here today to deliver the Ivey Thomas d'Aquino Lecture on Leadership. As you all know, Tom is a remarkable and dynamic leader who has had a profound impact in Canada through his leadership in many different roles – as an entrepreneur, corporate director, philanthropist, author, and educator. I first met Tom more than 15 years ago in China in his capacity as CEO of the Business Council of Canada. He was leading Canadian CEO missions to that country and connecting Canadian leaders with their Chinese counterparts. Ever since, I have been impressed by Tom's global vision, his commitment to Canada, his sound values, and his passion to contribute to the greater good.

What I would like to do today is talk a little bit about leadership. I am well aware that I stand in front of an audience filled with distinguished leaders – and I am certain there is a lot that each and every one of you could teach me about leadership. With that in mind, I would like to speak from the perspective of a "student of leadership," which I consider myself to be.

I think the current global environment requires especially strong leadership. It is a time of rapid change and uncertainty that is largely being shaped by four global forces. The first is the evolving dynamics of economic growth, marked by a shift in the world's economic centre of gravity back to Asia. The second is the accelerating pace of industry disruption. Technology is disrupting every aspect of our lives, and all companies are having to adapt and become technology companies. The third force is the aging of the world's population – by 2050, the number of people worldwide who are 80 or older will quadruple to 400 million. This has significant implications on workforce participation (there will be less) and therefore, country productivity and GDP growth. As we age, we also become much more expensive, and

this aging of the population has significant implications for government spending. Finally, I think we are all well aware of a search for a new "societal deal." The current system isn't working for a large portion of the population. There is rising inequality and increasing job displacement driven by trade and particularly, technology. These four global forces combine to create a very exciting and challenging time. Now with that broad context in mind, we can start getting into what it takes to be a successful leader in this age of disruption.

One of my favourite quotes about leadership is from former U.S. president Theodore Roosevelt. In 1910, Roosevelt gave a speech at the Sorbonne titled "Citizenship in a Republic." He had left office the previous year and his legacy must have been at the top of his mind.



Dominic Barton



Gerard Seijts

I find that his remarks in Paris captured the fundamental meaning and challenge of leadership:

“It is not the critic who counts; not the man [or woman] who points out how the strong man [or woman] stumbles or where the doer of deeds could have done them better. The credit belongs to the man [or woman] who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deed...who spends himself [or herself] in a worthy cause.”

As you well know, leading an organization – whether it be in business, government, academia or the social sector – is the quintessential experience of being “in the arena.” Since I became Global Managing Partner of McKinsey & Company eight years ago, I have made it a priority to meet with two CEOs or public or social sector leaders every day. This has been one of the great privileges of my role: I have had the fortune to meet more than 3,000 leaders in more than 70 countries. As a student of leadership, I always make sure to ask these leaders one question: What do you wish you had known as a young CEO or leader that you know now?” That is, what would your “experienced self” tell your “younger self”?

The collective wisdom of these leaders has been incredibly valuable to me, and today I would like to share some of their lessons and stories with you in the hope

that they will be equally helpful to you and others. I will speak a bit about the things leaders do, but will then spend the majority of the time talking about who leaders are. I personally believe that leadership is more about the “who” than the “what,” meaning it is less about specific actions and more about the leader’s character.

## WHAT LEADERS DO

When I think about the leaders whom I have seen excel “in the arena,” I find there are four things they all do extremely well. First, they prioritize finding and investing in their people; second, they are able to set a clear agenda and move fast; third, they are able to drive change with the right levers; and fourth, they lead crises from the front.

### 1. FIND – AND INVEST IN – YOUR PEOPLE

I believe managing human capital is more important than managing financial capital. People drive performance.

Shelly Lazarus, Chair of the global advertising firm Ogilvy & Mather, remembers the firm’s founder, David Ogilvy, advising her, “People are the only thing that matters, and the only thing you should think about, because when that part is right, everything else works.”

This starts with getting a strong leadership team. In forging their leadership teams, great leaders move



Michael Wernick

decisively. For example, each term, James Gorman, CEO of Morgan Stanley, asks his operating committee two questions: Which 10 people would you take out of your organization? And, which 10 are your rising stars? It is important to answer those questions fast because delays only hurt the organization and deny the individuals the chance at roles that may better suit their talents.

The second key group of people is your personal board of advisors. In my experience leading McKinsey, I have found that it is tremendously valuable to have access to people you can count on, to challenge your decisions, and to call you out when you've made a mistake. The main reason for this is that when you become the leader of an organization, more people will think your jokes are funny and fewer will give you constructive, direct feedback. You also need your personal board for support. These are people to whom you can go for confidential advice, who can absorb some of your stress, and who can help you manage the pressure.

– a testament to the power of his support. In my own experience at McKinsey, I have found that moving the next generation into leadership roles releases a lot of energy in the organization.

## 2. SET YOUR AGENDA AND ACT FAST

The second thing great leaders do is set a clear agenda early on, and then act on it fast. When we first take on leadership roles, we often feel insecure, but that should not stop us from acting quickly. A leader never has as much power and propulsive drive as when he or she first takes on the role. According to research by the Miller Center at the University of Virginia, American presidents made their greatest impact on policy and their nation's direction in their first year in office. A similar sense of urgency needs to drive a new CEO. As Tom Wilson, chief executive of Allstate, has said, "the hallway looks wide but it narrows quickly."



Dominic Barton

I think, in those early days, it is important to get a clear reading on stakeholder expectations, but then to quickly shift the focus to what you believe you need to do rather than what others want. Personally, I spent the three months prior to starting my role as Global Managing Partner meeting with more than 200 McKinsey colleagues and some 50 CEOs. Those conversations helped inform both our leadership team's strategy and how we went about implementing it.

You also need to develop a clear point of view on the internal and external context.

The third key group of people you need is the pipeline of future leaders. I have learned that great leaders waste no time in identifying the next generation of their organization's leaders. The Chief Executive Officer of a company must also be its Chief People Officer. For example, KV Kamath, Chairman of the New Development Bank based in Shanghai, has made it his mission to maximize opportunities for others, especially women. KV has been an important mentor to at least five women who are currently CEOs of major companies in India

Great leaders are acutely aware of the context in which their organizations operate, which enables them to develop strategies that are tailored to succeed in that context. Analyzing the context also helps in developing a distinctive perspective – a kind of personal map of the world. When I started my new role, our firm undertook a major research effort to understand how the global economy was evolving. I still carry a one-page "cheat-sheet" that summarizes the core global forces this research highlighted.



Dominic Barton in London, Ontario

When setting their agendas, great leaders adopt an outsider mindset to assess their organization's current situation and future prospects. By this I mean a perspective that is unencumbered by internal loyalties or biases based on their experience. Back in the 1980s, Intel's CEO Andy Grove famously asked his co-founder Gordon Moore, "If we got kicked out and the board brought in a new CEO, what do you think they would do?" The answers to this question led them to make moves that reshaped the company's strategy.

Once the agenda has been set, you need to have a clear leadership style and demonstrate it in a visible manner. While it is your actions that will ultimately determine how effective you are in your role, having a well-defined vision of who you want to be is a critical first step. In my case, I tried to be open and externally oriented, starting a fortnightly blog post, for example, and taking on select roles outside our firm. I also thought it was important to increase the intensity and speed of our decision-making and action – what we call the metabolic rate. I decided I would meet with two CEOs every day, make decisions quickly, and respond to emails about key initiatives within 24 hours.

Finally, I find that when acting on their agendas, great leaders are somewhat bloody-minded. This is true even in their early days, when their leadership instincts are still developing. If you waffle, you will miss the window to set a new direction. It is worth taking the chance and being bold from the start. I have rarely heard leaders say they wished they had delayed an important action.

### **3. DRIVE CHANGE WITH THE RIGHT LEVERS**

Now that I have spoken about people and acting decisively on your agenda, I'd like to touch on the way leaders are able to drive change – which can be incredibly difficult, especially in a large organization. The leader must know exactly which levers to pull to execute a successful transformation. These levers will vary depending on the organization's performance context and its culture, but the one thing that will always be necessary is full commitment from the leader.

I learned a lot about this from Roberto Setubal, former CEO and current Chairman of the Board of Directors of Itau, Latin America's largest bank. Roberto led major changes while leading Itau, including an important shift to digital. When I asked him what he thought he had done well in leading such a successful transformation, Roberto emphasized the importance of his, and his leadership team's, unfailing determination to execute the plan. You have to be "very committed to what you are going to do," he told me. "You have to be persistent and brave at the same time." McKinsey research backs him up, showing that transformations are up to five times more likely to succeed when CEOs are actively involved and serve as role models.

Culture, in particular, takes a very long time to evolve, so how you push the change needs to suit your organization's specific situation and heritage. In my case, I have found that McKinsey responds to "jolts" to the system. I tried to deliver such a jolt at our 2012 Partners

Conference, a gathering of all 1,000-plus partners in the firm that took place in Berlin. I laid out what came to be called “the Berlin Six”: imperatives for each of our partners, ranging from spending four out of five days each week with client executives to bringing the full breadth of our capabilities and innovations to clients. The initial reaction was negative, but over time the result has been dramatic: more than 50 per cent of the work we do today involves capabilities we did not have five years ago.

Another important part of readying the organization for change is signaling that things are already moving in a new direction. It isn't enough for you to feel a sense of urgency and desire to change – you have to visibly exude it. I fully agree with the advice one leader gives in a recent report from CEO Academy: “Find three to four quick wins to pivot the organization, and make a statement that you're going to move quickly and decisively.”

#### 4. LEAD CRISES FROM THE FRONT

The fourth and final thing I'd like to highlight that great leaders do is the idea of leading crises from the front. I think the way you deal with crises can be a key determinant of your broader success as leaders.

I became Managing Partner of McKinsey in July 2009, right on the heels of the financial crash, and within months faced one of the largest crises our firm has yet faced. That October, we learned that Anil Kumar, a Senior Partner, was arrested in conjunction with an ongoing U.S. insider-trading investigation. The following year, Rajat Gupta, a former Global Managing Partner, was charged as part of the same investigation. Ian Davis, my predecessor at McKinsey, has a rule of thumb: “You can expect at least one potentially career-threatening event a year.” These situations are chaotic and traumatic, and require you to perform at your best when you are privately feeling at your very worst.

It is under these extraordinary circumstances that a person's true character and leadership ability are revealed. One of my heroes is Luis Urzua, the leader of the 33 Chilean miners who were trapped below surface in the Atacama Desert for 69 days. Within minutes of the collapse, he established rules that were crucial to the survival of his men, such as ordering that the mine's stash of emergency food be rationed into minimal portions. A modest man whose leadership skills had earlier gone unnoticed, he built consensus and trust, put the group's well-being before his own, and exerted influence beyond his ostensible authority.



Huguette Labelle and Thomas d'Aquino



Gordon Campbell and The Right Honourable Joe Clark



The Right Honourable Beverley McLachlin

When faced with a difficult situation, a true leader “goes to the sound of gunfire” – an aphorism that I read from Peter Nicholson (on what Napoleon would say to his generals) that to me implies both being at the forefront of the crisis and not shying away from making decisions. This involves mobilizing quickly, because a strategy that is 60-per-cent baked but gets you out of immediate danger is better than waiting for the perfect answer. It also entails engaging with your stakeholders immediately. As the leader, you can’t delegate these conversations. I made more than 85 calls to CEOs that weekend in October when we found out about Anil Kumar’s arrest. The foundation of goodwill we had built with clients over the years – a kind of trust bank – proved invaluable during this time. “Personal and long-term relationships are what get you through crises,” says Vittorio Colao, CEO of Vodafone. “Relationships are resilience.”

It’s also important to seize the opportunity in crisis. Crises are opportunities. In my own experience, the conversations with clients about our difficult period strengthened our relationships with many of them – they saw us as being “in the arena” with them, dealing with our own challenge instead of just advising them on how to handle theirs. These discussions also became opportunities to get their broader feedback on our direction.

Once we had received their input and prioritized the changes we wanted to make, we used the crisis as an opportunity to kick off the implementation of these changes. During crises, there is a “burning platform” that

makes an organization more receptive to bold changes. In our case, we were able to accelerate the development of our new capabilities and the changes we wanted to make to our talent model, such as cultivating people from more diverse backgrounds.

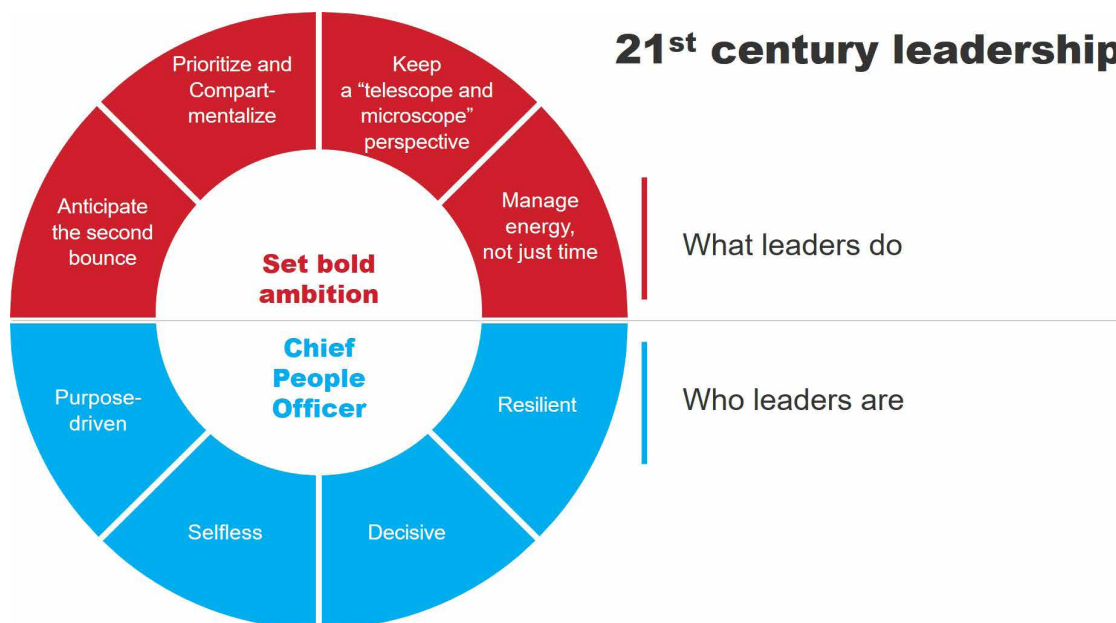
To briefly summarize, when I think about the leaders whom I’ve watched excel “in the arena,” I find there are four things they do extremely well: they prioritize finding and investing in their people, they set their agenda early and act fast, they drive change with the right levers, and they lead crises from the front.

## WHO LEADERS ARE

While I certainly believe in the importance of understanding what leaders do, I find it even more critical to understand who leaders are. This is ultimately what matters most. When I think about who leaders are, there are four key traits that come to mind. First and foremost is character, which is the foundation; the second is judgment; the third is inspiration; and the fourth is ambition. I would describe these four traits as ideals I have aspired to. It goes without saying that I have not mastered these qualities, but I have found them to be crucial to leading effectively.

### 1. CHARACTER

I start with character because I really believe that character is the foundation upon which all the other essential traits are built. To me, character is one’s ability





FROM LEFT: Stephen Poloz, Governor of the Bank of Canada, Dominic Barton, Thomas d'Aquino, Gerard Seijts, Mark Vandebosch

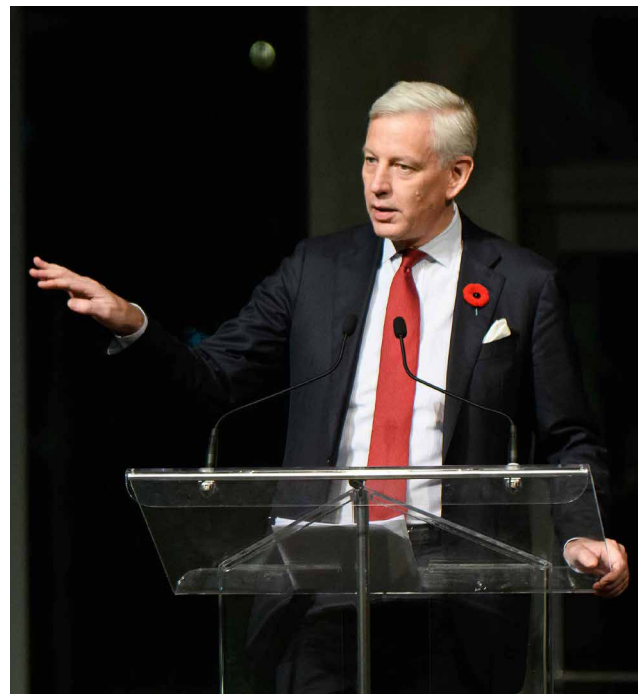
to do what is right and not compromise on values or integrity. This is especially important and difficult in high-pressure situations, which leaders in the arena often face.

Having strong character means being selfless. This selflessness is often expressed through small things. It is about saying “we,” not “I.” It is about treating everyone you meet with respect. It is about standing to the side when a photo is to be taken and letting your team take centre stage. One of our former Managing Partners at McKinsey is a great example to me on this front. He was known to be very kind and patient with the night guards in our New York office. While some younger colleagues would complain and get annoyed by the security processes, he never gave the staff a hard time. In fact, the security guards had no idea that he was the Managing Partner – they simply saw him as a kind and humble person who treated them with respect.

During a recent trip, I was reminded of the importance of treating everyone you encounter with respect. Just two weeks ago I travelled to London, Ontario, for “part 1” of this Thomas d'Aquino Lecture at the Ivey Business School. I was coming off a long flight from South Africa and as I entered the airport, my hair was all over the place, I had hundreds of unread emails in my inbox, and I felt like I really needed some quiet time. I met the driver who would take me to my hotel, and I quickly opened the back door of the car to take a seat. The driver suggested I take a seat in the front, and I decided the path of least resistance was to follow his suggestion. I was getting a little frustrated at the idea of having a chatty driver who wouldn't give me the down time I needed. As soon as we drove off, he asked me about the key business trends I was seeing based on my meetings with business leaders across the world. I felt an impulse to reject his interest in having a conversation, but I reminded myself

that I didn't know where he was coming from, he had kindly picked me up at the airport, and he could certainly have a valuable perspective to share. It turned out that the person who I had thought was the driver was Eric Morse, a professor of entrepreneurship at Ivey. We ended up having a great conversation, with Professor Morse sharing insightful perspectives. I learned from him, and really enjoyed getting to know him. That situation was a poignant reminder to me of the importance of treating everyone we come across with respect – whether it be a taxi driver or the CEO of a Fortune 100 company.

I have found that leaders who are selfless always manage to stay grounded – that is, they stay connected to everyday, real life. When you assume responsibility for an organization, both the risk and the ramifications



Dominic Barton



Laura Peck



Goldy Hyder

of losing touch grow enormously, so leaders often develop their own ways of staying grounded. Tan Sri Dato' Azman Mokhtar, Managing Director of Malaysian Sovereign Wealth Fund, for example, instituted a practice called "Kambara" whereby senior leaders spend a week travelling across the country – via public transit and staying in modest accommodations – visiting local businesses incognito to witness how the Malaysian economy really functions.

To me, being grounded ultimately means embracing servant leadership – leading from a desire to serve your organization and the people in it rather than from a need to assert your power or authority. Max de Pree, former CEO of Herman Miller, once said, "The first responsibility of a leader is to define reality. The last is to say thank you. In between, the leader is a servant." These are words that all leaders should live by.

Beyond being selfless, having a strong character also means being resilient. One CEO once told me that "people can have 99 out of the 100 characteristics needed to lead, but if resilience is the one that's missing, you can't do the job." An important aspect of resilience is the idea of absorption: the ability to take in the whirlwind

of emotions around you and calm the organization rather than amplifying your colleagues' stress. Resilient leaders keep their cool; they are patient and are able to compartmentalize. Ted Kelly, former CEO and Chairman of Liberty Mutual, often faced more than six significant problems each day. He learned to "compartmentalize" them as distractions that he could temporarily tune out – like "plates spinning behind my head, while I am speaking to you" – as he put it. Ted could be completely focused on your conversation and not be distracted by those other issues.

Finally, having strong character means being authentic. This means that you do what you say, and people know who you are. It means you are consistent in the way you behave, you never put up an act, and people learn to understand and respect you as you truly are – both your strengths and, importantly, your weaknesses. I have found that authenticity is intimately connected with trust – people may not agree with all of your decisions, but they need to understand exactly what you stand for. If they don't think you are being authentic, you will lose their trust and followership immediately.

## 2. JUDGMENT

The second essential trait is sound judgment. I define this as the ability to weigh different options, gather input from multiple sources, and then ultimately make the right decision about people, about strategy, and many other key issues. Judgment is really critical in a leader because the higher you rise in an organization, the more difficult the decisions you face become. In fact, many of the key decisions leaders face are "right versus right" choices – decisions in which both options have merit, but you must pick one over the other. This naturally involves making difficult trade-offs. In such situations, when there isn't a "right" and a "wrong," a playbook, or precedent to guide you, judgment comes into play.

I would say the most important decisions we make as leaders concern people. Learning to identify those people who have the capabilities, energy, and character to move an organization forward is an art that is very difficult to master. Furthermore, judgment doesn't just entail making the right decision, but making it at the right time. When I ask leaders what they wish they had done differently, one of the most common answers is that they would have moved people up faster, moved others out sooner, and spent more time coaching talented colleagues. Alex Gorsky, CEO of Johnson and Johnson, says that he's



“never made a decision to move someone out of their role and thought, ‘I wish I’d waited another six months on that.’”

Judgment also means knowing yourself – that is, understanding your weaknesses and surrounding yourself with other leaders who complement you. One of the best pieces of advice I have ever received came from my last evaluation as partner prior to starting my role as Global Managing Partner. I was in Shanghai and my evaluator came to see me in my office. He said, “Dom, we are going to have dinner tonight, and I am going to give you some feedback. About five per cent of it will be positive, and the other 95 per cent will be negative. Now, the negative feedback won’t just be about things you don’t do well. It will be about things you will never do well.” I wasn’t sure how he expected me to react to that message. It turned out his feedback and advice were tremendously valuable to me. He was able to identify the things I was good at and loved doing but, more importantly, he helped me see my weaknesses and the things I didn’t like to do. He recommended that I put on my team people who not only did well those things with which I struggled, but actually loved doing them. Initially, I found this very hard because our instinct as leaders is to take full ownership of all the different responsibilities that leading an organization entails. But I followed his advice and quickly learned that this was critical – both for me personally and for McKinsey.

### 3. INSPIRATION

Now that we have talked about character and judgment, I would like to touch on inspiration. When I say inspiration, I mean a person’s ability to unleash the talent and energy of the organization – to make people feel confident and motivated. This matters because it is impossible for leaders to meet every challenge, see every opportunity, and manage every situation by themselves. The highest-performing organizations are those with the highest number of people who are empowered to think as leaders themselves.

Your judgment may tell you to surround yourself with great people, but without inspiration, you will never elicit their full potential. This is not about presiding or managing, it is about releasing latent energy – it is about guiding people, not controlling them. Tom Linebarger, Chairman and CEO of Cummins, treats this as his most important job. He spends a large portion of his time leading training and leadership development sessions for employees at all levels – he firmly believes there is no better investment of his time as CEO. In these sessions, Tom is very mindful of communicating in a way that makes people feel energized and connected to the company’s broader mission. This requires being very dynamic, because a frontline worker certainly cares about different things than a top executive. I once asked Tom what he thought was the key for companies to stay



Dominic Barton receives questions from the audience.

ahead of rapid change and disruption. He answered simply, “There is no substitute for good leadership and an inspired workforce.”

Every leader will inspire in his or her own way. Some are great at delivering speeches to large audiences, others are much more effective in one-on-one conversations. But every time the people in an organization interact with a great leader, they feel better about themselves, they have more confidence, and they see a new horizon. I have a mentor who is so good at this that even when he gives me negative feedback, I feel good about myself and walk away with positive energy.

#### 4. AMBITION

I would now like to turn to the fourth and final essential leadership trait: ambition. By this I don’t mean personal ambition but ambition for your organization.

I keep a copy of a speech called “High Ambition” on my desk that was given by Alison Richard, the former Vice Chancellor of Cambridge University, at the start of her second year in her role. I’d like to read an excerpt to give you a sense of the powerful message she conveys.

“Who will be ambitious on our behalf if we are not ambitious for ourselves? We cannot take Cambridge’s greatness for granted even after 800 years. We must tend it with care and energy, and ambition must translate into tasks.”

When I read this speech, I thought, “Well, if this message applies to Cambridge, an institution that is 800 years old, it certainly applies to McKinsey, which is just over 90 years old.” This is why I often tell our partners – and myself – that as the external environment changes ever faster, we must ensure that McKinsey’s metabolic rate matches this pace. To be ambitious, you have to have a sense of urgency.

To keep up with this rapid pace requires a lot of energy and stamina from the leader. For me, it’s been very valuable to learn how to manage my energy, both physical and psychological, and to understand what activities give me energy and which ones drain it. Once you’ve understood that, you can make sure that your daily and weekly agendas are well balanced.

While ambition can take on many forms, I’d like to highlight two that I find are broadly applicable and very important in today’s context. The first form of ambition pertains to broadening your organization’s horizons. By

this I mean pushing your organization beyond its comfort zone by taking bold and visionary actions. This can range from penetrating new geographic markets to developing innovative capabilities to cultivating people with different backgrounds. The second form is about raising your organization’s standards – raising the bar to develop true distinctiveness in prioritized areas. One of our former Managing Partners put this well when he pushed our partnership to strive for the hallmark of “only McKinsey can do this.”

## CONCLUSION

To close, I’d like to come back to the question on ambition posed by Cambridge’s Vice Chancellor Alison Richard. I stand in front of a group of tremendously capable and influential Canadian leaders from government, academia, business, and the social sector. I think her question applies to every one of us in this room: “Who will be ambitious on our behalf if we are not ambitious for ourselves?” It is on us to answer this question. And I think we should be ambitious not just for ourselves and the organizations we lead – we should be ambitious for Canada.

It has been an honour speaking to you today. I hope these lessons that I have learned as a student of leadership will serve you as well as they have served me.



Marc Mayer, Director of the National Gallery of Canada

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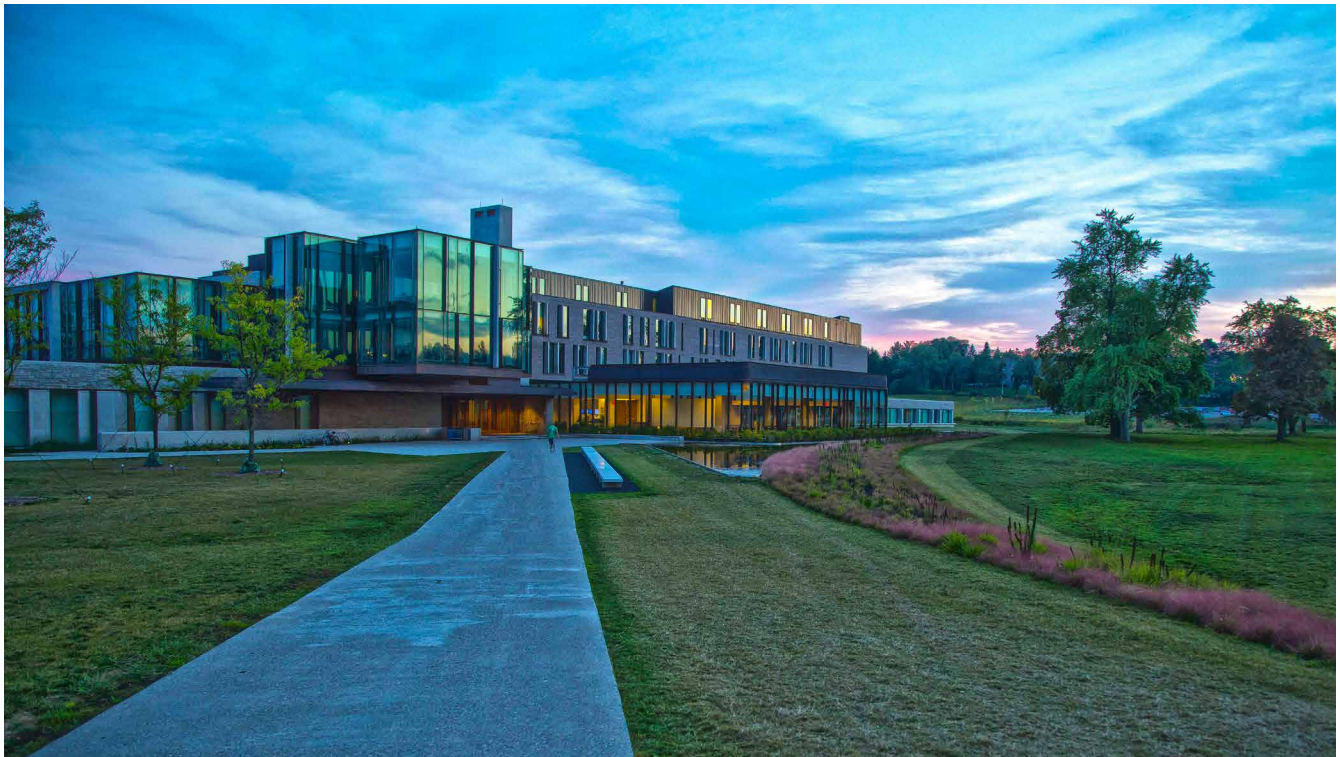
Since the inception of the Ian O. Ihnatowycz Institute for Leadership in September 2010, we have been at the centre of leadership thought, inquiry and education into what makes a better leader. Beginning with our multi-disciplinary examination of the leadership failures and successes relating to the global financial crisis of 2008-2009, we have made research, teaching and outreach on leader character our distinct differentiator in the vast leadership space. We strive to make leader character relevant, accessible and useful to participants in our degree-granting programs as well as leaders in the private, public and not-for-profit sectors. Our activities in these areas will not only attract better candidates for our programs but also help design and deliver leadership experiences that will positively contribute to the development of leaders.

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