

People & Organizational Performance Practice

The ‘inside out’ leadership journey: How personal growth creates the path to success

In a new book, four McKinsey senior partners show why leaders must connect with themselves first before they can inspire and empower their organizations.

by Dana Maor, Hans-Werner Kaas, Kurt Strovink, and Ramesh Srinivasan



Thousands of hours spent working closely with CEOs and other leaders of top corporations and nonprofits have revealed a fascinating business phenomenon: many leaders who have mastered all the right executive skills, including financial acumen, strategic and operational management, and system thinking, still struggle to link their aspirations with the actual performance of their organizations.

After a careful analysis of what was holding back these otherwise talented executives, we concluded that on a deep psychological level they were not reflecting enough about how to become a more human-centric leader who is able to connect authentically with themselves and their teams. That core insight is what led us to write our new book, *The Journey of Leadership: How CEOs Learn to Lead from the Inside Out* (Portfolio, September 2024).

Our experience and research demonstrate that leading from the “inside out” is the key ingredient to making a lasting impact with teams and the broader organization. This inside-out journey is nuanced and complex. It calls for personal growth, which means you must constantly be learning, listening, inspiring, and caring. Leadership is not only about those seemingly endless business-related tasks you need to take care of when you’re an effective CEO. It’s just as important to be aware of who you are, and what your shortcomings are, so that you can first change yourself and then lead others.

For over a decade, we have worked with more than 500 CEOs (including leaders of Fortune Global 500 corporations who have participated in our Bower Forum CEO leadership program). We’ve discovered that leaders have no trouble defining or acquiring the logical, tangible skills of leadership. However, when we asked how they can use these hard skills

along with soft skills—being more self-aware, humble, vulnerable, resilient, confident, and balanced—they are less sure.

We’re not suggesting that leaders abandon their hard-nosed leadership skills. The challenge is to balance those attributes with their so-called soft leadership skills (sometimes the most difficult to muster). This is a journey often traveled without much help or guidance. Some of the best leaders we have worked with said they were simply born with those qualities, while others said they were fortunate to meet some great personal coaches along the way. But no one could point to a clear road map to becoming a more human and authentic leader.

While most executives don’t spend enough time thinking about how their personal attributes inform their leadership skills, when they do, the results can be remarkable. Over the years, we’ve seen that the best leaders learn to become more self-aware and reflective. They realize that what’s holding them back as they push themselves and their organizations ahead is their own psychological conditioning, which is rooted in the very habits and behaviors that got them where they are.

A new kind of leadership

Of course, for many of the CEOs we’ve spoken with over the years, the world is likely a very different place from when they started their careers. There was a time in business when investors, boards, and the business press worshipped the imperial CEO. Larger-than-life leaders such as GE’s Jack Welch or Chrysler’s Lee Iacocca were household names. These all-knowing, tough-minded individuals made frequent appearances on television talk shows and wrote best-selling books. Their employees expected them to have all the answers.

The imperial CEO is no more. The world is now so complex and uncertain, and the pace of change so furious, that today's leaders can't possibly have all the answers. They are the nexus through which all business tensions flow—short-term goals and long-term strategy, social purpose, sustainability commitments, and financial performance, cultivating talent but letting people move on when the time is right, to name a few.

It is therefore imperative for leaders to develop the inner resources to navigate the demands of their many stakeholders in a fast-changing world. When leaders work on their resilience, empathy, humility, versatility, and authenticity, they are pursuing that inside-out personal growth that leads to human leadership. The challenge is to develop these attributes in tandem yet call on them in the right combination for whatever situation arises.

The essential prerequisites for this journey are self-awareness and self-reflection, which enable leaders to engage and inspire their colleagues and teams. Only then can they jointly navigate competing views and choices and find the confidence and clarity to make the right decisions. This is the kind of step-by-step reinvention of leaders that we practice in our Bower Forum CEO development program.

Sooner or later, every leader encounters a moment when they realize that success has as much to do with leading themselves as it does with leading others. At that crucial moment, they switch from the traditional leader they thought they should be to one who adopts a human leadership approach. They start learning and growing to meet the demands of their position and to fulfill their boldest aspirations for their organization, their teams, and themselves.

This shift to a more open form of leadership is happening because circumstances demand it. Today's leaders must master complex issues such as digital transformation, inflation, disrupted global supply chains, scarce talent, a lack of diversity, cybersecurity, and climate change, as well as an awakened search for purpose among employees. This means that no one person, no matter how brilliant or capable, has the experience, knowledge, or temperament to tackle all these challenges alone.

Leading alongside AI and gen AI

There's another reason why human leadership has become so crucial to organizations these days. With the rapid onset of artificial intelligence (AI) and generative AI (gen AI) in the workplace, an increasing number of routine and analytical management tasks such as market analysis, project management, budgets, customer service, decision making, and fact-finding will be completely or partially handled by AI algorithms, assuming the software keeps improving. If you are a leader with strong soft skills who is also great at numbers, planning, and analysis, your contribution as a leader might be threatened.

From now on, the differentiating factor will be human leadership that gives people a sense of purpose, inspires them, and cares about what they want to achieve. Many employees today believe that much of the technical and analytical guidance they need is more easily obtained from AI solutions. Indeed, a survey conducted by the research firm Potential Project found that employees already have more confidence in AI than in their human bosses in certain areas of leadership and in the management of certain tasks.¹ Why not, if they can get the job done without feeling neglected by their manager?

¹ Rasmus Hougaard, Jacqueline Carter, and Rob Stemberge, "The best leaders can't be replaced by AI," *Harvard Business Review*, January 12, 2024.

Tapping into AI and its various aspects alone, however, will not lead to high and sustained performance. What employees long for in their leaders is development, experience, care, empathy, authentic engagement, and wisdom.

The best companies will combine the analytical advantages of AI with leaders who have excellent people skills to propel their organizations to new heights. AI can offer a twofold benefit. By supporting or replacing analytical and technical tasks, it can free up more time for leaders to spend on human leadership. Second, AI can provide analytical and results-oriented insights on the effectiveness of human, hard-skills-centric leadership, giving leaders constant feedback on the effectiveness of their leadership style.

A leadership approach that embraces a human-centric model, while leveraging AI, gen AI, and advanced leadership development offerings, can help CEOs succeed in their jobs and pay off financially. That's because when human capital is managed the right way, the results translate straight to the bottom line.

According to a McKinsey Global Institute study of 1,800 large companies across sectors in 15 countries, businesses that focused on human capital development in addition to financial performance were roughly 1.5 times more likely than the average company to remain high performers over time and have about half the earnings volatility.² In fact, when the COVID-19 pandemic hit, they maintained profitability and increased revenues twice as fast as companies that focused mainly on financial performance.

Cultivating inner and outer worlds

Learning, growth, and self-reinvention start with introspection.

Leaders first need to examine their inner selves and overcome their own barriers and biases. What is it you really want to accomplish? What behaviors do you want to model? What assumptions are you making—including about yourself—that stand in the way? This introspection requires leaders to assess situations in an unbiased manner, which will mean listening deeply to a network of stakeholders, including coaches, who can reflect the leader's own needs back to them and offer advice.

With that inner work done, leaders can then more effectively navigate the competing demands on them to unleash the potential of individuals, teams, and systems. They can engage teams in a thoughtful and aspirational plan for change, get them to speak truth to power, enable them to be flexible when unexpected circumstances hit, help them feel a sense of purpose, and encourage them to go the extra mile to make the business a success.

In our work with CEOs, both at the Bower Forum and in other engagements, we've witnessed many success stories of leaders who followed this inside-out approach and reinvented themselves as human-centric leaders. These personal stories, which we go into more detail about in the book, include the following:

- the president of a media company who cultivated “truth tellers” at every level of the organization

²“Performance through people: Transforming human capital into competitive advantage,” McKinsey Global Institute, February 2, 2023.



- the head of a pharmaceutical company who used a deep learning technique to predict the severity of the COVID-19 pandemic, which gave his company a jump on producing a new vaccine
- an admiral, leading US special-operations forces, who trained his teams to respond to changes in the terrain rather than stick to a preconceived plan
- the head of a major hospital who succeeded in leading his employees by connecting with them on an emotional level
- the CEO of a global automotive company who took the time to learn more about his top executives—their life stories and personal issues—before coaching them

Our ultimate goal is to encourage CEOs and other leaders who focus on financial performance to unleash their leadership potential in broader ways—to become someone who can see multiple

possibilities for personal and organizational growth and generate holistic impact for all stakeholders. We invite command-and-control-minded executives to see the possibilities of acting as more human leaders and partners who collaborate in empowered networks.

We hope to help leaders who rule and control through their own sense of certainty switch to a mindset of self-awareness and self-reflection, combined with deep and fearless learning and discovery. And, finally, we'd like to persuade them to see the world in all its wonderful diversity and to be their best, authentic selves.

Some of the most successful CEOs we know have embraced the importance of the human side of leadership and have taken the time to go deep within themselves to build that capability. We believe this approach will be valuable to many others in all types of organizations as well.

This article is adapted from The Journey of Leadership: How CEOs Learn to Lead from the Inside Out (Portfolio, September 2024).

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