Does leadership matter?

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We always assume that a management team makes a difference when it comes to business success. Does it truly contribute to success? How much? Where is the scientific evidence? As a member of such a team you would argue that there is a positive correlation - of course.

But, this intuitive relationship is not easy to understand. In our world of thinking, we relate leadership and systems to culture, and culture directly to success. We call it the Performance Triangle.

Going through a couple of scientific publications, we conclude:

Success = f (Leadership (Style, communications, decision making) + Systems (Operating constraints, decisions on the design of controls, principles, choice of strategy, structure, culture and capabilities) + Opportunities/Risks (Endogenous factors - unsystematic risk - those things that an investor can diversify away) + Serendipity). Culture cannot be influenced directly. It is the outcome of leadership and systems.

How much of success do these factors explain? We don't exactly know. But, we think that most of what matters is in there.

Does management make a difference - it can! We know that ...

- Good leadership ensures that employees are successful.
- Good leadership establishes the systems that support good decision making.
- Good systems enable good leadership without bureaucracy.
- Leadership and systems establish over time a successful culture.

How well does your management team do?

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