The Myth of the Brilliant, Charismatic Leader

By Raffaella Sadun

It's been a trying couple of weeks for management scholars. The FTX debacle is an almost unbelievable story of lack of controls — worse than Enron, according to the executive appointed to steward it through bankruptcy. Elon Musk's Twitter takeover is equally vexing, from his chaotic approach to layoffs to his aimless product launches and retractions, to his incessant tweeting. And then of course there's the conclusion to the Theranos story, with Elizabeth Holmes sentenced to 11 years in prison.

These stories have something in common. Each combines unique and flashy leadership styles with an egregious disregard for actual management practices.

The issues at FTX are too numerous to recount, but a central one is a complete lack of monitoring and accounting, as Matt Levine described last week. Accounting is not the sort of thing that gets you on the cover of Fortune, but proper monitoring of a company's activities and its finances is a central part of good management. At FTX it was seemingly ignored. How could the company grow so much in the absence of any basic management systems? The sad truth is that investors and customers probably assumed that the company could be effectively run on the charisma and vision of its "unique" leadership team.

The Twitter saga is even more intriguing, punctuated by Musk's constant tweets, product launches and retractions, massive layoffs and then rehiring, and a ban on remote work retracted within one day. This is again a story of a CEO who proudly shows a complete disregard of the basics of management and an almost unlimited faith in the magic effects of his leadership and intellect. At Twitter under Musk, there also seems to be little respect for basic HR. Musk has struggled to motivate and retain his staff; even putting aside the possibility that he was hoping to encourage resignations, his proclamations have turned off even many of the staff he was hoping to retain.

What can we learn from these companies? They are both ongoing, but thus far it seems that these firms have fallen victim to an all too popular belief that "superhero" leadership trumps boring management. This is wrong, in at least two ways.

First, the evidence is clear that boring management matters and it is a source of competitive advantage for the companies that take it seriously. My research, with colleagues, has shown that management practices vary quite a lot within industries and around the world — and that companies with good management are significantly more profitable. Subsequent experimental research has confirmed that good management improves firms' performance.

What is good management? There's no single, comprehensive answer. But in our research we focus on three facets: target-setting, incentives, and monitoring. Well-managed companies set reasonable, strategic goals; set their staff up to contribute to them; and measure their progress. Call it boring if you like — I call it good business.

Another problem with the superhero theory is that it oversimplifies what good leadership looks like. Consider the current debate over Elon Musk. To his fans, Musk's success at Tesla and SpaceX and PayPal proves he's a great leader. To his critics, the mayhem at Twitter proves the opposite.

That's too simplistic. Research shows that CEOs do matter to a company's success, but their contribution is about more than vision and intellect, and it depends critically on context.

Based on my research on the CEO's role, I think about leaders' contribution to a company along three dimensions. The first, which I call "vertical differentiation," is the most familiar: Some are smarter or more strategic or more knowledgeable or more charismatic. They are "better" suited in some broad way for the role. For example, a study of Swedish CEOs found that the median head of a large firm was in the top 17% of the population in IQ. This is, roughly, the sort of stuff underlying the online fights about Elon Musk: Is he a visionary genius or a deranged incompetent? But it's only one part of the story.

CEOs are also horizontally differentiated, by which I mean they possess a variety of different skills and knowledge and leadership styles, which fit better or worse in a particular industry or situation. A former general might be great at leading military operations but a poor fit for the CEO job at a software startup, and vice versa. Bob Iger's unexpected return to Disney can be seen as yet more evidence of how important "fit" is to success in the top job.

Finally, there is the additional complication that the value a CEO adds is not just a function of what they do individually, but the extent to which they are able to influence what other people in the company do. Successful CEOs influence and motivate their teams, and that is essentially a social skill, not a question of vision or intelligence. My research has documented that those C-suite social skills are in high demand.

The superhero narrative simplifies all discussion on vertical differentiation, because it's fun to argue over and it's a simple story to tell and write cover stories about. The other two factors — context-specific skills and ability to influence an organization — are much harder to discuss and not that fun to write about. But when people pay too much attention to the first factor at the expense of the other two, they make bad recruitment choices and bad investments.

How would this three-part assessment differ from the superhero story when it comes to Elon Musk and Twitter? It would complicate the debate that both his fans and his critics seem to be having and instead would go through the three factors mentioned above. Rather than arguing solely about whether Musk is a good CEO in general, we can ask whether he has the skills and experience necessary for running a social media platform — and whether he'll be able to motivate and manage the team that's in place. It's perfectly reasonable to think, for example, that Musk is an above-average CEO, not particularly well suited to running a social media platform, whose behavior in the run-up to his Twitter takeover ensured he would not be able to influence the people that he needed to in order to succeed.

This view of leadership is harder to put on magazine covers, and it is therefore often forgotten. But ignoring the complex relationship between leaders and their organizations is bad for investors, consumers, and ultimately for managers and CEOs, too.

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