

## **The Selection and Development of Strategic Executives**

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Over the past two decades, many organizations have experienced the realization that the incumbents of top leadership positions are unequipped for current organizational demands even though much attention was given to their development, and sophisticated succession planning processes or help from top executive recruiting firms were used. These people performed well in other positions, including senior executive assignments, but they fell short of organization needs at the pinnacle of their careers. How can this be avoided in order to provide more success for top leaders and, therefore, greater organization success?

In order to address these questions, we propose that organizations are well served by differentiating Strategic Executives from others who have an executive title. Often the terms executive, vice president, senior vice president (or Senior Executive, etc. when focusing on the public sector) are acquired by attaining a particular salary grade in the compensation system. Attainment of that salary grade may be based on individual contribution as a specialist (e.g. attorneys or information technology specialists) or on the scale of the organization managed (e. g. based on revenues or numbers of employees). Sometimes an executive title is given to someone who deals with the most critical customers or stakeholders. Titles may also be bestowed with the intent (often short-lived!) of expressing appreciation or resolving personnel problems. The result is that people with similar titles are often in the same succession and development processes

which are intended to produce the future top leaders of the organization.

The truth is that some executives are more critical than others in the development of organization strategies. In fact, many people with executive titles are not involved in strategic organization leadership. A book by Ann Howard and Associates describes strategy as "...the whole set of decisions that are made about how the organization will configure its resources against the demands, constraints and opportunities of the environment within the context of its history."<sup>1</sup> Strategic executives determine the mission and vision of the organization, how it is financed and how it expends resources to achieve the larger organization purposes within the organization's social, political, economic and industrial or core work environments. Many executives carry out the strategy but only Strategic Executives create, adapt and oversee it.

The basic premise of Strategic Executive Development is that the competencies required for top management are driven by the organization's strategy.

This is a future-focused, not present-focused developmental process. It is done to keep the future organization viable no matter how well key executives can perform in the present business conditions. The Chairman (or Chairman's Committee) is the owner of this process because it is at this level that the future business scenarios and strategies are being created.

Implementation of this process is unique for each organization since each one has its

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<sup>1</sup> Diagnosis for Organizational Change, Ann Howard and Associates, The Guilford Press, New York, 1991

unique business and organizational situations.

Both mature and young companies benefit from Strategic Executive Development. Since it is built upon clearly articulated business scenarios and corporate strategies to deal with them, the process ensures that this level of strategic planning is done and maintained. The process can start with a review of that work or can be a stimulus to create it. Mature organizations sometimes lose this discipline and are often desensitized to the critical nature of this work after it has become part of the periodic planning activity. Young organizations often neglect this work in the struggle for survival or growth. In either case, well conceived business scenarios and strategies are the foundation of success. Since the identification and development of strategic executives is so critical to organization success, young organizations have a great opportunity to create the desired executive cadre at an early point which gives them a competitive advantage. Mature organizations will often face difficult decisions (e.g. who is/is not a Strategic Executive and what to do with Strategic Executives who don't have the requisite competencies for the future). However, they will more likely address rather than avoid these critical issues if Strategic Executive Development is used.

The corporate strategies developed to deal with anticipated business needs provide a basis for describing the work of Strategic Executives. For example, a mature

organization that has held a secure market niche for many years may become the target for a takeover, or it may need to acquire or merge with another company to gain the critical mass needed to survive in the contemporary environment. This often means that required competencies of its Strategic Executives need to include either new or vastly more enhanced competencies such as deal making, shareowner or analyst relations, understanding of particular foreign markets and ways of doing business or understanding a major customer's business in depth in order to create new applications for existing products or decide what new products are needed. These specific competencies are added to more familiar generic ones, such as leadership. Indeed, this process enables an organization to refine and further specify what is needed for successful leadership.

Once the strategic executive work is identified, the knowledge, skills, personal characteristics and demonstrable behaviors work can be described and a plan created for their acquisition and/or development.

Once the competencies of Strategic Executives are identified, the existing executive cadre can be assessed to determine (1) who is a Strategic Executive, and (2) the repertoire of their competencies. The Human Resources (HR) function is critical to the process at this point since many HR systems are need to support the acquisition or development of Strategic Executives - such as knowledge and skill development, reward systems to

encourage specific (often new) competencies, performance management (usually a weak spot at top levels in most organizations) and organization design. Review and modification, if necessary, of the relevant HR systems also ensures that the HR function itself is built upon corporate strategy.

A flow chart of the Strategic Executive Development process is attached. Since the issues surfaced by the process are sensitive ones - both for the organization and for the executive cadre - third party help is usually essential in implementation.

The perpetuity of the organization is a responsibility of top management. Adapting the top leadership of the organization to future business needs is a major step toward perpetuating the enterprise.

<b>STEP</b>	<b>PRODUCT</b>	<b>PROCESS</b>
1. Develop or review most likely business scenarios	Identification and understanding of forces/issues critical to accomplishment of strategy	Create business scenarios or review existing ones, especially if not current or not created using an appropriate process.
2. Discussion of corporate strategies to account for the scenarios	Corporate strategy that will address the forces and issues	Understanding and agreement through involvement of the people accountable for strategy development.
3. Description of strategic executive work required to implement strategy	Articulation of strategic executive work	Focus on future strategic executive work Vs present work and ensuring that it is derived from strategy.
4. Identification of strategic executive competencies	Model of the specific knowledge, skills, personal characteristics and demonstrable behaviors required to do strategic executive work	Adapt existing competency model or create new one specific to strategy. Important to keep a future focus.
5. Identification of strategic executive roles	Differentiating between strategic and non strategic roles	Narrowing the focus to the roles that are strategic and identifying most critical roles that implement strategy or support strategic roles
6. Gap analysis	Assessment of all executives (and all those identified as highest potential) in order to identify those who have strategic executive competencies	Chairman's Committee and/or appropriate Board committees review executives vis a vis future requirements

7. Placement, outplacement, acquisition and development	Specific staffing and development plans established	Address the organization's readiness to proceed with strategy
8. Concurrently assess HR systems and equip to support strategic executive development	Support, create or modify HR systems such as compensation, performance management, executive development, recruiting and outplacement, etc. to perform Step 7. and to manage performance of strategic executives	Part of this may be done earlier in the process in order to be ready at this step – or size and scope of task may require waiting until this step
9. Implement competency plans	Individual assignment and development	Assess specific individual readiness and create plans for future utilization
10. Ongoing management of strategic executive development. Periodically return to Step 1. and update the process.		

In following the flow chart it is important to understand that a particular organization may begin the process later in the flow. For example, it may already have a defined strategy developed through an effective process. It is also likely that one step will require returning to a previous step. For example, “description of strategic executive work” may prompt a return to the corporate strategies because executive work is difficult to determine when corporate strategies are not specifically defined. One organization may move through the steps sequentially while another may not.