

December 2, 2009

Volume 3, No. 4

Considerations for Creating an Executive Development Strategy

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Introduction

With all the hype recently surrounding leadership development, we should not forget the most senior and influential leaders of them all – the executives. These high-powered individuals are faced with making the most critical decisions every day; they are held to the highest standards in terms of their technical skills, business savvy and people leadership capabilities.

As business, technology and financial markets change, leaders must be able to adapt and flourish. The capabilities and skills that make one executive successful may not be the “keys to success” for his / her successor. Companies are beginning to rethink how executives are prepared to take on successive roles.

We ask you to consider the question, “Is your company prepared to fill the CEO and other executive-level positions with ready-now successors?” If the answer is no, you are not alone. The recent shake-up at Bank of America is a prime example of not having a successor lined up for the CEO role. As a result, the company received considerable criticism from Wall Street analysts.

In a recent study on the topic of executive development,¹ we found that 20 percent of companies offer no development to executives and less than one-half of executives have development plans – and that could have dire consequences for some organizations, such as the following.

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¹ For more information, *Leadership Development Factbook® 2009: Benchmarks and Analysis of Leadership Development Spending, Staffing and Programs*, Bersin & Associates / Kim Lamoureux and Karen O’Leonard, October 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/ldfactbook.



Our research shows that 59 percent of companies target two levels below the CEO for executive development.

- In the short term, more valuable talent could be lost and Wall Street's confidence in the strength of a company would diminish.
- In the longer term, a company could lose traction in the market and customers may turn to its competitors.

The purpose of this research bulletin is to help organizations understand what executive development means – as well as offer the best practices that should be considered when creating an executive development strategy.

Executive Development Defined

Bersin and Associates defines executive development as, "... the process of building the leadership competencies and general management capabilities of senior leaders, focused on enabling them to lead the organization and drive long-term sustainable growth."

"Leadership development" is the development of a leader's capabilities from first-level management through to the executive level. "Executive development," then, is essentially the stage of leadership development that targets the development of executive-level skills sets. Most important, executive development should be treated as an integral part of a company's overall leadership strategy. *(While the term "executive" is often used interchangeably with "leader" and "management," it is commonly referred to as the top five to 10 percent of the most senior leaders in an organization.)*

Considerations for an Executive Development Strategy

As one of the top challenges that companies face today, below is a list of eight considerations for defining a business strategy for executive development.

1. Include Executive Development in the Overall Leadership Strategy

Executive development is about developing leaders at the executive level – hence, a company's executive development strategy should not be completely separate from its leadership development strategy.

The engagement of the board of directors has a strong impact on the overall effectiveness of executive development.

If there are different people managing different levels of leadership programs, it is important that they communicate often to ensure alignment with leadership competencies, as well as with the business strategy.

2. Engage the Board of Directors

The engagement of the board of directors has a strong impact on the overall effectiveness of executive development. Clearly evident in our recent research, boards of directors are becoming more supportive and involved with developing good leaders. Their participation enhances learning and development, increases strategic alignment, and improves the level of executive engagement.

Board involvement can best be achieved through a strong partnership between the CLO and CEO – and a transparent “link” between talent and business strategies. The ways in which the board of directors can be involved include:

- Aligning talent with the business strategy;
- Recruiting senior leaders;
- Delivering or teaching leadership programs; and,
- Defining core leadership competencies.

3. Understand the Development Needs of the Senior Executives

Since senior executives comprise such a relatively small percentage of a company’s workforce, organizations may not be able to determine a common skills gap among this target audience (as can be identified with other, more sizable target audiences). Hence, a “program” targeted to the entire executive population may not be the right solution.

As such, development solutions will need to be individualized. Although, corporate programs send consistent messages and create opportunities for executives to network, they may not be enough.

A number of approaches can support individual learning and assessment for executives, including:

Aligning executive development with the business strategy is critical for building the appropriate skills, knowledge and experiences of executives.

- Coaching;
- Self-assessments;
- External executive education programs;
- On-the-job “stretch” assignments;
- Profit and loss (P&L) responsibility; and,
- Global / expatriate assignments.

4. Align Executive Development with Business Strategy

Aligning executive development with the business strategy is critical for building skills, knowledge and the experiences of executives (or those preparing for these roles) that are relevant and essential for the company’s success.

As described in the Bersin and Associates *High-Impact Leadership Development* industry report,² there are a number of ways in which companies can ensure that the skills sets being developed will help drive business strategy. These include:

- Regular meetings with line managers;
- Structured needs analyses;
- Executive reviews on a regularly scheduled-basis;
- Program level measures (satisfaction);
- A “dashboard” of measures reviewed regularly;
- Alignment with strategic plans / roadmap;
- Cascaded business goals; and,
- Alignment with the company’s competency model.

² For more information, *High-Impact Leadership Development 2009: Trends, Best Practices, Industry Solutions and Vendor Profiles*, Bersin & Associates / Kim Lamoureux, November 2008. Available to research members at www.berin.com/library or for purchase at www.berin.com/hild.

★ **BEST PRACTICE**

Executives must be able to clearly see the connection between their roles and development plans, and the business strategy.

5. Integrate Executive Development with Succession Management

Executive development must be closely aligned with succession management. Most organizations target senior-level positions for succession management and identify possible internal candidates to prepare for these roles.

During talent review discussions, talent gaps are defined. This data is used to drive the development of skills, knowledge and experiences that are most critical for executives – and for their successors. Executive development activities close those gaps, so that leaders can be immediately ready to take on successive positions.

6. Offer Development Solutions That Are Engaging

Given the lack of time available, executives' opinions of the organizational design and HR organizations will be negatively impacted if they believe development activities are not valuable to them or the company. This perception can influence the credibility of learning programs in general.

The most important aspect for engaging executives in their own development is relevancy. Executives must be able to clearly see the connection between their roles and development plans, and the business strategy. Although e-learning is perceived as ineffective and unappealing for executives, it can be engaging when developed properly and when done in conjunction with other forms of learning, such as classroom training or assignments.

7. Recognize That the CEO's Personal Development Is Important

The support and involvement of the CEO in development is critical for the true adoption of a learning culture. The CEO's participation in his / her own individual development further demonstrates commitment. Development does not stop even for a CEO. Businesses change, people change, technologies change – the whole world changes – and so must a CEO continue to evolve and grow.

While executive development can be administered locally, the strategy itself should be owned by the CEO and managed by a centralized HR or L&D function.

8. Advise Centralized Ownership of the Executive Development Strategy

While executive development can be administered locally, the strategy itself should be owned by the CEO and managed by a centralized HR or L&D function, (e.g., corporate university). Executives create visions, execute strategies and drive a company forward and, therefore, the development plans for this target audience are critical. The CEO, business leaders and managing functions should understand and agree on the commitment, time, cooperation and funding that are required to appropriately develop them.

Conclusion

Executive development is leadership development that targets the development of executive-level skills sets. We have learned that companies (which are most successful in developing their executives) recognize this – and create the same rigor and focus on developing executives as is done with other leaders in the organization.

A company's ability to immediately fill the CEO and other executive-level positions will define the "organizational strength" of a company. It will also create a sense of security and confidence by business analysts, employees and other stakeholders, which will undoubtedly draw the best talent over time (as experienced by such companies as Disney, General Electric, Honeywell and IBM).



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