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Executive Development

Meeting the Needs of Top Teams and Boards

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Abstract

In a review of the literature, supported by six case studies, executive development for senior managers in public and private organisations is explored in depth. The study looks at the roles and responsibilities of the chairman, CEO, executive and non-executive directors, the required capabilities to achieve successful performance, and the related executive development activity implemented to support these. Methods of delivery, development needs analysis and evaluation are explored in case organisations to ascertain current practice. A detailed review of the leadership and governance literatures is included to highlight the breadth of knowledge required at director level. Key findings of the study include the importance of focusing executive development on capability enhancement, to ensure that it is supporting organisational priorities, and on its thorough customisation to the corporate context. Deficiencies in current corporate practice are also identified.

Keywords

Executive development; senior management; capability; leadership; governance.

Introduction

Numerous commentators emphasise that, to compete successfully in today's ever-changing environment, directors need to become more flexible and innovative in their careers and in their day-to-day work (Beardwell & Holden, 2001: 275; Longenecker & Fink, 2001: 13). They also need to be quality-conscious, customer-oriented and constantly improving their performance. They need to think about work and working in a different way, to work "outside the box", which calls for high levels of cognitive skill (Buckley & Kemp 1989: 158). Because they now operate in a dynamic and highly competitive global marketplace, organisations worldwide are waking-up to the calling of executive development.

With the implications of not undertaking executive development becoming more acute, the nature and purpose of executive development activities have changed considerably over recent years. There has been a shift away from business school-based development towards in-company programmes, albeit with external expert input. Equally there is a growing move towards e-learning and distance learning as more people embrace modern technologies. Similarly, rather than executive development being solely for the purpose of career development and succession planning for a small group of senior managers, it has become more of a tool for achieving competitive advantage for the organisation.

The study presented here, commissioned by the Careers Research Forum (see Appendix), attempts to clarify some of the terms commonly used in executive development, and to discuss the issues arising from a review of the literature and from case study interviews.

It will be found that executive development reflects many disparate views. However, although no definitive work exists on the nature and growth of executive development, definition has emerged from this study.

As a starting point we analyse the terminology of seniority, since the structure of senior management teams and boards can vary enormously. To understand the often interchangeable terms “board”, “top team”, “executive committee” and “management committee”, we examine the nature of these entities.

We argue that organisational success depends on the top team and board members possessing an appropriate balance of skills, competencies and capabilities. Because these terms are often used interchangeably, both in the literature and in organisations, we highlight the difference between them. In particular we regard capability as a measure of senior manager performance, as it is senior management that is required to harness the skills and competencies of the organisation in a way that affects its performance.

Considerable attention is paid in this article to leadership capability as an important component of executive development. Despite this, we show that no single style of leadership fits every situation. We therefore analyse a variety of approaches to leadership, including transformational and transactional, and we examine the related challenges that leaders face. We also explore the newly popular concept of servant leadership, which espouses the higher order values of honesty and integrity as opposed to leadership motivated by self-interest.

The emerging popularity of values such as honesty and integrity has been fuelled by recent revelations of unethical practices on the part of certain organisations. Attention is thus increasingly being paid to corporate governance and corporate social responsibility issues, whose impact on executive development is often overlooked. In this work we examine two contrasting models of corporate governance - the Anglo-American model and the continental European/Japanese model - and look at the chief differences between them and their effect on the performance and development of directors.

Concepts such as “training”, “education” and “development” are also clarified here, and we show the linkages to business strategy. We suggest that, however executive development is undertaken, it should be carried out within a strategic framework rather than as a separate and isolated process so as to deliver business benefits.

The study explores both individual and collective approaches to executive development. Executive development is believed to lead to superior individual and organisational performance and increased competitiveness for the organisation, as well as helping directors to become more professional in the performance of their duties and their compliance with legal requirements. However, perceived barriers to executive development are also identified. The most commonly stated reason for not undertaking development is lack of time, the next most common that development is not applicable at senior level because individuals have already developed themselves sufficiently.

Following the discussion of the range of issues affecting executive development, we present six case studies of organisations pursuing executive development initiatives. These case studies are based on interviews with senior managers in the organisations concerned. Each study is evaluated to explore how executive development is being used to meet organisational priorities. We also provide an additional case study based on interviews with four different external analysts designed to show how top teams and boards are evaluated by people outside the organisation.

The work concludes with a model of executive development designed to enable organisations to explore their own array of skills, competencies and capabilities at top team and board level. The model illustrates that, to be effective in a specific context, senior managers require a particular balance of skills, competencies and capabilities. Finally, we set out the key learning points emerging from both the literature and the case studies, concluding with a summary of the study's findings relating to nine core research questions.

Research Methodology

This research set out to achieve three goals:

- to discover the extent to which members of boards and top teams of large organisations (private and public sector) undertake continuing personal development on both an individual and collective basis;
- to determine what form this development takes and how effective it is;
- to analyse what helps, and what hinders, executive development at this level.

A detailed review of current thinking on executive development, as reflected in the literature, was the starting point for the research, and forms the framework for this study.

The field research was conducted primarily by face-to-face interviews with twenty-one directors from nine organisations in May and June 2002. Excerpts from these interviews are quoted throughout this work. Case studies demonstrating different approaches to executive development are also included. A grid comparing the attention paid to executive development across the case studies indicates the degree of involvement and activity exhibited by the companies.

The questions put to the case organisations explored top team and board members' roles, responsibilities, skills, competencies and capabilities, the extent to which personal and collective development and career planning take place at senior management level, the obstacles that exist to this, the methods used to identify development needs, the means of

delivering development, how development is evaluated, and the impact of specific organisational circumstances and personalities on development activity.

Pertinent to these themes, our questions to Directors of Human Resources focused on the extent to which they use corporate language when talking about development, and how they make directors aware of development issues. Questions to Chief Executive Officers (CEOs) and other functional directors dealt with development as a tool for adding value to the organisation and differentiating it in the marketplace.

Interviews were also held with four external specialists (a financial correspondent, a non-executive director, an executive search consultant and a talent management consultant). Our questions to external analysts focused on the criteria they use to assess the capabilities of top management and hence form a view as to the effectiveness of the organisation.

Despite the range of interviewees, the organisations included in this work cannot necessarily be seen as representative of similar organisations. The context in which an organisation operates and its own characteristics are key determinants of executive development orientation.

1. The Past, Present and Future of Executive Development

In this section we examine how the methods of executive development have changed over time, even though the reasons for, and problems confronting, their application have remained largely the same. We argue that the prominence executive development currently enjoys is due to the speed at which the organisational environment is changing. Dynamic market conditions and advances in technology are set to affect the way development is tackled in the future, with a special emphasis on distance delivery as a means to accommodate the time constraints facing busy executives. We also explore the role of external providers of executive development in light of the increasing requirement to customise activities to meet the specific needs of each organisation.

1.1 The past

Executive development began almost a century ago, with a range of approaches that varied from university degrees such as the MBA, through non-degree executive development courses or open programmes of differing lengths, to tailored, in-company equivalents. These are all still much in evidence today. Certain companies, such as General Electric, also used their own educational centres to train their managers, and although their programmes reflected what universities offered, they were determined more by the interests of the company. Similarly today, there are organisations that have their own universities and/or partnerships with universities, such as that between British Aerospace and Cranfield University in the UK.

The idea behind executive development was, and still is, to provide advanced management training and education to mature, motivated and experienced managers. The main focus of both university open programmes and in-house programmes was, and still is, on the individual development of executives in order to improve their performance and prepare them for future positions. Over the years the preponderance of undergraduate management programmes has increased, with large numbers of universities offering business studies degrees, resulting in more managers having followed management education programmes by the time they reach senior management levels.

Whatever approach is adopted, there have always been problems with executive development that are still in evidence today: transferring knowledge back to the job and the difficulty of measuring the benefits of development, are two examples. Then, as now, returnees would encounter resistance to their new ideas from colleagues who had not had the benefit of following the course (Tichy, 1988: 9).

In the past, and indeed today, some organisations were never convinced of the relevance of formal executive education. Instead, they preferred their executives to gain experience on-the-job through such methods as job rotation and project assignments, which they believed equipped them with enough knowledge of vital operations to prepare them for senior-level positions. More formal training was left to individual initiative as a form of self-development (Stuller, 1993: 37).

1.2 *The present*

Over the last decade technological advances, mergers, acquisitions, downsizing and maturing markets, have transformed the business world. As a consequence, executive development has had to become more relevant to the business needs of the organisation (Sargeant & Matheson, 1996: 3). Complex organisations have grown increasingly aware that, to compete successfully, they must adopt a broader outlook, become more open to external opportunities, and maintain a culture of constant learning (Goodwin & Fulmer, 1995: 9).

Companies are becoming more demanding customers, forcing executive education to apply a variety of new approaches (Crotty & Soule, 1997: 8). However, external providers of executive education, far from declining, have been flexible in responding to new demands. Executive MBA programmes have grown in scope and number over the past decade and there has been a rise in joint ventures between organisations and universities to provide programmes tailored to specific company needs. For example, Ashridge has run a consortium MBA for Lufthansa, Deutsche Bank and MCIWorldcom, Cranfield School of Management is one partner that provides MBA education for the Civil Service, and there are numerous relationships such as Bell Atlantic/Wharton, Ford Motor Company/University of Michigan and Schering/Cranfield School of Management.

The use of customised programmes and of in-company programmes to launch organisational change has increased the emphasis on meeting the management education needs specific to the enterprise. This trend is expected to continue.

Whether university-based, in-house, or a combination of the two, executive development today tends to cover global issues such as culture, employment conditions, and the pursuit of opportunities in foreign markets. It provides specific knowledge of how organisations can survive in a globally competitive world. Executive education stresses the importance of leadership, communication, the customer relationship and implementing organisational change to create winning business strategies.

1.3 *The future*

In the future technology and distance delivery are expected to play a more important role in executive education (Crotty & Soule, 1997: 15-19). Distance learning, though not a new concept, continues to be useful in an age of individual development. Rapid changes in technical and managerial knowledge, the explosion of technology and the ability of people to work from home, together with the new employer-employee relationships created by temporary contracts arising from downsizing and organisational redesign, have produced a need for constant updating of people's skills and knowledge. [However, it is equally becoming evident that time technology application orientation constraints limit the uptake of distance learning and e-learning at the top. Discussions held at the Careers Research Forum indicate that secretaries are still being used for e-mailing.](#)

In-house programmes will remain important but will need, increasingly, to be able to draw on external expertise to help senior managers enhance their understanding of market and societal changes and to avail themselves of the insights of academia and those practitioners who have ‘been there and done it’

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Amongst our interviewees, Priscilla Vacassin, Group HR Director at BAA, explains that, for her, executive development is a question of “*talking to people about what they may have in terms of potential and actually the extent to which that does or does not convert itself into effective performance in a commercial organisation.*” Hence, customised programmes are an important part of executive development and are growing in number, although cost has been a serious disincentive in the past. For the future, the trend is towards several companies jointly engaging in a customised programme through consortia arrangements.

Thus executive education and development continue to thrive as companies adjust to a new competitive climate (Vicere, 1998: 539). As the organisational environment and corporate needs begin to change, companies will start to use executive education to transform corporate cultures and to implement new strategies (Crotty & Soule, 1997: 20). It is predicted that executive development will become an even more important way to implement change in the organisations of the future and, with in-company programme participation levels running at approximately seven times higher than those for external programmes (Vicere, 1998: 539), in-company programmes are more likely to dominate the corporate development agenda.

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At the same time, companies will become more demanding consumers of executive development programmes because they are more cost-conscious and less passively committed to university executive education than were their predecessors (Vicere, 1998: 539). “[Development] *needs to be in a framework where there's a benefit to the business. If it's just because it's a nice thing to do, or the right thing to do, then it's not on the agenda*” (Neil Roden, Group Director of Human Resources at the Royal Bank of Scotland). Eithne Wallis, National Director of the Probation Service for England and Wales, is sure on this point: “*We're very clear why we are doing this development. We're not doing it because we're nice people or because we've got a mission to develop the world. We're doing it because the effectiveness and the performance of the National Probation Service is directly connected to the competence, the confidence and the buy-in of the top people.*”

2. Contrasting Perspectives to Development

Different terminologies are used to describe seniority in organisations. This can lead to confusion over the roles, responsibilities and hence skill, competency and capability requirements, of senior management. This chapter examines the issues raised by board structure and the roles and tasks of senior managers, which in turn strongly influence approaches to executive development.

2.1 Structure of top teams and boards

The composition, characteristics and structure of a board or top team may vary from organisation to organisation (Korac-Kakabadse, Kakabadse & Kouzmin, 2001: 25). The terms “board” and “top team” are sometimes used interchangeably but they actually represent two different concepts. Figure 2.1 shows a typical structure of a for-profit organisation. The pattern for not-for-profit organisations is similar, although usually featuring a board of trustees (or elected representatives) rather than a board of directors.

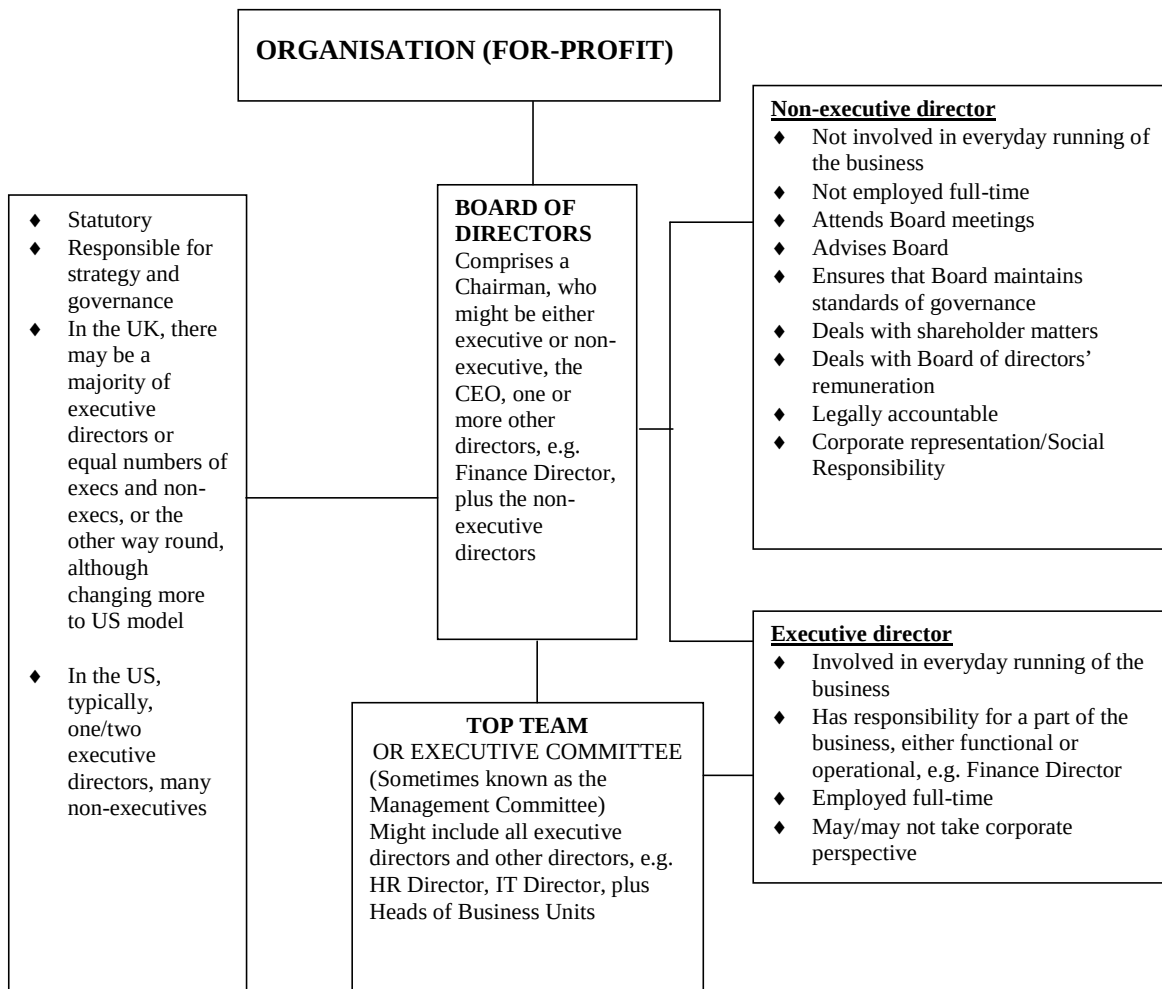


Figure 2.1 For-profit board and top team schema

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The board of a for-profit organisation consists of the chairman, CEO, perhaps one or more other executive directors (for example, the finance director), and the non-executive directors. The top team, sometimes known as the executive committee or management committee, comprises the executive directors and possibly general managers responsible for implementing strategy in the organisation. There is no “ideal” board or top team, nor an “ideal” way of working as a board or top team. What emerges is a mix of personalities, competencies and specialisms (Kakabadse & Kakabadse, 2001a: 11). As Tony Douglas, Group Technical Director at BAA, points out: *“There is the need for a kind of agility of approach that allows an open-thinking style that is not necessarily constrained by central rigor of absolutely explicit terms of reference that we may see in other types of forums.”*

In public service bodies, certain directors together with elected/external representatives form the governing board. Despite this difference in board structure, private sector and public service bodies both face similar strategic, leadership and development challenges, particularly in attending to the demands of the stakeholders of public service bodies and the shareholders and relevant stakeholders of a plc (Pierce, 2001).

Both private sector and public service boards are ultimately responsible for all decisions throughout the organisation. On a UK board, there may be a majority of executive directors or an equal number of executives and non-executive directors, or the other way round. In the US, typically, there will be one or two executive directors, the remainder being non-executive directors. Despite variations of board membership, the board accepts

ultimate accountability, although most boards delegate considerable authority to other senior managers (Dulewicz, MacMillan & Herbert, 1995: 5).

The Institute of Directors in the UK defines the board's key purpose as to "*ensure the company's prosperity by collectively directing the company's affairs whilst meeting the appropriate interests of its shareholders and relevant stakeholders*" (Pierce, 2001: 1). To add to this, Steve Thompson, Director of HR and Social Responsibility at Camelot, comments: "*I think one of the clear responsibilities of the executive team as a whole, whether they are the Board of Directors or the functional directors, is to help the organisation achieve its strategic objectives, and also to have a role in setting and reviewing those objectives. At executive director level, clearly there's a shareholder responsibility and there is also a wider responsibility in terms of governance in the broadest sense of the word.*"

2.2 Tasks of the chairman, CEO, non-executive and executive directors

The chairman exercises the ultimate responsibility, planning and running board meetings, and influencing standards for review and debate. Together with the CEO and the company secretary, it is the chairman who sets the corporate agenda (Dulewicz *et al*, 1995: 5-8). In addition, with the trend towards well-defined corporate governance structures, the chairman not only ensures that the board's work is transparent, accountable and ethical, but also takes responsibility for the board's development (Syrett & Lammiman, 1999: 152).

Boards face conflicting pressures. Some of their tasks are concerned with the performance of the organisation, while others are to do with compliance with the law and other standards. Some tasks require the board to look inward, for example, in setting its structure and strategy, while others require it to look outward, for example, being accountable to shareholders and other stakeholders. Some tasks focus on the future, for example, determining purpose, vision and values, whilst other tasks focus on the past or present, for example, analysis of past performance and delegating new actions to management. The director must therefore understand the internal environment of the organisation, as well as the external environment. The paradox is that a director also needs to be able to focus on the future of the business while at the same time concentrating on current performance (Pierce, 2001: 3).

Korac-Kakabadse and colleagues take this complexity further by examining the service, control and strategic roles of the board as well as its tasks within each of these roles (see Figure 2.2).

Service role	Control role	Strategic role
▪ Co-opt corporation ▪ Control corporation ▪ Enhance corporate reputation ▪ Formulate and implement decision-making	▪ Safeguard interests of shareholders ▪ Select CEO ▪ Monitor CEO/management performance ▪ Review CEO's analyses ▪ Rectify executive decisions ▪ Separate decision control from decision management	▪ Guide corporate mission ▪ Develop, implement and monitor the firm's strategy ▪ Allocate resources ▪ Span boundaries

Figure 2.2 Board roles

(Source: adapted from Korac-Kakabadse *et al*, 2001: 25)

Within the broad range of activities, certain commentators maintain that the board's most important function is to select the CEO (Atkins, 2001: 14). The CEO has the responsibility for developing plans that reflect the longer-term objectives and priorities established by the board. He or she also maintains a dialogue with the chairman of the board, puts in place adequate operational planning and financial control systems, ensures that the operating objectives and standards of performance are not only understood but also "owned" by the management and other employees, monitors operating and financial results against plans and budgets, takes remedial action where necessary and informs the board of significant changes. It is critical that the CEO pays constant attention to the company's operational performance (Pierce, 2001: 16).

Although the CEO's main role is to lead the executive team of directors in carrying out the above tasks (Dulewicz *et al*, 1995: 5), in today's flatter organisational structures it is recognised that CEOs are no longer as powerful as they once were. That 'power' has passed from the CEO to coalitions of senior managers with both executive and non-executive status (Kakabadse and Kakabadse, 2001a: 9). The idea of a single leader, as epitomised in the hierarchical pyramid headed by an all-powerful individual (Thompson, 1967: 143), is being replaced by that of a nucleus of senior executives forming the top team. Despite such sharing, the CEO remains the ultimate point of accountability, acknowledging that "the buck stops here" [a point that the former CEO of Royal and SunAlliance, Bob Mendelsohn, accepted with great dignity \(see update on Royal and SunAlliance, p. 138\).](#)

The CEO represents the cadre of senior executives to the board and the outside world and it is on their performance that he or she stands or falls. Executive performance includes the philosophy and attitudes of each individual executive, as well as the collective spirit of the team and the way in which communication between colleagues affects team performance and manifests itself in the image and reputation of the organisation. With such a need for teamwork, the CEO can all too easily lose the confidence of the board and, more generally, the media, either because of perceived poor decisions or because of inappropriate executive style. Critical media comment is an important factor as it undermines investor confidence and hence share price (Kakabadse & Kakabadse, 2001a: 9).

Being able to balance successfully the diverse range of interest groups is the difference between staying in the job and dismissal. As Steve Thompson of Camelot observes: *“We do feel entrusted with this national institution and a great sense of responsibility about not wanting or allowing it to become corrupted in any way, shape or form, so I think that is a really important part of the sort of behaviour that the leadership must display.”*

Non-executive directors are not involved in the day-to-day running of the business and are not employed full-time by the corporation. They attend board meetings, advise the board, ensure that the board maintains its standards of governance, deal with shareholder matters and decide director remuneration. Their position is valued for the external perspective that they are able to bring to the organisation, but along with this there are certain limitations due to the restrictions of corporate secrecy and competition.

Executive directors represent the internal view of the firm. They attend the executive committee (sometimes known as the management committee) and report to the CEO. They have responsibility for a part of the business, either functional or operational, and they are employed full-time by the corporation. According to the culture of the organisation, they can be held accountable for just their own areas of responsibility or more broadly as members of a corporate team. Their primary purpose is to shape strategic priorities, enforce operating standards, establish corporate policy and develop management talent. The executive committee members set the direction, mission and policies for the business (Katzenbach, 1997: 84).

2.3 *Skills, competencies and capabilities*

In light of the tasks and roles of the top team and board members explored above, what are the skills, competencies and capabilities required of them? Contrasting views are offered here. However, most writers, irrespective of the stance they adopt, agree that senior managers in any organisation need a balance of all three elements (Kakabadse & Korac-Kakabadse, 2000: 113).

2.3.1. *Defining terms*

“Skill” is regarded as a specific expertise that can be taught. “Competencies” are an aggregate of individual skills necessary to resolve more complex problems. Both skills and competencies are considered generic terms, and may be used in

any context. “Capability” is the ability to apply both skills and competencies in a particular context in a way that is perceived to add value.

Kakabadse and Korac-Kakabadse (2000) identify three separate work domains in organisations in which skills, competencies and capabilities fit. The study concludes that:

- More operational work activity requires the application of particular job-related operational skills, such as IT skills, which are linked to the demands and requirements of particular activity-related roles.
- Dealing with challenges of a broader organisational nature requires competency in making and implementing decisions and applying management tools and techniques, such as customer relationship management, human resource management and project management.
- Tackling challenges of a more strategic nature, which involve promoting a vision for the enterprise, representing issues to influential internal and external stakeholders and balancing short-term against long-term considerations, requires leadership capabilities of a higher order to guarantee corporate-wide success (see Figure 2.3).

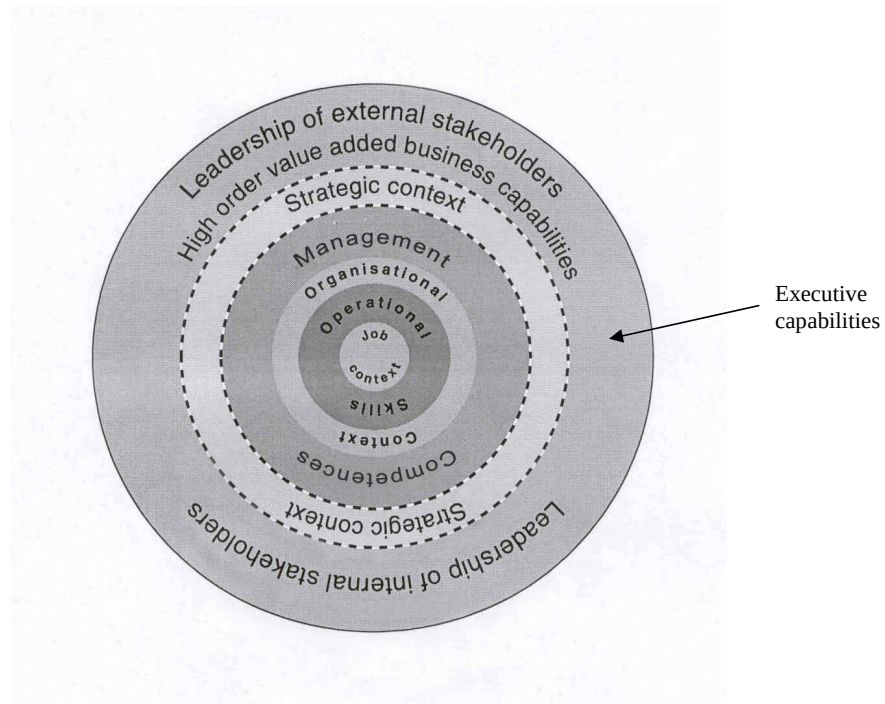


Figure 2.3 Work domains showing skills, competencies and capabilities

(Source: adapted from Kakabadse & Korac-Kakabadse, 2000: 111)

2.3.2 Knowledge and competencies required by board directors

A study into Standards of Good Practice for UK Boards of Directors carried out by the Institute of Directors (1995) identified twelve broad areas of knowledge and six broad areas of competency required by board directors.

The areas of knowledge are:

<i>Matters relating to the board itself</i>	<i>Matters relating to the external environment</i>	<i>Technical subjects</i>
The memorandum and articles of association	Key trends	Corporate finance and accounting
Roles, relationships and processes	PEST influences	Contemporary business thinking and developments
Corporate governance	Evaluation of strategic options and risks	
Selection, appraisal and remuneration of directors	Public affairs	
Development of directors	Corporate communications	

The broad areas of competency are:

1. strategic perception and decision-making;
2. analytical understanding;
3. communication;
4. interacting with others;
5. board management;
6. achieving results.

Additional to competency and knowledge is the way each director is perceived. As Priscilla Vacassin, Group HR Director at BAA, puts it: *“In competence terms for senior levels, it is the perception that it is critical.”* People throughout the company have to see and believe in the capability of their leaders.

2.3.3 Performance requirements of the chairman

For a board to ensure the organisation’s continuing prosperity, the chairman needs a broad range of skills, competencies and particularly capabilities. The planning and effective conduct of board meetings is vital and for this, a chairman must be politically capable and able to marry personal agendas in a way that engages all board members. He or she will need to act as a mentor and confidant to fellow board members and be responsible for their personal and collective development (Harper, 2000: 2). Such an array of personal abilities and qualities are elements of capability.

2.3.4 Performance requirements of the CEO

The CEO also needs a broad range of skills, competencies and capabilities. At the skill and competency end of the scale, her or she must have an understanding of quantitative performance indicators, such as share price, and specialist background experience, such as merger experience or marketing expertise. These qualities have to be balanced with qualitative capabilities, such as being able to promote a vision, the capacity to inspire passion and conviction and, most

importantly, leadership quality. Leadership in this context refers to a conglomerate of personal behaviours, political skills and people skills. Therefore, when recruiting a CEO, it is important to ask the following questions (Atkins, 2001: 14):

- Has the candidate demonstrated the capability to lead and to develop talent?
- Can this leader energise others?
- Is he or she comfortable delegating power?
- Does this leader hold his or her team accountable for fulfilling promises and achieving agreed performance objectives?
- Does he or she inspire people to follow and trust them? Does he or she listen to others in a respectful way?
- Does this leader share information, resources, praise and credit?

Priscilla Vacassin at BAA acknowledges the importance of leadership: *“The way that you work can be done in a leadership way or it can be in a non-leadership way. As leaders of the business, particularly at senior level if you are not doing them in a leadership way you are probably not really doing them, and your impact is going to be very ineffective in the way that you apply that.”*

2.3.5 Performance requirements of the non-executive director

Non-executive directors require a range of competencies and capabilities, including financial, marketing and branding literacy, sector expertise, city contacts and experience of mergers, acquisitions and change.

It has also been suggested that softer skills required include mentoring, coaching and independence of mind (Kakabadse & Kakabadse, 2001a: 9). However, at this level of seniority, external non-executive directors are rarely given the opportunity to apply such capabilities due to a lack of time and low levels of trust.

The critical performance requirements of non-executives hence emerge as being able to:

- ◆ make a strategic contribution without becoming too involved;
- ◆ adopt a flexible mindset, knowing how to operate in different contexts;
- ◆ reconcile the differences between the chairman, CEO and executive directors;
- ◆ ensure good governance while retaining the confidentiality and trust of other board members and executive directors (Kakabadse & Kakabadse, 2001a: 9).

In other words, they need to be both “police” and confidants (Dulewicz *et al*, 1995: 7). At a more operational level, development needs will be concerned mainly with improving meeting and chairmanship skills (Kakabadse & Kakabadse, 2001a: 9).

2.3.6 Performance requirements of the executive director

A survey carried out by the Institute of Directors (1998) examined the performance requirements of an effective director. They emerged as being capable of strategic awareness and thinking, vision, leadership, taking a long-term

dimension and having a 'big picture' or objective orientation, and including a communications dimension.

Deborah Loudon, Director of Personnel at the Home Office, believes the main priority is that *"the more senior you become the more adaptability becomes crucial."* Ultimately, however, ticking off the checklist of capabilities is not important. *"Although we are saying to people you can do pretty well what you want as a leader, you can behave in lots of different ways, the acid test is: are you doing what you need to do given your business? [...] This actually takes people away from the style debate and into the effective business performance debate,"* points out Priscilla Vacassin, Group HR Director at BAA. Steve Thompson at Camelot agrees: *"There's an aspect about operating and delivering against our new stated vision, behaviours and values which, at this senior level, are absolutely critical."*

Note how similar are the challenges facing senior executives in the range of organisations studied here. Margaret Aldred at the Home Office comments that: *"One of the things that working in three departments has taught me is actually that the generic issues and the generic principles [facing senior executives] are very similar."* This is in reference to capabilities required at senior level, not the varied technical skills that are in demand at lower levels of the organisation. However, meeting such challenges is the critical issue. Dianne Thompson, Chief Executive of Camelot, recognises that *"you can develop people in terms of the*

skills set and the knowledge base that they've got, but you can't always develop the attitudes with which they approach certain things." Thus dealing with the demands of each organisation in a manner that captures people's attention is vital. Priscilla Vacassin observes that *"the problem that we had when we started looking at competency models was they were quite often complex with a good degree of taxonomy even at the very senior level. [...] We wanted something that was going to engage people emotionally and provide them with a very clear guideline without having to actually define what that meant in detail."* Which, for BAA, meant designing their own generic leadership competency model.

From the case study interviews and from the literature, it clearly emerges that executive directors need to integrate functional duties and demands more closely with corporate ones than often currently is the case. Margaret Aldred comments on *"the difficulty of getting the board to think how it operates as a corporate board as opposed to a collection of people who have executive responsibilities that they discuss at board level."* Similarly, Deborah Loudon, also of the Home Office, states that *"we tend, in practice, quite rightly, to value people who do their subject really well and then we struggle with how to make those people also be collective and responsible at the corporate level."* Perhaps this is an issue of corporate identity more than anything: *"The Home Office hasn't traditionally had a strong corporate focus; it's had a focus which is based on its component parts"* (Margaret Aldred). Or perhaps an issue of day-to-day reality: *"The strategic role is constantly hijacked by short-term expediency and often that is a political*

expediency” (Eithne Wallis, National Director of the Probation Service for England and Wales).

2.4 Leadership at top team and board level

Leadership is arguably the most important capability required by members of top teams and boards. It is a theme that recurs constantly in any discussion on executive development. However, leadership is not a clearly defined concept: *“I think like many organisations, we’ve been struggling a great deal with what we mean by leadership, how to improve it, how to define it”* (Deborah Loudon, Director of Personnel at the Home Office).

This section sets out to provide a chronological account of the different leadership theories emerging. We begin with a definition of the capabilities required by a successful leader before exploring the detail of approaches to leadership.

According to Kakabadse and Kakabadse (1999: 2), an effective leader is *“able to recognize the appropriateness of actions relevant to the circumstances of the situation.”* They go on to say that *“in today’s world, any analysis of leadership requires exploration of what makes the leader function, but equally required is an examination of the culture and context of an organization, and also of followership.”* A strong underlying theme of the leadership literature is that successful leaders display the capability to appreciate the nature of the challenges in their context. There is no one style of leadership that will fit every situation.

2.4.1 *Trait theory*

Considerable attention has been paid to the traits displayed by powerful and successful leaders, notably by the media who identify people such as Margaret Thatcher, Ronald Reagan and Nelson Mandela as outstanding leaders and describe them in terms such as charismatic, enthusiastic and courageous (Robbins, 1998: 348).

Trait-based research identified at least six traits that tended to distinguish leaders from non-leaders: ambition and energy, the desire to lead, honesty and integrity, self-confidence, intelligence and job-relevant knowledge. However, this theory has been criticised as not providing insights into the differences between successful leaders (Kirkpatrick & Locke, 1991: 48 – 60). Although certain traits have been shown to increase the likelihood of success as a leader, researchers have not been able to identify one set of traits that would apply to all effective leaders (Yukl & Van Fleet, 1992: 150).

2.4.2 *Behavioural theory*

Because of the weaknesses of trait theory, researchers began to examine the behaviours exhibited by specific leaders. For example, one study looked at two chairmen who were both successful leaders of their organisations and who both displayed autocratic styles (Mulligan, 1993). It was then suggested that if an

autocratic style is a preferred style, potential leaders could be trained in a particular style, rather than being selected for particular traits. This was a significant move away from the view that leadership is inborn, towards the idea that leadership could be taught. The most notable research into behavioural theory was carried out at Ohio State University in the late 1940s, although behavioural research continued with the University of Michigan Studies, the Blake and Mouton managerial grid and the Scandinavian Studies until the 1960s (Robbins, 1998: 349-353).

The missing dimension in these early approaches was the situational factor. Two different leaders might both be effective and yet have different styles, work in different sectors, and operate in different markets with different labour forces. Therefore, for executives at board level, different personal competencies and styles have to be adopted as people and situations around them change. Margaret Aldred, Director General of Resources and Performance at the Home Office, also emphasises this point: *“You need different sorts of people with different sorts of backgrounds and different perspectives in order to get different outcomes.”*

2.4.3 Contingency theory

From the assumption that identifying particular traits or distinct behaviours would suffice, leadership research became more concerned with trying to isolate situational influences. For example, the Fielder contingency model of the 1960s proposed that effective group performance depends on a match between the way a

leader interacts with his or her subordinates and the degree to which a particular situation gives control and influence to the leader. This was followed by situational theory (Hersey & Blanchard, 1974: 1-15). Situational leadership is a form of contingency theory that focuses on the leader as much as the followers. Successful leadership is achieved by selecting the 'right' leadership style for the level of the followers' readiness (Robbins, 1998: 358).

Additional contingency theories have been expounded, for example, leader-member exchange (LMX) theory (Dansereau, Cashman & Graen, 1973: 184 – 200) and Path Goal Theory (House, 1971: 321 – 338). The LMX theory argues that leaders do not always treat their subordinates in a similar way, probably because of time pressures. Leaders tend to have a special relationship with a small group of their subordinates, who make up the 'in-group'. The 'in-group' are trusted, tend to receive more of the leader's attention and are more likely to enjoy special privileges. Other subordinates belong to the 'out-group' and receive less of the leader's time and fewer rewards and have a superior-subordinate relationship based on formal authority interactions. How the leader selects the members of the 'in-group' or the 'out-group' does not clearly emerge, but there is evidence that those in the 'in-group' are chosen because of personal characteristics similar to those of the leader. The LMX theory predicts that in-group subordinates will have higher performance ratings, less turnover and greater satisfaction with their superiors than those in the out-group (Robbins, 1998: 360 – 361).

The essence of path-goal theory is that effective leaders make it easier for followers to achieve their goals by directing and/or supporting them. Four leadership behaviours are identified that support this view. These are the directive leader, who lets subordinates know what is required of them, schedules work to be done and gives specific guidance on how to accomplish tasks; the supportive leader, who is friendly and shows concern for the needs of their subordinates; the participative leader, who consults with subordinates and considers their ideas before making a decision; and the achievement-oriented leader, who sets challenging goals and expects subordinates to perform at their highest level. Path-goal theory assumes that leaders are flexible, so that the same leader can display any or all of the behaviours, depending on the situation. Research suggests that employee performance and satisfaction are likely to be positively influenced when the leader compensates for areas lacking in either the employee or the work setting (Robbins, 1998: 361 – 362).

2.4.4 Attribution theory

Emerging out of contingency-based thinking, attribution theory attempts to understand the nature of cause-effect relationships, especially in the way leadership is used to explain organisational outcomes. If organisational performance is poor, CEOs become vulnerable, regardless of their contribution to that performance. Conversely, if organisational performance is good, the CEO is

given credit, regardless of how much or how little they contributed (Robbins, 1998: 369 – 370).

2.4.5 Charismatic leadership theory

An extension of attribution theory, charismatic leadership explores why followers bestow attributes of heroism or extraordinary leadership abilities on people in whom they observe certain behaviours, for example, John F. Kennedy, Martin Luther King and Walt Disney. The most comprehensive research into personal characteristics of the charismatic leader was carried out by Conger, Kanungo and Associates (1988: 91) at McGill University. It was observed that “*charismatic leaders have an idealised goal that they want to achieve, a strong personal commitment to their goal, are perceived as unconventional, are assertive and self-confident, and are perceived as agents of radical change rather than managers of the status quo*” (Robbins, 1998: 371).

Whether leaders are born with charismatic qualities or whether they can be taught is a question that has been widely debated. Certain commentators believe that individuals can be trained (Conger *et al*, 1988; Howell & Frost, 1989; Richardson & Thayer, 1993). However, charismatic leaders tend to surface at times of tension, for example, wartime or when a business is facing a crisis. When there is no crisis, charismatic leaders may be a liability because of their overwhelming self-confidence, inability to listen to others and belief in their own rightness (House, 1977).

2.4.6 Transactional and transformational leadership theory

Moving away from a focus on leadership alone, the transactional/transformational debate explores the balance between leadership and managerial requirements. Leadership is held to be different from management in several ways (Zaleznik, 1986: 54). For example, managers might adopt an impersonal and passive attitude towards achieving goals, whereas a leader will personally identify with the goals towards which they strive. Similarly, managers may see their role as bringing together people and ideas. Leaders on the other hand work from high-risk positions and are considered as temperamentally disposed to taking risks, particularly when opportunities and rewards appear high.

The terms leadership and management are often confused, particularly in relation to management or executive development. Steve Thompson, Director of HR and Social Responsibility at Camelot, recognises this dilemma in his own organisation: *“If you included, as we tend to, the executive as part of management, then there’s a lot of material around management development, but we don’t currently have a document that we could say this is our guide to developing executive directors.”*

A contrasting view of the differences between managers and leaders is that management and leadership are two distinctive and complementary systems of action, each with its own function and characteristics (Kotter, 1990: 103). Both

are necessary for business success. Management deals with complexity whereas, in contrast, leadership is concerned with change. Kakabadse and Kakabadse (1999: 4 – 5) agree and they too point to the contrast between leadership and management, but at the same time they believe that both are required in today's leaders. This, they say, is where *“two words capture the uneasy fit between leading and managing, namely ‘transformational’ and ‘transactional’ [leadership].”*

Transactional leaders guide or motivate their followers in the direction of established goals by clarifying role and task requirements. However, those who demonstrate superior leadership performance are known as transformational leaders. They differ from transactional leaders in that they *“broaden and elevate the interests of their employees, generate awareness and acceptance of the purposes and mission of the group, and stir their employees to look beyond their own self-interest for the good of the group”* (Bass, 1990: 20 – 21).

The transactional leader achieves success by making and fulfilling promises of recognition, pay increases and advancement for good performance, and by imposing penalties for poor performance. In other words, transactional leadership epitomises the “carrot and stick” approach, with little thought given to how employees think, what they feel and who they are as individuals. Transactional leadership focuses not on developing followers to their fullest potential but on *“satisfying the requirements of the exchange between themselves and their*

followers” (Bass & Avolio, 1990: 21 – 22). Transactional leadership can lead to mediocre outcomes, particularly when the leader only intervenes with his or her group when procedures and standards for accomplishing tasks are not met.

For transformational leadership, instead of responding to followers with either a “carrot” or a “stick”, leaders inspire them through their charisma; they meet the emotional needs of each employee; and/or they stimulate employees intellectually. Of these, charisma is seen as the most important characteristic of a successful leader (Bass, 1990: 21). Transformational leaders are capable of having a profound and extraordinary effect on their followers, for example, Jack Welch at General Electric.

However, transformational leadership goes beyond charismatic leadership (Avolio & Bass, 1985: 14): *“The purely charismatic [leader] may want followers to adopt the charismatic’s world view and go no further; the transformational leader will attempt to instil in followers the ability to question not only established views but eventually those established by the leader.”*

Although transactional and transformational leadership are described as distinct, both may need to be displayed by the same person. *“The capability to lead must be coupled with the practical skills that leaders need to have to manage their day-to-day affairs, which range from administration, to working through with people the tactical demands which require immediate response”* (Kakabadse and

Kakabadse, 1999: 3 – 5). Thus leaders need to be ethical and political at the same time. They need to be sensitive to people, and yet drive through change. They need to be attentive to detail, yet quick to grasp and pursue half-formed possibilities. Leadership involves constantly dealing with contrasts, contradictions and paradoxes.

Figure 2.4 demonstrates some of the differences between transactional and transformational leaders. It shows that effective leaders need to manage efficiently certain routine tasks, not only to maintain their credibility and effectiveness but also to keep the organisation on the desired course.

	Transformational Attributes	Transactional Attributes
Approach	Innovative (creates opportunity, imagines new areas to explore)	Balance of operations
Focus	On vision, values, expectations and context	On control, production and results
Motivates through	Volitional activity (emotion, offering suggestions)	Formal authority mechanisms
Uses	Influence (power)	Control
Values	Co-operation, unity, equality, justice and fairness in addition to efficiency and effectiveness	Co-ordination, efficiency and effectiveness
Communication	Indirectly and directly, giving overlapping and ambiguous assignment	Directly, giving clear direction, solitary assignment
Main tasks	Defines and communicates goals, motivates	Implements goals, referees, coaches
Thinking time-frame	Futuristic (tomorrow and the day after)	Current (yesterday's output and today's problems)
Thinking context	Global	Local
Main direction	Renewal	Maintenance

Figure 2.4 Distinguishing transformational from transactional leadership

(Source: Adapted from Kakabadse and Kakabadse, 1999: 5 – 6)

The one variable that can determine the appropriate balance between transactional and transformational approaches to leadership is context. One situation may require greater attention to detail and tasks. In another, driving through change and winning people's hearts and minds may need to be top priority. Because of market and societal dynamism, a combination of both approaches may be required.

2.4.7 Visionary leadership theory

The case for visionary leadership has been made by a number of commentators. For example, Nanus (1992: 178 – 179) wrote passionately that:

“the 21st-century organization virtually demands visionary leadership. It cannot function without it, for an organization driven by accelerating technological change, staffed by a diverse, multicultural mix of highly intelligent knowledge workers, facing global complexity, a vast kaleidoscope of individual customer needs, and the incessant demands of multiple constituencies would simply self-destruct without a common sense of direction.”

Vision binds people into a group with a common goal and, in terms of employees, when vision is shared it can *“keep an entire company moving forward in the face of difficulties, enabling and inspiring leaders and employees alike”* (Snyder & Graves, 1994: 2).

Just as there is overlap between charismatic leadership and transformational leadership, so there is overlap between transformational leadership and visionary leadership. Martin Luther King, Jr., believed that, for vision to be realised, it needs a champion. A motivating vision, by its nature, implies business or organisational innovation, which often departs in a significant way from past practice, requiring quite different organisational capabilities. The presence of a champion in promoting innovation is required to identify the idea as his or her own, to promote it vigorously through informal networks, and to risk his or her position and prestige to ensure the innovation's success. These champion-driven behaviours are similar to the qualities of transformational leaders. From the perspective of the transformational leadership literature, which links transformational leadership to the innovation process, it can be concluded that in order to promote innovation in an organisation, it is likely that champions will exhibit transformational leadership behaviour, and that, by the same token, transformational leaders will also be visionary leaders (Oberg, 1972; House, 1977; Bass, 1985; Conger & Kanungo, 1987).

2.4.8 *Servant leadership theory*

Servant leadership (Greenleaf, 1977; Baggett, 1997; Covey, 1990; Manz, 1998; Rinehart, 1998; Turner, 2000) is a concept that is gaining in popularity, perhaps because of the counterweight it provides to the notion of powerful top-down leadership by introducing values such as service, collegiality and care. Although it is an attractive concept, it is not yet supported by a body of empirical research.

The main case for servant leadership is that proposed by Greenleaf (1978), who argued that there is a leadership crisis, and that colleges, universities and seminaries are failing to prepare young people for leadership roles in society. *“The need [for leadership] was never so great. A chronic crisis of governance, that is, the pervasive incapacity of organisations to cope with the expectations of their constituents, is now an overwhelming factor worldwide”* (Bennis & Nanus, 1997: 2).

Servant leadership is based on the premise that the prime motivation for leadership should be a desire to serve others. In the workplace, for example, leaders should assume the position of servant in their relationship with fellow workers rather than be motivated by self-interest. Servant leadership is manifest as a higher plane of motivation that is concerned with meeting the needs of others (Greenleaf, 1977; Pollard, 1996; Wilkes, 1996):

“As long as power dominates our thinking about leadership, we cannot move towards a higher standard of leadership. We must place service at the core; for even though power will always be associated with leadership, it has only one legitimate use: service” (Nair, 1994: 59).

The literature on servant leadership is rather ambiguous and anecdotal in establishing the characteristics or attributes of servant leaders. However, Greenleaf (1977) identified ten core attributes of servant leadership, although they

are by no means exhaustive: listening, empathy, healing, awareness, persuasion, conceptualisation, foresight, stewardship, commitment to the growth of people, and building community.

Russell and Stone (2002: 146-147) list twenty attributes of servant leadership that have been identified by successive writers on the subject, incorporating the ten Greenleaf (1977) attributes listed above. They divide these into nine functional attributes and eleven accompanying attributes as described below.

Functional attributes

1. Vision
2. Honesty
3. Integrity
4. Trust
5. Service
6. Modelling
7. Pioneering
8. Appreciation of others
9. Empowerment

Accompanying attributes

1. Communication
2. Credibility
3. Competence
4. Stewardship
5. Visibility
6. Influence
7. Persuasion
8. Listening
9. Encouragement
10. Teaching
11. Delegation

The nine functional attributes, which result from their ‘repetitive prominence’ in the literature, are the “*operative qualities, characteristics and distinctive features belonging to leaders and observed through specific leader behaviors in the workplace.*” They go on to explain that “*the functional attributes are the effective characteristics of servant leadership.*” The eleven accompanying attributes “*appear to supplement and augment the functional attributes*” and, rather than being secondary in nature, they complement the functional attributes and are in

some cases pre-requisites to servant leadership (Russell & Stone, 2002: 146 – 147).

Although these twenty attributes form the basis of an as yet undeveloped model of servant leadership, they do provide scope for practitioners and researchers to apply and study this concept. *“Becoming servant leaders engages us in personal, internal self-change and changes our outward behavior”* (Fairholm, 1997: 149). Thus, the importance of servant leadership lies in its potential to transform organisations and societies: *“Servant leadership offers the potential to positively revolutionize interpersonal work relations and organizational life”* (Russell & Stone, 2002: 154). It is also argued that *“leaders primarily shape the cultures of their organisations through modelling important values”* (Russell & Stone, 2002: 145 – 157).

It follows that leaders who fail to identify key organisational values, and to convey and reinforce them through personal example and by establishing appropriate policies, show a lack of ethical leadership that, in turn, fosters an unethical organisational culture. Top leaders need to act as role models because their behaviour produces far-reaching results. It affects not only those employees who report to them, but also the other stakeholders in the organisation, for example, shareholders, suppliers and customers, and, possibly, the wider community (Sims & Brinkmann, 2002: 329).

One organisation recognises how images of leadership have changed over time:

“The template for the 'ideal leader' in any organisation is not the same today as it was ten years ago, and it will not be a good fit for the needs of five years hence - not least because leadership is inextricably linked to situations. Even if some basic leadership characteristics remain constant, the ways in which those need to be manifested are subject to change - personal style matters. This implies that development needs do not evaporate when an individual 'makes it' to the top. If anything they increase, especially in the early days there, and since the situations which leaders encounter are often novel and usually unpredictable, there can be no 'one size fits all' teaching of leadership skills”
(Whitehead Mann, The Change Partnership, 2002).

2.5 Governance and executive development

With growing public expectations for leaders to be ethical and accountable, coupled with an emerging cynicism towards the ethics of senior managers, the topic of corporate governance has come to prominence. Unethical behaviour in organisations has generated many a headline in recent times.

In the following sections we look at the impact of different governance models on society at large and on executive development in particular on the basis of two contrasting models, the stakeholder model and the shareholder model.

2.5.1 Corporate governance: principles and practice

Corporate governance is concerned with *“holding to account the modern corporation, whether it be a large or small holding company and subsidiaries, listed, private, government or non-profit entity”* (Kakabadse & Kakabadse, 2001b: 19).

Following concerns in recent years about the standards of accountability and financial reporting of UK-quoted companies, a number of committees were established to report on the governance of these companies, notably, the Cadbury Report (1992), the Greenbury Report (1995), and the Hampel Report (1998). These reports *“called for greater transparency and accountability in areas such as board structure and operation, directors’ contracts and the establishment of board monitoring committees. They all stressed the importance of the non-executive directors’ monitoring role”* (Weir & Laing, 2001: 86).

In 1998 the Committee for Corporate Governance published a set of Principles of Good Governance and Code of Best Practice, which embraced Cadbury, Greenbury and the Committee’s own work. The principles cover five areas, namely board composition, directors’ remuneration, relations with shareholders, accountability and audit, and institutional investors (Hampel, 1998).

The work maps out a framework for how listed companies should identify, evaluate and manage significant risks. It recommends that directors establish controls and assess the effectiveness of their systems to handle risk, irrespective of that risk. For example, risk may refer to supply-chain issues, environmental or health and safety standards or other issues. Executive management is identified as responsible for managing risk, while the board is responsible for reporting on the performance and effectiveness of executive management to shareholders at the Annual General Meeting. Compliance with the Hampel (1998) guidelines has become a condition for listing on the London Stock Exchange (Kakabadse & Kakabadse, 2001b: 49).

Further, good governance requires boards to monitor the performance of directors, justify the structure of their boards, highlight the role and contribution of external/non-executive directors and the chairman of the board, and to take account of the views of shareholders, particularly in terms of challenging directors' rewards (Felton, Hudnut & Witt, 1995: 162 – 175). Through greater attention to governance practice, boards are more likely to take part in *“setting standards for business values and ethics, and develop or approve policies in such critical areas as finance and accounting, mergers and acquisitions, major capital expenditure, the environment, safety, employee relations and legal retirement obligations”* (Felton, Hudnut & Witt, 1995: 162 – 175).

2.5.2 Comparison between stakeholder and shareholder models

The macro (stakeholder) perspective of corporate governance is *“to maximise wealth creation in a manner that does not impose inappropriate costs on third parties or on society as a whole”* (Monks & Minow, 1996: 162). Wealth in this context means wealth created for employees and the community as well as investors, which requires control and supervision in order to minimise stakeholders’ claims for damage or loss.

Stakeholder-based governance refers to how the organisation makes cost-effective decisions in terms of wealth creation but with consideration of stakeholders’ rights. It involves *“maximising wealth in a sustainable way and managing change, which requires a balance of power between the distinct elements of the corporation”* (Monks & Minow, 1996). This means that corporations have *“multiple responsibilities, needing to balance competing conditions, such as long and short-term notion of gain, profit and sustainability, cash and accounting concepts of value, democracy and authority, power and accountability”* (Kakabadse and Kakabadse, 2001b: 19). The stakeholder model tends to be most common in continental Europe and Japan.

In contrast is the micro (shareholder) approach to corporate governance, which is concerned with maximising wealth creation for shareholders, with less consideration for stakeholder interests. Here, control is linked chiefly to

profitability; this is known as the ‘shareholder value’ perspective, or the Anglo-American model (Franks & Mayer, 1993: 1 – 15).

The sourcing of funding and capital is the main difference between the two models. In the stakeholder model, funding is supplied principally through bank loans. Banks, as stakeholders, undertake risk to loan money to the firm. This means that they will require “*managerial consideration and response*” from those running the firm (Kakabadse and Kakabadse, 2001b: 19). In the shareholder model, “*stockholders advance capital to managers who act as their agents in pre-authorized ways*” (Bowie & Freeman, 1992). Because shareholders usually buy shares with the aim of maximising the return on their investment, the main responsibility of the firm’s directors is to “*use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud*” (Friedman, 1962: 133). The firm has no other social responsibility. To create shareholder wealth, management needs to outperform “*the expectations shareholders had when they made their investment decision(s)*” (Kilroy, 1999: 74 – 79).

Interest rates for loans in continental Europe are generally lower than in the USA or the UK, offering companies the capacity to “spread” payments on their borrowings (Sproule, 1999: 26). For example, German domestic savings are predominantly invested in banks and building societies, providing banks with a

pool of money they can lend to companies (Kaufman, 1992). With savings accounts currently attracting low interest rates, banks only need to achieve nominal margins to show an acceptable level of profit. Because there is no pressure from shareholders for high returns, it is possible to foster longer-term relationships with client companies (Sproule, 1999: 26). German firms can therefore make investments with greater availability of cash flow, allowing for a substantial proportion of funds to be used to support innovation through research and development (Thomas & Waring, 1999: 729 – 748).

Whether a macro/societal or a more micro/corporate perspective is adopted, the central theme of governance remains control (Kakabadse & Kakabadse, 2001b: 35). The difference is that in the shareholder, or Anglo-American model of corporate governance, the focus is on institutional agents monitoring corporate agents in order to enhance the investment prospects of investors (Monks & Minow, 1996). In the stakeholder model, that has evolved in most continental European economies and in Japan, the premise is that a company is more likely to perform well, and the shareholders are more likely to benefit, if opportunities are created for the various groups holding an interest in the company to enter into a binding relationship (Schmidt & Tyrell, 1997: 333 – 361).

The emphasis in the stakeholder model is on the way enterprises are governed, which is quite distinct from the shareholder model, where the emphasis is on the way enterprises are managed (Kakabadse & Kakabadse, 2001b: 19).

The UK (shareholder model) approach to corporate governance is characterised by a single-tier board, while, for example, in the German (stakeholder) model, a two-tier board structure predominates. One view emphasises that the single-tier structure is more efficient in terms of responsiveness to business opportunity. However, a number of corporate governance practitioners and academics consider the two-tier structure board to be advantageous in providing more effective monitoring than the unitary structure, leading to more transparent accounting. Moreover, in the UK, listed companies are self-regulating in terms of disclosure of information on executive remuneration. In Germany, despite having a two-tier structure, no details of the individual compensation package of any board member are published, but remuneration aggregates are publishable in the annual report.

A further difference between the stakeholder model of corporate governance and the shareholder model is that the stakeholder-oriented firm moves more slowly because of the numbers of stakeholders needing to be considered. In contrast the shareholder-based entity is more responsive to changes in market conditions because it is focused to be so and because of the versatility of top-down management.

Yet both the shareholder and stakeholder approaches take account of the issues of board checks and balances, abuse of authority and power, the role of boards, the role and effectiveness of both executive and non-executive directors (external),

board attributes, director rewards and participation in setting standards for accounting, safety, employee relations and risk management.

In today's business world, familiarity with the philosophy and characteristics of both governance models and their board structures is necessary. International companies, operating from widely spread locations, need to respond positively to different regulations, employee expectations and societal demands. Familiarity with the contrasting demands of control in the two models is the first step to becoming proficient at integrating shareholder and stakeholder requirements. For example, it may be easier to import a stakeholder model of governance into a shareholder model environment than the other way around because of the expectations of equity and control. The shareholder model encourages a top-down, command-and-control leadership approach, whereas in the stakeholder model a team-based, shared-decision-making, servant-leadership approach is more likely, with stakeholders' views being taken into account. Senior executive development needs to deal with the global governance challenges facing senior managers as much as other leadership issues. However, what is wanted is not only an understanding of the differences between the two models but, perhaps more importantly, the capability to change leadership style in order to cope with the different demands.

2.5.3 Corporate social responsibility

Another aspect of corporate governance that needs examination in terms of its impact on the performance requirements of senior managers, and hence the implications for executive development, is corporate social responsibility.

Notwithstanding the neo-classical view that *“few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility, other than to make as much money for their shareholders as they possibly can”* (Friedman, 1962: 133), there are two further alternative views worth considering.

The first is a moral approach linked to social expectations that regards the firm as constrained by a moral or ethical imperative. The argument is that because businesses control resources and skills, part of their role is to help in tackling social problems. There is a quasi-moral obligation to be involved (Moir, 2001: 17).

The second view maintains that it is in the enlightened self-interest of business to accept various forms of corporate social responsibility. Business benefits that might accrue include enhanced reputation and greater employee retention. This view is expressed in a report by the World Business Council for Sustainable Development on Corporate Social Responsibility (WBCSD, 1999). It is supported by a recent CCPA study in Australia of motivations by business for community

involvement, which finds that Australian business is experiencing a transition in expectations of its social role (CCPA, 2000).

Whatever the theory, a variety of stakeholders are voicing their concerns with much greater impact. Responding to market dynamics needs to be balanced against being held to account by powerful interest groups for the actions of the firm. There is an increasing focus both by business on corporate social responsibility and also by society on the actions of business (Moir, 2001: 17). Corporate social responsibility has become as important a strategic issue as branding or the future positioning of the firm, and as such is now a critical consideration for executive performance.

3. Executive Development: Types, Benefits and Current Approaches

After examining the past, present and future issues likely to affect executive development, with particular reference to top team and board structure, leadership, governance and the nature of executive responsibilities, it is important to explore the various approaches to executive development.

The terminology of development can be confusing, and we attempt to clarify it here. In addition, we review the different approaches to development, such as individual and collective approaches, *ad hoc* and unified approaches, and we look at how each of them affects business strategy. We also consider the perceived benefits and barriers.

We ask who determines what executive development should be undertaken; who provides executive development; and, perhaps more demandingly, how it is evaluated. This section draws extensively on the case studies carried out for this research to explore current practice.

3.1 Clarifying terms

Although the literature tends to use the words “training”, “education” and “development” interchangeably, training and education are distinct concepts. Training is “*vocationally-orientated education, or hands-on skill development where skills are developed through practice, which is guided by formal structured means*” (Woodall & Winstanley, 1998: 9).

Education is concerned with extending or improving learning through taught courses such as MBAs or DBAs (Beardwell & Holden, 2001: 373).

Development is more commonly seen as the aggregate of both training and education. Development of individuals, which occurs over time with maturity and understanding, is a complex process that involves an accumulation of knowledge gained through training, education, and work and life experiences.

Although education and training take place at all levels of management, from trainee managers, through middle-level and upper-level managers, it is at the most senior or executive level that the term “development” becomes most pertinent. Development is the process of *“becoming increasingly complex, more elaborated and differentiated, by virtue of learning and maturation...which opens up the potential for new ways of acting and responding to the environment”* (Beardwell & Holden, 2001: 279 – 280). It has also been described as *“a complex process of professional and personal growth, of acquiring and increasing knowledge, experience and skills, and of enabling personal qualities to mature”* (Pierce, 2001: 96). The Institute of Directors defines director development as *“the systematic maintenance, improvement and broadening of knowledge, experience and skills and the development of personal qualities helpful in the execution of the role as a director”* (Pierce, 2001: 90).

Although few organisations have a formal process of development for directors (Pierce, 2001: 107), one survey found that, in those that do, development activities are balanced

equally between formal and informal methods (Thomson, Storey, Mabey, Gray, Farmer & Thomson, 1997: 1). Certain organisations concentrate on short-term, job-oriented development, others on succession planning and shared responsibility for careers, which indicates a longer-term perspective. Short-termism in this context can be damaging to an organisation. It is not enough for an organisation to simply survive, that is, to be adaptive; it must also be generative, continually expanding its capacity to create its future. However, generative learning cannot thrive in an atmosphere of surviving short-term events (Senge, 1990: 14). Eithne Wallis, National Director of the Probation Service for England and Wales, recognises this: *“When you’re talking about personal development, my view of it is that it is not an episode, this is a long-term thing.”* Likewise, Dianne Thompson at Camelot understands the continuing nature of executive development: *“I think you always have to be learning and I think it’s tragic when you see managers who have stopped.”*

3.2 Planned and unplanned processes

Development may be carried out either through planned or unplanned processes and the processes themselves may be formal or informal. If development is undertaken on the job it tends to be referred to as planned, informal development. If it is undertaken off the job it is more likely to be described as planned, formal development. Eithne Wallis remarks: *“I see training as one element of development, not the totality of development. What you want to do is build confidence. [...] That’s good for them and it’s good for us.”*

There is also unplanned development, which involves accidental learning that might occur when carrying out everyday tasks. Potentially, this type of accidental learning can take place in the course of an executive's routine work, for example, when attending meetings or social occasions or when engaged in foreign travel. Mumford (1997: 58 – 65) has categorised both unplanned and planned development into three types (see box).

Mumford's learning types

'Type 1', or accidental learning, is wholly unplanned. It is only if the incidents are recounted later that it is realised that learning may have taken place. The learning may not be sufficient for it to be harnessed and used at a later date in other circumstances.

'Type 2' is planned, on-the-job learning, for example, coaching, mentoring, observing role models, special projects, job rotation, shadowing, secondment, action learning and networking. Rather than, perhaps, learning from an experience after it has happened as in Type 1, Type 2 involves integrating learning and work before it happens so that both are given sufficient attention to be recognisable as potential learning experiences. Real activities are given priority so that learning develops from them, not the other way round.

‘Type 3’ would include, for example, full-time residential programmes offered by universities, short-course open programmes offered by consultants, universities or industry associations and programmes designed specifically for and attended by a company’s participants. Although often called in-house programmes, these may be conducted off-site or developed by an external consultant exclusively for the company. Learning methods used in these types of development might include, for example, lectures, seminars, guided reading, interactive videos, films, group discussion, case studies, business games, and role-plays. Development of the executive is the prime concern here, not work activity. Participants are expected to apply the learning experience to their work on their return.

Whilst learning on the job affords an opportunity to work in a “real life” situation, there are drawbacks. The focus is sometimes on the work activity at the expense of learning. Learning on the job is unlikely, on its own, to fully equip an executive with the knowledge required to operate in the modern world. Learning will be limited to the context in which the person is operating, so experience will not extend beyond those boundaries. Such experience-based development methods have emerged as a significant

factor in executive and leadership development (Vicere, 1998: 540). However, more work is needed to determine how to capitalise on its impact.

In the meantime, the value of such accidental development is being recognised. Margaret Aldred, Director General of Resources and Performance at the Home Office, emphasises that: *“I spend quite a lot of my time teaching my team some of the tricks that I've learnt and transferring the skills, and getting them to think about things in a different perspective and to be more challenging. I am also very aware of how much I've learnt from watching other people operate and deducing why some people are more effective than others.”* Executives at Camelot also recognise the large volume of activity at the informal and unplanned end of the development spectrum but, as Dianne Thompson points out: *“What I haven't sat down and done is a formalised development plan and I think that's what we are missing.”*

3.3 Developmental requirements at the top

As we saw earlier, top team and board members, such as the chairman, CEO, executive and non-executive directors, have different responsibilities and perform different functions and therefore require different capabilities, albeit with some overlap. The implication is that their developmental requirements will be different but at times overlap. Although the chairman is ultimately responsible for developing the board, it is the CEO who should draw up a personal development plan (PDP) for each executive director, taking account of the director's specific needs and the appropriate methods for meeting them. However, the Cranfield research team's experience and that of colleagues at the

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[Careers Research Forum, is that setting the right example for personal development, happens too rarely. \(Kakabadse et al, 2002; see also p.74 of this monograph.\)](#)

As far as newly appointed executive and non-executive directors are concerned, it is increasingly being considered essential for them to undergo an induction process designed to help them to understand the nature of their role and their contribution within a reasonably short period of time (Kakabadse, Ward, Korac-Kakabadse & Bowman, 2002: 4 – 7). Activities should include learning about how the company is managed, how it relates to its customers, suppliers and employees and how employees are organised and motivated. At the same time, newly appointed directors require an induction by the chairman into the board's affairs, the style of the board, how issues are dealt with both inside and outside the boardroom and the way that reports and information are best presented. The newly appointed director should be acquainted with the company's history, policies and culture, as well as its strategic objectives and the main issues, both past and present, that have been occupying the board and what issues it is likely to face in the future (Harper, 2000: 142).

In addition to their individual development, executive directors need to work collectively on their development through a variety of routes. Hyde and Tate (1996: 4) suggest a variety of methods (see box).

Routes for Collective Development

Away-days – often an overnight residential workshop, sometimes with an external facilitator, to encourage discussion of such issues as the business plan, culture change and management style. Sometimes known as breakthrough sessions, a well-designed off-site meeting allows time for open debate that can lead to, for example, transforming board dynamics or discovering flaws in the strategy. It also allows for bonding with fellow directors and, given an open informal atmosphere, directors will be able to use the time not only to scrutinise company strategy and challenge underlying assumptions, but to stretch their thinking (Charan, 1998: 55 – 56).

Top-level seminars at hosted by external expert bodies on issues such as strategic policy formation, visioning, and global economic and social trends.

Constructive post-mortems on strategic and operational experiences that have taken place within the business.

Coaching by the CEO – aimed at improving teamwork amongst executive directors.

Compiling a learning grid – whereby directors identify issues in one or more colleague’s area of responsibility about which they need to learn more. The needs are recorded on a grid and shared among the directors. Learning can then be achieved by simple discussion together by, for example, work-shadowing, guided reading, or attending key meetings.

It is important to remember the distinction between individual and collective development. As Steve Thompson of Camelot says: *“I think the two things are quite distinct. I’d say each individual is probably very committed to their own development and takes quite a lot of ownership and responsibility, on, say, technical knowledge in the broadest sense of their specialisms and specialist areas, and will attend events, e.g. company events or conferences, workshops, different types of functions, meetings, etc., externally. In terms of collective development, I think we’re just beginning to do that now.”*

3.4 Piecemeal versus unified approaches to development

Organisations often regard development as a separate and isolated process. This tends to lead to piecemeal approaches with characteristics similar to Mumford’s Type 1 and Type 3 development. Thus development is not linked to business strategy; and activities are unrelated and fail to reinforce each other, thereby reducing the potential for improving organisational effectiveness (Beardwell & Holden, 2001: 368 - 369). Also, development

often concerns itself with organisational needs rather than with the learning needs and objectives of individuals, the outcome often being frustration and demotivation among the participants (Doyle, 2000: 588).

Organisations, particularly smaller ones, might choose a piecemeal approach simply because of financial constraints. Or those responsible for development might not be aware of the need to link it to business strategy (Beardwell & Holden, 2001: 380). A unified, “open systems” approach, on the other hand, sees development as an integral part of the organisational system. It is also linked to the “reality” of work as in Mumford’s Type 2 development. This is because the development process influences, and is influenced by, internal and external pressures. These pressures shape the way in which development contributes to organisational effectiveness. An organisation adopting this approach is making a conscious effort to recognise, and respond to, future learning needs for both the organisation and individuals (Beardwell & Holden, 1994: 385 – 388).

3.5 The benefits of, and barriers to, top team and board development

According to Pierce (2001: 30), the key driving forces of director and board development are: the superior organisational performance and sharper competitive edge that are expected to result, and the desire of directors to be more professional. Allied to this is the wish by directors and boards to comply with legal requirements, avoid scandals and meet stakeholder expectations. These drivers lead to individual improvement, board improvement and organisational improvement.

Pierce goes on to say that, unfortunately, little development is actually undertaken in many organisations. Typical barriers include lack of time and money, development not being perceived as applicable personally or to the board or company, not being linked to other company systems, no-one driving the development agenda, and people neither realising what is possible nor the consequences of doing nothing. Ultimately there is an element of fear associated with training (Pierce, 2001: 51 – 3).

Neil Roden, Group Director of Human Resources at the Royal Bank of Scotland, maintains that *“there is that managerial law which is ‘the higher up you go, the less I need to know as I wouldn’t be Head of my department if I needed to know anything and wasn’t perfect’.”* Steve Thompson of Camelot agrees: *“I’m sure everybody lists the first obstacle as time. [...]. Secondly, [...] when you reach a certain level, your need for development goes away because you tend to be the person who spends a lot of their time coaching and developing other people. [People] tend to make an assumption that if you’re there in that position, you don’t need any development and actually the opposite is true.”* Priscilla Vacassin, Group HR Director at BAA, concurs: *“People who have serious strengths, like world-class strengths, have probably got world-class weaknesses as well.”*

Eithne Wallis, National Director of the Probation Service for England and Wales, mentions the trials of executive development: *“It takes real hard work to cut through the differences and the potential conflicts and the fears and get it to work.”*

In discussions with companies, championing the development agenda emerged as a key factor. *“It [development] is more reliant upon the ability of the leader in an area to be able to harness the understanding and the emotion of the team and to provide meaning such that the context is clear”* (Tony Douglas, Group Technical Director, BAA). As Tony points out, though, even in a positive environment it is still possible to find people saying: *“That is fine for somebody else, I never thought that it meant me!”* Tony goes on to argue that leading the development agenda involves *“converting good intention to reality”* and *“having a vocabulary and an understanding coupled with a passion and an energy and an enthusiasm to bring it together.”*

3.6 Determining executive development in practice

Steve Thompson, Director of HR and Social Responsibility at Camelot, recognises that *“it’s my responsibility to keep my knowledge and skills up-to-date and I think that would be true of anybody at Board level.”* The same point is made strongly by Deborah Loudon, Director of Personnel at the Home Office: *“You can’t expect to be spoon-fed; you’ve got to think about where you want to be, what you think you’re best at, what you can contribute.”* *“In order to convert my potential, I need to be very clever in the way in which I support that with appropriate development”* (Tony Douglas, Group Technical Director at BAA).

Yet where the onus lies on the individual to take responsibility for their own development there can be a lack of clarity, as Eithne Wallis, National Director of the Probation Service

for England and Wales, points out: *“I don’t have that comfort zone of a really knowing what’s expected of me. So it’s hard, and I feel I have to take the initiative myself; there is nobody looking after my interests.”* Similarly, Deborah Loudon has noticed that *“a lot of senior people are saying ‘I want to be a better leader but I don’t know how to do it’.”*

The key to identifying needs, and meeting them, is to involve the executives themselves in the design and review of any development programme that is to be introduced. *“It [leadership development] really has to be designed with them to be as responsive as you can make it to their needs”* (Eithne Wallis, Probation Service). If everyone understands the system and feels that they can work within it to their own benefit and to the benefit of the organisation as a whole, then there is more chance that people will make use of the development opportunities available to them and encourage others to do the same.

3.7 Delivering executive development in practice

Once the development needs of executives and the organisation have been identified, the next step is to determine how best to meet them. Development does not just have to consist of Type 3 activities, i.e. formal training courses, as Margaret Aldred, Director General of Resources and Performance at the Home Office, reminds us: *“There is a view that you can’t do something unless you’ve had a course. People need to find out that they can learn things on the job.”* Deborah Loudon, also at the Home Office, makes the same point: *“In any big organisation you need a full range [of methods] because individuals respond in different ways at different times.”* Neil Roden, Group Director of Human Resources at the Royal Bank of Scotland, emphasises that *“we try to tailor development*

to what people want and what they feel comfortable with, because you can't force people to learn anything, so you have to find a way to do something that they and you want." At Camelot the view is that *"often, the higher up you go, it's the individual things that you can do that seem to make the difference rather than some sort of sheep-dip type generic training activity"* (Steve Thompson).

The skills, knowledge and experience that senior managers have developed over their career are vital resources for developing their peers and their successors. The challenge is to provide the opportunity to let others take advantage of such learning. Developing others in a team below is an important aspect to the individual development of the senior manager.

This type of experience does not have to be organised as formal mentoring or coaching. The conscious alliance of particular individuals with other people from whom they can learn or to whom they can pass on their skills in the form of project or team work can be a significant development opportunity. Indeed, this can form the basis of a policy for executive development. In a previous position, Margaret Aldred notes: *"It was accepted that you did most of your learning by being put in a place where you would learn, working for people from whom you would learn."*

Ultimately, the senior managers responsible for executive development need to ascertain what is best for their organisation and their people. Priscilla Vacassin at BAA points out that *"we make better leaders by getting them to understand the business."*

If we look at what external providers can offer organisations we find that in the past university programmes were aimed at developing individual executives so as to support organisational goals (Bolt, 1993: 46). Today, organisations are turning to executive development to help change the whole organisation and its culture through managers who will bring about such change (O'Reilly, 1993: 53). Their ultimate goal is to improve competitiveness and to design new strategies and new ways of thinking (Bolt, 1993: 46 – 47; Vicere & Graham, 1990: 281). Universities and colleges, such as Cranfield School of Management, Insead, Ashridge, Henley and London Business School, all offer senior executive programmes in the UK. Similarly, professional bodies offer development activities to their members in the form of formal courses and more informal networking events and conferences.

One of the themes that recurred throughout the case study interviews was self-awareness as a key capability of top team and board members. For example, BAA and a senior manager who wished to remain anonymous both embody this principle in their leadership competency models. *“The approach that we took is that they need to think about themselves first. Not because they’re better but because if they don’t, why should they expect anybody else to?”*

3.8 *Evaluating executive development in practice*

When the development needs of individuals, teams and the organisation have been determined and provided for, the extent to which these needs have been met must be

monitored. Development evaluation has been, and continues to remain, an essential but complex task. *“Tracking through a proper assessment of people's needs and then to a proper evaluation of whether they felt it met the needs is one of the hardest things of all for any developmental tool. I've never seen an organisation that's managed that in a totally systematic way”* (Deborah Loudon, Director of Personnel at the Home Office).

Equally, the evaluation of the board and top team itself has become a prominent activity, increasing the pressure on executives to ensure that they and their organisation are performing well. In 1997 a survey commissioned by Russell Reynolds Associates found that evaluation of a company's board has become an important factor for organisational investors, the assumption being that a good board of directors produces good corporate governance that delivers higher profits. Directors themselves confirmed that after board evaluations were initiated *“their meetings went more smoothly, they got better information, they acquired greater influence, and they paid more attention to long-term corporate strategy”* (Conger, Finegold & Lawler, 1998: 136).

However, despite compelling reasons to evaluate boards, a survey of directors of Fortune 1000 companies, conducted in 1996 by Korn/Ferry International, found that even though approximately 70 per cent had a formal process for evaluating their CEO, only a quarter of US organisations evaluated their board's performance. Evaluations of directors are even more rare (Conger *et al*, 1998: 136).

The emerging consensus is that boards as a whole should regularly assess their performance, and also that of individual directors, in order to create competitive advantage and add value to the organisation (Charan, 1998: 151). An individual director's performance should be monitored and appraised on an annual basis by the CEO to allow any development needs to be identified. However, a survey of 350 directors carried out by the Industrial Society in 1996 found that methods of assessing directors varied greatly. In approximately 60 per cent of the organisations surveyed, director appraisals were undertaken by the CEO. Of these, 34 per cent said that appraisal was formal, while 27 per cent said it was informal. The number of executive directors appraising their colleagues was 23 per cent, and 18 per cent said this was done informally.

Ultimately, it is the responsibility of each director to ensure that his or her skills and knowledge are kept up to date so that their expertise is constantly relevant to the organisation. In the current climate of change, a clear view emerging from the interviews is that directors need to continually and systematically add to their knowledge and expertise in a way that will enhance the prosperity of the business (Pierce, 2001: 207 – 208). Margaret Aldred, Director General of Resources and Performance at the Home Office, believes that *“development has a huge role to play, because what I found in my previous career is that people who are successful know where they want to get to and they know what it looks like and they can see ways to get there.”*

Development activity has generally been measured by the frequency of participation, for example, the number of days or hours spent in development and the number of activities,

or the breadth of participation, for example, the diversity of activity. However, the “How many?” / “How much?” approach is not completely reliable because not all development can be measured. Margaret Aldred, Director General of Resources and Performance at the Home Office, realises that *“you can see it when it’s working but it’s quite difficult to quantify.”* And Priscilla Vacassin, Group HR Director at BAA, observes that *“The measurement systems have to be designed into the business from the start and they can’t just arise out of nothing. Most competency frameworks for example are not designed to measure competency, therefore measuring is impossible.”*

Some organisations have begun to underline the importance of alternative forms of development, for example, shadowing or Internet access, instead of the more formal development activities that are separated from daily work. Organisations are also starting to look at the benefits of development in such areas as staff retention, knowledge creation and sharing, and growing their own effective group of leaders. *“It’s about having people who are motivated; you need people to feel that they are achieving something in areas where there isn’t a bottom line. [...] Are they working for people they respect, are they doing the job that they think has value, do they think that individually they are adding value, do they think that they are developing their potential and doing something which gives them self-satisfaction?”* (Margaret Aldred). Further, Dianne Thompson at Camelot believes you can measure the softer side of development: *“The qualitative level really is knowing how motivated my guys are and because I spend quite a lot of time with them, I know how they’re feeling. I care very much about my people as individuals.”*

Such forms of development are particularly difficult to measure. With the leadership competency model at BAA, Priscilla Vacassin accepts that *“there is danger here because we have genuinely tried to design it holistically - one thing is linked to another - and so you will not be able to unpick it and say that benefit is linked to that, and that input is linked to that.”*

Finally, it does not matter how much “development” an individual experiences if the quality was poor, or it was irrelevant to their job or unrelated to their needs. An emerging view is that greater attention must be paid to the quality of development opportunities (Birdi, Allan & Warr, 1997: 856). Development is a benefit, and organisations must learn to capitalise on whatever investment they have made. *“If you don’t bring people together and don’t invest, the effect is not neutral”* (Eithne Wallis, National Director of the Probation Service for England and Wales).

Perhaps a suitable closing comment on evaluation can be taken from Neil Roden at the Royal Bank of Scotland: *“There are lots of things in life you can’t prove so this is one of those things you believe in. [...] Nobody’s cracked training and evaluation but when we have, we’ll patent it and make a few bob!”*

4. Organisational Case Studies

We have now examined the various perspectives found in the literature on executive development. This chapter sets out to provide insights into how strategic particular organisations are in their approach to executive development at senior management levels. Six case studies are presented plus an additional study of the external analyst's perspective on top team and board performance. [In all, eight organisations participated in the survey. Two declined to make public their findings.](#)

The companies that agreed to [make public the findings from case study analysis](#) are as follows.

Deleted: take part in this study are

BAA plc	Owens and operates airports in the UK and elsewhere around the world.
The BBC	The UK's broadcaster of television and radio.
Camelot	Operator of the UK National Lottery.
Home Office	Aiming to build a "safe, just and tolerant society" through the work of its executive agencies, inspectorates and non-departmental public bodies responsible for internal matters in England and Wales.
The Royal Bank of Scotland plc	The second largest bank in the UK and Europe.
Royal & Sun Alliance	One of the world's largest multinational insurance groups, selling a wide range of products that fall into two broad groups: insurance for business and products for individuals.

The purpose of the case studies was to determine to what extent executive development supports corporate strategy in each of the organisations. From the literature and the interviews, seven initial strategic considerations for executive development were identified: value creation, differentiation, risk management, governance and corporate social responsibility (CSR), extent and breadth of executive development activity, perspective to be adopted and whether to use an executive or management development approach. The case study evaluations relate to these considerations, identifying what is currently being achieved, and what still needs to be achieved, at individual, team and organisation level. This was achieved by exploring the following questions for each organisation:

- Is the appropriate business language being used at top team and board level when talking about executive development, i.e. the language of value, differentiation, governance, leadership and risk management?
- Does the organisation appear to intend developing their top team and boards in those areas important to the current and future performance of the enterprise?
- Is there evidence that the organisation is aware of concerns such as appropriate business language and linking individual, top team and board development to the performance of the organisation when discussing executive development?
- To what extent have the organisations concerned declared responsibility for development in those areas important to their future?

Throughout this study it has been argued that successful senior managers require a particular balance of skills, competencies and capabilities at any given time in any given context. Taking each of the seven strategic considerations in turn, we can see how this balance may be achieved. For example, value creation at the operational level calls for skills to do a better job. Adding value at the strategic level demands competencies relevant to the situation, for example, how to recruit the right people and develop better customer service. Value creation at the executive level requires vision to enhance strategic capabilities and attend to the varied demands of shareholders and other stakeholders.

Similarly, differentiation requires the skills, competencies and capabilities needed to sufficiently differentiate the organisation in a competitive market. Risk involves ensuring that executives can cope with uncertainty in the environment and manage it to the benefit of the organisation, in effect taking risks for maximum organisational gain. Governance and corporate social responsibility are issues that have received considerable attention in the preceding sections, and refer specifically to the way in which an organisation is designed, and the capability of executives to work effectively within these structures. The extent of executive development activity, including commitment at the most senior levels, means that there may be more or less pressure on individuals to manage their own development or that of their colleagues. Achieving a corporate focus rather a functional focus, particularly at the executive level, is a serious challenge for many organisations as we have already discussed. Finally, concentrating on executive rather than management

development is often the key to achieving the desired organisational and individual outcomes.

The evaluation grid proposed in Figure 4.0 shows the vertical columns differentiating between four considerations that reflect orientation and sensitivity towards executive development: language, intention, awareness and responsibility. The horizontal rows categorise the strategic issues which should be driving executive development in organisations.

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value creation				
	Differentiation of organisation in market				
	Risk management				
	Governance and CSR				
	Executive development activity				
	Corporate rather than functional perspective				
	Executive rather than management development approach				

Figure 4.0 Evaluating Executive Development

Based on the evidence available from the interviews, this grid has been used to analyse the extent to which the six case study organisations have harnessed executive development to particular corporate strategies. Owing to the limitations of time, complete evidence of all aspects in each organisation may not have been gathered. In fact, had other individuals in the organisation been interviewed, contrasting viewpoints may have emerged. Therefore, the evaluations made are not conclusive but indications of pockets of thought within the corporations.

The additional case study at the end of this section was compiled from four different perspectives designed to gain an insight into how top teams and boards are assessed externally. Those interviewed were: a financial correspondent, a non-executive director, an executive search consultant, and a talent management consultant (see Appendix for further details).

4.1 BAA plc

BAA owns and operates seven airports in the UK, and has management contracts or stakes in eleven airports elsewhere around the world. In total, the airports serve about 200 million passengers. Stakeholder impact is an important issue for the company, which has both a social and environmental guardianship responsibility as well as a commercial responsibility.

The top management structure includes the board of directors, which is legally responsible for running the company on behalf of shareholders. The board comprises a non-executive chairman and six executive and five non-executive directors.

The top team, the Executive Committee, develops and recommends business objectives and strategies to the board. In addition, it reviews the company's performance and ensures the delivery of agreed business objectives and plans. It is chaired by the Group Chief Executive, Mike Hodgkinson, and includes nine other executive directors. At the moment there is also a Deputy Group Chief Executive who is the Group Chief Executive's successor. Below that structure, a subsidiary board presides over every airport or business, headed by a Managing Director.

Additionally, BAA executive directors can be non-executive members of other BAA boards; an experience recognised as contributing to the development of the individual. It is considered that non-executive directors have an important function to play in how the board and the Executive Committee operate. Governance is regarded as the responsibility

of the non-executive directors. Further, the non-executive directors ensure that there are plans in place to resource the Executive, and in so doing pay attention to the strategy for senior management development. The chairman acts as an assessor of board effectiveness, a challenger and mentor to the Group Chief Executive, a commentator on the external positioning of the organisation, and a monitor of the process and content of corporate strategy development.

Approach to development

Leadership development is firmly on the agenda at BAA. The company is aiming to prepare managers throughout the organisation for the challenges they can expect at senior level by using the same methods, concepts and tools at all levels of management, but varying their degree of intensity. For example, a one-day workshop may suffice at one level, whereas personalised coaching may be necessary for the same topic at a higher level. Although there is no formal policy for executive development, there is a Learning and Development Review Group, a subcommittee of the Executive Committee, which considers these issues.

Each year, Human Resources advisers examine the business plan in order to convert it into a performance plan, relevant for people in the organisation. The emerging views feed into a workshop session where the business plan is considered in terms of leadership requirements, with particular attention to the development of each individual senior executive.

The competencies valued throughout the organisation are insight and self-awareness, and a capacity to learn quickly. These primary competencies are supported by a matrix of leadership behavioural competencies based on four constructive leadership meta-competencies (that might be termed capabilities): to be courageous, to be curious, to provide meaning and to enable others. These are linked to a broad competency dictionary offering considerable flexibility for differing roles and approaches to leadership. Roles at the executive director level are characterised as 10% technical specialism and 90% leadership.

The leadership matrix is seen as a way of providing a consistent approach to development across business units. It is supported by an Organisational Climate Inventory (OCI) tool, which links closely with the work on leadership. The intersections of the matrix determine 360° feedback questions, and hence form a means of evaluation. The tools and language of this approach are gradually being spread throughout the organisation.

A large number of the long stayers in BAA see these changes as a major culture shift. It is also recognised that it will take time for the whole organisation to adopt the spirit and word of leadership development initiatives.

Identifying development needs

Many methods are used at executive level to explore development needs, including psychometrics, biographical interviews and the “Career Path Appreciation” (CPA) tool, particularly exploring an individual’s drive and potential, which is then related back to

business needs. The leadership matrix model allows identification of priorities for roles and of strengths and weaknesses, and a gap analysis of development needs.

Priorities for personal development usually emerge from the succession plan. People who have the potential to serve on the Executive Committee are provided with suitable personal development within an appointed time. The content is geared to the individual, with up to ten people per year going through this process with the assistance of a personal facilitator. The facilitators have been trained to build a dialogue between the business and the individual. It is made clear to individuals that the process belongs to them, and that the facilitators are there to support and not to assess. The process leads to a personal development plan for the individual drafted jointly by the person concerned and the facilitator.

BAA acknowledges that currently the climate within the organisation is perhaps not yet what senior management would like, being predominantly an avoidance culture in which difficult issues are not tackled for fear of upsetting colleagues. The aim is however to build a climate in which feedback is the norm in order to create an open and responsive environment. There is also an element of apprehension among some executive level members, which is considered to result in a degree of intransigence, as the leadership development process can be quite intrusive and personal. Because BAA has been operating successfully, and safely, for a significant period, there is in some areas the feeling that there is no need for change.

Meeting development needs

Various methods of meeting development needs at the executive level are used, depending on how best to match the individual and business needs. For example, it may involve changing roles or teams, or introducing a coach or mentor. BAA also has a virtual university, the 'Uni', that looks after all the learning aids. There are three executive directors on its Council, showing the commitment from the top levels to the initiative.

Evaluating development

Development is regarded by BAA as a means of making an internal investment in the future of the company. Business cases for development are compiled in terms of outputs and outcomes from the start, giving a clear guide against which activities can be measured. The company believes that once it starts to build a better understanding of how the organisational climate and leadership performance are changing, it will be able to correlate that with business performance. A framework has been constructed that now needs specific measurements built into it.

The evaluation process is seen as a development process in its own right, as it involves asking directors to analyse the business and individuals, including themselves. Changes in behaviour and performance are not expected in the short-term. It is recognised that measurement has to be carried out over a longer period of time in order to determine behavioural and culture shifts. Likewise, the business of BAA is long-term and does not demand quick commercial results, which allows for longer-term development planning.

Figure 4.1 BAA plc Evaluation Grid

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value	✓✓	✓✓✓	✓✓	✓✓
	Differentiation				
	Risk	✓	✓	✓	
	Governance	✓	✓		
	Social responsibility	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Executive development activity	✓✓✓	✓✓	✓✓	✓✓
	Corporate rather than operational focus	✓✓	✓✓	✓	✓
	Executive rather than management development	✓✓✓	✓✓✓	✓✓✓	✓✓✓

Key:

- ✓ Limited evidence
- ✓✓ Reasonable evidence
- ✓✓✓ Clearly evident in development-related activities

4.2 BBC

Introduction

The BBC is a Corporation established under successive Royal Charters. Its current Charter runs to December 2006 and it sets out its public obligations. BBC services are regulated by a separate Agreement under the Charter, which recognises the BBC's editorial independence. The Corporation receives most of its income from the UK licence Fee.

The BBC has a Board of twelve Governors who ensure that the BBC fulfills its obligations. They are all appointed by the Queen in Council. The Board of Governors, who are men and women with a wide range of experience and interests in public service and the arts, business and industry, sets objectives and monitors the BBC's performance and standards against them. They also appoint the Director-General and senior management team. All members of the Board of Governors have come from outside the organisation.

The Board of Governors are all part-time non-executives. They meet monthly and hold BBC managers to account for their performance against the agreed strategy and objectives. The Governors ensure that the BBC :

- is directed and managed in the public interest and accountable to licence payers and Parliament
- complies with its Charter, Agreement and other regulations

- complies with the law
- maintains the high standards and values expected of the BBC as the nation's broadcaster

The Executive Committee is made up of the Director-General, who is both chief executive and editor-in-chief. He is appointed by the Governors, and leads a team of 18 directors. The executive committee's role is to determine strategic direction, secure the resources required to get there and to be accountable for the performance of the whole organisation.

Approach to executive development

The BBC's policy on executive development has changed over time. Ten or fifteen years ago there was no development at executive level. As more people have joined the organisation from outside, they have brought different kinds of processes, one of which is personal development, so things have changed. Currently, senior positions on the executive committee are filled by a mixture of external recruitment and internal succession planning. Those internal senior managers who are identified as possible successors tend to receive greater focus and have more money spent on them than those people who are not identified as possible successors. Although skills and competencies for executives are not particularly well-articulated within the BBC, it is believed that executives will display evidence of the following:

Confidence

Intelligence

Political awareness

An engaging personality

Creativity

A sense of fun allied to high self-awareness

Dedication

Diligence

Energy

Resolve

The ability to stick to a brief

Social confidence

World class expertise in their sphere of influence

The BBC links executive development policy to business strategy in several ways. First, part of their strategy is to develop creativity in the organisation and that is done by investing in and developing people and giving them different kinds of experiences. Second, part of their strategy is to send people out to their local communities in order to promote their understanding of the aspirations and interests of those communities. This has the dual purpose of personal development whilst developing products and services.

A new, integrated development programme is being established for the board and top team. Some board and top team members undertake personal and collective development

and career planning and also act as role models and leaders for managers at other levels. Policy is being developed around this issue. Any collective development tends to take place off-site. For example, a group of executives has recently undertaken a series of visits to the US, which was driven by a set of specific projects.

One appraisal system across the BBC is currently being established. Senior staff receive performance related pay. The idea of a learning culture is not yet universal within the BBC, but it is a core aim.

Identifying needs

Individual development is driven by the executives themselves, whereas collective development is something that would either be driven by the Director-General, or it would be driven by a particular project or projects that some of them are leading. Development within the BBC it is driven by business needs, particularly at the top.

Methods to meet needs

Some executive committee members have personal coaches. They also attend and speak at conferences or read business magazines. A unique 4 day induction programme is guaranteed for all staff, but there are added extras at top team level. Occasionally, some individual/tutorial teaching takes place, as well as creativity sessions where executives

might travel somewhere to look at how other people do something. The expected benefit is thought to be that they will perform better individually and collectively.

The contents of any executive development activity currently would be centred on business ethics, change, leadership, strategy, performance and culture.

In terms of barriers to development, lack of time is cited as the biggest factor,

Evaluation

There are an increasing number of sessions where executives work on a collective agenda together for team development purposes and they will then share experiences of feedback through a facilitated process. 360-degree feedback is being introduced across the organisation and evaluation metrics developed based around the Burke-Litwin model

Figure 4.2 BBC Evaluation Grid

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value	✓			
	Differentiation				
	Risk				
	Governance	✓✓	✓✓	✓✓	✓✓
	Social responsibility	✓	✓	✓	✓
	Executive development activity	✓✓	✓✓	✓✓	✓
	Corporate rather than operational focus	✓	✓	✓	✓
	Executive rather than management development	✓✓	✓✓	✓✓	✓

Key:

- ✓ Limited evidence
- ✓✓ Reasonable evidence
- ✓✓✓ Clearly evident in development-related activities

4.3 Camelot

Camelot is the operator of the UK National Lottery. It employs 930 staff who work from a head office and ten regional centres across the UK. The objective of all staff is to maximise revenue for “Good Causes” (arts, sport, charities, heritage, millennium projects and education, health and environment) and the government through lottery games in the most efficient and socially responsible way. This involves creating, marketing and promoting new games, running and developing the lottery infrastructure, providing services for players and winners and working in partnership with retailers.

Camelot is a private company, wholly owned by five shareholders: Cadbury Schweppes plc, Consignia Enterprises Ltd, De La Rue Holdings plc, Fujitsu Services Ltd and Thales Electronics, who each hold a 20% stake in the company. Its board comprises a non-executive chairman, two non-executive directors, five executive directors and representatives from each of its shareholder companies. Dianne Thompson leads an executive team of four directors.

As well as its financial obligations, Camelot’s Social and Ethical Audit and its Social Report are an important part of Camelot Group plc’s development as a company. The audit and the resulting report, first published in April 2000, forms a key element in Camelot’s development as it seeks to fulfil its commitments as a private sector company operating what has become a public institution, The National Lottery.

The Camelot Foundation is an independent charitable trust set up in 1996 and receives £2 million a year from Camelot Group plc. The Foundation is legally independent of Camelot Group and its policies are decided by an independent board of trustees. The Foundation aims to support initiatives that bring marginalized young people into the mainstream of UK life through its “Transforming Lives” programme.

Approach to development

Camelot has no specific company policy on executive development and although Dianne Thompson, Camelot’s CEO, is keen to create developmental opportunities for her executive directors, executive development takes place on an informal, *ad hoc* basis. However, this is something that she is keen to address at the earliest opportunity.

Because Camelot is quite a flat organisation in terms of structure and hence affords little scope for upward advancement, the CEO encourages her executive directors to network extensively outside the business and also to attend senior training courses. For example, one of her executive directors recently took part in one of the Cabinet Office Forums and the Financial Directors’ Forum, whilst others have attended relevant conferences. Part of the development opportunity available to Camelot executive directors is broadening their experience, increasing responsibility and increasing exposure to issues outside the business by dealing with shareholders, suppliers, Government, the National Lottery Commission and the distributing bodies.

Identifying development needs

Twice a year the CEO meets with the HR Director to review top-line organisational structure. This has resulted in formalised programmes for those directors and managers below board level.

Meeting development needs

Both the CEO and executive directors spend time with their direct reports, both formally and informally. Every fortnight, the CEO holds a business-based meeting to “catch up on” issues. She also tries to spend time with them all individually, either socially or when travelling to other meetings. These coaching sessions include talking to her top team about how they are approaching their jobs, or issues they need to be thinking about in terms of coaching some of their own staff.

Considerable development takes place on the job, for example, building up new areas of expertise and gaining experience outside the organisation. Executive directors are expected to be committed to their own development and accept responsibility for the enhancement of their technical knowledge in their specialist areas. They also attend lottery events or conferences, workshops and different types of functions and meetings externally.

Collectively, the top team takes part in its own in-house-devised development, such as a period of away-days that comprises a formal agenda and incorporates team-building. A

leadership programme called “Winning Ways” based on trying to identify and develop desired organisational behaviours has governed top team development more recently. Senior managers also take part in off-site development with an external provider of team-building programmes.

Camelot undertakes induction, competency building and appraisal at executive level.

Evaluating development

Camelot believes that their organisation is inquisitive and forward-looking, with a creative approach to issues and openness to learning. For example, considerable time and effort are devoted to studying lotteries in other parts of the world. However, they do not yet feel that they have the necessary infrastructure for capturing learning and using it effectively.

The CEO evaluates the benefits of executive development qualitatively rather than quantitatively. The business is expected to achieve specific strategic objectives and, at the quantitative level, some evaluation of leadership capability is attempted through staff surveys and 360° feedback. At the qualitative level, the CEO undertakes structured one-to-one meetings with each of her team and observes behavioural or professional skills improvement.

Figure 4.3 Camelot Evaluation Grid

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value	✓	✓✓✓	✓	✓
	Differentiation				
	Risk				
	Governance	✓	✓✓✓	✓	✓
	Social responsibility	*	*	*	*
	Executive development activity	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Corporate rather than operational focus		✓✓✓		
	Executive rather than management development	✓✓✓	✓✓✓	✓✓✓	✓

Key:

- ✓ Limited evidence
- ✓✓ Reasonable evidence
- ✓✓✓ Clearly evident in development-related activities

- * Although social responsibility was not evident in development-related activities, it may be seen from the case study that the organisation engages strongly in such activity.

4.4 *Home Office*

The Home Office, and its executive agencies, inspectorates and non-departmental public bodies, is the government department responsible for internal affairs in England and Wales. The purpose of the Home Office is to work with individuals and communities to build a safe, just and tolerant society enhancing opportunities for all and in which rights and responsibilities go hand in hand, and the protection and security of the public are maintained and enhanced. The Home Office is a distinct arrangement of disparate units and agencies brought together under a single Department of State. Organisational identity is therefore a complex issue.

Fifteen executive and three non-executive directors serve on two top management boards: the Group Executive Board (GEB) and the Departmental Executive Board (DEB). This configuration is the result of recent restructuring of a single management board by the current Permanent Secretary, John Gieve; an initiative that reflects a new corporate vision being developed for the organisation.

The GEB is responsible for leading the Home Office Group, including its agencies, to ensure that it fulfils the aims set by Ministers, builds its capability for the future, and maintains high standards of propriety. The GEB is chaired by the Permanent Secretary and includes eight executive and two non-executive members covering the Home Office Directorates and Units.

The DEB is responsible for the organisation of the core Home Office and driving the corporate change programme. Its chair is the Permanent Secretary and it has ten executive and one non-executive members including Directors and Director Generals of the core Home Office departments.

The non-executive members of both Boards are new positions, introduced to provide an outside perspective and new expertise.

Approach to development

Because of the recent change in structure, the roles of the members of the two Boards lack clarity, often relying on implicit ground rules. However, the required competencies of Directors are clearly set to Civil Service standards. There are also guidelines in the Modernising Government White Paper of 1999 as to the kind of skills required by civil servants in the future, such as innovation, continuous improvement and commercial skills in a learning organisation environment. The key values of the Home Office include diversity, teamworking, integrity, accountability and transparency of processes.

Effective leadership is acknowledged as a key requirement of a high-performing organisation. However, people with strong skills in their area of specialism have traditionally been more highly valued. Generic leadership and management skills are starting to receive more attention, although there is no mandatory training for staff progressing through the management grades. As the demands made on the organisation are changing, and more emphasis is being put on the delivery of public services, people

will require greater flexibility and the ability to manage diversity. More than one set of skills and styles is valued in the new environment, although, as yet, the range has not been defined.

Development is perceived as contributing to both skills and confidence. The Home Office believes it is important to create time for personal development, particularly at senior levels. The formal policy on training and development is currently being revised, but in the past it has included recognising skills gaps as part of the business planning process, which are then used to set training and development priorities. It is a competency-led process. People are committed to development of the individual in the Home Office, but perhaps with what could be described as an over-reliance on training events in a culture where academic and intellectual skills are highly valued. Owing to the time constraints of senior managers, formal development events are seen as a useful way of allocating time for personal development. Top management believe in showing commitment to development events through personal appearances and support.

Inevitably there are variations in approaches to development that affect the extent to which programmes and policies have been implemented in the various directorates, agencies and units. For example, in the National Probation Service (NPS), a great deal of attention has been paid to leadership development. This has led to a clear definition of performance standards and the obligation of the NPS to help people achieve them. The two-year leadership programme that has been organised includes a Leadership Forum for discussing development and business issues, a 360° appraisal system leading to personal

development plans, training course provision and action-learning sets. Some elements are facilitated in-house, others by external providers.

How much development a person undertakes is a function of both the organisational systems in place and the initiative of the individual and their line manager. One of the current debates is about how to bring the standards in each operating area to an equal level across the whole of the Home Office.

Identifying development needs

A 360° appraisal scheme based on leadership competencies is used throughout the Home Office. It is the primary means whereby individuals identify their own development needs and draw up personal development plans. Individuals can also request development support. Career development is well structured within the Civil Service, with people expected to move between roles at regular intervals as a key feature of personal development. There is a team of people responsible for helping with senior management career progression.

One important role of the appraisal scheme is to ensure that development needs for tomorrow as well as today are being identified. This leads to a focus on building generic skills as well as people's confidence, incorporating flexibility and adaptability into the senior executives of the organisation. The barriers to development include working with existing limited human, financial and time resources.

Meeting development needs

Initiatives have included the use of external facilitators and the use of drama and symbolism to deliver key development messages, such as diversity. Leadership is another area being explored, with the aim of showing senior management what the top of the organisation looks like from middle and junior levels. Performance management and project management are other areas of training that have been introduced with strong support at board level.

Mentoring and coaching are most used at senior management levels to meet the needs of the individual. Development for the board as a team is now receiving more attention. Although induction exists for non-executive directors, in contrast, little other than structured visits are organised for newly appointed executive directors.

A full range of Civil Service training courses is also available to directors, such as the Top Management Programme. The Home Office has also purchased an e-learning package for developing leadership skills, seen as a cost-effective way of making the training available to a larger number of managers, including executives, across the organisation. Preferred methods of development include peer-facilitated group work or formal training courses, often run by the Civil Service College.

Evaluating development

The benefits of development are evaluated for individual programmes, with the emphasis on skill and competency development. The aim is that people return to the organisation

motivated and with new tools and techniques to do their job. Specific measures for evaluation are regarded as suspect, with it being easier to discover when an organisation is not carrying out effective development needs analysis and development evaluation than when it is. The time and effort required to measure development outcomes is seen as exceeding the value of the process.

In the National Probation Service monitoring of effectiveness takes place both at the front end - are we delivering what we promised as part of the development policy? - and at the back end - is the taxpayer happy with the service we provide? The middle range of measures looking at how individuals and teams are developing at a more qualitative level is currently being explored.

Two of the key benefits of development at the most senior level are the networking opportunities and time for personal reflection. The 360° appraisal is one tool for showing how a person's profile has shifted against performance targets.

Although the Home Office is clearly aligned to a specific sector and is going through a process of change, many development issues and principles are perceived as being generic to all organisations.

Figure 4.4 Home Office Evaluation Grid

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value		✓		
	Differentiation				
	Risk				
	Governance		✓		
	Social responsibility	✓✓	✓✓✓	✓✓	✓✓
	Executive development activity	✓✓	✓✓✓	✓✓	✓✓
	Corporate rather than operational focus		✓		
	Executive rather than management development				

Key:

- ✓ Limited evidence
- ✓✓ Reasonable evidence
- ✓✓✓ Clearly evident in development-related activities

4.5 *The Royal Bank of Scotland plc*

The Royal Bank of Scotland Group (RBS), founded in 1727, is the second largest bank in the UK and Europe and ranks fifth in the world. In March 2000, RBS completed the acquisition of NatWest. The enlarged Group has a market capitalisation of £49 billion as of 22 February 2002. It has more than 18 million UK personal customers and 2,287 UK branches and employs over 105,000 staff worldwide.

The top management structure of RBS includes a board of directors, with the chairman leading six executive and thirteen non-executive directors. The Group executive management committee, run by Fred Goodwin as Group Chief Executive, includes both the business unit heads and functional heads; a total of nineteen members. The Group executive management committee and the Group Chief Executive run the day-to-day business. The board attends to issues of guardianship, guidance, strategy and control.

Approach to development

The structure of the senior levels of the bank is comparable to other organisations in the sector and, as such, roles and responsibilities are clearly defined. The competencies required are perhaps less generic, and rely more on personal interpretation and the demands of the environment. The specific competencies currently valued include being able to adopt a questioning style of management, to assimilate and understand information, to understand the business, and each individual being able to understand his or her role in relation to the shareholders. The Group executive management committee

includes a mixture of business and functional specialists, emphasising the different roles to be carried out.

For executive development the RBS uses a tool called the Leadership Excellence Profile (LEP), which has been developed over the last three years. The profile identifies what it is that leaders of the Group do that (a) makes them successful, (b) achieves results that are better than their competitors', and (c) differs in some way from the norm that you would expect from a generic leadership model. The LEP is presented in three clusters of competencies, attributes and personal characteristics, and is used to assess senior managers and executives for selection and development.

RBS invests time and resources in developing a learning culture, which is monitored through regular staff surveys. The company is keen on personal development throughout the organisation with a group-wide policy to support this. Development is high on the Group executive management committee's agenda with considerable investment in this area.

Identifying development needs

Development is regarded by most senior managers as a useful process. Individuals can join corporate programmes on their own initiative or request specific individual support. In identifying development needs at executive level less reliance is placed on appraisal schemes and more on individual initiative. The Human Resources department plays a role in helping individuals identify these needs.

The barriers to development tend to be at the individual rather than organisational level, notably in terms of self-awareness. This problem is being tackled through a Leadership Development Workshop, which helps people compare themselves against the desired leadership model, and identify any gaps.

Meeting development needs

An assessment centre is currently being piloted against the Leadership Excellence Profile, which will result in the refinement and further implementation of a Leadership Excellence Programme. RBS will look for high potentials against the LEP criteria through this programme. Coaching is used to help people at executive level to develop further.

Past development activities in the RBS Group have varied between what was previously undertaken by RBS and separately by NatWest before the acquisition. The aim now is to refine a model suitable for the new group as a whole.

The Leadership Development Workshop is a three-day assessment centre, facilitated by both internal and external people. Many of the other formal development activities and training are outsourced to external providers.

Evaluating development

Development activities have to be seen to be contributing to the business, and measures such as return on investment, performance management and business results are reviewed over the short- and medium-term to assess this. For example, succession plans are one way of monitoring improvements in performance.

A great deal of attention is also paid to the employee surveys that are carried out each year to gauge the current organisational climate. The surveys are seen as a way of measuring management performance at all levels.

There is an underlying belief that development is good for the organisation, and not too much time is spent measuring its impact in any mechanical way as the effort involved is thought to outweigh the benefit. The benefits of development are regarded as coming from the ability to develop the skills within the company and to encourage internal promotion.

Figure 4.5 The Royal Bank of Scotland Evaluation Grid

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Differentiation	✓✓	✓✓	✓✓	✓✓
	Risk		✓		
	Governance	✓	✓✓	✓✓	✓
	Social responsibility		✓		
	Executive development activity	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Corporate rather than operational focus	✓✓	✓✓✓	✓✓	✓✓
	Executive rather than management development	✓✓	✓✓✓	✓✓✓	✓✓

Key:

- ✓ Limited evidence
- ✓✓ Reasonable evidence
- ✓✓✓ Clearly evident in development-related activities

4.6 *Royal & Sun Alliance*

Royal & Sun Alliance (RSA) is one of the world's largest multinational insurance groups, with operations in some fifty countries and the ability to transact business in over 130. Through this international distribution network, they deliver financial solutions to over twenty million clients around the world.

The RSA Group is organised into four distinct regions based on time zones - UK, EMEA (Europe, Middle East and Africa), the Americas, and Asia/Pacific. They organise their business in this way because they believe that their customers are best served by empowering people who understand local conditions and customer needs.

In all regions RSA sell a wide range of insurance and insurance-related products that fall into two broad groupings. These are Commercial Insurances (insurance for businesses) and Personal Financial Services (products for individuals).

There have been some significant changes to the group board and management board during the last four years. The group board comprises a non-executive chairman, Sir Patrick Gillam, an executive Group CEO, Bob Mendelsohn¹, an executive Chief Operating Officer, Bob Gunn, and an executive Finance Director, Julian Hance, plus six non-executive directors of diverse backgrounds, all of whom have been chosen for their particular area of expertise.

¹ See update at the end of this section.

The management board, located in the UK, has also undergone substantial change. It is now an international mix of individuals and comprises five executives: the Group CEO, Bob Mendelsohn, the COO, Bob Gunn, and the three CEOs of the UK, EMEA and Asia/Pacific regions.

As a Group, RSA recognise their responsibility towards both individuals and the local communities in which they operate. Accordingly they have developed a number of initiatives as well as partnerships with other organisations designed to make a positive contribution in a variety of ways:

- they encourage staff to play an active role in local charities or organisations;
- they provide logistical support to other groups to allow them to operate more effectively;
- they make financial contributions to global organisations such as the International Federation of the Red Cross and Red Crescent Societies.

RSA also sponsor the Rules of Golf, which date back to the beginning of the last century. The Rules are published once every four years by the Royal & Ancient Golf Club of St. Andrews.

Approach to development

The traditional way of developing senior insurance executives had remained virtually unchanged for nearly three centuries. This involved looking foremost at technical competence in the various areas of insurance such as underwriting, claims, cost control

and engineering. People tended to spend their careers in a vertical silo with ever-increasing realms of responsibility within a particular technical competence, so that some would reach the top of the underwriting silo or the top of the claims silo, and then become a general manager.

More recently, as part of their evolving culture, the approach to development has been to attend more to a broad set of competencies, with a much more developed multi-task experience for senior managers. RSA are looking for more diversity in the types of assignments, types of people and types of background. This means that, in addition to people of different nationalities, the board now includes two women. RSA have also diversified by age. They have ventured outside the world of financial services to bring in people with expertise in electronics, as well as someone who is on the board specifically for their marketing expertise and another for their operational expertise. They have sought non-executives who have added a particular quality to the board, rather than simply being non-executives of stature. This relatively new approach has prompted a search for people with international experience, rather than simply outstanding underwriters or marketers. RSA have tried to incorporate greater breadth into the team, and this has involved moving some members outside their comfort zone into different assignments in non-traditional areas.

Identifying development needs

Royal & Sun Alliance see development as a joint initiative for both people at executive level, who are self-starters, and their managers, who put forward suggestions for development.

Meeting development needs

Development takes place both on and off the job. This entails technical training outside the normal area of competency and also an internal, on-line method called RSAlearning.com, although these levels of learning are not intended for senior people. Off-site, executive and technical management programmes are available and are used by both senior people and those they think will hold senior positions in the future.

Although there is no written policy for top team and board development, there is a well-established development programme designed to enable people to reach senior positions. By the time managers are appointed to senior positions, they would have been through various UK and international business schools, such as Cranfield and CEDEP, in order to develop their managerial and leadership skills.

Once someone is appointed to management board level, the emphasis changes somewhat in that any future development tends to be specific to the person concerned. All individuals develop media skills as they become more involved with the outside world. Most management board members also receive training in directorship responsibilities. Individuals may decide to pursue training in trustee responsibility because they are likely

to become involved with trustee boards. Most senior executives receive training in legal compliance requirements, such as anti-competitive behaviour and the requirements of a regulator. There is also the opportunity (though few take it up) of having executive coaching for individuals in their new role. There is no formal induction process for people reaching management board level.

As well as undertaking appraisals at top team level, the management board in the UK holds a telephone conference call once a week for an hour. There is a day-long board meeting once a month. They also have two away-days every quarter to enable the board members to share views, become better acquainted with each other and provide thinking time on strategy.

Evaluating development

Evaluation tends to be of the “reaction” kind that takes place after a course. In addition, the management board carries out a certain amount of subjective evaluation of how people are performing and developing in their role.

Figure 4.6 Royal & Sun Alliance Evaluation Grid

		EXECUTIVE DEVELOPMENT			
		Language	Intention	Awareness	Responsibility
STRATEGY	Value				
	Differentiation				
	Risk				
	Governance	✓✓	✓✓	✓✓	✓✓
	Social responsibility				
	Executive development activity	✓✓	✓✓	✓✓	✓✓
	Corporate rather than operational focus	✓✓	✓✓	✓✓	✓✓
	Executive rather than management development	✓✓	✓✓	✓✓	✓✓

Key:

- ✓ Limited evidence
- ✓✓ Reasonable evidence
- ✓✓✓ Clearly evident in development-related activities

4.7 *A contrasting view: the external analyst's perspective*

As a result of undertaking this study which focuses primarily on looking at organisations from the inside, the following questions regarding external perspectives emerged:

- How are business and public service leaders viewed?
- Are capabilities for achieving efficiency and profitability alone sufficient for meeting stakeholder needs today?
- To what extent do leaders and their capabilities project the image of their organisation irrespective of its performance?
- To what extent do stakeholders assess the effectiveness of the organisation by the perceived quality of its leadership?

To gain insight into these issues a further four people were interviewed - a journalist, a non-executive director, an executive search consultant and a talent management consultant. Details of the interviewees can be found in the Appendix.

Nils Pratley, Journalist

Firstly we consider how information about an organisation is gathered and how useful each source is. Large companies issue, almost on a daily basis, press releases covering, for example, take-over bids, interim results and final results to the London Stock Exchange, which publishes them and sends them, electronically, to all newspapers. These reports, and especially the company's financial performance, are vital for investors and competitors.

Press conferences given by organisations tend to be staged events that are not always useful sources of information. People at the top tend to undergo media training, as organisations are wary of volunteering sensitive information. Many executives see the press as a kind of danger, rather than something to communicate with openly. Media training can prevent top teams and boards from being seen as human beings, and those executives who tend to be arrogant with the press and the City receive no sympathy when things go wrong with their organisation. Although media training is useful, it helps if people show their human side. If people at the top don't generate goodwill and display a sense of humour, and are not seen to have a personality, then they will be regarded as *"just another CEO, just another man in a suit, another middle-aged male who looks like any other chief executive."* Women chief executives cause great excitement among the press because there are so few of them.

Few top executives see themselves as public figures, which, Nils believes, they are nowadays because more information is in the public domain. This is particularly true of CEOs, who tend to be singled out by the press and reported on as the representative of an organisation.

Non-executive directors can be helpful in giving information to the press because they have a duty not just to the company but also to the shareholders, and their loyalty should go beyond the CEO. He states that he would probably trust a story more if it came from a non-executive director, partly because if something is wrong they tend to admit it sooner than executive directors.

As well as written sources of information and press conferences, journalists do rely on “gut instinct” when reporting on top teams and boards. Gut instinct, according to Nils, comes into play when “*someone is trying to sell you something too hard.*” For example, during the dot.com boom, some companies were basing their stories on hypotheses that were wildly optimistic, such as confidently explaining how their business was going to change the world. But journalists saw through the rhetoric and recognised what lay behind it – a high-risk strategy that in many cases led to disaster.

The journalist’s advice to top teams and boards who seek attention from the press is to have a personality. However, personality alone will not stop bad press if the company is performing badly.

John Merrell, Non-executive Director

From a totally different perspective, John Merrell, at Data Junction UK, assesses companies within a context. He believes that it is important to know something about the organisations’ differentiators, their leadership team as well as their balance sheet and their financial record.

If John is taking over a company, for example, he also relies on gut instinct, in addition to the usual financial indicators. He asks why an organisation might want to sell and to whom, and he also looks for good leadership. There is no set methodology to what he does, although it is important to have a common language. For example, he argues that a

company is a device for generating value. Therefore, he would ask what value the company purported to create and whether or not it would withstand scrutiny. He then analyses the data, for example, the size of the market and what competitors there are, seeking validation of the market and whether there is a history. It is also important to know about the record and reputation of any individual or team hoping to take the product or service to market. Talking to the company's customers and key business partners therefore in order to understand the relationships is important. There must be a sound marketing plan and the skills to implement it, to understand the business position in terms of money, partnerships or intellectual property. John comments that he has not tried to structure his approach because of the danger of neglecting the context. He tends to view things from a risk management point of view, asking what is the worst that could happen, which means that his scrutiny has to be thorough.

Hilary Sears, Vice-president, Executive Search Consultant

For Hilary, it is important to understand what talent a company already has, as she is seeking to recruit talent to put into a company. The method tends to follow a prescribed set of steps. For example, once given an assignment she will undertake background research into the organisation and why a vacancy has arisen. The next stage is to have a briefing meeting with the potential client to form an understanding of the role for which they are recruiting and its priorities. She also needs to know how success in the role is evaluated, or how the individual filling the role will be evaluated, for example, the competencies and experience that are required. Understanding the role, why it has arisen, what the background is and whether the outgoing person has performed well, are key

issues at this stage. It is also important to understand the environment and the culture and, therefore, the type of person who would fit the role. The next step is to clarify the relevant job description by breaking it down by company background, the role itself and the responsibilities, and then the ideal candidate profile.

Targeting of potential candidates tends to start with their experience, rather than their personal attributes, which are more difficult to establish, although the latter come to light during the process. However, there are some standard attributes that organisations want, such as leadership skills, communication skills, ability in training and development and teamworking, which suggests a collaborative approach. Some companies, particularly in the public sector, use psychometric testing to assess potential candidates.

By talking to opinion formers, journalists and other such people, a picture is built up of people regarded as good performers in the market. Somebody might be seen as a good performer either because they are good at promoting their own personal profile, or because of the performance of the company they work for. A direct approach is then made by telephone, when screening against the criteria takes place.

One problem encountered in the search process is that it is not possible to take a client's proposal at face value. There might be instances when it is quickly realised that it is not one job that needs to be filled but a different one. This leads the executive search company into the realms of management consultancy, and they often find themselves advising a client that the need is not necessarily where the client thinks it is.

Mark Byford, Talent Management Consultant

Mark is part of an organisation that specialises in assessing and recruiting top teams and working with organisations to strengthen their boards. They provide a management appraisal service which provides their clients with an analysis of their management resources and helps them to develop and deploy these resources to the maximum advantage.

In an attempt to gain an external perspective, companies carry out management appraisal for many different reasons, such as mergers, a new CEO in post, internal or external benchmarking as part of a talent audit, or for culture change programmes. The appraisals enable leaders to decide on appointments, to embark on longer-term strategies for individual or team development, and, for example, to decide whether to complete an acquisition.

The first phase of an appraisal establishes the competencies that will be used to evaluate the top team. These competencies are based on the strategic priorities and tactical objectives of the business and incorporate any existing competency models being used.

The aim of evaluating senior executives is to predict the likely future performance of each executive as precisely as possible. Each executive is appraised on the basis of three main sources of information. First, their academic and professional background; second, a structured interview conducted by two consultants; third, a 360° reference-taking

exercise, including confidential discussions with superiors, peers, subordinates and, occasionally, external referees.

The results of the evaluation are presented in a report, which highlights any skill gaps and critical competency issues. Providing feedback ensures that all individuals benefit from the exercise and maximise the opportunity for their own professional development. An effective board composed of the right people, focusing on the right issues, and working in an environment of dialogue, not monologue, is a high-value corporate asset.

Summary of external perspectives

Considering how each of the four external analysts gather information about the organisation for their different purposes, the key themes emerging from the interviews include:

- Media presence
- Personality of senior management
- Background of senior management
- Financial performance of organisation
- Contribution of non-executive directors
- Context analysis
- Role analysis
- Talent pool
- Gut instinct
- Appraisal

In summary, what we can learn from this is that organisations need to be aware of maintaining a constant media presence, and that journalists rely on gut instinct as well as published financial data. From a journalist's perspective, an organisation's Chief Executive Officer or equivalent largely creates its image in the press. However, personality is not the whole story – financial performance is another key part of the picture painted in the media, and the contribution of non-executive directors is important in this area because of the duty they have to external stakeholders.

Similarly, those external analysts in the business of taking over, growing or developing companies, rely largely upon gut instinct. It is therefore important that the talent pool of the organisation is seen to be shining through as well as personalities and sound financial performance. When executive search consultants are seeking new talent, both the organisation and this talent pool are scrutinised. Research into the organisation, for example, in terms of financial performance and culture, as well as role analysis for the position being filled, plays an important part in the search process. Assessing the current talent needs of an organisation involves exploring how the organisation is performing, but also understanding the whole organisational context. Executive capability is known to include generic elements but is also highly context-specific.

An organisation's own evaluation of its capabilities and performance, with or without the aid of external facilitators, is a prudent step to undertake in order to understand how the outside world sees it and how it is preparing itself for the future. Appraisal can help an

organisation evaluate and retain its own talent pool and understand its own potential performance as well as those of competitors and potential mergers.

The following grid shows the degree of importance attached to these key themes by analysts who study organisations from the outside.

Figure 4.7 External Analyst Evaluation Grid

		EXTERNAL ANALYST			
		Journalist	Non-executive Director	Executive Search Consultant	Talent Management Consultant
KEY THEMES	Media presence	✓✓✓	✓	✓	✓
	Personality and background	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Financial performance	✓✓✓	✓✓✓	✓✓	✓✓✓
	Contribution of non-executive directors	✓✓✓	✓	✓	✓✓
	Context and role analysis	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Talent pool	✓	✓✓✓	✓✓✓	✓✓✓
	Gut instinct	✓✓	✓✓✓	✓✓	✓
	Appraisal	✓	✓✓	✓✓	✓✓✓

Key:

- ✓ Not important
- ✓✓ Fairly important
- ✓✓✓ Very important

It may be seen from the grid that research into an organisation and/or analysis of the roles within a company are the most important issues to have emerged from this exercise. Top teams and boards need to be aware of, and prepare for, the scrutiny they are inevitably going to face, simply by being who they are, and what they are, within an organisation. The organisation's financial performance, the personality of people and the mix of talent at the top of the organisation are also extremely important to outside opinion-formers, all of which are, of course, greatly influenced by executive development activity.

Update on Royal & Sun Alliance

On 12th September 2002, Royal & Sun Alliance announced that Bob Mendelsohn was stepping down with immediate effect as CEO. This follows a series of problems that have occurred during his five-year tenure, during which he has led the group through difficult times within the insurance industry (The Times Business, 13.9.02: 27). In August of this year, RSA announced disappointing results and admitted it was short of capital. At the same time, it cut 1200 jobs and closed its life office to new business. Two weeks later, the organisation was fined £1.3 million for pensions mis-selling (Financial Times, 13.9.02: 1). RSA shares have collapsed from 808p to 120p during Mr Mendelsohn's period with the company and there may be more job losses to come with the jettisoning of unprofitable lines of business. Shareholders, who sought a change at the top, are thought to be demanding an external candidate as a replacement for Mr Mendelsohn (The Times Business, 13.9.02: 27).

The recent events surrounding Royal & Sun Alliance have given us a poignant and timely reminder of the development issues that need to be taken into account at top team and board level. Several statements from the main body of this work are re-iterated here in order to highlight the very real lessons that may be learned from this case study and the subsequent actions that have been taken.

- Some commentators believe that the board's most important function is to select the CEO. Board members need to be fully equipped to know what is required of a successive leader when recruiting a CEO. Suggestions are given within the study.

- The organisation relies on both the chairman and CEO to demonstrate high levels of capability in terms of leadership and governance. These capability requirements must be understood and articulated before recruitment takes place.

- Once a CEO has been recruited, top team development must contribute to ensuring that the CEO is capable of leading the organisation into the future. In other words, development is still an issue, even for CEOs.

- Corporate governance is a fundamental element of the corporate context and is specific to the ethos of the organisation and the country in which it is based. It is essential that different cultural models of governance are understood and adjustments made by those senior people moving into, or working within, the area of an unfamiliar model.

- The CEO is the main point of accountability in the executive or management committee, but is reliant upon the performance of his or her top team to ensure success for themselves and the organisation, both internally and from an external perspective. A quote from Bob Gunn, RSA's Chief Operating Officer, in *The Times* 'Business' section (13/9/02, p27) stated that the entire leadership team feels they have let their CEO down because their performance was not as they would have hoped. This raises questions of how a CEO assesses his or her top team and how much responsibility he or she takes for the team's development.

- In this day and age, a CEO is likely to be the subject of public scrutiny. A poor reputation in terms of decision-making or style reported in the media could be so serious as to undermine investor confidence and, ultimately, affect share price.

- One of the strategic issues driving top team and board development identified in this study was risk management, which is about ensuring that executives can cope with uncertainty in the environment and managing it to the benefit of the organisation, taking appropriate risks for maximum organisational gain. This has been proven to be a core capability requirement in this case.

5. An Integrative Model of Executive Development

Following the analysis of the literature and interviews with case organisations and external analysts, this chapter summarises what can be learned and introduces a model of executive development for senior management.

As we have seen in the case studies in the previous chapter, the key themes with implications for executive development that arise when talking to organisations include:

- variations in approaches to executive development;
- the influence of context;
- the balance between the skills, competencies and capabilities required of senior executives;
- self-awareness as a key capability;
- corporate versus functional orientation of executive development policy;
- management versus executive development activities;
- the predominance of leadership and governance issues.

Organisations base their approach to executive development on the conditions of their environment: organisation context, corporate strategy, resources and the personalities involved (i.e. senior managers and members of the HR function). Key individuals drive forward the development agenda, be they the CEO, the HR Director or other executive directors, meeting the requirements of the particular enterprise. Context is crucial: generic executive skills and competencies exist, but executive capability involves putting these skills and competencies into action in a unique manner that adds value to the organisation.

The model of executive development presented in Figure 5.1 illustrates the skills, competencies and capabilities required by executives to enable them to handle the diversity of challenges they are inevitably going to face, both now and in the future.

The model shows the three work domains within organisations: operational, strategic and executive (top team and board level). At the operational level, managers will have acquired skills through specialised training and development, for example, foreign languages, media training and communication. Similarly, at the strategic level, they will have acquired certain competencies, for example, in strategic analysis. At director level, they will develop executive-level capabilities such as vision, leadership and the ability to see the bigger picture.

However, this is where executive development stops in most organisations, failing to address the higher-order value-added capabilities which can create a direct link between executive development and achieving organisational priorities.

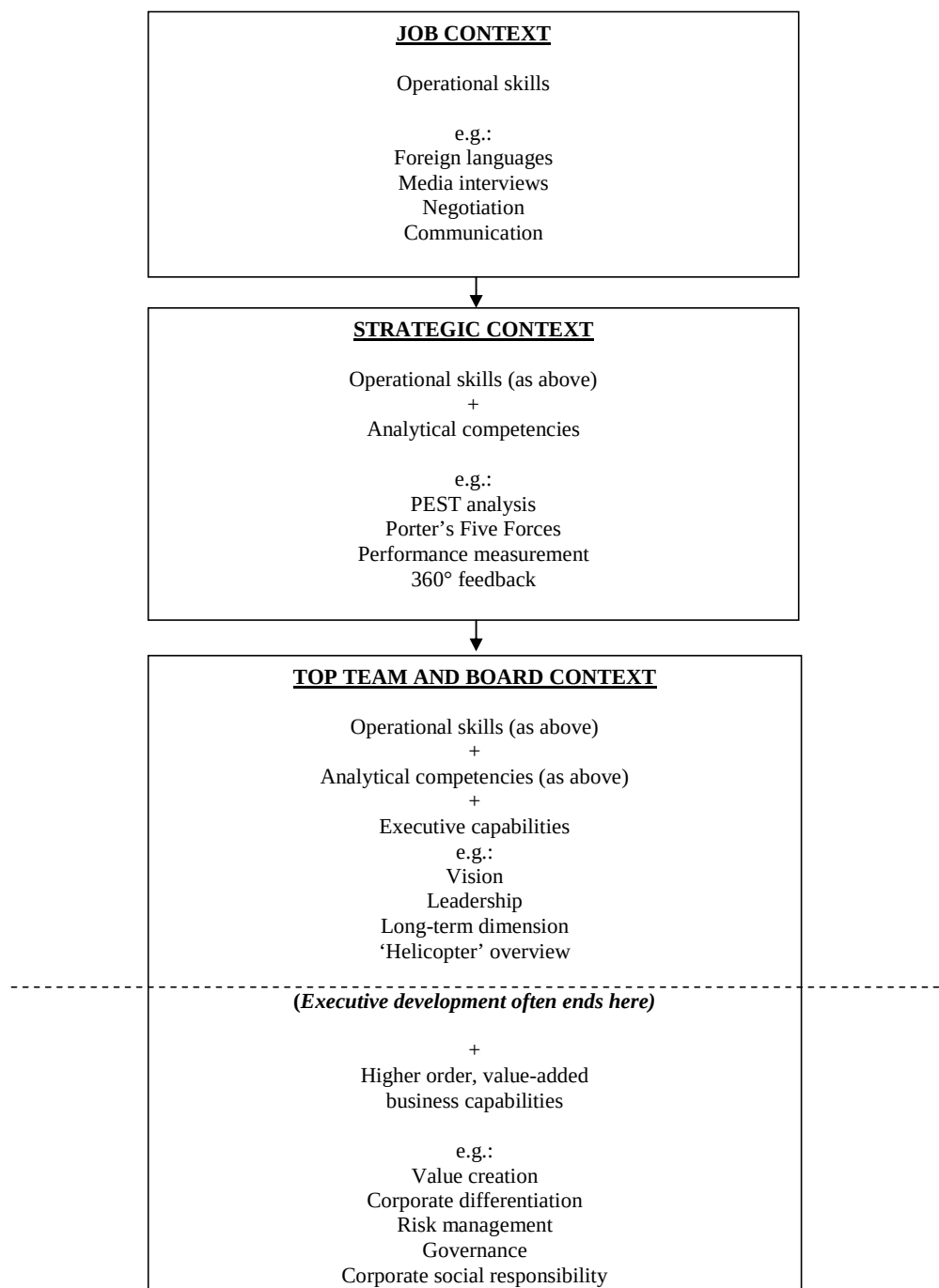


Figure 5.1 The skills, competencies and capabilities required by senior management

If we examine the evaluation grids of the six case study organisations, evidence of executive development being used to address priorities of adding value to the organisation, differentiating it in the marketplace, contributing to risk management capability and dealing with issues of governance and corporate social responsibility is limited in most cases. The organisations that show more awareness of these issues when discussing executive development tend to have a formal corporate policy for executive development, and are adopting a corporate rather than operational focus for development activities, linking individual and business needs. In other words, it takes careful planning to ensure that the right skills, competencies and capabilities are being developed within an organisation to meet both individual and corporate needs.

Developmental activity in many organisations often stops once executives reach management board level, neglecting the higher-order, value-added capabilities. Particularly in organisations where the focus remains on management development rather than top team and board development (operational rather than a corporate focus), development initiatives are not tackling these higher-order issues.

In the following paragraphs, we summarise the extent to which each of the case organisations are using executive development to support both individual and business priorities.

In the case of BAA, the overall impression is of an organisation in which some key people, including HR and other senior executives, are keen to see the executive

development agenda put into action and are working hard to do so. However, at the same time, comments made highlight a degree of resistance in the company, as there is no urgent need for change – why should people focus on new development activities and new ways of working? This resistance to change is a problem facing other organisations as well. BAA focus their executive development strongly on self-awareness, which has also been highlighted as crucial by a number of organisations.

At the BBC, there seems to have been a gradual realisation of the value of leadership development, with relevant activities and procedures progressively being introduced. Executive development thus appears to happen *ad hoc*, as and when the need arises; it does not appear to be considered as a change tool. As with some of the other organisations, there seems to be little perceived need to change the way the corporation currently operates.

In Camelot, we can see the effect of a key individual, the CEO, adopting the executive development agenda and driving action forward. This enthusiasm encourages the emphasis on development. At the same time, the quality of the development process in terms of achieving organisational aims requires further consideration. However, there is an awareness of the need to tackle this potential gap so as to ensure that enthusiasm and effort are properly harnessed.

At the Home Office, we can see the impact of a traditional Civil Service environment, with high-standard education and training courses available to the most senior managers.

This training has been developed specifically for government sector organisations and as such is viewed as highly relevant. However, the focus is firmly on training and education rather than on development. People are encouraged to develop skills and competencies, but perhaps not so much to develop capabilities. Some parts of the Home Office have started to deal with this issue by creating more opportunities for informal development. However, for most at senior board level, this type of development remains rare.

At the Royal Bank of Scotland the main focus is on integrating two large organisations and ensuring that a system of executive development is installed which can draw on the best practice of the two former systems while removing the less effective elements. Again, a tool is being developed in-house to help achieve this. However, the most difficult part of implementation is again the evaluation. This leads to the suggestion that the inherent feeling that training and development is good for organisations will be enough to sustain continued investment as long as business performance is improving.

Finally, at Royal & Sun Alliance, there has in the past been a traditional approach to development through technical skills training and education. However, within the last four years, there have been major changes to the structure of the board and top team and their evolving culture is shifting the focus of development towards broader management and leadership competencies. They do not, as yet, appear to have gone as far as creating a capability focus.

These examples from the case organisations reflect many of the issues which firms are facing when they try to design effective development policies and activities. If we compare past to current executive development, we find little change in the methods, and hence in the motivations and problems encountered. However, new capabilities are being required. In today's dynamic world, flexibility has been shown to be a key requirement of senior management. The roles, responsibilities and accountabilities of directors are varied and often lacking in clarity in environments subject to frequent change through restructuring and acquisitions. Tasks and hence capability requirements are therefore difficult to identify, making the important process of executive development needs analysis truly challenging.

In summary, turbulence and constant pressure for improvement demand that development activity is focused on organisational rather than on individual needs. Key themes for modern executive development are beginning to emerge, particularly in relation to operating in a global market, and key capabilities are being identified, such as self-awareness. The dynamism of change and advances in technology will continue to increase the demand for and supply of executive development. Customised programmes drawing on the expertise of specialists in organisation analysis will be prime facilitators of change in organisations, with business becoming increasingly demanding regarding the delivery of results. The role of the Human Resources function in facilitating the development plan and integrating it into the business strategy is critical in this environment.

6. Findings, Summary and Conclusions

6.1 Research findings on nine key questions

The study set out to find clarification around the nine research questions summarised in the *Research Methodology* section of this work. A summary of the findings is included here alongside each question. More often than not, the answers gathered raised further and more diverse issues, which this study has attempted to address throughout.

1. How clearly defined are top team members' and directors' (executive and non-executive) roles and responsibilities, to meet both present and future challenges? Is such definition important?
 - The terminology of top teams and boards is complex and sometimes confused.
 - Clarification is a crucial starting point to instigating any plan for top team and board development to ensure organisational needs are met.
 - This clarification must be flexible enough to allow for changes in the dynamic social and market environments in which businesses operate today.
 - Top teams and boards face conflicting pressures, requiring clear definition of priorities, if not specific responsibilities, to aid senior management performance.
2. What are the skills, competencies and capabilities required to meet these roles and responsibilities, now and into the future? Typically, how well are these articulated?
 - There is an important distinction between the meaning of the terms skills, competencies and capabilities. Skill is a specific expertise, competencies are an

aggregate of skills required to address complex problems, whereas capability is the ability to apply both skills and competencies in a particular context that is perceived to add value to the situation.

- Capability development should be at the top of any top team and board development agenda.
 - Although there are some attempts to define generic capability requirements at the senior management level, it is more effective for these requirements to be defined in line with the context of a specific organisation.
 - Performance requirements can be broken down for the different members of the top team and board, although this is rarely done to any degree of clarity by organisations today. The need for flexibility is perceived as outweighing the need for prescription.
 - Leadership and governance are amongst the most critical capabilities required of members of top teams and boards. Both require high levels of self-awareness and understanding of the corporate context.
3. To what extent do top team and board members feel the need to undertake personal and collective development and career planning, and to act as role models for leaders and managers at other levels – and to what extent do they demonstrate any such conviction?
- Top team and board development is often confused in organisations with concepts of training and education, increasing the likelihood of a rejection by senior

managers who feel that they do not need to learn any more than they have already, given their extensive experience.

- Development at this level is, however, about maintaining and improving capability, with less focus on specific functional expertise or general management competency.
 - Top team and board development should focus on how individual senior managers and teams can add value to the organisation and achieve corporate goals.
 - When senior managers can see how their development can help the performance of the company, the likelihood of buy-in to any executive development scheme is increased.
 - Organisations with effective development strategies are able to display senior managers who are keen to act as role models for development throughout the organisation.
 - Career management is rarely expressed as being a priority of development at the senior management level.
4. What obstacles exist to development and career planning at board and top team level, and how best can they be overcome?
- An inability to see the potential pay-off for the enterprise from executive development leads to a perceived lack of need for further capability development.
 - This is often due to an attitude of people believing that they have reached the top based on their skills and hence do not need to improve them, leading to a lack of

time or resources being made available for an executive development strategy to be implemented.

- If executive development does not have a champion in the organisation who can drive the strategy through with passion and enthusiasm, the negative barriers are more likely to win over at the end of the day due to everyday pressures of time and money.
- Career planning is a highly sensitive topic at senior director level, and as such receives little comment when exploring development.

5. How effective are the steps taken to identify the collective and individual development needs of top team and board members with regard to personal, team and organisational challenges?

- When senior managers start new positions in the top team and board, few organisations provide any form of induction to aid the individual's assimilation in the new environment.
- At the most senior level of organisations, the most common pattern is for individuals to have to identify their own development needs and to instigate action to meet these.
- Facilitation of development needs analysis is, however, a critical element of an overall top team and board development strategy to ensure that both the needs of the individual and the organisation are being considered and met.
- The key to determining and meeting needs is to ensure that senior managers themselves are involved in the design and review of any development programme.

6. To what extent, and typically how, are development practice and career management evaluated at this level, and could such evaluation be improved? If so, how?
- Evaluation of the outcomes of top team and board development and career management is the hardest task faced by the champions of this activity. Linking individual activities with corporate performance is challenging, all the more so when development programmes have been designed well and are integrated into all aspects of corporate life.
 - Common measures for evaluation include frequency and breadth of participation at formal events in terms of justifying investment. The softer measures of employee satisfaction and organisational culture are measured less frequently but can perhaps give a better indication of whether or not development is achieving its stated aims.
 - Ultimately the amount of top team and board development undertaken, or the investment made, is irrelevant in terms of good practice if at the end of the day the company is failing. Individual senior managers, and hence their capabilities, embody their company, and are perceived as one by stakeholders both internal and external to the company.
7. Given that there are different types of board and top team structures - and different organisational circumstances (e.g. growth, stability, contraction) to be managed - what approach will maximise the effectiveness of capability development at this level?

- Capability development is crucially context specific. Generic models of leadership and governance competencies can be designed. However, what will be effective in different enterprises at different moments in time will vary dramatically.
 - A thorough understanding of the business, in terms of corporate language as well as corporate goals, corporate culture and how the business is perceived externally, is fundamental to commencing the design of any top team and board development activity.
 - A broad-based knowledge of theories of leadership and governance can assist individuals when deciding what action is best to take in their own circumstances.
8. Does development for top team and board members take place more on or off the job?
- Top team and board development should rarely consist of only formal training courses. It should be closely matched to what people want and what they feel comfortable with.
 - Formal, planned development activities at the top team and board level tend to take place off-the-job. These include activities such as away-days, seminars, and conferences.
 - Informal, unplanned on-the-job development occurs at all levels of organisations daily but the benefits are frequently missed. Transferring skills through casual conversations and attendance at particular meetings or events are often not formalised as learning activity and as such are soon forgotten.

- Coaching and mentoring at senior management level are significant tools to facilitate the development process, and are particularly effective when linked to the production by individuals of their own personal development plans.
 - Organisations often make use of development programmes provided by professional bodies and business schools. The programmes need to be closely customised to the organisational needs to ensure the learning is effective and can be transferred back to the place of work.
9. Are there issues deemed too sensitive to discuss at top team or board level? If so, what are the consequences?
- Fear of change and fear of exposing weakness are important issues quoted by organisations as to why executive development can fail.
 - Senior level individuals have made immense achievements reaching the positions they hold, and as such, any activity which may undermine this position can be strongly rejected, disrupting an entire executive development programme.
 - By addressing the issue of the positive value of top team and board development and creating an organisational culture in which learning is encouraged and supported are first steps to overcoming the sensitivity of these issues at top team and board level.

6.2 *Summary of key emergent issues*

Executive development as defined in this study is aimed at addressing the needs of individuals at senior management, executive and director level, simultaneous with meeting broader corporate needs.

What the literature tells us

- Executive development is a key strategy for improving organisational performance, professionalism and competitive advantage, and particularly for managing change and meeting organisational stakeholder expectations.
- In today's dynamic market and social environments, board and top team members require many different capabilities as they undertake a variety of sometimes conflicting tasks.
- Business-focused development is becoming increasingly popular, with many programmes being developed in-house, and highly customised development activities being demanded from external providers.
- There has been a rise in joint ventures between organisations and universities to provide programmes tailored to specific company needs. Executive MBA programmes have grown in scope and number over the past decade.
- Skills, competencies and capabilities are distinguishable from one another. The appropriate balance between them at senior management levels is central to organisational success.
- As a component of executive development, considerable attention has been paid to transformational and visionary leadership, promoting the idea of inspiring people to pursue a shared vision or common goal.

- In addition to leadership issues, approaches to corporate governance have a significant impact on executive development requirements in terms of meeting corporate priorities.
- It is development, rather than training or education, that senior managers will benefit from most.
- Induction, away-days, seminars and conferences are often absent from the executive development agenda, but they are powerful ways to improve collective and individual director performance.
- Although organisations attempt to justify their investment in development, it is difficult to prove any causal link between a development intervention and company performance.

What organisations tell us

- The HR function has a significant but challenging role to play in facilitating and promoting executive development but must work closely with senior managers to ensure its relevance to the individuals and the enterprise.
- As a result of market and social dynamism, functional and operational tasks often predominate over the corporate role of executives.
- A number of interviewees cited ‘self-awareness’ – the ability to recognise and realise one’s own potential – as a key capability for senior-level executives.
- Although leadership is considered an essential element of executive development, there is no single model of leadership that applies to all situations – flexibility and sensitivity in leadership style are key executive capabilities.

- Executive capability is reflected in corporate image and is therefore seen by both internal and external stakeholders as a measure of the company's performance.
- Many organisations encourage their executives to contrive their own development, with few having a formal executive development policy.
- Approaches to executive development tend to involve a mixture of formal and informal in-house learning, with coaching and mentoring playing a significant role.
- Evaluating the impact of development after any form of intervention is rare. The most common method of evaluation when it does take place is 360° appraisal.
- Despite its recognised benefits, the key reasons cited for not undertaking development are lack of time or money, and the reluctance of senior managers to acknowledge their need for further development.
- There is a trend away from trying to measure the direct effects of development on profitability and towards understanding how it contributes to attracting and retaining staff, knowledge creation and sharing, and growing effective leaders within an organisation.

6.3 Conclusions

We can develop a model of skills, competencies and capabilities in the executive, management and operational work domains. Ultimately, however, development at the senior management level appears to be determined by context rather than being capable of being confined to a single, generic model. A vision for the organisation needs to be put into place and supported by (a) appropriate strategies, (b) a suitable executive

development agenda, and (c) a Human Resources function that is innovative in its approach and its tackling of tensions and barriers.

This leads us to highlight five of the key learning points from this study:

1. The importance of understanding how the context within and surrounding the organisation determines the shape and nature of executive development for individuals and organisations alike.
2. The importance of understanding the full range of skills, competencies and capabilities required of executives, and the role of HR and each individual executive in developing an appropriate balance in an organisation.
3. The breadth of knowledge required by senior managers is vast, covering many topics including leadership and governance, which all call for whole sets of competencies in their own right. Executive capability involves achieving this breadth.
4. The importance of self-awareness and self-motivation for personal and career development at the top level of organisations.
5. Current approaches to development are reported as failing to take full account of issues like value creation, corporate differentiation, risk management, governance and corporate social responsibility, which have all been shown to be key capabilities of the executive role.

The extent to which each of our case study organisations has achieved these five elements is varied. All emphasised the importance of context and ensuring that development was delivering the results that the organisation needs. However, the balance of skills,

competencies and capabilities has perhaps received the least attention, with only one organisation talking about needing to develop capabilities above the level of competency to ensure corporate results. The breadth of executive development is often limited in the knowledge areas it covers, often not addressing concepts such as governance, added-value, risk management and market differentiation. However, self-awareness is a key theme of many of the executive development programmes which have been developed in-house by key individuals in certain of the case study organisations.

We close this study by observing that throughout the case organisation interviews it was clear that, where the Human Resources function has a view of the enterprise as a whole, and is able to speak the corporate language, executive development activity is more likely to be both effective and seen to be contributing to business goals.

Appendix

This report was presented on 17 October 2002 at a meeting of member organisations of the Careers Research Forum. The Forum (based at County Mark House, 50 Regent Street, London W1B 5RD) is a group of some 50 UK and international employers that undertakes a rolling programme of research and benchmarking in the areas of organisational development and career management. We would like to thank Andrew Lambert and Mike Haffenden, Directors of CRF, for their unstinting efforts in helping us achieve this work. We also wish to thank CRF for sponsoring and supporting this project.

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Deleted: at a Members' Meeting at the Institute of Directors (IoD), Pall Mall, London on behalf of the Careers Research Forum (CRF) Limited,

Deleted: on 17th October 2002.

Our thanks are also due to the people listed below for agreeing to be interviewed and for giving their permission to include their comments on key issues, which appear throughout this work:

- A T Kearney: Hilary Sears
- BAA: Priscilla Vacassin, Laurence Barrett, Richard Jeffrey, Mick Temple, Tony Douglas
- BBC: Bob Nelson
- Camelot: Dianne Thompson, Tony Jones, Phil Smith, Steve Thompson
- Data Junction UK: John Merrell
- Egon Zehnder International: Philip Vivian, Mark Byford, Anthony Couchman
- Home Office: Deborah Loudon, Eithne Wallis, Margaret Aldred
- Imperial Tobacco: George Lankester

- Royal Bank of Scotland: Neil Roden
- Royal & Sun Alliance: Bob Mendelsohn, Jens-Erik Christensen, Duncan Boyle
- The Guardian: Nils Pratley

Three additional top managers were interviewed who declined to be quoted in this study.

Grateful thanks also to Lance Moir, Lecturer in Finance, Cranfield School of Management, for providing detailed information about the structure and functioning of top teams and boards.

For further information, the external analysts interviewed for this study hold the following positions:

Nils Pratley, a financial correspondent with The Guardian. Nils was formerly with the Daily Telegraph as editor of the Questor column before becoming City Editor then Editor of Sunday Business.

John Merrell, formerly a financial analyst whose career has taken him around the world, working sometimes as a freelance employee, at other times as a co-founder of companies. John has been an interim manager, a financial director, a CEO and an investment analyst. For the last few years, he has been involved in supplying venture capital for other companies. He has also served on the board of companies as well as being a board level consultant.

Hilary Sears, Vice President of A T Kearney Executive Search, based in their London office, specialising in consumer and retail industries, and board appointments. Hilary's first career was in advertising and marketing, before undertaking research, as part of her MBA at Cranfield School of Management, on "The Use of Executive Search for Senior Appointments." She has wide experience in leading director-level assignments, and in undertaking management audits and assessments.

Mark Byford, a Principal at Egon Zehnder International. Before joining Egon Zehnder International he was a Manager with The Boston Consulting Group, London for twelve years and previously a Junior Fellow of New College, Oxford. Mark heads EZI's Talent Management practice helping clients with their senior talent strategy needs globally.

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