

Grooming for the board

A summary of a report from NB Selection Limited.

Results are based on questionnaires collected from 48 Human Resource Directors from the top 200 companies in the UK.

Selection of senior managers

Forty per cent of the companies do not have a set of selection criteria/competences to identify top managers.

More progressive companies have developed competencies that go beyond the traditional approach of leadership style, decision-making and commercial awareness, and include multicultural awareness, risk management, networking and customer focus.

On average, 67% of senior managers are promoted internally, with 33% being recruited externally.

Many companies indicated that an 80 internal promotion/20 external recruitment ratio is a desirable one.

Only 15% of companies are presently concerned with undertaking a systematic review of their senior management group - a form of management audit.

Development of senior managers

Standard development opportunities prevail in most companies. More individually-tailored development, as in executive coaching or psychological development, is offered less frequently.

Standard development opportunities such as business school courses are generally rated as less effective than individually-tailored development. Yet, they are most frequently offered. In future, companies may use individually-tailored approaches more frequently.

The majority of companies believe that senior management development is the best way to secure high calibre candidates at senior level, followed by recruitment of high potential graduates in the first place. Succession planning is mentioned by 22% of companies as a way to secure a pool of high calibre candidates.

Selection, management development, motivating factors

Sixty per cent use a set of competencies to identify top potential, but the majority do this subjectively using appraisals. Only a few companies use more objective assessments, such as psychometrics and assessment centres in order to benchmark and select their executives.

The following main categories of competencies were found:

- Management style/team style/leadership style:- interpersonal skills, organisational awareness, change management
- Personal characteristics:- initiative, flexibility, responsibility, decision-making
- Business skills/technical skills:- commercial orientation, direction setting, risk taking.

Additionally, companies listed conceptual and analytical thinking, influencing and strategic planning. More progressive companies use competencies such as

multicultural awareness, risk-management, networking, customer focus, management of information systems.

Development opportunities

Business school courses and international opportunities are the most common forms of development for executives. These are clearly standard programmes that are offered to many senior managers. Individual approaches including external coaching, psychological assessment and mentoring are less frequently offered by companies, although their effectiveness is seen as higher than the effectiveness of standard programmes.

What do senior managers expect from their companies in the future?

Opportunities that the company offers are seen as more important than job security and remuneration at this level. Nevertheless, company success is seen as an important factor, including corporate image and brand strength, company growth, recognition given to senior management and support offered, flexibility, clear goals and career management.

A quarter of companies mentioned autonomy and responsibility as significant expectations. In the future, running a business unit is seen as a major challenge that senior managers strive for, as opposed to performing in purely functional roles.

Remuneration

On average, one third of remuneration varies with performance.

While only a limited number of companies have introduced Equity Partnership or Matching Share Plans, this is an interesting development at this level. Senior managers are being asked to put their own cash at risk in the future growth of their company.

The majority of companies base their annual bonuses on profit, followed by revenue targets and earnings per share. About one third of companies use a different basis for their annual bonuses, such as external/internal customer satisfaction, personal objectives, cash targets, performance against budget, cost of capital employed, a combination of qualitative and quantitative targets, operating cash flow and budget restraints.

Future trends

Senior development programmes are seen as the best way to ensure a pool of high calibre candidates, followed by recruitment. Senior development programmes include training and personal development.

Systematic succession planning does not feature highly. Only 15% of companies are concerned with a systematic review of their management potential. This lack of concern with benchmarking, that a systematic review in terms of a management audit would produce, is surprising.

Other trends include personal development plans, systematic reviews by group executives, structured development activity reviewed at board level, identifying fast-track individuals as early as possible, creating a strong professional management, succession planning designed to move across traditional functions and non-executive roles.

Successful management initiatives

The following general initiatives were rated as successful:

Individual development (40%), internal group programmes (24%), business school courses (12%); demonstrating that individual development is seen as more successful than standard training courses.

There is a large mixed category of diverse initiatives which includes:-

Psychological assessment, mentoring, international opportunity, cross-divisional transfer, remuneration, appraisal, action-learning, in-house change events, individually tailored programmes, co-ownership of career development, involvement in processes such as remuneration, peer group feedback, overseas assignments, personal development plans, organisational management review process, coaching, exposure to other businesses/cultures, development of broad-based general managers who are regularly assessed against external benchmarks, bringing managers from the divers parts of the group together, management audit, leaders of tomorrow programme, development of executive profiles.

An interesting approach is the consortium approach where several international companies ask a renowned business school to develop a tailored senior development programme.

Least successful seem to be standard training programmes, a rigid implementation of programmes or a lack of strategically planned training. Given that most of the development programmes for this management group are of a standard nature, the present results call for a review of management development programmes and, again, show the need for more individually-tailored initiatives.

Psychological assessment is seen as one of the most successful initiatives and also an unsuccessful one. This raises the question as to when and how psychological assessment is used, in order to maximise its effectiveness.