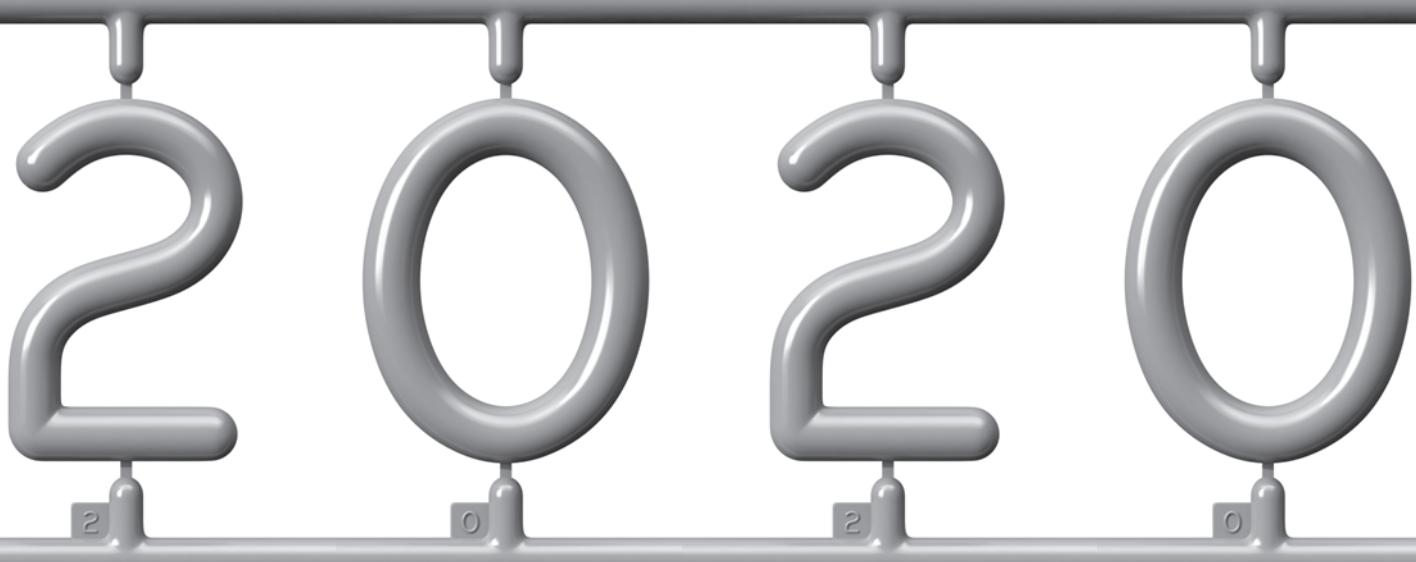


C-Suite Challenges and the Economic Meltdown: What's Next for Senior Leaders?

By Roland B. Smith and Michael Campbell



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"The future will be loaded with opportunities. Leaders must have the skills to take advantage of those opportunities, as well as the agility to sidestep the dangers."

Bob Johansen, from the book *Leaders Make the Future*

What capabilities will organizations need to be successful over the coming decade? What strategies must be in place to ensure an organization has the leaders it needs to effectively navigate complex challenges? How will those leaders be developed? Where do top leaders need to adjust behavior? How can human capital executives help?

The Challenges Ahead

To address these important questions, we look at the leadership challenges faced during the recent financial meltdown, as seen through the eyes of C-level executives. We highlight early findings from Phase One of a three-phase research initiative conducted by The Center for Creative Leadership on the challenges top executives faced toward the end of the 2000-2009 decade.¹ We compare the pre-recession challenges up to 2006 with challenges faced in the midst of the global recession in 2009, and evaluate changes that may have occurred as a result of the economic downturn. By analyzing the challenges most frequently mentioned by C-Suite leaders and their peers, we identify needs for developing individual leaders, as well as needs for developing the collective leadership capabilities (where leaders across multiple levels of the organization are collectively aligned around solving complex challenges). (McGuire, Palus, Pasmore, & Rhodes, 2009).

We know that challenges and development needs of leaders differ depending on the leader's level in the organization (Charon, Drotter, & Noel, 2001). Understanding the challenges those at the apex of an organization face provides insights into the individual development needs of executives at the next levels down. Furthermore, knowing what 'keeps a CEO up at night' also has implications for the type of collective leadership capabilities an organization needs to develop to solve complex organizational problems. Our goal in Phase One, then, is to help organizations define the leadership behaviors and



capabilities critical to navigating challenges successfully, both now and in the future.

The thinking underlying our approach is outlined above in Exhibit 1, adapted from Pasmore & Lafferty (2009).

According to this model, a leadership strategy aligns an organization's business strategy with its leadership development efforts by defining the quantities, qualities and collective capabilities of the leadership talent required to execute the business strategy. Logically, a leadership strategy drives the Leadership Development Strategy, which outlines the design and types of leadership development initiatives to be implemented.

Leading in a Complex World

Since 2003, CCL has aggressively tracked changes in the nature of effective leadership. These appear as changes in kind as well as in complexity. Two criteria were used to define "complexity:" 1) the challenges were not

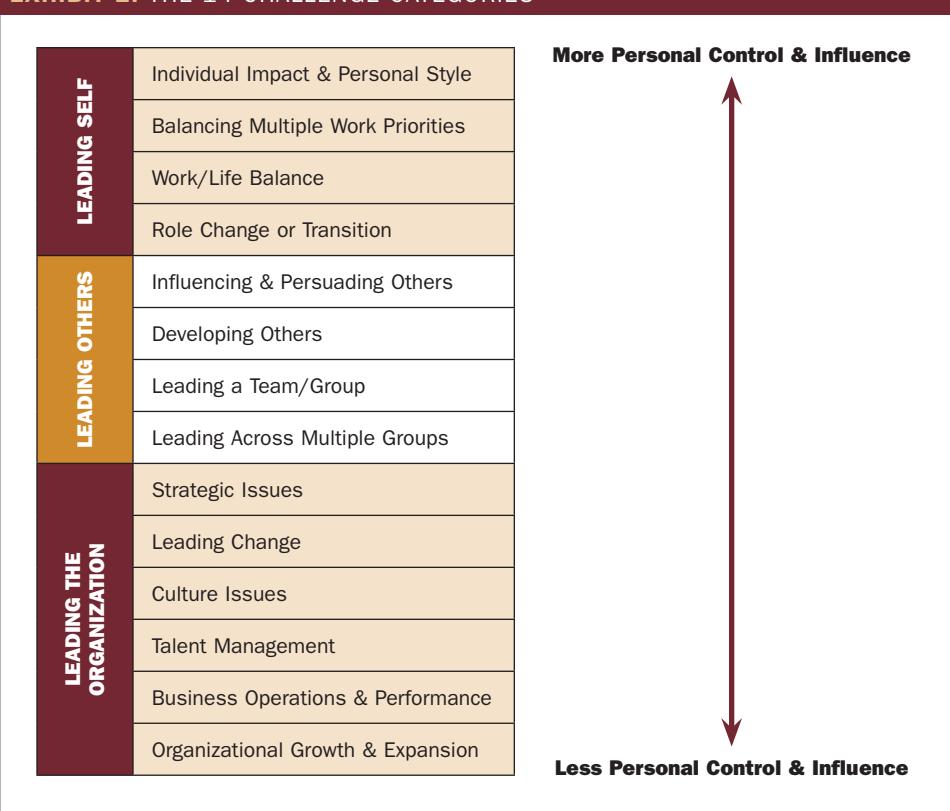
readily solved using previously successful approaches and strategies; and/or 2) the challenges seemed to evolve or into new, multi-faceted challenges over time.

Prior to the recent economic downturn (officially dated December 2007 by the National Bureau of Economic Research), our research showed that *flexibility, collaboration, crossing boundaries, and seeing leadership as a process as opposed to a formal position* were gaining importance over merely making the numbers as the most critical challenges facing leaders (Martin, 2007). A 2009 CCL study found that organizations identified four skills/capabilities as most important for their leaders in the future: *leading people, strategic planning, inspiring commitment, and managing change*. Unfortunately, these are among the weakest competencies for today's leaders (Leslie, 2009).

Building on these earlier findings, we focus here on the challenges faced by top executives at the group and enterprise level, including Chief Executives, Operating Officers, Presidents, Managing Directors, and equivalent government and military roles.

¹ CCL's Senior Executive Challenge Research Initiative is a 3 phase research project focused on understanding how senior executive leaders navigate complex challenges. Phase 1 consists of reviewing and understanding the leadership challenges facing senior executives looking for trends and themes. Phase 2 involves senior executives identifying a complex challenge they have successfully navigated and the leadership behaviors and actions that drove that success. Phase 3 involves senior executives identifying a complex challenges that was not successfully navigated, and the leadership behaviors and actions that lead to those results.

EXHIBIT 2: THE 14 CHALLENGE CATEGORIES



We have some idea of the complexity these top executive leaders face through the type of activities that define their roles, including: strategic decision making, crafting and communicating a vision and direction, developing organizational structures and processes, managing relationships with multiple stakeholder groups, ensuring the growth and development of organizational talent, and shaping and sustaining an effective organizational culture (Boal & Hooijberg, 2000). We know that strategic priorities and outcomes of both individuals and groups of leaders are heavily influenced by the experiences, values and personalities of the individuals holding top-level positions (Hambrick, 2007). There is no single right answer or approach to the complex challenges leaders at the top executive level face. Yet the decisions they make impact the entire organization.

What the Executives Told Us

Each of the 158 top executive leaders participating in our two senior leadership development offerings (Developing the Strategic Leader and Leadership at the Peak) responded to the open-ended Internet-survey

question, "What are the three most critical leadership challenges you currently are facing?" Many of the challenges described by these top executive leaders were multifaceted, with most challenge statements consisting of multiple complex challenges. We attempted to make sense of these challenge statements by identifying specific complex challenges embedded in the statement, pulling out those specific complex challenges, and then categorizing them to understand the underlying issues faced by these top executive leaders. We identified 14 challenge categories and a total of 606 challenges. They are listed in Exhibit 2 based on the degree of control or influence an executive has over the challenge.

The Top Four Complex Challenges

Each of the identified challenge categories deserves further exploration and discussion, but we will highlight only the four most frequently mentioned areas. These are: *leading across multiple groups, strategic issues, talent management, and business operations and performance*. Nearly half of the challenges (47 percent) identified by respondents deal with some aspect of these four categories.

Let's look at each of these four challenges, in order of frequency.

1. Ability to lead and to influence across multiple groups and constituencies

Often this involves building, maintaining and leveraging relationships that span organizational boundaries. Examples include developing trusting relationships with a board of directors, working with a chairman who was formerly CEO, influencing peers from other functions or units, interacting and communicating with financial analysts, shareholders, labor representatives, vendors, customers, investment partners and the government. Some of the challenges executives identified in this category are listed below.

CHALLENGE EXAMPLES: LEADING ACROSS MULTIPLE GROUPS

- "Listening to often conflicting direction [from the board], and this has led to a sometimes contentious relationship."
- "Transforming the organization from divisions that are 'thinking small' to a collaborative organization that sees broader potential."
- "Developing relationships with outside stakeholders—including analysts, vendors, and shareholders."

2. Strategic Issues

Another of the four most frequently faced challenges involves strategy—including how to define and communicate a clear direction for the future and create organizational alignment. Challenges include developing the vision, goals and strategies for the organization and making decisions based on those strategies.

CHALLENGE EXAMPLES: STRATEGIC ISSUES

- "Setting a long-term vision and motivating personnel to work daily to strive for the long-term goal."
- "Communicating the direction and the progress we are making."
- "Assisting to establish a common vision and strategy with our executive management and the board."

3. Talent Management

Talent management issues are the third type of challenge that top executives most frequently identify. "Talent management" includes ensuring the organization has and retains the right personnel and delves into issues such as recruitment, compensation, development, succession, human capital resource constraints and downsizing. Respondents also described the challenges involved in motivating and inspiring teams and increasing morale, engagement and commitment to the organization.

CHALLENGE EXAMPLES: TALENT MANAGEMENT

"I lead a young start up organization and there is a very shallow bench. Everyone is a working manager and at times it feels as everyone is far too tactical in their roles."

"Assuring development of leaders throughout the organization for now and in the future. Like many organizations, we will experience an exodus of the baby boomer leaders at some time in the future, so we need to be ready by identifying and developing the next generations to continue a strong organization in the future."

"Improving the level of leadership management skills throughout the organization with rewarding merit, accountability, goal setting, and performance feedback as key issues."

4. Business Operations and Organizational Performance

The fourth type of challenge involves business operations and organizational performance. Both impact the execution of strategy. It should come as no surprise that top executives are very concerned about bottom-line results driven by the operations and performance of their organizations. They are challenged with implementing or improving organizational programs, projects and processes to drive overall results. They also face the challenge of developing new business, addressing new markets and increasing revenues and profitability.

CHALLENGE EXAMPLES: BUSINESS OPERATIONS & PERFORMANCE

"The need to raise quality standards across the organization."

"Learning how to transition an organization from a nascent startup to a successful operation."

"Resources—finding sufficient qualified resources to execute our work."

The Impact of Environmental Uncertainty—Some Surprises

One of the questions we were curious about is whether the challenges these leaders face change under differing degrees of environmental uncertainty. The global economic crisis that first hit the United States in 2008 and continues to affect global markets provides a unique opportunity to gauge how extreme uncertainty may impact the challenges executives face. If the challenges of top executive leaders do change under different degrees of uncertainty, then those changes may reflect the need for different approaches to leading. We compared and contrasted the challenges top executives described in 2006,

prior to the full impact of the global recession, with those described by a different set of executives in 2009.

Exhibit 3 (page 28): The Four Challenge Types Mentioned Most Frequently in 2006 and 2009

While we acknowledge that we are using a relatively small sample, there appears to be little difference in the frequency or types of challenges described at these two points in time. For both timeframes, the challenges mentioned most often are the same: leading across multiple groups, strategic issues, talent management and business operations and performance. Even under differing degrees of environmental uncertainty, as defined by the change in economic conditions, the top executive leaders we studied were still experiencing the same types of complex challenges and with relatively the same frequency.

We offer two possible explanations for this lack of difference. One is that these types of challenges are core and enduring to the work

of a top executive leader regardless of environmental circumstances. The second is that the way in which these leaders articulated these challenges does not fully capture the intensity or the urgency of the challenge as a result of the down economy. The economic crisis could be an unacknowledged contextual factor that is accelerating the speed with which top executive leaders need to find solutions for these core challenge types.

Interpreting the Findings

We want to emphasize three points in our analysis of these executive challenges. The first point addresses the 2006 vs. 2009 comparison. Our initial expectation was that we would find clear differences between the challenges faced prior to the economic crisis and those faced during the crisis. We were surprised that there was little difference in the types and frequencies of complex challenges faced by the top executive leaders we studied. The implication for the coming decade is that these challenges will continue as barriers to organizational prosperity unless leadership

Leadership Challenges Identified by Top Executives

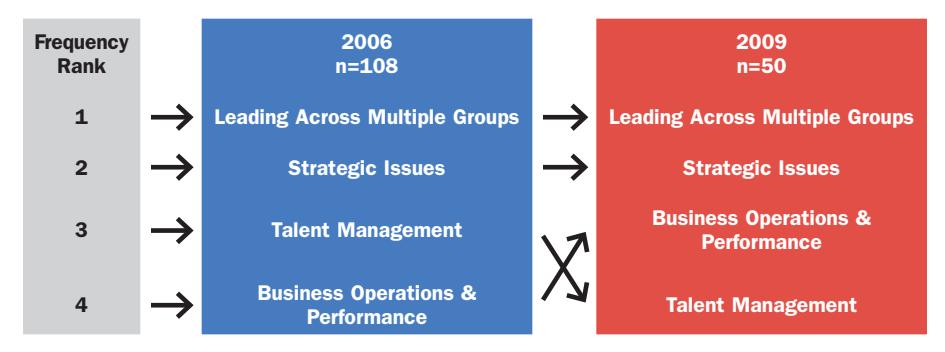
Sample, Study Design and Methodology

CCL collects biographical and assessment data on top executives who attend our leadership development programs called Leadership at the Peak (LAP) and Developing the Strategic Leader (DSL). LAP is a five-day leadership program with a target audience of executives in the top three tiers of the organization who also: have 15 or more years of management experience, leadership responsibility for 500 or more people, and are responsible for a budget of \$50 million or more (CCL, 2010). DSL is also a five-day program with a target audience of upper level executives and senior leaders whose work has long-term, strategic implications for the organization (CCL, 2010). As part of the assessment battery these leaders complete for the program, we ask a very simple question: What are the three most critical leadership challenges you are currently facing?

For our study, we took a sample from the LAP and the DSL population and identified 158 top executive leaders (i.e. leaders at the top tier of their respective organizations as defined above) from 135 organizations and across 34 different industry sectors to understand the challenges they faced. The average top executive was male (89 percent), born in the United States (82 percent), and had an average age of 48. The industry sectors represented spanned across the business sector (e.g. manufacturing, finance, consumer products, pharmaceuticals, energy, retail), the private non-profit sector (e.g. education, insurance, healthcare) and the public non-profit sector (e.g. government, aerospace, defense). The sample of top executive leaders we studied is relatively small, however, the research a) represents a very specialized population, b) uses an open-ended survey designed to provide increased detail, breadth and depth, and c) is comparable in sample size to other measures of CEO challenges (e.g. The Conference Board, 2008).

We employed a content analysis technique to analyze the open-ended responses. A team of four CCL researchers reviewed a sample of participants and their challenges and developed a codebook based on the strategic leadership and leadership development literature. To minimize individual bias and interpretation, the team of four CCL researchers then conducted multiple coding and agreement sessions to categorize each challenge statement.

EXHIBIT 3: THE FOUR CHALLENGE TYPES MENTIONED MOST FREQUENTLY IN 2006 AND 2009



development approaches are adapted to build future executive talent to navigate these issues. We see these as fundamental top executive leadership issues that began prior to the economic meltdown.

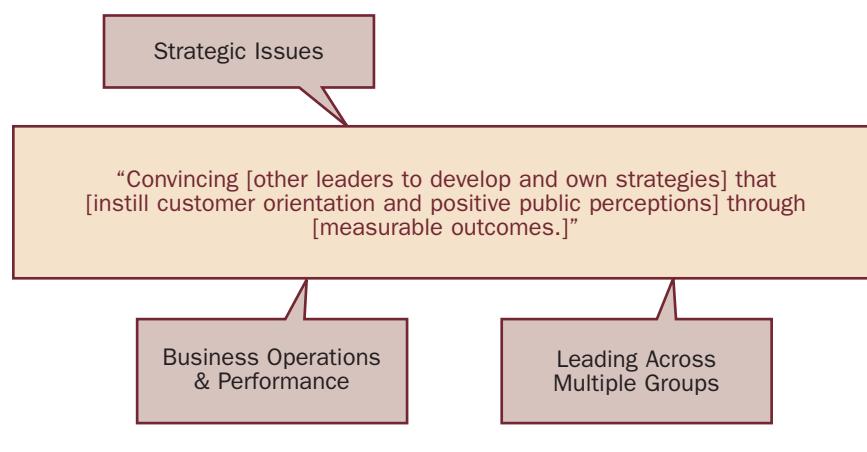
The second point of emphasis is that, while it may be helpful to understand how each of these four complex challenges is unique, they are not mutually exclusive of each other. Our analysis has identified what we refer to as ‘challenge chains.’ The 14 challenge categories we identified, and in particular the four most frequently mentioned challenges, are often linked together in various permutations. As opposed to identifying a top executive challenge as ‘influencing,’ our analysis has sought to provide a clearer understanding of these challenges by identifying more of the context. Who is the executive trying to influence? How does the executive want others to behave? And for what purpose? Consider the following challenge statement from one of the executives surveyed: “Convincing other leaders to develop

op and own strategies which instill customer orientation and positive public perceptions through measurable outcomes.”

As shown in Exhibit 4, the challenge of strategic issues is at play because of the need for “other leaders to develop and own strategies.” There is the challenge of leading across multiple groups to “instill customer orientation and positive public perceptions.” Ultimately, these efforts have a business operations and performance challenge in achieving “measurable outcomes” through strategy execution. These complex challenges are intertwined and impact one another.

Another insight from this same example is that this top executive, no matter how well-seasoned and developed as a leader, is not able to single handedly navigate and solve the complex challenges described. This conclusion leads to our third point of emphasis. The top four most frequent challenges identified in this analysis only make up 47 percent of the total number of challenges we categorize.

EXHIBIT 4: DECONSTRUCTION OF A COMPLEX CHALLENGE CHAIN: 0



rized. So why focus on these four? We see these four challenges as not only indicators of the individual development needs or competencies of top executives, but also organizational level challenges that will require greater collective leadership capabilities throughout the organization.

Going back to our example, there is a need for this individual executive to have the skills, knowledge and competence to successfully navigate this challenge. There is also a need for leaders throughout the organization to ‘develop and own strategies,’ ‘instill a customer orientation and create a positive public perception,’ and achieve ‘measurable outcomes.’ Understanding the leadership challenges these top executive leaders face provides insights into defining a leadership strategy that will guide the efforts required for developing individual executive competencies and wider organizational leadership capabilities aligned with organizational needs.

Implications for Leadership Development

Our analysis provides insights into the challenges top executive leaders face, which have implications for the skills, knowledge and experiences leaders at this level require for success. Because these are complex challenges that defy known solutions, they are indicators of the types of collective leadership capabilities needed throughout an organization. What are the implications for the development of executive leadership skills looking forward? Because establishing leadership development efforts associated with each challenge should ultimately lead to improvements in business operations and performance, our development recommendations will initially focus on leading across multiple groups, strategic issues and talent management. Business results and operational excellence are assumed competencies (Sessa, Kaiser, Taylor, & Campbell, 1998).

Development Area 1: Implications for Leading across Multiple Groups—Boundary Spanning

One way to think about the challenge of leading across multiple groups is to understand how these groups are situated across specific boundaries. There are five mission-critical boundaries leaders encounter:

vertical, horizontal, stakeholder, geographic and demographic (Yip, Ernst, & Campbell, 2009). The top executive leaders we studied identified challenges across four of these five boundaries.

Vertical boundaries often deal with upward relationships with a board of directors and downward with direct reports and subordinates. Vertical boundary challenges include managing talented direct reports who are struggling to collaborate together, communicating unpopular decisions and establishing accountability among subordinates.

Horizontal boundaries deal with the challenges of leading across roles, functions, and units. One of the most frequent and critical challenges that executive leaders face is the ability to lead across silos and work collaboratively with leaders across different functions; to see the organization as a whole as opposed to independent parts (Yip, et. al, 2009).

The executives we studied also faced challenges with leading across stakeholder boundaries that exist outside of the organization. These external stakeholder groups included: customers, communities, alumni and the government. When times of extreme uncertainty turn into times of organizational crisis, the importance of stakeholder relationships is quickly magnified. Organizations such as General Motors, Toyota and BP have each experienced significant crises

over the last three years. As a result, each firm's top executives have spent significant face-time with important stakeholders, such as customers, the government and the community (e.g., Herszenhorn & Vlasic, 2008; Linebaugh & Mitchell, 2010; Broder, 2010). The ability of each organization to weather these crises will depend greatly on how top executives and other leaders position themselves and the organization across stakeholder boundaries.

Geographic boundary challenges involved the executive's ability to lead increasingly dispersed global structures. Among the unique geographic boundary challenges faced by top leaders are how to communicate and collaborate effectively across large, geographically dispersed operations.

The final mission-critical boundary that top executives did not address in our study, but must be aware of and able to address, involves demographics. Leaders will need to be skilled in leading others of different demographic traits such as gender, ethnicity, nationality and cultural beliefs. While the top leaders who participated in our challenge study did not specifically describe demographic boundary challenges, it seems inevitable that they will face them as organizations expand their global reach.

Efforts to develop boundary-spanning leadership capabilities among top executive leaders as well as collectively within the orga-

nization is one way to address the need to help leaders dealing with the leading across multiple groups (Ernst, Hannum, & Ruderman, 2010). Practical suggestions for developing boundary spanning capabilities include (Ernst & Yip, 2009):

- **Acknowledge Boundaries** – Help leaders 'see' the group boundaries that exist before they are able to span them. Assist leaders in defining and understanding the differences between different groups.
- **Reframe Boundaries** – Work with leaders to develop their ability to establish and communicate a common vision and strategy that acknowledges the common interests of the groups and mobilizes those groups toward shared goals.
- **Create Boundary Spanning Experiences** – Design experiences such as cross-functional or global assignments that will help facilitate learning boundary spanning skills.

Development Implications in Practice – A Boundary-Spanning Diagnostic

Many organizations are using cross-functional and cross-regional assignments to accelerate the development of leaders and prepare them to work with a senior leader who was preparing to take on a large-scale, cross-global assignment, and conducted a boundary-spanning diagnostic. This diagnostic helped the leader identify the key goals and challenges of the assignment, and the boundaries the leader would need to work across to overcome those challenges. After defining the key challenges, this leader was able to identify critical demographic boundaries between different nationalities and cultures, horizontal boundaries between different functions, and geographic boundaries separating people by distance. By identifying these boundaries, the leader was able to bring members of these groups together and reframe their different views and goals into a unifying vision. By conducting the boundary-spanning diagnostic at the early stages of the assignment, the leader was better prepared in taking on the role.

EXHIBIT 5: STRATEGIC ISSUES SUB-THEMES

Achieving Organizational Alignment

"Effectively communicating the vision and strategic direction while achieving alignment in an environment with so many economic, operational, and individual distractions."

"Helping the management team identify and gain alignment around the major drivers that will transform the company."

Maintaining Engagement & Confidence

"Keeping our employees informed about our company's financial strength and sharing with them the action plans that we have implemented that will enable us to weather the economic storm we are in."

"Ensure that I carve out time to walk and talk throughout the organization to get 'ground truth' and stay connected with employees at all levels, as well as providing them feedback as to the overall mission and their role in realizing those goals."

Refining Existing Culture or Establishing a New Culture for the Future

"Transitioning from a 'command and control' organization to a 'collaborating and learning' organization focused on the customer."

"Culturally we have always been 'the little organization that could.' We are starting to falter due to competition, the economy and a lack of resources."

Balancing Multiple Priorities & Making Wise Choices

"Manage a globally dispersed group of projects and individuals, and balance short term vs. long term."

"Determining whether or not certain facets of our business are 'fads' or trends. The answer to this partially determines our strategic course of action with the marketplace."

Development Area 2: Implications for Strategic Issues – Thinking, Acting, Influencing

Leadership is clearly the starting point of strategy, yet few companies recognize the leadership capacity that new strategies will require. The failure to assess leadership capacity systematically before launching strategic initiatives can leave executives scrambling to fill gaps at the last minute—with significant negative consequences (Hsieh & Yik, 2005). Many of the leaders from our study did not identify strategy creation as the challenge. They did, however, identify several challenges related to strategy execution. Exhibit 5 organizes some of the verbatim challenges around strategic issues into sub-themes. Sharing sample verbatim responses illustrates these strategic challenges.

When considering the complex challenges associated with strategic issues, the “how” of strategic leadership includes developing executives who are more effective in strategic thinking, acting and influencing (See Exhibit 6). Leaders not only need to understand the active role they play in guiding their organizations through the strategic challenges related to complexity and uncertainty, but also need to be clear on the requisite behaviors that effectively motivate and influence people in times of change. Development efforts that focus on building top executive skills and collective capabilities could incorporate:

- **Establishing Accountability & Feedback** – Hold leaders accountable for the quality of their strategies, and then provide those leaders feedback on the quality of their strategic thinking, acting and influencing.
- **Building Learning into the Strategy Process** – At different points in the strategic cycle, incorporate opportunities for learning, observation and assessment (Sull, 2007).
- **Practicing** – Consider using simulations that allow leaders to practice strategic

thinking, acting and influencing and build in feedback to support the learning experience.

Participants see how the ability to think, act and influence strategically goes beyond their individual efforts and is instead a collaborative and collective process.

Development Implications in Practice – Strategy Simulations

CCL uses a strategy simulation as part of its Developing the Strategic Leader (DSL) Program. The simulation is based on a real-world company and reflects the complexities of modern organizations and has no right answer. Instead, participants generate revenues based on the decisions they make during the simulation and make a number of decisions about how they want to position the company and then define the tactics and strategies to achieve organizational goals.

During the simulation, there are consistent patterns to how the skills sets for strategic thinking, acting and influencing play out. In round 1 of the simulation, participants tend to work in siloed, non-inclusive groups where there is considerable effort and time placed in analysis (strategic thinking) but very few decisions are made or strategies executed. In round 2, participants are driven by low revenue gains in round 1 to make a lot of decisions (strategic acting), though many of these decisions are executed independently and disconnected from the overall goals of the organization. In the final round, the participants realize that there is a greater need for collaboration between each of the divisions and groups (strategic influencing) to make smarter decisions that improve the revenue output of the entire organization. By having process discussions and feedback between rounds, parti-

Development Area 3: Implications for Talent Management

One of the most consistent findings across studies on talent management is that best-practice organizations have top executives who are more committed to and involved in talent management (e.g. APQC, 2004; Hewitt, 2005). Organizations that report greater levels of top leader engagement in talent management efforts also indicate more effective outcomes than organizations with lower levels of senior leader involvement (Lamoureux, Campbell, & Smith, 2009). The degree of top executive commitment and engagement to talent management efforts also impacts the organization’s culture and mindset on talent development (Michaels, Handfield-Jones, & Axelrod, 2001).

The top executive leaders we studied face challenges of attracting and competing for the best talent, developing a robust talent pipeline for the future, dealing with resource constraints that prevented the development or acquisition of needed talent, as well as decisions about down-sizing. These leaders also face the challenge of maintaining employee morale, engagement and commitment. Critical to navigating these challenges is a skill we refer to as “development agility.”

We define *development agility* as a leader’s ability to coach, mentor, support, guide and develop employees so they can fully capitalize on developmental experiences and opportunities. Most of a leader’s development occurs on the job through experience (McCall, Lombardo, Morrison, 1988), yet many organizations do not find ways to maximize these learning experiences (McCall, 2010). Building leadership capabilities around development agility puts top executives and other leaders directly in touch with the organization’s talent, providing a faster and surer way to develop talent on the job. Ways to increase leadership’s development agility could include:

- **Create Accountability for Talent Development** – One of the reasons top leadership ownership of talent is seen in best practice organizations is because leaders in these organizations are held

EXHIBIT 6: SKILL SETS FOR STRATEGIC THINKING, ACTING AND INFLUENCING

STRATEGIC THINKING	STRATEGIC ACTING	STRATEGIC INFLUENCING
Understanding the complex relationship between the organization and its environment. Utilizing that understanding to make decisions that facilitate the organization's enduring success.	Taking decisive and timely action consistent with the strategic direction of the organization, despite the ambiguity, complexity, and chaos inherent in organizational life.	Engendering commitment to the organization's strategic direction by inviting others into the strategic process, forging relationships inside and outside the organization, and utilizing organizational culture and systems of influence.

accountable for their performance in developing others.

- **Develop the Developers** – A skilled HR professional who can coach and mentor executives and other leaders can help build these talent ‘developer’ skill sets.
- **Provide On-Going Support** – Don’t limit contact with your top talent to a yearly or quarterly meeting. Encourage executives and other leaders to give others feedback, to ask what they’re learning from a job or assignment, and to share their own lessons of experience and managerial wisdom.

Development Implications in Practice: Developing the Developers

Coaching often is seen as a critical skill for effective leaders, and one of the more difficult skill sets to develop. Enhancing coaching skills is one area where organizations look to maximize their efforts around talent management by having executives become more personally involved in the process of developing others.

A professional services firm with which CCL worked had been conducting yearly performance and bonus conversations for several years, and they wanted to expand these interactions into more targeted development conversations. A consumer goods organization, with a very sophisticated succession-management process, was challenged with how to accelerate the development of its high potential talent while also keeping it committed and engaged with the organization. In both cases, enhancing the coaching skills of senior leaders was seen as a lever for helping high potentials make the most of their developmental experiences.

Executives often have access to a tremendous amount of information about high potentials, both through the organization’s performance and talent systems as well as the executive’s personal observations. What executives tend to lack are tools and training on how to have the actual development conversation. Exercises, such as coach-

ing role plays, can help executives practice the development conversation and then receive feedback and suggestions on how to make the conversations more effective. Enhancing coaching skills to ‘develop the developers’ is one way for organizations to build the development agility of their leaders.

Another approach is to align formal leadership development training that is traditionally targeted at high potentials with ‘developer’ training targeted at more senior levels. Another consumer goods organization with which CCL has worked has created a leadership development program that puts high potentials and their supervisors into shared development experiences. While the high potential group is receiving individual leadership development training, a parallel group of their supervisors is receiving training on coaching and mentoring to help their high potentials maximize the learning from the training. The process has multiple ‘check ins’ that promote on-going support toward the high potential’s development in the context of real and critical organizational work.

represent the critical leadership challenge facing HR executives. Therefore, we offer a perspective framework for leadership development that focuses on building organization-wide capabilities and the connections among business strategy, leadership strategy and leadership development strategy. (Refer back to Exhibit 1)

Every business strategy has human capital implications. Growth strategies may require the development or acquisition of additional managerial talent. Partnership strategies may require enhanced collaboration competencies. A leadership strategy identifies those implications by describing the collective leadership capabilities needed to effectively execute the strategy (Hughes & Beatty, 2005). The complex challenges that top executives face partially reflect the gap between the business strategy and the leadership capabilities required to execute it.

HR executives need to help define the leadership capabilities for the future based on the strategies and direction of the organization. A leadership strategy looks at human capital elements such as: the quantity of current and projected leaders; the qualities desired in terms of demographics, diversity and background; the skills and behaviors needed to implement the business strategy. The leadership strategy should also describe: the collective capabilities of leaders (at different levels of the organization) acting together to navigate complex challenges, and the desired organizational culture to facilitate success (Pasmore & Lafferty, 2009).

The Implications for Leadership Development and the Human Capital Executive

This study identified four of the most frequently mentioned challenges of top executive leaders that appear to remain consistent during different levels of environmental uncertainty. Understanding the complex challenges of *leading across multiple groups, strategic issues, talent management and business operations and performance* has implications for developing leadership capabilities that include boundary spanning leadership, strategic thinking/acting/influencing, and development agility. We also have placed emphasis on the implications of understanding these complex challenges for developing top executive leaders, as well as developing the collective leadership capabilities of the organization.

At this point, an important question is, “How do you build an organization’s collective leadership capabilities?” *This question may*

Once the leadership strategy has been developed, the HR executive can design the talent management systems and mechanisms that will develop the types of leaders needed. These talent management decisions reflect what we refer to as a leadership development strategy. A leadership development strategy looks at ways in which organizations will source, recruit, identify, develop and grow leaders to build an organization’s collective leadership capabilities.

What’s Next?

What, then, is the task of senior executives over the next decade? In our research, organizations identified as best-in-class relative to succession and talent management had senior leaders that clearly understood their roles, were personally involved in developing next generation and emerging generation leaders,

and held themselves and others responsible and accountable for continuously identifying and developing talent. While fluent in business processes and strong in areas related to business acumen, we find many top executives need clarity, support and tools relative to the human side of the business. These leaders have a significant responsibility in increasing the strategic agility of the enterprise, in defining, shaping and refining the culture and in leveraging talent in service of the business strategy.

Many executives are consumed with strategy creation and execution and in pushing and driving business results. Many neglect human and cultural strategies that can pull results. We clearly see these top executive leaders as *orchestrators* of talent, responsible for the overall alignment of the leadership strategy with the evolving business strategy. However, successfully navigating these rapids of change not only demands a refined or even new set of skills, knowledge, abilities and experiences, but often requires the services of an experienced *guide*.

We clearly see the need for human capital executives to serve in the *guide* role. Accordingly, their task is to develop current and future top business executives able to successfully lead during times of complexity, change and uncertainty. In so doing, human capital executives need to determine more aggressively if the leadership development processes and systems in place match the needs for the future.

We encourage human capital executives to conduct “challenge studies” for leaders at different levels within their organizations to more clearly understand the past and be better prepared for the future. These studies would involve reviewing the challenges successfully and unsuccessfully met and the behaviors associated with each. It would ultimately inform the behaviors required to refine and execute the business strategy now and in the future. **P&S**

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