



Where Have all the General Managers Gone?

How High Potentials Can Make the Jump from Functional, Mid-Level Management Faster

“How do I build the general managers of the future faster, so I have a pool of talent to take on new, large and complex leadership roles in an environment of turbulence and change?”

In recent months, this challenge was a primary concern for leading companies across industries. A top private equity firm is acquiring companies each year, but struggling to appoint effective CEOs and business unit heads. A fast-growing technology enterprise is engaging in rapid global expansion requiring leadership in new international businesses. A mature multinational conglomerate is losing the key talent needed to drive growth in the years ahead.

So where have all the general managers gone?

General Managers: Critical but Scarce

The combination of talent scarcity and skills mismatch constraining organizations across private, public and social sectors today only promises to get worse.¹ According to recent research, within the next eight years the global shortage of highly skilled workers could reach just 13 percent of demand.² For general management roles, the talent shortage is even more pronounced and the stakes are especially high.

As organizations evolved in the 1980s towards functional structures to increase efficiency, the focus shifted away from general management and broad business exposure and towards divided silos and specialization around a piece of the company.³ Three decades later, we have become a society of specialists, developing deep expertise within a specific field. Many leaders have never been exposed to the full end-to-end enterprise.

Yet as businesses become more volatile and markets more uncertain and interconnected, general management capabilities are needed now more than

ever.⁴ Over the past four years, the average number of general managers reporting directly to the CEO has increased by 81 percent. Previously experienced in only a single silo or function, many leaders were unprepared for the unique demands of the role.⁵

Transitioning from Functional Leader to General Manager, Few Succeed

A strong track record and history of past achievements does not necessarily translate to success at the next level. Research reveals that 40 percent of high potentials promoted to the general management ranks fail.⁶

Reaching general management, leaders are challenged to evolve beyond their past leadership focus, transition outside of their functional roles, and rapidly grow their business skills to manage the greater scope in responsibility at the top. With tangible root causes, navigating these shifts is difficult.

Dan, a high-potential leader at a global financial services company, started as an analyst within the asset management group, but as his individual contribution soared and the performance of his team strengthened, he quickly won promotion after promotion. As his string of accomplishments continued, Dan was elected the head of the company's newly established Bangalore office. A few months into the position, Dan was struggling; office revenues were lagging and attrition was rising fast. At the general management level, these mistakes were significantly costing the company. Looking to expand within the region, the performance of the office was critical to the firm's future growth opportunities. Soon enough, Dan was pressured to resign. Far from unique, this story is part of a familiar pattern.

Functional/Mid-Level Manager		General Manager
Tactical Execution Implements initiatives set by the senior leadership team	⇒	Strategic Execution Demands big-picture, long-term and strategic thinking
Silo Experience Experience and networks concentrated within one area of the enterprise	⇒	Broad Enterprise Perspective Maximize cross-business interdependencies and identify, collaborate and influence stakeholders
Internal Focus Concentrated on strong execution, exposure to the external market is limited	⇒	External Focus Deep understanding of industry trends, market dynamics, regulatory changes and customer expectations is required
Cost/Budget Analysis Budgetary perspective, but limited financial acumen often exposed only to the P&L within their business unit	⇒	Business/Financial Acumen Financial acumen and agility with a deep understanding of the balance sheet, cash flow statement and KPIs
Team Development Experienced in leading professionals and driving high-performance teams through fundamental leadership skills	⇒	Enterprise Talent Development Exhibit the behaviors needed to drive the company culture, inspire large groups of employees and acquire top talent
Working within the Business Today Effectively work within today's business to maximize the current business model	⇒	Innovating the Business for Tomorrow Agility to innovate the business to create new opportunities for growth

The Source of the Challenge

Moving from a mid-level employee or functional manager to the ranks of general management, leaders are challenged to develop the following skills and mindsets: Bridging these capability gaps as leaders transition to the enterprise ranks is not easy, but they're important to driving superior [strategy execution](#) and achieving business results.

So Now What?

What's the best way to bridge these skill gaps and reduce the time to general management readiness? In the past, a series of carefully identified two-to-three year stretch assignments would develop the skills and experiences needed to take on the general management challenges of the future. Over the course of eight to 12 years, leaders would engage in several key assignments, learn the role and make an impact—or in some cases, make big mistakes costing revenues. Sometimes, the assignments would be complemented by rare, one-off, formal learning initiatives. However, in today's competitive and fast-paced economy, this approach and timeframe is no longer viable. Leadership requirements and challenges are changing too quickly to be relevant a decade later. Leaders are no longer willing to stay at one company and patiently develop over a decade; instead, they are pursuing new opportunities, walking out the door and leaving a gap in the talent pipeline. While many companies continue to leverage assignments as their primary executive development tool, more and more are feeling the impact of its inadequacies.

Accelerating the Development of High Potentials A Case Study from Chevron

Chevron, a leading integrated oil and gas company, faces many difficult challenges in order to maintain its status as a leader in the space. The company recognizes the strategic development of high-potential leaders as critical to business success. To maximize the impact of its Advanced Management Program, Chevron immerses high-potential functional leaders in a designed experience.

Through a competitive experiential learning program, leaders are challenged to assume the role of the senior leadership team responsible for the overall success of a simulated integrated oil company. Reflecting the company's business, strategic priorities and external factors, the decisions and trade-offs made by the participating leaders are real choices that Chevron's senior management grapples with daily. Managing the company's entire business from exploration to the end consumer is a stretch for the group, but within this risk-free context, leaders learn great strategy implementation firsthand, so they can ultimately take ownership and effectively execute back on the job.

Nigel Hearne, Vice President of Strategy (Downstream) at Chevron reflected on the experience. "The program enabled participants to think more strategically, broadened enterprise perspectives, built financial acumen and provided an external focus and understanding of geopolitical decisions, competitive dynamics and customer and investor expectations. Most importantly, they had the opportunity to practice and learn in context of the company's business and strategic priorities."

For John Watson, Chevron's Chairman and CEO, the intensive experiential learning program was a success. "I was skeptical at first about the value of the [simulation](#), but I am now a strong believer in how much a simulation can provide a rich and efficient learning platform for our high potential leaders."

If the 12-year timeline and past approach is no longer relevant, how can we accelerate development and condense it down to two years? To build the general managers of the future faster, we must simulate stretch assignments and challenges in immersive ways and faster timeframes.

To maximize impact, corporate development programs must move beyond the world of “curriculum” and evolve towards “designed experiences,” where talent leaders create and deliver frequent, high-impact experiences with all the characteristics, challenges and accountability of stretch assignments done well. “In the VUCA world [volatile, uncertain, complex and ambiguous],” says Bob Johansen, Distinguished Fellow from the Institute for the Future, “immersive learning, experiential learning, is the pedagogy of choice, because it’s not just a fixed body of knowledge that you want to transfer. It’s a whole contextual set of lessons that you have to learn almost at the muscle memory level, to make them real.”

Through these immersive, high-impact and ongoing experiences, years of business exposure can be condensed, accelerated and retained. Just like the assignments of the past, a high level of responsibility for learning and performance is maintained in a risk-free environment. Like a pilot in a flight simulator, business leaders experience real-world challenges, execute new tasks, and perform new roles in different contexts and competitive market conditions.

The Way Forward

The future has always been uncertain, but in today’s interconnected, fast-paced and ever changing global economy, general management capabilities are desperately needed to remain competitive. “Those who know many things, draw from an eclectic array of traditions, and accept ambiguity and contradictions” are more likely to effectively predict business trends, innovate, effectively execute and rise to the top,” suggests Vikram Mansharamani in *Harvard Business Review*.⁷

Unfortunately, for many organizations, general manager talent is not strong enough, the development pipeline is taking too long, and the leadership requirements are evolving so rapidly that the capabilities of today quickly become irrelevant.

With this trend spanning across industries and geographies, organizations can no longer afford to wait 10 years to develop the general managers of the future. Companies are challenged to move beyond previous approaches and development timeframes to effectively design experiences that meet the demands of the business today. The need is great, the business benefits are significant, and success demands courageous, bold action.

- 1 “Skills Mismatches: Business Acumen and Strategy Execution”, BTS Research Report, Survey Conducted by The Economist Intelligence Unit, 2013.
- 2 “Redesigning Knowledge Work”, *Harvard Business Review* Jan.-Feb. 2013, 58-64.
- 3 Ashkenas, Ron “Bring Back the General Manager”, HBR Blog Network, *Harvard Business Review*, 18 Jul. 2012.
- 4 Wiens, Kyle, “In Defense of Polymaths”, HBR Blog Network, *Harvard Business Review*, 10 Jul. 2012.
- 5 Nobel, Carmen, “Crowded at the Top: The Rise of the Functional Manager”, *Working Knowledge*, *Harvard Business Review*, 12 Mar 2012.
- 6 “Employee Value Proposition Survey”, Corporate Leadership Council, *Human Capital Practice*, 2009.
- 7 Mansharamani, Vikram, “All Hail the Generalist”, HBR Blog Network, *Harvard Business Review*, 4 Jun. 2012.

Written by:



Rommin Adl
is an Executive
Vice President
at BTS.



Rich Dapra
is a Managing
Director
Assessment at BTS.



Susan Burnett
is a Vice President
of the Leadership
Development
Practice at BTS.

Contributor-



Caroline Meyer
is an Associate
Marketing
Manager at BTS.

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