Three Traps Facing New Corporate Centre Executives

What Companies Should Consider When Hiring for Corporate Roles

BY SVEN KUNISCH AND EVA BILHUBER GALLI

When appointing corporate centre executives, many large firms focus on the candidate's proven managerial track record in the firms' business lines. Although such experience can be a valuable asset for corporate centre executives, it can also be a bothersome liability. The authors discuss three traps commonly faced by corporate centre executives with extensive business-line experience, and suggest ways to avoid them.

In today's large firms a proven managerial track record in one or more of the firm's business lines has become an indispensable prerequisite – at least for those wishing to make it onto the short list for a corporate executive role. Business-line experience, which we define as general managerial experience gained from having managed a market, region, or operations in one of the firm's core businesses, often seems even more important than the specialist skills a corporate role might require. An executive searcher highlighted this general trend, stating: "Business or industry experience in a candidate's track record is absolutely vital. If I have a candidate without extensive business-line experience, most of my clients are unwilling to even consider that candidate. A wide range of arguments is needed in order to convince them to consider such candidates, who often have a favorable track record in terms of the required skills."

The grounds for this trend are obvious: by moving managers with business-line experience into corporate roles, many firms are responding to the market pressure to incorporate more value-added thinking into their headquarters' operations. As corporate centres are frequently criticised for being too bureaucratic and specialised, companies assume that candidates with a managerial business-line background are best equipped to provide the expected business- and customer-orientation in a corporate centre role.

Is this assumption correct? Empirical evidence suggests rather the opposite: in fact, many multidivisional firms report that exploiting their cross-business synergy potential to a full extent is still one of their most intriguing challenges. This is reason enough for us to ask: is prior business-line experience a good preparation to meet the enduring challenge that corporate centre executives face – the need to create added value for the business-line organisation?

Three Common Traps

Consider what a business-unit executive – we can call him Mitch – experienced in his first meeting with a newly appointed corporate executive – let's call him Ron, "We all met for our first workshop with Ron, the newly appointed corporate executive who had an impressive track record in our largest business division. He opened the workshop by telling us how he would solve our problem and what he wanted us to change. There were no introductions, and he did not ask for our opinions or our ideas. The workshop, which had originally been scheduled for two hours, lasted two days, and quickly became an endless and tiring ping-pong debate without any progress. It contaminated the relationship from the beginning."

In our years of studying, consulting and analysing corporate centre executives and cross-business collaboration, we have encountered countless such cases. Along the years, we began to explore the question of pros and cons of prior experience in a business line for corporate centre executives with a number of corporate and business executives, HR executives, and executive search firms. Most agreed that business-line experience is viewed as beneficial because it equips candidates with detailed business- and market-related know-how, a strong network in at least one business line and its respective markets, and a profit-oriented operational approach to managing a unit. Despite the merits of such capabilities, however, our exploration highlighted the risks associated with this experience and various ways in which it can impede success in a corporate centre role.

On the basis of our observations and the body of research in corporate management over the last decade, we have identified signs of repeated mistakes that executives with extensive business-line experience too often risk making in corporate roles. We refer to these potential derailments as the "*knowing the answer*" trap, which occurs in relation to task-related knowledge; the "*strong ties*" trap, which occurs on the network and relationship level; and the "*getting things done*" trap, which relates to the leadership style.

The "Knowing the Answer" Trap

Executives largely develop their knowledge and skills through experience, and prior experience influences executives' behaviors and performance in new roles. Corporate executives with broad business-line experience benefit from their familiarity with the challenges of the business and the related vocabulary.

However, corporate executives with extensive experience in one business area tend to believe that they clearly understand all the challenges that certain business areas face. Such executives often underperform in their new positions because they make assumptions about how tasks should be done, and they are typically unwilling to "unlearn" knowledge and techniques that they have previously acquired. The presumption that they know what matters most in a specific market context prevents them from inquiring about actual challenges and engaging in an open dialogue with the businesses. In addition, they might disregard other business areas or issues with which they are not familiar or have less experience.

In the above-mentioned case, Ron has seemingly fallen into this trap. His extensive business-line experience leads him to believe that he knows the answer to the problem. His prior experience creates blind spots in his approach, such that he risks missing important views and perspectives on the history of the problem, and a key opportunity to establish a partnering relationship.

The "Strong Ties" Trap

Corporate-level tasks generally relate to cross-business and cross-regional issues, which require a quality of partnering relationships that allows for successful cooperation and integration of conflicting interests across all businesses, regions, and functions. Therefore, the successful completion of corporate-level tasks often depends on the utilisation of a broad partnership network outside the executive's own line of authority. Accordingly, corporate centre executives typically benefit from good relationships with external stakeholder groups, such as investors, the press, trade unions, and regulators, as well as with internal stakeholders.

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The business-level manager's network focuses on a single business area or a single market and typically encompasses relatively strong but highly unilateral ties. Externally, their networks are generally smaller than those of corporate executives, as they are limited to clients and suppliers in specific markets or industries. However, business executives' networks differ not only in terms of structure but also in relationship quality, which often makes them less beneficial for corporate roles than one might expect. As business executives are focused on gaining market shares in their own focal markets, they have no reason to partner or co-operate with their peers in other markets or businesses. They therefore lack a co-operative networking experience. This effect is strengthened by internal incentives that socialise a business-unit leader to regard his/her peers as competitors rather than partners. Therefore, the unilateral character of a business leader's network offers limited advantages in relation to corporate strategy implementation.

Building on these arguments, corporate centre executives with backgrounds in business-unit management – such as Ron in our example – would be well advised to first establish a broad network with the necessary level of partnership quality.

The "Getting Things Done" Trap

Corporate executive roles imply some distinct challenges in terms of leadership skills and styles. As the success of corporate executives depends on the support of people outside their direct line of command, they will only be accepted by different businesses and divisions if they can bridge the various interests and convince others to place the welfare of the firm as a whole above individual interests. Therefore, corporate executives who adopt an ambassadorial leadership style often achieve more, as this style is consensus-oriented by nature.

Succeeding as an ambassador is closely related to strong sense-making skills and socio-political influencing skills, rather than to classical sales or negotiation skills. The forceful, operational leadership style that many business-unit leaders adopt is characterised by rather authoritarian and pragmatic decision-making. As such leadership behaviors have proven to be successful ways of driving profit-oriented units, former business-level managers tend to stick to those behaviors and transfer their operational and forceful leadership style to their new corporate roles.

However, such a style is less effective when activities and know-how must be leveraged, coordinated, and aligned across various businesses and regions. On a corporate level, an operational forceful leadership style can thus provoke more disturbances among the partners and turn out to be ineffective, as seen in our example. Nevertheless, we do not propose that new corporate centre executives abandon their operational and forceful leadership style. Rather, we suggest that they complement it with a strategic and enabling style. In fact, leadership research shows that one-sided leadership styles – whether they are solely operational, forceful, strategic, or enabling – are at the most risk of being ineffective. Managers who can display opposing leadership behaviors, such as operational and strategic or forceful and enabling, are much more effective. This is particularly true on higher, less operational management levels, such as among corporate centre executive roles.

Three Ways to Avoid the Traps

One thing seems to be clear: coordinating and aligning activities across the various businesses, gathering and distributing information, building trust and shared willingness, exercising control and decision rights, and seeking synergy opportunities are far from being trivial general-management tasks. Without doubt, management experience in the business lines can be useful for meeting these challenges. However, to make use of the full potential of qualified executives who are moving from business-unit to corporate roles, we suggest hiring companies to consider three ways to mitigate the typical business experience traps:

1. Balance Selection Criteria

Our observations suggest that hiring organisations should carefully consider whether they want to hire corporate centre executives with track records in business-level management. In particular, they should consider the different traps associated with prior business experience in the areas of task-related knowledge, networks and relationships, and leadership styles. Therefore, we suggest balancing the focus on business experience with a focus on the functional-strategic knowledge required for a corporate role.

2. Provide Transition Support

Companies that hire corporate centre executives with extensive business-unit experience should provide them with systematic support in the transition period. For example, coaches can help prepare newly appointed corporate centre executives for the specific role requirements and mitigate the likelihood of falling into the business-level experience traps. The early introduction of such support seems crucial because, in practice, the traps are interrelated and tend to be mutually reinforcing. If uneasiness, resistance, and mistrust emerge between a corporate executive and a business unit, the corporate executive will tend to rely on leadership styles that were successful in previous roles, i.e., a forceful decision-making style and a pragmatic, operational-oriented approach to problems. This creates a vicious circle. The longer it lasts, the more difficult it will be to remedy the contaminated relationship between the corporate unit and the business division. Therefore, systematic support in the transition phase is particularly important for candidates that have held business-leadership roles for an extended period of time.

3. Use Ad Interim Job Assignments

Completion of specific ad interim job assignments on a corporate level should be mandatory for any executive who is part of a firm's executive succession pool. Such assignments allow internal candidates to gain the necessary specific functional and strategic knowledge, to broaden their networks, and to recalibrate some of the managerial assumptions developed in their business-level jobs. These assignments would best prepare them for the possibility of a corporate role at a later date. Furthermore, even if they remain in a managerial career within their business line, they would generally profit from a better understanding of the headquarters' view and the challenges faced by the organisation as a whole, which would contribute to a better partnership culture between the business lines and the corporate centre.

Is experience on the business level the best preparation for success in a corporate centre executive role? There is no universal answer to that question. Our exploration of this question suggests that, despite the many virtues of such experience, it carries some risks that companies need to carefully consider.

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