

## From Bright Sunshine to Stormy Weather

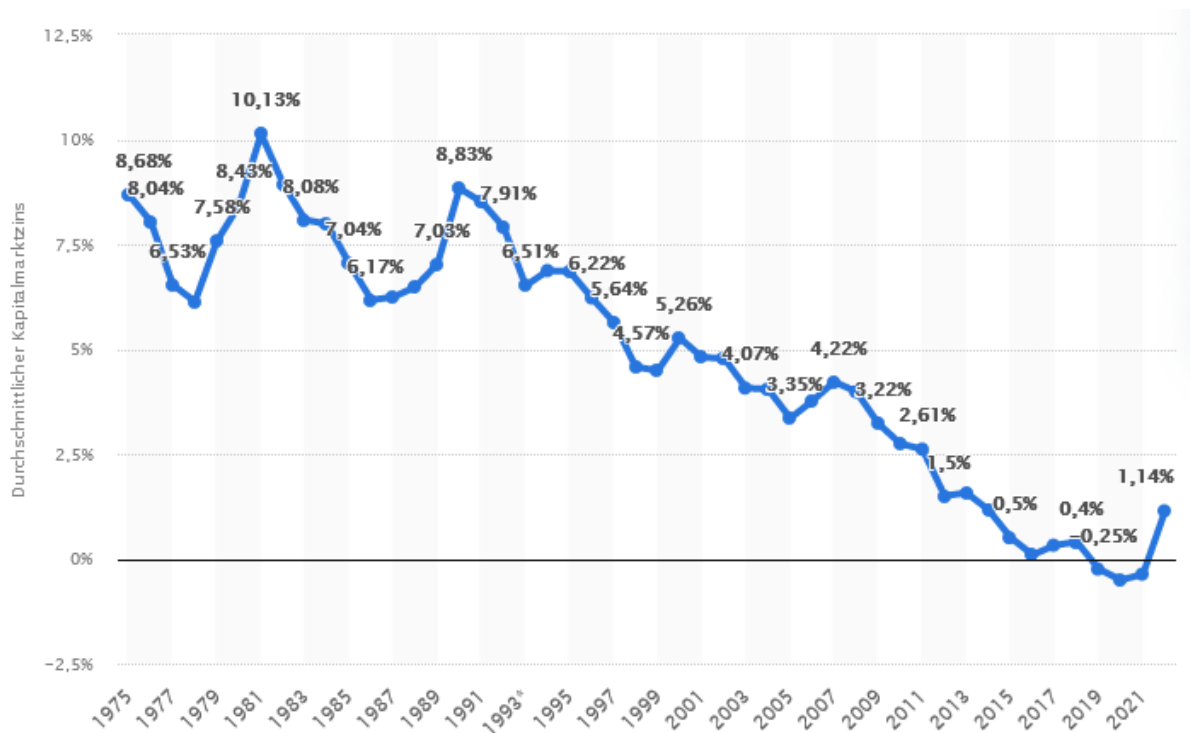
### Changing Competence Requirements for Executive Board Members: A Comparative Analysis of 2013-2018 Growth Period and 2020-2022 Crisis Period

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The role of Executive Board members has evolved significantly over the years, with changing business landscapes and economic conditions. This article aims to explore how the competence requirements for Executive Board members have transformed during two distinct periods: 2013-2018, characterized by growth, and 2020-2022, marked by crisis. By comparing these two periods, we can gain insights into the shifting expectations and skills demanded of executives in times of prosperity versus adversity.

Competence Requirements during the Growth Period (2013-2018): The period between 2013 and 2018 was largely characterized by economic expansion and stability in many regions. Low interest rates further fuelled an expansion strategy of many companies based on heavy investment.

#### Development of Interest Rates



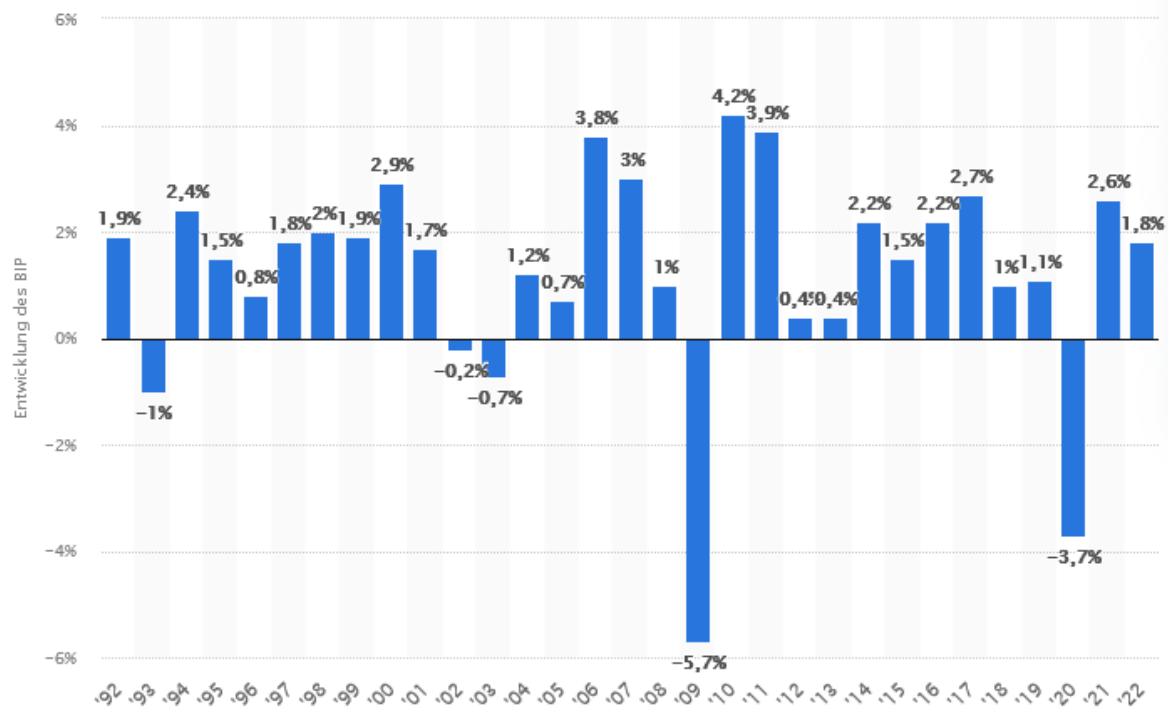
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During this growth phase, the competence requirements for Executive Board members tended to emphasize the following key areas:

1. **Strategic Vision and Business Development:** Executive Board members were expected to possess a forward-thinking strategic vision to identify emerging opportunities and drive business growth. They needed to formulate and execute long-term plans, exploring new markets and product/service offerings to expand the company's reach.
2. **Financial Acumen and Risk Management:** As organizations sought to capitalize on the favorable economic climate, Executive Board members needed to demonstrate strong financial acumen. They were responsible for managing financial resources efficiently, optimizing profitability, and implementing effective risk management strategies.

3. Leadership and Team Building: In the growth period, board members were required to provide strong leadership and foster a positive corporate culture. They needed to build high-performing teams, nurture talent, and motivate employees to achieve organizational goals.
4. Innovation and Adaptability: Rapid technological advancements and changing customer expectations demanded board members who were innovative and adaptable. They needed to embrace emerging technologies, promote a culture of innovation, and ensure the organization stayed ahead of the curve.

### Development of BIP in Germany



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Competence Requirements during the Crisis Period (2020-2022): The global COVID-19 pandemic in 2020, the Russian War in the Ukraine starting in 2022 and subsequent economic downturn marked the crisis period from 2020 to 2022. During this challenging phase, the competence requirements for Executive Board members underwent significant shifts:

1. Crisis Management and Resilience: The crisis necessitated strong crisis management skills. Board members were expected to swiftly respond to the evolving situation, making tough decisions to protect the organization's viability. Resilience and the ability to navigate uncertainty were paramount.
2. Cost Control and Efficiency: With economic uncertainty and reduced revenue streams, Executive Board members had to focus on cost control and efficiency. They needed to identify areas of waste, streamline operations, and optimize resource allocation to maintain financial stability.
3. Digital Transformation and Remote Work: The pandemic accelerated the need for digital transformation and remote work capabilities. Executive Board members had to ensure the organization could adapt to remote operations, leverage digital tools, and maintain productivity and connectivity in a virtual environment.
4. Stakeholder Communication and Transparency: During the crisis period, effective communication with stakeholders became crucial. Board members were required to provide transparent updates on the company's financial health, mitigation strategies, and contingency plans to maintain stakeholder confidence and trust.

The competence requirements for Executive Board members have evolved significantly, reflecting the changing dynamics of the business environment. The growth period of 2013-2018 emphasized strategic vision, financial

acumen, leadership, and innovation. However, the crisis period of 2020-2022 demanded crisis management skills, cost control, digital transformation, and effective stakeholder communication. By recognizing these shifts, organizations can better align their board selection and development processes with the specific demands of each period, ensuring the right skill sets are in place to steer the company successfully, regardless of the prevailing economic conditions.

The question of whether to promote an internal candidate or hire an external candidate for the Executive Board is complex and depends on various factors. There is no one-size-fits-all answer, as each situation is unique and requires careful consideration. Both internal and external candidates bring distinct advantages and challenges. Let's explore the benefits and considerations of each option:

#### Promoting an Internal Candidate:

1. **Institutional Knowledge and Understanding:** Internal candidates often have a deep understanding of the company's culture, operations, and industry dynamics. They possess institutional knowledge and historical context that can be invaluable in decision-making processes.
2. **Loyalty and Commitment:** Internal candidates who have been with the company for a significant period may have demonstrated loyalty and commitment to the organization's long-term success. Their dedication and alignment with the company's values and objectives can contribute to stability and continuity.
3. **Motivation and Morale Boost:** Promoting from within can boost employee morale and motivation, as it signals opportunities for career growth and recognition of talent. This can foster a positive work environment and inspire other employees to strive for advancement.
4. **Reduced Onboarding and Transition Time:** Internal candidates are already familiar with the company's processes, systems, and people, which can result in a faster transition and reduced onboarding time compared to external candidates.

#### Considerations for Internal Candidates:

1. **Limited External Perspectives:** Internal candidates may have limited exposure to external industry trends and fresh ideas. This can potentially lead to a lack of diverse perspectives and innovative thinking.
2. **Risk of Stagnation:** If an organization relies too heavily on internal promotions without considering external talent, it may miss out on new skills, experiences, and perspectives that could drive growth and innovation.

#### Hiring an External Candidate:

1. **Fresh Perspectives and Expertise:** External candidates bring a fresh set of experiences, perspectives, and expertise from different organizations and industries. They can introduce new ideas, challenge existing norms, and drive innovation.
2. **Expanded Networks and Relationships:** External candidates often have broader networks and industry connections that can benefit the organization in terms of partnerships, collaborations, and business development opportunities.
3. **Objective Evaluation and Independence:** External candidates can provide an objective evaluation of the company's operations, strategies, and performance. Their independence can facilitate unbiased decision-making and enhance governance practices.

#### Considerations for External Candidates:

1. **Cultural Fit and Integration Challenges:** It can take time for an external candidate to adapt to the organization's culture and build relationships with existing employees. Ensuring a cultural fit and supporting their integration into the company is crucial for success.
2. **Disruption and Employee Morale:** Hiring an external candidate for a top leadership position may create some disruption and potential resistance from internal employees who were vying for promotion. Managing employee morale and communication during such transitions is essential.

Conclusion: The decision to promote an internal candidate or hire an external candidate for the Executive Board requires a thoughtful evaluation of the specific circumstances, company culture, strategic goals, and available talent pool. Both options have advantages and considerations that must be weighed.

Growth cycle competencies of an Executive Board Member are typically learned inside the company or coming from a competitor or customer which favours internal candidates. Crisis and restructuring competencies are typically gained in a wide variety of companies with shorter mandates to develop a reliable toolbox and profound knowledge.

Whereas in growth periods **Leadership Development Services** play a higher role to promote internal candidates, **Executive Search Services** are requested to find external candidates with repeated restructuring experience. It is not unsurprising that Executive Board Members selected for Growth did not see the crisis coming and a significant number of companies went unprepared into the storm.

Part of the challenge of finding competent Executive Board Members for crisis periods are that crisis periods (in the past) were shorter and fewer than growth periods. Additionally, experiences should be obtained from several mandates. Therefore, such Executive Board Members are a rare species to find.

Ultimately, the organization should strive for a balanced approach, considering a mix of internal promotions and external hires to ensure a diverse range of skills, experiences, and perspectives in its leadership team.

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