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THE INTEGRATION OF EXECUTIVE DEVELOPMENT
AND LONG-RANGE PLANNING

DISSERTATION

Presented in Partial Fulfillment of the Requirements
for the Degree Doctor of Philosophy in the Graduate
School of The Ohio State University

By

JOHN NEARY DAVIS, B.S.

* * * * * *

The Ohio State University
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This study is concerned with the concept of integration of the function of executive development with the function of long-range planning. Executive development programs prepare business executives for the operation and administration of the future organizations and activities of the corporation. The long-range planning function in business and industry has been growing rapidly. There seems, nevertheless, to be a lack of information on how this function integrates and relates the development programs to the future executive needs of the corporation. While the concept of integration has been alluded to throughout the literature, it has not been described and spelled out in detail.

This study therefore attempts to ascertain the specific nature of integration and the extent to which it is being carried out. The investigation of this concept was conducted in 225 of the nation's largest companies, generally recognized as the leaders in manufacturing, banking, public utilities, merchandising, and life insurance. The companies are not identified in the study inasmuch as an agreement was made not to name any company in exchange for information. The
companies are referred to in the study by number -- Nos. 1-30 for those both surveyed and interviewed and Nos. 31-225 for those surveyed only.

Many individuals have contributed to this study by providing information, by helping develop thoughts, and by typing and editing. First, public thanks are offered to the corporation presidents, vice presidents, general managers, directors of long-range planning, organization planning, executive development, and personnel and the myriad staff personnel who supplied information as to their companies' activities and who patiently answered questions. Their desire to remain anonymous has been observed throughout the study.

The author wishes to acknowledge his debt of gratitude and his appreciation to his doctoral dissertation committee - Professors Ralph C. Davis, William R. Davidson, and William E. Schlender. In particular, the author is indebted to Professor Ralph C. Davis for his encouragement, helpful suggestions and advice in the research efforts and in the interpretation of the data. He also provided many helpful suggestions for presenting the material and for illustrating the concepts of long-range planning and executive development.
The author also thanks his department chairman, Dr. John R. Beishline, for his encouragement and for allowing time for research and for writing of the study.

Lastly, for their help, understanding and patience, the author is indebted to his children and to his wife. They assisted in the typing, editing and preparation of the dissertation.
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CHAPTER I

INTRODUCTION

NATURE OF THE STUDY

The Problem

The subjects of long-range corporate planning and executive development have been of paramount interest to business executives as well as to students of organization and management for the past generation. The importance of these two management activities has been recognized and agreed to by academicians, management consultants and business executives.

The two activities in the past have been generally regarded as separate entities having little relationship to each other. At least the literature pertaining to these two activities contained very little information regarding the nature and degree of relationship of the activities.

In recent years, there has been some indication that these two activities should be integrated and related in order to achieve the business objectives and to provide for organizational growth. One writer who urges a closer
relationship of planning and development is Peter Drucker. He has expressed himself along these lines:

Two great leitmotifs of American management in the last generation have been (1) the emphasis on long-range planning and systematic organization to achieve formulated objectives, and (2) the steady recognition of the social and moral responsibilities of management, calling for broader skills and higher performance standards... The need to integrate the two leitmotifs of modern management into one managerial theme has therefore been felt by thoughtful managers for a long time. Every year it becomes more imperative.¹

In addition he indicates that the supply of executive personnel is a key factor and the development of such personnel must be done by the organization itself.

...any business plan which does not make provision for the supply of professional and technical people needed to carry it out, any managerial decision that is not matched by a corresponding decision to provide for the necessary number of qualified people, is defective, irrational, and inadequate -- really nothing but a pious hope.²

Carlos Efferson states it more simply:

Planning in one function cannot be effectively done with complete independence of planning in other areas of the company (for example facility planning cannot be done altogether independently

²Ibid., p. 37.
of manpower planning, financial planning, etc.)

Ralph C. Davis in discussing the long-range organizational growth of a company states:

Organizational planning for growth is closely related to the problem of developing other organizational attributes. Growth planning is a function of specifying factors, forces, effects, and relationships with respect to required organizational expansion over a long term period.

He further indicates that the growth of an organization tends to be limited by the growth and development of its executives. He proposes certain measures and policies which are necessary to overcome the deficiencies that are sometimes found in the development of executives. These measures and policies, he states, should be embodied in the plans for organizational growth.

Houston further emphasizes the need for integration:

There is need for continuing and comprehensive review of manager manpower requirements both long and short range. The business needs to know its human resources -- what managerial talent it will need in the immediate and longer-range future, what changes in organization

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5 Ibid., p. 533.
structure may be needed to meet changing conditions and business growth.  

Among the many writers on the subject of corporate planning, Melville C. Branch reiterates the integration aspects when he says:

Since a primary purpose of corporate planning is the integration of different areas of functional emphasis, it encompasses the aggregate of their respective complications.  

However, he indicates that corporate planning is in the embryonic stage and hence is in need of a methodology in order to effect the complete integration.

Much remains to be accomplished, however, in the development of a methodology of corporate planning. As yet, there are few established procedures and techniques.

In addition to Branch, Bruce Payne indicates that the need for long-range planning is based in part on the requirement for coordinating all planning in an organization. He states:

Long range planning can be seen as the overall coordination of all planning functions. It is a discipline that forces each function of an organization to coordinate its operation with those of every other function in terms of

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8 Ibid., p. 33.
predetermined objectives.\textsuperscript{9}

The consensus of opinion based on the above quotations is that long-range planning and executive development should be integrated and related in order to achieve organizational growth. At least there is an indication that an important part of the long-range planning process is the development of managers to meet the needs of the company. Further review of the literature fails to reveal, however, the specific methods and techniques by which this integration and relationship takes place. While there are many reasons advanced for integrating these two activities, there appears to be very little information available specifying how it should be done. In fact, there appears to be little information as to the extent to which it is actually being done in business and industry.

The literature pertaining to planning describes many types of planning. They appear to be: product, process, marketing, financial, development, facilities, personnel and organization. Major emphasis seems to be placed on product, process, marketing and financial planning with personnel and organization planning being given a secondary position. However, recognition is made that managerial or executive development planning is most important and most difficult.

At the same time there appears to be a dearth of information pertaining to the specific methods by which managerial or executive development planning becomes an integral part of the long-range planning process.

**Objectives and scope of the study**

The study is primarily concerned with a determination as to whether or not organizations do integrate and relate the activities of long-range planning and executive development, and, if they do, what methods and techniques are used in the process.

The objectives of this study are (1) to investigate the extent to which the executive development process is integrated with the long-range planning process and (2) to gather detailed information regarding the methods, procedures and techniques currently being used to effect the integration and (3) to analyze and evaluate the information gathered.

In order to guide the research efforts in the accomplishment of the objectives of the study, the researcher centered his efforts around these questions:

a) To what extent is long-range planning conducted and for what periods of time?

b) What individuals or organizational units are responsible for the long-range planning function?
c) What does the long-range planning program encompass?

d) To what extent is executive development conducted?

e) What individuals or organizational units are responsible for the executive development function?

f) What does executive development encompass?

g) How is the executive development program related to and integrated with the long-range planning program?

THE METHODOLOGY

The method

In order to investigate and gather data on this study, the researcher needed evidence from original sources. The examination of the literature led to the conclusion that the evidence could not be obtained from secondary sources. A logical place to look for facts would be from those who themselves conduct long-range planning and executive development, or in other words, from business and industry itself.

The basic means of obtaining facts were considered to be (1) a questionnaire and (2) an original inquiry through direct contact with individuals experienced in long-range planning and executive development. Both means were selected to provide a penetrating, flexible approach to fact gathering required by the unstructured nature of the research topic.
A questionnaire was designed consisting of eight questions. The purpose of the questionnaire was (1) to survey top organizations as to the extent of their long-range planning activities and their executive development activities, and (2) to identify those organizations deemed desirable for follow up with depth interviews. The results of the questionnaire would answer in part the questions listed in page 6 and 7 above. However, it was realized that only through an unstructured depth interview with individuals intimately concerned with the planning and development process could the desired information and data be obtained. A cover letter to the president of the organization along with an information sheet was sent with the questionnaire. These are shown in Appendix A.

The questionnaire was sent to 225 of the top organizations of the United States as ranked in the 1962 Fortune Directory of the 500 largest U. S. industrial corporations. The criteria for selecting the organizations for survey were (a) sales or assets of at least 100 million dollars and (b) at least 10,000 employees. The response to the questionnaire was considered excellent in that 115 answered the questionnaire in about one month's time -- a 50 per cent return. Ten companies answered by letter, but declined to fill out the questionnaire. A follow up letter was sent forty-five days later to solicit additional responses. Five responded
to the follow up letter. No additional follow up was made.

As a result of the analysis of the questionnaire, thirty companies were selected for interview. The selection of the companies was based on the following: (a) located in the northeastern section of the United States, (b) organization and content of the long-range planning program, (c) organization and content of the executive development program, and (d) researcher's personal knowledge of the company. For example, a company located in Pittsburg was selected for interview if in the questionnaire it indicated it had either a director of long-range planning or a director of executive development, its long-range planning program contained estimates of future organization needs for executive personnel both quantitatively and qualitatively and projections of probable organization structure, and its executive development program included appraisals, job rotation, coaching, and education and training. Essentially, an attempt was made to identify companies that contained all elements of the conceptual framework considered essential for the integration process as envisioned by the researcher.

Instead of contacting the president of the corporation, as was done in the case of the covering letter to the questionnaire, contact by letter or telephone was made with the individual who filled out the questionnaire requesting an
interview not only with them but also other knowledgeable people in the organization. Of the thirty companies contacted, the following is the breakdown of personnel interviewed:

9 Vice Presidents or Directors of Long-Range Planning or Corporate Planning
8 Vice Presidents or Directors of Personnel
16 Directors or Managers of Executive Development
8 Directors of Organization Planning, Organization and Personnel, Organization and Development, or Personnel Research
2 Presidents or Chief Executive officers
4 Assistants to President or Chief Executive Officer

26 Staff Assistants to the above individuals

Facts were recorded through (a) the interview, (b) documents, reports, records and files, and (c) the behavior of the interviewee. The latter may seem circumspect as a source of objective research facts, but in many cases an individual would reveal more information implicitly than explicitly. This caused an important limitation in the interviewing. The researcher could not always determine the topic about which facts were obtained. The interviewee might prefer to steer the discussion or to reveal facts
concerning a topic which to him was germane to long-range planning or executive development, whereas the researcher would have preferred other facts or topics. Although every effort was made to use a conceptual framework as a basis for the collection of facts, at times the researcher found it expedient to follow the lines of attack determined by the interviewee. The interviewee's enthusiasm determined to a great extent whether productive evidence was obtained. Furthermore, in many cases this approach revealed crucial facts which the researcher would not have detected if he alone were selecting topics for discussion. However, it also led down some blind alleys.

Limitations

The methodology used to investigate the problem has certain limitations. The first limitation has to do with the number of firms used in the survey and for interview. The circumstances of time and finance precluded a larger sample. Therefore, the statistical data obtained can relate only to those organizations surveyed and interviewed. However, the sample is considered to be a representative sample of large business and industrial firms. The companies are recognized as leaders in their industries and were chosen on the assumption that they would have a more
comprehensive integration program than smaller sized corporations. Therefore, the conclusions drawn from this sample are believed to be valid for firms of similar size.

A second limitation involved the amount of cooperation and information received from the organizations interviewed. In certain instances the information sought was considered to be of a proprietary nature. The organizations, therefore, were reluctant to discuss the details of their plans other than in very general terms. While the methods and techniques were explained, examples of these could not always be obtained. Consequently the validity of the procedures could not always be ascertained. Additionally, the length of the interview tended to dictate the amount of detail that could be obtained. A smaller number of firms and more time on the part of the researcher may have resulted in more detailed information but not different information. However, sufficient data was obtained from the companies interviewed to provide for analysis and conclusions. In other words, the researcher does not believe any significant restrictions in the research resulted from this limitation.

The third limitation was the fact that confidential material was sometimes shown and explained to the researcher under the assumption that such data would not be identified
in the study. Thus the researcher had access to data which cannot be quoted in this study but which influence the findings. In order to handle such data, when appropriate, it was summarized along with other data and presented as a probability or a generalization. While such data has a bearing on the findings of this study, the research efforts were not believed to be impaired by this limitation. It is pointed out to indicate that the identification of companies had to be avoided.

PRESENTATION OF THE STUDY

The presentation of the study is based on a conceptual framework developed by the researcher for use in investigating the problem. The conceptual framework was developed as a result of the secondary research of the literature and a preliminary survey used to test the reliability of the questionnaire. Each chapter compares the concepts found in the literature with the policies and practices found in the companies surveyed and interviewed by analyzing the results of the questionnaire and the data obtained in the depth interviews.

In Chapter II, long-range planning is examined and discussed in detail. The history and background of long-range planning is presented along with the nature, benefits and
significance of planning. Planning processes and techniques are considered as well as the organization and time period for long-range planning. Survey results and data obtained from the interviews are used to analyze and evaluate the opinion and theories found in the literature.

Chapter III deals with an overview of executive development. The background, the importance, the extent and the general concepts of and the organization for executive development are considered. Lastly, the elements of a comprehensive executive development program are presented. Again, data from the survey and interviews is used to analyze and evaluate.

Chapter IV considers the elements of a comprehensive executive development program. Organization analysis and planning, the determination of executive needs, executive inventories, appraisals of executive performance, and executive training and education are the topics examined and presented. Company philosophies, procedures and policies are used to analyze and evaluate the program.

Chapter V analyzes and describes the nature and extent of integration of executive development and long-range planning. The chapter summarizes and collates the preceding chapters and formulates an hypothesis of integration.
Chapter VI is the summary chapter for presentation of conclusions and recommendations.

SIGNIFICANCE OF THE STUDY

A considerable amount of literature is available pertaining to the subjects of long-range planning and executive development. However, very little research appears to have been conducted to determine the specific methods that are used by business and industry to effect the coordination and integration of the two activities.

In view of the fact that there is an apparent dearth of information concerning the subject of integration, it is considered that this study is an exploratory study. As such, no hypotheses have been postulated but rather have been sought in order that subsequent research would have a basis for considering further aspects of integration of executive development and long-range planning.

This study is considered significant because it is the first attempt to search out and determine the specific nature and extent of integration of long-range planning and executive development. Furthermore, it is the first attempt to collect and classify information pertaining to the methods and techniques used by a selected group of business organizations who profess to have integrated and related the two
activities. Accordingly, this study is considered to be an original contribution to the field of management. The nature of integration is formulated and data is presented that indicates the extent to which a representative sample of the largest business and industrial concerns are integrating their executive development programs with their long-range planning programs. Finally, new information is presented concerning the relations between general administrative planning for growth, organization planning and planning for executive development to meet future needs for executive leadership.
CHAPTER II

LONG-RANGE PLANNING

This chapter is designed to examine and discuss the nature, concepts, benefits, need, importance, organization, procedure and program of long-range planning. A sampling of current literature pertaining to these aspects is provided as well as the results of questions no. 1, 2 and 3 of the questionnaire and the depth interviews conducted. The objective is to present the broad background, the general nature and the elements of a comprehensive long-range planning program in order to set the stage for subsequent chapters pertaining to the subject of executive development and the nature and extent of its integration with long-range planning.

THE NATURE OF PLANNING

In the field of business management the attention today is on long-range planning. At least this seems to be the case if one were to be guided by the Stanford Research Institute or the Institute of Management Science. The Stanford Research Institute, on the one hand, has developed a "Long-Range
Planning Service" for business and industry devoted exclusively to long-range planning. The Institute of Management Science, on the other hand, has a "College on Planning" designed to provide a specialized focal point for "planning" within the broader framework of the management sciences, as represented by the Institute. These are only two examples of the present-day interest that is manifest in the subject of long-range planning. Additionally, literature pertaining to the subject of planning has begun to appear to a much greater extent than in the past five years.

However, while the interest is high, there appears to be a lack of uniformity toward formalizing the process of long-range planning and toward providing it with a sound theoretical foundation. In fact, organized long-range planning is so new that there is no generally accepted definition of what it includes. Yet it is a major trend of the times. Some companies limit their long-range planning to capital requirements. Other companies notably in research and development industries, such as the aerospace manufacturers, think of long-range planning primarily in terms of product planning. Still others think of it in terms of "share of the market,"

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and others in terms of product diversification. Essentially all of these forms of long-range planning are a partial manifestation of the overall corporate requirements for planning in general.

Planning

Planning is an organic function of management. It is the function that is concerned with the future growth and development of the organization. Planning provides the action steps for achieving organization goals and objectives.\(^2\) The two other fundamental functions of management are considered to be organizing and controlling.\(^3\) The primary function, however, is that of planning.

It was indicated above that planning involves taking action today to achieve future goals or missions. Various authors indicate that planning is deciding in advance what


is to be done, who is to do it, when, where, why and how it is to be done. Others state that planning provides for the allocation of resources, the necessity for the action and the specification of the phases of the action. Still others say planning also may include the objectives and policies on which the action rests. Finally, planning is continuous in that it involves detailed and systematic examination and analysis of all aspects of contemplated activities.  

Turning now to the nature of long-range planning, it is considered desirable to explore the literature concerning this subject. George A. Steiner says:

Planning in general is conscious determination of courses of action designed to reach given objectives. Planning is deciding in advance what is to be done, who is going to do it, and how it is to be done. Long-range planning attempts to do this over extended periods of time. But long-range planning embodies much more than a time dimension. Long-range planning is a process of broad scope. It is a way of thinking, a pattern of life.  

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Edward Wrapp defines long-range planning simply as "Long-range planning is the activity in a company performed by top management which sets long-term goals for the firm and then proceeds to formulate the specific plans for attaining these goals." In other words, planning is basically related to the future in terms of (a) where does the company want to go and (b) how will the company get there? It is these two propositions that require the setting of the goals and objectives in addition to the actions and the programs for achievement.

The above definitions do not differ particularly from the description of planning. However, long-range planning involves something extra. The extra is the aspect of time -- or stated another way, greater consideration of futurity and change. Long-range planning also takes into account economic, political and social changes as well as scientific and technological developments. Thus the aspect of change in the future and the aspect of time play a significant role in long-range planning.

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Ability to visualize the change and to make provisions for coping with the change appear to be the two main parts of long-range planning. Long-range planning involves decision-making -- decisions which are expected to insure the survival and progress of the enterprise in the future environment. Long-range planning is concerned with the determination of the framework, the size, the objectives, the products, the processes, the personnel, the financing, and all other actions and activities vital to the existence of the company.

To summarize, it is considered that the nature of long-range planning is best defined by Bruce Payne as:

Long-range planning sets forth the goals of a company in all fundamental phases of its operations on a yearly basis for no less than five years and preferably for ten years. Such goals are based on a realistic analysis of the company's strengths and weaknesses and position in the industry. The planning further indicates in detail the steps each department of the company will take as its contribution to meeting these objectives. Such steps are integrated one to another in a basic blueprint for action and are defined in terms of precise timetable. Built into the plan is provision for periodic review and the means to modify the program in light of changed conditions.

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8 LeBreton and Henning, *op. cit.*, p. 7.

In the interviews conducted for the study, the researcher attempted to determine how the various companies defined the term "long-range planning." A universally acceptable definition could not be developed. In fact, about one-third of the companies interviewed did not use the term "long-range planning" but merely used the term "planning" or "corporate planning." They gave the reason for this: 1) they were unable to decide on the definition, 2) they conducted all kinds of planning and not just long-range, and 3) they could not obtain agreement among top management.

THE NEED AND IMPORTANCE OF LONG-RANGE PLANNING

The concept of long-range planning is not new to business. The uniqueness comes from the extent to which it is being conducted and the importance it holds for the managers in the years ahead. Ralph J. Cordiner emphasizes the need for long-range planning as follows:

First, the area of long-range planning. In a time of radical worldwide change, when every day introduces new elements of uncertainty, forward planning may seem to be nearly impossible -- an exercise in futility. Yet there never was a more urgent need for long-range planning on the part of every business, and indeed every other important element of our national life.\textsuperscript{10}

Basically, long-range planning is a necessary way of life for business, primarily because of change. The need for planning is based on the problem of trying to cope with changes both internal and external.\(^{11}\) The changes believed to be facing management today are threefold. First, there is the change in technological developments. The scope, complexity, cost, and rapidity of technological innovations make it imperative that management develop a sound but flexible plan to meet, solve and exploit the innovations. Product and process obsolescence have increased and caused increased competition which in turn has had an effect on the return on net worth. Research and development of new products have been speeded up. Survival and growth under such conditions are impossible without a clear, detailed and dynamic plan of action for continuous innovation in products, processes, facilities, methods, organization leadership, and also other aspects of the business.\(^{12}\)

The second major category of change lies in the area of social, economic and political developments.\(^{13}\) These


\(^{12}\) Cordiner, *op. cit.*, p. 87.

developments are:

1. Continued rapid growth in population.

2. Changing philosophy of public toward standard of living, leisure time, living habits and tastes, and economic security.

3. The constant challenge of the continued growth of the Soviet and Chinese economies as well as the growth of the common market nations.

These developments along with the technological developments require stepped-up expansion in the industrial system. While our economic system expects a normal amount of expansion and organization growth, the future economic environment appears to increase the pressures on management. These pressures are reflected in the third area of change, namely, individual and organizational development. These developments are considered to be:

1. Complexities of operations and control. Decentralization as a result of bigness and diversity requiring master planning of a long term nature.

2. Management techniques of operation research, data processing, mathematics and gaming. These also facilitate the planning process.

---

3. Changes in management relations -- government, employers, international customers, and other managers. The emphasis on behavioral science aspects of employee and managerial development requires that the long-range planning provide for these changes.

Benefits of Long-Range Planning

Based on the above discussion of the importance and need for long-range planning, it is considered that certain benefits may be derived from the process and procedure of long-range planning. These benefits, in one way, are as significant as the importance attached to the concept of long-range planning itself in today's business society. The first benefit is that sincere long-range planning requires some semblance of a formal procedure. It requires that a detached analysis and review of present objectives, operations, organization resources, and other aspects of the company be conducted periodically and in some specific manner. It requires that some element in the organization gather facts and make forecasts. It may require the development of a written policy and procedure file. In substance it helps management to think creatively and to make difficult decisions.

The second benefit to be derived from a long-range planning procedure that has been established in a company
is the education, training and development provided to the managers and executives of the organization. The coordination and teamwork of such personnel is improved because long-range planning requires the efforts of all personnel and involves all aspects of the business. Cross-communication through conferences, memoranda, telephone conversation, and briefings provide for broader knowledge of the overall company operations. Individuals, special committees and task forces designated to prepare the long-range plan or parts of it, gain knowledge and experience of areas which were not within the sphere of their interest previously.¹⁵

Recognition of the benefits have caused some corporations to use the positions in the corporate and divisional planning offices as prerequisites for advancement to high executive office. In one case, Company No. 6 indicated that the Vice President of Corporate Planning and Development may become President of the Company.

In substance the benefits are best summarized by W. T. Jerome:

The educational aspects of long-range planning lie primarily in the attitudes and understanding that this sort of activity can create. For

¹⁵These benefits were derived in part from the interviews conducted and in part from an informal conference conducted by the New York Chapter, College on Planning, The Institute of Management Science, April 1963, New York.
example, this long-range planning process ordi-
narily obliges an executive to think in broad
company terms rather than in circumscribed de-
partmental or operational terms. This overall
or presidential point of view comes from hav-
ing to consider how to balance a variety of
often conflicting requirements in order to op-
timize profits. In other words, it is not
enough to speak in terms of efficiency or of
departmental needs alone. The problem becomes
one of seeing what the most profitable combina-
tion of all company factors can be, not just of
maximizing sales or production or the develop-
ment of new products. Where will the capital
come from and at what cost to stockholders?
Will the probable profit justify the foresee-
able risks? Do more moderate plans hold prom-
ise for a higher return to owners even though
a smaller total company profit?  

CURRENT STATUS OF LONG-RANGE PLANNING IN BUSINESS AND INDUSTRY

Having determined the nature, need, importance and ben-
efits of long-range planning, it is believed necessary to
consider the present status of the long-range planning effort
of business and industry. The literature provide little in-
formation on this matter. Studies and surveys conducted by
Stanford Research Institute and the National Industrial Con-
ference Board are either out of date or confidential. Ac-
cordingly, the researcher attempted to determine the extent
to which firms have formalized their planning.

16 Wm. Travers Jerome, III, Executive Control - The
Question No. 1 of the questionnaire was designed to determine the extent of long-range planning. The results of the survey are shown in Table 1. It would appear, therefore, that from the survey alone 58.3% of the firms answering have an extensive long-range planning program.

If we combine the next largest group of answers, then we have 93.3% of the firms that plan with some degree of regularity. It should be pointed out that the terms of formal or informal planning were not used in the survey.

Turning now to the thirty companies selected for interview, detailed information was sought concerning the nature and extent of their long-range planning process. Of the thirty companies interviewed, twenty-four reported in the survey that they conducted long-range planning "continuously with a recognized, established and controlled procedure."

However, the researcher found that actually only 18 or 60% had a formal long-range planning program. Responsibility for the program had been delegated to a permanent planning group headed by an individual with the title of Vice President for Corporate or Long-Range Planning, Director of Corporate Planning, or Director of Plans. All echelons of the corporation appeared to be aware of, supported and participated in the program. A parallel organization and program was in existence at the division level. Lastly, it was found that
TABLE 1

A SURVEY OF LONG-RANGE PLANNING
AND EXECUTIVE DEVELOPMENT ACTIVITIES

Answers to question No. 1:

1. Do you conduct long-range administrative or corporate planning?

   a. Not at all
   b. Occasionally as the situation demands but not as a general practice
   c. Regularly but not continuously with any set procedure
   d. Continuously with a recognized, established and controlled procedure
   e. Other

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Not at all</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Occasionally as the situation demands but not as a general practice</td>
<td>7</td>
<td>5.8%</td>
</tr>
<tr>
<td>c. Regularly but not continuously with any set procedure</td>
<td>42</td>
<td>35.0%</td>
</tr>
<tr>
<td>d. Continuously with a recognized, established and controlled procedure</td>
<td>70</td>
<td>58.3%</td>
</tr>
<tr>
<td>e. Other</td>
<td>1</td>
<td>.9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>120</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
these companies utilized the concept of combined corporate-

division planning. 17

Several factors appear to govern the extent of long-range planning in the companies interviewed. They are:

1. Size of company
2. Market orientation
3. Length of time long-range planning has been in existence in the company

Using the above factors and relating them to the classification of answers in Table 1, the data shown in Table 2 indicates the extent of long-range planning of the thirty companies.

Considering size, Table 2 shows that of the 20 companies with sales of 500 million and over, 16 or 53.3% conduct long-range planning continuously with a recognized, established and controlled procedure. In the same classification, 11 or 36.7% are chemical, petroleum or defense industries (sell to military markets). In the other classification, 12 or 40% have consumer or industrial products (exclusive of the above). Lastly, the table shows that of the 23 companies with over three years experience, 18 or 60% indicate that they conduct long-range planning continuously with a recognized and controlled procedure.

17 This concept is defined and explained under the heading of Planning Concepts, page 33.
**TABLE 2**

**FACTORS RELATING TO THE EXTENT OF LONG-RANGE PLANNING**

c. Regularly but not continuously with any set procedure  
d. Continuously with a recognized, established and controlled procedure

<table>
<thead>
<tr>
<th>SIZE</th>
<th>c</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 - 500*</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>500 - Over*</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>18</td>
</tr>
</tbody>
</table>

*Sales in millions ($)*

<table>
<thead>
<tr>
<th>Market</th>
<th>c</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer-Industrial</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Defense, Chemical or Petroleum</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Length of Time Planning Set Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under three years</td>
</tr>
<tr>
<td>Over three years</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
The specific details of the long-range planning process and program are to be discussed later in this chapter. Therefore, it is not believed desirable to expand at this point. It is desired to consider the concepts of planning that are prevalent among the companies interviewed.

**Planning Concepts**

The planning concepts were determined to be threefold. First, is the concept of "corporate planning" in which corporate headquarters initiates, directs and controls all aspects of long-range planning. Subordinate echelons develop their plans after receiving the corporate plan. This is the type more often found in the military service. For example, the Joint Chiefs of Staff develop detailed long-range strategic plans for the defense of the country and for operations to meet aggression in Europe and the Far East. The military and naval commanders reporting to the Joint Chiefs of Staff upon receipt of these plans, prepare their own plans using the broad guidelines and specific instructions provided. In turn, each subordinate commander in the chain of command prepares his plans after receiving the plans of the higher headquarters. The higher headquarters reviews subordinate plans later.

In the case of the firms interviewed, it was found that only one company used this concept of planning. This company
had a highly centralized administrative management. Accordingly, the corporate planning staff was set up to prepare all plans.

It should be pointed out, however, that several other companies admitted that under certain circumstances the corporate staff would prepare detailed plans even though they normally did not use this concept of planning. These circumstances pertain to the development of facilities for new products, consolidation or elimination of product divisions, or acquisition and merger functions.

The second concept of planning is decentralized administrative planning and is referred to as "corporate-division planning." Under this concept the operating divisions prepare their plans with minimum or no guidance from corporate headquarters. The corporate planning staff provides assistance when asked and also provides the general format and time schedule for submission of the respective plans to the corporate staff for review and/or consolidation. Again, special planning studies only are conducted by the corporate staff as described under the first concept. The primary responsibility of the planning group at corporate level is that of integrating and coordinating the efforts of the division planners as well as other staff agencies at corporate level. This concept of long-range planning is used by
90% of the companies interviewed.

As examples of company policy concerning this concept the following material has been extracted from data provided to the researcher as a result of the interviews:

Master planning at the Parent level will provide broad guidelines and a rough allocation of resources. Each subsidiary will then do its own planning within these guidelines and develop projections of profit, cash flow, volumes, and other appropriate parameters. The central staff will review subsidiary plans, consolidate them, and assess the overall program for feasibility and desirability in comparison with consolidated resources and objectives. The subsidiaries and the central staff will work together in making any adjustments that may be necessary before a satisfactory Ten-Year Plan is produced.18

As for the corporate long-range planning, it has been created to: (1) coordinate divisional planning activities and periodically consolidate them into an overall corporate plan; (2) provide advice and counsel to the divisional-planners; (3) assist in the development of corporate and divisional objectives; (4) analyze and evaluate the result of divisional progress against corporate objectives; and (5) to maintain at all times an up-to-date educational program to foster the latest planning methods throughout the organization.19

A sound corporate market plan must be a composite of sound divisional market plans. There is no individual or group of individuals in the corporate offices with sufficient diverse knowledge covering all segments of our operations who could conceivably prepare a plan applicable to all divisions. It is also true that it would

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19 Interview with Company No. 12, April 1963.
be a rare instance if there was an individual at the divisional level who could prepare, without recourse to other individuals and departments, a divisional market plan complete in all respects.20

Additionally, Appendix B has an example of a planning format for divisional long-range planning currently in use in one of the companies interviewed. This does not imply that this format is typical. Actually only 10 of the 18 companies with a comprehensive planning program prescribed a format for the operating divisions. The other companies only specified the due dates for submission to corporate headquarters.

The third concept of long-range planning is referred to as "division planning." Under this concept each division established its own objectives, forecasts, and action plans without reference to corporate headquarters. Little or no coordination is done by corporate staff members. In most cases plans go directly to the chief executive or in rare instances remain at division level for use of divisions only. The researcher found that this concept of planning was utilized in two or 6.7% companies of the thirty interviewed.

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20 Interview with Company No. 24, May 1963.
THE PLANNING PERIOD

The period for which plans are formulated is a factor of consideration when determining the nature and extent of long-range planning. The term long-range planning denotes a time dimension. However, the literature fails to provide a clear-cut definition of the time dimension. Some authors ignore it completely while others make precise distinction between long-range and short-range plans.

A review of some present thinking is needed before analyzing the results of the survey. Branch says "the corporate plan as the formal statement of action directed toward the longer-range future is limited usually to three to five years." Koontz and O'Donnell cite an NICB survey of 1952 which indicated a period of three to five years as being the most common term for long-range planning. Payne, however, says the time period is "no less than five years and preferably for ten years." Finally, LeBreton and Henning say "Long-range planning is usually thought of as extending five

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22Koontz and O'Donnell, op. cit., p. 25.

23Payne, op. cit., p. 6.
years or longer, with some going ten years and a few as much as 20 years. 24

Question No. 2 of the questionnaire was designed to ascertain the time period for projecting plans of the companies surveyed. Table 3 shows the results of the survey.

The researcher attempted to determine through the interviews more information on the time aspect of long-range plans and short-range plans. Also, was there a category called intermediate plans? The latter type of plans are prevalent in military planning at the departmental level. For example, the Department of the Army divides their planning into long-range (8 to 12 years), mid-range (5 to 8 years) and short-range (up to 5 years). 25

Information obtained in the interviews indicates that 25 out of the 30 companies or 83% use the terms "long-range" and "short-range" for their plans. While the terms "intermediate" or "mid-range" were not used by any of the firms, the researcher found that about half of the 25 companies had a wide variety of plans which indicated that there is not just two divisions to the time aspect of planning. Instead, it appears

24 LeBreton and Henning, op. cit., p. 34.

that intermediate range plans are being prepared in some firms.

As an example of how one company integrates its long-range and short-range growth plans with its annual profit plans, extracts from the Policy Bulletin of Company 11 are presented below. This company has four elements of planning:

1) For the short-range period a "Profit Plan and Budget" providing for "realistic operating earnings which are the highest attainable commensurate with the expense needed to provide for sales and merchandising, research engineering and production facilities for future years" is submitted annually. This plan is geared to the company's fiscal year.

2) For the two years following the "profit plan," an "action plan" is required. It provides for:

"Sales and gross profits in dollars and percent for each major product line for the first three years after the current year."

"To achieve the forecasts for two years from now and the year following, provide respectively for each prior year a list of Things To Be Done by each department: Research, Merchandising, Sales, and Production - together with the target quarter for their completion."

"For manpower requirements, show number of present authorized personnel, actual on hand, and new positions and the time they must be
TABLE 3

A SURVEY OF LONG-RANGE PLANNING
AND EXECUTIVE DEVELOPMENT ACTIVITIES

Answers to question No. 2

2. For what period(s) of time do you project your plans?

<table>
<thead>
<tr>
<th>Period</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 1-2 years</td>
<td>5</td>
<td>4.2%</td>
</tr>
<tr>
<td>b. 2-5 years</td>
<td>78</td>
<td>65.0%</td>
</tr>
<tr>
<td>c. 5-10 years</td>
<td>35</td>
<td>29.2%</td>
</tr>
<tr>
<td>d. Other</td>
<td>2</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>120</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
filled. Also, list management positions that must be filled because of retirements and expansion."

3) The third element consists of a five-year forecast - by years, showing the trend of the market for each principal product group, and expected sales percentage of the market. For the division as a whole, an estimated earnings statement and estimate of cash flow for each year is provided.

4) Finally, for the 10th year, a brief statement is to be submitted by the Division General Manager, "outlining his division's long term objectives and setting forth the favorable and unfavorable factors he expects will affect the division's business for the long term. There are some important situations that must be anticipated over a longer period than five years. Therefore, to the extent possible, project plans and the approximate year they should be activated, involving such important matters as these:

   The requirement for new product lines or businesses.

   Estimated large capital expenditures to provide facilities for expansion in present or new lines.
Trends in marketing and distribution that must be recognized and may involve basic policy changes.

Important changes in organization, and the designation of future requirements for management that must be developed."\(^{26}\)

In addition, information was sought as to the reasons for the time-span selected. While it would appear at first that some companies play "follow the leader," the companies interviewed had some fairly specific reasons for their efforts insofar as time is concerned. In general, short-range plans pertain to annual budgets and profits. In some organizations, mid-range planning was concerned with manpower, organization, and markets. In most organizations long-range planning was geared to facilities, products, and research and development, as well as manpower, markets and organization. In substance it is the nature of the business and the nature of the decision which determine the time-spans of planning.\(^{27}\) The general conclusion concerning the companies interviewed is that while they have formal planning periods

\(^{26}\)Interview with Company No. 11, April 1963.

of five years they also conduct longer range planning or
studies as the situation dictates. In the case of a nation­
al lumber company, 100 years is the time-span for planning
the growth of trees.

ORGANIZING FOR LONG-RANGE PLANNING

This section is concerned with the following organiza­
tional aspects of long-range planning:

1. Authority and responsibility for long-range planning
2. The planning element for long-range planning
3. The corporate staff planner

Authority and Responsibility for Long-Range Planning

There is little doubt that ultimate authority and re­
sponsibility for long-range planning resides with the presi­
dent or chief executive of the corporation. As stated prev­
iously, planning is a basic function of management. However,
the complexity, size and decentralization of present-day
business requires the "task-force" or "group-command" type
of management at the top.28

One man no longer is capable of mentally handling the
vast array of facts, opinions, premises and other data essen­
tial to decision-making. Nor should he be required to do so.

28Branch, op. cit., pp. 72-73.
There is a plethora of talent in most large size companies that is not only qualified but also willing and eager to make decisions.

Drucker explains this as follows:

But the business enterprise of today is no longer an organization in which there are a handful of "bosses" at the top who make all the decisions while the "workers" carry out the orders. It is primarily an organization of professionals of highly specialized knowledge exercising autonomous, responsible judgment. And every one of them -- whether manager or individual expert contributor -- constantly makes truly entrepreneurial decisions, that is, decisions which affect the economic characteristics and risks of the entire enterprise. He makes them not by "delegation from above" but inevitably in the performance of his own job and work. 29

In all areas of management of an organization, the chief executive has staff assistance in matters requiring careful analytical searching and probing to make sure that all pertinent facts have been brought to the foreground. This does not divest top management of its responsibility for making decisions. In fact, it requires that top management give active support to the planning effort and not merely lip service. However, the complexity of business operations today has necessitated what Branch calls "greater emphasis on coordination, corporate objectives, and organized

29Drucker, op. cit., p. 242.
comprehensive planning as primary responsibilities of the chief executive." Branch also says:

It is the chief executive officer, therefore, and those senior managers reporting to him in a line or staff capacity who constitute the key management group for corporate planning. If their interest in planning is low -- but not to the extent of its prohibition -- they cannot be circumvented without enormous loss in the effectiveness of the planning program. Nor, in response to their abrogation of the responsibility, can plans be drawn and carried out satisfactorily for them by others.

In summary, it can be said that the chief executive and his principal advisor are the focal point for long-range planning and their actions and attitudes will ultimately decide the success of the planning operation.

The Planning Element

With the above thoughts in mind, the researcher attempted to determine what organizational element--individual, department, section, committees, or combination was responsible for the function of long-range planning not only at the corporate level but also at division and subordinate level. Question No. 3 of the questionnaire was designed to provide the preliminary data for this matter. Table 4 shows the results of the survey. These results are not as conclusive as the results in previous tables. While the greater

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30 Branch, loc. cit.

31 Ibid., p. 73.
3. If you do conduct long-range planning which organizational element(s) and/or individual(s) is responsible for this function?

<table>
<thead>
<tr>
<th>Option</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A separate planning division, department or section</td>
<td>42</td>
<td>35.0%</td>
</tr>
<tr>
<td>Part of another division, department or section</td>
<td>4</td>
<td>3.3%</td>
</tr>
<tr>
<td>A standing planning committee or group</td>
<td>27</td>
<td>22.5%</td>
</tr>
<tr>
<td>An ad hoc committee</td>
<td>5</td>
<td>4.2%</td>
</tr>
<tr>
<td>The respective individual line executives</td>
<td>28</td>
<td>23.3%</td>
</tr>
<tr>
<td>The president or chief executive</td>
<td>12</td>
<td>10.0%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>120</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
percentage (35%) of the companies answering indicated that responsibility for long-range planning was delegated to a separate planning division, department or section, 23.3% indicated the responsibility was that of the line executive. Some misunderstanding of the question may have resulted in some of the answers. It is believed, however, that the results indicate clearly that companies are today recognizing the need for concentrated efforts in the long-range planning activities and have taken positive action to establish a planning group in the organization structure. The results of the depth interviews are of interest in this matter because it is believed that the importance and support of the long-range planning effort is reflected in the organizational set-up and its location in the corporate staff structure.

It was stated previously that 60% (18) of the thirty companies interviewed had a formal planning group at the corporate level. Another 30% (9) either had a committee such as the Executive Committee, or Corporate Management Committee or a combination of planning group and committee. The remaining 10% (3) used the informal system of having each functional staff element conduct long-range planning with the planning effort being coordinated by the chief executive officer, or executive vice-president.
In 87% of the companies interviewed the planning group was placed under a senior vice-president or other corporate officer who is also responsible for other functions. In only four companies interviewed did the corporate planner report directly to the President or Chief Executive Officer. These four companies had a very detailed and precise procedure for conducting long-range planning. It should not be necessary to add that they also tended to be outstanding in their planning effort.

It was not possible to ascertain for all companies the organizational set-up for long-range planning at the division level. However, it was found that, in the divisions investigated, they were organized along the same lines as the corporate headquarters and the planning groups had similar relationships to the division manager.

Figure 1 is an illustration of the purpose and functions of a corporate planning office of one of the companies interviewed.

The Corporate Staff Planner

The last organizational aspect to be considered is the nature and type of individual that is called "The Corporate Planner." Information concerning the background, experience, age and future of the individuals delegated the authority for conducting the planning function is considered. The depth
FIGURE 1

CORPORATE PLANNING AND DEVELOPMENT - COMPANY NO. 6

1. PURPOSE AND FUNCTIONS OF THE CORPORATE PLANNING
   AND DEVELOPMENT DIVISION

The name of the corporate planning and development division indicates the broad twofold purpose which it is intended to serve:

First--to provide a coordinated approach to planning for the entire company, particularly in regard to products and markets, both for the near and long term;

Second--to assure that the plans are effectively implemented and that the company moves aggressively into new product and market areas.

Although these purposes are broad in nature, they serve to identify the specific functions which this organizational unit is to perform. These functions can be summarized as follows:

A. Assist top management in establishing well-conceived goals and developing specific short- and long-range plans to reach these goals.

B. Assure that the operating divisions' programs are in line with corporate objectives and integrate them with other corporate plans and programs.

C. Assure that operating division plans and programs are effectively implemented.

D. Provide an effective product planning facility at the corporate level to assure that the company develops the new products it requires.

E. Provide a corporate research and development facility to assure that the company has, and uses effectively, the technology required to reach its goals.

F. Provide commercial research to support the activities of the corporate planning and development division and to supplement this type of activity throughout the corporation.

G. Plan and carry out activities concerned with new ventures for the company.
interviews were particularly informative concerning these individuals, because generally the discussion touched on how long-range planning evolved in the company and how the particular individual became involved in the process.

It was found that, in almost all of the thirty companies interviewed, the corporate planners were individuals with broad and diverse backgrounds. They had served in a variety of positions and could not be identified with any particular function. About half had an engineering degree. All were research minded, in that they were creative thinkers looking to the future rather than action minded for solving today's problems. In most cases they had been with the company for a long time. However, several exceptions were noted. Some ex-college professors were encountered who were hired for the specific position of corporate planner as well as other individuals who had either been consultants to the firm or who had served with a research institute. In general, the planners were men in their late forties who appeared to be eager to learn more about planning and welcomed the researcher because of the nature of the study.

The future of many of the individuals who are the corporate planners appears to be most promising. For example, one company official states flatly that the person in charge of corporate planning and development was earmarked for the
presidency of the company. While this is not necessarily the
case for all planners, the way is open to them because of their
intimate and detailed knowledge of all phases of the business.
The least that can be said is that some very competent people
are coordinating and overseeing the implementation of the plan-
ing effort.

To support the above findings, two authorities are cited:
First, Townsend Hoopes, management consultant, says this about
the corporate planner:

In a large or medium-sized company, he should be
first of all a man of recognized ability, some-
one who has been successful in an intermediate
position and whose judgment and capacity are re-
spected; he might well be a serious candidate
for the company presidency. In any event he
should be a man of standing whom the president
can accept in a position of trust and confidence,
for to do his job properly he must have the same
close and continuous relationship with the pres-
ident as the other top executives.32

Bruce Payne gives this summary of the necessary qualifi-
cations of the corporate planning officer:

He should have a general management background and
not be too closely identified with one particular
management function.
He should be in more or less continuous contact
with all the key individuals who will be concerned
with the planning effort, and have some understand-
ing of their functional areas of responsibility.
His basic approach to the future of the business
should be in close rapport with the approach of the
company's chief executive.

32Townsend Hoopes, "The Corporate Planner (New Edition),"
He should be an imaginative, creative person, able quickly to grasp business trends and to understand how radical changes in technology or market conditions will affect the company's future. 33

THE PROCEDURE AND PROGRAM OF GENERAL ADMINISTRATIVE PLANNING

In this section we shall first consider the procedure for conducting long-range planning. The second part will consider the program of long-range corporate planning.

Planning procedure refers to the process or sequential steps used to select a course of action and to make a decision which results in a plan of action. A planning program, on the other hand, refers to the various elements or sub-plans that constitute the overall major plan. All of the functional plans of the company taken together make up the planning program of the organization.

PLANNING PROCEDURE

In the course of the investigation concerning the techniques of long-range planning in the thirty companies interviewed, the researcher was constantly confronted with the problem of planning procedures. Each company had its own planning requirements, procedures, schedules, and standards.

33 Payne, op. cit., p. 18.
Many of the planning processes were similar. However, there was enough dissimilarity to warrant the belief that some presentation should be made concerning what is considered to be an acceptable planning procedure. In addition, a discussion of the planning procedure is a prerequisite to a discussion of the planning program, which is the introduction to the integration aspects.

Therefore, based on the procedures researched and observed, the technique of planning is considered to involve the following four phases:

1. The Objective Phase
2. The Estimation Phase
3. The Decision Phase
4. The Implementation Phase

These phases are interdependent and the technique is circular. It will be seen that the process is also continuous and that the phases tend to overlap. While it may be contended that separating the above phases is somewhat arbitrary, it is believed desirable to consider the planning procedure in such a manner in order to point out that determining objectives, estimating, and decision-making are only part of the process of long-range planning. The implementation of the decision is also part of the procedure and cannot be disengaged from the other phases.
The Objective Phase

The first step of the long-range planning procedure is the determination of the planning objective. Objectives result from the fact that a problem exists or will exist for which a solution is or will be necessary.

Kocatz and O'Donnell state:

Planning must be for or toward some goal to be meaningful, because the objective gives the key as to what basically to do, where to place the primary emphasis, and what to accomplish by the network of policies, procedures, budgets, and programs.\(^{34}\)

A detailed examination and consideration of the company's overall goals and objectives will provide the specific planning objective. Attempting to find answers to such questions as: "What business or businesses should the company be engaged in?" and "Where do we want the company to be in five or ten years from now?" will give impetus to the process. These questions in turn will lead to other more detailed questions pertaining to markets, customers, return on investment, personnel, size, finance, etc., which will provide detailed goals to be achieved.

Ralph C. Davis states that "The immediate objective of planning is a basis of action for the accomplishment of certain other business objectives. A statement of the plan should

\(^{34}\)Kocatz and O'Donnell, \textit{op. cit.}, p. 477.
facilitate an understanding of the mission. In other words, planning and in particular long-range planning is instituted to solve future problems. A plan has no basis in being unless it has purpose and indicates direction. The objective phase of long-range planning appears to be rather obvious but strange to say some companies fail to understand it.

In the section that follows pertaining to the planning program, the nature of business objectives will be treated in greater detail. At this point it is merely desired to focus on the aspect of objectives as determining the planning base. As stated above, the objective is the beacon giving direction to the remaining phases of the planning procedure -- estimation, decision-making and implementation.

**Estimation Phase**

The second phase of the planning procedure is called estimation. This phase involves forecasts, assumptions, projections and other estimates of the future situation. It also involves analysis of present resources and facilities, and it may consider past actions and results.

With the objectives well in mind, an estimate of the situation should be made. In the military, the term itself is used to specify a process which requires consideration of future condition of weather and terrain, enemy forces, friendly forces

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35 Davis, *op. cit.*, p. 44.
and possible changes that may occur. "The estimate of the situation is a logical and orderly examination of all factors affecting the accomplishment of the mission in order to reach a sound decision."36

In the business world, the terms of forecasting, anticipating or projecting the course of future events are more commonly used than estimating. Forecasting involves consideration of future economic, political, social and technological expectations, which in turn are used to base current decisions.

Kast and Rosenzweig say:

Expectations are developed through the process of forecasting and predicting the future. A great deal of effort has been devoted to refining predictive techniques to enable companies to forecast their ideological, political, legislative, and economic environment. Companies are becoming much more interested in broad economic data such as national income and product accounts and are relating industry, company, and product data to the overall economic outlook.37

The importance of forecasting relative to the plans of action is also explained by Henri Fayol. He states:

The plan of action rests: (1) on the firm's resources (buildings, tools, raw materials, personnel, productive capacity, sales outlets, public relations, etc.); (2) on the nature and


importance of working progress; (3) on future trends which depend partly on technical, commercial, financial, and other conditions, all subject to change, whose importance and occurrence cannot be predetermined.38

As in the case of military estimation of the situation, business forecasts are concerned with estimation of the size of markets, customer preferences, competitive action, technological innovation, legislative policies, etc. As an example of forecasts, Stanford Research Institute has a Long-Range Planning Service which "is a research program that identifies and evaluates the impact of changes in technology and economics on the long-range growth possibilities of companies. Special attention is given to the implication of developments in scientific research, engineering and marketing."

The depth interviews revealed that almost all thirty companies had specific techniques for estimating and forecasting future events. For example, Company 16 explains estimation as follows:

The first major phase of the planning program leads to the formulation of a group of agreed upon assumptions. These assumptions cover a 10 year period. Naturally they're subject to change as the decade unfolds. But at any given time, they furnish as reliable a crystal ball as our company can fashion, and they at least sketch the broad shape of the environment ahead of us. The broad headings of assumptions include general economics and political trends,

The Decision Phase

The third phase of the planning procedure is called the decision-making phase. This phase involves the search for, examination of, and selection of the alternative courses of action. To make a decision for a plan of action requires that many alternatives be considered and evaluated.

The various steps to the procedure of making a decision are: the creating of alternatives, the use of premises to consider the alternatives, the evaluation of the alternatives, and the selection of the best alternative or the proper course of action.

The creating of alternatives is largely a mental process whereby a search is made for alternatives that may not be readily apparent. Too often planners are easily satisfied with the alternatives that first come to mind without an undue amount of head-scratching. Unfortunately, creativity is not an easy process. Also not all business executives have the ability to create new ways of doing business. Nonetheless, the decision-making process implies the consideration of various courses of action.

39 Interview with Company No. 16, April 1963.
Having developed several alternatives to a problem, the planner must next develop premises for examining them. Premises are cause and effect statements of affirmation or denial. They are the consequences, both wanted and unwanted, that may be expected if a certain alternative is taken or selected.

With the compilation of the premises for the various alternatives, they must next be evaluated. This step involves the weighting of the various premises and the determining of the validity of the premises.

Weighting involves the ranking of the premises in order of importance and in order of relevance to the goals of the organization. Those premises which will have the greatest impact on the goals which are the most important to a company will be most heavily weighted; those which will help or harm the least wanted goals will be given the least weight. Since the objective of business is not simply to make a profit but involves other goals of a value nature, the weighting of the premises is not easily accomplished. More often than not, the value goals take on an importance well beyond the factual goal of profits. The uncertainties of the future pertaining to customer preferences, capital shortages, government regulation, and other intangible factors requires careful consideration of the various premises used to evaluate them.

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The last step of the decision phase is that of selecting the course or courses of action to be followed. This is the point of summation of the above evaluation. The actual number of premises listed as wanted or unwanted do not determine the best alternative. The decision of which alternative to select will depend mainly on the one which will provide the greatest total amount of desirable results and the smallest total amount of undesirable results.

The Implementation Phase

The fourth phase of the planning procedure is called the implementation phase. This phase provides for completion of the entire procedure. The adoption of a plan of action requires the formulation of necessary derivative plans. Unfortunately, a few companies do not understand this phase of the procedure and consequently they are not believed to be conducting long-range planning at its fullest.

Implementation means the detailing of the specific actions or steps to be taken to carry out the course of action decided on. These action plans involve the specific details and steps to be taken of such matters as capital acquisition, personnel procurement and development, facilities needed, and other programs. Usually these action steps are explicit descriptions of programs and projects to be accomplished. They may also be missions and assignments. They are sometimes accompanied by
budgetary data to provide quantitative information. Grouping all of the derivative plans together produces what is to be called the Planning Program. This will be discussed in the next section.

Other aspects of the implementation phase are control procedures, re-evaluation, and revision of plans. A discussion of these topics is considered to be beyond the scope of this study. Suffice to say that the implementation of a plan is not complete unless proper and adequate means are devised to compare the actual steps of performance to the preconceived plan of action in order to take corrective action and revise the plan if necessary.

PLANNING PROGRAM

In the introduction part of the section entitled The Procedure and Program of General Administrative Planning, a differentiation was made between a long-range planning procedure and a long-range planning program. A planning program consists of the various parts of the total corporate plan. In other words, the program is a specification of the total planning effort of the organization. Within the various elements of the program, planning procedures are used. The program itself is both a sequential effort as well as a concurrent effort to achieve the overall objectives of the corporation. The
planning program is explicit rather than implicit, integrative rather than collective in its emphasis. The program integrates the plans of different units of the organization with an established procedure and time schedule. In summary, the program is the grand strategy for the attainment of the long-range corporate goals. Having defined the nature of planning programs, a brief examination will follow of what is conceived to be a comprehensive planning program. These elements tend to overlap.

A well-developed long-range planning program should consist of the following elements:

1. A Statement of Corporate Goals and Objectives
2. An Expansion, Diversification and Growth Plan
3. A Product Plan
4. An Operations Plan
5. A Marketing Plan
6. A Facilities Plan
7. An Organization Plan
8. A Personnel Plan
9. A Financial Plan

Corporate Goals and Objectives

A clearly defined statement of corporate goals and objectives must be made in order to conduct long-range planning and

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41 Branch, op. cit., p. 24.
provide for corporate growth. Corporate objectives may be considered statements of the reason the organization exists. They set forth the basic aims, determine major activities, and provide a guide for establishing shorter term goals, targets and projects.

In answer to the question posed in the depth interview concerning objectives, about half of the companies had arrived at the point of specifying the corporate goals and objectives in a formal manner. The usual answers were those which concerned profit and increased sales. These objectives were expressed as being optimum rate of return on investment, optimum market participation, or continuity and growth. Appendix C provides examples of two companies who specify objectives in a formal document.

In some instances the corporate headquarters did not have objectives for the use and guidance of subordinate divisions. Instead, they requested that the divisions formulate their own goals and objectives. Then the corporate planners reviewed the objectives and initiated what one planner called a "tennis match" between the corporate office and division office. The purpose, of course, was to eventually formulate corporate objectives by integrating and consolidating the division objectives. Appendix D contains an example of the instructions from the Corporate Planning office of Company No. 20 to the Group
Executive of the company for their planning responsibilities. The Corporate Office did not have, at the time of the interview, corporate goals and objectives.

**An Expansion, Diversification and Growth Plan**

This plan considers the effects of possible changes in social, economic, political and legislative conditions in order to assess and weigh the company's capabilities and resources against its long-term objectives. The expansion plan might include the general nature of the business, proposals and schedules for its development, and the general means for meeting the changes. The diversification and growth plan includes data pertaining to mergers, acquisitions, divestments, and new ventures. In one of the companies interviewed, a Corporate Development Department had been established with the responsibility for the expansion, diversification and growth plans of the company. In some respects expansion and growth planning and long-range planning are considered by some companies as being synonymous. This was indicated by a vice-president of long-range planning who said, "Long-range planning

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must be specially designed to meet the corporation's needs. Our corporate long-range planning is for new growth and does not deal with established operations. Our needs are not financial or for physical plants, but for new business enterprises.

A Product Plan

A product plan provides for the addition of new products, development and maintenance of present products, addition of new product lines and elimination of old products. The research and development activities of the corporation are sub-elements of the product plan and support new product and product development programs. The product plan should include a schedule for periodic appraisal of product line; establishment of product mix; and specification of standards, design, packaging and names of products.

Product planning has been defined as "the act of marking out and supervising the search, screening, development, and commercialization of new products; the modification of existing lines; and the discontinuance of marginal or unprofitable items." 43

An Operations Plan

An operations plan pertains to production capacities and production methods and processes of a manufacturing enterprise.

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Major factors of the production plan might be: size of inventories, preventive maintenance activities, workers' productivity ratios, and equipment additions, replacements, repairs and salvage.

A Marketing Plan

A marketing plan provides for the demand and supply of products, sales potentialities of products and markets, channels of distribution, means for maximum development of markets, pricing, advertising and sales promotion, and the organization and training of the sales force. A marketing plan should be based on marketing research. Marketing planning based on research forms the basis of new product planning, profit planning and orderly company growth. Marketing research should be cognizant of changing conditions of life, philosophies of people, population shifts and changes in per capita disposable income. Marketing research and planning are interdependent and constitute one of the most

44 Branch, op. cit., p. 80.
46 Ibid., p. 33.
important elements of long-range planning. 47

A Facilities Plan

A facilities plan is concerned with the physical aspects of production. It includes provision for additions, alterations, replacements, construction, expansion, consolidation, salvage, and disposal of plants, land and other properties. The facilities plan outlines ways and means of providing the enterprise with a sufficient type and quality of facilities, properly located and adequately designed for the maximum utilization of company resources and the maximum participation in available markets. 48

An Organization Plan

An organization plan may include a statement of organization objectives, specifications of organization structure, organization and responsibility charts, functional assignments, and concepts of staff/line ratios for supervision and operation. The unit responsible for developing the organization plans may have the additional function of executive development and salary administration of executive personnel.


48 Branch, op. cit., p. 80.
Five of the companies interviewed had a Director of Organization Planning responsible solely for executive development and salary administration. Additional information on this matter will be discussed in Chapter III on executive development planning.

A Personnel Plan

A personnel plan is closely related to the Organization Plan. The personnel plan is concerned with the number and type of people needed, determination of when needed, and the procurement and development of these people. The formulation of the personnel plan might include such matters as recruitment and selection policies and procedures, training and education, executive development and compensation, employee fringe benefits and services.

A Financial Plan

A financial plan is the central point for prescribing ways and means for achieving the organization's financial requirements as prescribed by the other elements of the overall corporate plan. The financial plan assesses present capital resources as well as future resources, specifies the accounting and budgetary systems, and includes statements of profit, debt, dividends, and retained earnings ratios. The financial planning function enters into all of the preceding programs. The financial plan, consequently, tends to be a
summary of the other elements of a comprehensive long-range plan in terms of money.

The above descriptions of the elements of a fully developed planning program are necessarily brief. However, for the purposes of this study they are considered sufficient since they are presented primarily to indicate the scope and content of the entire planning effort. To treat the various elements in detail would require a study by itself. The full extent of the planning programs of the companies interviewed was difficult to ascertain in many instances because of the proprietary nature of the data. However, it can be stated that none of the companies visited had a completely developed program as outlined above. A business planning program of one company is shown in Appendix E to indicate the extent of the program.

The important aspect of the planning program that has not been presented is the integrative measures, techniques and relationships of the program. Prior to taking up the integration process of planning, it is necessary to examine in detail executive development planning and how it is conducted in the companies surveyed. This aspect of the program will be the subject of Chapters III and IV.
Summary

The procedure and program of long-range corporate planning is at first appearance somewhat complex, repetitious and cumbersome. However, the total process requires time for development and implementation. Consideration of personnel, organization, attitude of top management, and philosophy of the organization must be made in order to effect a fully formalized system. This chapter attempted to provide information and understanding of the concepts of long-range planning currently used by a selected group of businesses and industries. It was determined that long-range planning is being conducted extensively in the companies surveyed and that most of the companies interviewed have a planning group with the sole responsibility of conducting and/or coordinating the long-range planning activities. The long-range planning period is generally considered to be five years although a large number of organizations are making projections ten years in advance. Finally, the long-range planning procedures and programs are not as complete as the ideal but the fundamental aspects are part of the programs of the companies interviewed.
CHAPTER III

EXECUTIVE DEVELOPMENT -- AN OVERVIEW

Having considered the nature and extent of long-range planning in Chapter II, the purpose of this chapter is to consider the over-all aspects of executive development. Specifically, the background, the importance, the extent and the general concepts of and the organization for executive development will be discussed. The results of questions no. 4, 5, 6 and 7 of the questionnaire will be presented and analyzed. Lastly, the elements of a comprehensive executive development program will be evolved and presented. Chapter IV will consider the elements in detail.

It is necessary to define and explain what is meant by the term "executive development." The subject has been one of great interest, study and practice since World War II. While much has been written about it, no precise definition has been adopted by the various experts in the field. Moreover, business itself has varied concepts of what constitutes executive development.
The term "executive" is subject to various interpretations. For the purpose of this study it refers to those managers who are in the upper echelons of the organization structure. In common terms, they are called the "big shots," the "brass," the "management." In more precise and professional terms they are the managers who are serving in the key positions of the company and are considered to be the decision-makers, the policy formulatores, the command group. The National Industrial Conference Board indicates that an "executive" is one who helps to make and deliver company policy.¹

The depth interviews revealed that the various companies defined the term executive according to salary level, location on organization chart, officers of the company, or level of responsibility. For example, Company No. 25 indicated that the term executive refers to those individuals in the level of responsibility "approximating that of Plant Manager, District Sales Manager, Laboratory Director and above. The average age of this group is 50 with an average company service of 25 years and an average time on present assignment of five years."²


²Interview with Company No. 25, June 1963.
On the other hand, a large commercial bank indicated that the term executive refers to an "officer" of the bank with the title of Vice-President.

While numbers by themselves do not signify much, the number of personnel referred to as executives in some of the companies interviewed may indicate the number of personnel being considered in this study. The percentage figures show the relatively small number of top leadership jobs for which personnel are competing. To some extent these figures are a measure of the ultimate opportunity for great success in a large corporation.3

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<th>Executives</th>
<th>Total Employees</th>
<th>Approx. % of Executives to Total Employees</th>
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<td>Company No. 25</td>
<td>550</td>
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<td>Company No. 15</td>
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These numbers, on the other hand, do not indicate the full extent of the development program insofar as those who are being developed for the executive positions described. In all organizations there is a large group of middle managers who provide a base of selection for executive positions. Therefore, we are concerned with a consideration of the development

3See Ralph C. Davis, _op. cit._, pages 357-360 for a complete discussion of ratios of executive personnel.
of these individuals as well as the executive personnel themselves. The number of such individuals varied widely in the companies interviewed. The variance was caused mainly by organization policy.

In view of the above, it is not considered feasible nor desirable to define precisely the term "executive." Instead, the term will be used somewhat loosely to indicate those individuals of management who are easily identified as executives and those who are in the "zone of consideration" for selection to executive positions. In other words, the meaning of the term is centered on the characteristics of the position rather than an arbitrary level in the hierarchy of the management group.

The definition of the term "development" is also one which has various meanings. If we consult the dictionary, we have the following definition:

To develop is to expand or bring out the potentialities, capabilities; to make more productive or extensive; advance, to promote the growth of.4

The words growth, expand, potentialities and productivity stand out in this definition. Hence, the development of personnel as executives and for executive positions refers to the growth and expansion of the individual's potentialities.

and productive abilities in order to meet the needs of the organization and at the same time to satisfy the individual's needs.

BACKGROUND OF EXECUTIVE DEVELOPMENT

Twenty years ago the phrase "Executive Development" had not been invented. Prior to that time the development of executive personnel was largely that of self-development with little encouragement or assistance from the organization. Individuals developed the hard way -- by experience after being given the job. Obviously the need for a formal systematic and planned program was not believed to be pressing. Training and education in a limited manner was recognized by some of the more progressive companies. However, it was the general feeling that the "executive" would always be ready when the time came to take over; that if not, the organization could procure the necessary talent from outside; and that it was not really possible to prepare executives ahead of time by means of a planned program of education or training. In addition, the economic environment in the decade prior to World War II was not conducive to any great growth.

5 Habbe, op. cit., p. 6.

and expansion of business and industry. Consequently, the supply and training of future executives was sharply impaired.  

While training of workers and foremen was recognized early in the process of scientific management, the training, education and development of executive talent really dates from the end of World War II. What were the reasons that gave impetus to the tremendous surge in executive (management) development that has occurred since 1945 to date?  

Initially, World War II required more managers, not only for the Armed Forces, but also to man the rapid expansion of defense industries. The need for formal training was quickly established leading to such programs as Engineering Science Management War Training (ESMWT) and Training Within Industry (TWI). These two programs not only provided

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7Urwick, op. cit., pp. 24-25.


for the training of supervisors and junior executives but it also formed the basis and impetus for management training and development in the postwar years.  

At the conclusion of the war, replacements were needed in vast numbers for those over-age managers that had stayed on during the war and then retired at the end of the war. The replacements were a much younger group that had had no chance of observing others nor or gradually working into their new positions of responsibility. In addition, the economy of the nation, the population boom, and the technological explosion caused a growth in the size of organizations which in turn caused complexities of organization and operations.  

Myles L. Mace states:

Technological developments, stimulated and encouraged by the war have far outstripped our administrative knowledge and capacities to cope with the changes. New skills are required and new understandings of people in organization must be established; in short new types of administration are needed.

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12 Myles L. Mace, The Growth and Development of Executives (Cambridge, Mass.: Division of Research, Graduate School of Business Administration, Harvard University, 1950), p. 5.
In addition to the requirements for a new type of administration, the concept of decentralization, which was previously used by only the largest corporations, gained adherents in greater number. This concept required an increase in the number of managers needed for the delegated function of decision-making which in turn required the development of competent managers.

John F. Mee explains that by 1950:

The growth in the size of organizations stimulated interest in greater divisionalization of the management function. This necessitated the development of larger numbers of managers to support the increased operating activities of expanding organization. When changes were made in company organization structure from the functional to the divisional type of structure, management development programs were initiated to educate the management personnel in the changed concepts of organizational relationships and management practices.

Decentralization requires that middle and bottom managers must perform more administrative management functions rather than operative management functions. Administrative management requires a change in thinking and an approach which is usually acquired with long experience on the job.

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Accordingly the need for the development of such thinking and approach increases as decentralization is pushed further down in the organization.

As machinery displaces unskilled or skilled labor, it usually requires greater investment in personnel who specialize in planning and engineering. The faster and more intensive the input of capital, the greater the need for high-talent managerial resources. The consequence is that a normal scarcity of able men has been sharply accentuated by the rapidly changing world and its technology.\(^\text{15}\)

Today organizations are under even greater pressure. In addition to the aging process that affects top management, there is high turnover of executives caused by illness, death, poor performance or loss to another company.\(^\text{16}\) Therefore, the shortage of high-level talent, the increasing number of positions being created, and the mobility of executive personnel highlights the need for a development program in depth in order to maintain and increase the growth of the organization. The need is also apparent that long-range plans for corporate growth are dependent on appropriate executive.


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Correct Response: b c b a d d d d b d d d c c d d b c c c d b b d d c d c c

Number Correct Answers: 9 9 8 6 8 8 7 8 4 5 5 6 4 7 9 2 9 9 5 7 8 7 5 9 9 9

*Ph.D. candidates and non-workshop participants.
| 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| d   | d   | c   | c   | c   | b   | a   | a   | c   | a   | d   | a   | b   | a   | d   | c   | d   | c   | c   | b   | d   | d   | c   | a   | d   | c   | c   | a   | b   | a   | d   |
| c   | d   | c   | c   | a   | a   | b   | a   | c   | a   | d   | b   | b   | d   | c   | b   | d   | c   | c   | b   | d   | c   | c   | a   | b   | a   | c   | d   | c   | b   | d   |
| a   | b   | c   | d   | a   | a   | a   | a   | d   | a   | a   | b   | b   | c   | a   | d   | c   | b   | d   | d   | a   | d   | a   | b   | d   | c   | c   | d   | c   | d   | a   |
| a   | b   | d   | d   | c   | c   | a   | d   | b   | d   | c   | a   | b   | b   | d   | c   | a   | a   | b   | a   | b   | d   | d   | c   | c   | c   | a   | a   | a   | c   | d   |
| a   | b   | d   | d   | c   | c   | b   | a   | d   | c   | c   | b   | a   | a   | a   | a   | c   | a   | a   | a   | a   | c   | d   | c   | b   | a   | d   | c   | c   | c   | d   |
| d   | c   | c   | c   | a   | a   | a   | a   | d   | a   | a   | b   | b   | c   | a   | d   | c   | b   | d   | d   | a   | d   | a   | b   | d   | c   | c   | d   | c   | d   | a   |
| c   | d   | c   | c   | b   | a   | b   | d   | d   | d   | a   | b   | c   | a   | d   | c   | d   | c   | c   | d   | c   | c   | d   | d   | c   | c   | c   | d   | c   | d   | a   |
| d   | c   | c   | c   | b   | a   | a   | a   | d   | a   | a   | b   | b   | c   | a   | d   | c   | b   | d   | d   | a   | d   | a   | b   | d   | c   | c   | d   | c   | d   | a   |

N = 9

Selected in Answering Questions
then and seems likely to rise further in the years ahead.

A third factor tending to increase the need for executives has been the company's reorganization. In response to various present-day needs, and to accommodate future growth, [XYZ] has turned to a decentralized form of organization. The operating [XYZ] Divisions, and the sub-organizations within them, are required to work with a high degree of autonomy. Thus the making of important management decisions has been spread throughout the company instead of being concentrated toward the top. At each of these many decision-making points there must be an executive capable of assuming broad responsibility, a man able to see how his decisions affect and are affected not only by his own area of the company, but also the whole organization and the environment in which it exists.

While the need for such broad-gauged executives has thus been growing, the difficulties faced by such men in developing themselves unassisted have increased. As society and technology have grown more complex, it has become increasingly difficult for one man to know the whole of any field of knowledge. Areas of fact and thought have had to be divided into compartments, re-divided and subdivided again. Men have had to specialize ever more narrowly, both in their pre-employment education and in their work experience. Hence, it has become steadily more unlikely that a man, in the normal course of events, will be exposed to the many diverse elements of his company. He is likely to know only one or a few elements well, to lack a full, clear understanding of how the others operate and how all merge to serve the whole. Such an understanding is essential to an executive in a decentralized organization such as [XYZ].

The present status of the executive development movement is revealed in the survey conducted for this study.

---

[18] Interview with Company No. 16, April 1963.
Table 5 shows the results obtained from Question No. 5 of the questionnaire. Of the 120 companies that responded to the questionnaire, 109 or 90.9% indicated that they had a program of executive development. This shows a continuation of an upward trend indicated by Bridgman when he reported the results of a survey by Clark and Sloan in 1958 which showed 77% of 350 large companies having management development activities. 19

The depth interviews revealed that of the thirty companies contacted only three (3) did not have any semblance of an executive development program. The other twenty-seven (27) companies or 90% had a formal corporate program not only to plan the use of executive manpower but also to select, appraise, train, indoctrinate and develop the executive personnel. Many, however, acknowledge that their program was not as comprehensive as they would like but they contemplated expansion as time and need required. In particular, one organization stated that the next five years were critical insofar as top management was concerned. This remark was explained by admitting that if anything should happen to any key personnel there would be no immediate replacement available within the company. They did have executives being

19 Bridgman, op. cit., p. 539.
**TABLE 5**

A SURVEY OF LONG-RANGE PLANNING AND EXECUTIVE DEVELOPMENT ACTIVITIES

Answers to question No. 5:

5. Do you have a program of executive development?

<table>
<thead>
<tr>
<th>Option</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. None at all</td>
<td>11</td>
<td>9.2%</td>
</tr>
<tr>
<td>b. An informal program that is not company-wide or includes all executives</td>
<td>33</td>
<td>27.5%</td>
</tr>
<tr>
<td>c. A company-wide program for selected executives, conducted informally and sporadically as the situation demands</td>
<td>48</td>
<td>40.0%</td>
</tr>
<tr>
<td>d. A formally scheduled company-wide program for all executives from the lowest level to the highest</td>
<td>28</td>
<td>23.3%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>120</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
developed but they needed more time. The consensus of opinion solicited from the interviews was that executive development is becoming more critical and important and is being considered with the same degree of attention as financial and product planning.

**ORGANIZING FOR EXECUTIVE DEVELOPMENT**

The next aspect of executive development is the organizational element that is responsible for the program. We are primarily concerned with determining what specific person(s) or group(s) in the organization performs the day-to-day operations of the program.

However, cognizance must be taken of the responsibility of top management for the development of competent executive personnel. Unless an active interest is taken in the process, the long run aspects of the program will tend to be neglected. In fact, the chief executive himself must be concerned with the topmost echelon since he is the only person having intimate knowledge of all corporate plans and the requirements of the Board of Directors for the type of individuals desired at the top level of management.

A management consultant says:

The strategic management of executive resources, which is the vital part of total corporate planning, tends to be almost exclusively the province of the chief executive. Whether he seeks the
guidance of professional management counsel, relies on his own intuitive judgment, or delegates responsibility to a subordinate, the chief executive alone is accountable for the best use of his executive resources. For this reason, he should have an intimate knowledge of the strategies in the management of his executive manpower.

Recognizing the above, it was considered desirable to ascertain to whom the companies in the survey delegated the responsibility for the program. Table 6 shows the results of Question No. 6 of the survey. Of the 109 respondents the greater percentage (51.4%) indicated that responsibility for executive development was delegated to a separate division, department or section. The next highest category with 20 respondents showed that 18.3% included the function of executive development in part of another division, department or section. The third major category with 19 answers (17.4%) indicated that the respective line executives were responsible for executive development.

The depth interviews revealed that there was some misunderstanding of Question No. 6 of the questionnaire. The question was intended to ascertain the individual or group that handled the detailed day-to-day activities of executive development. Some of the companies checked items 6 e. or f. to indicate that executive development was a responsibility.

### TABLE 6

**A SURVEY OF LONG-RANGE PLANNING AND EXECUTIVE DEVELOPMENT ACTIVITIES**

**Answers to question No. 6:**

6. If you do have an executive development program which organizational element(s) and/or individual(s) is responsible for this function?

<table>
<thead>
<tr>
<th>Response</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. A separate division, department or section</td>
<td>56</td>
<td>51.4%</td>
</tr>
<tr>
<td>b. Part of another division, department or section</td>
<td>20</td>
<td>18.3%</td>
</tr>
<tr>
<td>c. The executive committee</td>
<td>2</td>
<td>1.8%</td>
</tr>
<tr>
<td>d. An ad hoc committee</td>
<td>2</td>
<td>1.8%</td>
</tr>
<tr>
<td>e. The respective individual line executives</td>
<td>19</td>
<td>17.4%</td>
</tr>
<tr>
<td>f. The president or chief executive</td>
<td>10</td>
<td>9.3%</td>
</tr>
<tr>
<td>g. Other</td>
<td></td>
<td></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>109</td>
<td>100.0%</td>
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</table>
of the line executive. Upon further questioning, they stated that they had separate elements handling this function for the line and therefore should have checked items 6 a. or b.

It must be remembered that we are concerned with the function of executive development rather than the broader function of management development. Therefore, an examination and discussion of the organizational element directly responsible for executive development is considered significant and relevant to the purpose of the study of the integration aspects. By considering the title and function of the personnel involved in executive development, the location in the organization structure, the relative position and background of the personnel, the method of operating and the records maintained, a better understanding will result of the nature and extent of integration of executive development and long-range planning.

In Chapter I it was stated that of the thirty companies interviewed, sixteen individuals have the title of Director or Manager of Executive Development and eight have the title of Director of Organization Planning, Organization and Personnel, Organization and Development or Personnel Research. For the most part these individuals and their assistants (if they had any) are concerned primarily with the development of executives and those candidates for executive positions. They
are not concerned with the over-all aspects of personnel management nor with the general problems of manager training. This is not to say that they have no interest in this phase of management development. Their main function is to supervise the operation of the program to develop "executives" for the company.

In order to accomplish this function, the location of the executive development office in the organizational hierarchy was generally in the top echelon of the structure. The directors or managers either reported directly to the chief executive or to the executive vice president or a senior vice president in charge of personnel and organization.

The individuals charged with the responsibility for the function of executive development are for the most part fairly senior as to age and experience. In contrast to the group of individuals charged with the responsibility for long-range planning, they were men who had been with the company a long time and knew most of the executives intimately. While no pattern of experience could be discerned, many have had some background in personnel management and organization planning. The impression was gained from the interviews that these individuals had reached their ultimate level in the organization. They were not personally involved in the development program but were detached and impartial in their outlook and actions.
In other words, they had the confidence and respect of both the top management and the potential executives.

The method of operating is primarily verbal -- talking directly to the senior officials concerning various individuals, conducting briefings for the Executive Committee, and acting as a recorder for the review group, if such existed. Using colored coded organization charts, they made recommendations of various individuals for certain positions as they conferred with various members of top management or with the chief executive if the occasion called for it. The intimate knowledge they had about the various individuals allowed them to suggest various combinations of movement for the assignment, promotion and replacement of the executive personnel.

A final aspect of the organizing process for executive development concerns the procedure called "Executive Development Reviews." These reviews are apparently becoming more prevalent. The researcher found that approximately a third of the thirty companies interviewed had a procedure whereby the chief executive officer and/or the Executive Committee conducted a review of the development program either yearly or semi-yearly. The reviews are designed to provide information of the personnel, to consider the organization changes needed, and to assess the development program itself. In some cases the matter of executive compensation is considered but generally this was done separately.
The reviews are conducted by the heads of the divisions and/or functional areas of the corporation, usually in person. Additional information concerning the review procedure will be discussed in Chapters IV and V.

THE CONCEPTS OF EXECUTIVE DEVELOPMENT

The concepts of executive development are closely related to the objectives and goals of the programs that have been developed. Accordingly, an attempt was made to ascertain the concepts of executive development of the companies surveyed by reviewing the objectives they have enunciated. The objectives of three organizations are presented:

1) Objectives of Company No. 180

Primary objectives, as originally defined, are:

To provide adequate reserves of qualified and seasoned candidates to fill executive, supervisory and key staff positions as needs occur throughout the Company and its subsidiaries.

To assure promising individuals opportunity to develop and utilize their capabilities, to the mutual advantage of individual and Company.

As replacements occur, to assure that key positions are filled by individuals fully qualified to meet all requirements.

To develop and foster among management full appreciation of the obligation as to selection, training, appraisal, placement and utilization of key personnel on a Company-wide rather than a purely departmental basis.²¹

2. Objectives of Company No. 2

To help all managers develop their skills and abilities in order to improve their present job performance.
To help managers prepare for greater responsibilities and opportunities.
To achieve Company-wide, objective consideration of qualified candidates to fill management positions.\textsuperscript{22}

3. Objectives of Company No. 16

Assure that all management positions effectively serve corporate objectives and that all positions are filled with highly competent personnel;
Establish plans for the best utilization and development of management personnel and for assuring an adequate supply of future executives;
Improve the effectiveness of management personnel in their current assignments;
Assure an early and continuing opportunity to test, develop and utilize the full capabilities of each individual to both his and the Company's advantage; and
Assure the development of internationally minded executives.\textsuperscript{23}

The above quotations of the objectives of the executive development programs of three organizations leads to the following general concepts that are believed to be pertinent to this study.

1. Executive development is fostered and nurtured in a climate based on a professional attitude toward management.

This attitude indicates that there is a body of knowledge about management which is identifiable and usable by the

\textsuperscript{22} Interview with Company No. 2, February 1963.

\textsuperscript{23} Interview with Company No. 16, April 1963.
executives of the organization. In short, it is a "philosophy of management" and a belief in the need for executive development.

2. The self-perpetuating nature of the corporation dictates the requirement for executive succession. Implicit in this concept is the requirement for knowledge of present executives' strengths and weaknesses, for identification of executives capable of further responsibility, and for determination of future executive needs -- quantitatively and qualitatively.

3. Executive development involves a dual responsibility in the process. The individual executive must desire self-improvement and the organization must provide opportunities for training, education, and promotion.

4. Executive development is synonymous with leadership training in any sphere of activity -- business, government, church, education and the military. The basic goal is to develop leaders who will be responsible for human, material, and financial aspects of organization and management.

THE ELEMENTS OF EXECUTIVE DEVELOPMENT

For the purpose of this study "executive development" is considered from the broad all-inclusive point-of-view rather than the narrow exclusive point-of-view. Therefore,
the determination of the essential elements of a comprehensive executive development program was made after a thorough review of the literature and after receipt of the answers to Questions No. 4 and 7 of the questionnaire.

The literature on the subject of executive development presents a wide range of information concerning the elements that go to make up a comprehensive program. Bridgman lists the following as elements of management development:

1. Organization Planning
2. Sources and Selection of Managerial Talent
3. Appraisals
4. Management Inventories
5. Development Through Both Individual Programs and Training Courses.24

On the other hand, Thomas A. Mahoney provides these:

1. Organization Analysis and Planning
2. Management Appraisal and Inventory
3. Management Compensation
4. Management Recruiting
5. Management Selection and Placement
6. Individual Development.25

Finally, Robert K. Burns indicates that the task of developing an effective organization composed of effective people consists of three major aspects:

24Bridgman, op. cit., p. 541.

1. Inventory of Management Positions, Personnel and Problems.

Turning now to an examination of Table 7, which shows the results of both Question No. 4 and 7, in order to ascertain what the companies surveyed indicated, it should be pointed out that a company could and did check more than one box in each question. Therefore, neither the numbers nor the percentages may be added but must be taken individually. In other words, the data shown in Table 7 indicates how many organizations responded to each part of the two questions.

The results of this survey tend to support the literature concerning the elements of executive development. Except for Question 7 a., the percentages shown average 48.7% or approximately half. This average provides sufficient basis for use in formulating the essential elements of a comprehensive executive development program from the items


27 The reasons for using the two questions to gather data of the elements of executive development stems from the preliminary survey conducted before the actual survey. It was initially indicated to the researcher that the items in Question No. 4 were not part of executive development, even though the literature indicated otherwise, but were part of organization planning.
TABLE 7

A SURVEY OF LONG-RANGE PLANNING
AND EXECUTIVE DEVELOPMENT ACTIVITIES

Answers to questions No. 4 and 7:

4. Does your long-range planning program provide for any of the following?

<table>
<thead>
<tr>
<th>Option</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Long-range projections of probable organizational structure</td>
<td>55</td>
<td>45.8%</td>
</tr>
<tr>
<td>b. An inventory of current executive personnel indicating strengths, weaknesses, and growth potentialities</td>
<td>70</td>
<td>58.3%</td>
</tr>
<tr>
<td>c. Long-range estimates of future organization needs for executive personnel -- quantitatively and qualitatively</td>
<td>57</td>
<td>47.5%</td>
</tr>
<tr>
<td>d. A selection and promotion program which provides for the procurement, distribution, flow, and attrition of executive personnel</td>
<td>49</td>
<td>40.8%</td>
</tr>
</tbody>
</table>

7. Does your executive development program include or use any of the following?

<table>
<thead>
<tr>
<th>Option</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. A systematic and periodic appraisal of executive performance and potential</td>
<td>87</td>
<td>72.5%</td>
</tr>
<tr>
<td>b. An established and recognized off-the-job education and training program</td>
<td>54</td>
<td>45.0%</td>
</tr>
<tr>
<td>c. A job rotation program or policy</td>
<td>55</td>
<td>45.8%</td>
</tr>
<tr>
<td>d. Coaching and on-the-job training</td>
<td>70</td>
<td>58.3%</td>
</tr>
</tbody>
</table>
listed in Table 7. Therefore, for the purpose of this study, it is considered that these elements are:

1. Organization Analysis and Planning
2. Determination of Executive Needs
3. Executive Inventory
4. Appraisal and Selection of Executives
5. Indoctrination and Improvement of Executives

An examination and discussion of the above elements will be conducted in Chapter IV that follows.

In summary, this chapter attempted to present an over-all perspective of executive development as conducted in business and industry. The historical background, reasons and pressures and present-day importance were considered. In addition, the extent of and organization for executive development as practiced in the companies surveyed and interviewed was presented. The objectives and concepts of executive development were discussed. Finally, the elements of an integrated and comprehensive program were evolved.
CHAPTER IV

THE ELEMENTS OF EXECUTIVE DEVELOPMENT

An examination of the integration of executive development with long-range planning requires that detailed consideration be given to the elements of a comprehensive program of executive development. This consideration is concerned with the nature of the elements as explained and discussed in the literature and secondly with the extent to which the elements are present in the companies surveyed and interviewed for this study. This chapter, therefore, will present background material from the secondary research and attempt to relate it and compare it to the data obtained from the questionnaire and the depth interviews. The chapter will also provide the conceptual framework for the succeeding chapter dealing with the integrative aspects of executive development with long-range planning.

For the purpose of discussion, the essential elements of executive development will be presented in the following order:

1. Organization Analysis and Planning
2. Determination of Executive Needs
3. Executive Inventory

4. Executive Appraisal and Selection

5. Indoctrination and Improvement of Executives

ORGANIZATION ANALYSIS AND PLANNING

The first element of a comprehensive program of executive development is organization analysis and planning. This element is concerned with the forecasting and planning of the future organization and its structure. Organization planning is considered to be a process of relating activities and personnel so as to best achieve the objectives of the organization either in the short-range or long-range.

Louis A. Allen defines organizational planning as,

Organization planning is the process of logical grouping of activities, delegation of authority and responsibility, and establishment of relationships for the purpose of enabling people to work most effectively together in accomplishing the objective of the enterprise.¹

Organization planning involves objectives, structure, charting, functional assignments, and concepts of staff-line ratios for supervision and operation. Effective organization planning requires the use of sound principles of organization.²


²See Ralph C. Davis, op. cit., Chapters 7-14 for a complete discussion of organization principles.
Ernest Dale undertook a research study of organization structure in the forepart of the last decade. On the basis of his research he cites the following advantages of organizational planning:

It is of value in defining, discussing and evaluating the company's objectives. It indicates in clear and easily understood terms, where responsibilities lie.

As a consequence of organization planning, top executives may be enabled to drop overloads of responsibility and thus have more time to devote to long-run planning, reviewing, coordination, and innovation, or whatever happen to be the company's most important activities.

As another result, executives may have a greater opportunity to utilize their abilities, plan their own activities, develop and train themselves and others. Organization planning may provide the basis for estimating manpower resources and requirements and thus enable a company to improve its system of executive succession and replacement, and, in the process, offer better promotional opportunities to its younger men.

Organization planning may help to integrate personalities with the objectives of the enterprise and make for improved human relationships.

Finally, organization planning can help to remedy some of the ills common to many business organizations; it may reduce or eliminate duplication of effort (resulting in executive manpower saving); do away with "red tape" (by shortening lines of communication and assigning definite responsibility and authority); improve coordination between different functions (such as manufacturing and marketing); eliminate unnecessary functions (checking
the tendency of empire-building through a man-
power budget or, better still, through finan-
cial audits); eliminate friction (through re-
duction of the number of levels of management
and clearer, more logical and more definite
allocation of responsibilities); tend to re-
duce mistakes by placing decision-making near-
er to the problems; improve specialization,
and properly balance the expansion of various
management functions.3

The starting point in organization planning is the re-
affirmation of the company's long-range objectives. The over-
all corporate objectives provide the basis for all planning.
They set the tone and general picture of the corporation both
internally and externally. They prescribe the major functions
to be performed. They also give an indication of the method
for dividing the work; such as product, location, customers,
process, equipment or time.4 Peter Drucker states:

Organization is not an end in itself but a
means to an end of business performance and
business results. Organization structure is
an indispensable means; and the wrong struc-
ture will seriously impair business perform-
ance and may even destroy it. Still, the
starting point of any analysis of organization
cannot be a discussion of structure. It must
be: what is our business and what should it be?5

Organization planning requires that the objectives of the
company be clearly defined and understood. Without this

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4Ibid., p. 25.

5Drucker, op. cit., p. 194.
understanding the organization planner lacks direction for organizing and carrying out the overall corporate plan for growth. Chandler called this the strategy of the organization.

Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.\(^6\)

New goals of the organization may be expansion of volume of business, setting up of plants and offices away from the main headquarters, diversifying or adopting other economic functions. The effect of such a change in strategy can produce a profound change in organization structure.

It has been assumed for the purpose of this study that the concept of organization analysis and planning pertains to a reorganization of an existing organization. Few organization planners, if any, have the opportunity to organize from scratch. Accordingly, the foundation of organization planning rests on the on-going organization and is a projection of existing principles, policies and personnel. Hence the forecast of organization structure attempts to identify organization changes necessitated by future trends and plans.

\(^6\)Chandler, \textit{op. cit.}, p. 13.
improved processes and methods, and executive manpower, resources, and needs.  

After the firm's long-range objectives have been reaffirmed and the principles, policies, and procedures established for achieving these objectives, the firm's organizational structure must be studied and developed. Structuring is concerned with establishing the necessary functions and grouping and relating them to one another in order to achieve the objective. Ralph C. Davis defines organization structure as follows:

Organization structure is a relationship between certain functions, physical factors and personnel. It is based on a grouping of functions in accordance with their similar characteristics and significance. It is set up for the purpose of promoting cooperation and facilitating the effective exercise of executive leadership.

Chandler views structure as follows:

Structure can be defined as the design of organization through which the enterprise is administered. This design, whether formally or informally defined, has two aspects. It includes, first, the lines of authority and communication between the different administrative offices and officers and, second, the information and data that flow through these lines of

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8 Ralph C. Davis, op. cit., p. 18.
communication and authority. Such lines and such data are essential to assure the effective coordination, appraisal, and planning so necessary in carrying out the basic goals and policies and in knitting together the total resources of the enterprise.  

Among the many resources of capital, plants, equipment, raw materials and personnel, the most important resource appears to be that of executive personnel. The relationship of structure to executive personnel must be emphasized. The proper utilization of such personnel is fundamental to the effectiveness of the organization structure. While the changes in structure have been in response to opportunities and needs created by changing populations and national incomes as well as by technological innovation, the changes would not have been effected without the technical, administrative and marketing skills of the executives of the organization.  

The need for such executives is therefore apparent in any growth pattern of the company.

In considering the concepts of strategy and structure of any organization, it has been pointed out by Chandler that, in the past, structure followed strategy in the growth of the company. One of the reasons appears to have been the lack

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of training, education, and development of the executives to handle the organizational problems created by the new strategy they conceived. Such being the case, it is contended that the forecasting of organization structure must consider the future executive needs of the organization.

With the above general description of the nature and importance of structure as a background, an examination and discussion of the process of forecasting organization structure is necessary. Remembering that we are concerned with reorganization rather than developing an entirely new organization, the process involves certain steps as priorities that organization planners seem to follow when planning and forecasting the revised structure.

The first step involves an analysis of the existing organization. Obviously, this requires a knowledge of existing personnel functions and relationships. The planner is concerned with the determination and classification of current assignments of responsibility and authority. He is also concerned with determining and classifying the work to be performed to achieve the redefined objectives which caused the need for reorganization.

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12 Chandler, op. cit., p. 15.

Usually an analysis of existing and contemplated organization structure is based on organization charts and manuals that are currently in effect. If such charts and manuals are not presently prepared they should be prepared in order that the contemplated structure may be visualized.\(^\text{14}\)

The second step of organization structuring is the preparation of the long-range "ideal" structure. This involves the grouping of like work together into an orderly array of distinct and dissimilar organization components and of individual positions as jobs within components with proper and natural relationships to other work.\(^\text{15}\)

The grouping of individual jobs into an ideal organization structure requires the preparation of "position descriptions" or "position duty lists," particularly those pertaining to the executive positions. These "position descriptions" may be prepared in several different ways. Generally they contain the following elements:

1. The scope of the position - basic function and general extent of jurisdiction.

2. Objective of the position - purpose for existence relative to the objectives of the organization.

\(^\text{14}\)Stieglitz, op. cit., p. 10.

3. Responsibilities - principal specific duties and responsibilities not only as they pertain to the individual but also the group.

4. Authority - extent of individual's right to take action, give orders and delegate commensurate with responsibility.

5. Relationships - to other executives, above, below and same level. Also to customers, supplier, competitors, public, and government.

5. Specifications -- minimum qualifications of the position. Training, education, experience, etc.\(^{16}\)

In the preparation of the "ideal" structure, an organization chart is usually developed to give a clearer indication of relationships and lines of authority. The chart is generally one depicting the line and staff positions of all levels from the chief executive to the lowest operative employee. The "ideal" organization chart is actually a mental image of what the organization planner conceives to be the ideal structure.\(^{17}\) However, the chart is highly tentative since it only

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\(^{17}\)Stieglitz, *op. cit.*., p. 11.
depicts what is "ideal" or what exists at the moment it is
drawn. Of major importance in having an ideal organization
chart of future structure is that it provides a picture of
future executive needs. It shows quantitatively the number
of executives needed and at what levels.

Charting the future structure also helps to confirm the
objectives of the organization since the structure is a factor
that implements the work of the executive in guiding the organ-
ization to the accomplishment of its objectives. Finally,
charting helps explain to all members of the organization the
proposed changes to take place in the structure assuming that
the forecasted structure has been approved for implementation.

The third step of organization structuring is the process
of implementing the change. This involves consideration of the
extent of change -- a large complicated change, an entirely
new addition, or a series of minor but important changes. It
also involves consideration of available resources -- facil-
ities, material, and personnel. 18

With these considerations in mind, there are two methods
to effect change. These have been described as (1) the "earth-
quake" approach and (2) gradual through phasing. 19

18 Dale, op. cit., p. 125.
19 Ibid., pp. 131-132.
The "earthquake" approach is a process of immediate, rigorous and dramatic change which is difficult to effect in an orderly way. It is usually undertaken in extreme emergencies since people are not readily flexible. The more desirable approach is the gradual change which allows for easy assimilation and efficient accomplishment. The phasing of the process will provide for scheduling of personnel, facilities, activities, and relationships so as to meet the deadline established for the changeover.

Question No. 4 of the questionnaire (shown in Table 7 on page 95) was designed, in part, to determine the extent to which the companies in this study made forecasts of organization structure. Part a. of question No. 4 showed that 55 of the 120 companies answering (45.8%) make long-range projections of probable organization structure. However, of the thirty companies interviewed, only six indicated that they had no program of formally forecasting their organization structure. The other 24 companies (80%) forecasted or modified organization structure in varying degrees. The general procedure was that the organization or personnel planning departments devoted the majority of their time to reviewing and approving changes that emanated at the division or lower level. At the same time, the departments were also involved in contemplating proposed changes of
executive personnel. This was done because in many instances the organizational set-up that resulted was based on who was to man the structure and what were his strengths and weaknesses. At the upper levels of the structure the organization appeared to be extremely fluid. The changes that were taking place were numerous and were based on individual abilities and capabilities rather than goals and objectives of the organization. While this is not considered to be unrealistic, some compromise between goals and abilities must be made.\(^\text{20}\)

To give an indication of the nature of such planning, the responsibilities of the planning group of Company No. 11 are shown:

The Manager, Growth and Organization Planning is responsible for the following:

**Company Growth**

1. To formulate and propose methods to prepare, present, and record growth plans.
2. As directed, to make, or arrange for, market surveys for general company purposes.
3. To prepare presentations to officers or the Board of Directors to obtain decisions upon proposed growth plans.
4. Periodically, to follow up and report upon the status of growth plans and projects.
5. As directed, to coordinate and arrange for reports on proposals for acquisition of new companies or businesses.

**Organization**

6. As directed, to study and report upon the organization of any part of the Company, and to suggest improvements that might be made.

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7. To provide for the preparation, distribution, and maintenance of the manual of organization.

8. When directed, to issue new or revised sections of the manual.

9. At the request of any person authorized to propose revisions of organization, to consult with and advise him respecting the appropriate statement thereof.

10. As directed, to prepare notices or bulletins on organization to anticipate, or to secure a wider distribution than the provisions of the manual.21

The researcher attempted to ascertain the extent to which the companies actually forecasted their organization structure, i.e., how far forward and to what exactness did they portray structure and specific responsibilities? Many of the companies hedged on this question. Therefore, no conclusive data could be obtained. However, two companies of the thirty interviewed had individuals solely responsible for planning the corporate structure five to ten years in advance. These companies showed the researcher detailed programs for changes to be made in the future provided they were approved by the board of directors.

The general conclusion to be drawn is that companies tend to make minor changes in structure based on requests from subordinate echelons and based on executive characteristics when such executives are promoted into higher or more important jobs.

In summary, organization analysis and planning for executive development begins with an analysis of organization goals

21 Interview with Company No. 11, April 1963.
and objectives and proceeds to the forecasting of organization structure. By prescribing responsibilities and authority the revised structure specifies the abilities and experience needed for effective executive performance. The structure also determines the number and type of executive personnel needed and the various skills and performances required.

DETERMINATION OF EXECUTIVE NEEDS

The second element of executive development is the determination of executive needs for the future. Once the "ideal" organization structure has been formulated, it is necessary to determine the firm's long-range quantitative and qualitative executive manpower needs. The first part of this section will consider the quantitative aspects of determining executive manpower, while the second part will consider the qualitative aspects.

Quantitative Aspects

Industry has devoted an appreciable amount of time, money and manpower to the determination of product development, process development, sales forecasting, budgeting, and a host of other physical factors. In this determination, refined and sophisticated statistical and scientific techniques have been developed and used. Nothing is left to chance, or at least chance is reduced to a minimum.
In the area of manpower projections, however, there appears to be a definite lag in the use of statistical techniques or in any advanced mathematical procedures for determining future executive needs.

The researcher attempted to obtain information of such techniques and their utilization in the companies surveyed and interviewed. The answers to Question No. 4 c. (Table 7) show that 57 out of 120 companies (47.5%) made long-range estimates of future organization needs for executive personnel. A much higher percentage (80%) of the companies interviewed stated that they made estimates of manpower needs. However, the interviews failed to reveal any statistical or mathematical techniques being used for these estimations.

The usual procedure among the companies interviewed for determining future executive needs was to project or estimate the losses expected due to retirements, deaths, separations, and transfers. To these losses the factor of growth is added. For example, several companies reported that they use a five percent growth factor to add to the annual attrition factors. These numbers are then cumulated to the present number of executives now on hand and for each year of the projection being made. In the case of large, relatively stable companies, this system seemed to be a reliable method for determining future executive needs. However, some of the companies interviewed
expressed their concern that this was not too scientific and was somewhat wasteful of manpower. For example, one company indicated that this method provided a reserve of roughly double their anticipated requirements. They considered this to be more than adequate to meet future executive needs. At the same time, this company admitted that they are not always satisfied with the executives available for their higher-level jobs at the time required. The reasons were due to a lack of planning and/or lack of courage in facing distasteful moves sufficiently early.22

The growth factor appears to be the element that is the least reliable because it is usually based on a combination of sales forecasts representing current backlog, expected follow-on business, increased sales penetration, and new products-services by existing units.23 The sales forecasts must be amended by taking into consideration such factors as purchasing power, and possible economic and political changes.

Another factor being used to determine future manpower needs is that of productivity. Recently the U. S. Government and several unions have placed emphasis on productivity.24

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22 Interview with Company No. 25, May 1963.

23 Branch, op. cit., p. 112.

One of the companies interviewed is attempting to use this factor to project their manpower needs. By compiling data of manhours per unit of output for the past nine years and considering the impact of automation, continuous flow processes, electronically controlled equipment and other technological improvement on the future output, an estimate of average manhours per unit of output was determined for the next nine years. This then provides the basis for estimating future executive needs in the organization using the concepts and principles named above.  

While the researcher found no use of statistical or advanced mathematical techniques for estimating future executive needs, in the companies interviewed, a review of the literature did provide information on a statistical technique that might be used in an industrial concern. The statistical method proposed is that of simple regression analysis with one independent variable. The independent variable was production in terms of physical shipments of a single product. A high correlation between the independent variable and executive manpower is assumed. A forecast is made of products sold and a trend line is plotted showing a mathematical progression based

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25 Interview with Company No. 3, July 1963.

on the regression equation which then is carried forward for the number of years in the forecast. Turnover is also estimated by using regression analysis and another trend line is plotted. These then are used to estimate manager needs. This method has a limitation in that executive manpower needs are usually a function of more than one variable. In the case of a multi-product corporation this analysis would be difficult to use.

The use of sales dollars is another technique that may be used to forecast future executive needs provided a correlation can be established between executive personnel and sales dollars. To show how sales forecasts might be used to determine future executive manpower requirements, the example in Figure 2 is provided.27 The assumptions concerning growth of the company, ability, turnover, and attrition of middle and bottom management are considered to be most conservative and reasonable. It will be seen by inspection that the number of future executives required to staff the organization is a function of the projected sales per middle management executive with proper accounting for turnover and attrition. Obviously, this technique should be verified by analyzing the statistical history of the particular organization.

27 This example was taken by permission from an unpublished memorandum by Ralph C. Davis, The Ohio State University, Columbus, Ohio.
FIGURE 2

DETERMINATION OF EXECUTIVE MANPOWER REQUIREMENTS USING SALES FORECAST OF A HYPOTHETICAL COMPANY *

If we assume that:

1. Present secular sales - - - - - - - - - $100 million
2. Company growth rate - - - - - - - - - 5%/year
3. Total operative employees - - - - - - - - 5000
4. Sales per operative employee - - - - - - $20,000
5. Total middle management executives - - 42
   (Average span of executive control - 6)
6. Total bottom management supervisors - - 250
   (Average unit of operative supervision - 20)

Then we can compute:

1. Present sales per middle management executive ($100 mil ÷ 42) - - - - - $2.381 million
2. Projected sales @ end of five years - $127.6 million
3. Number of middle-management executives required @ end of five years - - 54
   (127.6 ÷ 2.381)
4. Executive evaluations show that 80% of bottom management have reached limit of ability.
   Therefore of 250 only 20% are available for promotion (250 x .20) - - - - - 50
5. Deduct turnover for all causes @ 16%
   (50 x .16) - - - - - - - - - - - - - - - - - - - - - - - - - - - 8
6. Total eligible - - - - - - - - - - - - - - - - - - - - - - - - - - - 42
7. Additional trainees needed (54-42)=12
   Add current turnover @ 25% = 3 = 15
8. Basic size of training group (G) - - - 57
9. Add number required to cover turnover during intervening five year training period: (t=16%)
   \[ T = G t \left[ 1 + (1-t) + (1-t)^2 + \cdots + (1-t)^{n-1} \right] = 33 \]
10. Initial group required to have 54 candidates at end of five years - - - 90
11. Number of present eligible - - - - 42
12. Number of trainees needed to cover growth requirements plus turnover - - 48

*Source - Ralph C. Davis
The determination of the quantitative aspects appears to be wide open despite the above information. It is the opinion of the researcher that some companies are investigating this problem. However, none admitted to any unique techniques of forecasting needs if they were indeed involved in the process. It may be that with the increased use of computers and other electronic measures, a break-through may occur.

Qualitative Aspects

The determination of the qualitative aspects of executive needs appears to be extremely difficult. However, this aspect is most vital for the survival of the firm in today's highly competitive economy. Eli Ginzburg points out the need for determining the qualities that future executives must possess:

One of the country's leading industrialists pointed out some time ago that he and his colleagues were providing his company with a strong competitive drive which was being reflected in, among other things, striking gains in sales and profits. He went on to note, however, that the management which was to follow a decade or two hence might be selected for other qualities, possibly for its ability to deal effectively with government and the public. At least he had no reason to believe that the present top executive group should be duplicated. This observation points up the error of many personnel departments that are attempting to identify the qualities of those currently at the helm in the hope of selecting younger men cast in the same pattern. They fail to realize that, if they succeed, they will deprive
the enterprise of the qualities which may be required to cope effectively with the future. The researcher attempted to ascertain the extent to which the thirty companies interviewed were identifying the needed executive qualities of the future. None of the companies interviewed had made any specific significant progress along these lines. They indicated various reasons for not having done so. The major reason was that they had no absolute way of estimating the qualitative needs of the company in future years. At the same time, they professed great interest in finding ways of making such determinations.

Lacking any precise procedure for determining the specific qualities that future executives might need, what were the companies doing to overcome this seemingly impossible task? The answer appears to be in the programs of executive development that are being conducted. In essence, the companies believe that they have a problem of training future leaders and, like the military service, are anxious to know as much as possible about the subject of leadership. In other words, rather than concentrate on determining the qualitative needs of the future, companies concentrate on identifying individuals of high potential for advancement to the

the top positions of the organization. For example, Company No. 5 indicates that among the indicators of exceptional high potential are such things as:

a) Rapid learning of new assignments
b) Superior performance of assignments
c) Makes improvements in operations
d) Has broad perspective
e) Stretches himself to learn, on his own
   - more about jobs other than his own
f) Has good verbal self-expression
g) Is aggressive, but aggressiveness fits
   - the occasion
h) Exhibits willingness to subordinate
   - self to job
i) Works effectively with groups but is
   - not dominated by group
j) Displays initiative by recognizing and
   - working on problems himself without
   - being directed by supervisors.29

The effort to identify high potential personnel early in their careers in the company is coupled with extensive recruitment programs that are being conducted. These are based on the theory of "procuring and holding talented graduates from the colleges and universities of the country."30 These programs are designed to provide a reserve of fully qualified (broad experience in several functions) men from which the top executives may be picked when the time is right. In other words, since the companies cannot predict with any accuracy the qualities needed, they rely on the time tested formula

29 Interview with Company No. 5, February 1963.
30 Interview with Company No. 2, February 1963.
of building a large talented group hoping that among them will emerge the right individual at the right time for the right position. The fact that this has usually happened does not necessarily prove it to be the best way. However, the continued emphasis on seeking answers to the following question may help: "What trends and changes are in the making and what are some of the questions which they raise? What implications will these changes have for managers? What will they demand in the way of new or broader responsibilities, new ways of thinking, new knowledge, new approaches and higher skills?"\(^{31}\)

In the absence of any definitive qualities, it appears that the key to executive leadership in the future as in the past is the ability to think creatively. This quality is primary to all others. All programs of executive development must be geared to this.

**INVENTORY OF EXECUTIVE PERSONNEL**

The third element of executive development is the inventory of present executive resources. The task of inventorying the human assets of the company is similar to inventorying the company's physical assets. It is a method

of taking stock periodically and rendering an account of the executive resources presently on hand.

The general purpose of the inventory is to determine strengths and weaknesses of the executive team as a whole. The specific purposes of the inventory are the following:

1. To create an over-all picture of the management staff, showing the present performance and promotability of the executive personnel.

2. To predict future organizational needs by locating existing replacement problems and planning to prepare for these needs.

3. To assist in identifying and preparing individuals for executive positions through the medium of executive development.

4. To improve the utilization of executives by means of centralized personnel management so as to prevent qualified individuals from being overlooked.32

The process of executive inventory involves the collection, recording, and utilization of pertinent personal data concerning the individual executives and potential executives

within the organization. It does not involve evaluation of executive personnel.

The survey conducted for this study revealed in question No. 4 b. of the questionnaire that 70 out of 120 companies or 58.3% answering indicated that they conduct inventories of their executive personnel. On the other hand, the interviews conducted revealed that 26 of the 30 companies or 86.7% had an executive inventory program and that two of the four not having a program were planning to institute a program within the coming year. The variance between these two percentages is due to the fact that the interview sample was a selected group of the larger more progressive companies.

The contents of the inventory programs of the companies interviewed were necessarily varied to fit the needs of the individual concern. However, the content of inventory usually contained the following major sections: 1) personal information records, 2) mental and physical test data, 3) appraisals of performance and potential, and 4) personnel inventory records.

Personal Information Records

The personal information record is usually an objective statement of personal history data pertaining to age, title, address, marital status, hobbies, interests, etc.; education -

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33 Bridgman, op. cit., p. 545.
college and graduate level as well as training and development programs; professional activities and memberships; military background; previous work experience; company work experience; and civic and community activities. Sometimes the personal information record contained statements by the individual of his accomplishments, his goals, his major strengths and his ideas of needed development. The personal information record provides an excellent source for indicating trends and patterns of the individual, his development to date, and his potentialities. All of the companies interviewed had some personal record of their executives. However, the method of compiling and maintaining such data is not considered to be germane to this study.

Mental and Physical Test Data

While the incidence of mental testing is relatively small (approximately 25% of the companies interviewed), the physical examination of executives is standard practice. The results of both types of examination are contained in the inventory.

Mental tests are used both in the process of appraisal and for selection for position and advancement. As an example of the use of mental tests, the following extract of the inventory and appraisal program of Company No. 9 is presented.
Each member in the program takes a series of standard tests designed to give indications of his interests, his temperament, his mental alertness, his knowledge of supervision, and in some circumstances, his mechanical comprehension.

Suitable tests are available in only a few of the areas concerned in management appraisal. Tests can reflect little or nothing in such vital matters as character, competitive drive, business judgment and administrative skill. However, in the areas of concern they do cover they are of value. The tests are used as an exploratory tool and as a reference point. They decide nothing in themselves. They frequently help confirm the conclusions of the interviewer and the appraisal panel, and thus provide greater confidence in these conclusions. They often suggest a strength or weakness not readily apparent to the interviewer or the appraisal panel. In such instances, the interviewer and the appraisers are alerted to probe for evidence to support or refute the findings of the tests. The limitations of tests are fully recognized and used accordingly. Generally, no finding from tests as used in this program is accepted as valid unless confirmed by other evidence.34

The major reason for physical examination is obviously the maintenance of executive health since it governs all his activities and abilities.

Appraisals of Performance and Potential

The subject of executive appraisal is the third element of the executive development program. It will be considered in detail in the next section of this chapter. The results

34 Interview with Company No. 9, March 1963.
of such appraisals should be included in the inventory of executive personnel. These results compiled over a period of years provide information of performance on current assignments and past assignments, promotability, and potential for high level responsibilities in the long-term future. Appraisals are also used for counseling and as a basis for training and improvement.

Personnel Inventory Records

The summarization of the inventory process is best done by means of several different measures for counting and recording the available executive resources. These measures are coded organization charts, replacement schedules or charts, and lists of candidates as high potentials for over-all corporate positions. This is in addition to the normal personnel data maintained on computer tapes for all managers in the organization.

The technique of visualizing needs for executives using charts, schedules and/or lists of candidates was used by 18 of the 30 companies (60%) interviewed. The forms and devices used by the 18 companies varied to such an extent as to preclude categorizing. However, Company No. 25 had the most extensive program of inventory of all the companies interviewed.

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35 Mahoney, op. cit., p. 119.
Their program will be described briefly.

The measures and records used by Company No. 25 are:

1) Potentiality Forecast
2) Visual Work Experience Record
3) Visual Salary Record
4) Personnel Inventory Record
5) Candidate List
6) Personnel Summary

The Potentiality Forecast is a yearly estimate of each executive's potential for advancement either in the immediate future or three years from now, along with the reasons for the estimate.

The Visual Work Experience Chart plots the executive's work experience, progression and potentiality. A Progression Guide is used to plot the progress of executives who are considered to have potential for key positions to insure that their progress will be such that they will attain these positions at a satisfactory age. The individual's actual progress is compared with an experience line of progression of all executives.

The Visual Salary Record is used to determine the extent to which an employee's salary has kept pace with the economic adjustment of his salary range.

The Personnel Inventory Chart is used to analyze the
potentiality of incumbents and the balance of reserves for each position in the executive hierarchy of the organization. The use of color codes helps to portray the data. An example is shown in Figure 3.

The Candidate List is prepared from the Potentiality Forecasts in order to provide departments with lists of candidates when there may be a shortage of qualified personnel for a key position within any one department or when it is felt desirable to consider promotions to a key management position on an over-all company basis.

The Personnel Summary is a statistical summary of promotable and non-promotable executives according to average age, education, average service and experience. (No names are listed.)

In conclusion, the process of inventory of executives is designed to provide ready references to the adequate reserves for all key positions and to assure that every executive's experience and potential will be recognized and considered.

APPRAISAL AND SELECTION OF EXECUTIVE PERSONNEL

The fourth element of a comprehensive program of executive development is the appraisal and selection of the executive personnel and the individuals being prepared for executive positions.
FIGURE 3

PERSONNEL INVENTORY CHART

DEPARTMENT X

F.C. Smith
Gen. Mgr. M-1
62/31

J.R. Brown
F.A. Gray
T.L. Johnson
Dept. X

DIVISION A
J.R. Brown
Supt. M-2
48/18

D.W. Hunt
W.R. Brad
T.B. Shaw
Dept. X

DIVISION B
F.A. Gray
Supt. M-2
47/22

J.D. Clark
U. McHose

DIVISION C
P.B. Slack
Supt. 58/30 M-2

J.D. Clark
J.B. Clark
R.M. Quince

D.W. Hunt
AsstSupt. M-3
42/15

R.Q. Owen
Z.B. Taylor

J.D. Clark
AsstSupt. M-3
41/12

D.F. Lee
C.B. Ash

B.T. Kelly
AsstSupt. M-3
52/31

F.L. Mertz
L.V. Miller
Dept. X

PERFORMANCE

Superior

Exceeds Position
Requirements

Meets Position
Requirements

Improvement
Necessary

POTENTIAL

Outstanding

Considerable

Some

Limited
The use of appraisal is as old as the function of management. It is a process that an individual inadvertently does when working with another and particularly when delegating responsibility to a subordinate. Dalton McFarland states:

Appraisal is a continuous process. People in association with one another cannot avoid forming and acting on judgments reached about their associates and what they do.36

Realistic appraisals of performance and potential are fundamental to effective executive development and utilization. With the complexities and competition which exist within the organization as well as without, it is imperative to have all possible knowledge of executive quality in order to institute productive development action and to utilize effectively management personnel.37 As a record of performance, progress, capabilities, and deficiencies, an appraisal serves as a basis for counseling personnel on objectives, standards, and actual performance.38 It is fundamental to responsibility, accountability, and authority that an executive know what is expected of him and how he is measuring up to such expectation.

37Riegel, op. cit., p. 69.
38Ibid., p. 75.
Executive appraisal is defined as the measurement and evaluation of executive performance and an estimation of potential. Mahoney defines appraisal as follows:

The term 'management appraisal' is applied to the measurement of the individual manager, his adequacy in the present assignment, and his potential for improvement in this or other assignments. Comparison of existing skill levels of individual managers with requirements of individual positions provides a basis for decisions concerning the most effective utilization of individual managers; comparison of their appraised potentials, and position requirements provides a basis for individual development planning. 39

The extent of appraisal of executive performance and potential is indicated in the response to Question No. 7 a. of the Questionnaire. It can be seen by reference to Table 7 that 87 of the 120 companies (72.5%) answering indicated they conducted systematic and periodic appraisals as part of their executive development program. This response is the highest to all questions asked. In other words, the use of appraisals as an element of executive development exceeds all other elements. Additional evidence along these lines was obtained in the interviews conducted. All but two of the 30 companies visited or 93.3% had a formal system for periodic appraisals of their executives.

39Mahoney, op. cit., p. 85.
As an element of executive development, executive appraisals appear to have a number of possible purposes. These purposes are believed to be:

1. To identify individuals needing training and development as executives.
2. To assist executives in assessing subordinates in order that they may discuss performance and future assignments with them.
3. To identify promotable executives.
4. To make all executives more conscious of their own job responsibilities and the results expected.
5. To assist in counseling and motivating young executives.
6. To assist in the early discovery and elimination of incompetent individuals who have limited potential.
7. To assist in equitable compensation of executive personnel.

Executive Appraisal Standards

To be effective in the development of executive personnel, an appraisal system should have certain standards for ensuring its accuracy, and consistency and applicability. Willys H. Monroe gives the following as standards or characteristics of an appraisal system:
Appraisal methods should be tailored to key in with the company's needs. Several diverse appraisal methods, focused on securing evidence of performance, should be used.

The system should be integrated in such a way that evidence from one part of the program can be cross-checked with findings from other parts.

A direct evaluation should be made of the executive's performance using yardsticks of performance and appraisal of specific accomplishments.

The executive should be evaluated in terms of other jobs and other executives.

An appraisal program should be repeated periodically to measure the development of those who have potential for promotion.

A careful written appraisal should be made to document findings and conclusions and to serve as a reference point for measuring development progress.

A program should be flexible enough to be applied to all executive personnel because everyone in a management position is part of the reservoir of future talent.

The program should be readily understood by the executive group to assure their active participation in its conduct and to allay any fears that they might otherwise possess.

The program should be easily administered to encourage management confidence in the plan and to assure its continuing success.

Records should be kept confidential to protect the individuals involved and to prevent a carry-over of previous findings.40

Unless the above standards are adhered to, the development of executives will not readily or equally be programmed throughout the organization. The importance of this statement is supported by a statement made by Company No. 25 during the

Of all the subjects discussed in our study, the men contacted seemed most interested in their organization's ability to appraise the potentiality of their people and to discuss their performance with them. They seem to feel that appraisals have improved during the past several years due to our more systematic assessment of a man's contribution, strengths, and any weaknesses which he has to overcome. This they consider the key foundation from which management development has to start.\(^4^1\)

**Techniques and Methods of Appraisal**

When appraising executives, it is important to distinguish between two possible methods for appraisal, namely 1) personal traits and 2) actual job performance.\(^4^2\)

Ideally, a successful executive should possess a number of desirable personal traits, among which, for example, might be honesty, aggressiveness, dependability, initiative, and imagination. However, it is considered a risky proposition at best when one person attempts to judge to what extent these traits exist in another, or how important each trait is to the job. Moreover, there is a wide difference of opinion on what

\(^4^1\) Interview with Company No. 25, May 1963.

constitutes the particular trait used to describe the individual. What one person calls aggressiveness another might consider foolhardiness. Unless the trait is related to observable evidence, the judgment on one trait is likely to influence another. Therefore, an appraisal that focuses solely on traits is likely to be inaccurate, irrelevant, and subject to bias.\footnote{Ibid., p. 102.} Personal traits are important only as they affect job performance. If a personal trait has no effect on job performance, then it should not be considered at all in appraisal.\footnote{Burns, op. cit., p. 7.}

Because of the shortcoming noted above, very few companies use the trait approach to executive appraisal. The researcher found that only twenty percent of the companies interviewed had listed in some phase of their appraisal program certain traits or characteristics of executives. These were usually described in detail, so as to preclude misunderstanding. The appraisal program also includes an evaluation of job performance to supplement the checking of traits and the degree to which possessed.

The job performance method of appraisal requires that certain standards of measurement or yardsticks be established for use in comparing present performance against desired
performance. This approach utilizes specific, observable, often verifiable criteria, thus minimizing vagueness, inaccuracy and subjectivity.\(^{45}\)

There are three techniques generally used in the job performance method of appraisal. The first technique is similar to the trait approach in that typical performance responsibilities are used as being common to all executive positions. Such performance responsibilities are planning and organizing, training, coordination, motivation, follow-up and control and general administration.\(^{46}\) This technique was the most prevalent used in the companies interviewed. Approximately 60% of the companies provided guidance and descriptions of job performance. Company No. 16 uses the guide shown in Figure 4 which is considered to be typical of all those observed.

The second technique involves the "critical incidents" approach. The critical incidents are specific acts of performance that have been critical to the success of individuals in the job previously. These are collected over a period of time and are identified as being the key elements which characterize effective performance of the job. The elements then

\(^{45}\text{Heyel, op. cit., p. 51.}\)

\(^{46}\text{Mahoney, op. cit., p. 97.}\)
FIGURE 4

Appraisal Aids - A Guide for Analyzing Performance

The following questions and suggestions point up what are commonly considered the principal operations affecting performance. Comments on outstanding strengths or weaknesses in relationship to these points should be made on the appraisal form in Sections B and C under PERFORMANCE.

1. PLANNING

Consider how well he plans the work for his group and for himself. Does he set effective goals both short and long range?

2. ORGANIZING, DELEGATING AND CONTROLLING

Does he assign clear-cut duties and responsibilities to each of his subordinates and units? Consider whether he understands the basic conditions for effective delegation, such as adequate organization and personnel, clear-cut objectives, established policies. Is assigned authority commensurate with responsibilities? Does he hold too tight a rein on his subordinates? Does he tend to do everything himself?

3. ANALYZING PROBLEMS AND DETERMINING OPTIMUM ROUTE

How well does he analyze the problem before him in order to determine its exact scope? How resourceful and creative is he in determining the best approach to take? Does he collect adequate data? Is his reasoning logical? How well does he interpret the results of a study or investigation? Does his work reflect a high degree of technical competence?

4. MAKING DECISIONS AND INITIATING ACTION

Can he see what needs to be done? Does he make decisions as promptly as the circumstances require for effective action? Are his conclusions sound? Does he stand on his own feet and have confidence in the decisions he makes? Where a higher authority is required, does he make recommendations to his superior on his own initiative?
5. COMMUNICATING

Does he keep his people and his superior informed? Does he stimulate creativeness and initiative in his subordinates? Does he encourage his subordinates to express their ideas?

6. DEVELOPING SUBORDINATES

Consider whether he coaches his subordinates to do their work as well as possible and to grow into more responsible work. Does he reward competence? Do his subordinates move ahead?

7. COOPERATION

Does he demonstrate a broad company outlook? Is he reasonable in dealing with other managers? Does he demonstrate a good sense of proportion regarding work priority? Can he persuade others when his work is important and needs top priority?

No list of performance factors can be all inclusive. Please feel free to comment on any outstanding strength or weakness or any other factor of performance that you feel is important to this particular job.
are used as yardsticks in the appraisal of the present executives. None of the companies appeared to be using this technique.

The third technique of measuring and comparing job performance is the development of specific performance standards or objectives for each position. The development of performance standards follows the preparation of position descriptions. The position description indicates the duties and responsibilities of the executive and the standards of performance informs the executive how well he is to perform those duties. In other words, it is a method of defining job objectives. John Enell and George Haas describe standards of performance as:

They may be described as 'statements of conditions that will exist when a job is being well done.' They say how well rather than what. They spell out the targets or expectations of a man and his supervisor in connection with a given job. Through analysis of each major job segment, a series of standards or specific goals for performance is developed. These can be used later to judge whether or not the total job is being performed satisfactorily. Meanwhile they represent an agreement on the goals of the job holder.

47 Ibid., p. 98.

A smaller percentage (33%) of the companies use this technique as compared with the first technique described above. Figure 5 is an example of how Company No. 3 uses this technique in their appraisal program. The individual is evaluated against the stated Position Objectives.

Other methods of establishing standards of performance involve the determination of key results to be expected. Carl Heyel prescribes three steps in the development of standards.

(1) determination of the key results expected on the job (2) development of the terms in which they may be measured and (3) agreement on the actual quantitative standards that are expected to be maintained.49

Standards of Performance that are agreed to and completely understood by the supervisor and subordinate prior to institution will automatically establish a mutual understanding of what is considered to be a reasonable and acceptable level of performance on all major duties and responsibilities. Only two companies (6.7%) were observed using performance standards. Company No. 28 expresses them in three general categories as follows:

a. Quantitative Standards where numerical or statistical values are used such as:

Performance is good when:
1. No more than 1% of total service orders require verification (Service Manager).

FIGURE 5

EXTRACT OF COMPANY MANUAL OF POSITION OBJECTIVES

Position: Superintendent, Cold Mill  Date Set: 12/18/57
Incumbent: John Doe  Date to be Completed: 12/31/58

SPECIFIC OBJECTIVES

Things to be accomplished during review period:

<table>
<thead>
<tr>
<th>Items</th>
<th>Date of Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improve communication with subordinates in order to develop knowledge and understanding of the conditions and current problems facing the department and plant through individual group meetings. Items: operating cost, product performance at customer plants, quality and process improvement.</td>
<td>To be carried out throughout the year.</td>
</tr>
<tr>
<td>2. Improve material handling performance</td>
<td>3/15/58</td>
</tr>
<tr>
<td>Develop problem areas concerning material handling practices.</td>
<td></td>
</tr>
<tr>
<td>Contact Industrial and Plant Engineering for analysis and recommendations.</td>
<td></td>
</tr>
<tr>
<td>3. Effectively reduce yield loss cost through determining the reasons for coil damage at operating units and to establish remedial program with required staff help.</td>
<td>5/31/58</td>
</tr>
<tr>
<td>$100,000 est. loss--1957</td>
<td></td>
</tr>
</tbody>
</table>
FIGURE 5, continued

<table>
<thead>
<tr>
<th>Items</th>
<th>Date of Accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Decrease department operating expense through systematic reduction</td>
<td>3/31/58</td>
</tr>
<tr>
<td>of roll changes of a controllable nature such as: (a) mill marks</td>
<td>And follow up report for each</td>
</tr>
<tr>
<td>due to broken welds; (b) excessive roll pressure; (c) unfavorable</td>
<td>successive quarter.</td>
</tr>
<tr>
<td>sequential size schedule.</td>
<td></td>
</tr>
<tr>
<td>--- Estimated Saving - $8,000 per year.</td>
<td></td>
</tr>
<tr>
<td>5. Improve overall quality of sheet coil product in the lighter</td>
<td>First report due 1/31/58 and each successive month in 1958.</td>
</tr>
<tr>
<td>gauge, large width items through establishing rigid control of</td>
<td></td>
</tr>
<tr>
<td>operating practices affecting material flatness and mechanical and</td>
<td></td>
</tr>
<tr>
<td>physical properties such as: grain size through annealing cycles and</td>
<td></td>
</tr>
<tr>
<td>hardness, elongation and shape of material at temper mills.</td>
<td></td>
</tr>
<tr>
<td>--- Estimated Yield and Department Operating Expense Saving - $10,000</td>
<td></td>
</tr>
<tr>
<td>per month.</td>
<td></td>
</tr>
</tbody>
</table>
2. No more than 5%, plus or minus, deviation exists in unit and revenue sales forecast (Division Marketing Manager).
3. Trouble is reduced per 100 stations to 2.270 (Station Equipment) (Facilities Foreman).

b. **Verifiable Standards** where stated reports or records are used such as:

Performance is good when:
1. There is evidence of improved production efficiency as determined from the Construction Results Plan (Division Construction Supervisor).
2. There is improved efficiency in the business office as determined from the Business Office Work Volume Measurement Program (Commercial Manager).
3. Budgets are prepared for all traffic accounts applicable to the assigned office and operations are controlled so that the office functions efficiently within the limits of monies budgeted (Chief Operator).

c. **Qualitative Standards** where supervisory judgment is employed to determine quality of performance such as:

Performance is good when:
1. Company policies and procedures are effectively administered and followed throughout the Division (Division Manager).
2. His advice and opinion are continually sought and readily accepted (Staff Administrator).
3. There is evidence that sound adequate engineering planning exists to meet current needs and such planning established and/or is compatible with long range objectives (Chief Engineer).

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50Interview with Company No. 28, April 1963.
The use of performance standards is particularly important in the executive development program. If highly objective standards have been developed, the individual executives are able to appraise their own performance. The appraiser then becomes more of a coach rather than a critic. The individual is therefore believed to be adequately developed or his training needs are ascertained early.

The Process of Appraisal

The process of appraisal consists of two major elements: the appraisal itself and the review by the appraiser with the subordinates. As has been noted above, the appraisal itself may be done either by comparing the individual's actual performance against an established standard or by using personality traits or by a combination of both. Performance standards may be prescribed in a separate guide for appraisers or included on the sheet or form used. Personality traits are usually listed in a column and the degree to which they exist in the individual is checked alongside the particular trait according to some indicated scale.

Among the companies interviewed, there were as many different types of forms used for the appraisal of executives as there were companies. Also, there was a wide range of factors used to measure performance, promotability and potential.
Therefore, it is not considered feasible to present a typical list of appraisal factors. In general, the forms were set up so that the first part provided for a place to record present performance, either by descriptions or check list. In some cases, general administrative ability was appraised separately from technical ability. The second part of the form provided for an assessment of the individual's potential and/or promotability. In some companies this latter part was a separate form and was not seen by the individual being appraised. The third part (a second if potentiality was detached), was a summary statement indicating outstanding achievements, weakness, and recommendations for improvement through development programs. This summary could be used to review the appraisal with the subordinate. In some companies, the individual was required to describe on the form his objectives and goals and how well he has achieved them. This statement could be compared with the summary statement.

The review of performance with the subordinate is considered to be of major importance in the process of appraisal for the effective development of executive personnel. The review of performance is being used by 18 of the companies interviewed. The reviews, as noted, are first made by the immediate superior and then ascending levels of management who know the individual. Company No. 9 has an interesting procedure for review of performance:
The panel then discusses the man's potential as forecast by his job performance and personal characteristics. Here the discussion centers around the question: What is the next step? Upward movement is given primary consideration but lateral moves to gain increased experience or for better personal adjustment will also be reviewed. Several possibilities, even though they may be remote, should be listed. Often in this part of the discussion suggestions will be made never considered before and these may be very important in the future of the individual.51

Selection of Executives

In addition to the function of improvement of performance, appraisals are used for the selection and promotion of executives. It will be recalled from above that most appraisal forms contain some section or space for indicating promotability and potential. (It was also indicated that separate forms are sometimes used.)

The questionnaire contained a question pertaining to the extent of the selection and promotion programs of the companies surveyed. The responses showed that 40.8% (the lowest percentage of Table 7) had a program which provides for the procurement, distribution, flow, and attrition of executive personnel. It should be noted that such a program is all inclusive in order to have an adequate number of well-qualified persons ready for appointment to responsible positions. In addition, the operation of such a program tends

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51 Interview with Company No. 9, March 1963.
to be centralized to some extent. This is considered necessary in order that the best qualified individuals in the organization are considered for the higher positions.52

Among the companies interviewed, the extent of the selection and promotion programs, as described above, was approximately 56.7%. This percentage is the second lowest for the elements among the companies interviewed. It would appear that the reason for this low percentage (as well as that for the survey) is the decentralized nature of the selection and promotion programs. In addition, there seemed to be a reluctance on the part of some companies to move individuals from one part of the organization to another, although they had no hesitancy to procure from outside of the company.

In order to make the selections and promotion as well as to review the entire executive development program, ten (10) companies (30%) have centralized the procedure by conducting an annual executive development review. The reviews are formal meetings of the members of the management usually consisting of the Chairman, President, Executive Vice President, and Director of Executive Development or Organization Planning or Personnel who acts as secretary or recorder of the Review Board.

52Riegel, op. cit., p. 168.
The review generally consists of a candid appraisal of all executive personnel of the corporation. The purpose is to eliminate some of the subjective considerations involving such items as a man’s personality and attitude, unless these adversely affect performance and growth, and to concentrate more heavily on objective measurements such as:

1) What has been his performance over the past year? What have been his successes? Is there a pattern in his successes which would indicate his best avenues of future growth?

2) Is he meeting objectives in his present assignment?

3) In what respects does he need to develop?

4) Would he be of greater value to the company and develop faster in another line of work?

5) What is his ultimate potential?

With these questions and the answers thereto, the review board is able to make recommendations on the selection and promotion of high potential personnel. In large organizations that have centralized review procedures, the process of selection is extremely difficult because of the plethora of outstanding individuals. Therefore, the detailed examination and review of all material pertaining to the appraisal of the individual is of utmost importance.
INDOCTRINATION AND IMPROVEMENT

The fifth element of a comprehensive program of executive development is the indoctrination and improvement of the individual executives and those considered potential executives. The indoctrination and improvement of executives in this phase of the over-all program involves the imparting of knowledge, experience, philosophies, principles and concepts to the individual through training and education.

The preceding elements of the over-all program -- organization analysis and planning, determination of needs, inventory, and appraisal and selection -- are necessary steps to determine who should be developed and in what ways. The key element of the over-all program appears to be this element of individual indoctrination and improvement. It is through the medium of improvement methods that executives are encouraged, assisted, motivated and prepared to undergo the learning process necessary for developing their leadership at the highest levels. 53

Returning to the survey conducted for this study, an examination of Table 7 provides some information in individual

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53 The terms "improvement" and "development" are used here interchangeably and refer to the individual training, education and indoctrination process of the total over-all executive development program. Thus the term "development" is used in a limited way in this section.
executive indoctrination and improvement methods. In an effort to determine the extent of the programs of the companies surveyed, the three methods of improvement listed in Question No. 7 b., c. and d. were selected. It was ascertained from the preliminary survey that these three methods were the most prevalent. Moreover, the literature pertaining to executive improvement indicated that these were used more than any other methods.

The depth interviews provided additional information on methods used to develop executives. Whereas the percentages of those answering the questionnaire range from 45.0% to 58.3%, the depth interviews showed a range of 40.0% to 97%. In addition, they indicated that they used other methods or had used different methods in the past. As an example of the variety of the more common development methods, the chart shown in Figure 6 provides a fairly extensive list.\(^54\)

Although the majority of the methods listed on this chart are self-explanatory, some of them deserve additional comment.

**On-the-Job-Activities**

In a study conducted by Myles L. Mace in 1950, a major conclusion was that the most effective way of learning what

\(^{54}\)This chart was compiled with the assistance of the Directors of Executive Development of Companies No. 3, 25, 26 and 30.
<table>
<thead>
<tr>
<th>On-the-Job Activities</th>
<th>Broadened Company Experience</th>
<th>Outside Education</th>
<th>Company Training Program</th>
<th>Professional Community Activities</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guided Experience</td>
<td>Special Assignments</td>
<td>Night Schools</td>
<td>Supervisory Conferences</td>
<td>Professional Society Memberships</td>
<td>Civic Organizations</td>
</tr>
<tr>
<td>Job Rotation</td>
<td>Job Rotation</td>
<td>Adult Education Courses</td>
<td>Management Participation Orientation Programs</td>
<td>Business Organizations</td>
<td></td>
</tr>
<tr>
<td>Coaching and Counseling</td>
<td>Company Committee Memberships</td>
<td>Correspondence Courses</td>
<td>Management Committee Work Trainee Program</td>
<td>Public Speaking</td>
<td></td>
</tr>
<tr>
<td>Delegation of Responsi-</td>
<td>Inter-Department Meetings and Visits</td>
<td>University Executive Development Courses</td>
<td>Special Training Programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Assignments</td>
<td>Company Clubs and Activities</td>
<td>Seminars and Workshops</td>
<td>Departmental Training Programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Replacement of Supervisor Program</td>
<td>Reading Special Technical Management Courses</td>
<td>Advanced Management Courses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Group Meetings</td>
<td>Pre- and Post-Placement Orientation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
is involved in the performance of executive functions is by doing. "...the main and fundamental method of developing executive skills and capacities lies in providing opportunities for administrators to learn by doing." The same conclusion appears to be valid today. On-the-job activities take place during regular working hours and under the direct control and supervision of the individual's supervisor.

Coaching and counseling are used in developing an individual on specific aspects of a job because the learning process is aided by immediate application of the acquired knowledge. Coaching is centered on the individual to the extent that the individual can extract from it the knowledge and experience needed to develop his capacities. The actual experience in an assignment will teach the executive a certain amount, but his superiors objective counseling, during and at the completion of the job, will relate that knowledge both to his job requirements and to his present growth. Company No. 25 stated that 200 top executives interviewed in the company indicated that they learned the most from superiors who

55 Mace, op. cit., p. 192.
57 Ibid., p. 40.
were tough taskmakers but who delegated authority commensurate with responsibility, systematically coached them, and gave constructive criticism.

While the principle of coaching and counseling to accomplish on-the-job training was supported by 97% of the companies interviewed, several major questions arose in connection with the application of the principle. Several companies were concerned with the problem of "How do you prevent stifling detail from overburdening management people?" and "How do you keep them from being too obsessed by fear of mistakes, too hesitant in sharing broad information, too impressed with protocol or too busy to give constructive criticism?"

Job rotation or "cross-fertilization" as it is called in some companies is defined as moving managers between locations and fields of work such as sales, plant technical, manufacturing or research, as well as between departments. The change of job may be permanent or semi-permanent. Job rotation not only enables the executive to acquire know-how in more than one phase of business activity, but more importantly, provides an opportunity for him to work in different environments and to benefit from the counsel of different members of management.58 This latter particularly assists in validating appraisals of

58Mace, op. cit., p. 105.
performance and potentiality over a period of time. The individual has the added benefits of meeting and working with a wide group of people and of travelling to different locations. However, this last aspect sometimes acts as a disadvantage because of the reluctance of families to move from a favorable geographical location to another that might not be as nice. Also, the mere process of moving is distasteful to some people.

The depth interviews disclosed a wide disparity among the companies visited concerning the use of job rotation. At one extreme were those companies that rotated only a few executives within the same department. At the other were those companies that believe that job rotation is a way of life and rotate a high percentage of their executives. Company No. 25 provided the following illustration:

Of 550 executives who now occupy the upper management positions of the company --

\[1\] 70\% have already worked in more than one field (manufacturing, sales, or research, etc.) and 48\% have already worked in more than one department.

\[2\] 20\% moved in one year and 29\% of these moves involved a change of field.\(^59\)

It is believed that some of the direct advantages of job rotation are: 1) the promotion of greater coordination between different functions of the company; 2) more accurate appraisals and the elimination of favoritism; 3) the discovery of talent.

\(^59\) Interview with Company No. 25, June 1963.
and ability which might otherwise have remained undisclosed; and 4) the acquisition of experience that would otherwise require a long time.

The major disadvantages of job rotation are believed to be the expense and the temporary reduction of efficiency and effectiveness on the part of the individual. These drawbacks are considered minor compared to the advantages that companies believe they derive.

In summation, it is believed that rotation of assignments is essential for increasing executive effectiveness. By serving in a number of capacities, an executive not only gains additional job know-how, he also develops one of the most essential ingredients of executive effectiveness -- breadth of perspective.

Outside Education

The outside education aspect of executive development is concerned with the scholastic training of executives in order to develop their perception and enhance their power of analysis and discrimination. As indicated on the chart in Figure 6, outside education includes various types of formal and informal training offered by educational institutions such as high

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schools, universities, business and professional organizations, and special courses.

There are two major programs for the outside education of executives. The first is the university program and the second is the professional and technical organizations.

The primary purpose of the university courses is to broaden and increase the general education and background of the individuals. According to George C. Houston, the various programs presently being offered all seem to include the following objectives.

a) To teach the executive to improve his thought processes and analytical abilities.
b) To broaden the outlook of the individual so as to develop top-management perspective and aptitude for considering problems from the viewpoint of the company as a whole.
c) To develop expanded awareness and broader understanding of the economic, political, and social environment.
d) To develop increased awareness and understanding of human relations factors in organization.
e) To aid the individual to become more effective in his present job.
f) To increase his potential to handle more responsible and higher level assignments later on.61

Kenneth Andrews in his report on the education of business men states:

Because the executive development programs presuppose experience, they (university programs) emphasize change, increased

61 Houston, op. cit., p. 47.
awareness, re-examination of previous experience as ends rather than the acquisition for the first time of knowledge, analytical ability, techniques of management, or the orderly and systematic study of one or more business functions.62

The subject matter covered in the university courses tends to follow a general pattern involving principles, policies and concepts of business, labor, government, social, and personal problems and relationships.

Andrews categorizes the material covered into the following categories:

1. The human problems of administration and business organization.
2. Labor relations.
3. Policy formulation, general management, or the tasks of top management.
4. The social, economic, and political environment of business.
5. Marketing management.
6. Financial management.
7. Control, accounting, and other uses of quantitative data.
8. Personal improvement courses such as public speaking, speed reading, conference leading, and executive health.63

It would appear therefore that the subject matter listed above would provide for the intellectual conditioning of serious and dedicated executives.


63Ibid., p. 588.
To what extent do the companies surveyed and interviewed use outside education for their executives? Table 7 shows that 45% of those responding to the questionnaire did have an off-the-job education and training program.

The depth interviews revealed a wide variance in the attitude of companies who had executives attending universities for development purposes. At one extreme was the attitude of tolerance for those few executives that had a desire to attend and at the other extreme were three companies that virtually required their future top executives to attend the Advanced Management Course at Harvard.

The attitude and policy of Company No. 16 reflects the general feeling that prevailed among the majority of the other companies:

Participation in outside management courses not only satisfies individual development needs, but also provides the Company with a means of keeping abreast of the latest developments in the management field. One of the most effective means of assuring mastery of the course content, as well as assuring dissemination of the most recent developments in the management field, is to have the participants in non-Company management courses, upon their return, contribute to, and assist in the offering of the Company management course. In the selection of participants in outside management courses, the following criteria are suggested:

Age: -- 32 to 45 years.
Education: -- University graduate in top third of class.
Potential: --Considered to be of
General Manager/Managing
Director potential within
present functional or geo-
 graphical unit.

Executive Traits: --An interest in and concern
for people.
--An open and questioning mind.
--Proven leadership ability. 64

The other outside educational program for executives are
the professional and technical associations and organizations.
Among the better known and most widely used outside organiza-
tions are the American Management Association, National Train-
ing Laboratories, National Industrial Conference Board, and
Aspen Institute for Humanities Studies.

By far, the American Management Association provides the
most comprehensive program for executives. It offers courses,
conferences, and seminars on all phases and aspects of industry
and business management both for senior executives as well as
individuals with executive potential.

All of the companies interviewed used the AMA program
for their executive personnel on a voluntary basis. In addi-
tion, AMA uses operating executives as instructors and as
contributors to the seminars.

Company Training Programs

The other off-the-job training method is the company
operated training courses. These are special training programs

64 Interview with Company No. 16, April 1963.
designed by and used for various levels of management people. As indicated on the chart in Figure 6, these programs vary from an orientation type to a specific detailed type. In consonance with the objectives of this study, we are concerned only with those courses which companies operate for middle management and those individuals considered as potentials for middle and top management position.

The objectives of the company courses are generally different from the objectives of the university courses. The company courses are work-centered and for individual proficiency on the present job. According to Houston, the program content breaks down into three categories:

1) Companies information -- objective policies, procedures, etc.
2) Management information and practices -- principles of business organization, planning and control.
3) Development of personal skills.  

Company No. 26 indicated that the content of their training program was geared to the following:

1) Managerial skills.
2) Relationships within the business.
3) Relationships with outside environment.
4) Problems of the future.

With regard to the various levels of management training, recognition is being made that at the lower levels, an

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66 Interview with Company No. 26, April 1963.
executive tends to operate within fairly well defined programs and policies handed down from higher levels. At the higher levels, the executive's job is progressively enlarged. For all levels relatively little development takes place during the limited time of a formal program. The critical factor is what the individual executive does for himself, using the content of the program as raw material for personal growth in ability. 67

In general, the training programs conducted for management in the companies interviewed tended to concentrate on the lower levels of the management group. Excluding the orientation type of training and the College Trainee type, the programs were generally of two categories. First, there were training programs designed to improve abilities, skills, and knowledge of the present job or work level. The range of subjects is wide and they fall into the "How to" category.

The second type of company course is designed to broaden the knowledge and background of high potential executives. They are similar to university courses in scope and length of course. They usually are referred to as Advanced Management Courses.

As indicated above, the company-operated training programs in the thirty companies interviewed are not extensive

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67 Interview with Company No. 11, April 1963.
for middle and top management.

The general finding was that upper middle management did not usually participate in company training. The impression was gained in the interviews that first, these individuals were well "trained" and did not need to be given additional "training" and second, that if additional development was needed by these individuals they would be sent to a university course or an advanced course of the AMA or other organization.

Whereas company training is designed primarily to meet the needs of the first level supervisor, non-company management courses are offered to limited numbers of executives in all companies. For example, Company No. 16 expresses its policy on non-company management courses as follows:

The Company will continue to sponsor limited attendance at outside management courses. Intensive management courses of ten months and one year in duration are offered by M.I.T. and Stanford for individuals in their thirties with high management potential. Advanced management courses of four to thirteen weeks in length are offered at Harvard, Columbia, Henley, Melbourne, and elsewhere for individuals on the threshold of top management appointments. Specialized management classes of one to four weeks in duration, such as Cornell's course in Human Relations and Syracuse's course in Executive Controls, are offered for individuals who would benefit from intensive training in a single facet of management.68

Among the companies interviewed there were two that did provide a company training program for the development of

68 Interview with Company No. 16, May 1963.
executives. These programs were not called training but are named Executive Development Education and Management Seminars respectively. These programs are not considered to be substitutes for university programs but are designed with some similarity to university courses.

The Executive Development Education course in Company No. 12 is designed especially for men in middle management positions who are assuming increased responsibilities such as those of a district manager of a plant or laboratory manager. Some of these men will eventually rise into top-level executive position and the course is intended to help them prepare themselves for the farther as well as the nearer future. 69

The course is built around four general areas of study:

I. The Business Enterprise: An introduction to modern concepts of the corporation and the analysis of business organizations as economic systems; problems of functional interaction and interdependence—marketing, engineering, manufacturing, research; executive controls and coordination, including financial criteria.

II. The Business Environment: The Corporation, The Economy, and National Policy: (1) A survey of the American economy—programs, of growth, stability, national income accounts, labor and agriculture; (2) an introduction to problems of the governance of the modern corporation—the manager, the stockholder, the employee, the community, etc.; (3) a first-hand study of national policy, the roles of the

69 Interview with Company No. 12, April 1963.
various branches of the Federal government, and the development of constructive business and government relations.

III. The Individual and The Organization: A study of individual and group behavior in the large business organization; the effects of change and particularly automation; issues of executive motivation; planning for effective utilization and development of human resources; the structure and meaning of work in contemporary society; understanding effective executive action.

IV. Decision-Making: A variety of experiences in making actual decisions through role-playing, business simulation exercises and other techniques; stress on analytical methods and use of new managerial tools, such as Operations Research.

To summarize, company training courses are in a process of change and fluctuation. Constant revisions are being made to provide for expanded concepts and advanced techniques.

Clark and Sloan in their study of industrial programs stated:

Having almost burst into existence during the past ten years, corporation educational programs are still in a dynamic state. Some are just now being established; many are undergoing rapid development; all are subject to abrupt change, as experience and conditions dictate. Differences and similarities appear in bewildering confusion, reflecting various approaches to the problem and the diverse circumstances surrounding each corporation and product. Everywhere there is keen awareness of the acute need for trained personnel, for keeping abreast of the times, and for maintaining a flexible organization. The conviction that the answer is to be found in an educational program is common.

70 Interview with Company No. 12, April 1963.
enough, but there uniformity ends; there is no typical organization, no standard procedure.

Summary

A comprehensive program of executive development consists of organization analysis and planning, determination of executive needs, appraisal and selection and the indoctrination and improvement of executives. Organization analysis begins with the forecasting of organization structure in relation to organization goals. The determination of future executive needs is based on future structure which prescribes the number of executive positions. The skills and responsibilities of duties required are prescribed by position descriptions. Executive development is also concerned with an inventory of present executive abilities and capabilities. Appraisal provides for the periodic evaluation of executive personnel in order to adapt to organization changes to meet corporate objectives and goals. The difference between future executive needs and current executive resources is compensated by individual indoctrination and improvement. Because executives are individuals, no rigid method of indoctrination and improvement is considered feasible. A variety of programs is used, such as on-the-job activities of coaching and counseling, job rotation, and off-the-job

education in university courses and company training courses. Executive development is not an end in itself but a means to an end -- to assure that reserves of men are qualified and available for replacements as openings occur in key positions and to provide the organization with a growth capability that is necessary for continued business success.
CHAPTER V

THE INTEGRATION OF EXECUTIVE DEVELOPMENT
AND LONG-RANGE PLANNING

The purpose of this chapter is to analyze and describe the nature and extent of integration of executive development and long-range planning in the companies surveyed and interviewed. It will be recalled that the objectives of the study are: 1) to determine the nature of integration; 2) to determine whether or not organizations do integrate and relate the functions of executive development and long-range planning, and 3) to determine how integration is achieved.

This chapter will attempt to summarize and collate the preceding three chapters so as to describe the integration of the two functions. At the same time, additional data will be presented to indicate the extent to which the two functions are conducted and the extent to which they are integrated. Additionally, the criteria for determining the nature and extent of integration will be considered and discussed. This chapter, therefore, is designed to synthesize the information obtained and presented in Chapters II, III, and IV in order.
to set the stage for the conclusions and recommendations in the following concluding chapter.

The Nature of Integration

Before discussing the nature of integration, the term integration must be defined and explained. The dictionary defines integration as "the bringing together of parts into a whole." To be integrated means "to be made whole by combining in systematic order or arrangement the component parts or factors" and "the orderly arrangement of components, parts, elements, or systems into a pattern of behavior or operation."¹ Thus, an integrated system means to combine the various parts into a systematic program so as to achieve completeness. In addition, it would seem appropriate to infer that an orderly association and arrangement should result when combined.

Accordingly, to analyze the nature of integration of the executive development function with the long-range planning function requires first an identification and description of the parts or components that are essential to integration, and second, the description of the relationship, arrangement, combination, or patterns of the parts of a complete program. It is necessary to determine the exact elements that are

fundamental to the program of integration. Initially, it would appear that two of the parts of an integrated program are (1) a complete and comprehensive long-range planning program and (2) a complete and comprehensive executive development program. These two parts have been described in detail in the preceding chapters. These are the primary parts and are obviously identified easily.

However, it seems that integration requires additional parts in order to effect the combining and arranging. Some process and procedure must exist which will result in a systematic relationship, arrangement or pattern. Therefore, the third part of integration might be identified as a "program of relationships, associations, and arrangements" that provide the medium for merging of the two primary parts named above. The "program of relationships" will be described later in the chapter.

In addition to the identification of the three parts named above, it appeared to the researcher that integration was still not completely identified and described. In the process of interviewing the thirty companies concerning their programs of executive development and long-range planning, it was observed that those companies that had the better programs and seemed to understand fully the concept of
integration, had developed a technique of review and analysis by top management of the two primary parts. This review and analysis seemed to complete the closure needed for the full integration of the two primary parts. Therefore, it was concluded that a fourth essential element of integration might be called a "program of review and analysis." In other words, a program of review and analysis when formally conducted at periodic intervals provided the capstone to the concept of integration. Whereas the third part is usually present in some degree in an organization having the two primary parts, the fourth part provides completeness and totality to the concept. This part will also be described later in the chapter.

Accepting the above aspects as elements or parts of integration, it is conceived that they may also be viewed as the criteria or conditions to be used to determine the nature and to measure the extent of integration of executive development and long-range planning. When considered as such then, it may be reasoned that the combination and arrangement of the criteria or conditions in a discernible pattern constitutes the basis for a hypothesis of integration of executive development and long-range planning.

The hypothesis may be stated as follows: The integration of the executive development function with the long-range
planning function occurs when and only when the four criteria are present. In other words, it is believed that the four criteria must be manifest, must be complete, and must be formally conducted in order to acknowledge that an organization does integrate the two functions.

The four criteria, therefore, are restated as follows:

I. A complete and comprehensive long-range planning program.

II. A complete and comprehensive executive development program.

III. A program of relationships, associations and arrangements of the two primary programs.

IV. A coordinated review and analysis of the two primary programs.

This then is the nature of integration of executive development and long-range planning. The evidence gathered from the survey and interviews provides the basis for the above hypothesis. No individual organizations were explicit in their conception of the integrative process. Inferences and implications concerning the factors, forces, and procedures of the two main programs could be induced nevertheless from the primary research data. The researcher believes that the above hypothesis concerning the integration of the executive development functions is amply supported by his data.
The Criteria of Integration

Criterion I: The first criterion of integration is the existence of a complete and comprehensive long-range planning program. It will be recalled that in Chapter II a distinction was made between what was called a long-range planning process and a long-range planning program. The program was described as the specification of the total planning effort. It is a proposal for achieving the objectives of the organization by allocating resources and by prescribing courses of action.

The scope of the planning program includes all activities or functions of a business enterprise. In essence, an integrated formal planning program is the grand strategy of the organization.

In Chapter II it was stated that a complete and comprehensive planning program should consist of the following elements:

1. A Statement of Corporate Goals and Objectives
2. An Expansion, Diversification and Growth Plan
3. A Product Plan
4. An Operations Plan
5. A Marketing Plan
6. A Facilities Plan
7. An Organization Plan
8. A Personnel Plan
9. A Financial Plan

The above list of elements is believed to constitute a complete planning program. The degree to which these were present in the particular organization usually varied with the length of time the organization had been engaged in long-range planning. While no tabulated data was made on the planning experience of the companies visited, in general, most companies had at least one to two years experience.

In addition to having the elements listed above as the complete planning program, the program is considered to be comprehensive when conducted and coordinated by a specifically designated planning group, and reviewed and approved by top management. In addition, a program is considered to be formal when written directives are issued outlining the procedure and process of planning along with the specifications of the format for the development and presentation of the plans.

The extent of a formalized planning program among the companies surveyed was indicated in Table 1 which showed that 58.3% report that they have a complete and comprehensive program of long-range planning.

It was also stated in Chapter II that 60% of the companies interviewed have formalized long-range planning programs.

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2For a complete discussion and description of the elements of a long-range planning program, see Chapter II, pp. 62-70.
At least 8 of the elements of the long-range planning program listed above were evident. Responsibility for the program had been delegated to a formal planning group headed by an individual with the title of Vice President for Corporate or Long-Range Planning, Director of Corporate Planning, or Director of Plans. All echelons of the corporation appeared to be aware of, supported and participated in the program.

With respect to the elements listed above, the chart shown in Figure 7 indicates the percentage of companies employing each of the planning elements in their long-range planning activities. This chart shows that the greatest percentage of companies conduct Financial planning followed by Marketing, Product, and Operations planning in that order. These are usually referred to as the primary planning elements. The companies indicated that they had been engaged in financial planning and marketing planning long before the advent of a long-range planning element. Therefore, the incidence of this type of planning being greater than the other types of planning is not surprising.

While the percentage for the element Objectives is low, this does not mean that some organizations did not have objectives. It does indicate that formal statements of corporate objectives are made by 60% of the thirty companies. The remaining companies either have no written objectives or are
FIGURE 7

PERCENTAGE OF COMPANIES USING EACH OF THE PRINCIPAL CORPORATE PLANNING ELEMENTS (N=30)
in the process of producing them.

The percentage of companies conducting Facilities planning, Organization planning and Personnel planning are also low. These elements are referred to as secondary, supplementary or support planning. This does not mean that they are not as important as the primary plans. Many organizations indicated that personnel planning had been conducted for many years and was of top importance. However, the inclusion of personnel planning and organization planning in the long-range planning program has been slow. While such planning is conducted, it has tended to be done separately and with little or no reference to the over-all corporate program. In those few companies that did provide for personnel planning and/or organization planning in the long-range planning program, the data usually concerned plans for total number of manpower requirements with no breakdown of categories.

It should be pointed out that the percentages shown do not indicate the degree of completeness of the planning programs of the thirty companies interviewed. While it was stated previously that 18 had a formal planning program, a lesser number of companies include all the elements in their respective programs. Therefore, it is necessary to determine the number of elements used in the companies interviewed. The following percentage distribution shows the degree
of completeness of the planning program according to the number of elements included.

<table>
<thead>
<tr>
<th>No. of Elements</th>
<th>No. of Companies</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>8</td>
<td>26.7%</td>
</tr>
<tr>
<td>8</td>
<td>10</td>
<td>33.3%</td>
</tr>
<tr>
<td>7</td>
<td>6</td>
<td>20.0%</td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>16.7%</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>3.3%</td>
</tr>
<tr>
<td>30</td>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The above data indicates that 26.7% of the companies had all elements in their planning programs, whereas one company had only 5 elements. If the above data is cumulated, it is significant to note that 18 companies (60%) had at least 8 elements in their planning program, 24 (80%) had at least 7 elements, and 29 (96.7%) had at least 6 elements. In other words, 96.7% of the companies included at least two-thirds of the elements in their planning programs.

**Criterion II:** The second criterion of integration is the existence of a complete and comprehensive executive development program. In Chapters III and IV the essential elements of a complete and comprehensive executive development program were presented and discussed. These elements are

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3 For a complete discussion and description of the elements of executive development, see Chapter IV.
restated in order that some indication may be made of the extent to which they are present in the organizations inter-
viewed as well as a review of the organizations surveyed.

1. Organization Analysis and Planning
2. Determination of Executive Needs
3. Executive Inventory
4. Executive Appraisal and Selection
5. Indoctrination and Improvement of Executives

It was indicated in Chapter III that based on the ques-
tionnaire, 90.9% of the companies surveyed had programs of 
executive development. At the same time, 90% of the compan-
ies interviewed had programs of executive development. Ac-
cordingly, this statistic is considered to be reliable. Ap-
proximately the same percentage has been obtained by applying 
two different but valid methods to the same original source 
of data.

It will be recalled that Table 7 presented the results 
of the survey pertaining to various aspects of executive de-
velopment. Similar data was obtained from the companies in-
terviewed. In order to portray this information and to pro-
vide a basis for a discussion of the extent of the executive de-
development programs of the companies surveyed as well as the
companies interviewed, the chart shown in Figure 8 has been prepared.4

While the percentages cited above concerning the extent of the over-all executive development programs of the companies surveyed versus the companies interviewed is almost the same, the chart indicates wide variances among the individual elements for both sets of companies. It also shows a difference, element by element, between the two sets taken as a whole. For example, 80% of the companies interviewed indicated that they made forecasts of organization structure and made estimates of future executive needs as compared with the companies surveyed which showed 46% and 48% respectively for these same elements. In fact, in all instances, except for the sub-element of Job Rotation, the percentage was higher for the companies interviewed. The significance of these differences seems to be that the percentages reflect differences in excellence of management. This is corroborated by an independent study of the American Institute of Management.5

It should be noted that the elements in Figure 8 are not exactly the same as the elements indicated on page 171. Elements number 1, 2, 3 and 4 are the same. In the figure element number 5 is a sub-element of number 4 and elements number 6, 7 and 8 are sub-elements Indoctrination and Improvement. In view of the fact that the data was collected according to the listing in Figure 8, it is considered appropriate to present them this way and to call them elements for the purpose of discussion.

FIGURE 8

PERCENTAGE OF COMPANIES USING EACH OF THE EXECUTIVE DEVELOPMENT ELEMENTS

(Companies Surveyed: Companies Interviewed)

(N=120)  (N=30)
It was found, using the 1962 list of EXCELLENT MANAGERS of A.I.M., that 70% of the companies interviewed were on the list whereas only 58.3% of the companies surveyed by questionnaire were on the list. Therefore it may be inferred that the extent of executive development programs are, to some degree, influenced by the excellence of management.

Of greater importance is the completeness of the executive development programs. Assuming that the elements named above constitute a complete program of executive development, it was found that of the 120 companies surveyed and the 30 interviewed, the following percentage distributions were obtained from the questionnaire according to the number of elements checked in Questions No. 4 and No. 7, Table 7.

<table>
<thead>
<tr>
<th>No. of Elements</th>
<th>Interviews</th>
<th>Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>10.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>7</td>
<td>16.7%</td>
<td>12.5%</td>
</tr>
<tr>
<td>6</td>
<td>13.3%</td>
<td>14.2%</td>
</tr>
<tr>
<td>5</td>
<td>30.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td>4</td>
<td>16.7%</td>
<td>23.3%</td>
</tr>
<tr>
<td>3</td>
<td>10.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>2</td>
<td>3.3%</td>
<td>10.0%</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>5.0%</td>
</tr>
<tr>
<td>0</td>
<td>100.00%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

100.00%
This data indicates that only 5% of the companies out of 120 surveyed indicated a complete program of executive development as compared with 10% of the 30 companies interviewed. The distribution in these instances is much wider than in the case of the elements of long-range planning. If this data is cumulated for the companies interviewed only, we should note that 96.7% have at least three elements in their program of executive development as compared with six elements of their long-range planning programs.

In addition to using the elements listed above to determine the extent of a complete program of executive development, the program is considered to be comprehensive when it is conducted in a logical and sequential manner, when supervised by a specifically designated individual or group and when reviewed and approved by top management. Furthermore, formality is a factor when written directives and policies are prepared and distributed for the information and guidance of all concerned. Among the companies interviewed, 24 had directors, managers, or vice presidents of executive development responsible for the program. The other six relegated the function to an assistant who had other duties than personnel. Written directives and policy manuals were in evidence in sixteen companies. Whether or not a logical and
sequential procedure was followed could only be ascertained in 12 of the companies. However, this figure is not considered to be conclusive since the researcher was not able to pursue this matter actively. The factor of review and approval of executive development programs will be considered under a separate criterion. Only ten companies have a review and analysis technique at this time among the thirty interviewed.

**Criterion III**: The third criterion of integration is called a "program of relationships." The program provides for the organizational and procedural arrangement, relationship, and association of the two primary programs of long-range planning and executive development.

This criterion is concerned with the extent of coordination that is effected between the two primary functions and the procedure for coordinating and combining the two functions. In other words, the organizational relationship, arrangement and association are considered to be a measure of integration. In addition, the procedural arrangement for ensuring that the two functions are meshed so as to accomplish the organization objectives is also a measure.

In order to examine the first part of the above criterion, the researcher used the question "To what extent is your
long-range planning element related to or integrated with your executive development element?" as Question No. 8 of the questionnaire. The results are shown in Table 8. The largest percentage, 68.3%, of the answers indicate that an informal relationship with no direct connection is predominant among the companies answering as compared to the other percentages. The 10.8% that have the same group handle both functions and the 10.0% that have the functions in the same divisions, department or section can be assumed to coordinate closely and most likely with an established procedure. However, 20.8% is relatively small compared with the predominant answer of 68.3%. The main purpose of the question was to obtain information concerning the organizational relationship of the two functions.

The depth interviews tended to validate the data obtained in the questionnaire. Table 9 shows how the thirty companies responded to the questionnaire. While the percentages are not the same as those in Table 8, they are considered to be comparable and reliable for the purpose of further consideration of the organizational relationships of the two functions.

Investigation of the eight companies that checked items 8 c. or 8 d. in Table 9 revealed that the long-range planning elements and executive development elements of these companies
### A SURVEY OF LONG-RANGE PLANNING AND EXECUTIVE DEVELOPMENT ACTIVITIES

**Answers to question No. 8:**

8. To what extent is your long-range planning element related to or integrated with your executive development element?

<table>
<thead>
<tr>
<th>Option</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Not related in any manner</td>
<td>19</td>
<td>6.4%</td>
</tr>
<tr>
<td>b. No direct connection but informal coordination occurs</td>
<td>82</td>
<td>68.3%</td>
</tr>
<tr>
<td>c. Separate units in the same division, department, section, etc.</td>
<td>12</td>
<td>10.0%</td>
</tr>
<tr>
<td>d. Are one and the same element</td>
<td>13</td>
<td>10.8%</td>
</tr>
<tr>
<td>e. None of the above</td>
<td>3</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>120</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Answers to question No. 8:

**To what extent is your long-range planning element related to or integrated with your executive development element?**

<table>
<thead>
<tr>
<th>Option</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Not related in any manner</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. No direct connection but informal coordination occurs</td>
<td>22</td>
<td>73.3%</td>
</tr>
<tr>
<td>c. Separate units in the same division, department, section, etc.</td>
<td>5</td>
<td>16.7%</td>
</tr>
<tr>
<td>d. Are one and the same element</td>
<td>3</td>
<td>10.0%</td>
</tr>
<tr>
<td>e. None of the above</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>30</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
were coordinated by a single vice president or general manager in a formal, systematic and periodic manner.

The remaining 22 companies or 73.3% had separate vice presidents or general managers directing or supervising their long-range planning and executive development efforts respectively. This is not to infer that coordination does not exist in these companies. It does indicate that coordination was not as easily achieved as in the case of the eight companies having the same vice president for both functions. Coordination in the 22 companies resulted through informal methods such as chance conversations at lunch or coffee breaks, rumors, conferences or through the initiative of a member of either group who considered it advisable to determine what the other group was planning. In other words, informal, sporadic coordination was evident among the companies interviewed insofar as the members of the groups are concerned. Under such conditions some slippage occurred because no specific provision was made for the planning inputs of executive development and organization planning. As expressed by one individual, involved with executive development: "Unless you have formalized and standardized procedures for coordination, there is a tendency for a 'policy of insulation' to develop." Another individual admitted that he was never officially brought in on the planning, and hence proceeded to develop personnel based on today's needs rather than future needs. This is a
very important point. In the absence of coordination with long-range planning, it appears that there is a tendency to develop a short-range approach to a long-range problem.

In the case of the eight companies, on the other hand, that had a vice president or general manager responsible for the two functions, detailed written procedures were promul-gated for effecting coordination and for ensuring that executive development planning inputs were part of the over-all corporate long-range plans.

In substance, therefore, integration seems to be facili-tated by means of an organizational relationship, together with written instructions for coordination and cooperation of the two functions of long-range planning and executive development.

The second ingredient of the program of relationships concerns the procedural arrangement, association and relationship of the two primary programs. In order to explain the procedural relationship a proposed conceptual framework is illustrated in Figure 9. An explanation of Figure 9 is as follows:

The function of Long-Range Planning consists of the elements of a complete and comprehensive planning program as discussed previously. One of the elements of the planning
FIGURE 9

CONCEPTUAL FRAMEWORK FOR THE PROCESS OF INTEGRATION

LONG-RANGE PLANNING

OBJECTIVES

EXPANSION
DIVERSIFICATION
GROWTH

PRODUCT

OPERATIONS

MARKETING

FACILITIES

ORGANIZATION

PERSONNEL

FINANCIAL

ORGANIZATION PLANNING

DETERMINATION OF EXECUTIVE NEEDS

EXECUTIVE INVENTORY

APPRaisal AND SELECTION

INDOCTRINATION & IMPROVEMENT
Program is Organization Planning. Organization planning is also the first element of a complete and comprehensive Executive Development program. Therefore, the same element is part of the program of both functions and is shown accordingly. The other elements of an Executive Development program are shown to indicate their procedural position relative to that of Organization Planning. In other words, if it can be assumed that the elements of a complete and comprehensive Long-Range Planning program and Executive Development program are those listed on pages 171 and 177 of this chapter, then the sequence logically of the process of integration is:

1. Long-Range Planning
2. Organization Analysis and Planning
3. Determination of Executive Needs
4. Executive Inventory
5. Executive Appraisal and Selection
6. Indoctrination and Improvement of Executives

This sequence is indicated in Figure 9 by the numbers. Obviously, the only time this sequence would be in the order shown is in the case of original planning for organization and executive development. In the case of the companies interviewed, the steps shown overlapped and were carried on concurrently. The system can be said to be circular in that the program is on-going and requires continuous feedback.
Stated another way, the program of relationships requires that long-range planning include the element of organization planning. The organization planning that is conducted initiates the planning for executive development since knowledge of organization requirements is a prelude to the planning to provide for the requirements. With the requirements established for executive personnel, inventory and appraisal of present resources must be continued and maintained. With the knowledge of organization needs and the knowledge of executive resources, the indoctrination and improvement of individuals provides for the difference between the two -- needs and resources.

The questions that come to mind now are (1) What is the procedural relationship that exists in the companies interviewed? and (2) Do the companies coordinate and relate their long-range planning and executive development activities with a program as described above?

There appears to be no quantitative answer to these questions. The researcher was unable to ascertain any fixed pattern of integration between the two activities. One long-range planning officer said that the process is wide open and varies with each corporation. However, while no fixed pattern could be ascertained, general agreement and acknowledgement was made by the various individuals contacted that a procedural
relationship exists. Typical of the comments is that of a Senior Vice President: "I can merely state that in our company we have conducted formal, long-range planning for a number of years, and there is no question that there is a direct relationship between the need and availability of qualified executives to complete your long-range plans, and I do not believe we have the tie-in which you seek."

Based on observations, inferences and induction, the program is believed to follow generally the sequence outlined above.

Criterion IV: The fourth criterion of integration is a program of review and analysis of the two primary functions by top management. In some respects, this part has some resemblance to the third part in that a procedure for effecting coordination is necessarily included in a program of review and analysis. However, the program of review and analysis is at a different level and is conducted at fixed periods ranging from monthly reviews to a yearly review, whereas in the program of relationships coordination between the two functions is usually continuous and conducted by the staff agencies responsible.

This aspect of the study was not included in the questionnaire, and therefore no data is available from the companies surveyed. However, among the companies interviewed,
ten companies have a formal comprehensive review program for considering the effectiveness of the executive development program as it relates to the over-all corporate objectives and long-range plans. The other 20 companies have varying degrees of review but have not formalized the program to the extent believed necessary to make it part of the integration concept.

As indicated above, the concept of a review and analysis program of executive development is relatively new and unique. It is the opinion of the researcher that this part of integration is the focal point of the over-all concept. The three preceding parts are drawn together, systematically unified, and rationally examined by the key personnel of the organization in this part of the integration process.

In order to provide understanding of the criterion, an examination of the review programs of two companies follows:

**Company 5.** The management (executive) development review committee is composed of four members: the Chairman of the Board of Directors, the Vice President of the Board, the President, and the Vice President of Administration. The Director of Personnel Administration serves as secretary of the Committee for all meetings.

This review Committee has two major objectives: first, to assure that proper attention and weight on a continuing basis is given to the
improvement of management; and second, to achieve a common understanding that responsibility for management development is a major criterion against which an executive's performance is measured.6

The management (executive) development review procedure is as follows:

The management development activities of each unit, or operation and division and subsidiary will be reviewed annually by (the) company-wide committee. The procedure will consist of a review of the following aspects of management development:

Planning both the quantitative and qualitative personnel needs of the individual organizational unit.

Review of the personnel resources available to fulfill the needs of the organization.

Determination of key jobs or occupations and review of action taken to assure succession to these jobs of properly trained and experienced executives.

Review of educational and training programs for usefulness of content to the management development process, adequacy of teaching method, and degree of consideration of individual educational and psychological needs.

Review of procedures, techniques and concepts of on-the-job development of personnel.

Review of the process and concepts of executive appraisal.

Review of recruiting, selection and placement techniques applicable to managerial, technical and professional personnel.

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6"Report to the Board of Directors on Management Development," Company No. 5, privately circulated within the corporation (September 1959), pp. 10-11.
Review of environmental factors thought to influence organizational as well as individual effectiveness. This includes both extrinsic values such as pay and status, and intrinsic values such as inherent worth of the work.

Review of goals for the coming year together with budget estimates of training and education costs.

The head of each operational unit designated below will report on management development for his unit, covering the general fields outlined above in whatever manner he believes desirable.

The amount of time for review will be roughly geared to the size of the operational unit but in no case will the annual review exceed three hours.

Notice of reviews will be given at least three months in advance, and after the first round of reviews, dates will be set approximately a year in advance. 7

The benefits and accomplishments of this review procedure are several, according to the personnel who are responsible for monitoring the program. First and foremost, the active solid support of the highest corporate level is obtained and maintained.

Second, attention is focused on executive development by the line personnel. Staff personnel are not allowed to present reports to the committee. Instead, the division

A manager is required to appear and to be fully conversant with the plans and personnel of his organization. The primary reason for this is to establish complete line responsibility and accountability for executive development at each organizational level. Staff executives must report to a higher line executive in order to prevent the staff from usurping the authority of the line. Furthermore, by requiring the line executive to present the specifics on the personnel of his organization, he must necessarily be fully knowledgeable of his subordinates. This is one of the maxims of leadership which provides for high morale and esprit.

Third, uniformity of executive personnel practices has resulted. Performance appraisals, inventories, interdivisional transfers and promotions, and elimination of dead-wood have been standardized and accomplished so as to improve the quality and content of programs administered in the corporate facilities.

Finally, the centralization of personnel records has resulted along with the use of electronic data techniques for ease of reference and control. This tends to provide uniformity in the handling of executives. However, considerable latitude is allowed in the subordinate echelons for adapting procedures to particular programs.
Company 22: The management development reviews are conducted by the Compensation and Executive Development Committee (CED Committee) composed of the Chairman of the Board of Directors, the President, and five Executive Vice Presidents. The Director of Organization Planning and the Director of Executive Development are available to the Committee as consultants, assistants and recorders when needed.

The procedure of management development reviews is outlined below:

Management development reviews provide an opportunity for affiliates to inform the Compensation and Executive Development Committee and the Directors as to:

Effectiveness of present organization structure and plans for organization changes to meet future requirements.

Individuals with high advancement capacity and the development plans for such men, as well as general programs for improving the effectiveness of all management personnel.

The adequacy of the immediate and longer-range replacement situation for key management positions and plans for meeting present and future management personnel requirements.

This memorandum outlines areas of particular interest and suggests a form of presentation which should result in more meaningful management development review. The Committee's Secretary, in consultation with the Contact Directors, will forward specific suggestions for the guidance of each affiliate.
1. **Organization Review**

Because of the interrelationships of organization and management development, it is suggested that the review begin with a brief treatment of organization matters, as follows:

a. Significant changes in basic organization structure during the past 12-18 months or since the last management development review.

b. Effectiveness of present organization structure.

c. Plans for bringing further improvements into organization structure and for organization changes to meet future requirements.

d. Where appropriate, this part of the review may also touch on organizational problems and objectives, affiliate relationships, and similar matters.

**Required material:**

- Current organization charts.
- Projected organization charts, if appropriate.

2. **Development Activities Review**

In previous years, management development reviews have been principally concerned with the information and judgments summarized on replacement charts. This attention to the replacement situation has resulted in most affiliates doing a satisfactory job of finding qualified men to meet current needs and in planning to meet near-term replacement needs. However, an analysis of our longer-range requirements (five to ten years) for high level personnel indicates a demand which suggests that our potential supply will not be adequate unless extraordinary efforts are taken, beginning now. The anticipated demand for high level managers is in virtually all functional areas and is particularly acute for general
managers, directors, and chief executives in affiliates and for key personnel in the parent company. The Committee considers this need of vital importance and suggests that the development of men who appear to have high advancement potential receive the highest possible priority.

To assure that proper attention is being given to the development of high potential men (as well as others), the following areas will be of particular interest to the Committee:

a. **Development plans for high-potential men.** The term "high potential" obviously has a different connotation to each affiliate. In this connection "high potential" refers to those men who are believed to have the capacity to advance to senior level positions in the affiliate, i.e., chief executive officer, the board of directors, and the heads of the principal operating and staff organizations immediately below the board. The Committee would be interested in the plans the affiliate has for furthering the development of each man identified as having the potential to advance to a senior level position.

**Required material:**

Specific development plans for each high potential man.
Photographs and brief personal history statements of each high potential man.

b. **General programs to improve effectiveness of management personnel.** Although particular attention will be given to the individual development plans for high potential men, the Committee believes that the effectiveness of all management personnel and of all future management candidates, is subject to varying degrees of improvement. It is important, therefore, that in giving this special attention to high potential men, sight not be lost of the need to continue organizational improvement and
individual development activities affecting the greater part of the organization.

**Required material:**

Brief description of over-all management development activities.\(^8\)

The benefits and results of the above procedure are essentially the same as those of Company No. 5. The Director of Executive Development indicated that he would like to ascertain the qualitative needs of executive personnel for the future. He indicated that the only way he was able to provide for quality at the present time was to develop a large number of executives for the future. This creates a reserve from which it is hoped that quality will emerge. In other words, quality results from quantity in the absence of the means to obtain quality directly.

The review procedure and coverage in the other eight companies was similar to the above, but not as extensive.

Taking the ten companies together and analyzing their programs, it would appear that a typical detailed outline for the review program for all of them can be presented. In addition, it is considered that this outline could be used by all organizations for reviewing and analyzing their executive development and long-range planning.

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The detailed outline is presented below:

1. Corporate and Division Objectives Review
   a) Assumptions as to goals and environment
   b) Sales forecasts and Market Potential
   c) Financial and budget projections

2. Organization and Operations Review
   a) Present organizational structure
   b) Effectiveness of present structure
   c) Planned changes in structure
   d) Relationship of objectives with structure for the long-range
   e) Action Programs -- Product, Marketing, Process, etc.

3. Executive Development Review
   a) Evaluations of executive personnel with previous reports, analysis of variances
   b) Promotions, transfers, special assignments of high potentials
   c) Use of Training Programs -- Outside Company and Inside Company
   d) Estimated Gains and losses
   e) Development Plans for executives covering
      1) Estimation of needs
      2) Appraisals
3) Training and Education
4) Compensation
5) Succession and Replacement Charts

4. Individual Review -- Key Personnel
   a) Personal Histories
   b) Personnel Appraisal
      1) Performance
      2) Potential
      3) Promotability
   c) Recommendation for Future

5. Summary of the Program.

Summary

This chapter attempted to explain the nature and extent of the integration concepts of executive development relative to the long-range planning program. The criteria for determining and measuring the degree of integration were proposed and explained.

Integration was defined as a systematic process of relating and combining parts so as to achieve completeness and comprehensiveness. The parts or criteria of integration were hypothesized as being:
I. A complete and comprehensive long-range program

II. A complete and comprehensive executive development program

III. A program of arrangements, relationships and associations of the two primary programs

IV. A coordinated review and analysis of the two primary programs.

Data pertaining to the criteria was presented as a result of the survey conducted by questionnaire and by interviews of selected companies.

The general conclusions and recommendations resulting from the data presented in this chapter will be presented and considered in the next and final chapter.
CHAPTER VI

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter will present the general summary, conclusions, recommendations and implications of the study. It explains the basis for the study, the scope, the findings and the contribution to the field of management.

Summary

This exploratory study has as its central focus the concept of integration of executive development and long-range planning. The study was begun with the idea that a discernible relationship between executive development and long-range planning could be found in the practice of large-sized business and industrial corporations. The study is exploratory in that hypotheses were sought rather than tested. Accordingly, the study was designed to obtain and present empirical evidence of experience in corporations where it was presumed the two activities would be manifest and might tend to be integrated.
To accomplish the above objectives, a questionnaire was sent to the top 225 corporations listed in the 1962 Fortune Directory of the 500 largest U.S. industrial corporations who had sales or assets of at least 100 million dollars and at least 10,000 employees. From the 120 respondents to the questionnaire, 30 were selected for depth interviews on the items contained in the questionnaire. The questionnaire was designed so as to obtain answers to the following questions:

1. To what extent is long-range planning conducted and for what periods of time?

2. What individuals or organizational units are responsible for the long-range planning function?

3. What does the long-range planning program encompass?

4. To what extent is executive development conducted?

5. What individuals or organizational units are responsible for the executive development function?

6. What does executive development encompass?

7. How is the executive development program related to and integrated with the long-range program?

These questions were formulated as a result of the secondary research conducted on the subjects of long-range planning and executive development. The secondary research provided data as to the opinions, ideas, concepts and theories of various academicians, management consultants and businessmen.
It was considered that an exploratory study, using the above questions as a guide, would provide information and data on the nature of integration. Concepts, ideas, theories, formulas, models, etc. might be evolved from the organizations surveyed and interviewed. These could then be analyzed to conceive or postulate hypotheses of integration.

Initially, it was found that the concept of integration was loosely defined and used without preciseness both in the literature and in the sample of companies. While the concept was recognized and discussed, it was not defined succinctly and clearly. The literature established the need for integration of executive development and long-range planning but the specific methods for achieving integration were not spelled out. The results of the primary research were similar in that the companies agreed that there was a definite need for integration but that they were unable to describe specific methods for achieving it.

The concepts and ideas identified in the literature pertaining to long-range planning and to executive development were observed in varying degrees in the companies studied.

The major concepts pertaining to long-range planning were identified to be the following:

a. The planning concept itself

b. The planning period
c. The planning organization  

d. The planning procedure  

e. The planning program  

The literature indicated that the concepts named are basic to long-range planning. The specific extent to which these existed in the companies is indicated in Tables 1-4 and 7.  

It was found in the companies that nearly all recognize the concept of long-range planning and the necessity for it. However, the definition of long-range planning is not agreed upon. The planning period of five years was considered average both in the literature and in the companies with a few companies using a ten year concept. The organizational concepts of planning authority and planning responsibility were identified as "corporate," "corporate-divisional," and "divisional." The "corporate-divisional" type of planning authority and responsibility was predominant with the other two concepts being used to a low degree. The concept of an organizational staff group for the planning function distinct from other staff groups existed to a limited degree. The concept of a planning procedure with specific steps or phases existed in most companies but there was wide diversity from one company to another as to what are the steps or phases. Finally, the concept of a planning program encompassing all activities of the business exists in a relatively few companies as
compared to what the literature proposes. The sub-concepts of Financial, Marketing, and Product planning were evident to a greater degree than the other sub-concepts.

The major concepts pertaining to executive development were identified to be the following:

a. The executive development concept itself
b. The organization for executive development
c. The organization climate for executive development
d. The provision for executive succession
e. The dual responsibility for executive development
f. An executive development program

The secondary research indicated that the above concepts are pertinent to executive development. The specific extent to which these concepts existed in the companies is indicated in Tables 5-7.

It was determined that almost all of the companies acknowledge and understand the general concept of executive development. The importance and definition of it was not agreed upon, however. The use of a separate staff group for the function existed in about half of the companies. The idea of a proper organization climate for fostering and nurturing the executive development concept existed in medium degree. The same was true for the concept of executive succession. However, the dual responsibility concept of
development is one of the most discussed in the literature but seems to be the least practiced. Finally, the concept of an executive development program with the sub-concepts of organization analysis and planning; determination of executive needs; executive inventory; executive appraisal and selection; and the indoctrination and improvement of individual executives existed to a low degree.

The only concept identified in the literature that was not observed in the companies was sophisticated quantitative analysis for long-range planning and executive development.

Conclusions

The general over-all conclusions that are derived from a thorough analytical examination of the nature and extent of integration of executive development with long-range planning are twofold.

First, the nature of integration involves the manifestation and fulfillment of all of the following criteria:

1. A Complete and comprehensive long-range planning program.

2. A complete and comprehensive executive development program.

3. A program of arrangements, relationships, and associations of the two primary programs.
4. A coordinated review and analysis of the two programs.

The criteria listed above are considered to be the essential parts or components of an integrated program of executive development and long-range planning. The extent to which these criteria are fulfilled varied in the companies surveyed and interviewed. True integration of the two activities results when all of the criteria are present in an organization and exist to a degree to warrant completeness and comprehensiveness of the two activities. Therefore, the study formulated the hypothesis that the integration of the executive development function with the long-range planning function occurs when and only when the four criteria are manifest and are fulfilled.

The second general conclusion of this study is that, based on the above criteria, the companies surveyed and interviewed do not have, as a group, an integrative program of executive development and long-range planning. It was indicated above that the criteria of integration were fulfilled in the companies studied in varying degrees. The extent to which these criteria were fulfilled are as follows:

1. While only 26.7% of the companies interviewed had all elements of a complete and comprehensive long-range planning program, 96.7% had at least two-thirds of the elements
considered essential to the program. It is concluded, therefore, that the criterion of long-range planning was manifest to a high degree.

2. Only 5% of the 120 companies answering the questionnaire and 10% of the thirty companies interviewed had all elements of a complete and comprehensive executive development program. Also, only 31.7% and 40% respectively had at least two-thirds of the elements. It is concluded in this instance that the criterion of executive development is manifest to a low degree.

3. A specifically designed organizational setup for coordinating the two primary functions was present in eleven (36.7%) of the companies interviewed. Among the companies surveyed, only 20.8% reported that the functions are coordinated by the same individual. It is concluded in this case that the criterion of the process of integration is evident to a low degree.

4. A formal comprehensive review and analysis program is present in only ten (30.0%) of the companies interviewed. No data is available for the companies surveyed. It is concluded, therefore, that this criterion is evident to a low degree.

Summarizing the above data, the over-all existence of the criteria of integration in the companies surveyed and
Interviewed is considered to be so low as to warrant the general conclusion that most companies are not integrating effectively their executive development program with their long-range planning program. In addition, it can be stated that almost all companies interviewed believed that they were not integrating these activities to the extent necessary for completeness and comprehensiveness. Finally, it was determined that only two companies interviewed had an integrated program of executive development and long-range planning in accordance with the criteria set forth above.

The principal reasons why integration was not evident in the other 28 organizations are as follows:

1. The recency of the long-range planning program. While many companies have extensive programs on long-range planning, they asserted the reason for not considering executive development as part of the program was due to the fact that they had not gotten to that part of the program. They felt that this would develop in time and therefore placed it in second priority.

2. The lack of knowledge about integration. The companies did not know how it could be accomplished. Surprisingly, several companies expressed sincere interest in the concept but admitted that they did not know how to go about integrating the two functions. In fact, when the researcher
first interviewed these companies, there was an inability of some individuals to conceptualize the nature of integration. To avoid providing answers, the researcher did not try to explain the nature of integration but attempted to ascertain what the organization was doing. In some cases, however, the researcher turned out to be the interviewee rather than the interviewer.

**Recommendations**

The following recommendations are made for further research:

1. The hypothesis that has been proposed should be tested under the same conditions as used in this study. This research should be conducted in medium-sized firms and small-sized firms in order to ascertain if the criteria proposed are valid for all sizes of corporations. In addition, different types of organizations should be investigated. While this study was confined to business and industrial type organizations, it would be appropriate to study other types: specifically -- service, governmental, and military type organizations.

   It is considered that this study is the first step toward the eventual development of an "integration theory." Accordingly, additional data must be obtained to amplify and verify the finding of the present study.
2. In the field of long-range planning, many areas and facets are open to investigation and research. Foremost is the problem of the role of the corporate planner -- his position and his authority as well as the organizational setup for planning. Second is the need for study of the long-range planning programs used by different industries and firms. These programs are varied and complex. There appears to be a need for the promulgation and dissemination of principles and practices to guide the further development and growth of the long-range planning programs. A third area considered worthy of investigation lies in the implementation phase of long-range planning. Based on personal experience and from the research conducted in this study, the implementation aspects of planning appear to be deficient and need study. Lastly, it is recommended that the application of techniques for quantitative analysis be investigated as a possible means for solving some of the problems of long-range planning.

It is recognized that the above areas tend to overlap. None the less, they are considered major problems confronting companies today.

3. In the field of executive development, the major area in need of investigation and study is the determination of future executive needs, both quantitatively and qualitatively. It was indicated in this present study that very little
data was found in this area. However, there appears to be a real need for formal statistical and mathematical methods for the determination of executives' requirements. Research in this area might be done by setting up of models in advance for testing in corporations lacking any system for determining needs. The present study revealed many such firms. Another area of executive development considered worthy of research is off-the-job development of executives in company institutes. The few companies that had their own advanced development courses seemed to promulgate company doctrine and philosophy and to impart other knowledge better than other companies. Furthermore, investigation could be made concerning jointly sponsored institutes or programs wherein the professionalization of executives would be advanced at a reduced cost and with the utilization of the best personnel as instructors and lecturers.

**Implications and Contribution**

It is hoped that this study will provide a small contribution to better managerial understanding of how the integration of executive development with long-range planning can be achieved. The study may point up the importance of the program and may make business and industry more aware of the necessity for such integration.
The conclusion was reached by this study that corporations are not integrating executive development with long-range planning. In view of the need for high-caliber executives to keep the economy vigorous, this conclusion has serious implications. The well-being of the nation depends on the health of industry. Its prosperity is of vital concern, not only to the millions who own shares in its business, but also to the entire nation.

The Achilles heel in this dynamic picture of industrial importance, however, is the quality of the corps of executives who direct its activities. The higher the caliber, the more talented the men, the faster and stronger will be the growth of the nation's prosperity and leadership. Accordingly, the executive development programs for providing such leadership are vital and demanding. These programs are an essential component of long-range planning, and cannot be placed in second priority.
APPENDIX A

LETTER SENT TO CHIEF EXECUTIVES OF COMPANIES
FEBRUARY 1963

Dear

Long-range planning and executive development have received the attention of businessmen as well as educators in the past decade as important factors related to corporate growth. As one of these educators, I am interested in gathering information as to how organizations such as yours coordinate and integrate long-range planning and executive development. May I have your assistance in gathering this kind of information for a study I am conducting at the University?

I have enclosed a short questionnaire which either yourself or some other knowledgeable person in your organization can complete in a matter of minutes. The questionnaire, which has been sent to a large number of representative organizations, is designed to obtain certain specific information which will be helpful in determining the extent and methods of integrating and coordinating long-range planning and executive development.

Please be assured that no names of individuals or corporations will be mentioned in my evaluation of the study. You will receive a summary of the results of the findings in due course, if you so desire.

Your cooperation will be greatly appreciated.

Respectfully yours,

John N. Davis
QUESTIONNAIRE

A SURVEY OF LONG-RANGE PLANNING AND EXECUTIVE DEVELOPMENT ACTIVITIES CONDUCTED BY AMERICAN INDUSTRY

1. Do you conduct long-range administrative or corporate planning? (Check appropriate box)

_____ a. Not at all

_____ b. Occasionally as the situation demands but not as a general practice

_____ c. Regularly but not continuously with any set procedure

_____ d. Continuously with a recognized, established and controlled procedure

_____ e. Other_____________________

2. For what period(s) of time do you project your plans? (Check appropriate box)

_____ a. 1-2 years

_____ b. 2-5 years

_____ c. 5-10 years

_____ d. Other_____________________

3. If you do conduct long-range planning which organizational element(s) and/or individual(s) is responsible for this function? (Check appropriate box)

_____ a. A separate planning division, department, or section

_____ b. Part of another division, department or section
APPENDIX A, continued

____ c. A standing planning committee or group
____ d. An ad hoc committee
____ e. The respective individual line executive
____ f. The president or chief executive
____ g. Other ________________________________

4. Does your long-range planning program provide for any of the following? (Check appropriate box)

____ a. Long-range projections of probable organizational structure

____ b. An inventory of current executive personnel indicating strengths, weaknesses, and growth potentialities

____ c. Long-range estimates of future organization needs for executive personnel - quantitatively and qualitatively

____ d. A selection and promotion program which provides for the procurement, distribution, flow, and attrition of executive personnel

5. Do you have a program of executive development? (Check appropriate box)

____ a. None at all

____ b. An informal program that is not company-wide or includes all executives

____ c. A company-wide program for selected executives, conducted informally and sporadically as the situation demands

____ d. A formally scheduled company-wide program for all executives from the lowest level to the highest
APPENDIX A, continued

6. If you do have an executive development program which organizational element(s) and/or individual(s) is responsible for this function? (Check appropriate box)

   a. A separate division, department or section
   b. Part of another division, department or section
   c. The executive committee
   d. An ad hoc committee
   e. The respective individual line executives
   f. The president or chief executive
   g. Other______________________________

7. Does your executive development program include or use any of the following? (Check appropriate box)

   a. A systematic and periodic appraisal of executive performance and potential
   b. An established and recognized off-the-job education and training program
   c. A job rotation program or policy
   d. Coaching and on-the-job training

8. To what extent is your long-range planning element related to or integrated with your executive development element? (Reference questions 3 and 6) (Check appropriate box)

   a. Not related in any manner
   b. No direct connection but informal coordination occurs
   c. Separate units in the same division, department, section, etc.
APPENDIX A, continued

_____ d. Are one and the same element

_____ e. None of the above. Description

_________________________________________________________________

_________________________________________________________________

COMPANY'S NAME

Name and position of person(s) answering:

_________________________________________________________________

It will be greatly appreciated if you include with your reply sample copies of forms, charts, tables, brochures, programs, etc. used by your company in the process of conducting executive development and long-range planning.
APPENDIX B - EXAMPLE OF A PLANNING FORMAT

TOPICAL OUTLINE FOR THE PRESENTATION

OF DIVISIONAL LONG RANGE PLANS

I - OBJECTIVE

Discuss the Division’s long-range plans, objectives and strategies from an over-all viewpoint.

II - AREAS OF INTEREST

Reproduce the Division’s area of interest statement. Amplify or explain deviations, changes or expansions, if any.

III - CURRENT PRODUCTS

Where present products are grouped into product areas, lines or clusters, explain the reasons for such groupings if necessary for better understanding.

A. Product Area #1

Describe the product area.

1. Comments and Explanation

Review the outlook and long range plans for the product area discussing total market, penetration, profits, competition, facilities, research, investment needs, etc.
APPENDIX B, continued

2. Assumptions

Detail any assumptions used to develop the final plan.

Cover such subjects as:

(1) Market
(2) Penetration
(3) Profit
(4) Facilities
(5) Investment in Product Development
(6) Expected Return on Net Assets

B. Product Area #2

Repeat the above instructions for each of the current product areas.

IV - NEW PRODUCTS FROM INTERNAL DEVELOPMENT

Use the same format and instructions as outlined for Section III - Current Products - in projecting the one or more new product groupings making up this area.

Under "Comments and Explanation" explain each new product, the time and cost projections for such activities as Market Research, product development, try-out, tooling and market development from the time research is started until the new product is producing a profit.
APPENDIX B, continued

V - NEW PRODUCTS FROM ACQUISITIONS

Use the same format and instructions as outlined for Section III - Current Products - in projecting the product groupings making up this area.

VI - DIVISION SUMMARY PLAN

The Divisional Summary represents the totals of items III, IV and V above. A general commentary pointing out the highlights and percentage contribution of these major product areas may be included.

VII - COMPARISON AND CHANGES
FROM PRIOR YEAR'S LONG RANGE PLAN

Discuss the major changes in the current plan from the prior year's plan and compare the past year's actual results with the previous long range projection. In areas where the plan was not met, outline the reasons therefore.

In order that comparisons can be made, it is suggested that the actual results for the prior two years be recorded on the exhibits.
CORPORATE OBJECTIVES - COMPANY NO. 3

Our primary goal is profit. Company No. 3's objective is to consistently earn a return on capital investment sufficient to pay adequate dividends, improve our plants and otherwise provide for growth and development. Profits can result consistently only from rendering an economic service of value. This requires close and continuing adjustment of products to market requirements, vigorous sales effort, adequate stocks to insure prompt deliveries, and emphasis on technical and other services, and a well earned reputation as a preferred supplier. Profits can result only from efficient production and we aim to be a low cost producer or, if possible, the lowest cost producer. This involves highly efficient plant and materials management supported by strong engineering and technology and modern tools.

We expect to grow logically and on a sound basis in the general field of specialty steels and related activities. Our outlook is global and all kinds of activity everywhere are viewed as parts of a single unit designed to produce profit for Company No. 3's group of companies. Growth is a process which requires abandonment of unprofitable activities as well as adding new activities or expanding old ones.
APPENDIX C, continued

Development expenditures of all kinds, including R & D, start-up costs and abandonment costs, will be made to the maximum extent our resources will allow and particular situations require. Timing of such expenditures will be arranged so as to permit profits to continue at good levels from period to period. A primary aim is to minimize secular and cyclical swings in sales, operations and profits. Company No. 3 recognizes that it acts only through its people who must be given a challenge and sense of dedication to Company goals, as well as competitive terms of employment, opportunity for advancement and security.
APPENDIX C, continued

OBJECTIVES - COMPANY NO. 6

1. **Customers** - Provide values at reasonable prices for those products, services and systems within our product scope.

2. **Employees** - Provide good jobs; desirable working conditions; compensation and benefits equal to, or better than the average for similar work in the community or industry; and opportunities for personal development and advancement.

3. **Stockholders** - Provide fair dividends; protect, maintain and enhance the stockholders' investment in the business.

4. **Government** - Maintain and enhance our reputation for fair and honest business practices. Cooperate in all areas of mutual benefit.

5. **Return on Investment** - Maximize return on investment consistent with growth objectives and investment protection.

6. **Growth** - Accelerate our rate of growth by capitalizing on change and utilizing advanced technology, equipment development, engineering and marketing to provide new products and improved values for old and new customers.

7. **Product Development** - Maintain Product Development capabilities so that a specific product can be developed, produced and marketed within one to 1½ years. Concentrate development on products which will have a significant market within two to five years and which can be produced and marketed in high volume and at low cost.

8. **Product Leadership** - Maintain a progressive product line equal to, and in the majority of items, superior to our competitors. Constantly add new products and drop those that are on the declining side of the product "S" curve.

9. **Marketing** - Maintain market rather than production orientation. Participate in industrial, consumer and military markets for both packaging and non-packaging products, services and systems; particularly those products, services and systems where high volume, low cost is characteristic. Exploit equipment, machinery, and non-packaging markets in fields related to our capabilities.
APPENDIX C, continued

10. **Market Position** - Maintain the number one position in sales volume in the packaging industry. Compete in approximately 85% of all packaging markets. Compete in a minimum of 15% in all markets served - packaging or non-packaging.

11. **Manufacturing** - Maintain and enhance manufacturing capability in higher investment, high volume, low cost products and/or high investment, technical packaging systems as opposed to low investment loft type operations where Company 6's capabilities would not be so beneficial.

12. **World Markets** - Consider U. S. and foreign markets as one integrated world market, evaluating alternative opportunities for manufacturing and marketing on a world basis (U.S. and foreign) from a return on investment and short and long range potential viewpoint.

13. **Balance Short and Long Range** - Plan and operate the business entity with considered balance between short and long range results.
The Group Executive is responsible for planning and administering operations in a particular field of corporate endeavor.

As part of his responsibility for planning, each Group Executive will be required to prepare and maintain a master plan showing the long range objectives of his Group and the means proposed to move toward these objectives. Each master plan should include:

1. A definition of the Group's field and an outline of their mission and objectives within this field.
2. The specific goals to be attained within the next five years, covering such pertinent areas as marketing, organization, production, and finance.
3. The relative position and contribution of each business unit in attaining the five-year goals.
4. An outline of individual programs backing up each goal. Each program should cover:
   a. A specific target.
   b. A schedule of action steps required.
   c. A financial schedule.
   d. Means of following up and measuring the program's progress.

These plans will be reviewed and will be subject to approval by the Executive Office.

The Corporate Planning Staff's responsibility, as related to this program, is primarily one of aid and coordination. The goal here is for each Group to do its own planning and for the staff to aid in improving the effectiveness of this Group planning.

Within this program the responsibilities of the Planning Staff will be to:

1. Work with the Group Executive in establishing the requirements and methods for planning in this area to insure that all aspects of program planning for growth are being considered.
2. Assist the Group Executive in improving systematic planning procedures.
3. Assist in periodic follow-up and review of progress of individual programs.
4. Coordinate with all staff groups concerned with corporate resources in evaluating economic and business environment in relating planned programs and investment to budget forecasts.
Program Objectives: - The basic objectives of the Business Planning Program are to increase profits and accelerate the growth rate of our Company. Since the leadtime for developing new products, markets, businesses, improved methods and procedures is usually long - measured in months and years - it follows that actions to improve the future status of our Company must be initiated months, and years, before significant results can be attained. Thus, our Business Planning Program was established to lay our future goals and define specific actions and decisions necessary by year for attainment of these future goals.

The Business Plan - A Business Plan - whether Corporate or Division - needs a base describing succinctly: (1) Product Scope, (2) Objectives and (3) Goals by year for the planning period - in our case detailed for the years 1963, 1964, and 1965 and broad gauge for 1966 and 1967.

1. Product Scope - Outlines the kind of a business the Company or Division is, or expects to be.

2. Objectives - Describes the philosophy, emphasis and qualitative results the business expects to accomplish in terms that can be communicated to customers, employees and stockholders.

3. Goals - Defines quantitative end results of the business operations for specific time periods. These are confidential in nature and communicated only to those with "need to know" and who can contribute to their accomplishment.

4. Business Plan - 4 sub-plans - A Business Plan is really made up of four sub-plans that define goals and outline the major actions, programs and costs necessary for their accomplishment.

a. Product Plan - Since a business revolves around the products or services that it develops, manufactures and sells - the first sub-plan would be a description of the product lines for each of the planning periods ahead. What are major product strengths and weaknesses? What are the major new products to be developed each year including development time,
schedules, costs, personnel, facilities required, etc.? What are the total research and development costs each year? What is the percent to sales?

b. Marketing Plan - A Product Plan alone would be insufficient. How will these products be marketed - particularly new products? What are the major marketing strengths and weaknesses? Are there new markets that could be entered? If so, how and at what cost? Are there products or markets that should be dropped? What is the market position and profit for each major product line? Can these be improved? What are the major marketing, sales, advertising and distribution programs - particularly for new products? What is the timing and costs of these programs? What are total marketing costs? What is the percent to sales? The Marketing Plan for each of the planning periods must be synchronized with the Product Plan.

c. Manufacturing Plan - But a necessary ingredient with the Product and Marketing Plans is a Manufacturing Plan. What are major manufacturing strengths and weaknesses? Can the plants as currently equipped and staffed, produce the products as planned for each of the years ahead? Are the plants located in the right places? Are some obsolete? What costs can be reduced? The manufacturing programs for each of the planning periods describing facilities, production, materials, and labor requirements plans and their costs make up the Manufacturing Plan.

d. Financial Plan - The fourth essential is the Financial Plan that summarizes in dollars the Product & Development, Marketing, Manufacturing, Personnel and other plans. The Financial Plan summarizes all the programs and plans in terms of revenue, costs, expenses, profits, investment, return on investment, etc.
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