

BOARD ADVISORY LLC

Executive Transitions: Treacherous Waters That Don't Have to Be

Executive transitions into new roles continue to be one of the greatest challenges organizations face. Regardless of the reason for the transition or the source of the executive, executive transitions fail at an alarming rate, and always at a high cost to organizations. To fully discharge their duty to attract, motivate and retain management, Boards of Directors need to pay more attention to how critical changes in leadership are effected.

The dollar impact of failed transitions is relatively easy to calculate. The primary areas for such dollar impact estimates includes the cost to hire (e.g., search/placement fees, relocation, etc.), total compensation for said executive for the duration of employment, "maintenance" expenses such as administrative support and overhead, severance costs, and impact of mistakes and/or missed opportunities. The total of these costs typically total 10 to 15 times salary for a senior executive and can easily cost a company several million dollars. String together a few of these, and even a sizable organization can be crippled.

Recent executive transition research I led through Alexcel Group and the Institute for Executive Development, using an online survey of more than 150 practitioners in more than 140 different companies, showed that for external hires, 30% don't meet expectations in the first two (2) years. While slightly better, 21% of internal placements don't meet expectations in the first two (2) years. These "failure rates" may seem unacceptably high, yet other research in recent years shows failure rates of executive transitions can be upwards of 60% or even more.

When asked to characterize the level of support their organization provides to transitioning executives, 19% of respondents said they provided high support for external hires while 81% said they provided no to moderate support. For internal moves, 15% said high support was provided and 85% said no to moderate support was provided. One surprising result came for the question: What level of involvement does your Board play with executives who are changing roles? Only 1% of respondents said it was high, and 36% said none whatsoever. This contrasts with institutional investors' interest in executive succession, where a poll of public pension funds indicated they held boards responsible for planning and executing executive succession.

When asked about the reasons for failed transitions, the most frequent response (68%) was due to lack of interpersonal skills, and the second most frequent response (46%) was lack of personal skills. The least-frequently chosen reason for failure at 15% was insufficient technical skills. So while candidates seem to have the functional proficiencies, they most often fail due to the softer leadership competencies. These

findings suggest that there are significant gaps in hiring processes, where attention is paid to technical skills at the expense of softer skills that can just as easily derail an executive that otherwise “looks good on paper.”

So what are practitioners doing to assist with executives in transition, and how well is it working? For both external and internal hires, the most common practice (49%) is Mentoring and “Buddy Systems”, but the effectiveness of that practice was judged best for external hires where that was rated the most effective process. For internal moves, Executive Coaching was seen as most effective. While frequently used, the least effective process for both types of candidates was Orientations.

In our opinion, the key take-aways from this and other research include the following:

- organizations don't provide executive transition support that is commensurate with the importance of that event;
- the best onboarding practices in the world will be of little value if companies don't get the hiring right in the first place;
- even with accurate hiring, executives can fail if they aren't given needed support;
- the type of support being provided often isn't what will best facilitate executive success.

So what is a company to do?

- First, make it a priority and invest resources accordingly, starting with Board oversight of the whole process, from methods used to hire and onboard candidates in general, to what is being done to ensure a new executive's success in particular.
- Second and related, make sure the hiring process is comprehensive and accurately gets at ALL competencies, not just technical proficiency and experience.
- Third and also related, ditch the traditional Orientation material for onboarding, and instead use more hands-on approaches such as Mentoring, Executive Coaching, and/or other assimilation practices that are personalized and get better traction.

Executive transitions fail frequently at high corporate cost, and they simply don't need to. We're convinced that if Boards adhere to the above three recommendations, their companies will immediately realize a distinct competitive advantage.

- Kevin R. Hummel, Ph.D.

Kevin Hummel works with a number of Board Advisory clients, across a variety of industries, on executive coaching and leadership development issues. Dr. Hummel's bio is available at <http://www.board-advisory.com/team.php>. If you have any question or comments on this article, or want to speak with Kevin about any executive coaching, performance, or succession issue, he can be reached at khummel@board-advisory.com, or at (954) 783-2585.
