



THE LEADERSHIP CONTEXT

Don't assume your new CEO will
be successful. Insure it.

—

What I learned from talking with Dr. Ty Wiggins

By: Pod O'Sullivan



“My reputation grows with every failure”, said George Bernard Shaw.

That’s great George, but what kind of reputation was it?

One of my key areas of interest is the topic of leadership transitions, why so many fail and what organisations can do to increase the success of new leaders transitioning into organisations, particularly at CEO and other C suite roles. McKinsey’s [define](#) a transition as the period (which can last up to 18 months) after an executive has assumed his or her new C level responsibilities. A successful transition is defined as when that C suite executive has aligned and mobilised their organisation to the rating of “very well” to the objectives (as agreed with the Board) and have met their remaining objectives “well” or “very well”.

Yet, studies put the failure rate at between 25-50%. Internal hires, in general, fail at a rate of 20-30% and this rises to 50% when expatriate appointments are included. Failure most often occurs at or before the 18-month mark.

When you consider the obvious cost of an appointment to this level such as recruitment, international relocation, transport, housing and accommodation, school fees and/or other benefits, the cost of failed leadership transitions is enormous. In general, the cost is deemed to be between 2-3 times the executive’s total remuneration package. This is only the start as it does not account for the hidden expenses including the time and focus of the organisational resources at both home and host locations. So when the assignment fails it is a significant expense for the organisation. It has been suggested that for senior executives whose base salary is above US\$250,000, the cost of a failed expatriate assignment can be up to 40 times base salary. Ty, shared in our conversation an example of a failed CEO transition that led to a total cost in the hundreds of millions. Yes, that was *hundreds of millions of dollars!*



Dr. Ty Wiggins completed a PhD examining what enables and inhibits successful leadership transitions and now leads a global practise for [Russell Reynolds](#) in this space. In his research, he found that 70% of the organisations studied had no formal onboarding process (read transition process) for their senior leaders. Of the ones that had a formal process, only 35% were rated as effective.

What is remarkable, is that his and other research has shown that organisations with effective onboarding programs have 2.5 times more revenue growth and 1.9 times greater profit margin than those without transition programs in place. The research also shows that newly appointed C level leaders who are effectively supported in their transition do achieve full productivity two months quicker than those who do not. If your most senior leaders are competitive advantages, this is a lot of advantage!

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So, Ty what is a leadership transition failure?

A failed C level appointment, at a professional and developmental level, is defined under three categories:

- the executive is deemed to have not performed adequately and leaves the organisation.
- If the leader was promoted internally, the assignment is ceased early, and the executive is recalled home; or
- the executive is returned to their original position upon the end of the assignment;

One startling statistic from his research was up to 40% leaders had left their role within an 18-month period.



Ty says that organisations don't know how to think through what makes an effective transition support program or have the internal resources to do so. Often any support is of generic kind and not tailored to the leader. With that the psychological contract that was established during the recruitment process is undermined. The leaders in his research shared with Ty, the lack of an onboarding program or any structured transition support was a major disappointment and caused many of them to second guess their decision to join the organisation. They had been looking forward to joining and were often promised help on their way into the organisation, but that was not their reality.

What does transition support look like?

I previously co-wrote with Carole Field, a series of books called [Foreigner In Charge](#), which were written for expatriate leaders taking on new roles in new countries. In our research we had identified similar findings to Ty's - that organisations were poorly equipped in offering successful leadership transition support. Our research suggested organisations offered:

Little or no support

The organisation provides very basic relocation, transport, accommodation assistance and basic information about office logistics. This satisfies the basic, short-term transactional needs and rarely goes beyond the first week after arrival in the new role. Think of this as basic onboarding and nothing else!

Cultural support

Many organisations offer short programs on explaining the cultural differences between the new country an expat leader is headed to and their home country. The family of the executive are often included. While most executives are grateful for the information, many comment that it is while learning to lead the organisation over the ensuing three, six and twelve months that they really start to understand the new country culture. For leaders joining an organisation within their current country, culture can still trip people up. Understanding industry and company culture remains a key hurdle that inhibits successful transitions.



Role support

Executive coaching is a well utilised and known mechanism for supporting executives to transition into the role. Learning to elevate the level of thinking that needs to be employed, the level of leadership to the new position and the level of influence across the organisation is as much a nurtured and learnt framework as it is a natural ability. Many organisations support executives by providing an internal or external coach to work alongside them for the first three or six months. Traditionally an executive coach will focus on the role only and will not take into account the multiple transitions the executive is experiencing.

Onboarding versus Effective Leadership Transition and Integration

Onboarding should be a well-designed and thought through process designed to help leaders learn the behaviours, skills and knowledge to succeed in their new organisation. But most organisations, if they have an onboarding program, focus on the hygiene factors and logistics. “Here is your computer, your carpark, keys and there is the toilet”.

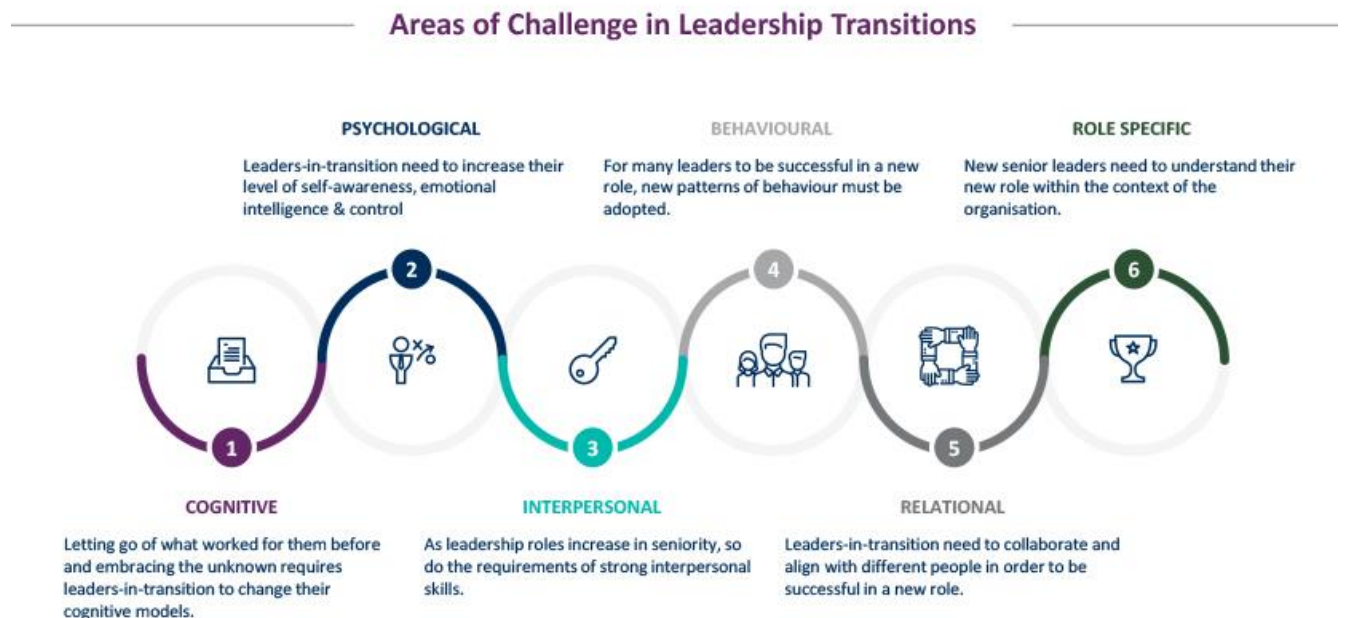
Effective transition support acts like an insurance policy for the organisation against executive derailment. Executive onboarding should be a distinct process to general employee onboarding, Effective programs are designed to address the critical areas of weaknesses for leaders, align their leadership style with the culture of the business, help develop effective relationships and optimise the most desirable skills for their new role.

Ty shared from his research that effective support includes increasing a leader’s understanding of the role demands, avoiding opportunities for the leader to make mistakes and decreasing time to productivity. It should also include reducing the chance of derailment, mitigating the risks of termination and the resulting costs of replacement. Stories of successful programs report the impact of the support helped those leaders build alliances with their teams, helped the leader develop a sense of belonging and provided support and feedback during the transition period.

“We hired these leaders because they are supposed to be great. If they are that good why is the transition to a new role so difficult!”

The research we conducted that led to the Foreigner In Charge books, suggested most of the reasons behind expatriate leadership failures were not because the leader was an expat, but was down to cumulative transition overload. That is to say, the leader was transitioning from one level of leadership scope to a higher level, was often moving from a functional speciality to a broader base leadership role, was moving to a new country with new languages, cultural norms and nuances and the family was transitioning with them. Cumulative transition overload.

Ty identified six key areas and challenges that are common in leadership transitions.



Taken from research by Dr. Ty Wiggins

In our [podcast interview](#) he shared some useful reflections for an incoming CEO/ C level leader to overcome existing cognitive biases, including;

- What kind of leader does this organisation need me to be?
- What does the organisation need of me that I have never had to do before?
- What does strategic thinking look like here?
- How attached am I to my 'playbook' and how do I write a new one for here?



Don't be blind to your behaviours. Seek early feedback from new stakeholders

Ty also observed that people judge others by their behaviours and judge themselves by their intent. Therefore, there is a high probability that a new leader, keen to impress, will underestimate the negative impact of some of their behaviours. A classic example, Ty shared, is an example of a new C level leader cancelling a specific meeting without ever attending that event and not explaining their reasons why. They had good intentions (save wasted time for everyone) but all that was on show was perceived arrogance.

“The most serious failure of leadership is the failure to foresee”

Robert K. Greenleaf

Ty's research suggests that a leader in transition to a new company needs to learn what behaviours did their colleagues in their previous company tolerate or compensated for them because the leader was well known and their intentions were understood. He suggests transitioning leaders ask the colleagues in the organisation they are leaving to help map out not just key strengths but also these weaknesses to assist in avoiding offence in a new role and organisation.

“It is not a numbers game; it is a transition game. Failure causes many ripples for many people. Mitigate the risk of failure!”

Ty Wiggins



How does a leader strategically increase their transition success rate?

Fail to plan or plan to fail?

One research finding from Ty is that women are twice as likely to avail of and use a transition plan than their male colleagues. Ty says, “using a transition plan is a significant promoter in transition success, even if they are completed at a basic level. This view is held by both the leaders and the organisations. Transition plans give the leader structure, task direction, prioritisation and deliverables. All of which increase the level of confidence that the leader is achieving”. When you consider the failure rates as outlined earlier in this article, why would a new leader not plan to be successful in their transition.

Don't be a cheerleader for your former function or expertise!

Ty shared that one clear inhibitor to transition success was a lack of multi-functional experience, or a functional bias towards their specific skill set. He says, “the lack of functional experience is an ignorance on how the other functions operate and deliver results, whereas a bias is where the leader favours a specific function over others, typically the one matching their skill set and training. When leaders were given responsibility for other functions where they lacked understanding or possessed a bias, it proved difficult and inhibited their performance during the transition.

Bill was a very successful commercial leader in a healthcare organisation based in Midwest USA. His organisation had over 2500 sales orientated roles out of the total 3100 employee headcount. Bill was very orientated to being “a sales guy”. When he took on the CEO role of a smaller organisation, he completely ignored over 50% of the employees in his first year as he continued to index to his former speciality i.e. the sales function. As an R&D based organisation he learned, almost too late, that he had offended some of most important and influential leaders in his organisation.



Don't assume success. Insure for success.

What struck me in my conversation with Ty, is that organisations spend a lot of money, time, resources, relational equity when hiring an outside candidate for an important role in an organisation, particularly a CEO or C level role. There are often very good reasons for doing so and ignoring internal talent for the same role. Sometimes particular skill sets are needed. Other times the ideal experience is missing in the organisation. And often a strategic culture or market orientated shift is needed, which is best done when the leader brings a fresh pair of eyes. Whatever the reason, hiring the best candidate from the available pool, does not mean that person will succeed. Far from it! Succeeding in a leadership transition is not a numbers game. It is a strategic transition game. And failure causes many unneeded and painful ripples. Organisations can stack the game in their favour and in the favour of the leader. Don't assume success. Insure for it.

Pod O'Sullivan is a partner with [The Leadership Context](#), a boutique consultancy that works with CEO's and leadership teams to help them scale their leadership to enable the organisational strategic imperatives, particularly during complex times. His podcast, [The Leadership Diet](#) is widely regarded as an intimate and insightful look at senior leadership for all its aspirations and realities.





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