Diving In

Neglecting to help new executives get into the swim of things quickly can incur enormous organizational costs.

By **Susan J. Wells**

Eight years ago, Bristol-Myers Squibb, the global pharmaceutical manufacturer, studied the retention rates of its recently hired executives. The "survivor analysis," as it was called, revealed that the New York-based company was losing promising new executives because it was not taking steps to ensure their success.

So the company went looking for ways to remedy the costly problem that experts refer to as executive failure—the departure of an executive within a year and a half of taking the job. According to Ben Dowell, vice president of executive staffing and talent management, the company responded by retooling its executive assessment, integration and assimilation processes.

For example, Bristol-Myers bolstered executive selection by requiring candidates for any position at the level of vice president or above to go through a three-hour interview aimed at better gauging their leadership ability and organizational fit.

Onboarding by any Other Name

Over the years, onboarding has had various names—alignment, assimilation, integration, orientation and transition, to name a few.

Does it really matter what you call the process? It might, say experts, especially when you try to get buy-in for the idea with top-level management.

"If HR continues to use the word 'onboarding,' they may have more difficulty selling the idea up," says Brenda Hampel, partner of Executive OnBoarding, a consulting firm in Worthington, Ohio. "That's where terminology becomes important."

Jeff Durocher, director of market development at RHR International, a leadership assessment, development and integration firm in Wood Dale, Ill., notes that many companies and consultants alike "see 'onboarding' as more the orientation phase, whereas 'integration' is addressing the more-strategic issues with a focus on retention."

As the definitions evolve and the discussions continue, HR professionals should pay attention to the nuances. For example, Hampel likes "alignment" better than "assimilation." Alignment, she says, suggests an executive acquiring an organization's overall vision and objectives, while assimilation suggests executives in a process "to morph themselves; that's not the goal."

Michael Watkins, founder of Genesis Advisers LLC, a leadership strategy consultancy in West Newton, Mass., proposes "transitions" as a more appropriate term. "Ask yourself what types of transitions are being made in your organization and how frequently they occur," he says. "Once you've identified them, you can address them and analyze what type of support each one requires."

Whatever descriptive term prevails, it must refer to a focused, clear-cut process for helping newly hired executives hit their stride as soon as possible and become successful in their new role.

It also made new executives the object of a laserlike focus during the first 30 to 60 days of their employment, providing guidelines, clarifying roles, setting up meetings with influential colleagues and fostering each newcomer's understanding of the company's cultural norms. Follow-up meetings are held during the executive's first year to check progress and resolve problems. Although consultants carry out the bulk of the process, the company's HR function is also involved.

These changes exemplify the increased attention some companies are devoting to the process commonly called onboarding—helping executives through the critical early days on the new job so they can get up to speed as quickly as possible.

Many experts, and executives themselves, say it's about time companies paid more attention to executive onboarding—especially since the costs of executive failure are steep and are likely to rise as a rebounding economy spurs companies to increase executive-level hiring and transfers. (For more information, see "**The Incoming Tide**".)

A Big Bill

Many experts say losing a newly hired executive can incur direct costs (including recruitment, relocation, compensation, training and severance) that total two or three times the executive's salary. But factoring in indirect costs—such as lost opportunities, business delays, and damage to relationships with staff and customers—can push the total to nearly 24 times base salary, says Michael Watkins, founder of Genesis Advisers LLC, a leadership strategy consultancy in West Newton, Mass., and author of The First 90 Days: Critical Success Strategies for New Leaders at all Levels (Harvard Business School Press, 2003).

Moreover, the price of neglecting to bring a new executive up to speed can encompass more than the costs of early departure, says Ron Bossert, senior vice president, transition leadership services, for Applied Research Corp., a consulting firm in Metuchen, N.J. New leaders who struggle in the job can drag down the bottom line, as one of Bossert's client companies discovered the hard way: When one of its new executives was having a difficult time in his new post, "growth slowed by half in one region," Bossert says.

What's more, he says, "when newly appointed leaders don't work out, valuable business knowledge can leave the organization—even to the competition—and the grueling recruiting process and costs start over again."

Watkins, a former associate professor of business management at Harvard Business School who conducted research on executive onboarding, says companies' onboarding approach should be "not just about failure prevention but also about how to reduce the time to real performance." On the basis of his research, he estimates that it takes a mid-senior manager an average of 6.2 months to reach a break-even point—the point at which a new leader's contribution to the organization begins to surpass the company's costs of bringing the person on board, from hiring expenses to salary and the costs attributable to the person's learning curve in the organization.

"Anything you can do to shave the transition time is going to make a difference," he says. "The value of reducing that 'ramp up' by even one month can mean a bundle."

Bristol-Myers' example certainly proves the point. The changes in the company's processes have led to a substantial improvement in the retention rate for executives, Dowell says, which in turn

"literally represents millions and millions of dollars" in avoided expenses. The company estimates that the direct costs alone of losing an executive amount to about $500,000.

Despite the potential savings and boosts to corporate performance, Watkins believes that surprisingly few managers receive any training in how to transition into a new organization, diagnose the company and align strategy with skills. He estimates that 40 percent of senior managers hired from outside the company fail within their first 18 months in the position.

A recent study by RHR International, a leadership assessment, development and integration firm in Wood Dale, Ill., appears to underscore that belief. Of more than 100 executives—from senior managers to CEOs—interviewed over a two-year period, only 39 percent were satisfied with their organization's efforts to integrate them.

HR's Role

If companies are to efficiently maximize the potential of new executives, HR will have to play a prominent role.

Companies discover they can improve their chances of retaining executives if they involve HR leaders in creating and supporting the onboarding process, says Bossert. "HR professionals are typically the ones assigned to both orientation and onboarding processes, but it's important that they are seen as partners with line executives in the process. Actually, supporting leadership transitions should be viewed as any other business imperative—because it is one."

Dante Capitano, managing director of the Philadelphia office of RHR, says HR "can really provide the road map for new executives—to help them slow down so that the foundation is built and typical problems [are] avoided, which ultimately leads to contributions being made sooner."

Although newly hired executives are expected to make a difference quickly, Capitano says, they're sometimes hampered because they're not well versed in the culture and politics of the new company—insights HR can provide. Among the common derailers that HR can help new executives avoid:

- Failure to establish key connections and build strong relationships. "I've seen executives who've spent the first six months on the job in front of the computer screen instead of getting to know the key people they need to be aligned with," Capitano says.
- Overconfidence in skills and experience. Capitano calls it "the feeling that they can immediately use their old skills in new situations." He points out that "what worked at the last company may not work in the new environment."
- Significant, unexpected change. An example would be where job responsibilities turn out to be different from what had been advertised—the sense of "I didn't sign up for this," Capitano says. "Or perhaps the executive got the red-carpet treatment during recruitment but then gets nothing once on board."
- Negative credibility. Capitano describes this phenomenon as engendering damaging perceptions by others. "Once you start off in a negative vein with stakeholders," he says, "it's very hard to turn that around."

The Incoming Tide

As executives and recruiters alike share optimism about an improving economy, HR professionals will likely be called upon more frequently this year to assist executives as they transition into new positions.

A survey of 112 U.S. executives conducted in December 2004 by ExecuNet, an executive job search network, showed that 39 percent were "confident" or "very confident" that the executive employment market would improve in the first half of this year, up from 31 percent who thought so last November.

On average, executives polled held 3.6 jobs in the past 10 years, working for three companies and two different industries, ExecuNet reports.

New opportunities and job changes aren't just for outside candidates, however. Internal moves within companies' management ranks are also a force in the onboarding trend. Each year, for example, about 25 percent of managers in large organizations take on new roles, and each move affects about a dozen people, says Michael Watkins, founder of Genesis Advisers LLC, a leadership strategy consultancy in West Newton, Mass. Watkins, who has researched executive transitions, says that because moving within a company can be just as challenging as coming in from the outside, new executives who come from within an organization can benefit from onboarding help.

"At some organizations, there can be 200 to 300 moves to other jobs or functions going on a year," says Jeff Durocher, director of market development at RHR International, a leadership assessment, development and integration firm in Wood Dale, Ill. "And a focus for HR and key leadership is the fact that each of these moves requires ongoing support, orientation and integration."

In each of these situations, Capitano says, HR can be a turnaround force, perhaps by setting up meetings between the new executive and key people, such as other executives and his team, and by serving as internal counselor and facilitator.

Easier Said Than Done?

Despite the benefits, onboarding "can be a tough sell" to executives, says Larry Stybel, founder of Stybel Peabody & Associates Ltd., a Boston-based consulting firm that provides outplacement, career management and transition services for C-suite executives. "Not only are companies reluctant to offer transition programs to high-level executives for fear of insulting them, but it can be enormously difficult for the leaders themselves to accept it."

Organizations typically hire highly self-confident leaders, Stybel continues. "So they often have a 'been there, done that' mentality with respect to leadership transitions. That's when any outside assistance in managing such transitions might be perceived as undercutting them.

"On the other hand, many leaders do accept the idea that winners are always looking for a better performance edge—just like in your golf game. So we recommend to our clients that they talk about the first-100-days transition as a way of getting an extra edge, rather than 'You need this; it is good for you.' "

Indeed, newly hired executives generally don't ask for help, Capitano notes. "They don't want to show a chink in the armor or give away any vulnerability. But the fact is, 80 percent of folks need help." And although companies may tend to leave new executives alone—"the assumption is that here's a very experienced executive who is confident and ready to go"—he says just the opposite is often true. "Don't assume that they don't need anything. Take the initiative to transition them."

Other experts say HR, like other leaders, must be proactive—and direct.

Stybel notes the forthright approach of a major hospital system's CEO, who gave a newly hired vice president an "owner's manual" as a kind of primer on "how to manage him." The one-page document, based on a self-assessment and input from associates, included the CEO's expectations, goals and methods of working. It was designed to offer tips to the VP on how to get acclimated to his new job and new boss.

This approach "reassured him by giving some of the candid guidance needed to get on track faster and manage his own success on the job," Stybel says.

Multiple Approaches

Another style of onboarding is the tailored approach that Johnson & Johnson of New Brunswick, N.J., has developed for its incoming executives. Its orientation and onboarding assistance is geared to the type of professional transition the new executive is making as well as the executive's personality.

The approach grew out of a study conducted several years ago in which company executives around the world were interviewed about their job transition experiences. "What we found was that we had somewhat of a sink-or-swim approach," says Mary Lauria, director of education and development. "And too many were failing—either by leaving us or by not succeeding."

The company took the feedback seriously and initiated a strategy to reach out to all new executives, ideally within their first six months. It was no small undertaking: With 200 operating companies and more than 110,000 employees in 57 countries, "we're not the easiest company to navigate," Lauria says. "The key was to enable our executives to quickly learn about our company, their role in it and navigate within it successfully."

The company launched three approaches, which can be used for both executives making internal moves and those coming in from outside the company. The New Business Leader program is for senior executives who are moving from a functional responsibility to a more-complex job. The Transitions Leadership Forum is for vice presidents and executive vice presidents who are taking on new functional roles. The Transitions Coaching program works closely with executives in new roles on a one-on-one basis and involves HR directly. "Individuals are individuals, and HR can help us pick the right approach," Lauria says. "We feel it's critical to provide a number of different learning methods that fit different personalities."

A recent study of the experiences of more than 125 "transitioned" leaders at Johnson & Johnson showed dramatic improvements. When asked if they felt they were "better prepared" after attending one or more of the offerings, the response was overwhelmingly positive, Lauria says. Specifically, 95 percent of the new leaders said they were able to focus on appropriate priorities; 83 percent built new partnerships; and 82 percent clarified expectations with their new boss.

"In their own self-assessments, these leaders felt that they performed 30 percent to 40 percent better during their transition as a direct result of participating in one or more of the programs available," Lauria says.

HR in the Partnership

For onboarding to be successful, HR must be a central part of the process, says Brenda Hampel, a partner at Executive OnBoarding, a consulting firm in Worthington, Ohio. Because HR is in a unique position to provide tools, training and feedback, it must be involved in all stages—from before the selection process begins through the onboarding process and beyond.

"If this process isn't owned and facilitated by the HR function, it's much less likely to happen; pieces and parts might happen, but there'll be no consistency," Hampel says. "HR is an integral component for making onboarding truly systemic."

Clearly, new executives' actions during the first few months in a new role can have a significant

impact on their own success and the company's. With proactive involvement, experts say, HR and the leadership team can improve the chances that everyone will succeed.

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