On-boarding: The first 100 days

A seven-stage action plan that proved to generate real business results

Dr. Sabine Dembkowski and Chris Lazenby
The Coaching Centre www.thecoachingcentre.com
I. Introduction

In 1933, when Franklin D Roosevelt talked about the importance of his first 100 days in office, he can hardly have imagined that the concept would be relevant to the upper echelons of business almost a century later. Roosevelt showed the importance of decisive and clear leadership in the early days of his presidency, attributes that apply to every business leader starting a new role. Today, the term ‘on-boarding’ has come to mean the introduction of a new leader to a company: what they need to do in their ‘first 100 days’. The goal of on-boarding is to prepare the new executive for the role and to provide the support that will help them to become effective as early as possible.

From our conversations with search professionals around the world, we know that this is the single most important “product” for search consultants who wish to add a leadership service line to their business and/or cooperate with a coaching and leadership firm.

In this article, we explore on-boarding from the perspective of a new senior appointment from outside the organization though many of the principles are equally relevant to internal appointments. We look at the costs of failing to retain a new executive and the benefits of a structured approach to on-boarding. We present a seven stage process for on-boarding that incorporates the latest insights and research from around the globe - a proven method of ensuring the successful integration of a newly appointed executive with the organization and the existing management team. While our examples are drawn from the business world, they are equally applicable to senior appointments to any large organization.

II. On-boarding - two perspectives

The goal of on-boarding is to ensure that the talents of a new executive are effectively deployed to deliver the organization’s objectives (Glennon R, 2010) - a goal that is in the interests of both the individual and the organization. Glennon sees on-boarding as an on-going process applicable to most stages of the employee lifecycle (see figure 1), in particular the attraction, selection, induction, performance and initial development stages. His view is that “on-boarding can last for as long as it takes to get the employee engaged and productive”.

(Source: Glennon, 2011)

The Employer Perspective

Employers face a number of issues:

- The current shortage of talent which will worsen due to changing demographics. (For example, in Germany there is expected to be a skills gap of some 3 million professionals by 2015, rising to 5 million by 2020. The impact of this shortfall in terms of lost economic activity will amount to 4 trillion euros by 2030 (Wietheger and Hauptmann, 2010).

- Increasing turnover of senior people and the associated reduction in the average time spent at each organization. (According to the Booz & Company Chief Executive Study, 15% of CEO’s left office in 2012, the global average retention of CEOs has decreased from 8.1 years to 6.3 years in a decade and one in seven CEO positions need to be filled every year (Favaro, Karlsson and Neilson, 2010)).
• The high cost of attracting and assimilating new talent in an organization.

The Individual Perspective
Executives find taking on a new role highly stressful (Levin, 2010), one study finding that the stress caused was only exceeded by marriage breakdown (Pease and Mitchell, 2007). Increasing the level of support provided to new executives can alleviate that stress and help smooth the transition into the new role, organization and culture, increase job satisfaction and loyalty to the organisation.

III. The costs of attrition
Organizations demand high performance. They expect new senior executives to become effective quickly, to deliver positive results and to integrate well into the culture of the organization. According to various studies, 40 percent of executives are expected to rise to these challenges without any development and, perhaps unsurprisingly, many fail within the first 18 months of taking up their roles (Bradt, Check and Pedraza, 2006). An internal review by the search firm Heidrick & Struggles of 20,000 candidates found that more than 40 percent of those appointed leave their positions within the first 18 months (Masters, 2009).

Given the importance of top management posts, these levels of retention are alarming. The failure rate leads to two types of adverse financial impact.

The first of these is the Business Impact which will be felt in a number of ways: directly through missed opportunities, lost revenue, delayed initiatives, quality impacts, poor morale, etc.; indirectly, as those closest to a failing leader find their own performance compromised with a knock-on effect on their areas of responsibility.

Such consequences will be unique to the circumstances: different organizations, industries, markets, levels of seniority, individuals and roles all contributing to the business impact. For that reason, it would be difficult to generalize about the financial effects as they will vary widely from situation to situation. That said, one U.S. study showed the cost of a failed appointment at 24 times annual salary (Smart, 1999). A number of other studies have put the figure at ten times the leader’s annual salary.

By its nature, the business impact will often dwarf the second category: the Human Resource Impact. This is easier to estimate as it comprises known expenses plus allowances for a proportion of the cost of employment for those involved in, or affected by, the recruitment and subsequent severance. The financial costs arise from several sources:

• External Recruitment costs: search & selection fees, relocation packages, etc.

• Internal Recruitment allowance: a proportion of the employment costs of the staff involved in the hiring to cover the time they devote to the process including pre- and post-processing, meetings, interviews (including unsuccessful candidates) etc.

Case Study: the ‘HR’ costs of attrition
Between 2010 and 2012, we asked three major global organizations to track the total costs associated with recruiting senior managers who were replaced within 24 months of appointment. The companies were all blue chips included in the DAX index of the German stock exchange. Information was gathered about all leaders who left the organization in the previous 12 months. Each company carried out their analysis independently of the others.

The results surprised both us and our clients: the average cost of recruiting, inducting and managing a senior manager out of the business was estimated to be €1.2m per person. But the costs don’t stop there: the organization is still without its leader, so the costs of recruiting, time to break-even and induction support will be incurred again, pushing the average figure to over €2m.
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- **Appointee remuneration to break-even**: the employment costs of the new recruit until their value to the organization exceeds the cost of their recruitment. (A Harvard Business School study (2003) showed that it takes 6.2 months for new recruits to senior management to break-even, i.e. for executives to have generated as much benefit for the organization as it cost to recruit them.)

- **Induction support allowance**: a proportion of the employment costs of the appointee’s direct reports to account for their reduced effectiveness while spending time inducting the new executive about people, performance, initiatives, culture, processes, etc.

- **Performance management allowance**: a proportion of the employment costs for the people involved in managing non-performance and negotiating exit packages and the time taken to plan the process.

- **Severance costs**: the direct costs of removing a senior person from their post due to non-performance, including the severance package, outplacement support, legal costs, etc.

The case study on the right shows how such costs can mount up and provides an indication of the financial impact of the disruption to people alone. Michael Watkins, Professor at Harvard Business School, believes that managers who participate in a well-executed on-boarding programme can make a positive financial contribution to their company after just three months in post (Watkins, 2013), so halving the time to effectiveness.

### IV. Benefits of on-boarding programmes

To be successful, new people must have the skills and the flexibility to meet the requirements of their role. To be effective, they must also adapt to the new culture, forge political connections and ensure that they understand what is expected of them (Watkins 2008). Organizations can significantly improve their chances of success by providing new entrants with systematic support with these issues throughout their initial period with the business. Done well, on-boarding will contribute to the following:

- Confirming the employer’s skillful selection of the new executive (Martin and Saba, 2008) (and, importantly for readers who work in search, enhance the perception of the quality of their work).

- Increasing the motivation and effectiveness of the new executive, also confirming their decision to join. In companies that provide an effective on-boarding programme, new executives feel valued from the outset, resulting in higher commitment and so directly benefiting the respective organization (Mihai, 2009).

- Reducing the time to break-even on the costs and benefits of recruitment.

- Improving the likelihood of the executive’s longer-term success in that organisation and beyond.

- Increasing retention of executives in the organization, so keep critical business knowledge within the organization.
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- Reducing overall recruitment costs (Martin and Saba, 2008; Mihai, 2009; Watkins, 2008).

- Strengthening the employer brand (Martin and Saba, 2008).

Overall, the key benefit is to reduce the length of time it takes for the senior manager to become effective in their new role and so to contribute to their employer’s business objectives, plans and strategy.

V. The Seven Stage On-boarding Plan

Based on a meta-analysis of the work of Michael Watkins and other international studies on this subject, we developed coaching on-boarding programmes for leading organisations. In 2003 we introduced the first systematic on-boarding program at Citibank in Germany. We have since implemented on-boarding programs for a great number of well known organisations internationally. While each programme was individually designed to meet client requirements, all were based on a seven-stage action plan:

1. Preparation for the role
2. Expectation management
3. Setting the strategic agenda
4. Creating the right team
5. Forming alliances
6. Developing the culture
7. Effective communications

Each of these stages has a significant contribution to make towards integrating a new executive. The combination has proven to increase retention of people appointed to senior posts. The remainder of this paper covers each stage in more detail.

1. Preparation for the role

To use a sporting analogy: the ‘race’ begins before the starting gun is fired. Thorough preparation for the new appointment is crucial. As soon as the person is selected, they can start learning about their new working environment. Using information from a variety of stakeholders (direct reports, the Board, peers, customers, suppliers, consultants, etc), the new incumbent should...

- Build an understanding of the organization’s culture
- Identify key individuals and relationships
- Clarify expectations of their role

…so that, on their first working day, they arrive knowing the ‘big picture’ and having established who and what really is important.

In many organisations, success is dependent on adapting to the cultural norms and being seen to be "one of us". Being able to speak knowledgeably about the views of influential stakeholders and having a solid grasp of business objectives is the starting point to gain new executives the credibility to establish their own agenda and their expectations of others. In doing so, it is important to be realistic: each of the existing team will have his or her own views on what is achievable and be quick to criticize over- or under-ambitious plans. Top management can also be quick to cut short promising careers if they believe that the newcomer made impractical
promises that cannot be delivered. To gain the trust and respect of their colleagues, new executives must rapidly decide on realistic objectives that they and their department are able to achieve.

2. **Expectation management**

Whenever a senior appointment is made, everyone involved will be eager to know what is expected of them: “What’s changed? How will success be measured now? What’s likely to happen? What should/could happen?” Consciously and unconsciously, behaviours will be affected by the new person, influencing not only business topics but also the personal (“Is my job safe?” “Can I work for this person?” etc.). Good working relationships require both the new recruit and the existing management to clarify their needs and expectations so that they can be addressed explicitly.

In our on-boarding practice, we ask three seemingly simple questions of each new appointee:

- What do I stand for?
- What do I want to accomplish in this position?
- How do I want to collaborate with others?

It is surprising how hard it can be to answer these simple questions clearly. We often find that, as they think about them in depth, client executives find themselves deepening their self-awareness at the same time as they build their understanding of their new organization and role. This process can be helped by psychometric tests and feedback sessions to gain insights into personal preferences and ways of working. Used skillfully, such diagnostics can have an immediate impact on the way the executive works with colleagues, how they use their own strengths and how they communicate.

Successful management of expectations also includes defining and communicating business issues. As consultants, we regularly encounter situations where a departing executive has apparently left everything well-ordered with a set of clear and seemingly well-understood objectives. However, the successor often sees a very different picture: one where problems have been neglected and performance compromised leading to the need for remedial action or even a change in strategy. While the natural impulse of the new leader is often "I'll win through and can’t show any weakness", it is unlikely that deep-rooted problems can be resolved single-handedly. When encountering pre-existing issues, being silent isn’t an option as the Board will naturally assume that the new incumbent will deliver the original plan.

It requires courage to disclose such situations and to explain why previously agreed objectives are not achievable, particularly if the existing management is unaware of the issues.

3. **Setting the strategic agenda**

An external appointment to a senior management team will not have been involved in the development of their organization’s strategic plan. As a result, their understanding of the business plan and its challenges will be relatively weak. It is crucial that the first 100 days provides the new executive with a solid foundation to understand the overall strategy and their role in its delivery. Newcomers need to devote time to understand their new company’s characteristics (strengths and weaknesses, resources, challenges and capabilities) if they are to be effective. They need to take the time to work out what can be achieved in the short term (‘quick wins’) as well as how their area of responsibility will contribute towards longer term objectives.
In our experience, all too often new people are left to work these matters out on their own. This can have potentially serious downsides. Firstly, the function’s plans may be developed in isolation without understanding their impact on other departments or the organization as a whole. In this situation, unless sufficient scrutiny is given to the plans by colleagues the overall strategy may be unachievable. Secondly, the new proposals may not meet the needs of other business areas and so attract criticism or even be rejected. Either way, the new entrant’s credibility in the role is very likely to suffer. (Of course, there is also a third possibility that, although developed in isolation, the plans made in may be entirely appropriate…!)

Instead of an unnecessarily risky ‘isolationist’ approach, we recommend that the strategic agenda is discussed by the core team with the specific purpose of involving the new executive in strategic planning. This approach provides newcomers with the detail of the strategy and its rationale as well as providing an opportunity to build working relationships with the senior team. Towards the end of the 100 days, a workshop will allow the new appointee to explore their implementation approach, obtain their colleagues views and to fine-tune their approach. It is only through such an inclusive, collaborative approach that the senior team (and, in particular, its new member) will achieve a common understanding, buy in to the emerging agenda and become committed to successful implementation.

Best practice on-boarding programmes set aside time for the whole of the senior team to engage in strategic work. This is a pre-requisite for delivering the organization’s objectives and provides an excellent basis for longer term cooperation amongst those involved.

4. Creating the right team

In most organizations, newcomers take over their predecessors’ teams – people they have not been involved in selecting. But the personal success of a leader stands or falls on their team’s performance. So, when starting a new role, it is particularly important to get a thorough understanding of the capability and motivation of every direct report. A few of the basic questions (and there are many more) which will help in forming an opinion include:

- What exactly can he/she contribute to success?
- How does she/he affect the team dynamics?
- What motivates her/him?

In general, new leaders form their opinions about individuals in their team very soon after being appointed. However, they often neither express these with any clarity nor do they carry out any formal, independent assessment. Irrespective, by the end of their first 100 days the new leader needs to understand enough about their team to have made a series of decisions about:

- Who remains in the team?
- Who can take on more responsibility?
- Any new capabilities or extra resources that are needed?
- What personal development is required?
- Who needs to be replaced immediately and in the longer term?

The longer such decisions are delayed, the more difficult they become. More significantly, the longer the delay, the longer it will take for the new team to reach peak performance.

5. Forming alliances

Whatever their primary purpose, organizations are social structures that need people to work together as they carry out their daily business. To be able to fulfil his or her role, a new leader needs to build many new working relationships. The obvious starting point is to forge connections with those in the immediate hierarchy: seniors, peers and direct reports. But other
people are as important: key decision makers, people with influence, those with particular knowledge or who control access to resources.

Regardless of their seniority, leaders need people who they can trust and confide in if they are to be effective in their role and make good decisions: partners in the tasks of developing ideas, resolving issues, exploring options and thinking about consequences before committing to action. People are simply more effective when working with others who can provide a different perspective and challenge their thinking. This is particularly true of new leaders who have the added pressure of learning about their fresh working environment, the way the organization operates, the people and the market.

An early investment of time to identify and develop key relationships pays significant dividends. This is best done as a planned activity to which the newcomer allocates time and energy rather than the more usual, passive approach where key relationships are allowed to emerge (or not) with time.

6. Developing the culture

Watkins (2009) demonstrates that the "fit" of a new person to the culture of the organization is the main determinant of success in the role. So, perhaps the most important on-boarding activity for the new leader is to understand the existing culture. But understanding an organization’s culture is not straightforward. It relies on paying attention to symbols, norms and principles, much of which is likely to be unwritten. Some questions that will help:

- What behaviors are rewarded?
- What unspoken assumptions are in use?
- How are things done?
- How is poor performance managed?

Having formed an opinion about the culture, another question takes precedence:

- Is the existing culture conducive to the achievement of the desired strategic goals? And, if not: What needs to change? How should we change it? Who needs to be involved?

The implications of this aspect of on-boarding are likely to have wide repercussions in the organization and so need careful thought. It is at this stage that the strength of the alliances developed in step 5 will be tested and the support of colleagues will be essential.

7. Effective communications

Communication is critical to success. This is as true of a personal agenda, a new leader’s ‘100 day’ objectives or an organization’s strategy. It is also true from the first day in an organization to the last day.

Once their plan is formulated, successful leaders work to engage others and to gain their commitment to its implementation. They communicate not only the goals and the rationale but their expectations of others and the roles they should perform. They keep other stakeholders up to date with progress and manage their expectations.

VI. Summary & Conclusion

A surprisingly high proportion of external hires to senior management leave their positions within 18 months of their appointment. This attrition rate causes significant financial costs from two sources: the business impact of the lack of the leader and the associated Human Resource effort and expense of attrition. The benefits of a thorough and professional on-boarding programme can alleviate the problems arising from low retention rates, reducing the adverse
financial impacts and increasing the likelihood of the successful integration of new people into the existing team.

We have outlined the structure of a seven stage approach to on-boarding that will greatly improve retention of new senior managers and believe that it could halve the time it takes for them to make positive contributions to their organizations. The programme complements the services of search consultants and strengthens their relationship with clients.

Dr Sabine Dembkowski is the Managing Partner and Chris Lazenby is an Executive Coach at The Coaching Centre www.thecoachingcentre. The Coaching Centre is the international consultancy for executive coaching and leadership services. Together with her team Sabine works with executives in leading organisations, DAX 30, management and search consultancies and private equity firms. She has published in both English and German on leadership and coaching and is an author of 'The Seven Steps of Effective Executive Coaching'. We are delighted to hear from you if you are interested in a working and/or cooperating with us: info@thecoachingcentre.com.

References


My notes
The Coaching Centre

Your Sparring-Partner for Personal and Organisational Success

Köln
Weissenburg Straße 48
50670 Köln
Tel: +49 221 285 9605

London
26 York Street
London W1U 6PZ
Tel: +44 207 608 5190

sabinedembkowski@thecoachingcentre.com • www.thecoachingcentre.com