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Successfully transitioning to new leadership roles

Leadership changes are more common and important than ever. But most companies don't get it right.

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In Leading Organizations: Ten Timeless Truths *(Bloomsbury Publishing, June 2017),*[1] *McKinsey senior partners Scott Keller and Mary Meaney address the ten basic issues facing leaders: attracting and retaining talent, developing current talent, managing performance, creating leadership teams, making decisions, reorganizing to capture value quickly, reducing long-term overhead costs, making culture a competitive advantage, leading transformational change, and transitioning to new leadership roles. "Attracting and retaining the right talent" (McKinsey.com, November 2017) was the first in our series of articles based on the book. The second was "Reorganizing to capture maximum value quickly" (McKinsey.com, February 2018).*

Every leadership transition creates uncertainty. Will the new leader uncover and seize opportunities and assemble the right team? Will the changes be sustainable? Will a worthy successor be developed? These questions boil down to one: Will the leader be successful?

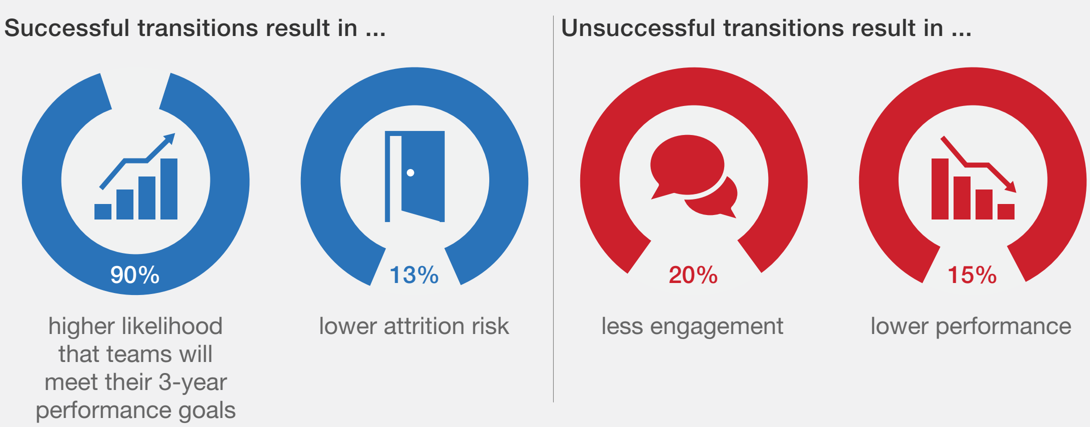
Why are leadership transitions important?

Hardly anything that happens at a company is more important than a high-level executive transition. By the nature of the role, a new senior leader's action or inaction will significantly influence the course of the business, for better or for worse. Yet in spite of these high stakes, leaders are typically underprepared for—and undersupported during—the transition to new roles.

The consequences are huge

Executive transitions are typically high-stakes, high-tension events: when asked to rank life's challenges in order of difficulty, the top one is "making a transition at work"—ahead of bereavement, divorce, and health issues.[2] If the transition succeeds, the leader's company will probably be successful; nine out of ten teams whose leader had

Exhibit 1 If a leadership transition succeeds, the leader's company will probably be successful over several years.



Source: *CEB Blogs*, "Corporate finance: The cost of poor leadership transitions," blog entry by Kruti Bharucha and Nitika Dial, October 29, 2013, cebglobal.com

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a successful transition go on to meet their three-year performance goals (Exhibit 1). Moreover, the attrition risk for such teams is 13 percent lower, their level of discretionary effort is 2 percent higher, and they generate 5 percent more revenue and profit than average. But when leaders struggle through a transition, the performance of their direct reports is 15 percent lower than it would be with high-performing leaders. The direct reports are also 20 percent more likely to be disengaged or to leave the organization.[3]

Successful or not, transitions have direct expenses—typically, for advertising, searches, relocation, sign-on bonuses, referral awards, and the overhead of HR professionals and other leaders involved in the process. For senior-executive roles, these outlays have been estimated at 213 percent of the annual salary.[4] Yet perhaps the most significant cost is losing six, 12, or 18 months while the competition races ahead.

Nearly half of leadership transitions fail

Studies show that two years after executive transitions, anywhere between 27 and 46 percent of them are regarded as failures or disappointments.[5] Leaders rank organizational politics as the main challenge: 68 percent of transitions founder on issues related to politics, culture, and people, and 67 percent of leaders wish they had moved faster to change the culture. These matters aren't problems only for leaders who come in from the outside: 79 percent of external and 69 percent of internal hires report that implementing culture change is difficult. Bear in mind that these are senior leaders who demonstrated success and showed intelligence, initiative, and results in their previous roles. It would seem that Marshall Goldsmith's advice—"What got you here won't get you there"[6]—is fully applicable to executive transitions.

Leadership transitions are more frequent, yet new leaders get little help

The pace and magnitude of change are constantly rising in the business world, so it is no surprise that senior-executive transitions are increasingly common: CEO turnover rates have shot up from 11.6 percent in 2010 to 16.6 percent in 2015.[7] Since 69 percent of new CEOs reshuffle their management teams within the first two years, transitions then cascade through the senior ranks.[8] Sixty-seven percent of leaders report that their organizations now experience "some or many more" transitions than they did in the previous year.[9]

Despite the increase in frequency, only 29 and 32 percent of US and global leaders, respectively, feel that their organizations appropriately support new leaders. As many as 74 percent of US leaders and 83 percent of global ones think they are unprepared for their new roles.[10] As CEB puts it, "most organizations approach new leadership transitions in the same way many organizations approach mergers and acquisitions: as one-off events.... The typical unsystematic 'hands-off' transition approach relies heavily on new leaders to self-manage their transitions. However, most leaders experience only a handful of transitions ... so for them, each transition remains more art than science."[11]

Organizations most often try to help newly appointed leaders by supplying them with mentors or informal "buddy" networks. Yet only 47 percent of external hires and 29 percent of internal ones find these helpful. Standard orientation programs are the second most common approach, but only 19 percent of externally and 11 percent of internally recruited executives consider them effective. Some methods—for instance, tailored executive coaching and customized assimilation plans—have been shown to double the likelihood of success, but only 32 percent of organizations use them.[12] When companies are asked what additional support they intend to provide in future, the commonest response is to have HR play a more supportive role. But HR departments already have a full plate.[13]

What are the big ideas?

Newly appointed leaders should take stock of their situation in five areas and then take action to deal with them. They should also clearly state not only what they will do but what they won't, as well as forget the idea that they have only 100 days to make an impact.

Take stock and take action in five areas

The great Spanish writer Cervantes once wrote, "To be prepared is half the battle." What is the other half? A second famous Spaniard, the artist Pablo Picasso, said, "Action is the foundational key to success." They were right, so every leader should mount a transition in two equally important stages: first take stock and then take action by asking questions about five basic dimensions of leadership—the strategy and operation of the business or function, the corporate culture, the team, the leader herself or himself, and other stakeholders that need to be managed (Exhibit 2). Beware of generic answers because every leader's starting point is different. For some, the starting role is to maintain and improve steadily what they inherited in each of these dimensions. For others, transformational change in all the dimensions is necessary. Still others face a mix of requirements.

Simultaneously managing the five focus areas isn't easy. As with spinning plates, do it too slowly, and they lose momentum and crash to the ground; do it too quickly, and they spin out of control. Get this right, and you can succeed spectacularly.

Exhibit 2 Leaders should think about mounting a transition in two equal steps: first take stock, then take action across five dimensions.

Your business or function	Culture	Team	Yourself	Other stakeholders
Take stock: Do you understand the current performance and capabilities?	**Take stock:** Do you understand the current culture and any shifts required to improve performance?	**Take stock:** Do you have the right team with the right skills and attitudes and the right structure?	**Take stock:** Have you done what it takes to get up to speed, set boundaries, and consider your legacy?	**Take stock:** Do you understand your mandate and the other expectations of major stakeholders?
Take action: Have you aligned and mobilized your team and organization on the future aspiration and priorities?	**Take action:** Are you influencing those shifts with all levers available?	**Take action:** Have you together embarked on a structured journey to become a high-performing team?	**Take action:** Do you spend your time wisely by assuming roles only you can play?	**Take action:** Have you established a productive working rhythm and relationship with them to shape their views?

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Be clear about what you won't do, not just what you will

When Alan Lafley took over Procter & Gamble, in June 2000, the global consumer-goods giant had become the worst-performing company in the Dow Jones Industrial Average. Lafley increased P&G's profits by 70 percent and its revenues by almost 30 percent in his first five years. His success was as much about what he stopped as what he started. Lafley and his senior team quickly ended almost $200 million of experimental technology projects and regional marketing campaigns. They prioritized four core businesses and ten countries.

As Lafley says, "be clear on what you won't do—what needs to stop.... Most human beings and most companies don't like to make choices, and they particularly don't like to make a few choices they really have to live with." Along the same lines, management thinker Jim Collins notes that great companies create "stop-doing" lists to complement their "to-do" lists.[14] In our experience, too, senior executives in new roles must be clear not only about what they want to do but also about what they don't. Otherwise, when employees hear about the company's new direction, they will reframe what they are already doing to show that this supports the changes, and many pet projects will crop up in the name of advancing them. Well-intentioned but fragmented and ineffectual efforts then proliferate, and momentum vanishes. Successful leaders are 1.8 times more likely than others to communicate explicit ideas about what to stop, not just about what to start.[15]

So, as leaders in a transition take stock, they should ask what they can delay or terminate—for example, initiatives, meetings, process steps, reports, and rituals. As leaders take action, they should not only be clear about what will stop and start but also adopt a philosophy from the world of good housekeeping: one thing in, one thing out. When people propose new initiatives, leaders should ask what the company will stop doing to free up the time, money, resources, and focus needed to implement them well.

Be impact driven, not calendar driven

If you type "executive transitions" into Amazon, you will find a long list of books offering 90- and 100-day plans for success. These works say that you have a limited period to achieve full productivity as a leader and that if you don't make it in time, you are doomed. The evidence doesn't support these claims: 92 percent of external and 72 percent of internal hires take far more than 90 days to reach full productivity.[16] Sixty-two percent of external and 25 percent of internal hires admit that it took them at least six months to have real impact.

In general, that delay isn't a problem. Stakeholders typically expect a new CEO to propose a strategic vision within the first eight months, not the first 100 days (Exhibit 3). They give the CEO 14 months to get a new team in place and 19 months for an increase in share prices.[17] This doesn't necessarily mean that leaders shouldn't move quickly—for example, 72 percent of them wish they had taken less time to reshape their teams.[18] But stale formulas shouldn't pressure leaders to act.

How do I make it happen?

Sofia, a high-ranking leader at a European financial-services company, accepted a senior-executive position in its insurance-brokerage business. The company's top leaders felt that although this would be a stretch assignment, she was right for it. Sofia had some previous contact with the business but knew little about how it worked, although she did know its reputation as a weak performer.

1. Aspire

Sofia quickly immersed herself. She spent time carefully understanding the views of the outgoing leader and organized sessions with third-party experts to learn about industry dynamics, competitive trends, and best practices. She also

Exhibit 3 The idea that new leaders have 100 days to make their mark is a myth.

Source: Leslie Gaines-Ross, *CEO Capital: A Guide to Building CEO Reputation and Company Success*, Hoboken, NJ: John Wiley & Sons, 2002; *Executive transitions market study summary report: 2008*, a joint report from The Institute of Executive Development and Alexcel Group, 2008

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started to get to know her team and met a couple of colleagues from earlier in her career who now worked in the same business.

Sofia's next step was to begin engaging the organization. She spent time at regional offices interviewing high-performing employees individually to get their advice and meeting with the rest of the staff. She also met with representatives from key customer accounts to hear their hopes and concerns. Meanwhile, a small strategy team was pulling together a baseline analysis of the unit's performance and culture. She met the team every week to discuss the findings and create "one version of the truth."

Ten weeks into the role, Sofia assembled her team for a two-day "aspiration-setting" workshop at an off-site location. Together, they created a high-level aspiration: to operate as a bank-owned business rather than a standalone company; to segment the market in a disciplined way rather than trying to be everything to everyone; and to consider acquisitions only after they had shown that the unit could organically grow.

2. Assess

Sofia and her direct reports, supported by a strategy team, started meeting twice a week to deepen their discussions. Together, they decided on the priorities for achieving the aspiration, identified the new capabilities it required (for example, digital marketing, data analytics, and customer relationship management), and considered organizational options. Twelve weeks into the new job, Sofia announced a restructuring of the business, the early retirement of two executives, and the creation of three new executive roles.

She now had the strategy team running focus groups to identify limiting mind-sets and behavior that could undermine the aspiration. Many employees, for instance, felt that being part of a larger financial-services institution hurt the insurance operation's performance. They didn't trust the abilities of colleagues outside their own departments. A significant number believed that if revenues grew, everything else, including margins, would take care of itself.

In the next workshop, an experienced facilitator helped Sofia's direct reports to decide on specific performance goals (such as margin growth, cross-sell rates, and customer satisfaction) and to identify the necessary shifts in mind-sets and behavior.

3. Architect

Having taken stock of the business's situation and aligned on an aspiration, Sofia and her direct reports began to plan how they would take action. They launched initiative teams to determine how to implement all the priorities. Executive-level members, working in pairs to get to know each other better and to model their collaboration, sponsored every initiative. The initiative teams focused on defining a customer-segmentation strategy, optimizing technology, standardizing office models and compensation structures, and creating more integrated partnerships with the company's other businesses. The teams also suggested what should be on the stop-doing list and how the company's culture could change through role modeling, storytelling, reinforcement mechanisms, and skill building.

The next off-site meeting determined the scope of each initiative, the key decisions, the overall milestones, and the governance mechanisms. A few scenarios were played out so that everyone understood decision rights, key performance indicators, and interdependencies. Then a change story assembled the full picture—the what, when, why, how, and who of the whole program.

4. Act

Sofia worked with her assistant to ensure that she would have enough time for the important issues as well as the flexibility to deal with urgent ones. She ensured that detailed plans were fleshed out for each initiative while simultaneously implementing some quick wins. She also established a program-management office (PMO) to coordinate the initiative teams.

This phase culminated in an off-site meeting with the business unit's top 300 leaders that formally marked the launch of the new direction. In advance of the meeting, the change story and detailed implementation plans were refined. The PMO fleshed out a full change-management and communications plan. The finance and HR teams reviewed current business and talent processes to confirm their alignment with the new direction and to clarify who was responsible for what. And Sofia's boss, Rajit, was briefed to explain what the new direction of the insurance business would mean for the company as a whole. (Sofia had previously spent time with him to ensure that he was comfortable with her plans.)

5. Advance

In the next six months, Sofia met monthly with the PMO and the initiative teams, switching to a quarterly schedule once things were well on track. She continued to manage her schedule to balance meetings with customers, business partners, and regulators and with her direct reports. She also reserved time to reflect on strategy, organizational dynamics, and her personal impact.

Sofia stayed close to her direct reports, both individually and as a group (frequent one-on-one feedback and coaching sessions ensured that they remained fully on board). Six months into her role, two leaders hadn't changed in the way she had hoped, so she made the necessary moves; fortunately, she had earlier decided to work with HR to create succession options. She also used an inner circle of informal advisers to act as a sounding board, to give her discreet advice, and to learn how the organization perceived her and her actions.

A year into her role, not everything had gone according to plan: unforeseen economic changes dictated a strategic decision to focus more on the consumer business. She also had to dismiss another of her direct reports unexpectedly after major risk and compliance issues surfaced. But thanks to the operating rhythm Sofia had created, the business unit picked up the need for adjustments early on and quickly made changes. Its performance was turning around—it beat its plan, with significant increases in cross-selling and in profit margins. Ninety-five percent of its employees now felt it had a clear, shared direction, up from less than half before Sofia's arrival. Most important, she felt confident she had the right strategy, the right team, and the right support from stakeholders.

Sofia effectively took stock and took action in the areas that matter, and so should all executives who want to ensure that their transitions are a success. ■

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[1] Scott Keller and Mary Meaney, *Leading Organizations: Ten Timeless Truths,* London, United Kingdom: Bloomsbury Publishing, 2017.

[2] Matt Paese and Richard S. Wellins, *Leaders in transition: Stepping up, not off,* Development Dimensions International, ddiworld.com.

[3] CEB Blogs, "Corporate finance: The cost of poor leadership transitions," blog entry by Kruti Bharucha and Nitika Dial, October 29, 2013, cebglobal.com.

[4] Heather Boushey and Sarah Jane Glynn, *There are significant business costs to replacing employees,* Center for American Progress, November 2012, americanprogress.org.

[5] We compiled these statistics on failure rates and their causes from a number of landmark studies, including Brad Smart and Geoff Smart, *Topgrading: How to Hire, Coach and Keep A Players,* New York, NY: Penguin, 1999; Mark Murphy, "Leadership IQ study: Why new hires fail," *Public Management,* 2005, Volume 88, Number 2; Patricia Wheeler, "Executive transitions market study summary report: 2008," The Institute of Executive Development, 2008; George Bradt, Jayme Check, and Jorge Pedraza, *The New Leader's 100-Day Action Plan: How to Take Charge, Build Your Team, and Get Immediate Results,* Hoboken NJ: Wiley, 2006; and recent Gallup polls. The specific range mentioned here comes from *Executive Transitions Rise, Challenges Continue,* IED and Alexcel Research, June 2013 (27 percent), and "High-impact leadership transitions: a transformative approach," CEB, 2012 (46 percent).

[6] Marshall Goldsmith and Mark Reiter, *What Got You Here Won't Get You There,* New York, NY: Hyperion, 2007.

[7] DeAnne Aguirre, Per-Ola Karlsson, and Kristin Rivera, "Are CEOs less ethical than in the past?," *strategy+business,* Summer 2017, strategy-business.com.

[8] Michael Birshan, Thomas Meakin, and Kurt Strovink, "How new CEOs can boost their odds of success," *McKinsey Quarterly,* May 2016, McKinsey.com.

[9] *Executive Transitions Rise, Challenges Continue,* IED and Alexcel Research, June 2013.

[10] Matt Paese and Richard S. Wellins, *Leaders in transition: Stepping up, not off,* Development Dimensions International, ddiworld.com; and "Ascending to the C-suite," April 2015, McKinsey.com.

[11] *High-Impact Leadership Transitions,* 2012, CEB, cebglobal.com.

[12] Patricia Wheeler, "Executive transitions market study summary report: 2008," The Institute of Executive Development, 2008; "Ascending to the C-suite," April 2015, McKinsey.com.

[13] *Executive Transitions Rise, Challenges Continue,* IED and Alexcel Research, June 2013.

[14] Debbie Weil, "Three things on Jim Collins' stop doing list," *Inc.*, September 2008, inc.com.

[15] "Ascending to the C-suite," April 2015, McKinsey.com.

[16] Patricia Wheeler, "Executive transitions market study summary report: 2008," The Institute of Executive Development, 2008.

[17] Leslie Gaines-Ross, *CEO Capital: A Guide to Building CEO Reputation and Company Success,* Hoboken, NJ: Wiley, 2002.

[18] "Ascending to the C-suite," April 2015, McKinsey.com. More than half also think that they didn't spend enough time taking stock of their personal leadership strengths and weaknesses during the transition and evaluating their personal operating models.

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