High-Impact Leadership Transitions
A Transformative Approach
Since the second quarter of 2011, turnover for existing C-level positions has been on the rise. But these numbers tell only a small portion of the leadership transition story. As organizations rapidly alter their course to pursue growth opportunities in a shifting business landscape, these changes are leading to the creation of new missions, teams, and executive roles that must be filled. In the face of this accelerating leadership transition activity, support at most organizations—if any exists at all—focuses on the tiny fraction (3%) of leadership transitions that follow a previously arranged plan under normal business conditions.

Even well-planned leadership transitions can significantly impact the organization, with the transitioning leader’s new team and peers experiencing slower productivity growth than those of tenured leaders while the new leader ramps up. However, in reality, many transitions are far from successful. A small portion fail spectacularly, but strikingly, a much larger percentage of transitioning leaders struggle more quietly: 46% of all leaders underperform during the course of their transitions.

The ripple effect of the leader’s underperformance creates significant risk and cost for the entire business. The direct reports of a struggling transitioning leader perform, on average, 15% worse than those who report to a high-performing one. And those direct reports are 20% more likely to be disengaged or leave the organization. Add to this the set of executive colleagues whose productivity suffers because they depend on a struggling transitioning leader and missed business opportunities and stalls in critical new strategies or business launches, and the negative impact can quickly balloon to tens of millions of dollars a year, or more, based on the scope and
scale of the leader’s role and organization. This easily dwarfs the leader’s direct recruiting, onboarding, salary, and outplacement costs.

In contrast, the most successful leadership transitions generate substantial benefits for both the leader and the organization. They yield a ramp to full productivity for the transitioning leader that is up to nine months faster. And great transitioning leaders—those who are able to balance near-term performance objectives while building for the future—also create significant returns for the organization. At least nine in ten teams they lead meet their three-year performance goals. In addition, the attrition risk for their teams is 13% lower than average, and their teams show discretionary effort levels that are 2% higher than average, generating potential improvements in revenue of 3 to 5% and profit of 2 to 5%.

The best organizations achieve these results because they recognize that leadership transitions occur regularly and must be managed as carefully as other recurring, high-impact processes. They also know that not all transitions are created equal and that generic transition support focused on a narrow window at the start of the executive’s tenure is a recipe for failure. Instead, the best companies proactively engineer the transition experience to provide tailored support for four key transition types:

- Replacing an Icon
- Following a Train Wreck
- Jump Start
- Breaking Ground

They supplement leader competencies by delivering transition support strategies that address cultural and situational context across an extended support horizon and ensure active participation from a broad transition support community.

To help transitioning leaders and their organizations effectively focus their transition management investments and resources, this brief draws on CEB’s unparalleled quantitative research on leadership transitions and development. This work is informed by data from nearly 30,000 leaders and hundreds of interviews with recently transitioned leaders at large organizations. The resulting practical guidance helps organizations increase the chance of successful leadership transitions by moving beyond
the typical executive-centric transition approach to address four key drivers of transition failure:

- Organizations and leaders underappreciate transition context.
- Leaders often have an underprepared (or nonexistent) support community.
- Companies treat transitions as an event rather than a repeatable process.
- Leaders receive limited support beyond the “first 100 days.”

**Move Beyond an Executive-Centric Transition Approach**

Components of Successful Leadership Transitions

![Diagram showing the four components of successful leadership transitions: Repeatable Transition Process, Active Transition Community, Situational Support, and Executive Competencies and Activities.](image-url)
Organizations and Leaders Underappreciate Transition Context

The best organizations and their leadership teams successfully address a handful of key transition-related challenges.

**Challenge:** Organizations and executives conventionally view transitions in one of two ways: in terms of organizational hierarchy (e.g. moving from middle management to a senior executive role) or in terms of whether the leader is transitioning from inside or outside the organization. These approaches both fail to account for differences in the circumstances that each transitioning leader must face.

**Solution:** Instead, organizations and leaders should view transitions through a situational lens. When viewed this way, five transition situations emerge, accounting for more than 97% of all leadership transitions:

- **Smooth Sailing**—The leader moves into a position according to a previously arranged transition plan under normal business conditions (3% of leadership transitions).
- **Replacing an Icon**—The leader’s predecessor was very successful in the job (18%).
- **Following a Train Wreck**—The leader’s predecessor was not successful in the job (27%).
- **Jump Start**—A static environment where the performance of the leader’s predecessor wasn’t particularly strong or weak, but the organization needs to quickly move in a different direction (19%).
- **Breaking Ground**—The leader assumes a newly created position (31%).

Using this lens, it’s clear that there are few easy transitions: less than 3% of transitioning leaders can look forward to a high degree of role clarity and modest pressure for results in their new roles.
CEB’s Leadership Transition Service helps new leaders navigate their specific transition situation and organizational culture through a combination of proven transition practices, on-call expert support, access to peer advice, and functionally oriented immersion programs.
Leaders Often Have an Underprepared Support Community

Challenge: Organizations typically view transitions as a very individualistic effort, focusing almost exclusively on the activities, skills, and personal attributes that leaders need to manage their own transitions successfully. This approach does not take full advantage of a critical resource at the leader and HR’s disposal: the community of stakeholders that the leader will be working with, including the former manager (if transition occurs within the company), new manager, new team, and new peers. Each of these people has a vested interest in the success of the transitioning leader given the transition’s potential impact (both positive and negative) on their productivity and MBOs. However, just involving members of the support community in a leader’s transition is not enough. Less than one-third of the people supporting senior leadership transitions are effective at doing so.

Solution: The best organizations shift members of the leader’s transition community from passive observers to active transition partners. This begins with educating community members on what transition-related roles to play and how to play those roles effectively. Then, the best organizations equip each community member with the resources and tools to interact with and support the new leader during the transition.
Increase the Effectiveness of the Leader’s Support Community

Average Effectiveness of Transition Support Sources for Senior Leaders

<table>
<thead>
<tr>
<th>Relationship to Transitioning Leader</th>
<th>Percentage Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Manager</td>
<td>9%</td>
</tr>
<tr>
<td>New Manager</td>
<td>39%</td>
</tr>
<tr>
<td>Direct Reports</td>
<td>31%</td>
</tr>
<tr>
<td>Peers</td>
<td>30%</td>
</tr>
<tr>
<td>All Sources</td>
<td>27%</td>
</tr>
</tbody>
</table>

1 Average percentage of each group rated “effective” or “very effective” across all significant support activities for that group.

Source: CLC Learning and Development research.

CEB’s Leadership Transition Service helps the new leader’s direct reports prepare themselves for the transition and effectively onboard the new leader.
Companies Treat Transitions as an Event Rather Than a Repeatable Process

**Challenge:** The average large organization has 70 senior executives and replaces 12% of them annually, resulting in eight leadership transitions each year. But despite this fact, most organizations approach new leadership transitions in the same way many organizations approach mergers and acquisitions: as one-off events. And as with mergers and acquisitions, where the most common driver of deal failure is ineffective post-merger integration, leadership transitions frequently fail because of poor “integration” of the leader into the organization. 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 during their careers, so for them, each transition remains more art than science.

**Solution:** The best organizations orchestrate a structured transition support process that mobilizes resources and applies innovative tools and approaches to assist the leader with a set of high-impact transition activities. These include:

1. Understanding and adapting to the way the organization does business, including organizational culture, business model, and current capabilities;
2. Structured assistance in identifying and forming connections with key stakeholders;
3. Clarifying expectations for the role with the new leader, his direct reports, and impacted peers; and
4. Defining strategic priorities and executing on transition initiatives.
Create a Repeatable Process to Enable Four Key Leadership Transition Activities

Transition Categories and Activities

- Adapting to Organizational Culture
- Understanding Organizational/Industry Value Drivers
- Assessing Organizational Capabilities/Performance
- Clarifying and Shaping Performance Expectations
- (Re)defining Strategic Priorities
- Executing on Transition Initiatives
- Identifying and Managing Key Stakeholders
- Building an Effective Personal Network
- Improving Organizational IQ
- Creating Role Clarity
- Shaping the Future
- Focus
- Friends
- Future

CEB’s Leadership Transition Service helps the new leader gauge the needs and perceptions of business partners, assess the capabilities and engagement of the team, and benchmark the department’s capabilities, alignment, and cross-functional support.
Leaders Receive Limited Support Beyond the “First 100 Days”

**Challenge:** Research on leadership transitions almost universally identifies the first 100 days of a leader’s tenure as critical, a make or break period for the leader’s future at the company. Consequently, that is where most organizations focus their transition support. But while the first 100 days does represent a critical adjustment period, a senior leader’s past experience and existing skills typically translate to rapid performance gains during that time. Unfortunately, this performance trajectory doesn’t last: new senior leaders (and the business units or functions they manage) often hit a “stall point” at the six-to-nine-month mark.

**Solution:** Leading organizations provide transitioning leaders with support well beyond—and in some cases before—the first 100 days. They accelerate leader performance through pre-transition coordination between the leader’s previous and new manager, ongoing feedback on their ideas and strategies from direct reports and peers, and transition tools and leadership coaching from the HR organization.

*Provide Sustained Transition Support to Avoid a Performance Stall*

Senior Leader Performance Trajectory by Time in Seat

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Source: CLC Learning and Development research.
CEB’s Leadership Transition Service provides the sustained support necessary for effective leadership transitions, helping organizations:

- Reduce the leader’s time to full productivity by up to nine months;
- Increase team productivity by cutting staff attrition and boosting discretionary effort;
- Generate improvements of 3 to 5% in revenue and 2 to 5% in profit; and
- Improve internal stakeholder communication and alignment to prevent growth stalls or missed business opportunities.

**Tailor Transition Emphasis to Ensure Success**

Successful leadership transitions can help the organization avoid significant business risks, but most leaders underperform or fail outright because support is overly generic, confined to the early days of the transition, and too narrowly focused on what the leader does on his or her own. The most successful leadership transitions are the product of a tailored approach to the leader’s first year in seat, the components of which are based on the type of transition. The graphic representations on the following pages illustrate the relative importance of transition support activities for each of the four most challenging transition types.
1 Replacing an Icon

One of the highest profile leadership transitions in recent years was Tim Cook’s replacement of Steve Jobs as CEO of Apple. Following a leader hailed by many as a visionary genius, Cook faced a significant challenge—respecting the legacy of his predecessor while at the same time putting his own stamp on the organization without compromising its performance. Nearly one in five new leaders have just this type of tough act to follow. The first priority for leaders replacing an icon is to clarify the role, and then to begin forging relationships that will help legitimize and advance their agendas.

2 Following a Train Wreck

At the opposite end of the spectrum are “train wreck” transitions, in which the previous leader has failed spectacularly. As the second most common transition, they make up 27% of all leadership transitions. Recent examples include Thorsten Heins replacing co-CEOs Jim Balsillie and Mike Lazaridis after several years of rapid decline at Research in Motion, and Matt Zames stepping into the chief investment officer role at JPMorgan Chase after a multibillion dollar trading loss under his predecessor. The two activities that are most critical to the transitioning leader’s agenda when following a train wreck are creating a clear vision for the organization, then forging new relationships and repairing those damaged by underperformance.
Almost one-fifth of leadership transitions fit the “jump start” mold, where the previous leader’s performance is solid but not outstanding, and the organization needs to quickly move in a different direction because of a change in strategy or the broader economic environment. A recent example of this is Patrick Eltridge’s move from Standard Chartered Bank into the chief information officer role at Telstra, where he was charged with integrating the company’s network and information technology organizations to make Telstra more customer-centric. Faced with a jump start situation, the most successful leaders focus on quickly understanding the industry, organization, and dynamics of their new team, while actively using existing networks and their teams to socialize and drive change.

Nearly 4 in 10 leadership transitions involve moving into a newly created position, underscored by the increasing presence of executive roles for managing new priorities related to social media, data, risk, sustainability, and shared services. Recent examples include the installation of John Bottega as the first chief data officer at Bank of America and the appointment of Gavin Neath as senior vice president of communications and sustainability at Unilever. To succeed in this transition it is critical to clearly define the responsibilities and objectives of the role and gain a better understanding of the stakeholder universe. The initial level of uncertainty inherent in this type of transition affords the leader opportunities to shape the role and how success will be judged, both during the transition and in the long run.
Transform Transitions into Enterprise Wins

No person is an island, a sentiment that is especially true for successful transitioning leaders. Their transitions are driven not just by their own actions and abilities but through a carefully engineered, situation-specific combination and sequence of activities, competencies, and support from their organizations. This differentiated approach can reduce the ramp to full productivity for the transitioning leader by up to nine months and has significant benefits for the broader organization: at least nine in ten teams led by high-performing transitioning leaders meet their three-year performance goals. In addition, the risk of attrition for their teams is 13% lower than average, and their teams show discretionary effort levels that are 2% higher than average, yielding potential revenue improvements of 3 to 5% and an increase in profit of 2 to 5%. 
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