

MANAGE YOUR TALENT LIKE YOU MANAGE YOUR INVESTMENTS

By Mark Brenner and Roza Rojdev

FORTY TO 60 PERCENT of new hires fail within 18 months (Corporate Leadership Council, 2001), and 80 percent of senior executive recruits change employers within two years of hire (Harvard Business Review, 2000). These are alarming statistics, particularly in light of the astronomical costs associated with recruiting talented leadership. Making matters worse, the departure of even one C-level executive can have dire financial consequences for internal and external stakeholders. Furthermore, that loss can seriously disrupt business activities, create negative publicity and leave scars on the company culture and team morale whose true costs are difficult to assess. Clearly, losing senior-level talent is unacceptable, particularly when often it can be prevented.

Leaders Are People, Too

Leaders rarely fail due to technical or intellectual shortfalls. They stumble and derail because of factors related to emotional intelligence. For example, according to the Center for Creative Leadership, 82 percent of new leaders fail to build good relationships with peers and subordinates; 58 percent experience confusion or uncertainty about what the boss expects; and 58 percent lack internal political skills. Take the case of "Sam," the newly appointed Acting CFO of a fast-growing public company in the creative services and document management industry. In the process of reorganization, Sam's boss, the

CFO, was promoted to business unit president and Sam moved up from his position as VP of Treasury. Meanwhile, the company conducted a nationwide search to fill the CFO position, and Sam also threw his hat in the ring. As VP, Sam had an excellent track record. He had proven himself as financially savvy, highly skilled technically, an exemplary team player and a champion of organizational change. He had led major company-wide initiatives, had brokered a number of sophisticated deals with bankers and had handled highly challenging strategic issues. His superior leadership skills had come to the attention of the president who considered Sam a highly respected advisor and, on occasion, had asked him to present at board meetings. Sam also served on several boards and committees in the community. Clearly, he was a superstar and a natural for the position of CFO.

A few weeks into the Acting CFO role, however, Sam began to feel apprehensive and feared he did not have adequate skill sets for the position. He became absorbed in self-scrutiny and began questioning his resources and abilities, undermining the very tools he needed to get the job done: self-confidence, intellectual and emotional strength and a mind firing on all cylinders. Soon, his self-imposed crisis of confidence began to take its toll on his performance and impaired his ability to stretch. Rather than thinking of the new job's challenges analytically and seeking out resources to close the gap in his abilities, his

behavioral style led him to focus on his perceived shortcomings. Distracted by his increasing anxiety, he took his eyes off the ball and began to make mistakes. Finally, Sam's objectivity about himself slipped to the point where he decided to dust off his resume since he no longer felt qualified to fill the CFO role and did not want to face the humiliation of returning to his old VP position as "second best."

Because an individual like Sam has been a star performer, continued success is taken for granted. The idea of failure is so counter-intuitive that top executives can often overlook the simple fact that even leaders are human and can be overcome with self-doubts and stumble. In Sam's case, there were two additional derailment factors that contributed to his crisis of self-confidence. One, his promotion occurred quickly with no time for planning, catching him off-guard and unprepared to switch gears. Furthermore, the former CFO had been his mentor, but "dropped him" upon becoming a division president, since they were now peers. The expectation that a new leader will not encounter any landmines is actually the biggest landmine for both candidates and their bosses. Even though intellectually, these new appointees have everything they need for success, they are all too often subject to human emotions and missteps as they move out of their comfort zones.

A Common-sense Approach to Preventing Derailment

When Sam decided to look for a new employer, his resume writer and advisor suggested executive coaching. As a result, fortunately, the story has a happy ending. Coaching boosted Sam's emotional intelligence, a factor that becomes increasingly more critical to leadership success than intellect or technical proficiency as a person moves up the career ladder. He became more acutely aware of his



own emotional functioning and its impact on high performance and on the performance of those he led. As he acquired a more effective set of skills to navigate the challenges of change without becoming self-absorbed, his self-confidence returned. The coaching process revitalized and extended his existing skill sets, enabling him to transfer them to the new context. Within three months he became an exemplary Acting CFO and was ultimately chosen for the position over a number of highly qualified competitors. Within a year he helped take the company to the next level of performance by establishing strong relationships with investors, including one of the world's highest profile VC groups. He was solely responsible for finding a strategic buyer, completing the transaction and facilitating the retention of the senior team. Finally, he negotiated an impressive exit package for himself.

Talent Risk Management

The straightforward solution to leadership derailment is to provide targeted help for new appointees in the form of "on-boarding" coaching. On-boarding coaching is a precise, data-driven discipline, combining hard performance data (past performance reviews, 360-degree feedback, etc.) with real-time observation of the candidate. The coach facilitates the spanning of the gap between the candidate's skill sets and requirements of the new position, helping him or her overcome blind spots and addressing

areas of developmental opportunity. This investment minimizes the risk of derailment and maximizes the developmental potential of the newly promoted or hired executive.

Although in Sam's case, the process was a reaction to a rapidly deteriorating situation, on-boarding coaching is ideally preemptive and proactive. The fact is that all aspects of business require risk management (including talent), and on-boarding coaching is the ideal insurance policy for prudent companies to manage the risk associated with the promotion and hiring of key employees. Since every move to a leadership position is a stretch assignment, it requires people to leave their comfort zone. Unpredictable circumstances and human emotional reactions are part of the deal, and on-boarding coaching can minimize their adverse impact.

Since on-boarding coaching is a high-touch, emotional intelligence-oriented process, it has not been found successful in the hands of HR or an internal mentor. Obviously, executives who are new to a company or position want to make a strong impression and cannot be expected to openly discuss their apprehensions and weaknesses with an insider. Only an independent coach can guarantee the necessary confidentiality.

Maximizing Returns from Human Capital Investments

Key hires, by definition, hold high-

stakes positions. Letting them fail can be an extremely expensive mistake for an enterprise. Never simply plug star performers into positions and expect them to succeed without help. Remember, as with any investment, past success does not guarantee future success. Every new appointment requires a leader to renegotiate multiple, intricate relationships while executing on the job. It is a huge task for anyone, no matter how confident and accomplished. Leaders are not above human emotions and shortcomings in this area. They need development and assistance, just like everyone else. As a stretch assignment, a promotion represents the best possible development opportunity. However, with every "stretch" comes the risk of stumbling or even derailing. To mitigate this very real talent risk, organizations are increasingly adopting a systematic, disciplined, focused and preemptive process – on-boarding coaching. Profit and growth are about performance, and performance is about people. On-boarding coaching is an aggressive investment in people that pays for itself many times over in increased retention and bottom-line success. //