Chapter III
Overcoming New Hire Derailers

Profiled Practices

Practice #6: Executive Transition Management

Practice #7: New Executive Career Launch
Understanding Transition Risk

Council research indicates that many organizations are using the external labor market as a supply of talent for their executive benches, although the frequency with which organizations do this varies widely. The majority of organizations hire external talent for fewer than one-third of open positions, but a significant number leverage the external labor market for more than 50 percent of their executive needs. Further, Council research indicates that while the reasons for going outside the organization also vary widely, most external sourcing appears to be “demand driven,” resulting from an internal talent shortage or the need to fill specialist roles.

Looking for Reinforcements

Council research suggests that companies are relying on the external labor market to supplement the internal supply of executives...

<table>
<thead>
<tr>
<th>Senior Executive Team External Hiring Rates</th>
<th>Percentage of Organizations Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Than Two-Thirds of Senior Executive Team</td>
<td>22%</td>
</tr>
<tr>
<td>Between Two-Thirds and One-Third of Senior Executive Team</td>
<td>55%</td>
</tr>
<tr>
<td>Less Than One-Third of Senior Executive Team</td>
<td>23%</td>
</tr>
</tbody>
</table>

n = 264.

...and that the primary reasons for going outside are demand-driven rather than supply-driven

<table>
<thead>
<tr>
<th>Reasons Why Senior Executives Are Recruited from Outside the Organization</th>
<th>Percentage of Organizations Responding</th>
</tr>
</thead>
<tbody>
<tr>
<td>It Would Take Too Long to Develop a Potential Successor Internally</td>
<td>35%</td>
</tr>
<tr>
<td>A New Type of Position Is Created in My Organization</td>
<td>27%</td>
</tr>
<tr>
<td>A Large Number of High-Quality Candidates in the External Labor Market</td>
<td>22%</td>
</tr>
<tr>
<td>It Would Be Too Expensive to Develop a Potential Successor Internally</td>
<td>10%</td>
</tr>
<tr>
<td>None of the Above</td>
<td>6%</td>
</tr>
</tbody>
</table>

n = 311.

Unfortunately, literature suggests that serious challenges exist for external hires, manifesting in a high early failure rate among external candidates. Research suggests that over the long-term external hires are less likely to be successful than internal promotions. A Council analysis of the long-term career achievements of internally versus externally hired CFOs also suggests that even those external hires who are successful in the organization in the near-term often fail to reach the most senior levels of the organization.

Low Success Rates

Research suggests that external hires are vulnerable to failure in the short term...

<table>
<thead>
<tr>
<th>Failure of External Candidates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failed Within 18 Months</td>
</tr>
<tr>
<td>40%</td>
</tr>
<tr>
<td>Successful in Role</td>
</tr>
<tr>
<td>60%</td>
</tr>
</tbody>
</table>


...and that internal candidates are more likely to be successful over the long term

Internally and Externally Hired CFOs Promoted to CEO, President, or COO Roles

<table>
<thead>
<tr>
<th></th>
<th>n = 200.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Hires</td>
<td>31</td>
</tr>
<tr>
<td>External Hires</td>
<td>11</td>
</tr>
</tbody>
</table>

Note on Methodology

Using publicly available information, the Corporate Leadership Council tracked the successions and promotions of chief financial officers (CFOs) for 200 companies from the Fortune 500.

Source: Corporate Leadership Council chief financial officer succession analysis; Corporate Leadership Council 2003 Succession Management Survey.
Research from the Council’s sister program, the Recruiting Roundtable, also suggests that organizations may be focusing on the wrong areas in seeking to reduce external hire failure rate. The Roundtable studied new hires to identify which parts of the hiring life cycle most impact their ability to perform in a role. The Roundtable’s findings indicate that although selection methods can improve the likelihood of external hire success, post-hire activities go furthest to ensuring external hire success at the senior level.

### It’s the Early Days That Matter Most

*Research from the Recruiting Roundtable suggests that expanded onboarding may best support the performance of new external executive hires*

![Graph showing potential performance improvement for different aspects of the hiring process.](image)

#### Recruiting Roundtable Assessment of Recruitment Cycle Impacts

<table>
<thead>
<tr>
<th>Average Potential Performance Impact for Improvement in Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navigating Early Experiences</td>
</tr>
<tr>
<td>12.4%</td>
</tr>
</tbody>
</table>

#### Note on Methodology

Tracking individuals’ performance levels back to their organizational and job fit as well as the ease of their arrival in the organization, the Council’s sister program, the Recruiting Roundtable, identified which individual elements of the recruitment process would have the greatest impact on new hire performance.

Council research reveals a number of common problems with organizations’ current executive onboarding:
First, organizations often fail to transfer important information concerning candidate derailers due to a lack of coordination between those responsible for selection and those charged with onboarding. Second, a majority of organizations rely on the performance management cycle to provide feedback to new hires, even though the cycle’s timing often comes too late to have an impact. Finally, most organizations fail to task managers with ownership for the successful onboarding of their direct reports.

The “Don’t Worry, I’m Fine” Problem

Council research indicates there are three key challenges in understanding the onboarding needs of senior hires

**Common Challenges in Identifying Executive Needs**

**Challenge #1: Lack of Information on Individuals’ Needs**

Organizations use neither selection data nor aggregate historic information to predict likely derailers.

*Causes:*
- Data “owned” by different departments
- Organizations do not want to appear overly critical early in executives’ tenure
- Executives have no incentive to provide information about their weaknesses

**Challenge #2: Feedback Is Too Little, Too Late**

Candidates don’t receive corrective feedback before derailer behaviors become entrenched.

*Causes:*
- Over-reliance on the performance management cycle process to provide feedback
- Managers are focused on needs for immediate role—not new hire’s wider success
- “Beware the sophomore slump”—managers define the onboarding period too narrowly

**Challenge #3: Misplaced Ownership for New Hire Success**

Managers ask new hires to own their own onboarding.

*Causes:*
- Hiring managers assume that a hire at this level can navigate and adapt to an organization without assistance
- HR does not emphasize hiring managers’ accountability for new hire failure

Source: Corporate Leadership Council research.
The Council highlights two key imperatives composing the management of executive transition risk within the succession planning process: defining needed behavior changes and onboarding for organizational fit.
Defining Needed Behavior Changes

Practice #6: Executive Transition Management

Shell designs processes to raise internal candidates’ awareness of challenges faced when transitioning into senior executive roles and to ensure individuals act on this new awareness. Shell also develops interventions to manage external candidates’ early expectations of the organization.

Goals
Shell’s goal is to ensure that all executives understand and act on the behaviors that will be required as they transition into new positions from within and outside the organization, guaranteeing that individuals have the correct skills and expectations before and after a transition occurs.

Key Differentiating Features
Shell’s approach differs from standard practice in three key areas. First, Shell focuses assessments on raising individuals’ awareness of the challenges of the senior executive level. Second, Shell has designed processes to ensure that necessary development steps are acted on by individuals. Finally, Shell targets its onboarding initiatives toward managing the expectations that individuals have as they enter the company.

Result
Shell observes internal executives acting on their skill and behavior gaps, thereby minimizing the danger of unsuccessful transitions and reducing the rate of attrition for external candidates. Shell believes that the continued commitment of its senior executives and ongoing nominations from the business units for employees to attend assessments and courses indicate the program’s success. Furthermore, Shell considers that growing line-demand for onboarding workshops also demonstrates the role this activity is having in minimizing individual transition failures.
Practice Driver

In 1999 Shell completed a period of organizational restructuring that changed the requirements of senior executive roles, broadening responsibilities from single business ownership to regional management of operations. This restructuring also changed the personnel who senior executives had traditionally considered to be their successors. At the same time, Shell began to refresh the executive pipeline by introducing more external candidates but quickly found that external candidates face challenges assimilating into the organization.

A New Set of Challenges

A period of reorganization in the mid-1990s threatens executive talent supply by disrupting established executive career paths and posing new challenges for potential executives

1. No Consistent Understanding of New Role Requirements
   Following restructuring, potential successors are unsure as to what is required for success at the senior executive level.

2. Unclear Career Pipelines
   • Restructuring changes many of the position holders below the Top 200, moving many positions’ expected successors.
   • Many executives are unaccustomed to identifying their leadership gaps and do not follow through on development needs.

3. Difficult Transition for External Hires
   Shell decides to refresh leadership pipelines by increasing external hiring but finds the company’s traditional focus on internal promotion leaves them with little understanding of, or strategies to mitigate, external hires’ challenges.

Source: Shell; Corporate Leadership Council research.
Practice in Summary

Shell recognizes two major challenges when helping individuals transition into senior executive roles. First, individuals are not aware of the behavioral changes that may be required of them as they transition to more senior roles. Second, even where individuals know the requirements, few take action on this knowledge ahead of transitions into senior positions. Shell focuses on two groups of individuals making internal transitions in the company: the group of 1,100 executives feeding the top 200 senior executive positions and the 4,500 employees just below them. Shell also focuses efforts on the difficult transition for hires entering the top 1,100 executive group from outside the company.

Ensuring the Flow of Talent

*Shell designs specific interventions to ensure executives address behaviors they must change as they transition to senior roles*

Shell Management Structure

Top 200:
- Movement carefully managed and monitored at the center
- Development is highly customized

Top 1,100:
- Open resourcing for individuals and positions within the group
- Ownership of talent lies within lines of business
- Increasing external hiring into this group

Practice in Context

The management of internal and external executive transitions is only one feature of Shell’s much broader effort to ensure strong pipelines of leadership talent in the organization. In particular, the company has developed a robust annual talent management review process, which includes:

- Clear accountability for talent management
- Measurement and analysis of bench strength and depth
- Identification and tracking of talent movement in the business
- Systematic focus on long-term talent management strategies
- Career guidance for high-potential talent

Source: Shell, Corporate Leadership Council research.
Step #1: Identify Individual Transition Challenges

Shell develops an assessment and development center focused on identifying potential successors’ current skills and the gap between these skills and those required in the next position. Alongside assessment, individuals receive targeted development guidance to provide them with the “tools” needed to translate their challenges into concrete development actions. Shell also begins to aggregate data from the assessments to see what the transition challenges are across the organization. This data is used to shape organization-wide learning and development interventions.

**How Far Away Is the Next Rung on the Ladder?**

*A detailed assessment process exposes rising executives to the realities of senior executive roles...*

**Assessment Elements**

- **Realistic Simulations**
  - Three-Day Simulation
  - Realistic and Unpredictable Exercises (e.g., partnering on a simulated joint venture)
  
  Highly realistic simulations ensure individuals understand the requirements of senior roles.

- **Multiple Assessors**
  - External Assessors
  - Internal “Faculty” Comprising Current Senior Executives

  External assessors’ expertise increases the assessment’s accuracy while internal assessors provide information credibility and relevance.

- **Next-Level Assessment**
  - Candid Measurement Against Criteria at the Next Level

  Simulations, tests, and interviews measure candidates performance against next-level criteria.

**...and provides customized development guidance to address transition needs**

**Elements for Development Guidance**

- **Psychometric Evaluation**
  
  Psychometric tests illustrate areas of development need.

- **Discussion of Potential Individual Derailers**

  Assessors interview individuals to identify characteristics which may delay successful transitions.

- **Leadership Experience Inventory**

  Shell adapts psychometric tools to create a list of needed development experiences.

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**Common Transition Challenges Identified by Shell**

- **Difficulty Making Fast Decisions in Ambiguous Situations**—Shell finds that the technical background of many of its employees means that they are used to dealing with a lot of information but are not as comfortable making decisions on incomplete data. The company recognizes that it must nurture individuals’ ability to make their “best judgment” on limited data for them to succeed as leaders within the organization.

- **Insufficient Exposure to External Stakeholders**—Shell finds that its structure does not expose internal candidates to external stakeholders, for example governments or NGOs, until late in their careers. The company realizes the need to do so earlier to guarantee good transitions.

Source: Shell; Corporate Leadership Council research.
Step #2: Ensure Candidate-Led Pre-Transition Development

Shell places accountability for development with individual employees and requires that individuals convene their own personal development planning meeting to present their aspirations and development needs. Shell ensures that individuals are committed to this meeting by having them invite a member of their assessment center’s faculty, reinforcing faculty members’ and direct managers’ responsibility for supporting the individuals’ development. To ensure that the organization is investing in development efficiently, the HR department withholds development investments from those individuals who do not complete these requisite steps.

Masters of Their Own Fate

Shell ensures program participants take ownership for their own development to guarantee follow-through on the assessment’s guidance

Traditional Post-Assessment Problems

<table>
<thead>
<tr>
<th>Traditional Problem</th>
<th>Lack of Individual Attention</th>
<th>Development Not Integrated into Daily Work</th>
<th>Limited Resources to Support Development</th>
</tr>
</thead>
</table>

Shell Solution

**Step #1: Personal Development Planning Meeting**—Shell ensures individuals commit to development by having them convene their own personal development meeting.

**Step #2: Accountability and Realistic Aspiration**—Shell involves senior faculty members and managers to ensure development is realistic and supported.

**Step #3: Restricted Investment**—HR focuses investment by withholding development interventions until all previous steps have been completed.

Faculty Member
- Senior executive finds opportunity to network individual with relevant executives
- Senior executive ensures line manager fulfills development promises

Candidate Manager
- Works with local HR manager to determine the job development possibilities

Masters of Their Own Fate

For example,
- International business school courses
- Executive coaching
- Role rotations

Source: Shell; Corporate Leadership Council research.
Step #3: Manage External Entrant Expectations

In an effort to identify the particular needs of new external hires, Shell’s HR department launches an informal research process to identify the common derailers external entrants face entering the company. Due to its size and public profile, Shell finds that many executives entering the organization have predetermined expectations, some of which are unrealistic. The reality of the individual’s early tenure can sometimes disappoint or disillusion a new executive. Shell therefore develops a range of onboarding initiatives, including a centralized onboarding workshop, to manage individual expectations and support the new executives’ arrival in the organization.

Studying the Gap Between Expectation and Experience

In addition to focusing on individual transition challenges, Shell analyzes transition dangers facing executives entering the company from outside

Onboarding Challenges Analysis

1. Shell researches why some external hires leave or fail in the organization. The company uses multiple sources of information.

2. Shell discovers that there is often a gap between external hire expectations and reality.

<table>
<thead>
<tr>
<th>New Hire Expectations</th>
<th>New Hire Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate global exposure and experience</td>
<td>Strong internal networks can be hard to enter</td>
</tr>
<tr>
<td>Opportunities to have an immediate and significant impact</td>
<td>An industry and governance structure requires all investment decisions receive due diligence</td>
</tr>
<tr>
<td>Opportunities to introduce new perspectives and leadership styles</td>
<td>A networked organization relies on cross-business cooperation and can be conflict averse</td>
</tr>
</tbody>
</table>

Source: Shell; Corporate Leadership Council research.
**Step #3: Manage External Entrant Expectations (Continued)**

To address differences between new hire expectations and new hire experiences, Shell designs an onboarding workshop to occur at a new hire’s six-month anniversary. Within the workshop, Shell targets particular challenges for executives entering Shell; for example, the workshop aims to circumvent Shell’s decentralized operations and strong internal networks by bringing together new executives from around the world as a “new hire cohort.” Shell also attempts to cement these networks by asking participants to make private development “pledges” to each other that must be fulfilled over time.

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**INTERVENING TO ENSURE BARRIER REMOVAL**

*An centralized onboarding workshop is one component of Shell’s onboarding initiatives for external hires*

<table>
<thead>
<tr>
<th>Components of Shell’s Executive Onboarding Workshop</th>
<th>Key Expectations Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. After around six months with the company, Shell brings new external hires from all over the world to workshops at one of its major offices.</td>
<td>Provides greater global exposure and network building.</td>
</tr>
<tr>
<td>2. Shell creates an agenda focused on the company’s global challenges and long-term corporate agenda.</td>
<td>Broadens the individual’s outlook beyond own role and contextualizes early achievements or failures.</td>
</tr>
<tr>
<td>3. Shell links participants together by having them make private development “pledges” to each other, for example, to attend certain people management courses. Furthermore, after the workshop, the HR organizer remains on-call for further support.</td>
<td>Helps build cooperation over time and lengthens the period of support.</td>
</tr>
</tbody>
</table>

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*Source: Shell; Corporate Leadership Council research.*
Results

Shell finds that executives express great satisfaction with the assessment and development process, praising the concrete guidance they receive. Furthermore, after clarifying the gaps between their existing skills and those required at the next level, individuals indicate a much higher degree of commitment to their own development and greater clarity as to their future career ambitions. In turn, this level of individual commitment gives Shell confidence that the right individuals are receiving development investments in support of specific future contributions.

keeping the pipeline flowing

Shell finds that internal candidates now act upon transition needs and hence ready themselves better for the senior executive ranks...

Participant Satisfaction with Assessment Center, 2003

<table>
<thead>
<tr>
<th>Agreement with the Statement:</th>
<th>Combined Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>• It was a valuable development experience.</td>
<td>5.9</td>
</tr>
<tr>
<td>• The program helped me to identify my strengths.</td>
<td></td>
</tr>
<tr>
<td>• I would recommend the program to others.</td>
<td></td>
</tr>
</tbody>
</table>

Greater Performance

“The center really changed my viewpoint and allowed me to develop in specific areas, which then helped me reach full performance very quickly as I moved into my new role.”

VP Operations
Shell

meaning that Shell’s senior executives and business units are willing to invest significant amounts of time and resources in assessment and follow-up development

Key Metrics of Assessment and Development Investment

<table>
<thead>
<tr>
<th>Participants Completing Senior Assessment So Far:</th>
<th>Participants Completing Mid-Executive Assessment So Far:</th>
<th>Participants Completing Business School Courses After an Assessment:</th>
</tr>
</thead>
<tbody>
<tr>
<td>450</td>
<td>1,100</td>
<td>600</td>
</tr>
</tbody>
</table>

Knowing the Transition Danger

“The Business Executive Committees are able to use the data from assessments for more precise considerations of their senior leader succession and see ‘cross-pool’ deficiencies in light of their immediate strategic needs.”

Head of Leadership Development
Shell

Source: Shell; Corporate Leadership Council research.
Coveat

Shell chooses to implement its assessment process by way of an assessment and development center, involving a combination of outside and internal assessors. Not all organizations will choose such a center, but Shell believes it is critical that, whatever the format, the assessment must be based at a minimum on multiple raters’ feedback and be validated across cultures.

Implementation Tips

- Senior Executive Involvement—Shell believes that current senior executives’ involvement is critical to their assessment’s success. Shell communicates to senior executives the development aspects of being involved in the center, emphasizing the opportunities to learn from professional external assessors as a way to attract senior executive participation.

- Customizing Onboarding—Shell’s process for identifying external hire derailers is informal but effective in terms of providing the organization information to target onboarding interventions. Individual organizations’ challenges will differ slightly, and onboarding can be greatly enhanced by basic research on external hires’ pre-arrival expectations.
Onboarding for Organizational Fit

Practice #7: New Executive Career Launch

- American Express Company is a diversified worldwide travel, financial, and network services company founded in 1850.
- The company is a world leader in charge and credit cards, Travelers Cheques, travel, financial planning, business services, insurance, and international banking.

Description
American Express develops a suite of interventions to manage the onboarding of new executives into the organization. Onboarding focuses closely on the key aspects that govern new hire success, such as expectations management, integration with corporate culture, and relationship building.

Goals
The primary goal of the practice is to accelerate executive time-to-full-performance and to minimize the likelihood of failure. The secondary goal is to lay the foundation for longer-term career success within the organization by focusing on development and internal network building.

Key Differentiating Features
The American Express “New Executive Career Launch” differs from traditional approaches in three key ways. First, interventions are carefully targeted to address potential derailers to new hire success. Second, American Express deliberately extends onboarding to cover one full year of employment. Finally, the company sequences its onboarding initiatives to match a predictable set of emotions and expectations that an executive will experience upon arrival to the organization.

Result
American Express substantially reduces the level of turnover among new executive hires. New executives also express great satisfaction with their early time with the company, helping to build long-term bonds between the executive and organization. Finally, research from the Council’s sister program, the Recruiting Roundtable, indicates that American Express’s onboarding activities are contributing to high levels of performance early in executives’ tenure with the organization.
**Practice Driver**

In the late 1990s and early 2000s, American Express, like many companies in its sector, began to experience increased attrition at the executive level. The company was dismayed to find that the attrition rate among its external hires was three times that of its internal promotees. American Express analyzed the reasons for this attrition and found that many of the causes could be controlled with more proactive onboarding. American Express built a business case for better onboarding based on the high costs associated with external hire failure.

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**EARLY ATTRITION**

*American Express finds that external executive hires are three times more likely to leave the organization than internal hires...*

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**Reasons for External Hire Departure**

To: Leadership Team  
From: Head of HR

Based on analysis of exit interview data, key reasons for departure of external hires are:

- Poor explanation or understanding of performance expectations
- Excessive pressure to perform early in tenure
- Failure to form key internal networks and relationships
- New hires' feelings that their ideas are rejected

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...resulting in significant costs in terms of recruitment, lost expertise, and decreased productivity

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**Typical Executive Search Costs**

<table>
<thead>
<tr>
<th>Service/Fee</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search Fee</td>
<td>$100,000</td>
</tr>
<tr>
<td>Assessment Center per Candidate</td>
<td>$4,000 x 3</td>
</tr>
<tr>
<td>Relocation</td>
<td>$25,000</td>
</tr>
<tr>
<td>Missed Bonus</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$187,000</strong></td>
</tr>
</tbody>
</table>

**Invoice for Executive Search**

To: American Express  
From: XYZ Search Firm

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**Estimated Breakdown of True Attrition Costs**

- **“Out of Pocket” Hiring Costs**
  - Lost Productivity to Others Around Position: 23%
  - Decreased Productivity of New Hire Due to Inexperience in Role: 45%
  - Missed Bonus: 31%

Council research suggests that search and replacement costs represent less than a third of the costs related to manager attrition.

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Practice in Summary

American Express targets the three specific aspects of external hires’ entry into the organization that are most crucial to their short- and long-term performance. American Express manages new hires’ expectations of their roles by tempering overly optimistic expectations in the early part of new hires’ careers and providing constructive support as new hires become frustrated with a perceived lack of progress. The company also focuses new hires on development from “day one,” using early, but long-term, focused development plans and assimilation coaches to address potential derailers. Finally, American Express acts to ensure individuals form key relationships in the organization.

Avoiding New Hire Stall Points

Moving beyond the traditional focus on simply providing orientation information to new hires, American Express’s onboarding process targets three potential new hire derailers

Key Elements of the New Executive Career Launch

1. Managing the Expectations–Reality Gap
   - Uses onboarding interventions to proactively manage new hire expectations across the first year.
   - Overcomes performance-damaging peaks and troughs in attitude toward the new role.

2. Initiating Development at the Point of Hire
   - Focuses the individual on long-term development and uses coaching to overcome potential early derailers.
   - Communicates acceptance of development needs and ensures that the new hire understands the organization’s long-term commitment to them.

3. Build Key Relationships for New Executives
   - Goes beyond exposing individuals to critical stakeholders to fostering meaningful relationships.
   - Provides new hires the networks they need to succeed in consensus-driven culture.
**Practice Overview**

American Express develops a suite of onboarding interventions that extend from the point of initial selection to the end of the executive’s first year with the organization. Furthermore, the timing of each activity ensures that the activities are mutually reinforcing, advancing the individual through all stages of onboarding.

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**GOING BEYOND THE “WELCOME KIT”**

*American Express ensures its onboarding integrates selection, orientation, and early development to deliver on three critical transition needs*

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**American Express Onboarding Calendar (Top 1 Percent of Employees)**

<table>
<thead>
<tr>
<th>Pre-Hire: Detailed external assessment as part of selection process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Hire: Welcome kit sent to executive’s house ahead of arrival.</td>
</tr>
<tr>
<td>Day One: Individual meets his or her assimilation coach, along with a senior member of HR, and the hiring manager, and they formulate a 100-day organizational learning plan and coaching agenda.</td>
</tr>
<tr>
<td>By Day 30: Individual creates a development plan with his or her manager based on input from selection process and early career interests.</td>
</tr>
<tr>
<td>By Six Months: New hire meets with an external coach who has collated 360-degree feedback on the individual’s performance to date.</td>
</tr>
<tr>
<td>After 360-Degree Feedback: Executive works with manager to identify mentor from another part of the business.</td>
</tr>
<tr>
<td>Pre-Hire: Hiring manager meets with HR and discusses assimilation plan. Hiring manager given onboarding checklist.</td>
</tr>
<tr>
<td>First 30 Days: New executive meets with HR and discusses assimilation plan. Hiring manager given onboarding checklist.</td>
</tr>
<tr>
<td>First 30 Days: New executive meets with HR and discusses assimilation plan. Hiring manager given onboarding checklist.</td>
</tr>
<tr>
<td>Day 30–90: New executive begins to have a variety of experiences to provide exposure to the customer in different settings.</td>
</tr>
<tr>
<td>Day 180+: Executive completes survey on onboarding success or failure and has opportunity during a “perspective exchange” meeting to offer his or her organizational learning and suggestions.</td>
</tr>
<tr>
<td>Annually: American Express holds an annual New Leader Orientation Summit, attended by all new executive hires, the CEO, and the CEO’s direct reports.</td>
</tr>
</tbody>
</table>

Source: American Express Company; Corporate Leadership Council research.
Component #1: Manage the Expectations–Reality Gap

American Express recognizes that new executive hires’ experiences often follow a pattern: initial over-optimism, followed by a period of frustration, and finally stabilization of expectations. American Express considers this dip to be extremely damaging to individual’s performance in the first year and actively works to manage the “ups and downs” of new hire expectations. The company avoids a “duty free” period for new starts to ensure that the individual is included in critical decisions from the start, and also lays out clear developmental requirements to curb initial over-expectations. American Express also uses an early 360-degree review complemented by coaching to counter discouragement due to new starts’ frequent disappointment from a perceived lack of progress.

“The Expectations–Reality Roller Coaster”

American Express focuses its interventions to manage the rise and fall of individual optimism and enthusiasm within the first six months of tenure

Change in Executive New Hire Attitude Toward Company  
First Year of Employment

<table>
<thead>
<tr>
<th>Time</th>
<th>New Hire Perception of New Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Month</td>
<td>Highly Optimistic</td>
</tr>
<tr>
<td>4–7 Months</td>
<td>Highly Pessimistic</td>
</tr>
<tr>
<td>12 Months</td>
<td></td>
</tr>
</tbody>
</table>

“Reality Check”  
Managing Down Expectations

No Duty Free—American Express does not provide a “duty free” period, believing this does not allow for critical exposure to challenges and interrupts new hires’ desire for immediate contribution.

Immediate Development Expectations—An IDP allows candidates to know there are clear development expectations for them.

“These Things Take Time”  
Managing Up Expectations

360-Degree Feedback—The assimilation coach provides positive feedback from those around the individual.

Feedback in Context—The assimilation coach also provides context as to what the individual should expect to achieve early in tenure, while an assigned mentor helps manage ongoing performance.

“We’re Betting on You”  
Ongoing Solutions for Success

A New Plan—The new hire reformulates his or her development plan based on the 360-degree data.

Emphasis on Organizational Commitment—After six months the hire is included in the annual succession planning process and gets a sense of his or her long-term potential within the company.

“Norming” Expectations

“We commit to managing the roller coaster, helping people stay in touch with what’s real during that first year.”

VP, Executive Recruiting
American Express Company

Source: American Express Company; Corporate Leadership Council research.
Component #2: Initiate Executive Development at Point of Hire

Most onboarding focuses heavily on providing information “downloads” to familiarize new hires with the elements of their roles; however, most often this information does not address the new hires’ individual development needs. American Express begins development at the point of hire by leveraging knowledge gained during the recruiting process. The company ensures that relevant assessment data is not lost after selection is made but instead provides the foundation for a long-term development plan put in place within 30 days of a new hire’s arrival. Managers acknowledge that candidates are not expected to be “perfect for the job,” but rather to commit to a long-term process of development in the new role and in the organization.

An Immediate Focus on Long-Term Development

Assessment information helps to generate a long-term development plan for the individual within 30 days, supplementing more common role-based learning plans

American Express Parallel Development Focus

* A sample of American Express’s leadership orientation and learning plan can be found on pages 130–132 in the appendix.

Source: American Express Company; Corporate Leadership Council research.
Component #2: Initiate Executive Development at Point of Hire (Continued)

Although American Express uses the individual development plan to focus on development beyond the current role, the company also recognizes the need to intervene to prevent new hire derailment in the current role. An external coach dedicated to assimilation tracks progress with the individual twice within the first six months. At this stage, the coach is scanning for points where the individual’s style may be incongruous with his or her role or the company. At the six-month point, the coach delivers detailed 360-degree feedback from managers, peers, and subordinates. The coach can filter potentially sensitive feedback and contextualize the feedback in light of common derilters, the experience of other new executives, and the individual’s long-term development plan.

AN OWNER FOR ASSIMILATION

American Express uses coaching to target the executive’s potential derilers in the first six months

Assimilation Coach Engagement
First Six to Eight Months in Role

1. Day One: Assimilation Meeting (Attended by Coach, HR, and Hiring Manager)

2. “I can’t believe it.”
Two Early Check-In Sessions with Coach (Usually by Phone)

3. 360-Degree Review
Collection and Coach-Delivery of 360-Degree Feedback
“Is it me or is it this place?”

4. “How can I fit in here?”
Two In-Person Coaching Sessions

Solutions Orientation
• Coach helps translate feedback into concrete development steps

Coach Characteristics
• Ph.D. industrial/organizational psychologists
• Ten or more years coaching experience
• Dedicated specialist in working with new executives

Building Derailer Awareness
• Coach brings past expertise of derailer within American Express and outside to develop derailer solutions and temper expectations

A Clear Mission
• Secures an up-front buy-in for coaching agenda, focusing on enabling executive’s success
• Candidate can share his or her assessment data confidentially with the assimilation coach

An Objective Sounding Board
• Provides an independent ear on early progress
• Coach scans for possible “dissonance” points between new hire and organization

A Focus on Fit
• Coach delivers stakeholder feedback and constructive criticism
• Coach assists in understanding the organization’s cultural traits

Source: American Express Company; Corporate Leadership Council research.
Component #3: Build Key Relationships for New Executives

American Express has found that new hire success depends on strong relationships with other senior executives. The company ensures that the new executive has an early conversation with the CEO, during which the CEO deliberately inquires about the new hire’s perspective on the organization. The new hire also has the chance to discuss with customers or other stakeholders their views of the company. Formal “perspective exchange” opportunities where the new hires can provide feedback and opinions on the organization also signal to new hires that their views are valued.

MORE THAN JUST “MEET AND GREET”

HR facilitates network building by guiding new hires’ introduction meetings, giving new hires a formal chance to share their opinions and bringing new leaders together.

Three Levels of Relationship Building

<table>
<thead>
<tr>
<th>Relationship Building Activity</th>
<th>Pre-Booked Calendar of Meetings</th>
<th>Perspective Exchange Opportunities</th>
<th>Annual New Leader Summit</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>All new executives have a pre-booked series of meetings with the CEO and CEO’s direct reports within 30 days of arrival and then a longer-term set of exposure points with customers.</td>
<td>After six months, new executives have a formal opportunity to present their learnings and suggest ways forward for the organization.</td>
<td>At the annual new leader summit, new executives have formal and informal sessions with the CEO and his direct reports.</td>
</tr>
</tbody>
</table>

Critical Elements Encouraging Network Development

- **Instilling a Sense of Contribution**—CEO uses meetings as an opportunity to gain fresh perspectives and encourages all direct reports to do the same.

- **Gaining Multiple Views of the Organization**—HR ensures that new executives meet customers in a number of different settings in order to learn about their views and relationships with the organization.

- **Tapping for New Ideas**—American Express offers new executives an opportunity to present their side of the onboarding experience and their new views on the organization.

- **Cohort Building**—HR builds small group sessions into the summit to encourage new executives to build relationships with each other.

Source: American Express Company; Corporate Leadership Council research.
Results

Council research indicates that the average attrition rate at American Express compares favorably to its industry, although this may be in part due to labor market changes. Furthermore, anecdotal evidence suggests that individuals are able to get up-to-speed in the organization more quickly than before and that onboarding builds new hire loyalty to the company. Finally, data from the Council’s sister program, the Recruiting Roundtable, suggests that American Express employees believe the company’s onboarding is superior to that of its industry peers.

Reversing a Downward Trend

*American Express sees an immediate reduction in attrition and receives reports that onboarding is appreciated by new hires...*

Turnover of Externally Hired Executives Since Onboarding Introduction

<table>
<thead>
<tr>
<th></th>
<th>American Express</th>
<th>Industry Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover of Externally Hired Executives</td>
<td>0%</td>
<td>13.5%</td>
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The Best Entrance to an Organization

“I’ve worked for several financial services companies, but this was the best entrance I’ve had to any. Other companies talk a lot about welcoming you in, and then either do nothing, or make it difficult for you to perform.”

Newly Hired Executive American Express

...furthermore, American Express is confident that onboarding significantly contributes to new hires’ success

Director-Level Employees and Above Onboarded Successfully*

<table>
<thead>
<tr>
<th></th>
<th>Indexed</th>
</tr>
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<tbody>
<tr>
<td>Average (n = 1,844)</td>
<td>1.0</td>
</tr>
<tr>
<td>American Express (n = 56)</td>
<td>1.3</td>
</tr>
</tbody>
</table>

* The Council’s sister program, the Recruiting Roundtable, surveyed American Express employees and measured their responses to multiple questions to calculate the organization’s Workforce Adaptation Index. The index includes questions on how well the company explained the tasks that employees must perform and how to complete these tasks without assistance as well as questions on the level of feedback and on-the-job learning experiences provided for new hires.

Source: American Express Company; Recruiting Roundtable research; Corporate Leadership Council 2003 Succession Management Survey; Corporate Leadership Council research.
Caveat

- Although the factors that American Express identified for new hire success are universal to all executive new starts and organizations, different organizations’ cultures may present different barriers. Organizations should determine the appropriate emphasis on onboarding depending on the particular barriers in their culture or operational environment.

Implementation Tips

- Line Manager Ownership—Although American Express’s HR department structures and facilitates the onboarding program, the hiring manager remains accountable for new hire onboarding and success at all times. American Express clearly communicates to hiring managers what they should complete before and after new hire arrivals.

- Flexibility—American Express’ onboarding program focuses on core principles but also retains flexibility to tailor activities to new hire preference. For example, the hiring manager and new hire retain flexibility over the new hire’s role-based learning, interactions with his or her new team, and the selection of the stakeholders that the new hire will meet in his or her early tenure.