

Business Leader Entry and Exit: Exploring Transitions

Discovery Research by Marielle Gauthier and Kathleen Ozmun

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EXECUTIVE SUMMARY

CANADA IS IN ONE OF THE BIGGEST DEMOGRAPHIC WAVES IN THE COUNTRY'S HISTORY – THE BABY BOOMER RETIREMENT.

The retirement exodus from Canadian workplaces over the next decade will have an impact on business continuity, financial stability, and business growth. Businesses will also need to plan more strategically to develop new leaders as there may be a lack of qualified people who are ready to step into the retiring leaders' shoes.

According to Andrew Ramlo, VP, Consulting, Rennie Group of Companies, if adjustments are made to the current Canadian labour force model to account for retirement, the estimates are in the range of 316,000 retirees annually by 2030. Cumulatively, this means that over the next decade we could see about 3.3 million people retire from the workforce.

As executive coaches, we set out to conduct discovery research to understand the challenges that retiring and incoming leaders in Saskatoon and area are facing with their transitions as they exit, enter or move into a leadership position.

KEY FINDINGS FROM THE RESEARCH:

Business Risks

A change in leadership is a time of flux and change for everyone - the leader and the team. These transitions create potential risks at every level of the organization and profitability, productivity and positivity can be negatively affected.

Serious risks were interruption of business and service, financial cost increases and revenue loss, staffing challenges, work relationship difficulties, under-resourced leadership development, and the inability to engage in strategic thinking and planning.

Risks are created as leaders struggle. If struggles are not addressed, they will continue to be risks to the business.

Struggles

Struggles experienced by both the retiring and the incoming leaders were about finances, family, career or lifestyle and who should make the decisions for the organizational role in transition.

The retiring leader felt conflicted about their decision to retire due to many factors. The incoming leader could become overwhelmed or intimidated by the challenges of replacing someone who was very experienced and effective. Additionally, the incoming leader struggled with a steep learning curve and time pressures.

Struggles have immense impacts on the business as they can reduce the productivity, performance and engagement of either the retiring or incoming leader and those impacts can “ripple through like a cancer”.

Supports

The findings revealed different levels of support that businesses have in place for the transition of the retiring and the incoming leader.

For the retiring leader, 58 per cent of businesses had no support; 42 per cent of businesses offered multiple supports in the way of financial planning, Employee and Family Assistance Program (EFAP), seminars, coaching and a healthy living website. Twenty-five per cent of total respondents offered non-financial retirement supports (lifestyle and psychological) including EFAP, seminars, coaching, and a healthy living website.



The findings revealed four levels of support that businesses have in place for the transition of the incoming leader: 17 per cent offered nothing formal; 17 per cent offered onboarding basics; 8 per cent offered training for the position; and 58 per cent offered development for the position and in the business.

It was observed that there were inconsistencies for onboarding support offered to leaders.

Financial Costs

The financial costs to these businesses if the transition failed were significant – from tens of thousands to more than \$3 million dollars. Costs were difficult to quantify as it varied based on the role in the organization.

We observed from the data that there were far more respondents who did not know or were unsure of the business costs should the transition fail as the leader exits the position (62 per cent), compared to when the leader enters the position (31 per cent.)

STRATEGIC ACTIONS TO CONSIDER:

Based on these findings, we believe there are opportunities for greater attention to better manage the transition for the retiring and the incoming leader and from one leader to another.

It is paramount that businesses look at decreasing and preventing some of the challenges as stated in the findings, to ultimately lower the risks, increase productivity and quality of work, and foster better stakeholder relationships, all of which impact the bottom line.

This report includes strategic actions businesses can take for the leader, the role and the organization. Actions for the leader include holding personal and professional development and performance support conversations; for the leader's role, actions include cross-training to ensure effective performance of roles and responsibilities and developing a transition support team; and for the organization, actions include the development of a talent management strategy to introduce and align the succession plan, the workforce plan and a leadership development program.

BENEFITS:

Businesses that enhance their support for these transitions are positioning themselves to gain the following benefits:

- Reduce risks and costs
- Become more resilient as a business
- Ensure business continuity
- Maintain a consistent revenue stream
- Foster better relationships with key stakeholders
- Have an engaged and informed workforce
- Maintain productivity and high quality work
- Consistent excellent customer service
- Smoother organizational changes

To discover the opportunities to support your leaders in transition, we invite you to explore these findings, share them with your team and choose key actions to implement.

“Impacts of a retiring leader are not that simple but much further reaching. We need to take it seriously and make a deliberate effort with key positions and have a plan.”

– RESPONDENT

ABOUT THE RESEARCH

PURPOSE

We wanted to understand the challenges that exist for retiring and incoming leaders as they transition to exit or enter an organization. This discovery research is a high level perspective on leader transition in the Saskatoon and area business community.

THE DRIVERS

- Baby boomers are retiring and are causing one of the biggest demographic shifts in Canada's history
- 316,000 Canadians will retire every year until 2030
- 3.3 million people will retire from the workforce over the next decade
- This shift will directly impact the Canadian workforce
- Leaders may struggle as they transition
- Some businesses are challenged to fully prepare for the transition

THE RESPONDENTS

- Thirteen respondents - C-suite and top level management (8); other levels (5)
- Every respondent interviewed was viewed as a leader, even though they may not have been in a formal leader position

THE SECTORS

12 organizations in the following sectors:

- 1 – Education
- 2 – Government - provincial and federal
- 2 – Not-for-profit
- 7 – For-profit including two family-owned businesses

THE DATA COLLECTION

The data was collected by conducting 30-minute face-to-face interviews between August 29 and October 3, 2019.

The survey instrument had four sections:

1. Demographics and high-level questions to acquire initial impressions
2. Transition and exit of the retiring leader
3. Entry and transition of the new leader
4. Wrap-up questions

The survey instrument consisted of open, closed, and 5-point Likert scale questions.



From the research findings 10 major themes emerged. The themes reflected different perspectives in the areas of: struggles, impacts, challenges, risks, supports and investments. The themes are not mutually exclusive.

THE MACRO THEMES

1. Leadership
2. Communication
3. Succession
4. Productivity
5. Resources
6. Risks
7. Supports
8. Work Relationships
9. HR Function
10. Organizational Culture



RISKS

A CHANGE IN LEADERSHIP IS A TIME OF FLUX AND CHANGE FOR EVERYONE – THE LEADER AND THE TEAM.

This leadership transition is really two events in one and each of these events can be challenging. The first event is the transfer of responsibilities including key initiatives and stakeholder relationships from the previous leader to the new leader. The second event is the new leader establishing an effective leadership style, fostering new relationships and developing value-creating strategies in their new role and with their new teams.

These transitions create potential risks at every level of the organization and profitability, productivity and positivity can be negatively affected.

RISKS IDENTIFIED WERE:

Interruption of business and service

- Cessation of services/programs because a specific individual was leaving
- Unable to achieve the business goals
- Reduced level of productivity and project momentum if retiring leader is distracted, worried, or feeling uncertain and under-valued
- Unable to maintain high quality customer service
- Disengaged internal and external stakeholders due to loss of confidence and trust in the new leader
- Important business decisions deferred by both the retiring and the incoming leaders
- Business strategy is not developed or executed due to vacant positions, lack of decision making and strategic thinking competencies
- Knowledge transfer and corporate memory is minimized, overlooked or lost



Financial

- Increased costs due to repeating the hiring process
- Cost overruns
- Decreased number of income streams
- Loss of revenue

Staffing

- Overburdened senior leader with transactional HR tasks may have less time for board and other key stakeholders
- Leader recruited was not the right fit for the role
- Confusion and uncertainty across the organization when communication about an upcoming leader retirement or transition was unclear

Work Relationships

- New leader had difficulties developing productive relationships with their direct reports
- Morale and job satisfaction decreased
- Eroded level of trust negatively impacted working relationships and team dynamics
- Significant turnover with new leadership style disrupted current staff
- High-functioning Interdepartmental teamwork deteriorated

Professional Development

- The opportunity to identify and groom high potentials for promotion to a leadership position was undervalued
- Under-resourced leader development

Inability to engage in strategic thinking and planning in complex organization or situation

Risks are created as leaders struggle. If struggles are not addressed, they will continue to be risks to the business.



LEADERS' STRUGGLES

THE STRUGGLES THAT THE LEADERS HAVE TO DEAL WITH AFFECT BOTH THE INDIVIDUAL AND THE ORGANIZATION AND CAN CREATE IMPACTS THAT REACH FAR INTO THE ORGANIZATION.

These are the various struggles that the retiring and the incoming leaders were experiencing, both as they reported for themselves, and as they observed about other leaders.

Common Struggles

- Lifestyle or career path - outgoing and incoming leaders faced an uncertain future and they did not know how much enjoyment or success they would experience
- Family - outgoing and incoming leaders struggled either to provide care for elderly parents, or to manage family pressures while wanting to perform well in a new organization, job and/or role
- Financial concerns - created by the uncertainty of funding retirement or not feeling financially secure at a new job and organization
- Decisions delayed - some retiring leaders believed that their replacement should make decisions because it would impact the strategic direction; and some incoming leaders lacked the confidence to make necessary decisions as they were in a new organizational culture and new situation with new responsibilities, relationships, and processes.

Struggles for the **RETIRING LEADER**

The retiring leader felt conflicted about their decision to retire due to many factors:

- Concerns about who will replace them
- Mentally struggled with feeling valued and relevant in their workplace
- Uncertainty about when they will retire and what they will do in retirement
- Fear of losing their personal identity and social influence that came from being a leader of an organization that was valued in the community
- Feeling fatigued and other physical health concerns
- Uncertainty about whether they will enjoy retirement
- Lack of personal transition plan

Struggles for the **INCOMING LEADER**

The incoming leader could become overwhelmed or intimidated by the challenges of replacing someone who was very experienced and effective. One respondent realized they probably needed, "two people to replace the one who was going to retire".

The incoming leader struggled with a steep learning curve required to:

- Quickly develop skills to become efficient
- Build specific stakeholder relationships
- Gain key organizational knowledge to maintain project momentum and achieve business goals
- Develop ability to think strategically to lead and influence the organization
- Manage and influence in the system

These struggles have immense impacts on the business. According to one respondent, it “affects business – ripples through like a cancer”.

Impacts ripple out to affect other aspects of the business because these struggles can reduce the productivity, performance and engagement of either the retiring or incoming leader.

Using the cancer analogy, businesses must be vigilant to identify hidden potential issues which can impact productivity, morale, relationships, revenue and other key performance indicators. A focused effort to manage and correct will be required.

Based on our experience and current leadership research, we strongly believe that leadership development makes lasting impacts on the leaders and the organization.

According to the Center for Creative Leadership, substantial investments in leadership development drive performance and gain competitive advantage in four ways: better financial performance; better talent management; improved strategy execution; and better change management.

Creating a multifaceted experiential leadership development program would positively impact the transition for both the retiring and incoming leaders.

“ (IMPACTS) AFFECT BUSINESS —
RIPPLES THROUGH LIKE A CANCER. ”

– RESPONDENT

CURRENT SUPPORTS

Supports for the RETIRING LEADER

The findings revealed three different levels of support that businesses have in place for the transition of the retiring leader:

- **No Support (58 per cent):** leaders may have had a supportive casual conversation with someone at work or had no support at all
Note: *this is more than double the Canadian rate of 27 per cent, as found by the Morneau Shepell Employer Support for Retirement Planning Study*
- **Multiple Supports (42 per cent):** financial planning plus Employee and Family Assistance Program (EFAP), seminars, coaching, and a healthy living website
- **Non-financial Retirement Supports (lifestyle and psychological) (25 percent):** a subset of the Multiple Supports above; includes EFAP, seminars, coaching, and a healthy living website

Further study is required to understand the:

- Level of actual use of online resources specifically for retirement
- Level of access to advisors or coaches around non-financial retirement issues



ONLY 12 % OF EMPLOYEES STRONGLY AGREE THEIR ORGANIZATION DOES A GREAT JOB ONBOARDING NEW EMPLOYEES.

- GALLUP, MARCH 2019

Supports for the INCOMING LEADER

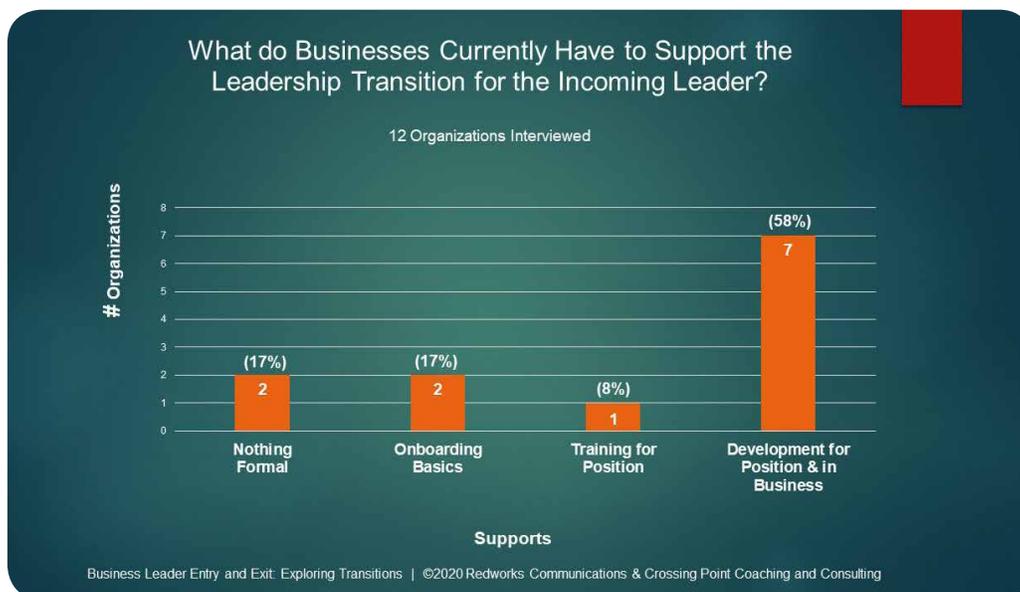
The findings revealed four levels of support that businesses have in place for the transition of the incoming leader:

- **Nothing Formal (17 per cent):** leaders were offered no formal support
- **Onboarding Basics (17 per cent):** leaders were given a phone, office, and basic equipment
- **Training for Position (8 per cent):** leaders received direction for work and expectations for results
- **Development in Position and in the Business (58 per cent):** to understand the leader's

position and the business' culture and position in the industry; more support was offered for senior level leaders

From the data we observed that:

- There appeared to be no consistency overall for how basic onboarding was practiced by these businesses
- Within some businesses, there was little consistency with how managers onboard the incoming leader as it was based on the manager's personality style



Specific supports for the incoming Leader:

- Cross training/job shadowing
- Onboarding checklists, forms, and policies
- Relationship building process
- Position - work plans, performance expectations, job manual
- Overlap start and end dates
- Mentoring
- Coaching

FINANCIAL COSTS TO THESE BUSINESSES IF TRANSITION FAILED

For the **RETIRING LEADER**

- Potential significant wide-ranging financial costs from \$28,000 up to \$3.3M (NOTE: \$3.3M represented 85 per cent of the budget for one business.)
- Costs were unknown by 62 per cent of respondents
- Costs were difficult to quantify, as it varied based on the role in the organization
- Other costs stated were: hiring, executive search, new leader training, miscommunication, disruption in organization (uncertainty, borderline chaos, confusion), and failure of delivering services and products

For the **INCOMING LEADER**

- Potential significant wide-ranging financial costs from tens of thousands to \$3.3M (NOTE: \$3.3M represented 85 per cent of the budget for one business.)
- Costs were unknown by 31 per cent of respondents
- Costs were difficult to quantify, as it varied based on the role in the organization
- Other costs stated were: rehiring, major service disruption, staff turnover, decreased staff morale, project momentum and delays, specific department and/or income stream loss, customers leaving, temporary staffing service, and loss of key relationships

We observed from the data that there were far more respondents who did not know or were unsure of the business costs should the transition fail as the leader exits the position, compared to when the leader enters the position.

For the retiring leader, the actual financial costs were perhaps not as easily identified because they were replacing the leader and so expected programs and services to continue.

It is possible that not all potential impacts of the retiring leader leaving the organization were considered. When an experienced and highly skilled leader retires they take corporate knowledge and history with them; a specific program or service may be cut because there is no one with the required experience and skills needed to lead it; and most of the costs were reflective of only employee rehiring.

According to the Canadian CEO's Guide to Better Outcomes, published by Chartered Professional in Human Resources, when the costs related to lost business, training, departure, productivity and hiring are calculated, it represents about 40 per cent of the employee's salary.

It is important that businesses understand the impacts and potential risks to the business so that the transition can be managed as an investment for the future. To understand the potential costs, it is vital for businesses to conduct regular and ongoing risk assessments to identify potential gaps.

Dollar Value to these Businesses if Transition Failed

RETIRING LEADER – Ranges from \$28,000 to \$3.3 million

INCOMING LEADER – Ranges from \$10,000 - \$3.3 million

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Work World during COVID-19

THE COVID-19 PANDEMIC HAS DISRUPTED THE BUSINESS ENVIRONMENT THAT ALREADY APPEARED TO BE VOLATILE, UNCERTAIN, CHAOTIC AND AMBIGUOUS (VUCA).

From our perspective the following are some thoughts that businesses need to consider as they move forward and support their leaders during this disruption:

- Incoming leaders are entering organizations and being challenged to change basic processes and may be required to transform their core business processes. Some current needs include:
 - ▶ A clear purpose - to survive the turmoil and beyond
 - ▶ Transparent and timely communication
 - ▶ Collaboration - using resources from diverse perspectives
 - ▶ Onboarding and reboarding - to thrive through the changes
 - ▶ Remote leading, teaming, managing and meeting
 - ▶ Cybersecurity
 - ▶ Wellness supports - mental, emotional, physical and social
- Succession planning is even more important now because all employees are vulnerable and businesses could lose key leaders without prior notice
- For leaders considering retiring, the restrictions on travel, decreased volunteer opportunities, social isolation, worries and fears about contracting the virus, may shift how they view their retirement and may decide to keep working longer
- Leaders may be in a longer psychological transition as they delay their retirement to allow their financial portfolios to rebound

If COVID-19 is creating challenges for your business, we can support your leaders to be successful throughout this transition.



STRATEGIC ACTIONS FOR CONSIDERATION

THE RESEARCH FINDINGS IDENTIFY OPPORTUNITIES FOR BUSINESSES TO BETTER PREPARE FOR THE REST OF THE BABY BOOMER RETIREMENT WAVE AND THE POTENTIAL SKILLED TALENT SHORTAGE.

It is paramount that businesses look at decreasing and preventing some of the challenges as stated in the findings, to ultimately lower the risks, increase productivity and quality of work, and foster better stakeholder relationships, all of which impact the bottom line.

By focusing on the person, the role and the organization, businesses can more fully engage leaders and build a solid succession and transition plan to take advantage of these opportunities.

Strategic Actions for the **INDIVIDUAL LEADER**

- Career conversations with retiring and incoming leaders to understand their challenges, goals and plans and provide key support
- Personal and professional development conversations to discuss struggles, challenges, goal setting, decision making, planning, and personal transition
- Performance support conversations with leaders to enable the achievement of business goals
- Coaching and mentoring for leader development
- Retirement transition support to help retiring leaders manage fears and challenges around financial and non-financial areas - retirement coaching; financial, tax and estate planning

Strategic Actions for the **LEADER'S ROLE**

- Cross-training to ensure effective performance of roles and responsibilities
- A Transition Support Team, including the retiring leader, to ensure ongoing role effectiveness to engage stakeholders, support business initiatives, knowledge transfer, and strategic communication
- Build leadership ability for their role through growth assignments, team coaching, and other educational and developmental experiences that support business strategies and goals

Strategic Actions for the ORGANIZATION

- Develop an onboarding process beyond the basic resource setup to fully integrate the leader into their team, understand the culture, and to quickly become proficient
- Develop an offboarding process to ensure continued productive contributions by the retiring leader as they transition; and explore options for legacy leadership opportunities
- Actively support incoming leaders to develop and implement a change leadership strategy to enable adoption of new ideas
- Develop and adopt an age-friendly workplace program to positively engage older workers, maximize their contributions; and offer workplace flexibility
- Ongoing risk mitigation programs around leadership transition. For example, probability and impact of potentially vacant positions, leaders under-performing for strategy development, loss of revenue streams, loss of key stakeholder relationships
- Talent Management Strategy to introduce and align the Succession Plan, the Workforce Plan, and a Leadership Development Program
- Communication strategy to inform the organization around retirement and leader transitions to increase confidence, certainty and productivity
- Strategically allocate resources to enable senior leaders to perform their job function

As this research has shown, there are huge financial costs and risks as leaders transition. There is potential for outright failure even by executives who have demonstrated prior success.

We encourage leaders to take a balanced approach by meeting the immediate needs of their leaders and planning for the broader initiatives necessary to survive this historic workforce shift.



Estimates of outright failure in the first 18 months range from 38% to over half, and many more executives fail to be as successful as was predicted in the hiring or promotion phase. In most cases, these are leaders who have demonstrated prior success and who have shown high intelligence, appropriate initiative, and considerable business savvy.



Center for Creative Leadership,
Executive Integration Equipping
Transitioning Leaders for Success

CONCLUSION

THIS RESEARCH SHOWS US THAT MANY BUSINESSES ARE CHALLENGED TO SUPPORT LEADERS TO TRANSITION EFFECTIVELY. THIS RESEARCH ALSO REVEALS THAT OPPORTUNITIES EXIST FOR BUSINESSES TO BETTER PLAN FOR THE WAVE OF RETIRING BABY BOOMERS AS IT GAINS AMPLITUDE OVER THE NEXT DECADE.

There must be greater attention given to workforce and succession planning, more robust retirement transition support for the retiring leader and more extensive leadership support for the incoming leader.

There is also the opportunity to explore how businesses can become age-friendly workplaces in order to retain their senior workers as they continue to make meaningful and valuable contributions.

Implementing some of these strategic actions will help businesses plan for and prepare to create a smoother transition for leaders and the business.



REACH OUT AND CONTACT INFO

We would like to hear what is happening in your organization. We are available for:

- presentations to your executive team
- assessments to identify key risks
- discovery conversations to explore your specific situation
- creation of a customized approach to achieve successful transitions in your organization.

CONTACT US:

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Marielle Gauthier, owner of Redworks Communications and Coaching, works with leaders of small to medium-sized organizations to make improvements in individual and team performance and achieve business goals quicker; and with individuals to help them achieve their personal goals and live their extraordinary life.

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Kathleen Ozmun partners with change leaders and their teams to implement value-creating strategies that accelerate team outcomes by increasing collaboration and co-learning. She is a systemic team coach, an experienced facilitator, consultant and trainer, and owner of Crossing Point Coaching and Consulting.

Kathleen has 20+ years of experience in developing leadership abilities, leading technical and organizational change, engaging stakeholders, resolving conflict, and planning strategy in business, government, community and 'for-benefit' sectors.

She has certifications in Coaching Team Leaders and Enabling Teams, Prosci Change Management, Korn Ferry Leadership Architect, MBTI, and Human Synergistics. She is an Associate Certified Coach with the International Coach Federation.

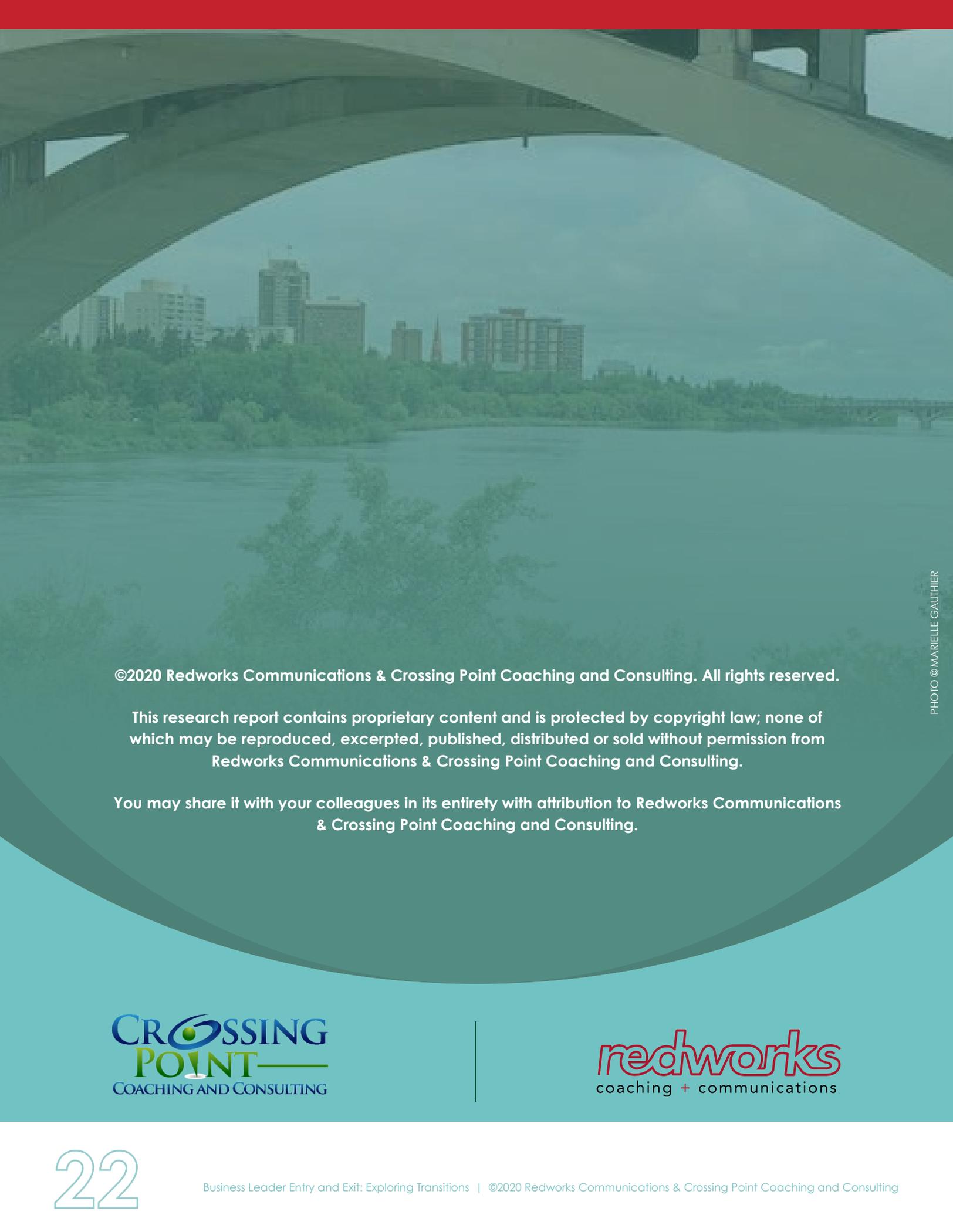


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