



THE TRUSTED ADVISOR

THE TRUSTED ADVISOR is our firm's regular publication, featuring not only articles and insights derived from our project work but also guest posts and interviews with leading business figures. They offer food-for-thought and practical advice on a variety of key topics in the leadership, ownership advisory, governance and strategy domains.

TTA 02-2019 | ONBOARDING



- New Executives need to be integrated
- CEO succession: maximising success
- Stumbling blocks for external executives
- AvS News



New Executives need to be integrated

Why onboarding of new executives is not just “nice to have”

by Dr. Christian Bühring-Uhle and Philipp Fleischmann

Hermann Hesse once said that every new beginning holds its own magic. But there are also risks. The appointment of any leader to a new role is a decisive moment in both an executive’s life and the life of an organization. Yet while often there is great energy and attention given to the selection of that leader in a comprehensive search process, there is another part of the equation that is, in our view, at least equally important: making sure that the leader is actually prepared to succeed in that role.

In cases where a CEO hiring does not work out, it is predominantly not because of a mistaken recruitment but more often because of issues that arise in the first six months of tenure: e.g. inadequate preparation; cultural misunderstandings; lack of contextual awareness; misjudgement of internal ‘politics’; lack of ExCom knowledge. The first three to six months therefore are critical for the success (or failure) in a new role — no matter how experienced and how well prepared the new leader might be. An organization must therefore devote serious attention to the transition of that new leader, regardless of whether he or she is an internal or external hire. It is, however, all the more critical when the new leader is the first external (Chief) Executive in a Family Owned Enterprise, and still more, when it is the first time that this executive is working for a Family Owned Enterprise.

In our firm we have made it an integral part of any Executive Search process to support our clients – and the newly appointed hire – during the critical onboarding & integration process. We believe that a well planned and executed integration plan, which also focuses on the cultural integration, can significantly reduce the time it takes new leaders to reach their full effectiveness – and, almost more importantly, reduce the risk of failure (“hired on competency, fired on chemistry”).

Active integration support begins in the moment when the start of a new leader is being prepared. The focus at this initial discussion is on threats & opportunities in the new organization and/or function – and the risks involved. This is an important discussion in any transition, but in particular in Family Businesses with a variety of additional, ‘unwritten rules’. This can be a “tricky” moment, and companies can greatly benefit from professional support when announcing a new leader and preparing the incumbent for the new role.

The integration support should start long before the new executive sets foot into the new organization and thus prior to the first day on the job. The new leader will need to understand, what the current company culture is about; who are the most important stakeholders (which may include members of the family owning the business who do not possess a formal role in the organization); what is their role and influence in the organization; and how they tend to operate; the expectations (and underlying concerns) placed on the executive by the owners, the board, and the line managers.

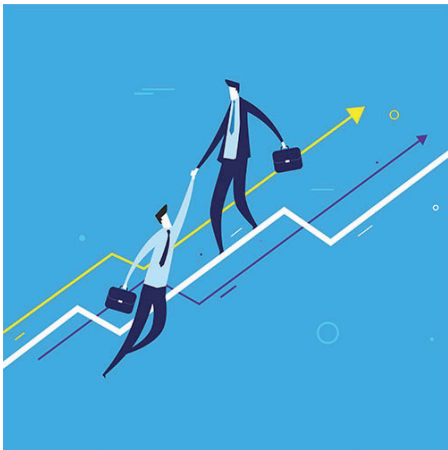
The implications of those expectations must be considered, and a strategy developed as to how the new leader should best communicate what he or she intends to do. How is the new leader's agenda going to be designed, who will need to be aligned, what are the potential pitfalls of the job and tactics to anticipate and prevent them? A clear communication plan, e.g., for an incoming CEO can be key to establish the agenda and align important stakeholders inside and outside the organization right from the beginning.

It should be clear, prior to the start in the new role, whom the new leader "must meet" in the early days and what steps are needed to get a grip on the organization as quickly as possible. This might include measures designed at getting a clear, transparent view on the new team – e.g., the direct reports, and their aspirations, hopes & fears. Personalized coaching can help the executive to develop trust in his or her team and to shape first impressions. Active integration support during the first three months can include coaching, 360-degree evaluations, and targeted feedback, all focused on helping the leader to make a strong initial traction in the organization. A feedback loop needs to be established ensuring that the new executive can course-correct quickly if needed.

Many organizations assume they can organize successful onboarding themselves – or can even do without a systematic onboarding process. We have seen cases where it was assumed that top executives or outstanding talents 'will know how to swim', and indeed it can be understood that when a highly experienced, highly skilled – and highly paid – executive takes on his or her new responsibility, that this person will know what it takes to turn this beginning into a success and will have done a thorough "due diligence" (including meetings with stakeholders and "reference checks") before taking on the new responsibility. But it is a very critical moment and one that even experienced executives will not have lived through that many times. And it would be an error to assume that success in this situation only hinges on the executive in question. It is a task for the entire organization, and that means in particular, the responsibility of the owners and their representatives, in many instances the board, and especially its Chairman.

In our experience, an extra effort to ensure that a senior appointment makes the best possible initial impact is a wise investment. The cost of failure in onboarding and integration can be very high – and companies will need to understand that a successful hiring isn't guaranteed by a professional search process alone.

In the fall of 2019, AvS – International Trusted Advisors has teamed up with PwC and INSEAD to organize the first large-scale pan-european survey among large Family Businesses dealing with the success factors for external executives in Family Businesses, and one of the key issues explored is how to ensure successful integration of new executives. We hope to be presenting the results in the first half of 2020.



CEO succession: maximising success

Onboarding is an absolute must to ensure a smooth transition

by Carolyn Lutz and Philipp Fleischmann

Let's imagine you are a shareholder of a large and successful diversified family business, operating globally with several fully owned companies, joint ventures, and participations and other businesses. The time had come for a CEO succession, there was nobody from within the family that was qualified to take over. You hired an executive search firm, you found your candidate, everyone agreed he is the one, you negotiated, he was hired. The search firm strongly suggested that an onboarding and integration program would be very helpful to help this new CEO navigate the family and firm culture and all the hidden traps he could fall into as he attempts to make his mark and get some early wins. You refused, thinking you and your team would succeed in doing the onboarding and integration on your own. Now, 18 months later, the new CEO is out, and you are back at square one. What went wrong, and how can this be avoided in future?

First, some data from different sources around the world of onboarding and integration:

- Organizations with a standard onboarding and integration program experience 54% greater new hire productivity, and 50% greater retention over the first three years.
- Manager satisfaction increases by 20% when their employees have formal onboarding training.
- 32% of global executives say the onboarding they received was very poor.
- 73% of respondents in a recent study said their onboarding programs accelerate new employees' performance, and improve employee retention and loyalty.
- 50% of all senior outside hires fail within 18 months in a new position.
- Almost 60% of newly hired C-suite executives said it took them six months – and close to 20% said it took them more than nine months – to have full impact in their new roles. Less than one-third received any meaningful support during their transitions, a shame since 80% of this fortunate minority thought such support made a major difference in their early impact.

Most firms do well with the administrative formalities of onboarding: making sure the IT needs are organized, business cards are printed, paperwork is filled out, and compliance is organized. However, what is often missing is a clear and benevolent immersion into the unwritten rules of the company, which can lead to the biggest faux pas in terms of derailing an otherwise well-suited candidate. After all, privately held organizations tend to keep their employees a long time; their culture evolves differently and more slowly than a publicly traded firm which will have more heterogenous talent and probably more 'fresh blood' from outside the organization. Family-controlled company culture can be overly influenced by outsize personalities; official

reporting lines may belie the actual power and influence of certain individuals. Candidates who are 'best in class' but who have come out of a publicly traded organization, or even a different family-controlled business with a different culture, can quickly fall foul of 'the way things are done here' if they are not guided even before their first day on the job.

Tips for the organization

- Begin the 'onboarding' already during the interview phase – be open about the strengths and weaknesses of the company and the culture, stakeholder maps, and how decisions are made.
- Dedicating time to discussing team and organizational dynamics during interviewing and onboarding stages can help the new executive avoid invisible cultural barriers.
- Assessing how an executive's strengths and weaknesses align with objectives for the role can help provide a customized roadmap for onboarding. Consider using an impartial executive coach who can give the executive an objective sounding board, and/or give the hiring manager course correction if necessary.
- Ensure operational overviews and clear performance expectations, which derive from strategic priorities, are communicated with the executive. Avoid surprises.
- If a problem area is identified, address it quickly – the earlier an issue is exposed, the easier it can be resolved.
- Do not forget to help with family orientation and integration if the move required a relocation – and career counseling for the executives' spouse in the case of dual-career couples. An unhappy spouse is the leading cause of failed expat assignments. Remember: 'happy wife, happy life'.

Tips for the hired candidate

- Be proactive in communicating and alert for cues on culture. In some cases, it is a fine line to work within the culture while seeking to change it.
- Signal that building relationships is a priority for you.
- Don't focus only on your superiors. Building the relationships with your team and knowing how to work the matrix will have a huge influence on your success.
- Consider crafting an 'elevator speech' with your reason for joining and what you hope to contribute to the company.
- Do use HR – there is a reason it is called 'Human Resources' – they can help you not only with team capability and gaps, but also with a 'reality check', giving you feedback from the organization on your performance and style is perceived.
- Be mindful of different stakeholders and communicate clearly, openly, and frequently; in particular if you were brought in as a change agent.

Know yourself – your style, preferences, values and motivations – and how these fit with the organization and team culture.



Stumbling blocks for external executives

Interview with Martina Sandrock – advisor, NED and top executive

by Andreas von Specht

Martina Sandrock is the Founder and CEO of connect & innovate, which advises on strategic corporate change processes. As a CEO, she worked for many years within international companies in the food industry before taking over the chairmanship of a medium-sized family business in 2017. She holds an MBA (USA), and has completed leadership trainings at Harvard Business School and the Center for Creative Leadership/ Colorado Springs. In 2006, she was voted “Manager of the Year” and in 2010 was ranked as one of the “Top 10 Business Women” by the Financial Times Germany. Martina Sandrock has been an Advisory Board Member in B2C and B2B family businesses for many years.

AvS – International Trusted Advisors: Ms. Sandrock, you have experienced for yourself how challenging the transition of an external executive from a large company into a family business can be. Many successions even go wrong. Why?

Martina Sandrock: The reasons for this are of course different depending on the situation but in my experience when failures happen they cannot be attributed to one side alone. The most important rule for many entrepreneurs in this situation is that “it requires sufficient time for the individual steps of a succession to be thoroughly prepared and implemented in a structured manner”. “Hold back, listen first, don’t try to do everything differently” is the good advice that incoming executives should heed. Well-intentioned plans are made and projects are formulated, but often they do not prove themselves in reality. Usually, both sides contribute equally to the failure – the entrepreneur as well as their selected successor.

What should family entrepreneurs be aware of when they take the risk of hiring an external executive?

Entrepreneurs and shareholders often overestimate the future viability of their own companies – and are then surprised when a successor from the outside analyses matters with a fresh eye and sees the need for change. Usually, an entrepreneur decides to settle his/her own succession only when, in their opinion, their company seems sufficiently well positioned to make a handover. However, with the rapidly accelerating and ever more complex economic and social changes, a rosy self-assessment does not mean that the company is necessarily well equipped for the future, and that the successor simply has to “continue like before”. Some entrepreneurs underestimate the value of the “external view”, and also the proven experience and working methods of the chosen successor – the reasons for which an external manager was actually chosen.

So above all, the entrepreneur must be able to let go in favour of his/her successor?

Yes – and of course not only the entrepreneur has to be prepared to change. Another phenomenon concerns the importance of teamwork in top management: Frequently, the entrepreneur leaves behind “lone fighters” – individuals who have “served the boss” and who never really had to prove themselves as an executive team working constructively together. In addition, they have probably enjoyed extensive and direct contact with the owner, serving him/her with pride and great loyalty; they sometimes regard the requirement to cooperate with a new, external executive as a demotion. Incidentally, a new boss in the company is not only a great challenge for the entrepreneur, his successor and the management team, but also a decisive turning point for ALL employees. After all, they lose their most important reference person in the company – and with it they lose a sense of security, trust and routine. It is likely that they will be required to become used to new, unfamiliar ways of working. Without the entrepreneur in-situ, the management team will be more likely to take important decisions in the ExCom – and make greater demands in terms of numbers, data, facts, ‘own initiatives’ and accountability. More transparency, openness and togetherness will be required.

What do successors – and external executives in general – have to consider when integrating into a family business?

Successors sometimes overestimate their ability to decipher the particular ‘code’ of family shareholders, and tend to overestimate their own experiences and competencies. At the very beginning, external managers tend to underestimate the importance of a “professional coronation” by the entrepreneur. In many companies, all the responsibility was concentrated in the hands of the owner. All official communications, and relationships with key customers, business partners and employees revolved around a single person who will no longer be present. Why their successor was chosen, which experiences and competences he/she brings along, what mission they should accomplish – all these things often remain unspoken.

With what consequences?

In terms of internal and external communication, a personal presentation of the successor to the organisation is often not made. For example, an official public statement by the entrepreneur that he/she has chosen their successor thoroughly and according to professional criteria, and that he/she has now been fully entrusted with wide-ranging responsibility for the business, is missing. In my opinion, this formal act of coronation should have at least the same importance in the handover communication as saying farewell to the entrepreneur. And successors should pay close attention to this.

Once the first weeks and months in the company are successfully navigated, many successors are inclined to focus more and more on the day-to-day issues: How do we set up projects; how do we implement them quickly; where can quick wins be achieved? Building and maintaining a good relationship to the owning family may be neglected in favour of the routine application of the experience and skills the executive has brought along. However, especially after the first 6 months – the “honeymoon phase” – this relationship is often put to a tough test.

Integration and onboarding can take more than 6 months?

Especially in the first few months, external managers sometimes overstep the mark or commit faux pas because they don’t understand the unwritten rules in the company. The danger of misunderstandings and “stepping on toes” is high. Even after the first few months one should continue to be very careful in dealing with the different stakeholders. For example, external managers should use the regular exchange with the owning family to learn more – to understand what drives the entrepreneurs, what positive and negative

experiences have shaped their predecessor, and what he/she is particularly proud of and values. External managers need to be conscious that in parallel with their attempt to master the challenges of leading the company, a painful separation process of the organisation from the entrepreneur may still be going on. In this case, and even if the new executive has self-confidence in their abilities and capacity to run the company, some show of humility before the task and loyalty to the entrepreneur must also be made visible.

What about making necessary changes to the company?

This is an important issue because the company situation often requires rapid and urgent changes. The pace and type of change is a fundamental issue and has many facets. First: the buy-in for change. At the beginning, external managers tend to underestimate the importance of a formal agreement on the change process they recommend. After the first 100 days in the company, the successor should present to the entrepreneur or the advisory board a written report on the perceived status of the business and on the planned change measures – and then demand a formal 'go'. Secondly: many people do not want change and would rather keep the proven and tested, the familiar. The momentum, the energy which is generated by the handover of leadership, must be used. Change must be initiated promptly. The more the team feels that everything will remain the same, the more difficult it will be to get something new off the ground. Thirdly: and this is always particularly important to me personally – change planning and implementation must not take place in secret! The entire team must be taken along, integrated, motivated and held accountable. This may require an enormous personal change for each individual, which must be closely supported by the new boss and his management team. Only in this way can such an important process succeed.

Is there any other advice just for successors of family businesses?

I'm sure there are many more pieces of advice. But one very important point in my opinion is not to underestimate the importance of the HR and communications department in the company. While many, more traditional entrepreneurs still regard these departments merely as 'administrative support', they can become vital for the new executive. If their start in the company is accompanied by a required restructuring or a change in the corporate and management culture, the personnel and communications departments must be given direct access to the ExCom. These managers are the organisers and coordinators of the change programme, so access to the top leadership is an absolute necessity for them!

Ms. Sandrock, we thank you for these insights!



AvS News

Recent news and developments at AvS – International Trusted Advisors

The past months were marked not only by interesting client projects, but also by exciting developments within our firm that we are delighted to share with you in this edition of THE TRUSTED ADVISOR.

Appointment of outstanding “Industry Advisors”

In the autumn we invited a select, international circle of outstanding entrepreneurs to enhance AvS – International Trusted Advisors from 2019 as advisors and brand ambassadors, and to support our Partners as a ‘sounding board’. Accordingly, we are delighted that Luisa Delgado, Tony Bogod, Wolfgang Colberg and Hans-Kristian Hoejsgaard have accepted our call and will accompany us as “Industry Advisors” during the further internationalisation of our business. All four are top executives who look back on impressive management careers and are currently active on the supervisory boards of international companies and organisations.

Luisa Delgado, a Swiss national, has been Chief Human Resources Officer at SAP and CEO of Safilo Group, a global eyewear manufacturer. She is a Member of the Supervisory Board of IKEA.

A British national, Tony Bogod headed the Centre of Family Business of the consulting firm BDO for many years and is now a globally recognised expert on succession issues in family businesses and family offices.

Wolfgang Colberg, a German, held executive positions within the Bosch Group for many years before leading the IPO of Evonik Industries in his capacity as CFO. Today, he is an Industrial Partner at private equity firm CVC Capital Partners (Germany) and a Member of the Supervisory Board of ThyssenKrupp.

A Danish national, Hans-Kristian Hoejsgaard was Group CEO of Oettinger-Davidoff and is now a Member of the Supervisory Board of the Calida Group.

Sylvie Mutschler-von Specht, a Member of the Board of Directors of our holding company in Switzerland, will form our Board together with the external “Industry Advisors”. Sylvie Mutschler-von Specht has over 30 years of experience as an entrepreneur, consultant and active investor in various industries, including real estate development and a number of start-ups. She is currently CEO of Mutschler Outlet Holding and a Member of the Board of Directors of the Swiss private bank Bergos Berenberg. At the same time, she is involved in various non-profit initiatives.

Global study with PwC and INSEAD

In cooperation with PwC and INSEAD (Wendel International Centre for Family Enterprise), we have launched a global study combining qualitative and quantitative research on the “Success Criteria for External Managers in Family Businesses”. Topics will include the selection and recruitment of top executive positions in family-owned companies and, above all, the critically important role of active onboarding during the first months of tenure.

The number of family members of the “next generation” who are willing and able to enter their family company in an operational capacity is at a record low, so that an increasing number of successions can no longer take place within the family. In addition, we see a steady trend towards the separation of management and ownership, especially in third-generation family businesses and beyond.

Many family businesses believe that they can organise the onboarding process themselves – but in reality, this is often not the case. We analyse the integration challenges, the reasons for the frequent failures, the success factors for a successful integration, and provide best practice examples for onboarding external executives into family businesses.

We are currently interviewing CEOs and owners of 60 of the largest and most important family businesses in eight countries, including a member of the Peugeot family, the CEOs of Heineken, Randstad and Lindt & Sprüngli, the Executive Chairman of Lego, or the CEO and shareholder of Pernod Ricard. The results will be published in several languages next year and presented and discussed in several countries.

Joint event with Simmons & Simmons

In cooperation with the international law firm Simmons & Simmons, which is active through more than 1,500 employees and 22 offices in the important economic and financial centres in Europe, the Middle East and Asia, we designed an event entitled “Increasing Enterprise Value Through Professional Supervisory Bodies” and held it in Frankfurt and Munich. Under the direction of Dr. Christian Bornhorst (Simmons & Simmons) and Dr. Christian Bühring-Uhle, as well as the participation of Felix Waldeier and Philipp Fleischmann, we conducted discussions among the participants, offered insights, presented helpful “dos and don’ts”, and encouraged best practice sharing.

Please feel free to share any articles or entire editions you feel may be relevant with your colleagues or clients. All articles and editions can be found here:

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