

INSIGHT REPORT

Ignoring the Personal Stress of a Key Executive Could Cost You Millions

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An illustration of a business meeting. Five people in professional attire are seated around a conference table. In the background, a large, grey elephant is superimposed over a cityscape. The elephant's trunk is positioned behind the man in the center of the table, who has a thoughtful expression. The other participants are looking towards him. The scene is set in a modern office with large windows showing a city skyline.

Mia Doucet

Executive Summary

The personal, emotional struggle of a member of the executive team is a topic that in most boardrooms is not acknowledged, addressed, or open for discussion. It's one of those proverbial elephants in the room that must remain hidden.

The thing about the elephant is:

We know it's there.

We know it's real.

That's why we ignore it.

Because the topic is taboo.

You and other key people on the management team are high achievers, high performers who are constantly on the move. You value solid metrics and happy shareholders. You put in long, hard hours and are justifiably proud of what you have accomplished. You love your work. Your high performance requires a certain amount of stress.

And yet, as human beings, life can bring personal stressors that, when rolled into stress that comes with the territory, can snowball out of control. This paper deals with the perils of not paying attention to those stresses.

The costs of ignoring the elephant are astronomical.

It's disruptive to the organization and the consequences can be incalculable. Yet few companies assess **the cost of a top manager's lost effectiveness due to personal distractions.**

Far Reaching Consequences

As much as excess executive stress is a huge drain on your company's revenue, it's even more dangerous for the person. For companies that consider their people their most important asset, this reason alone should compel you to act.

This paper explores the full financial impact on the performance of the business when these issues are not addressed.

You can either ignore the elephant and tolerate the situation, hoping it goes away. Or you can take action: replace the person or clear the problem at its source, without negative consequences to the company or the person.

Resolving personal issues **quickly** will be the highest return on investment you can ever make. **The earlier the intervention the less costly.**

“There are lots of ways for senior executives to stumble, and when they do, the shock waves can rock the enterprise. At the most senior level, each executive’s performance is magnified; one dysfunctional individual can stop the entire executive team in its tracks and wreak havoc throughout the organization. Consequently, decisions about replacing executive team members are highly leveraged, with far-reaching consequences often involving thousands of people and literally billions of dollars.”¹

How Pervasive Is The Issue of Personal Stress?

I asked 25 trusted business sources whether this statistic jibed with their own experience. ¹

¹ In preparing this Insight Report, I wanted to view the topic from various perspectives other than just my own. In that pursuit, I interviewed CEOs, CFOs, Presidents, VPs (Sales, Operations, HR), an Executive Recruiter, a Family Business Advisor, Executive Consultants/Coaches/Mentors of small, medium and international consulting firms and a Colonel in the US Air Force who at one time was VP of a Fortune 100 firm. I spoke with several people who have been through mergers, progressed through the ranks or been hired through search firms. And people who at one time worked in a Fortune 100/Fortune 500 company and are now running their own small enterprises. They represent various industries including banking, hospitality, entertainment, telecommunications, a major insurance carrier, and manufacturing firms (including automotive and medical devices).

Geographically, they spanned the east and west coasts of Canada and the United States, Europe, and Asia.

I acknowledge their contribution to this paper.

With one exception, the consensus was that *one in six sounded far too low*. A typical response was, “When you start to peel back the layers, it could be 3 or 4 out of 6. How many people go through life without personal problems?”

So, just for the record, if you or someone on your team are going through a particularly rough time personally, your company is not alone.

The Financial Costs

How do we put a number on the full impact to your company of a senior leader’s personal distractions? I think you will find the costs are immense.

Let’s first consider the *hidden costs of keeping* an underperforming executive. And then, let’s look at the often *grossly underestimated costs of replacing* an executive. Then we’ll look at the human factor—the personal cost of excess stress to a valued person on your team.

“Studies indicate that one in six executives is troubled by personal problems that affect his job performance.”ⁱⁱ

The Hidden Costs of Tolerating the Situation

$$\left. \begin{array}{l} \text{Vision} \\ + \\ \text{Strategy} \\ + \\ \text{Leadership} \end{array} \right\} - \text{Personal Distractions} = \text{Senior Executive Value}$$

As you probably know, a long-held rule of thumb is that an employee’s value should be at least three times their compensation. So, for example, if the executive’s compensation is in the range of \$250,000 - \$600,000 (and that doesn’t take bonuses into account), their value to the company should be in the range of \$750,000 - \$1,800,000.

Cy Wakeman, a psychologist who heads a global consulting firm that works on creating more results for companies, takes a tough stance on employee accountability. In her book, *“No Ego - How Leaders Can Cut the Cost of Workplace Drama, End Entitlement and Drive Big Results,”* she estimates that most workers spend 2.5 hours per day in workplace drama.ⁱⁱⁱ

In the context of this study, let’s say that the leader with personal distractions is losing focus for 2.5 hours per day and operating at 66% efficiency. You’re losing \$235,000 - \$563,000 of value.

If the person stays on the team, you’re losing money on an ongoing basis because you’re not operating efficiently. Also bear in mind that **distractions most often increase rather than decrease over time**. So, at a minimum, you’re losing \$235,000 **year over year** due to unaddressed personal issues.

How long will you tolerate that?

Here’s another way to look at this: Assuming the lower end of the salary range, if you operate on a 7% net you would need additional revenue of \$3,358,000 to compensate for the distraction.

Those are the hard costs. Either way, the estimated \$235,000 - \$563,000 annual loss or the \$3,358,000 additional revenue required to make up the deficit do not begin to take into account the havoc caused by the ripple effect throughout your organization.

It is almost impossible to gauge the full impact because company drama and distractions start at the top. We’ll look at the soft costs of brain drain in a minute.

The High Cost of Replacing a Senior Manager

It’s difficult to put a true value on the loss of a key person. And, again, few companies fully weigh that cost.

Estimates depend on the level of the executive and the size of the organization. Some sources say that “a 10x salary multiplier is

“We had an executive whose wife was dying of cancer. He was leading an initiative and the project he was working on was supposed to deliver a \$3M return. Decisions were not being made. It fell short by \$1.5 M and was a year and a half late.”

Vice-President,
Human Resources

“ ... a CEO who procrastinates until the situation is irreversible has probably squandered six months to a year of valuable time.” iv

relatively conservative.” In my research, the range was 2.5 to 10 times the person’s annual salary.

Naturally, the higher you climb, the higher the exit clause, severance packages or payouts, and executive recruitment fees will be.

My sources say that executive recruitment costs alone average 30% of base. So, for the sake of this conversation, let’s go with a more moderate 30% of pay: \$75,000 - \$180,000.

But the soft dollar costs are hidden so, once more, the real price tag will never traceably hit the bottom line.

“We ought to retain our A and B players and it’s not a good idea to retain our C and D players. The costs of keeping an underperforming executive are tremendous. The cost of replacing is much lighter.”

Bob Gershberg
CEO | Managing Partner
Wray Executive Search CEO

It’s Always an Awkward Transition

The loss damages not just the executive team but the entire organization. Consider:

- Lost productivity
- Lost company intelligence
- Others may opt out, taking institutional knowledge that is irreplaceable
- Compromised corporate image
- The reputation of the company may take a hit
- Lost engagement (How do you put a dollar value to impaired morale?)

The search for a replacement can take months. In a healthy organization, depending on how good the onboarding is with the new executive, you can add a couple months on the back end to stabilize again.

Soft Costs of Brain Drain Include:

- Undue stress stifles clear thinking, creativity, innovation and being on the alert for new ideas

- The ability to influence others diminishes
- Productivity suffers
- Long-range perspective suffers
- Projects fall short
- Resilience is compromised
- The ability to tolerate ambiguity goes down
- Risk taking is compromised
- The norm becomes maintaining the status quo
- Deadlines get missed
- Decisions are delayed or not made
- Initiative goes down
- There is less collaboration
- Things are not done to the expected level of excellence
- Progress isn't as fast or effective as it could be
- Communication breaks down
- Trust breaks down
- Team dysfunction occurs
- Revenue sources are lost when the executive takes the client base.

Key People are Expensive to Replace

And when you do replace them, you often don't know what you're getting. Ray Dalio, the American billionaire investor, hedge fund manager, philanthropist, and founder of investment firm Bridgewater Associates, and one of the world's 100 wealthiest people according to Bloomberg, says that only after 18 months on the job would you even know if the new executive is a fit.

If not a fit, the cycle starts again.

In fact, here's another statistic that should give you pause:

“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.”

Douglas Riddle, Executive Integration | Equipping Transitioning Leaders for Success, Center for Creative Leadership, 2016

So, add to the costs of replacement a 38 – 50 % chance that your executive search could begin anew within 18 months.

So much for the direct, indirect, and potentially even higher financial costs of ignoring the elephant. Now let's take a closer look at the human dynamic ...

The Taboo Topic of Senior-Level Stress

We all know that the response to stress is situational and highly subjective. Some people thrive under stress as long as they feel in control. Others collapse. All the executives I have known thrive under stress that would paralyze most people.

Stress that Goes with The Job

Few people understand the sacrifices you make and the price you pay for the position.

You have pressure from above and from below, with numerous stakeholders to satisfy. Boards of directors and shareholders want financial results.

Your people want engagement, an inviting corporate culture, and job security. If you don't deliver, they're vulnerable and unhappy.

Among your many challenges are building a cohesive, collaborative leadership team. Getting alignment, buy-in and productivity out of people is not an easy task. In a larger organization you have others angling for your position, chomping at your heels. So you are constantly under tremendous pressure.

The environment is dynamic, and in a continuous state of change. You're constantly juggling priorities, people issues and demands. It's hard to stay ahead of the game. If you are like most executives, you have had to sacrifice time with your loved ones to get where you are. Managing work/life balance is a perpetual challenge. And almost impossible to achieve.

So that is the continual stress inherent in the position. It's not supposed to be easy. At the end of the day, it's your job to drive top of the line revenue and profitability. It's your job to put on a good face. It's why you get paid the big bucks ... as they say.

On top of all this, there are deeper levels of stress that most people prefer to ignore.

Now let's take a closer look at stress that is **above and beyond what we consider normal for executives**, on top of stress that comes with the territory.

Deeper Levels of Stress: The Shared Human Experience

Is my job safe?

During difficult times, there's more pressure through the entire company, and particularly for leaders who identify themselves with their work. There is always the threat of job loss if performance suffers. You are particularly susceptible during traumatic downsizings, mergers & acquisitions (with the subsequent merging of different cultures and unpredictability of the impact of restructurings), redundancies, and demotions. Any situation in which your position feels insecure.

“If you build your life around your career and you have no one to fall back on to put things into perspective in a crisis, it will cause a major disruption in your life. As a very dramatic example, when ABN AMRO merged with Royal Bank of Scotland, my colleagues who had built their lives around the bank felt betrayed. Some openly wept. There were no doubt other stressors in the private lives of two members of the Board and a VP who committed suicide.”

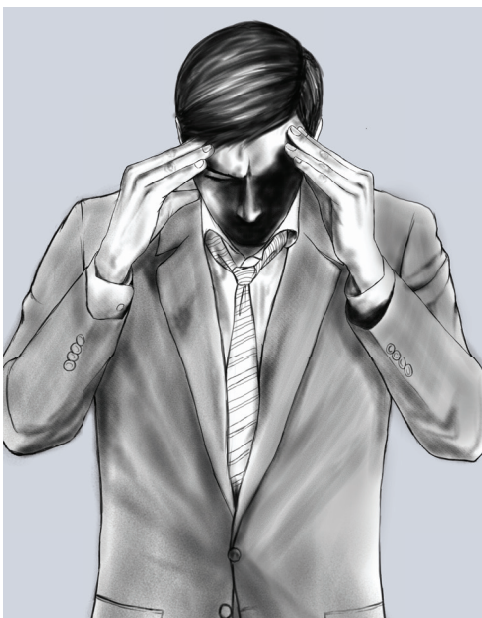
Former VP, ABN AMRO and Director, Royal Bank of Scotland

Will I be seen as weak?

You need to keep up appearances. Everything is under scrutiny. There is a fear that acknowledging you are under stress will be used against you. The fear is that it makes you look weak and incompetent. That you will be judged. You're supposed to be strong and self-reliant. People will think less of you, respect you less.

Who can I trust?

You have to be careful of what you say for fear of misinterpretation. Who can you talk with about what is going on without it circling back to bite you?



Who can you trust? Who can you talk with about challenging problems? Who can you confide in? You are not allowed to share your vulnerabilities, even from a business perspective.

It's unlikely that colleagues you run into at association meetings will keep it real. When you get together with peers, they're more likely to tell you how great things are, how successful their company.

Who am I kidding? (Publicly Confident. Privately Unsure.)

There's an interesting phenomenon called "Imposter Syndrome—a mindset in which smart, successful people believe that they have fooled others into thinking they're more intelligent and competent than they really are." ^{vi}

"(It's) the secret and subjective experience of feeling like a phony, despite a documented record of achievement, and the accompanying fear of being unmasked." ^{vii}

Get this:

"Psychological research done in the early 1980s estimated that two out of five successful people consider themselves frauds; other studies have found that 70 percent of all people feel like fakes at one time or another. 'Some people, the more successful they become, the more they feel like frauds ... There's a dissonance between self-image and external reality.'" ^{viii}

It's lonely at the top

There are fewer people at the top to have a relationship with, for a start. This is as true of small and medium-sized companies as major corporations.

For many leaders, particularly those who don't have a significant other they can communicate with, a large part of the stress is social isolation. We humans crave human connection. And close, personal connection on the job is almost impossible for the senior leader to achieve.

Others on the team can't ask you, how are you doing **really**? They fear sounding intrusive. They are put off by the risk of offending, placing a colleague in an awkward position, or jeopardizing the relationship.

"In the workplace, many employees — and half of CEOs — report feeling lonely in their roles." ^{ix}

Vice Admiral Vivek H. Murthy (19th Surgeon General of the United States, from 2014 to 2017)

“It’s absolutely true in both my military and corporate experience. As you rise in responsibility, your peer group diminishes and you find yourself on the road a lot with no friends, no one to bounce ideas off of. You generally eat on your own. When you do get to share a meal with others, you don’t get to relax and most of the time you make the rest of the group at least slightly uncomfortable to have “the boss” there. As the boss, you’re also under constant scrutiny, which means you don’t get to relax. When you go out for dinner with more junior people, it’s stressful on them because they can’t be themselves.

Frequently, others in the company go out for dinner and the executive isn’t welcome. So he orders a pizza and goes back to his hotel room with a 6-pack of beer. I was in England for a month. That happened every night I was there.

The boss can’t socialize. Can’t make mistakes. Can’t show weakness. Can’t be seen having fun. There’s nobody to hang out and decompress with.

You’re under pressure to stand and deliver. Mistakes are not acceptable. You have to watch everything you say because it can be taken out of context and used against you. You are under constant attack. There’s always someone nipping at your heels, ready to replace you.

I used to think Golden Parachutes were excessive. Now, I absolutely support them.”

A Colonel in the US Air Force, who once held the position of VP in a Fortune 100 firm

We already know that stress is a silent killer. There is evidence now that “**Loneliness kills** [my emphasis] ... It’s as powerful as smoking or alcoholism.”^x

Deeply Personal Stress That Must Remain Hidden

When a person has no reserves left because of physical and emotional energies given to the job, and a significant negative event happens in their **personal** life, things can go downhill pretty fast if there is no outlet for that pressure.

Based on the research I've studied, personal problems have a much greater impact on your financial results than anyone thinks.

Weight of the World on One's Shoulders

Senior executives I interviewed confided that personal life stressors had a noticeable impact on their work life and that of their colleagues.

Stressors may include:

- Extramarital affairs
- Marriage breakdown and divorce
- A spouse diagnosed with terminal cancer
- A sick child
- A betrayal
- A broken friendship or other poignant loss
- A kid dabbling in drugs or otherwise going off the rails
- Family finances
- Grown children and grandchildren still dependent
- Dealing with aging parents
- Guilt over spending too much time away from home and neglecting the family
- Prolonged grief resulting from a personal tragedy ("Where's the space and time to grieve?")

"I used to resent the compensation of senior executives. And then I was one. And then I wasn't. And I no longer feel they are over-compensated."

Former CFO of a Fortune 100 firm I interviewed

One CEO said, “It’s very tough to give your professional side its all when there’s trouble at home.”

“A lot is expected of executives. Anybody dealing with personal issues, who doesn’t have their head in the game, is putting their performance at risk, putting their career at risk, and the people who report to them are under-supported because the person is distracted. They’ll have engagement issues, employee retention issues. Everything starts to spiral. The executive becomes more stressed. All of that adds up to escalating performance challenges. It’s a feedback loop. You get stressed out about being stressed out.”

Marc Lacoursière, President | The Achievement Centre

Any major unresolved emotional traumas ... any physical, emotional or sexual abuse in one’s past ... any stressors that have been bubbling under the surface can erupt and cause chaos as they cascade down and affect the entire organization.

Personal Struggles and the Risk of Burnout

Signs to Watch for:

People who are suffering from or on the verge of burnout exhibit certain destructive behaviors:

- Drinking too much
- Drug dependency, gambling, overspending, or other addictions
- Negativity
- Cynicism
- Irritability
- Quickness to anger
- Temper outbursts
- Loss of sense of humor



- **Loss of focus**
- **Loss of enthusiasm**
- Emotional exhaustion
- Detachment
- Depression
- **Decreased concentration**
- **Difficulty making decisions**
- Diminished interest in current projects

Unresolved personal issues lead to psychological exhaustion and negatively affect productivity.

We tend to want to dismiss these issues because they are personal. But that is not wise because personal always bleeds into business. Work and private life are interconnected.

Most organizational cultures don't support even admitting that people at the top may struggle on a personal, human level. It may not feel safe.

Even executive coaches tend to avoid the personal conversations. All but two executive coaches/consultants I've spoken with on the topic said they will **almost never ask about personal things** and when something personal does come up, they tread very lightly.



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= Recipe for High Financial and Human Costs

Burnout: Running On Empty

Long-term stress has a big impact on a key person's ability to do the job. Whatever is going on in their life is having a reaction on the people around them. If they can't make the right decisions and support their team, it has to affect results, as discussed earlier.

Burnout has been described as "a gradual erosion of the person." It is not a sign of lack of skill, ability or intelligence. The competence of the individual is not in question. It is the result of physical and mental exhaustion that can often lead to a health crisis. (And that is a conversation for another day.)

Is anyone on your team at risk of burnout? Here's a **2-MINUTE QUIZ**.

"We're not robots, we're human beings. (We have to) deal with the human dynamic. Everyone wants to be valued and validated. Top executives are no different. They need someone who does not report to them but can be in an advisory support role."

Harold Byne, Executive Mentor and Founder, INTEG Coaching

It all adds up to this ...

The higher in the organization the problem, the more visibility, the greater the circle of influence, the greater the impact on the viability of a company, the more destructive the stress.

Personal stresses have a profound impact on your financial results and should not be ignored. Normally high-achieving, high-performance, high-value leaders not working as effectively as they once did could prove extremely costly. Early intervention is key.

So What To Do?

If the Stress is Out of Control, You Have 3 Choices ...



3 Ways to Fix Executive Stress Before It Gets Out of Control

1. Talk Therapy. (But that could take years.) It's always better to take care of personal distractions sooner rather than later.
2. Executive Coaching. Work with an executive coach or consultant who has training and experience and will take on the deeply personal conversations.
3. My signature system, **Take Back Control**, safely, painlessly, and confidentially addresses extreme personal stress in a systematic way. At a fraction of the cost of ignoring or replacing. And a fraction of the time (usually 35 days). Backed by Harvard and Yale research. With guaranteed results. Einstein would approve.

About the Author

Where other executive consultants advise on business strategy, **Mia Doucet** specializes in helping key people on the executive team take back control when personal stressors threaten to derail their performance. Her background includes working with Fortune 100 and Fortune 500 managers and teams. Executive coaches and consultants refer her when situations arise that are outside their area of expertise. She is a resource. Not the competition. Mia works from her laptop. She lives in London, Ontario, Canada when it's warm and spends winters in Venice, Florida, USA. She can be reached directly at <http://miadoucet.com/contact/>.

Endnotes

- i** http://nadler-leadership-advisory.com/NAS-White-Papers/6_When-Executives-Fail.pdf
- ii** D. Bender, EAP Digest, "Trouble at the Top"
- iii** Cy Wakeman, No Ego - How Leaders Can Cut the Cost of Workplace Drama, End Entitlement and Drive Big Results. St. Martin's Press. New York, NY, 2017
- iv** http://nadler-leadership-advisory.com/NAS-White-Papers/6_When-Executives-Fail.pdf
- v** <https://www.linkedin.com/pulse/leadership-turnover-costs-more-than-you-think-kim-turnage/>
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- ix** Harvard Business Review <https://hbr.org/cover-story/2017/09/work-and-the-loneliness-epidemic>
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