



JULY BREAKFAST PROGRAM



WELCOME NEW MEMBERS



Alex Almanza

VP, Employment Practices,
EHC, VP, HR
Emory Johns Creek Hospital
& Emory Healthcare, Inc.



Kia Painter

EVP and Chief People Officer
Cox Communications



Pamela Roach

CHRO
Wayne-Sanderson Farms



LaShawn Butler

Senior Manager, HR
Porsche Financial Services



Michele Parks

Atlanta EVP & Chief People
Officer
Cox Automotive



Felicia Robinson

SVP, CHRO
Boys & Girls Clubs of America



Clarence Hearn

HR&D Executive – Talent
Operations
State Farm



David Pasternak

VP, HR
Honeywell Connected
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OUR PROGRAM

CEO Succession: The Chief HR Officer's Role



PATRICK M. WRIGHT

THOMAS C. VANDIVER BICENTENNIAL CHAIR, PROFESSOR,
DIRECTOR, CENTER OF EXECUTIVE SUCCESSION, DARLA
MOORE SCHOOL OF BUSINESS
UNIVERSITY OF SOUTH CAROLINA



NETWORKING



- Introduce yourself to the group
- Discuss the following questions:
 - Why is CEO succession so difficult?
 - What can CHROs do to help in the CEO succession process?



CEO SUCCESSION: HR'S ROLE

Patrick M. Wright

Director, Center for Executive Succession

Darla Moore School of Business



Darla Moore School of Business

WHAT IS SUCCESSION PLANNING?



**Darla Moore
School of Business**

WHAT IS SUCCESSION PLANNING?

- Succession planning is the process of ensuring that qualified replacements exist for critical roles in the organization whenever those roles become open (planned, unplanned, or emergency)



WHY IS SUCCESSION PLANNING IMPORTANT?



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WHY IS SUCCESSION PLANNING IMPORTANT?

- Ensure continuity of operations
- Mistakes lead to operational performance declines
- Impact on financials
- Impact on market value



CEO SUCCESSION FAILURE

- Research shows the increasing prevalence of forced turnover among CEOs (Huson, Parino, & Starks, 2001)
- CEO failure seems prevalent today, with roughly 35% (800 of 1800) of CEO turnover events being forced (Bushman, Dai, & Wang, 2010)
- Anecdotal estimates suggest up to 30% of C-suite succession decisions end up mistakes.
- The cost of these mistakes is immense...\$1.8 Billion in market value for CEOs according to Price Waterhouse Cooper



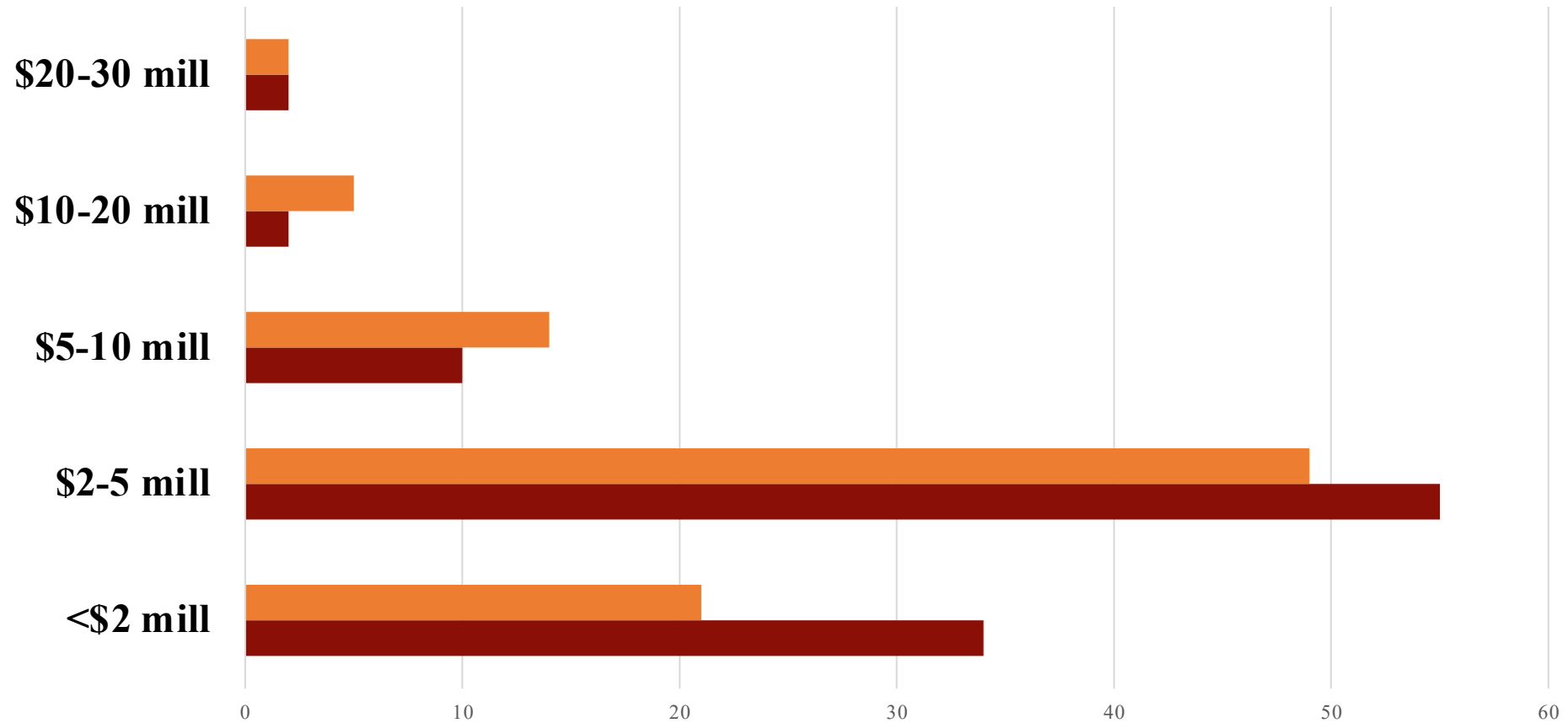
QUESTION

- How many of you have had your company make a succession mistake (C-suite failure)?
- What happened, and what were the costs?



C-Suite Promotion Failures

When considering direct costs (recruitment, signing bonus, salary, bonus, LTIP, severance, etc.), what is the average cost of succession failure?

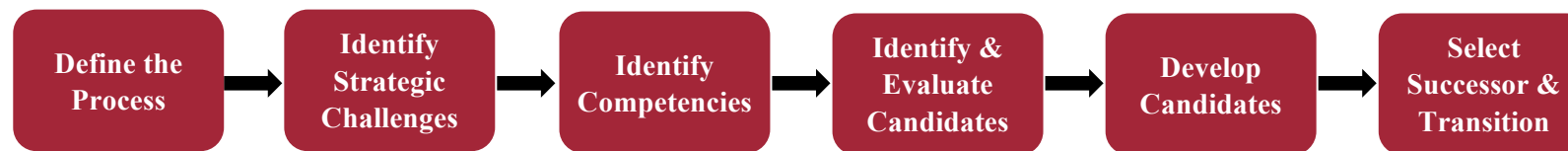


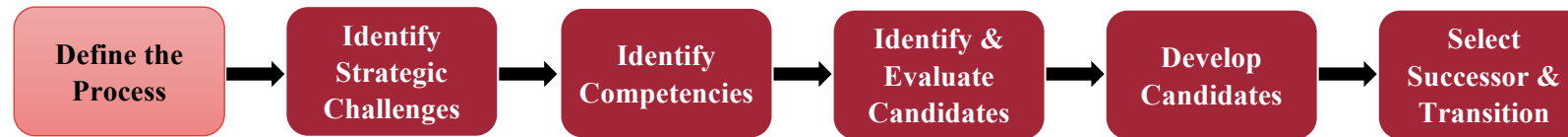
ONE C-SUITE SUCCESSION MISTAKE

- \$15-20 million in recruitment, compensation and severance costs
- \$20-40 million in excess annual costs
- 1% hit to share price



PHASES OF THE CEO SUCCESSION PROCESS





Key Tasks

1. Establish roles and responsibility for succession planning;
2. Define a systematic, rigorous process for developing a role profile and evaluating candidates;
3. Consider the use of a sub-committee of board members to monitor and manage the process on the board's behalf;

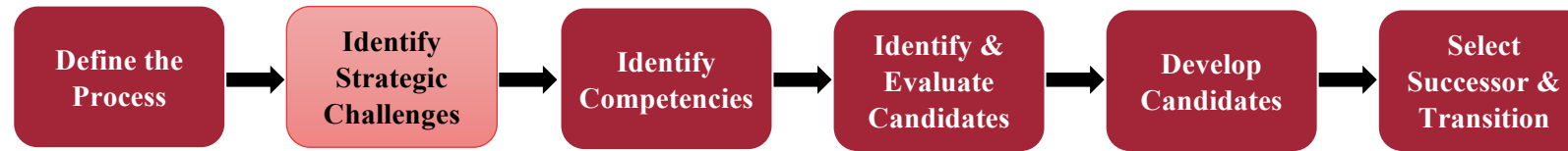
Potential Pitfalls

1. Expectations for the board and management are not clearly defined regarding who is responsible for what activities in the process;
2. Processes and activities are designed to support and select a pre-determined candidate rather than ensure an analytical approach to identify the next CEO;
3. Board member commitments externally prevent effective board engagement in planning and evaluation;

SITUATION 1A

- You just joined a company where you were brought in to help manage a CEO succession. The current CEO and Chairman has been in the role for almost 20 years, and knows it is time for him to move on. The Lead Director has been in the role for a few years, and while being a financial genius, others have warned you he is probably somewhere on the autism spectrum. When you join the company, the Lead Director tells you that in all things CEO succession, you report to him, and in all things HR, you report to the CEO. The CEO tells you that he does not really care what you do in HR, but that he wants you reporting to him regarding the CEO succession process. What do you do?



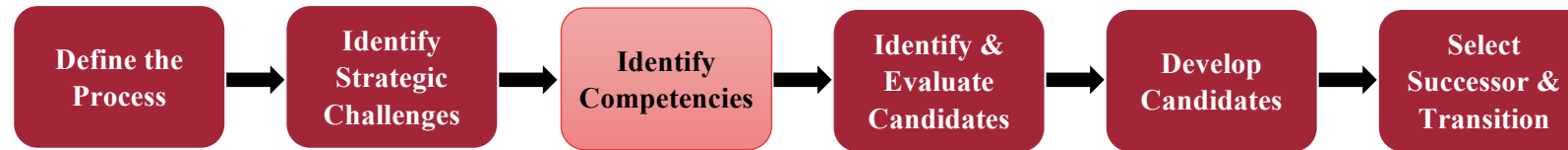


Key Tasks

1. Scan the company's external environment for relevant trends which may create opportunities, if captured, or threats, if not neutralized;
2. Analyze the company's industry, including changes in industry structure and profitability (e.g. how is the nature of competition changing?);
3. Assess the internal strengths and weaknesses of the company;
4. Analyze the company's likely future direction based on the overall assessment;
5. Independently conduct assessments with board members rather than in a group setting.

Potential Pitfalls

1. Analyses are conducted once a year, without consideration to the environment's rapid changes in the interim;
2. Evaluations are conducted one time and updated annually; Starting with a blank slate at least every 2-3 years can help ensure that prior analyses do not overwhelm current thinking;
3. Board members and management may not align closely with expected future strategic challenges;
4. Board members attempt to define a specific future strategy rather than addressing the challenges the company will face;
5. Assessments are conducted in a group setting without prior consideration; (Forcing group members to think strategically as individuals limits problems associated with groupthink and typically expands the range of options considered);



Key Tasks

1. Identify the capabilities / competencies needed in the future CEO to accomplish the strategy defined;
2. Rank the criteria / capabilities in terms of their importance to achieving success;
3. Identify behavioral criteria that might complement technical competencies (e.g. leadership skills vs. merger and acquisition ability);

Potential Pitfalls

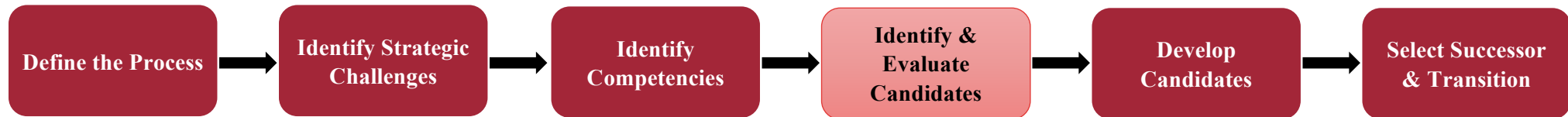
1. Competencies and capabilities identified are not closely aligned with strategic needs of the business;
2. Over-reliance on technical competencies and failure to consider managerial competencies;
3. Attempts to replicate capabilities identified in current CEO (or past successful leaders) or build profile as the opposite of a failed CEO;
4. Capabilities / competencies are developed and tailored to support selection of an already identified candidate;



SITUATION 1B

- Within a few weeks you realize that the CEO and Lead Director are definitely not on the same page. The Lead Director comes from a technology company background and sees the future strategy of this durable goods retail company as being about investing in and leveraging technology to transform the industry. He believes that the next CEO must have absolutely no experience in the industry. Four of the board members that came in under his watch also come from technology company backgrounds and share the same view of the future strategy. The CEO believes that the company can continue its strategy for growth in a way that maximizes earnings per share, and that this is the best way to serve the needs of shareholders. He believes the next CEO needs to have industry experience. The remaining board members share the preference for managing the company as an EPS play. What should you do?





Key Tasks

1. Identify internal leaders who have CEO potential;
2. Analyze external leaders who have leadership potential for the company;
3. Assess the capabilities of internal talent;
4. Provide broad base and variety of opportunities for board members to interact and evaluate candidate strength and weaknesses;
5. Evaluate and rank candidates based on the role profile identified earlier;

Potential Pitfalls

1. Evaluations are not closely linked to the role profile and competencies needed;
2. Systematic, objective criteria are not created for assessment;
3. External analyses are not performed to identify potential candidates outside the company who might be successful;
4. Objective assessments of internal talent are not conducted to identify strengths and weaknesses of potential successors;
5. Access to candidates or ability to evaluate candidates is limited; Board members only have the ability to interact with candidates for short periods or via presentations;
6. Hiring external candidates late without a chance to assess the candidate or assimilate the candidate to the company's culture;
7. Evaluations are conducted at one point in time and used as the starting point for future evaluations;
8. Prominent group members' evaluations influence the assessments of others in the group;

Figure 6. For your internal candidates, which of the following have you used to assess them over the past 24 months?

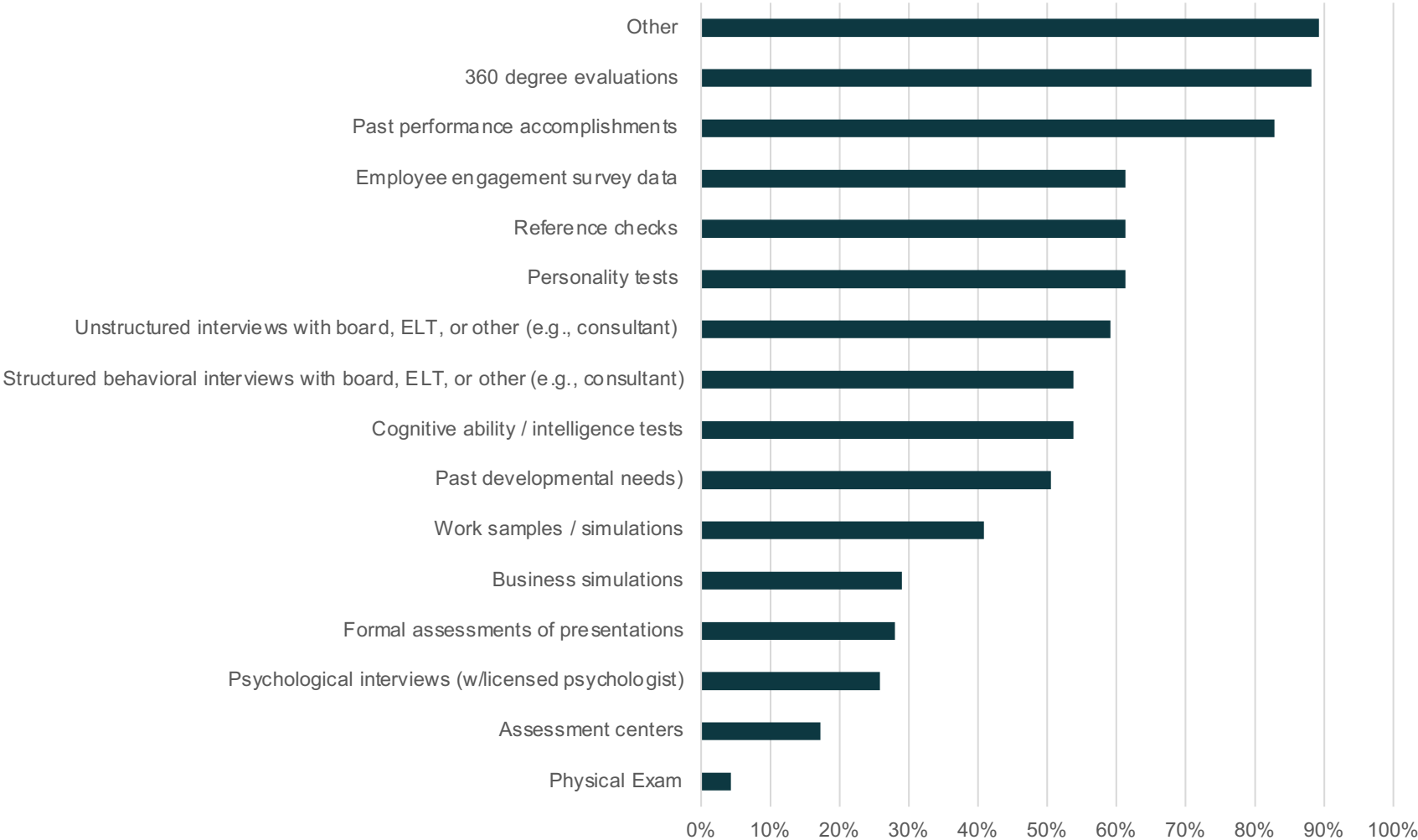
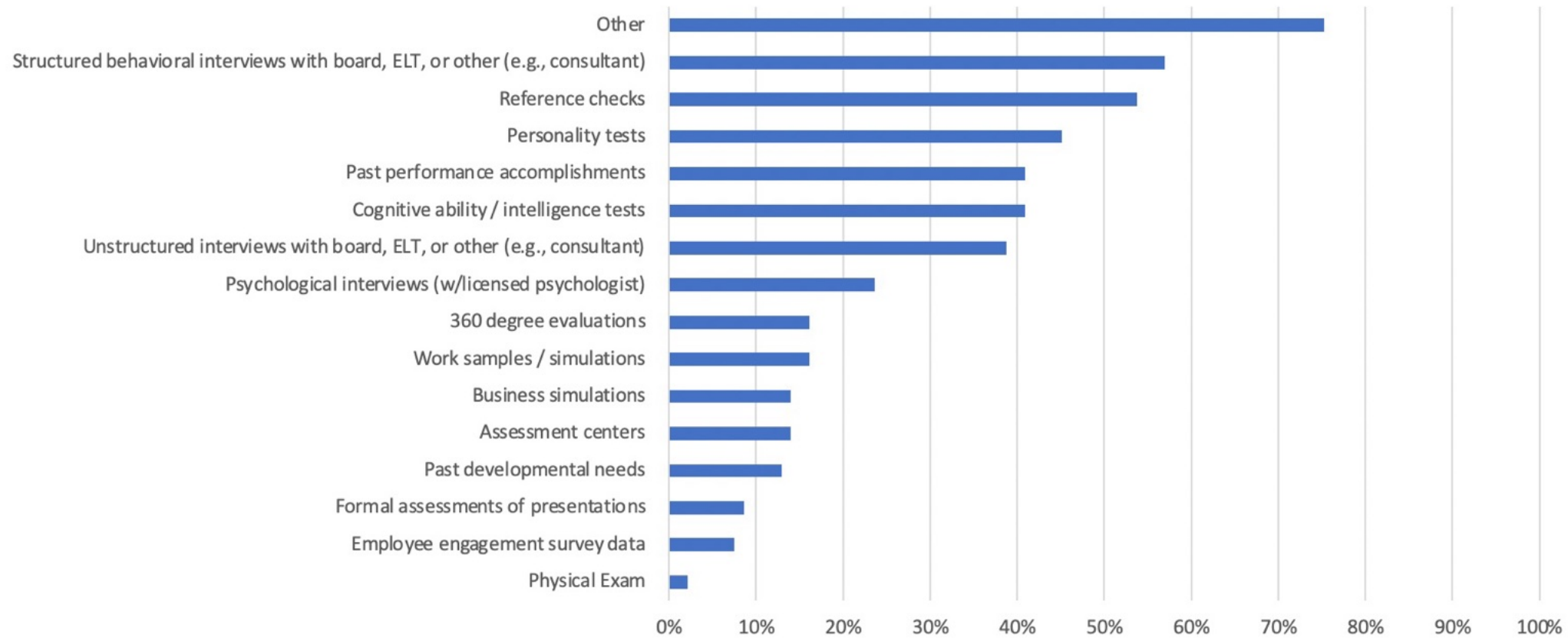
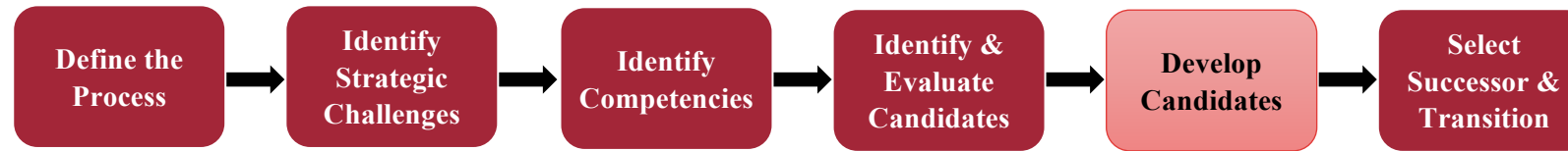


Figure 7. For your external candidates, which of the following have you used to assess them over the past 24 months?





Key Tasks

1. Assess weaknesses necessary for candidate development to enhance promotability;
2. Identify challenging opportunities to continue to grow operational or strategic deficiencies;
3. Appoint coaches or mentors to work with candidates on potential behavioral derailers;
4. Identify outside opportunities for candidates to improve strengths / weaknesses;

Potential Pitfalls

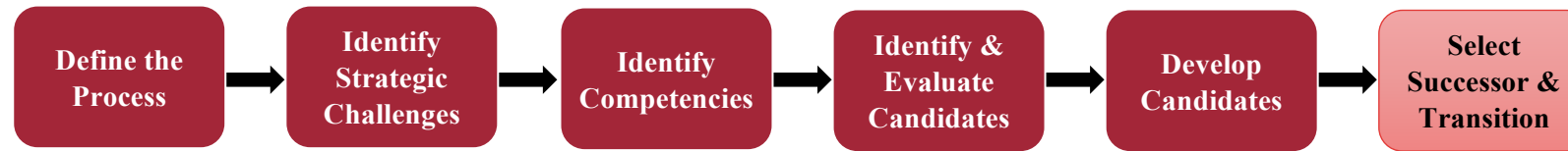
1. Assessment occurs late in the process leaving limited time for candidates to develop;
2. External coaches / mentors influence group decision making to one candidate, which may not be aligned with the role profile;
3. Candidates fail to listen to mentors / coaches or learn lessons to overcome existing weaknesses;
4. Candidate shortcomings are overlooked or discounted due to perceptions of other advantages;
5. Outgoing CEO delays or hinders candidate development opportunities;



ANOTHER SITUATION

- Early in your CEO succession process it became apparent that you do not have any likely internal successors. Since the likely succession is 3 years off you conducted an external search and brought in a woman executive who the board and CEO felt strongly could be the successor. Because of this, they assigned her to a role that comprises oversight over approximately 80% of your company's business. However, your culture is very relationship-oriented, and after the first 18 months it appears that this individual has not only failed to reach out and build relationships but has also alienated a number of senior executives. What would you do?





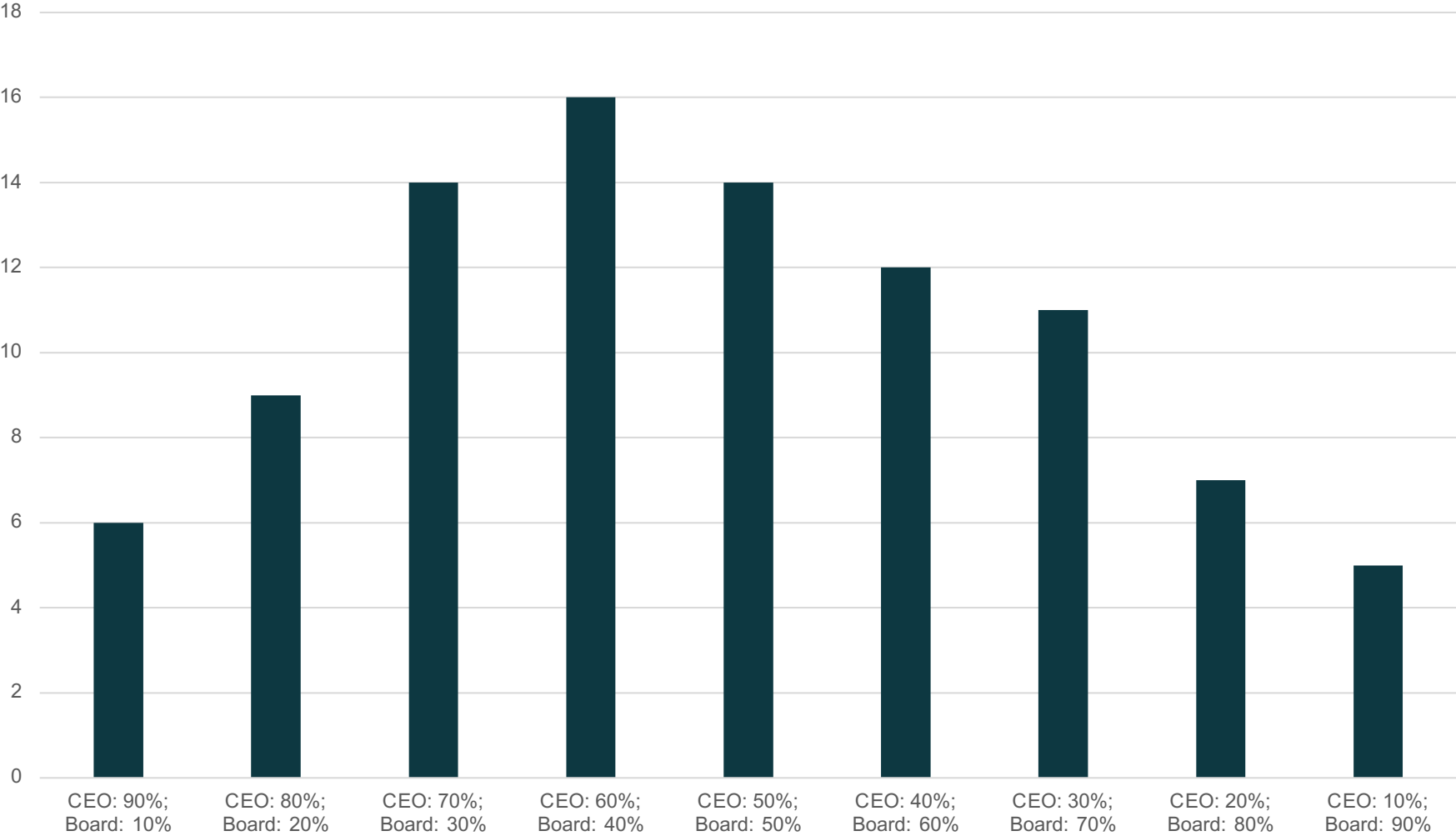
Key Tasks

1. Ensure future strategy and role profile are consistent with prior iterations;
2. Notify candidates of their status;
3. Consider the appointment of an heir apparent
4. Develop a plan to retain candidates who may not be selected for the CEO role;
5. Begin process to transition outgoing CEO's responsibilities to incoming CEO;
6. Define specific timeline for transition agreed to by both current and successor CEOs;
7. Provide exposure to external stakeholders (e.g. analysts, shareholders) with outgoing CEO;
8. Consider the role of the outgoing CEO after transition; mentor the outgoing CEO on managing his / her life after CEO.

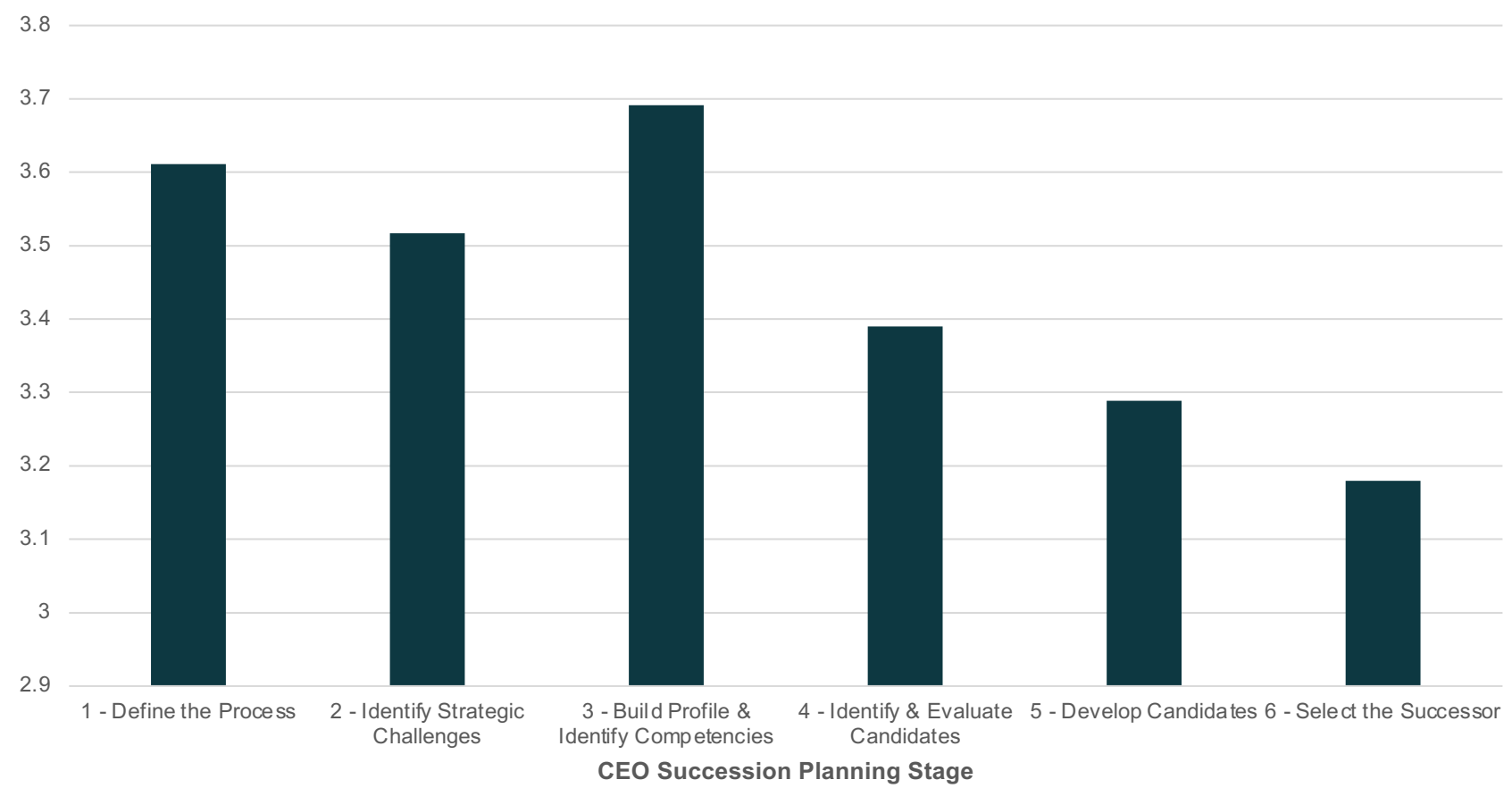
Potential Pitfalls

1. Heir apparent (CEO-in-waiting) leverages position for external offers, leading to potential for earlier transition than intended;
2. Strategy and needed capabilities change late in the process after an heir apparent is named or top candidates evaluated, but board remains committed to the named executive;
3. Top executives who feel passed over for the position depart the company;
4. Outgoing CEO delays transition;
5. Outgoing CEO retains undue influence over the company, its executives, and its strategy.

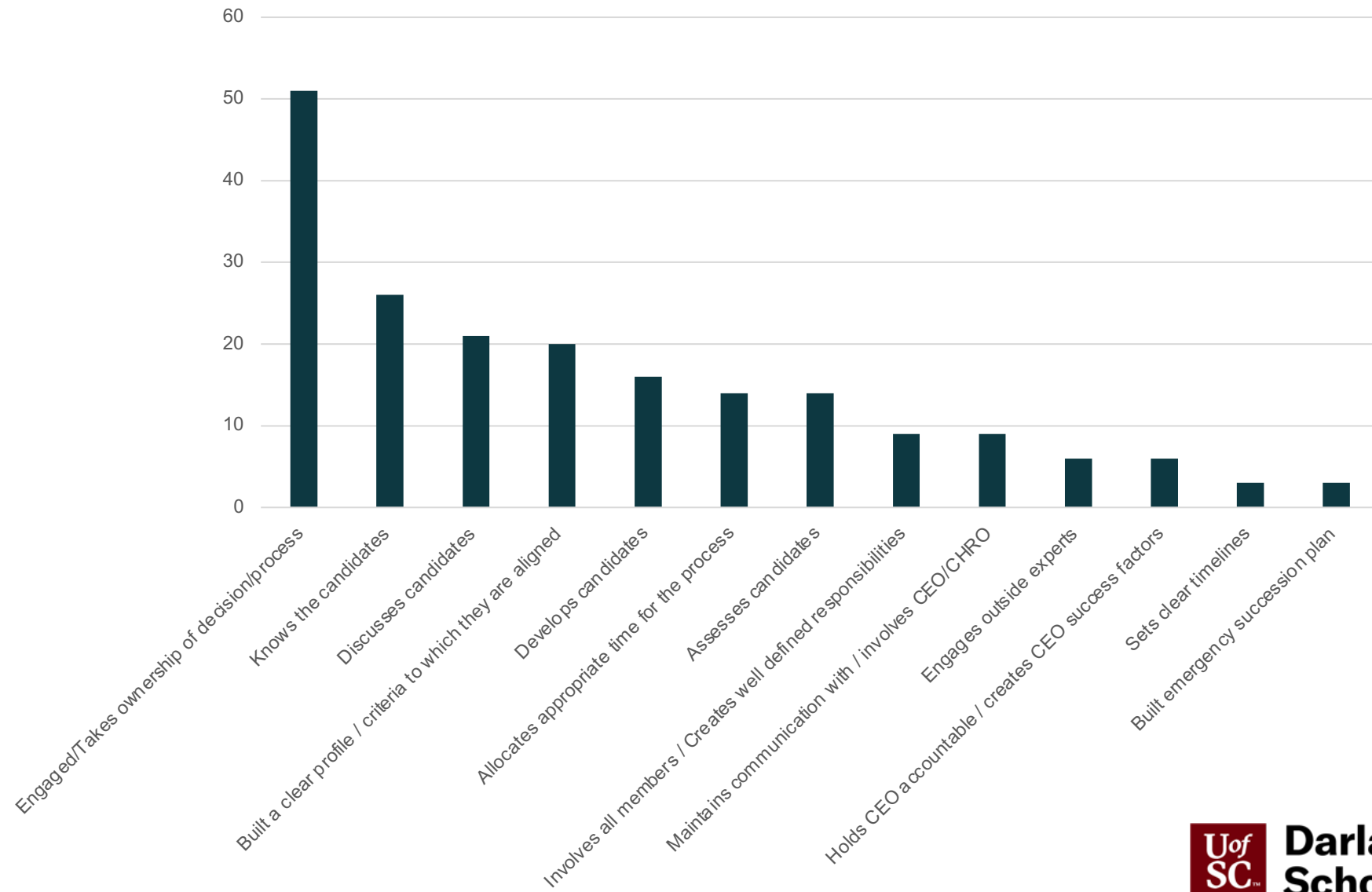
CEO vs. Board Influence in Successor Selection



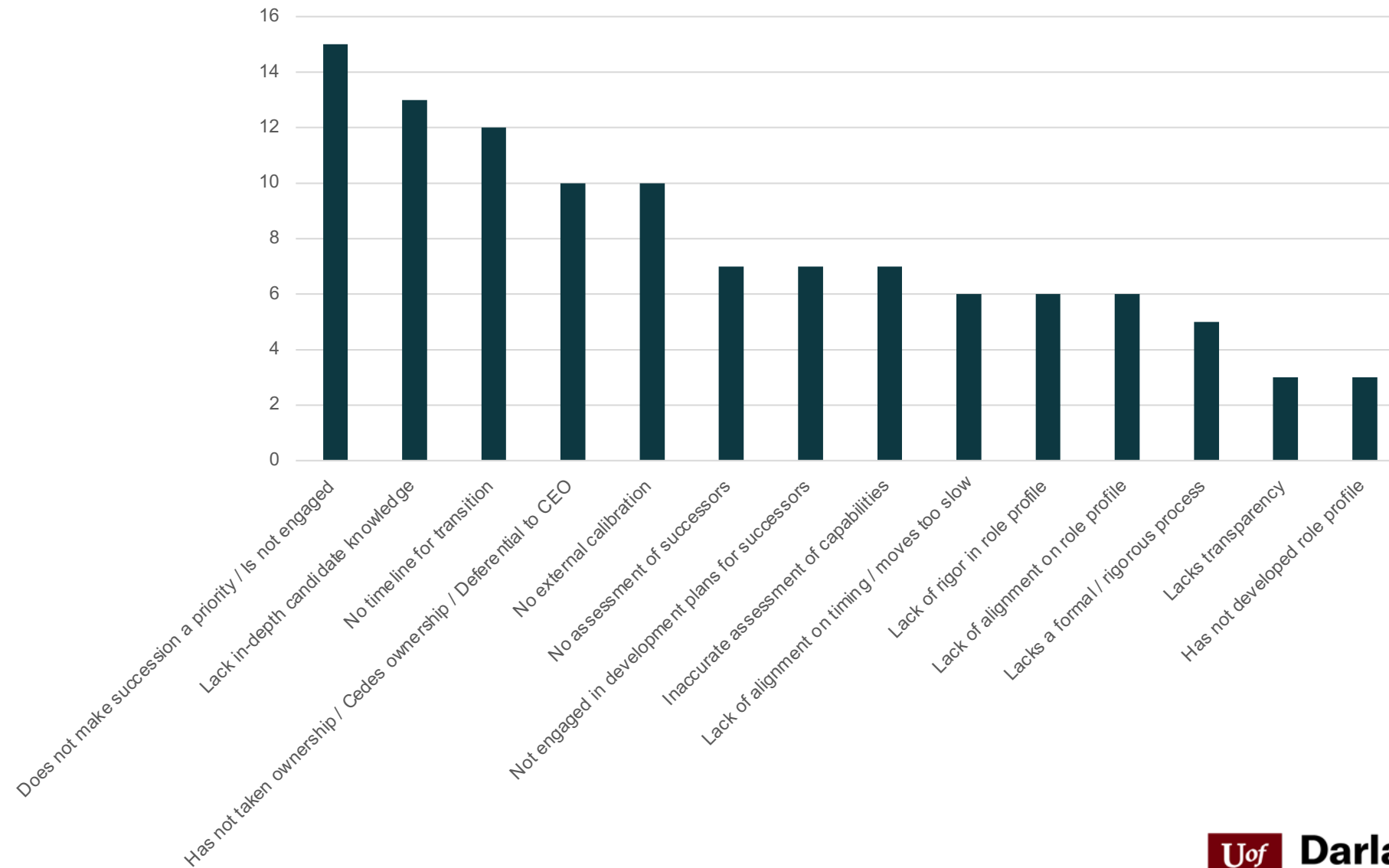
Effectiveness of CEO Succession Planning by Stage



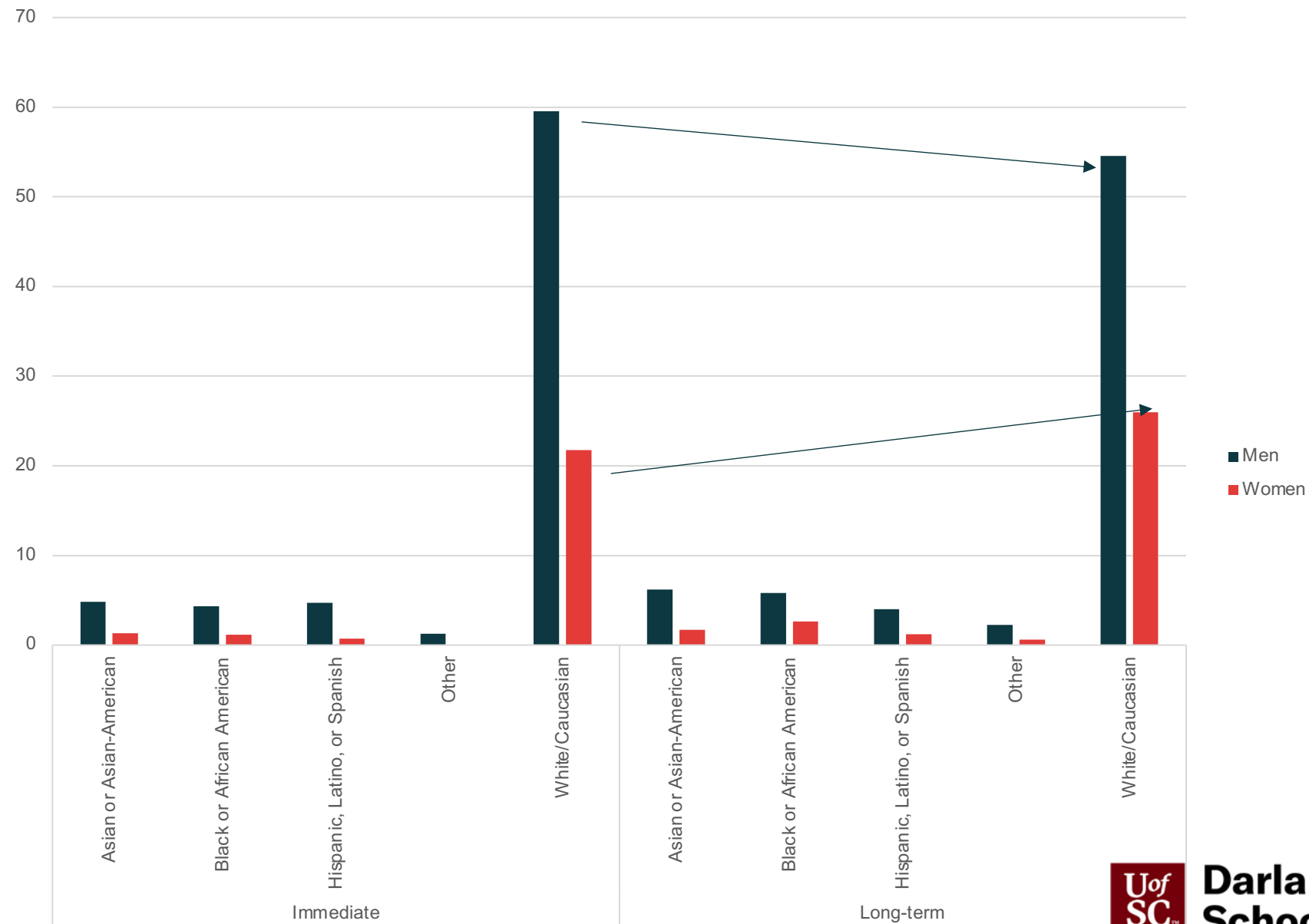
Items CHROs noted Boards Do Well in Succession Planning



Items CHROs noted Boards Do Not Do Well in Succession Planning

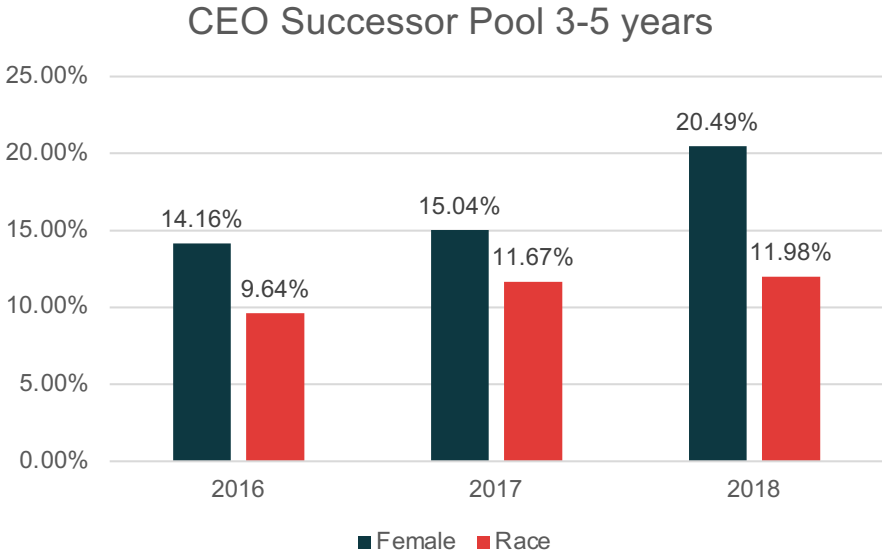
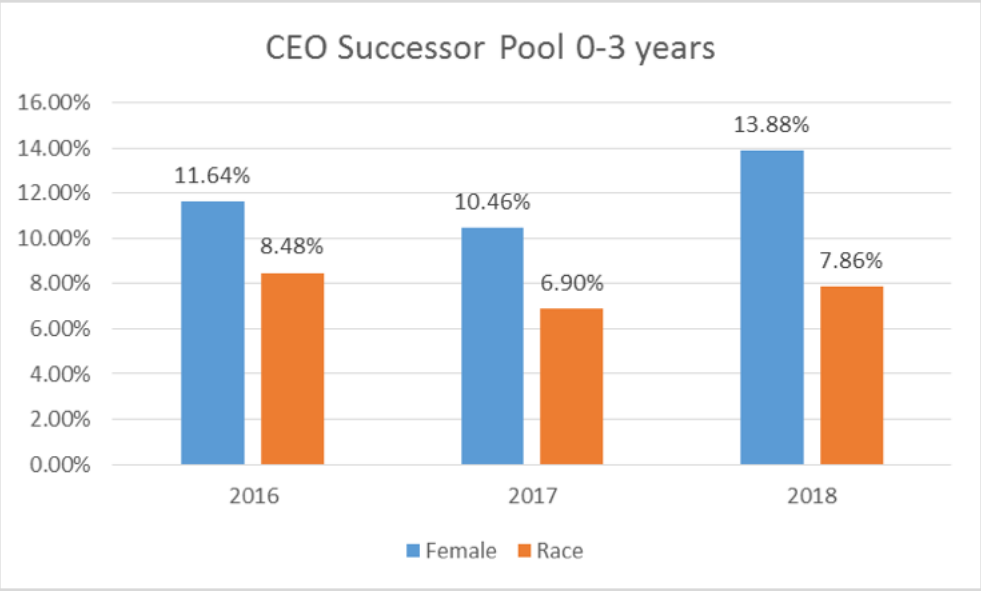


Diversity in CEO Succession Pipeline



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DIVERSITY OF THE CANDIDATE POOL



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INCREASING THE DIVERSITY OF THE PIPELINE

- Remote work
- Mentoring
- Taking risks/providing supporty



THANKS!

Name

Title

Email

Social



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