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## Diversity in CEO Succession Pools: Present State, Past Obstacles, and Future Solutions

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**Center for  
Executive  
Succession**

# **Diversity in CEO Succession Pools:**

*Present State, Past Obstacles, and Future Solutions*

Results of the 2017 **HR@Moore** Survey  
of Chief HR Officers

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## Executive Summary

This report documents the results of the 2017 HR@Moore Survey of Chief HR Officers with regard to the present state of race and sex diversity in CEO succession pools. Based on responses of 127 Chief Human Resource Officers (CHROs) at large companies we find that the diversity of CEO succession pools remains far below what many would hope, both in the short- and long-term.

In the 0-3 year timeframe, females and racial minorities represent only 10% and 7% of the succession pools, respectively, while in the 3-5 year timeframe these numbers only rise to 15% and 12% respectively. When compared to last year's survey this suggests the short-term pool has decreased slightly (from 12% and 8% for females and minorities, respectively), but that the long-term pool has increased slightly (from 14% and 10%, respectively). CHROs recognize this problem as 77% report that their companies have fallen short or extremely short of their succession diversity goals compared to 70% in 2016.

When asked about the obstacles to building a diverse CEO talent pipeline, CHROs responded that (a) their firm lacked a diverse talent pipeline, (b) it was difficult to get diverse candidates in the right roles, (c) their industry lacked sufficient diverse talent, and (d) they found it difficult to identify diverse talent. When asked about steps they are taking to increase the diversity of their CEO talent pipeline, answers ranged from doing nothing to making diversity a priority, identifying diverse candidates early, or accelerating the development of diverse talent.

### Thanks to the Center for Executive Succession partner CHROs for their support of our research:

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# The Current State

In 2016, for the first time, we asked CHROs to indicate the percentage of both women and racially diverse candidates in the CEO succession pool for both the 0-3 year and 3-5 year timeframes. As can be seen in **Figure 1**, the disappointing results of the prior year are repeated in this year's survey. In the short-term (0-3 year) only 10% of the pool is female and 7% racially diverse compared to 12% and 8% last year, respectively. The longer-term (3-5 years) had a slight uptick to 15% female and 12% racially diverse compared to 14% and 10% respectively, last year. These numbers are not significantly different across the two years, but they do indicate that organizations face an uphill battle in attempting to create greater sex and race parity in the CEO succession pool.

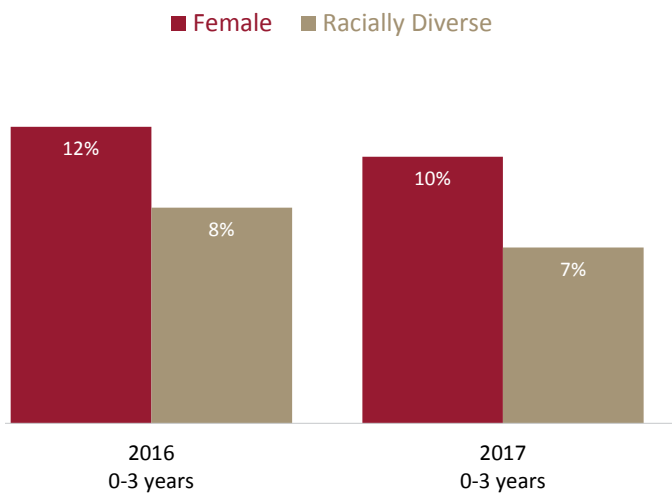
Not surprisingly, given the similarity of the numbers across years, CHROs report that these numbers continue to fail to meet their company's diversity goals. In fact, as can be seen in **Figure 2**, 77% of CHROs in our data reported falling short

or extremely short of their diversity goals this year as compared to 70% in 2016. Further, while many feel they fall short of their goals, none of the respondents indicated they far exceed their diversity goals. However, 8% state they have exceeded their expectations, which is up from 2% in 2016. This small positive trend continues when looking to the future.

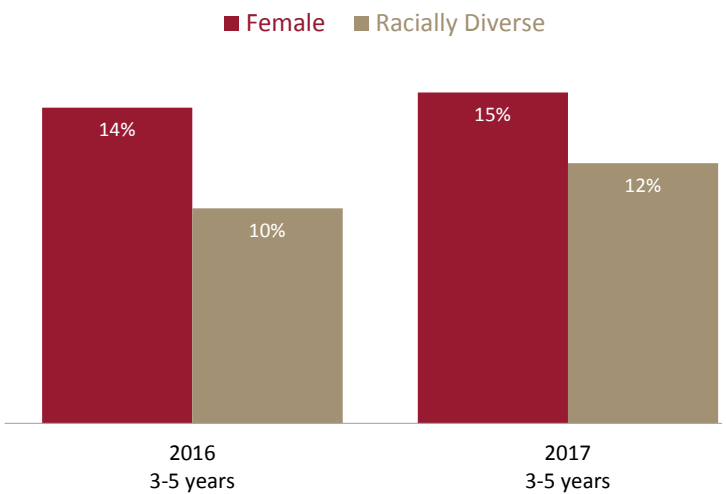


**Figure 1**

Percentage of Potential Internal CEO Successors (0-3 years)

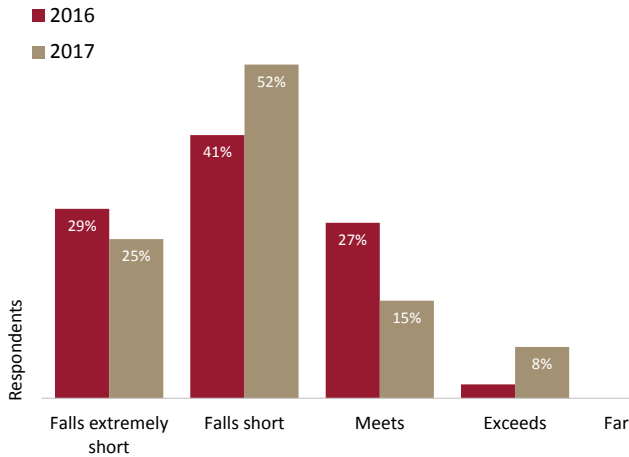


Percentage of Potential Internal CEO Successors (3-5 years)



**Figure 2**

Comparison of Internal CEO Successor Candidate Pool Diversity to Diversity Goals



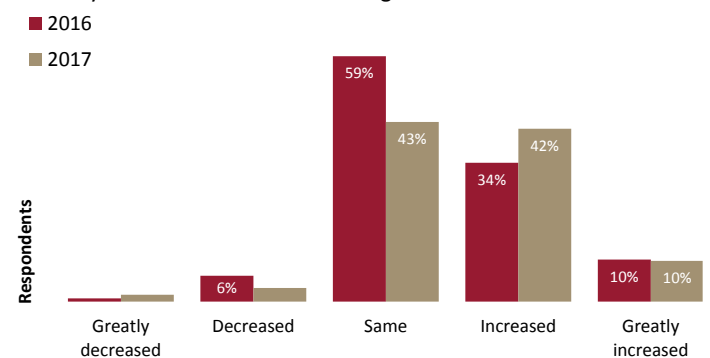
As **Figure 3** illustrates, when asked how these numbers compare to 5 years ago, 52% report that they have increased or greatly increased diversity whereas only 44% reported this in 2016. There is a .53 correlation between attainment of current diversity goals and improvement of the diversity CEO successor candidate pool compared to five years ago, indicating many who have improved in the short-term are also those who are making gains in their long-term plans as well.

Several trends emerged when we examined the responses of CHROs who both exceeded their diversity goals and improved the diversity of their CEO successor candidate pool what innovative diversity strategies they were taking. Overall, these organizations tend to put diverse candidates who are high potentials into stretch roles and accelerate their development. For example, one CHRO indicated that they have job rotational programs to build candidates' "breadth of skills" and provide them with more exposure. Another CHRO noted that they look externally and use external consultants to enhance their diversity pool. These themes suggest that these CHROs not only value diversity, but advocate for diversity within their talent management processes. Interestingly, several of these CHROs prefaced their response by stating that they are "not innovative" or are doing "nothing really innovative", even though they are innovative in comparison to other organizations. This suggests that CHROs need more innovative strategies to address their diversity goals.



**Figure 3**

Comparison of Internal CEO Successor Candidate Pool Diversity to Candidate Pool 5 Years Ago



## The Obstacles

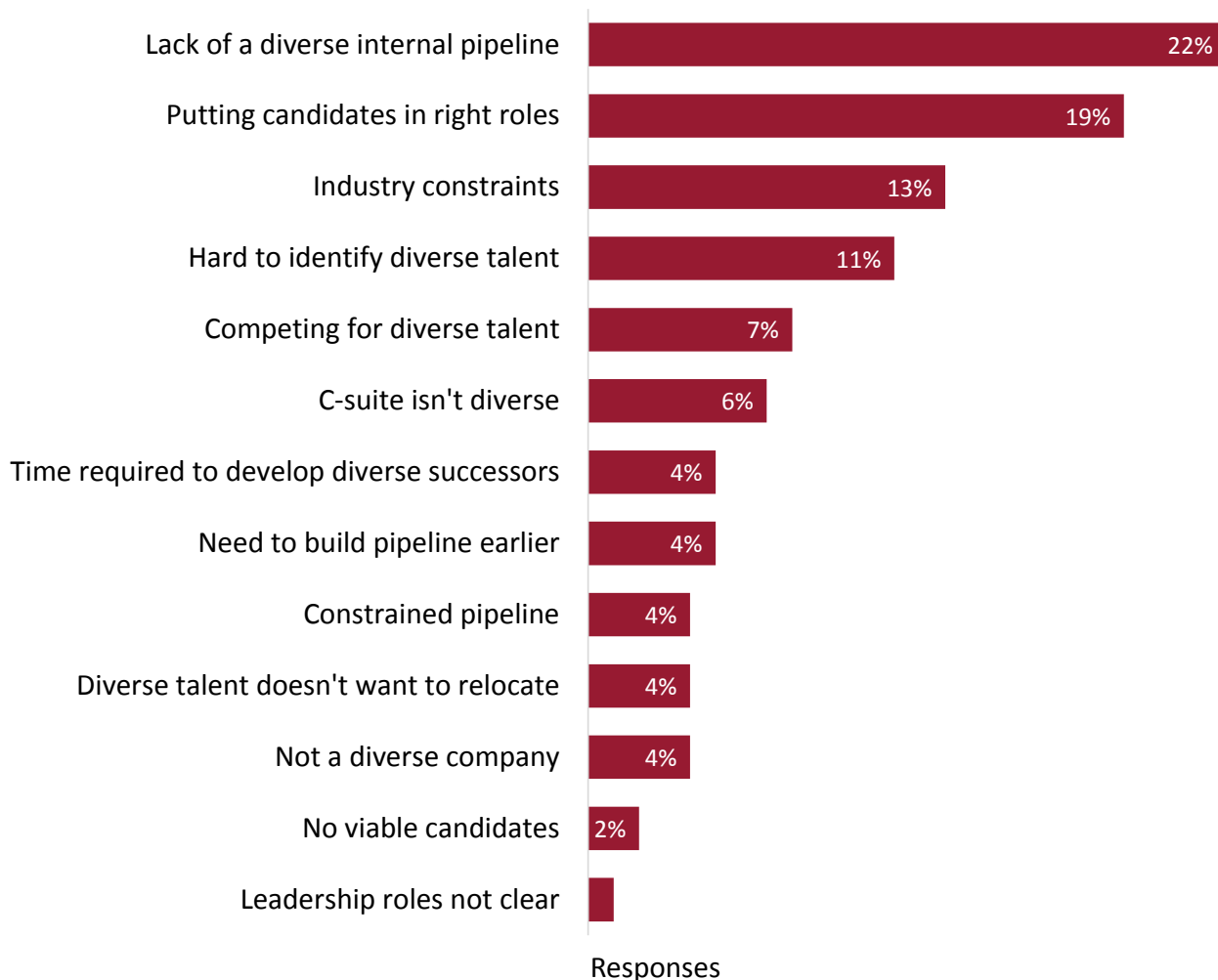
In 2016, we observed the disappointing results, but had not asked about the source of this problem nor what they were doing to rectify it. Consequently, on this year's survey we added an open-ended question asking about the major obstacles or challenges in trying to increase the diversity of the CEO succession candidate pool. We categorized the answers into similar themes, and these themes can be seen in **Figure 4**.

These themes can best be illustrated by seeing quotes from the CHROs that comprise the different categories of answers. (See **Table 1**.) We discuss the most popular themes identified in these answers.

**Lack of a Diverse Internal Pipeline.** CHROs most frequently noted that organizations that are not diverse are unlikely to have a diverse CEO succession pipeline. Many noted that they lack diverse talent in lower levels in the organization, (i.e., at levels that feed the CEO succession pool). The relatively homogeneous feeder pool results in a similarly homogeneous succession pool.

**Putting Candidates in the Right Roles.** Related to the first concern is that those in the feeder pool must be given significant roles to demonstrate their potential to be considered for more senior level executive roles. These roles include those with P&L responsibilities, operational responsibilities, and challenging assignments. The

**Figure 4**  
Challenges to a Diverse CEO Successor Pool



## Table 1. Challenges in Building a Diverse CEO Successor Pool

### Lack of Diverse Internal Pipeline

“The fact is that we don’t have ANY truly viable candidates of any gender, race or ethnicity, either near or long-term.”

“Until recent years, insufficient focus on having diverse talent in the talent pipeline.”

“We have a strong culture that would benefit from an internal successor, yet our entire population is 94% male and all leadership team members are white men (except for the Head of HR, who is female). We just don’t have a diverse population to begin with, so it is unlikely we will have a diverse CEO succession pool either.”

“Lack of diversity within organization results in internal candidates not being diverse.”

“Growing a more diverse pipeline.”

“Building a diverse bench of talent.”

“Numbers of women who have not pipelined from P&L positions.”

“Our feeder pool is not diverse enough.”

“Lack of diverse talent in “precursor” roles.”

### Putting Candidates in Right Roles

“Board of Director’s view that CEO must come out of Operations, which limits diversity of candidates and outlook.”

“Getting diverse talent in P&L roles.”

“Numbers of women who have not pipelined from P&L positions.”

“Build a pipeline at the most senior levels within the businesses - not just the support function.”

“Limited number of big P&L assignments.”

“Have clear paths for females and POC to have operational or finance leadership roles.”

“Ensuring diverse candidates are placed in critical roles, and are able to be retained relative to external opportunities.”

“Having candidates who will make critical moves to take challenging assignments and gain critical experiences.”

### Industry Constraints

“Our industry does not have a diverse leadership pool to pull from - need to think “out of the box” which is a challenge.”

“The diversity of graduates in electrical engineering is extremely low. 10% female, 5% African American, 7% Hispanic. We are an engineering company and do not foresee a CEO successor coming from support functions.”

“Candidate pool in the industrial sector is very limited. Success in building diversity needs to be supported from the top down.

“The industry we represent.”

“Industry is white male.

“Heavy reliance of sourcing executive positions from within industry.”

“Industry shortage of women and minorities, our pipeline is constantly poached.”

### Difficulty in Identifying Diverse Talent

“Lack of processes to identify a pipeline of diverse talent at the mid-career mark and then groom for future readiness.”

“Finding the best fit of talent, experience and culturally.”

“Identification of qualified candidates interested in Manufacturing.”

“Just finding them is a challenge. There is no depth of diverse talent in the organization. It will take time to find the right people for this service business.”



## Table 1. Challenges in Building a Diverse CEO Successor Pool, continued

### Time Required to Get Diverse Successors

“The long planning horizon. The candidates have been developed and groomed for the last 5+ years, so tough to inject diverse talent into a long-standing process.”

“Time and availability - we are not doing anyone any favors by trying to accelerate talent that is not ready.”

“We are a promote from within company - many of the potential successors we identified years ago before a bigger focus was put on D&I. We do have a more diverse pool now that could be viewed as successors 10 + years out.”

“At CEO level, it is the pipeline from 15 years ago.”

“This is a company of promote from within, most with over 30 years of experience; most 30 year employees are not as diverse as our more recently hired employees.”

“Time to curate the needed experiences.”

“The long planning horizon. The candidates have been developed and groomed for the last 5+ years, so tough to inject diverse talent into a long-standing process.”

“We had a high potential candidate for the longer-term who left the company to accelerate his timing to become a CEO. This is a challenge if you have many capable leaders who will not be CEO (blockers). Pipeline to develop candidates takes a long time.”

comments sometimes implied passivity on the part of the organization (e.g. “diverse individuals have not had these roles”) and sometimes passivity on the part of the individuals (e.g., “getting diverse individuals to take P&L roles”). It is impossible to know what percentage of the failure to get diverse talent into the proper roles falls in each category, but it is an organizational responsibility to affect both. If it is passivity of the organization, then CHROs need to ensure that the talent processes more proactively seek out and place diverse talent in the proper roles. If it is individual passivity, CHROs need to ensure that these individuals get the development and coaching they need to be confident in taking such roles.

**Industry Constraints.** A number of CHROs noted that the lack of diversity within the industry made it difficult to find diverse talent. Certainly, some industries may be comprised mainly of men, or be predominantly white male in composition. In such circumstances, seeking diverse talent may be a zero-sum game where competitors are simply raiding one another’s diverse talent. This related to another category (in Figure 4) we labeled “Competing for Diverse Talent.” Answers in this category referred to the fact that there was only so much diverse talent in the industry, and every company is competing for this same limited pool.

### Time Required to Develop Diverse Successors.

Finally, a number of answers reflected the long time that it takes to develop CEO successors, and either implicitly or explicitly noted that there was not diverse talent in the organization when the current pool of CEO successors began their careers. Whether they point to the 15 years of more focused and active development of people to ascend to the C-suite or the broader 30-year career in an organization, these CHROs noted that the pool of CEO successor talent today came from staffing decisions 15-30 years ago, and at that time there simply was not a large internal supply of diverse talent.

**Unconscious Bias.** While not being categorized, there were two CHROs who pointed to unconscious bias as a challenge. One specifically noted the unconscious bias of the CEO, while the other pointed to a larger systemic unconscious bias. We raise this issue not because so many CHROs pointed to it, but because many increasingly talk about the negative impact of unconscious bias on the career prospects of women and minorities. We will return to this topic later in the report under the “Recommendations” section.

## The Strategies

Again, the 2016 results regarding the diversity of the CEO succession pool disappointed us, but we did not inquire as to the strategies companies were employing to rectify the situation. This year we asked the CHROs to tell what innovative or effective strategies they had used to increase the diversity of this pool. We classified the responses into a number of different categories as can be seen in **Figure 5**.

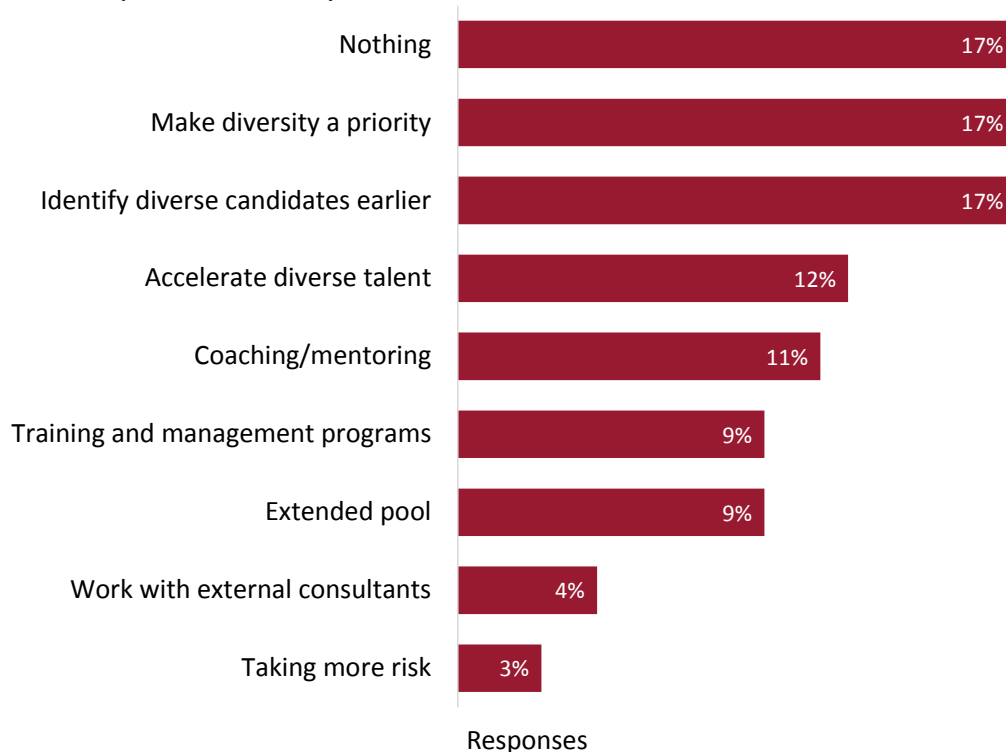
As seen in this figure, three categories tied for the most frequently mentioned with each being discussed by 17% of the CHROs. **Table 2** provides illustrative quotes of the different categories of strategies.

**Nothing.** Sadly, tied for the most popular strategy to increase the diversity of the CEO succession pool was the lack of a strategy, or as they described it, doing “nothing.” One might be tempted to think that these individuals were reporting that they were doing nothing “innovative” but were actually doing something.

However, as Table 2 shows, these answers (e.g., “Not a priority,” “No energy expended here,” and “Does not seem to be a focus of the Board of Directors”) reflected actually doing nothing.

Before condemning these respondents, it is important to note some alternative explanations for why they may have reported doing nothing. First, it could be that they were only considering the current CEO successor pool, and were responding that, in the short-term, nothing could be done to expand the diversity of that pool. Second, their emphasis may have been on simply prioritizing qualifications over diversity. In other words, while they may value diversity, they may be more focused on simply trying to find the most qualified individuals for the critical senior jobs that prepare one for the CEO role. Finally, as some of the answers state, this may be more of an issue regarding the board’s lack of concern over the diversity of the pool. The CHRO may strongly desire and be trying to get support for a more diverse pool, but if the board seemingly does not care, such efforts may go no where.

**Figure 5**  
Actions to Improve Diversity of CEO Successor Pool



**Make Diversity a Priority.** This category sounds like a generic description with little specific actions, but the comments that fell here described things that the organizations were doing to make diversity a priority. For instance, at the board level, one CHRO noted that they discuss diversity at every compensation committee meeting. Another mentioned joining the “Paradigm for Parity” initiative with its attendant focus on diversity and inclusion strategies. One described the fact that their organization has mandated that they have at least one female CEO successor candidate. Finally, one noted efforts in the organization to address unconscious bias.

**Identify Diverse Candidates Earlier.** As mentioned before, the long time-frames necessary to develop potential CEO successors have created challenges to building a diverse CEO successor pool. The third strategy CHROs reported was trying to identify diverse candidates earlier in their career in order to get a head start on their development. This suggests that CHROs recognize that in the past their firms have been too passive in identifying diverse talent early, and simply relied on the normal talent processes to work. However, given the lack of supply which challenges diversity goals today, companies increasingly recognize that they need to proactively seek out diverse talent as early in their career as possible,

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and then begin the process of developing them to one day ascend to the highest levels of the organization.

**Accelerate Diverse Talent.** Another significant strategy for increasing the diversity of the CEO successor pool is, once identified, to begin to accelerate the development of diverse talent. This requires identifying development opportunities, such as job assignments or educational programs, and placing talent in these programs quicker and more frequently than other high potentials. CHROs recognize that this is still a long-term solution, which will not bear fruit for a number of years, but that it at least shortens the time before a more diverse set of candidates will be competing for the CEO role.

## Table 2. Strategies for Increasing Diversity of the CEO Successor Pool

### Nothing

“None yet, we just reset.” “No energy spent here.” “Nothing” “Too early –” “None”  
 “None. Does not seem to be a focus of Board of Directors.” “N/A” “Have not yet found a good strategy.”  
 “We have not sought these at this time. This will be an initiative during 2017 to address.” “Under consideration.”

### Make Diversity a Priority

“We are one of the select group of companies in the Paradigm for Parity initiative. We have a diversity and inclusion strategy underway that is having a dramatic and positive impact on building our succession bench.”  
 “Developed a strategy and target to increase the number of senior level women.”  
 “NA -- other than just making it a focus and broadening our review of high potential talent with an eye toward long-term executive succession.”  
 “Increased awareness surrounding Diversity and Inclusion, unconscious bias, Diversity and Respect and grass root hiring.”  
 “Discussions of diversity progress and succession at every Compensation Committee Meeting. Recently initiated active CEO Succession process with CHRO and our Governance and Nominating Committee members (including Board chair).”  
 “Pushed continuously on external search firms to provide a diverse slate of candidates.”  
 “Made it a mandate to have a female candidate for CEO role.”

### Identifying Diverse Candidates Earlier

“Aggressive external augmentation of bench 2-3 levels down into the organization”  
 “Robust pipeline at lower levels. Quarterly diversity operating reviews to shine light on actual results of hiring, promotions and attrition.”  
 “Amp’d up development, starting earlier in the pipeline and consideration of external talent.”  
 “It will not reap benefit for multiple years, but it is increasing the focus on women General Managers to pipeline.”  
 “Nothing really innovative. Identifying talent and trying to impact early on with job rotations to build breath of skills and assignment to enterprise wide projects for development and exposure.”  
 “Variety of early and mid-career programs for development of female GM talent...individual dev plans...mentoring programs... directed moves to help advance top talent females into key roles to increase likelihood of being CEO candidate in future.”  
 “Focused on helping / promoting / encouraging women to aspire and succeed in P&L roles. These are our feeder roles to CEO succession.”

### Accelerating Diverse Talent

“External hiring of senior female talent\Accelerated development/readiness of 2 female leaders with specific assignments (not particularly innovative but practical).”  
 “Leaning in to development and accelerated career progression for high potential female candidates. Launching rigorous assessment, development and coaching program for lead candidates to ensure we’re identifying the right successors (i.e., those who have the potential and characteristics to succeed based on objective assessment vs. subjective views) and then accelerating development of those objectively identified candidates.”  
 “I’m not sure it is innovative, but we have identified a handful of people and we are accelerating their development and movement into critical roles and the entire Executive Committee has taken responsibility and ownership for their career moves.”  
 “Focused high potential accelerated development planning.”  
 “Accelerating the placement of qualified diverse candidates into critical roles, deemed essential to be considered a CEO succession candidate. Also, assigning all CEO successor candidates (regardless of diversity) an external coach.”  
 “Accelerating mid-career talent moves, including investing in international assignments.”

# Recommendations for Building a Diverse CEO Successor Pool

Given the previous reporting of the data from this study, we suggest the following actions as a way to build a diverse CEO successor pool.

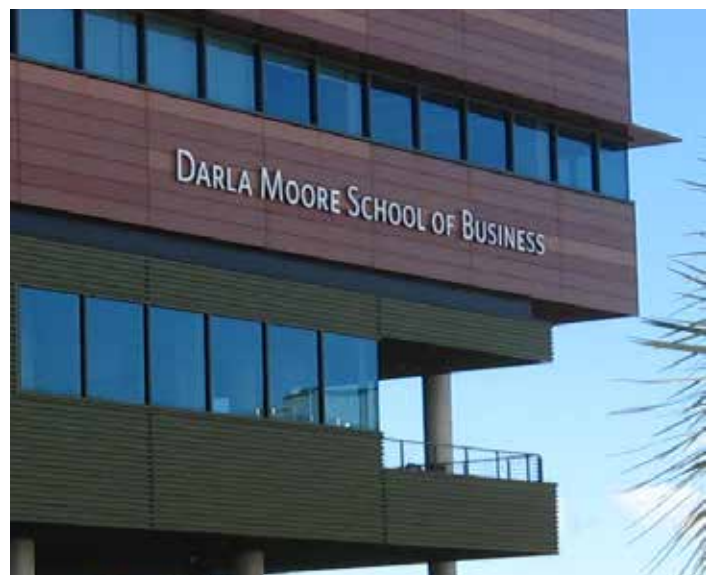
**1. *The Time to Act Is Now.*** Across the whole data we have collected, two themes consistently emerge. First, CHROs noted that developing CEO successors is a long-term proposition, one that requires proactive management of careers over a 15+ year timeframe. Second, the current supply of diverse talent is entirely inadequate across organizations and industries. Given these facts, we were entirely surprised that almost 20% of our respondents reported that their firms were doing nothing to increase the diversity of their CEO successor pool. In some cases, it was clear that this was not a priority of the board, in others it seemed to be more of a systemic cultural issue. CHROs need to do whatever is necessary to help their organizations, their leadership, and their boards to recognize the importance of having a diverse slate of candidates from which to choose when the time comes. They also have to recognize that the efforts they make now will not pay off before they are likely long retired from the organization. However, to leave this as a problem for the next CHRO seems to be a dereliction of duty.

**2. *Make Building Diverse Talent a Priority.*** Organizations that are doing this better than others appear to have both senior leadership buy-in and dedicated resources. For example some organizations that have demonstrated greater success have implemented rules such as mandating that at least one minority is interviewed for each senior leadership opening. This type of dedication requires substantially more energy, effort, and time, but this sort of commitment is required.

**3. *Encourage Diverse Talent.*** A number of CHROs noted that some women and minorities have not wanted to take necessary roles (P&L, operations, etc.) that would later qualify them for the CEO succession pool. Some research

has shown that women are less confident about taking higher level jobs than their similarly qualified male counterparts. This means that organizations (and CHROs) rather than passively wait for candidates to apply, need to identify these talented individuals, seek them out, and encourage them to take on difficult, but necessary roles. Convincing them that (a) they have the necessary qualifications to succeed in these roles, and (b) that these roles can position them for even greater roles later in their careers may help instill in them the confidence they need to take such risks.

**4. *Build Industry Partnerships.*** So many CHROs pointed to the lack of diversity in an industry as a challenge. Recognizing that some industries require unique and relatively non-transferable skills, combined with the competition for diverse talent in such industries, we believe that addressing the problem will require cooperation among firms within the industry to build a diverse talent pool. For instance, if only one firm invests time and money in recruiting, hiring, and developing diverse talent, then other firms can attempt to poach that talent without incurring any of the up front costs. This “free rider” problem creates disincentives for any one firm to make the necessary investment. However, if all firms commit to investing in recruiting and developing diverse talent, (a) a greater supply of such talent will exist, and (b) all firms will share the cost.



5. **Take Risks.** A few CHROs noted that they were taking more risks on diverse candidates as a way to help build a more diverse pool. They wrote such things as *“Willingness to risk putting women and minorities from staff functions into operating roles”* and *“Not innovative - just taking more risk than we might otherwise have in the*

*past.”* Such risk may sometimes result in failures, but we believe that taking more calculated risks (through better assessment of appropriateness for the roles, better development and training for the roles, mentorship for them while in these roles, etc.) can minimize the amount of risk while building a more diverse CEO successor pipeline.

This research was supported by the **Center for Executive Succession** in the Darla Moore School of Business at the University of South Carolina. Any errors or omission are those of the authors, and not of the center.

**Word cloud made from CHRO’s answers to the question:  
 “What innovative or effective strategies have you used to increase the diversity of the CEO talent pool?”**



**6. Deal with Unconscious Bias.** The popular business press has increasingly discussed unconscious bias as an impediment to diversity and inclusion in organizations. While few would disagree that it exists, there is no rigorous systematic data to tell how much it exists, how, and how often it impacts talent decisions. Some of the CHROs made this explicit, stating *“Creating a culture and sustaining it wherein the white male dominant group understands they have access to power and privilege that the non-dominant group members do not get automatically. This is critical to create a culture where EVERYONE can and wants to give their best work. It is only then can true systemic barriers be eliminated”* and *“Eliminating CEO’s unconscious bias.”* We cannot know the extent to which unconscious bias has limited, or will continue to limit, opportunities for diverse talent. However, we have at least two anecdotal examples where one year the “ready now” CEO successor pool consisted of two white men and one white female, and the next year the female was moved into a longer-term pool while the two males remained “ready now.” Thus, it may be that the bias emerges the closer the organization gets to having to make a decision. CHROs must

be sensitive to this, and challenge the reasoning when diverse candidates fail to appear on or disappear from successor lists. These decisions may be completely valid, but it is up to the CHRO to ensure that they are legitimate and not a result of decision-makers’ biases.

**7. Measure and Manage the Numbers.** The increasing sophistication of both data systems and HR’s ability to retrieve, analyze, and evaluate the data in these systems provides an opportunity for CHROs to better diagnose the causes of a lack of diversity in the CEO succession pool. The data can, at any given time, provide a snapshot on the current composition of talent at all levels, in all areas, and in all roles. Tracking promotion rates over time can help to identify bottlenecks either at levels or in certain areas of the organization. Exploring engagement survey data can help identify leaders who may be creating less inclusive environments, and potentially blocking the career aspirations of diverse talent. In such situations, the organization can deal with problematic managers while also moving diverse talent in the organization to more inclusive environments. The list of potential ways that data can pinpoint problem areas is almost endless, but it requires having the right data, proactively asking the right questions, and continuously exploring that data for answers.

## Conclusion

The 2017 **HR@Moore** Survey of Chief HR Officers revealed that the diversity of most firms’ CEO succession pool is not where it should be, and not where CHROs want it to be. CHROs reported both the challenges in building a diverse pool and the strategies they are using to increase it.

Our hope is that the findings and recommendations from this report can help organizations to build the compelling case for the need to increase the diversity of CEO succession pools, and to take the necessary actions to ensure that the story 5-10 years from now is a much improved one.

ACT NOW  
MAKE IT A PRIORITY  
SEEK AND ENCOURAGE  
BUILD RELATIONSHIPS  
TAKE RISKS  
DEAL WITH BIAS  
MANAGE THE NUMBERS  
AGAIN...ACT NOW!

## Meet the Authors



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The Darla Moore School of Business building has generated significant buzz since it opened its doors in August 2014, both for its striking appearance and for the ways it promises to transform business education. Drawing on extensive input from students, faculty, staff and the business community about how space can be configured to optimize business education, the \$106.5-million building is the university's most ambitious construction project to date.

With its many sustainable features, the building has earned LEED Platinum certification, making it a model for sustainable architecture and sustainable business practices. Its open and flexible design facilitates enhanced interaction and collaboration among faculty and students and makes the building an inviting hub for community engagement. In these and other ways, the building is a physical embodiment of the Moore School's commitment to forward-thinking leadership for the business community.

## Center for Executive Succession

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