Building the C-Suite Talent Pipeline: Insights from the 2015 HR@Moore Survey of Chief HR Officers

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Center for Executive Succession

Executive succession has garnered increasing attention from Boards of Directors, CEOs, analysts and the media. Failures and miscues in making the wrong succession decisions have cost companies in expenses, missed growth opportunities and reputation. In spite of the fact that executive succession presents huge risks to corporations, little is known regarding the challenges, pitfalls and best practices. The sensitive nature of "behind the veil" processes has limited the ability to conduct detailed research into executive succession. Thus, the Darla Moore School of Business at the University of South Carolina has created the Center for Executive Succession (CES) to leverage the world-class faculty research capability and a unique corporate/academic partnership to provide cutting edge knowledge in these areas.

The mission of CES is to be the objective source of knowledge about the issues, challenges, and best practices regarding C-suite succession. We seek to appeal to board members, CEOs, CHROs and other C-suite members by providing state-of-the-art research and practice on executive succession.

The corporate/academic collaboration between CES and its partner companies will generate credible, unique and unbiased knowledge to further the effectiveness of executive succession practices in firms.

For more information on becoming a CES partner company, please contact CES@moore.sc.edu.

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EXECUTIVE SUMMARY

The **HR@Moore Survey** of Chief HR Officers probed 143 CHROs regarding their strategies for building the C-suite talent pipeline. CHROs reported that they place the greatest importance on practices aimed at developing this talent, followed by those focused on retaining this talent. Specifically, firms provide individuals in the C-suite talent pipeline with significant access to the senior leadership of the firm, so that these individuals can begin to understand C-suite roles and so firm leaders can assess individuals in the talent pipeline. CHROs also emphasize using stretch assignments/job rotation and special projects as means of both developing broader skills/perspectives and assessing those individuals in the pipeline regarding their potential to handle jobs of increasing scale and complexity. In addition, firms use formal assessments to identify skill gaps and behavioral styles that need to change in order to succeed in C-suite roles. The use of formal assessments for identifying those that should be entered into the talent pipeline and the development of internal executive development programs emerge as opportunity areas that firms can leverage to more effectively build the pipeline of C-suite talent.

The Charles S. Way Palmetto Court and Sonoco Pavilion at the Darla Moore School of Business.

INTRODUCTION

The executives comprising the C-suite of firms, e.g., the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Human Resource Officer (CHRO), etc., play a critical role in setting the organization's strategy, and consequently affecting the overall health of the organization. These critical roles, when filled by highly effective individuals, can position firms to succeed in their competitive environments, provide superior returns to shareholders, and build an effective and engaged workforce. Consequently, how firms identify, develop, and retain the talent that will someday fill these roles presents an important challenge.

The 2015 HR@Moore Survey of Chief HR Officers explored how firms seek to rise up to meet this challenge. CHROs from over 140 companies reported on the importance of a variety of different identification, development, and retention strategies as part of their effort to build the C-suite talent pipeline. This line of inquiry focused on two issues. First, how important were specific practices as part of the overall strategy for grooming high potential

talent to move into C-suite roles in the next 3-5 years. Second, we asked CHROs to describe any innovative practices they use to groom this talent. The findings are discussed below.

IMPORTANCE OF PRACTICES IN DEVELOPING THE C-SUITE PIPELINE

The first set of questions asked CHROs to report on the importance of each of a number of practices as part of their firm's strategy to groom the high potentials that might attain C-suite roles in the next 3-5 years. We sought out a number of sources to develop a thorough list of potential practices including consulting firms' reports, academic research studies, and the practices identified by the Aon Hewitt Top Companies for Leaders[1]. Our final list consisted of 7 practices dealing with the identification of talent, 16 practices regarding the development of talent, and 7 practices aimed at retaining their future C-suite talent. CHROs were asked to

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[1] http://tinyurl.com/nosvznu

The Olin Pugh Trading Room at the Darla Moore School of Business.

FIGURE 1. Relative Importance of Practices for *Identifying* Future C-Suite Talent
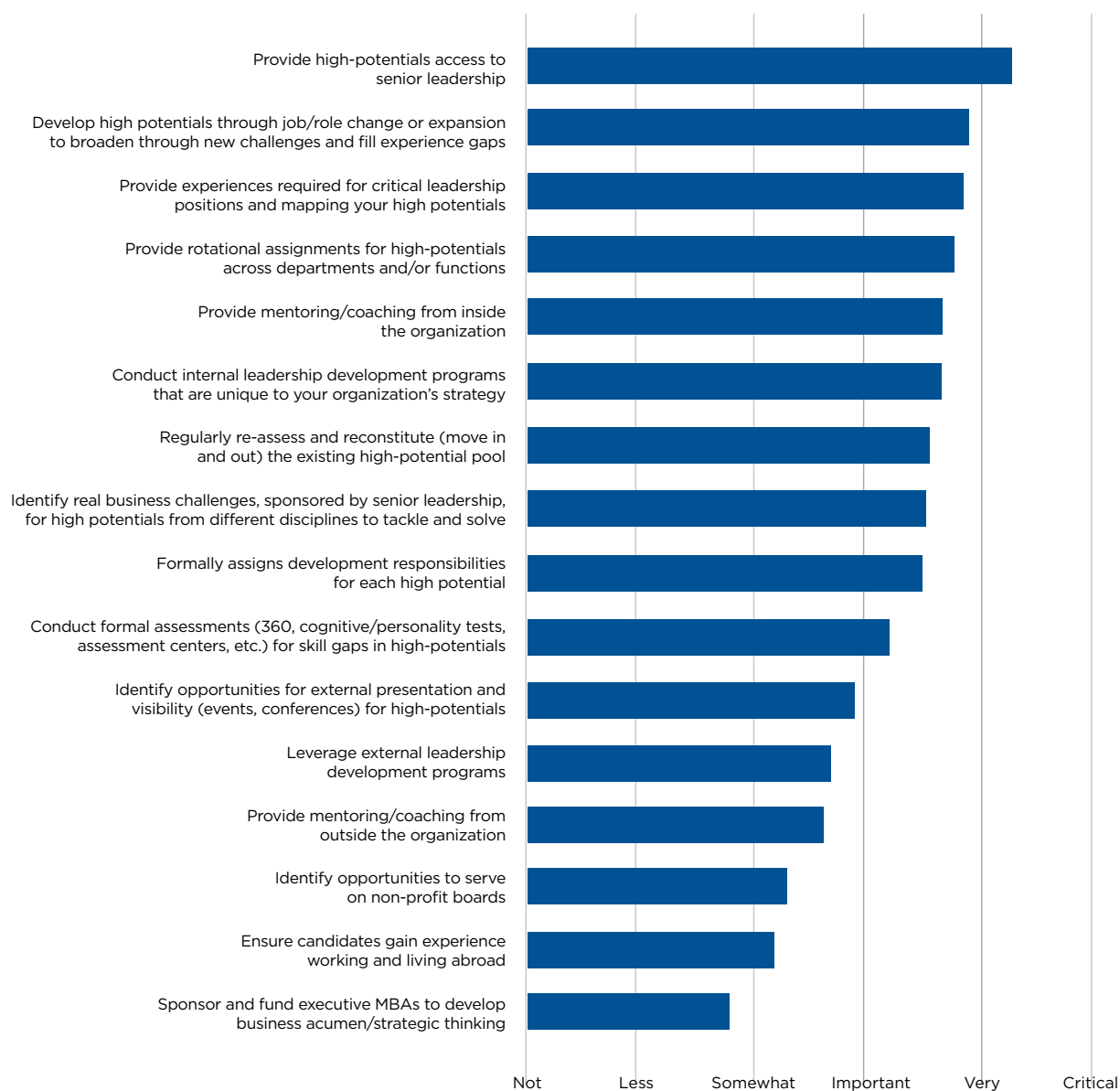

evaluate the importance of these items using 6 response options: (1) Not Part of Our Strategy, (2) Less Important, (3) Somewhat Important, (4) Important, (5) Very Important, and (6) A Critical Part of Our Strategy.

Identifying people that may become future C-suite executives seems to be the least critical part of a firm's strategy to build its talent pipeline. Only 3 of the 7 identification practices were reported as a critical part of the strategy by at least 10% of the CHROs, and the highest was reported by only 12%. As Figure 1 shows, these three practices—considering diversity when identifying high potentials, using metrics to measure the strength of your talent pipeline, and informing high potentials of their status—all averaged survey scores of just over 4, meaning they are seen as an important part of a firm's strategy for building the C-suite talent pipeline. Somewhat surprising is that the two formal assessment practices (using 360 degree

assessments and using formal assessments) rated on average between "Somewhat Important" and "Important". This suggests that firms probably focus more on performance histories and subjective assessments to identify future C-suite talent.

On the other hand, our results suggest that firms focus heavily on development practices to build their C-suite talent pipeline. Greater than 20% of CHROs rated 7 development practices as "Critical" parts of their strategy to build the C-suite pipeline. As Figure 2 shows, providing access to senior leaders comprises the most important part of this strategy with an average rating over 5 (between Very Important and Critical). The next 9 practices–develop high potentials through job/role change, provide experiences required for critical leadership positions, provide rotational assignments, provide coaching/mentoring from inside the organization, conduct internal leadership

FIGURE 2. Relative Importance of Practices for *Developing* Future C-Suite Talent

Practice	Scale: Not / Less / Somewhat / Important / Very / Critical
Provide high-potentials access to senior leadership	
Develop high potentials through job/role change or expansion to broaden through new challenges and fill experience gaps	
Provide experiences required for critical leadership positions and mapping your high potentials	
Provide rotational assignments for high-potentials across departments and/or functions	
Provide mentoring/coaching from inside the organization	
Conduct internal leadership development programs that are unique to your organization's strategy	
Regularly re-assess and reconstitute (move in and out) the existing high-potential pool	
Identify real business challenges, sponsored by senior leadership, for high potentials from different disciplines to tackle and solve	
Formally assigns development responsibilities for each high potential	
Conduct formal assessments (360, cognitive/personality tests, assessment centers, etc.) for skill gaps in high-potentials	
Identify opportunities for external presentation and visibility (events, conferences) for high-potentials	
Leverage external leadership development programs	
Provide mentoring/coaching from outside the organization	
Identify opportunities to serve on non-profit boards	
Ensure candidates gain experience working and living abroad	
Sponsor and fund executive MBAs to develop business acumen/strategic thinking	

development programs, regularly re-assess and reconstitute the existing high-potential pool, use real business challenges for high potentials to solve, regularly assigns developmental responsibilities, and conduct formal assessments for skill gaps–all averaged above 4, putting them between "Important" and "Very Important".

Somewhat surprising was the lack of importance placed on external executive development programs, including executive MBAs. Both programs achieved an average rating below "Important" and external programs rated as more important than executive MBAs.

While not as critical as the development practices, our results indicate that retention practices form an important part of firms' strategies for building the C-suite pipeline. Tracking the retention rate of high potentials fell just short of being rated as

The computing research hub at the Darla Moore School of Business.

"Very Important." Recognizing high potentials for their accomplishments, allowing them greater influence over business decision making, identifying retention risks, and giving them greater influence for creating culture all rated as important parts of the firms' strategy (see Figure 3).

In summary, as Figure 4 shows, firms clearly emphasize development practices for grooming

FIGURE 3. Relative Importance of Practices for *Retaining* Future C-Suite Talent

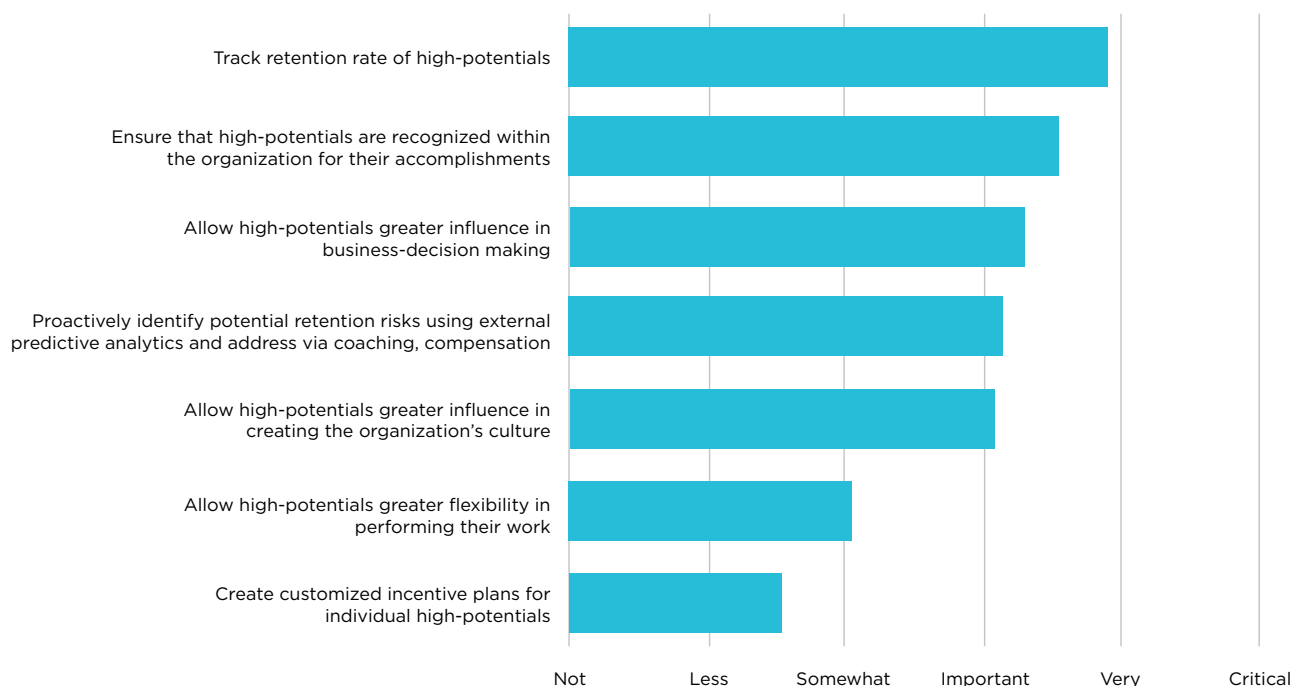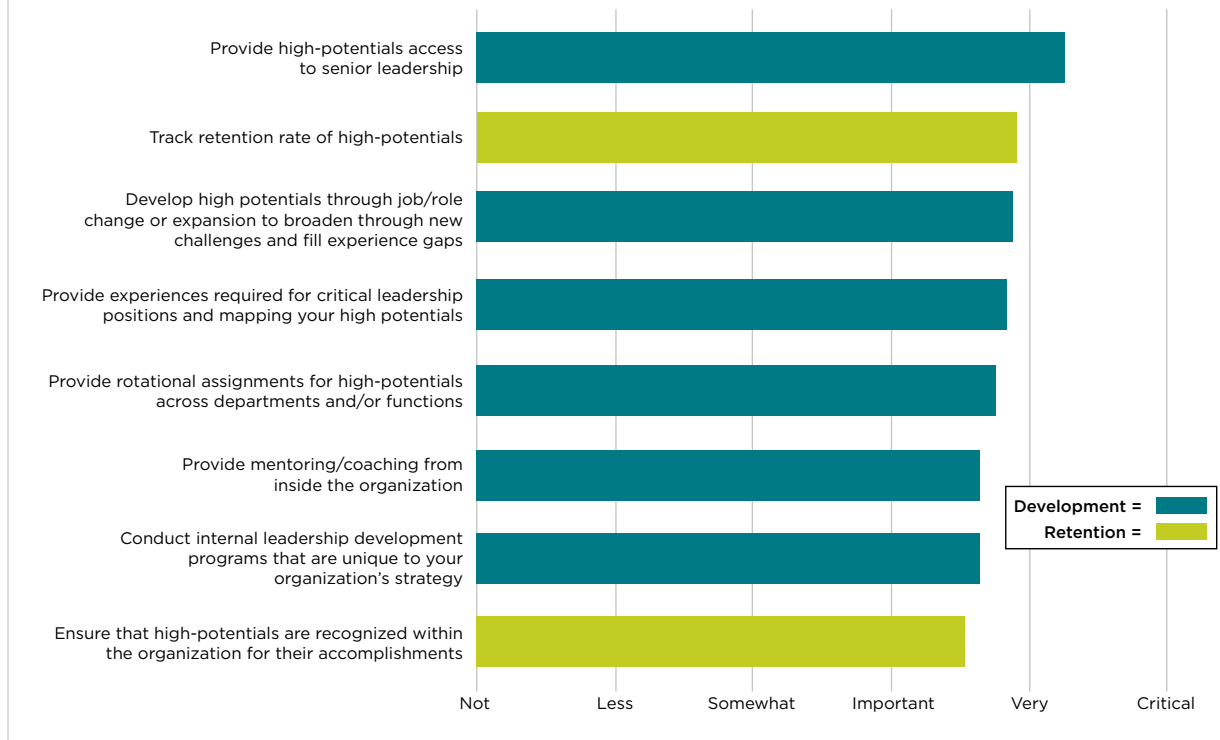|	Not	Less	Somewhat	Important	Very	Critical
Track retention rate of high-potentials						
Ensure that high-potentials are recognized within the organization for their accomplishments						
Allow high-potentials greater influence in business-decision making						
Proactively identify potential retention risks using external predictive analytics and address via coaching, compensation						
Allow high-potentials greater influence in creating the organization's culture						
Allow high-potentials greater flexibility in performing their work						
Create customized incentive plans for individual high-potentials						

FIGURE 4. *Relative* Importance of Practices for Future C-Suite Talent

their future C-suite talent. Two retention practices were also among the most important parts of the firms' strategy for building the C-suite pipeline. Surprisingly, practices aimed at identifying those to be groomed for C-suite positions seemed less important.

INNOVATIVE APPROACHES TO MANAGING THE C-SUITE PIPELINE

While the results above provide a good quantitative view of the importance of different practices, they lack specificity. The second part of this investigation sought more qualitative information regarding examples of what firms are doing to develop their C-suite talent pipeline. In order to achieve this we asked one open-ended question: What is the most innovative thing your organization has done to manage high-potentials? Answers were coded into categories to identify popular trends and innovations in succession management. Responses often listed multiple practices,

such that each response could be coded into multiple categories. Also, a large number of responses noted at the outset that the general practice was not necessarily innovative, but that how they were customizing it in their firm was the innovative component.

As Figure 5 shows, firms seem to be innovating in a number of areas that may not have appeared to be critical parts of their strategies for building the pipeline of future C-suite talent. Clearly, most innovations fall in two critical areas: using special projects and using job rotations/stretch assignments. However, the next two most popular categories involve leadership development programs and extensive assessment. In addition, finding ways to get these individuals to interact with the board and paying special attention to compensation comprised some relatively frequent ways that firms sought to innovate.

FIGURE 5. Number of Open-ended Responses that Used a Given Innovative Practice in Building the C-Suite Talent Pipeline

Practice	Value
Special Projects	12
Job Rotation/Stretch Assignment	12
Leadership Development Programs	10
Extensive Assessment	8
Interaction with Board	7
Compensation	6
Personal Development Plans	5
International Assignments (summer w/family)	4
SVP/ELT Team Focus	3
Career Discussions	3
Expose to CEO Activities	2
Meetings with CEO	2
Retention Plans	2
Networking Activities	1
Present at Conference	1
External Coach	1
Culture	1
Network/Issues Event	1
Human Capital Reviews with Board	1

To provide a deeper understanding of the kinds of innovations mentioned, Table 1 displays actual quotes (cleaned of identifying information) of the kinds of ways that firms have sought to innovatively build their C-suite talent pipeline.

Reading these quotes suggests that firms are creating more systematic and comprehensive plans for building talent to attain C-suite roles. While assessment may not be used to identify high potentials, once identified a number of firms invest in broad and extensive assessment processes to identify suitability and potential skill gaps. In addition, some CHROs note creative ways to provide unique experiences (e.g., expose them to actual CEO activities) and assignments (e.g., use of short-term international assignments that balance living in a foreign country with family concerns) to develop and retain these individuals.

One of many state-of-the-art conference/ learning spaces in the Darla Moore School of Business.

TABLE 1. Innovative Approaches to Building the C-Suite Talent Pipeline

- SVPs work very closely together anytime a Hot job is open to identify candidates across the organization. Usually at the director level (Hot Jobs have significant visibility in the organization and that if the incumbent is successful in it, can catapult careers)

- Personalized retention plans (including compensation, robust development plans, development on-going discussions, recognition, and tracking and reporting of metrics (both qualitative and quantitative)).

- We are working on creating an employer brand now... our hi-po's are weighing in this project and will help us create the profile for the employee we need to attract to achieve our cultural goals and business strategy.

- In the past 2 years, we have become successful in reaching across markets to offer opportunities for hi-po's based on their current personal situations. A focus on the family / personal support unit is a win for us. Example: moving a leader with a recent college graduate son to Hawaii business for 6 months, with family benefits included; offering month-long stints or such to hi-po's in interesting geographies (Australia, e.g.) and including partners/spouses in award package.

- We have implemented a deep dive assessment and development program for our top 50 C-Suite successors one to two layers down from the C-Suite. Program includes a detailed interview of the high potential leader regarding his/her career from inception to present for a career map, career aspirations, Hogan assessment, 360 survey. Output is a detailed T chart of strengths and development needs for the individual and a customized "From-To" development plan co-created with the high potential, our talent management team, and the high potential's manager. We track and monitor progress against the plan.

- Every year we have four high potentials go on a 6-month field sales rotation in which they work with the leader of one of the sales offices that work with our company. Our sales force consists of independent agents, and are not employees of our company, so these high potentials are moving to an independent sales office to understand the dynamics of the business from an entirely different lens than they see inside the company. They continue to be employees of the company but are "on loan" to the sales office for this development opportunity, and their work is directed by the sales office leader.

- Very large group of hi po's enterprise-wide convened together with about 40-50 Sr. officers and business unit heads. Networking, teaching, assigned tough strategic

issues we're tackling in advance to teams and reviewed with the top leaders at the event. Fantastic results and feedback!

- Evaluate retention and provide targeted retention intervention (overseas assignment, special equity grant, special project, role expansion etc.)

- Comprehensive battery of aptitude, achievement and competency readiness required for growth / Simulation based Leadership Development Experience based on algorithms derived from 10 year look back at org specific financials, organization engagement and customer engagement data; unique to our company

- Created customized assessment process with case simulation, role plays, written exercises and other more standard work style/learning style and analytical testing.

- 36 month dedicated leadership development program - inclusive of three, one week long programs at off-site locations. Programs are taught by senior leadership and include case studies, acquisition targets, etc. Program includes a 360 assessment.

- We have developed a high potential development program for 12 key leaders that includes Hogan Assessment, 360 feedback, an external coach and assignment to a key strategic group project with 3 of the 12 HIPOS. The project was assigned by the CEO and will be due in 4 months.

- Developed a Chairman's Challenge group of High Potentials and expose them to CEO activities i.e., Analyst meetings, meetings with members of Congress, Investor Relations training, media training etc.

- Provide real-time project/work exposure to stretch assignments that have an enterprise impact; tests judgment, focus, leadership, analytics and resilience; provides exposure to senior management and the BOD; makes a real and lasting impact on the organization.

- Full transparency; We created a full profile and "heat maps" we share with the individuals to review their progress. We spend a day reviewing the cohort as a leadership team. No moves for them without group approval.

- General Manager Acceleration Program (GMAP) - early identification of small cadre of hi potential leaders (they can hand raise for this program); rigorous assessment of potential using outside assessment and panel of line leaders; two rotational assignments across geography and Division; high level exposure

CONCLUSION

Building the future pipeline of C-suite talent poses one of the more important challenges faced by CHROs. Our results suggest that practices aimed at identifying who should comprise the talent pool seem the least important. While firms certainly have processes such as performance histories and talent reviews in place to identify talent, it seems that adding more formal assessments might provide additional valid information, particularly given that such assessments later become important parts of the development process.

Firms clearly prioritize development experiences, particularly by giving future C-suite talent access to senior leaders. Often they use special projects where those in the talent pool address a specific business challenge and then present their solutions to senior leaders and/or the board of directors. In addition, CHROs reported using stretch assignments in their strategy to develop future C-suite talent. Such experiences (a) force the broadening of individuals' knowledge and skills, (b) provide them with a larger organizational perspective, and (c) provide decision makers with information regarding the potential for these individuals to adapt to roles of greater scale and complexity. Given that C-suite roles inevitably consist of increased scale and complexity from roles lower in the firm, such experiences provide a (albeit imperfect) glimpse into an individual's runway.

In contrast to their use in identification of talent, assessment practices emerged as a relatively important part of the development process.

The W. W. Hootie Johnson Performance Hall in the Darla Moore School of Business.

CHROs pointed to 360-degree assessments, personality tests, behavioral interviewing, role-plays, and simulations as innovative ways to gain information as part of developing their future talent. These assessments can identify skill gaps as well as behavioral styles that need to change if one is to succeed as a C-suite leader.

The creation of formal internal leadership development programs seems to be an area of opportunity for firms to build their C-suite talent pipeline. Such practices rated highly in importance and a number of respondents pointed to their use as an innovative practice that they had found to be valuable. These programs need not be created entirely by internal executives, but certainly a mix of internal executives and external thought leaders could provide a learning process customized to the needs of the firm.

Finally, firms must ensure that the talent pool they build does not leak, and thus firms must focus efforts on retention. Certainly a focus on the retention rate of the entire C-suite talent pipeline provides an important metric to track. However, retention rate comes from the decisions of individuals to stay or leave the firm. Both the quantitative and qualitative data suggests that at this level, retention efforts focus on customized approaches for individuals. Firms may provide certain assignments attractive to a particular individual. CHROs described a CEO's review of the compensation package for every individual in the talent pool. They also reported both internal and external coaching to identify retention risk factors.

In conclusion, CHROs report significant efforts to build the pipeline of future C-suite talent. They describe a systematic and integrated approach to identifying, developing, and retaining such talent. These strategies seem to consist of a set of relatively generically stated practices, yet the value of these practices comes through their customized application both within their firm, and sometimes to the specific individuals comprising this pool of future C-suite talent.

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 is targeting 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.

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