



THE IMPACT OF THE 2020 CRISES ON EXECUTIVE AND BOARD DYNAMICS

Results of the 2021
HR@Moore Survey of CHROs

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EXECUTIVE SUMMARY

As part of the 2021 HR@Moore Survey of Chief Human Resource Officers (CHROs) we sought to identify how the COVID pandemic impacted CEO Succession Processes, Board member relationships, and aspects of the Executive Leadership Team (ELT). We compared our results on the same measures from 2019 (pre-pandemic/racial justice crises), 2020 (midst of the pandemic/racial justice crises) and 2021 (post crises).

The results from both direct questions about the impact of COVID on CEO succession and measures of the effectiveness of the processes over time suggest that the pandemic had little effect on CEO succession processes, other than causing firms to expand their view of the competencies that make for effective leaders.

Regarding group cohesiveness, the results showed that the crises brought boards together to exhibit more cohesiveness and this cohesiveness has persisted. ELTs, on the other hand, saw a decline in cohesiveness during the year of the crises, but this rebounded to pre-crisis levels the following year.

Finally, while most organizations committed to building more diversity in their organizations in response to the racial justice protests, only minor progress can be seen among most organizations as minority representation among ELTs only increased to 19% in 2021 from 17% in 2019.

OVERVIEW

The year 2020 saw a series of crises that rocked the business world. In mid-March the World Health Organization (WHO) declared that COVID-19 was a global pandemic. A few months later, the killing of George Floyd sparked a series of social justice protests aimed at racial inequities across the globe. Boards, CEOs and members of the Executive Leadership Team (ELT) had to navigate these profound and lasting crises.

The current report examines how these crises impacted organizations' CEO succession processes, the way that boards work together, the way ELTs work together, and the diversity of ELTs. We take this on through both examining specific questions that were part of the 2021 survey that asked respondents about the ways in which the pandemic impacted their CEO succession processes, and by comparing to conditions pre- and post-the onset of the pandemic. In addition, because the HR@Moore Survey of Chief Human Resource Officers (CHROs) has been conducted over multiple years and we have assessed certain facets of the board and ELT, we are able to compare the 2019 (pre-pandemic), 2020 (mid-pandemic) and 2021 (late-pandemic) results to capture changes in these aspects.

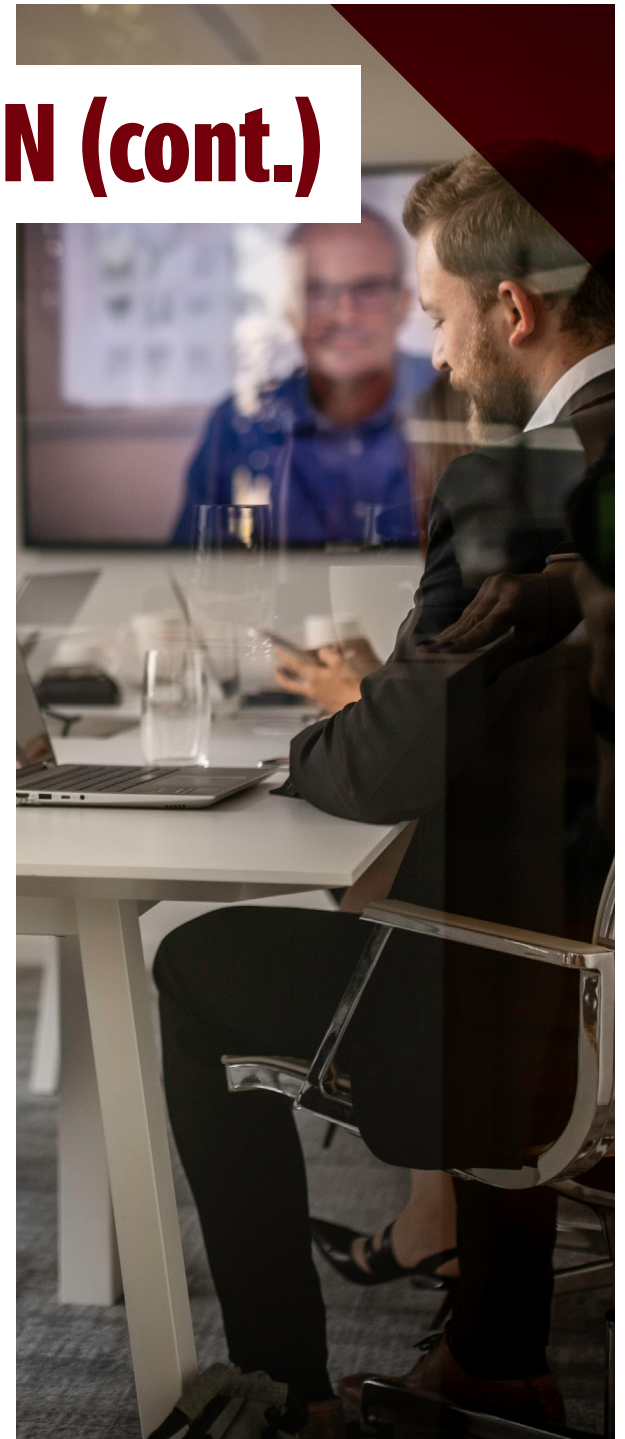
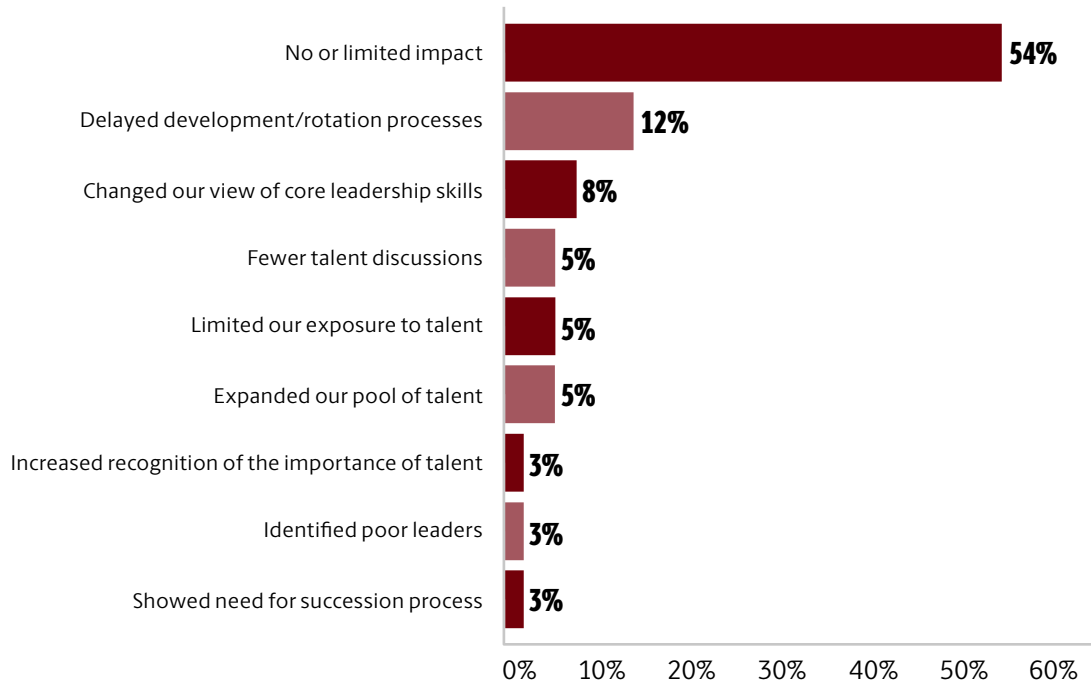
COVID and CEO Succession

On the 2021 survey we asked CHROs two questions about the impact of COVID on their CEO succession processes. We coded the responses, and the results are presented in **Figure 1**. These results indicate that CHROs reported that the pandemic had no or limited impact on these processes. In a number of conversations we have had with CHROs, they reported that while aspects of these processes were forced into virtual, as opposed to face-to-face discussions, the nature of the process did not change. The next highest reported change was that, not surprisingly, it had delayed some developmental or rotational moves for CEO successor candidates. This was followed by the response that the experiences during the pandemic changed how the organization viewed what constitute core leadership skills. Conversations with CHROs revealed that the pandemic uncovered the need for leaders to be able to lead and make decisions under conditions of time pressure, ambiguity, and uncertainty. Some examples of their responses are provided in **Table 1**.

COVID AND CEO SUCCESSION (cont.)

FIGURE 1

How has COVID altered your succession planning processes?



COVID AND CEO SUCCESSION (cont.)

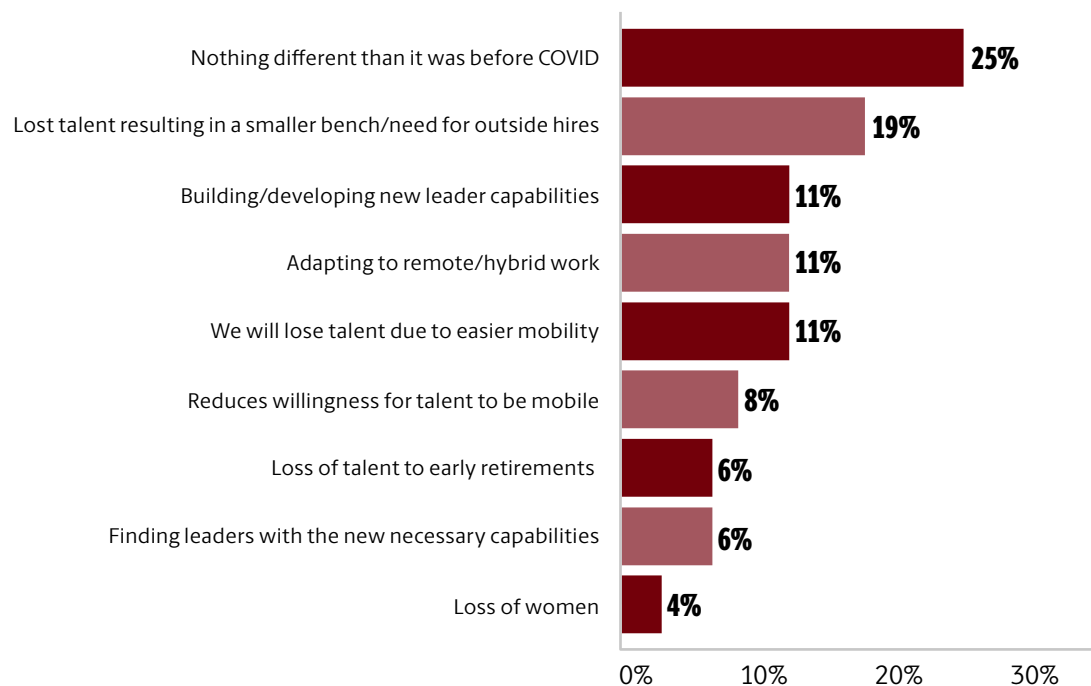
TABLE 1: EXAMPLES OF THE IMPACT OF COVID ON CEO SUCCESSION PROCESSES

- Increased the importance and expanded the pool of talent since we now allow more remote/virtual work.
- Ability to get to know individuals in an informal session has been hampered by Covid. Also, the financial impact of Covid on the company limited formal development activities.
- COVID did not alter our succession planning processes. It provided us another view of the leadership capabilities needed to lead during a pandemic which was helpful as we work on leadership development and our pipeline of talent. It also gave us access to more talent as we have become more open to remote leadership for certain roles.
- Covid heightened the importance of leadership and was a contributing factor to rethinking our leader capabilities and development framework and strategy.
- Delayed rotational moves, which would have been beneficial. It also created more of a wedge on mobility, with some leaders being more reticent to move now, which will be a problem. It also has delayed some additional assessment efforts we would have done simply due to bandwidth. However, it has given the Board deeper insight into our bench and our ELT level leaders, which is a big positive. And it's helped the Board put more dimensions around the criteria and spec for the future, seeing capabilities or experiences that may have been considered in a new light.
- It has caused us to rethink the leadership skills and competencies needed to excel in a VUCA world. In addition, we found that some of our leaders could not navigate the uncertainty and adapt accordingly to the challenges brought about by COVID.
- Regarding women, we specifically implemented SIGNIFICANT caregiver leave and back-up day care benefits and saw female and male attrition remain the same. That said, many companies DID NOT, and so the spike in female turnover has likely set female advancement back years.
- It had a very limited impact...we ran our succession planning processes as normal, just in a virtual way. We learned how to function in a virtual environment, although we would hate to be forced to continue in a virtual way.
- It has not had a big impact. We deployed our normal processes and continued to focus on development of our leaders. They were not able to travel as much and we did not see them live, but had the same level of interaction and engagement with them virtually.

COVID AND CEO SUCCESSION (cont.)

FIGURE 2

What are the Challenges COVID Created That you Will Face Over the Next 1–3 Years?



A second question on the survey asked CHROs to describe the challenges that the COVID pandemic created for their CEO succession processes over the next 1–3 years. These results are displayed in **Figure 2. Table 2** contains examples of these responses. Again, the most popular response was that there would be nothing different, but there were fewer responses like that. Of the remaining responses, the theme of the loss or potential loss of talent emerges, but each with a different twist. For example, a second popular response noted that the pandemic has caused turnover among talent and creates a need for their organizations to seek more outside hires.

This closely relates to the fact that they suspect they will continue to lose talent due to easier mobility, reduction in current talent's willingness to be mobile, loss of talent or early retirements, and the loss of women. A second emerging theme relates to the results from the previous question in that the pandemic revealed new capabilities required of leaders that need to be developed and or found inside or outside of the current workforce. Finally, a number of CHROs recognized the challenge of adapting their organizations to support remote or hybrid work.

COVID AND CEO SUCCESSION (cont.)

TABLE 2: EXAMPLES OF THE CHALLENGES COVID CREATED OVER THE NEXT 1–3 YEARS

- How to ensure employee development continues and we have sufficient visibility and interaction with employees and the ability of managers to assess and understand performance and potential in a more virtual world.
- Finding leaders that can scale up to bigger and bigger roles, and 2) Mobility has gotten more difficult as people want to live where they want to live.
- COVID highlighted that we do not have the right leaders for the future 2) We need to fill the pipeline with diversity and strong leaders who can take future roles 3) We need to evaluate what high potential means in our organization - being nice and working hard does not necessarily make someone high potential.
- Covid exposed the need for leaders to challenge traditional ways of leading, particularly when it comes to balancing multiple competing priorities. While not new, this will have an impact on the talent pipelines in a dramatic way.
- Ensuring that our leaders understand the need for flexibility and agility, which is an expectation for the workforce of the future. Some of the traditional leaders (more command and control) are not seen as being as viable for succession as they once might have been.
- The mobility piece I mentioned above is a huge concern for a global company. We need leaders to work across Asia and know our markets, these can't be remote roles, and that is more challenging now for leaders and their families to sign up for.
- High potential women feeling burnt out and leaving the organization.
- The decline of women in our pipeline due to women opting out of the workforce; the pausing of developmental assignments such as rotations/international assignments as we were focused on meeting demands of customers; and the difficulty in passing on company culture in a hybrid workplace.
- The last 15 months have given employees time to consider what matters and what they want in terms of work life balance and flexibility. We anticipate higher turnover post-covid which will impact our succession pipeline.
- People are accelerating their retirement plans and are planning to leave much earlier (in some cases 10 years) than what they had originally thought.

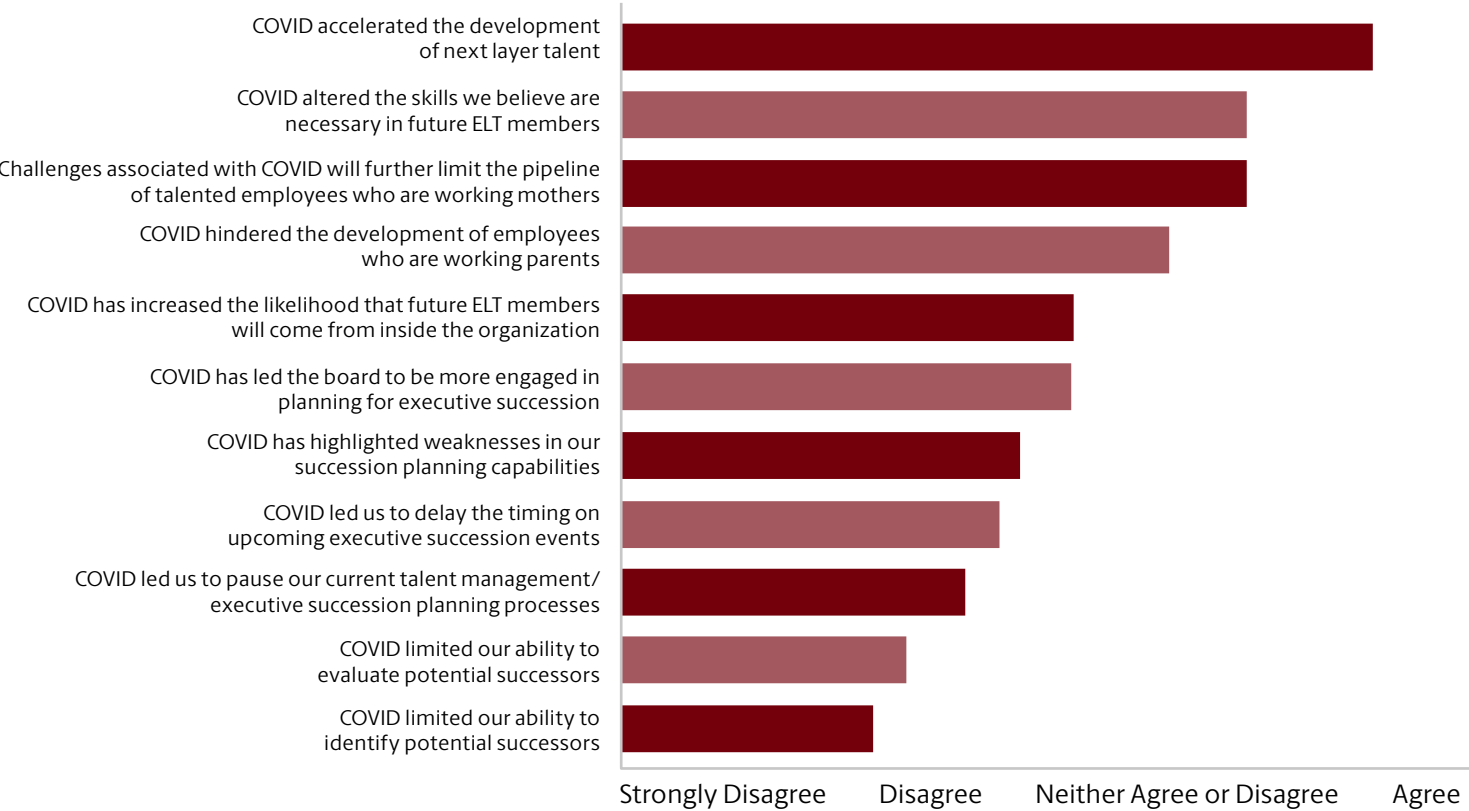
We also asked the CHROs to describe how the COVID pandemic had impacted a variety of aspects of their CEO succession processes. These results are displayed in **Figure 3**, and show that, in general, they did not report much impact. “Answers to almost all of the items regarding ways the pandemic might have impacted these processes ranged from “Disagree” to Neither Agree nor Disagree.” The only exceptions were that they expressed agreement that it accelerated the development of the next layer or talent, that it altered the skills necessary for future ELT members, and will limit the pipeline of talented working mothers.

Finally, each of the past 3 years has had questions asking to evaluate the effectiveness of the board in the different components of the CEO succession process. As **Figure 4** shows, consistent with the previous questions, CHROs reported improvements in identifying the competencies necessary to meet future strategic challenges as the pandemic led them to re-evaluate the core leadership competencies. In addition, they improved in identifying the strategic challenges the next CEO will face, However, consistent with their reported loss of talent, they decreased in their effectiveness in identifying and evaluating successor candidates.

COVID AND CEO SUCCESSION (cont.)

FIGURE 3

Thinking Back to the Impact of Issues Faced Since the Beginning of March 2020, to What Extent do you Agree with the Following?

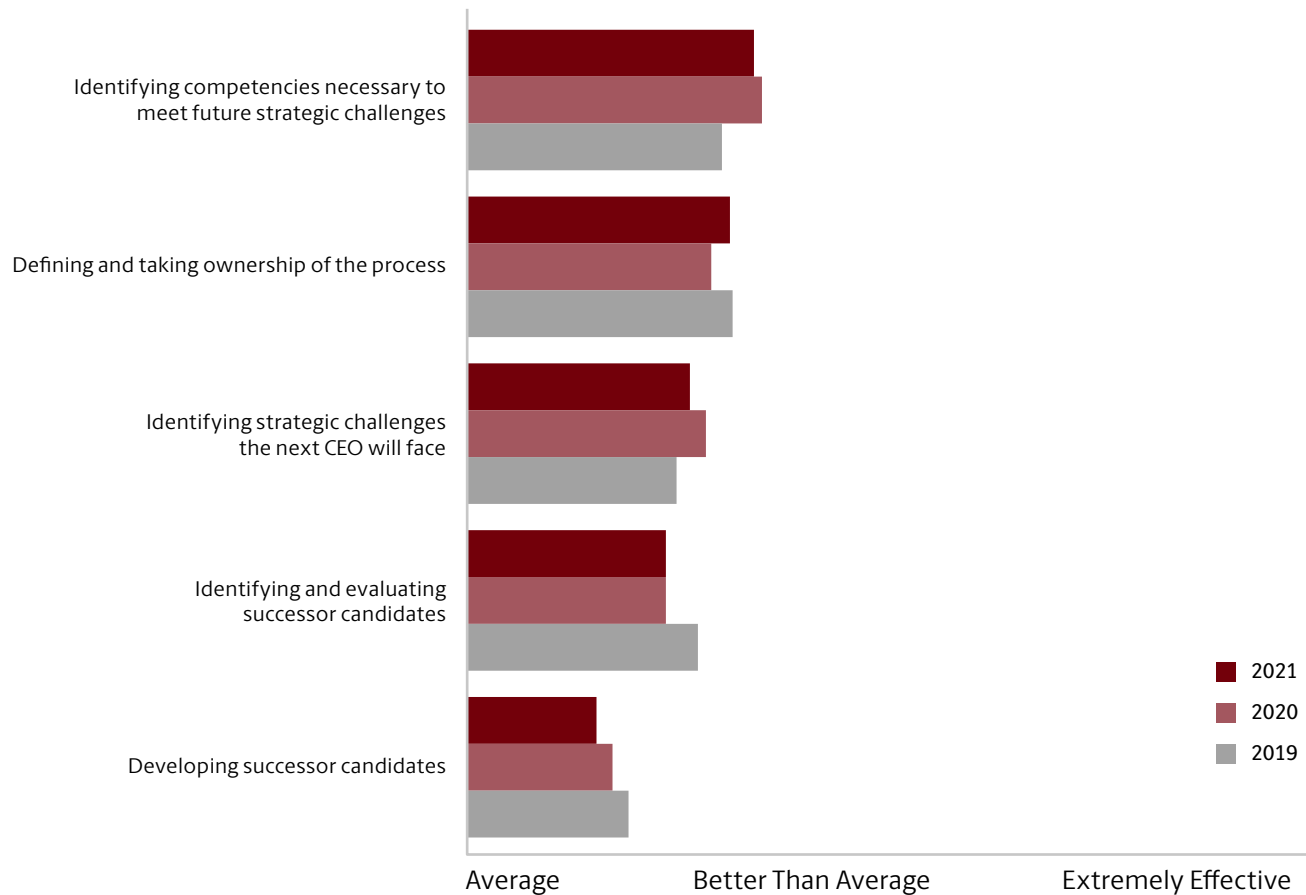


In summary, CHROs reported that the pandemic did not have a huge impact on their CEO succession processes while they were in the midst of it, but that it did create conditions that have led to increases in current and anticipated loss of talent that they will have to deal with over the coming years. In addition, it pushed organizations to expand their view of the competencies required of leaders and particularly of CEO successor candidates.

COVID AND CEO SUCCESSION (cont.)

FIGURE 4

Thinking About Where you Currently are in Regards to CEO Succession Planning, how Effective has the Board Been at...





CRISES AND THE BOARD

Because the responsibility for CEO succession lies with the Board of Directors, in past surveys we have asked CHROs to describe the dynamics among board members. Boards are unique entities because they are composed of intelligent and highly-qualified individuals, often experts in their fields, who are brought together 4-6 times a year to work together in their governance responsibilities. This lack of interaction does not lend itself to cohesiveness, but cohesiveness can certainly positively impact the board's functioning. Thus, over the past 3 years we have assessed the level of cohesiveness of the board. **Figure 5** presents these results.

Interestingly, as boards faced the crises stemming from both the pandemic and the racial justice movement, they reportedly grew more cohesive, and this cohesiveness has endured. This was interesting given that board meetings moved to almost exclusively a virtual format, which is not known for being conducive to building tight bonds. Part of this increased cohesiveness may stem from the fact that many boards went

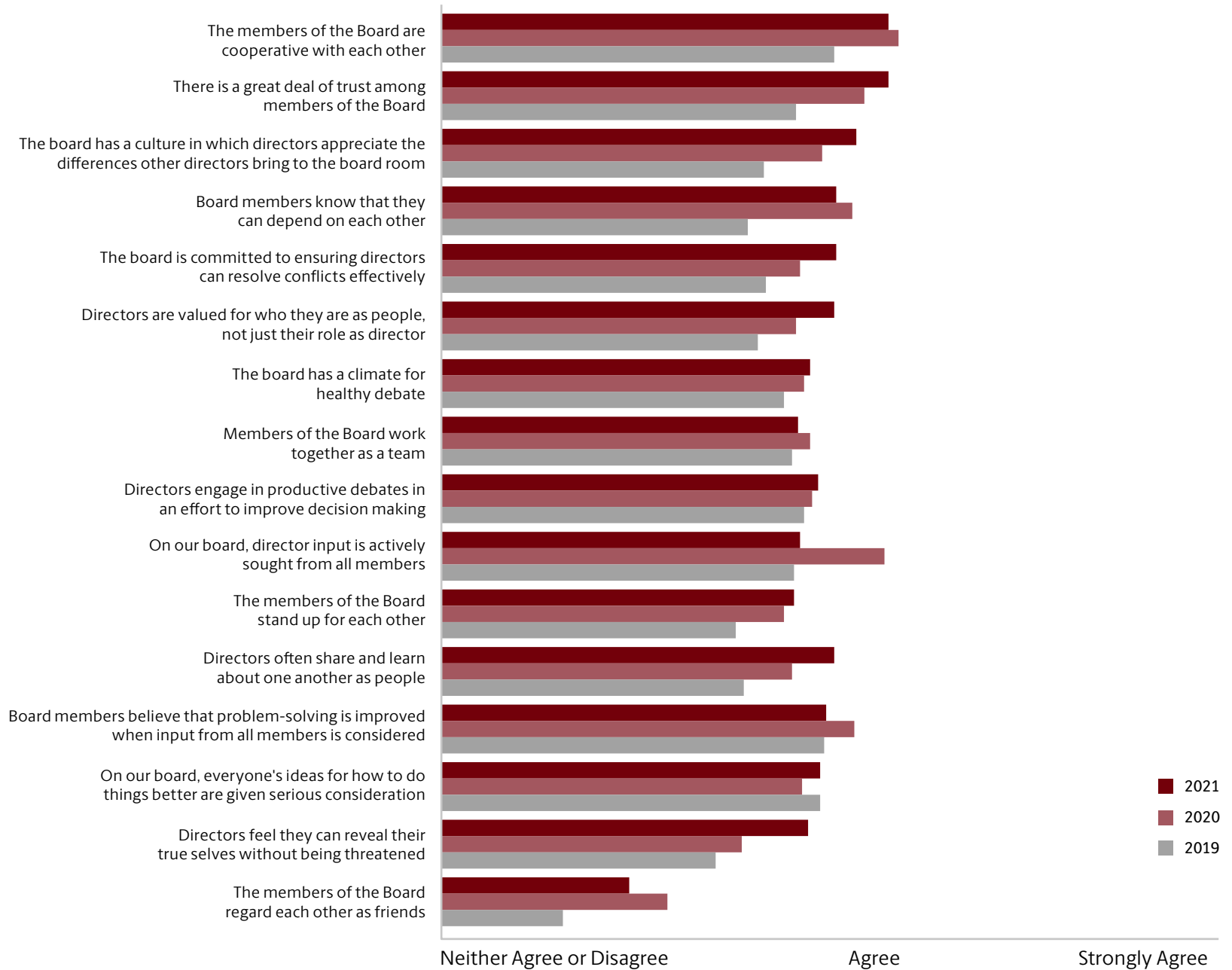
from 4 or 6 meetings a year to 12 or more meetings, increasing the amount of interaction among board members. Part of this may also stem from the need to come together to make quick decisions in the face of multiple crises. But regardless of the specific mechanisms, the results clearly show improvements as scores went up on almost every aspect of cohesiveness during the pandemic year, and almost all aspects stayed higher in the year following the pandemic. In particular the most visible improvements in board functioning were in the areas of cooperation, trust, depending on each other, and standing up for each other. While in 2019 cooperation was among the highest scoring items (and remained so in 2020 and 2021), trust and depending on each other rose to being among the highest items in 2020 and 2021 after being among the lowest items in 2019.

In summary, one silver lining of organizations facing the crises of 2020 was the fact that it led boards to become more cohesive than they had been before.



FIGURE 5

Please Describe the Extent to Which you Agree with the Following Statements About the Board



THE CRISES AND THE ELT

The crises of 2020 created immense pressures on ELTs to navigate an environment of unprecedented emerging challenges. Early in the pandemic many expressed how ELTs had come together and been energized by the adversity and their success in facing it. However, as the pandemic wore on, and concerns regarding social justice grew, what had been energizing became a source of potential burnout. Again, over the past 3 years we have asked CHROs to report the cohesiveness of the ELT. Whereas the crises strengthened cohesiveness among the board, the crises seemed to have the opposite effect on the ELT. As can be seen in **Figure 6**, almost every cohesiveness item declined during the pandemic. The largest declines were seen for the items regarding the ELT members being able to depend on one another and everyone's ideas receiving consideration. The only items not to see a decline were regarding ELT members being valued as people, problem solving being improved when input from all members is considered, and the ELT members regarding one another as friends (this final item is always the lowest item).

On the positive side, it appears that cohesiveness rebounded to previous (2019) levels in the year following the onset of the crises.

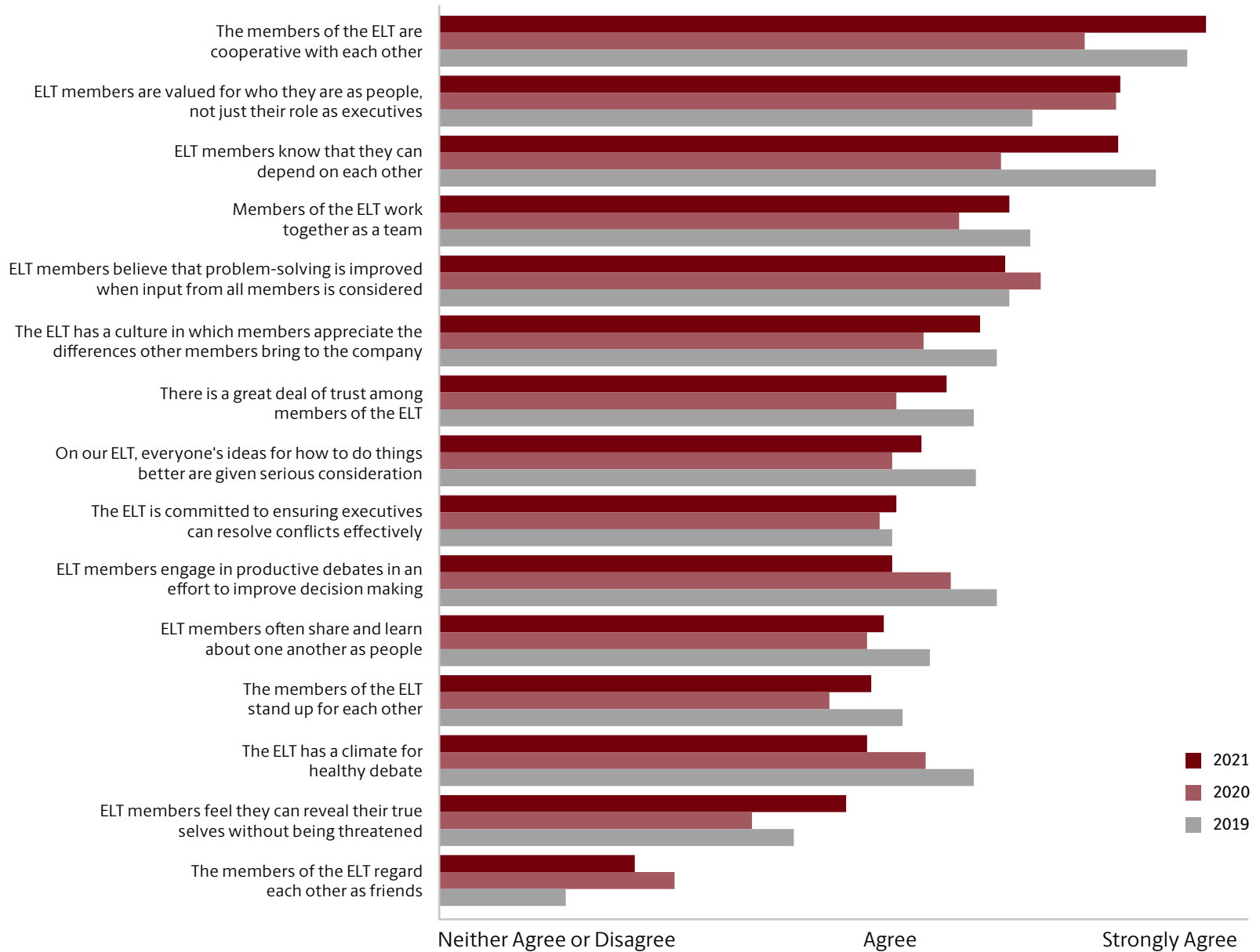
Finally, the killing of George Floyd and the ensuing protests over racial justice resulted in most corporations expressing their desire to take actions to address racial justice issues in their organizations. One set of actions they committed to taking dealt with promotion practices to increase racial diversity. **Figure 7** shows that only minor

progress has been made at the highest level of the organization. We have tracked the race and sex composition of ELTs from 2019 to 2021 and saw only a 2% reduction to 81% in white/Caucasian representation in the ELT. It is similarly noticeable that the category of Black or African American members increased only to 5% from 4% in 2019. However, given the small number of ELT members (our data shows an average of 11 members) changing the composition requires two conditions: (a) time for ELT members to retire or leave who can be replaced by people of color, and (b) building the pipeline of talent among people of color. It is likely that despite their best efforts, by 2021 sufficient time had not passed for many organizations to see turnover among ELT members and to develop racial minorities to replace them. Given the "Great Resignation" we would expect to see more progress over the coming few years.

We also explored how the male/female ratio of ELT members has changed over the past few years. As **Figure 8** shows, similar to racial minorities, the representation of women on the ELT has grown, but only by a small amount. Women now comprise 27% of ELT members, up from 25% in 2019.

FIGURE 6

Please Describe the Extent to Which you Agree with the Following Statements about the Executive Leadership Team (ELT)



THE CRISES AND THE ELT (cont.)

FIGURE 7

Executive Leadership Team Diversity

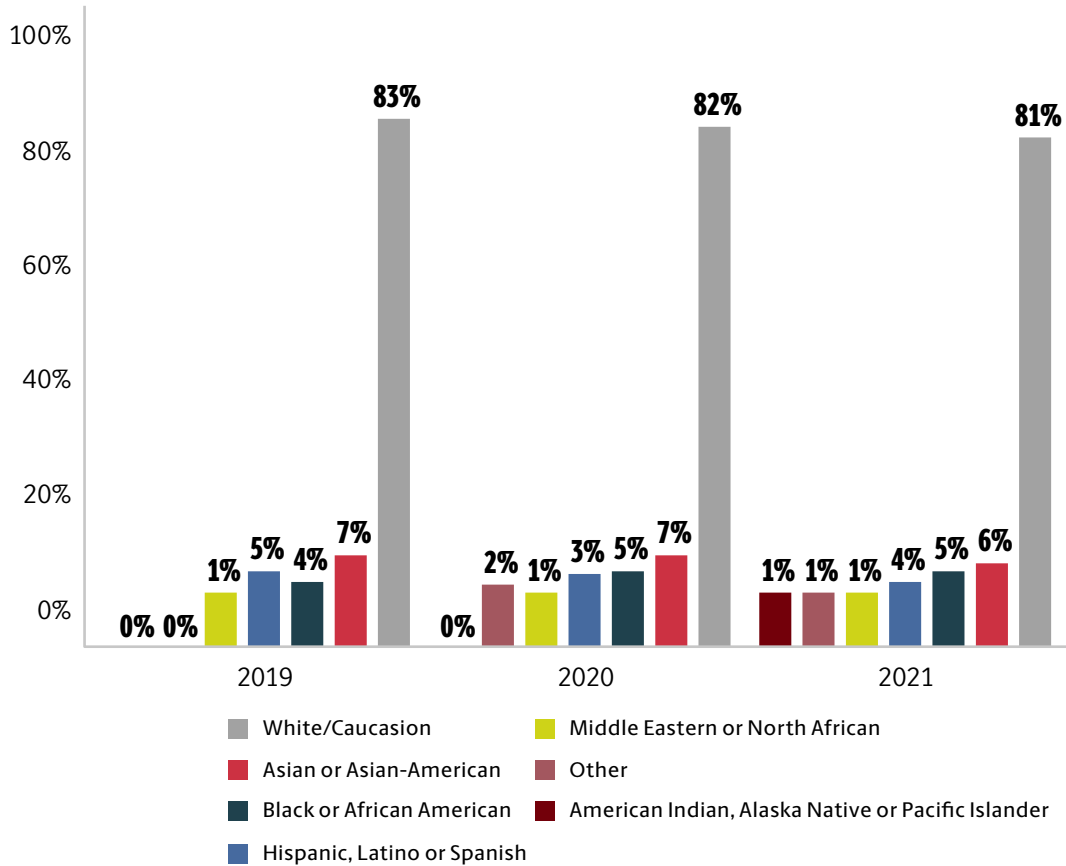
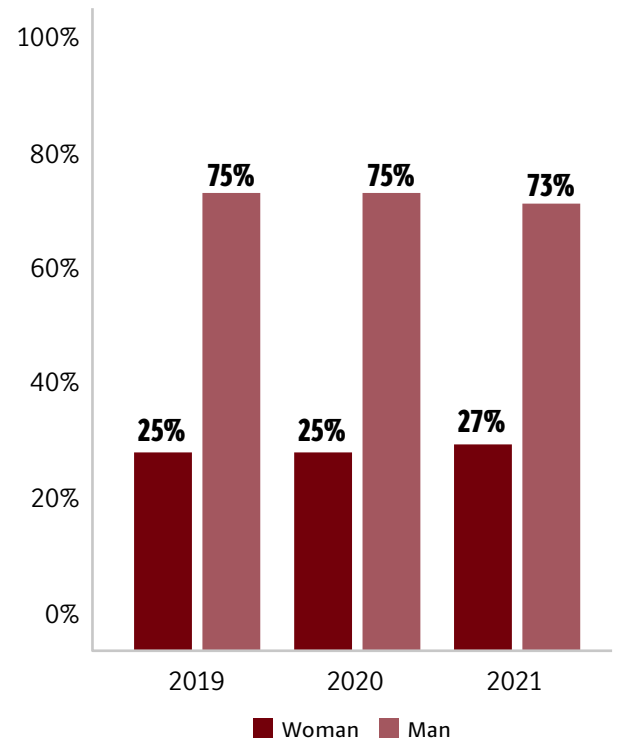


FIGURE 8

Executive Leadership Team Diversity



CONCLUSION

The year of 2020 presented multiple crises that threatened organizations and required boards and ELTs to navigate an uncertain landscape. Many have suggested that these crises have had an enduring impact on how organizations function.

Our results show that in the midst of these crises massive investments in decision-making may have been required, but that the long-term impact may not be as profound as many expect. The pandemic did not profoundly impact CEO succession processes, but did cause companies to redefine what “great” leaders look like. The crises made boards more cohesive and this cohesiveness has seemed to endure. They caused a short-term decrement in ELT cohesiveness, but the ELTs have rebounded since then. Finally, slow, but noticeable progress has been made in increasing the diversity of ELTs. Only time will tell if any of these changes are transformational trends or only temporary fluctuations.





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In 1998, the school was named for South Carolina native Darla Moore, making the University of South Carolina the first major university to name its business school after a woman.

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