


Center for Executive Succession
Department of Management
Darla Moore School of Business
University of South Carolina

THE IMPACT OF THE COVID-19 CRISIS ON EXECUTIVE SUCCESSION

Results of the 2020 HR@Moore
Survey of Chief HR Officers

 **Center for
Executive Succession**
Darla Moore School of Business

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HR@MOORE
Survey of Chief HR Officers

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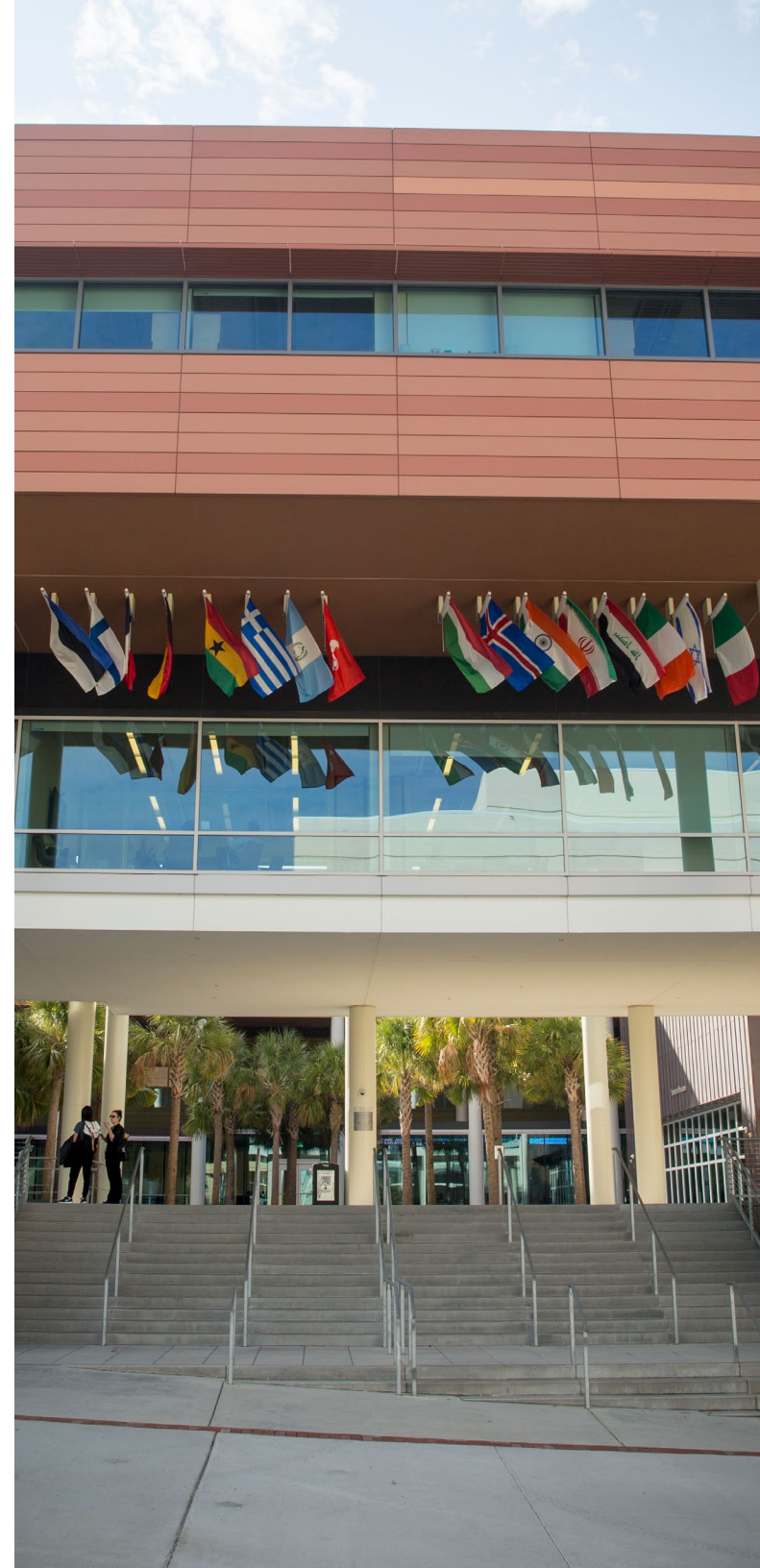
*Many thanks to the Center for Executive Succession
partner CHROs for their support of our research*

EXECUTIVE SUMMARY

The COVID crisis impacted just about every aspect of how firms do business. We have explored through Zoom meetings and a survey of Chief HR Officers how the crisis has impacted a variety of components of executive succession.

We find that the crisis caused many firms to develop business continuity plans separate from their ongoing and emergency succession plans. Going through this process may encourage firms to look more broadly and deeply into the people and roles in their ongoing succession processes. The crisis also revealed more positive than negative characteristics in their leaders. CHROs noted that the crisis has increased the use of virtual technologies for both initial interviews of ELT candidate, and for the entire hiring process, and the vast majority suggested that the use of technology throughout the hiring process will continue to see substantial increases after the crisis ends. Finally, the crisis required board meetings to be held virtually. While CHROs do not expect this to be predominant in the future, they did indicate that approximately one quarter of board meetings will be held virtually after the crisis has passed.

We discuss the implications of these findings.



INTRODUCTION



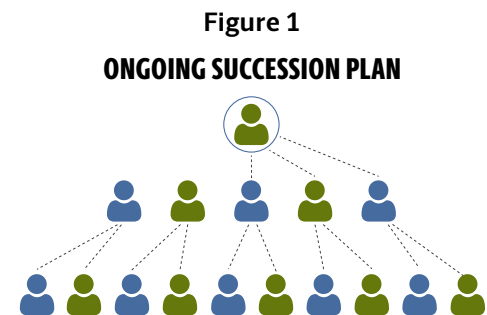
The COVID-19 crisis has driven massive changes in business models, ways of working and just about every aspect of business operations. Executive succession processes did not escape this impact. The Center for Executive Succession has engaged a number of Chief Human Resource Officers (CHROs) in Zoom meeting discussions about the impact of the crisis on executive succession in their organizations. We also engaged directors of Fortune 500 firms on another zoom call, and we recently surveyed 49 CHROs about changes to executive succession practices in response to this crisis in the short-term and the effects over the longer term. In this report, we summarize these results.

We first provide an overview of three basic concepts: Ongoing succession plans, emergency succession plans and business continuity plans. We will then discuss the impact of the crisis on these different plans based on both the qualitative and quantitative data we have gathered.

Changes in Succession Planning

Ongoing Succession Plans. In ongoing succession plans, companies identify the key roles in the organization and then note the individuals, typically two or three, whose next promotion might be into each of those roles. This allows HR to create development plans for each individual to help them gain the skills and experiences that will qualify them for that next role. These plans largely focus on developing individuals within business units or functions although some individuals may be asked to move from a line to functional role (or vice versa) as part of their development. The figure to the right illustrates what these plans tend to look like.

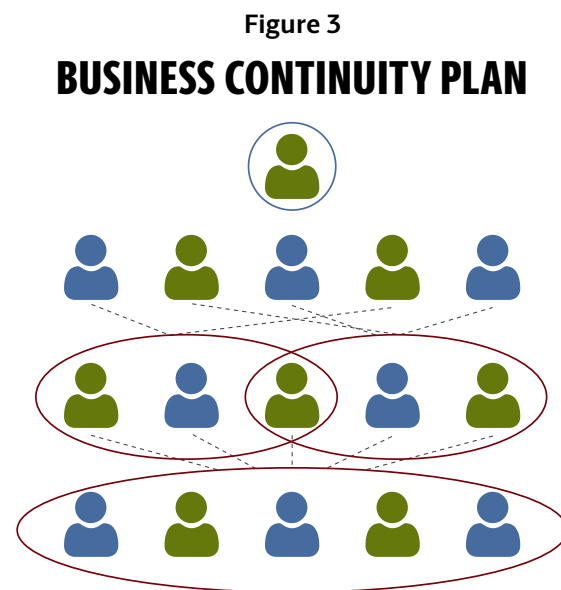
Emergency Succession Plans. Parallel with the ongoing succession plans, firms also develop emergency succession plans. These plans identify THE person who will be tapped for a role if the incumbent quickly departs the role for any reason. The emergency successor may only temporarily fill the role until someone else fills it permanently, or they may take the position due to the emergency but stay much longer. Again, as illustrated in the following figure these plans tend to narrowly focus within business units or functions.



CHANGES IN SUCCESSION PLANNING

Business Continuity Plans. Several CHROs have communicated to us that the COVID crisis highlighted a need to think beyond emergency succession plans to business continuity plans. Emergency succession plans work when one individual departs quickly but the rest remain. However, emergency succession plans are generally not designed for either temporary (e.g., two weeks to two months) absences or when there is substantial disruption, for instance if 25% or 50% or 75% of a level or a large number of individuals across a few levels of the organization become incapacitated. To link it to the crisis, what happens if COVID spreads among the executive team to where a majority of them are hospitalized? If so, emergency succession plans fall apart and create questions regarding the ability of the firm to continue operating without significant interruption. This forced the conversation from emergency succession planning to business continuity planning (BCP).

Business continuity plans exist to provide a playbook in the event of a crisis such as a natural disaster, or relevant to this report, a pandemic such as the COVID crisis. In a business continuity plan, the organization explores the flexible use of talent to fill positions necessary to maintain the regular functioning of the organization when one or a number of key executives or systems become disabled. Lucien Alziari, CHRO at Prudential, also referred to a subset of BCPs as being an “incapacitation” plan (i.e., a plan for a relatively short fill-in for an executive who is temporarily incapacitated). As seen in the next example, BCP requires exploring a broader set of talent options for the firm to move people into a broad set of potential roles. This might be people who are not on the ongoing or emergency succession plan, such as an executive preparing for retirement who can fill in for the incapacitated individual or someone two levels down who can similarly fill in for a short time. Some of the CHROs mentioned that going through the process of BCP began to affect their ongoing succession planning as it caused them to think about how to begin exposing and developing those individuals to take on roles neither they nor the organization had considered before. **Table 1** describes the differences among ongoing, emergency, and business continuity planning.



CHANGES IN SUCCESSION PLANNING (cont.)

Table 1

Changes in succession planning

	ONGOING SUCCESSION PLAN	EMERGENCY SUCCESSION PLAN	BUSINESS CONTINUITY PLAN
Purpose	Outline short-term and long-term successors for critical positions, identify gaps in candidates' capabilities, and build development plans	Identify candidates to satisfy long-term objectives in case an emergency arises requiring succession	Identify individuals who can maintain continuity of operations if short-term needs arise
Timeframes	Long-term and short-term	Long-term based on emergency needs	Short-term / temporary
Characteristics	<p>Identify talent pools, pipelines, and bench strength</p> <p>Assess and develop talent for future business needs</p> <p>Cross-train as necessary to help grow candidate capabilities</p>	<p>Assess individuals ready to succeed immediately if emergency arises</p> <p>Identify candidates who can provide long-term stability</p>	<p>Identify individuals who have greatest capacity to maintain operational continuity</p> <p>Ensure overlap for most critical operational roles, including identifying across divisions and functions as necessary</p>
What does it look like?	Multiple potential successors over multiple potential timeframes	Single successor with potential backups if necessary	Pools of talent to temporarily serve in case of incapacitation

CHANGES IN SUCCESSION PLANNING (cont.)

How frequent was the move from emergency succession planning to business continuity planning regarding talent? We asked CHROs on the survey if they had developed a business continuity plan with talent benches that was different from their emergency succession plan. As you can see in the following figure, almost half (49%) said they had done so with the rest (51%) saying they had not.

Figure 4
Distinct business continuity plan

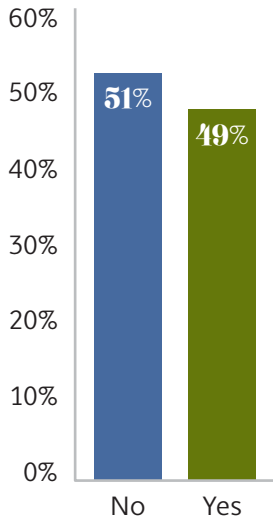
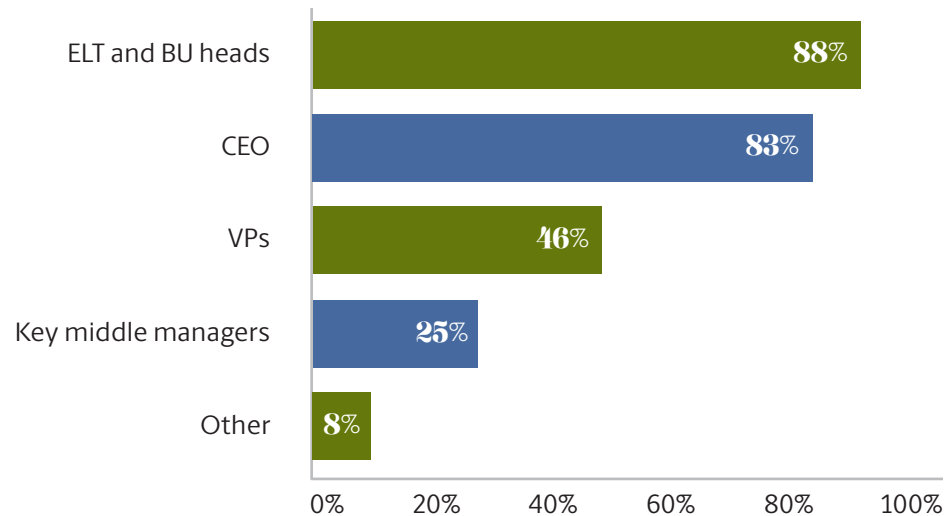


Figure 5
Business continuity plan



On whom did these business continuity plans focus? As **Figure 5** shows, these plans primarily aimed at ensuring continuity for the ELT positions and business unit heads (88%) and CEO (83%). However, some went deeper into VP roles (46%) and other key manager roles (25%).

In essence, the increased focus on business continuity plans seems to have changed the nature of how many companies are approaching ongoing succession planning. By looking more deeply and broadly at talent, this may ultimately expand the types of candidates and types of jobs considered for key talent as organizations move forward in ongoing succession.

CEO AND BOARD FOCUS ON EMERGENCY SUCCESSION

Because of the dangerous and potentially deadly nature of COVID-19, we also explored if the crisis had increased the intensity with which CEOs and boards focused on emergency succession planning. Surprisingly, as **Figure 6** shows, for both CEOs (4.6) and boards (4.5) the intensity was barely slightly higher.

Figure 6
Change in emergency succession planning intensity since COVID

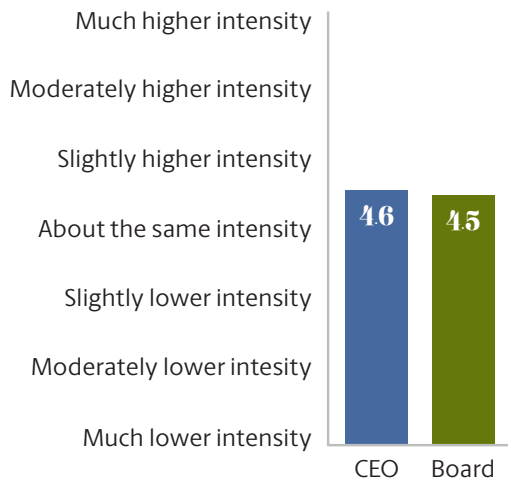
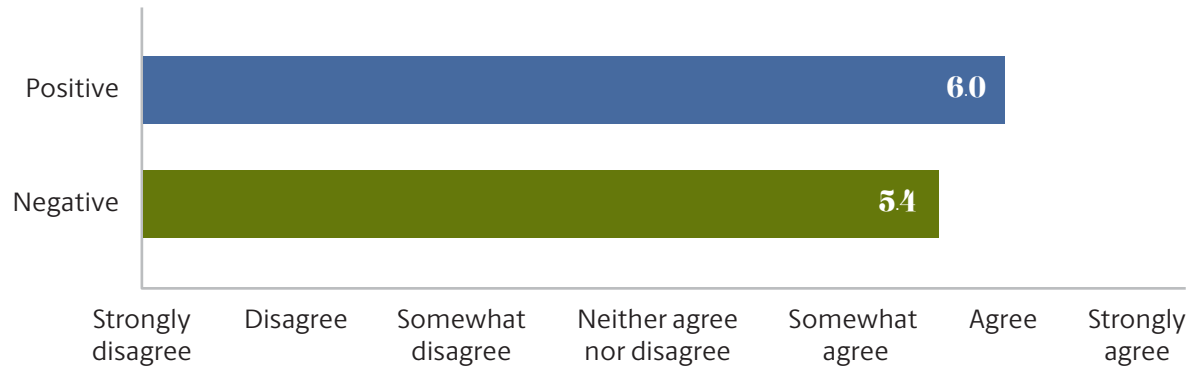


Figure 7
Greater insights into leader positive/negative qualities



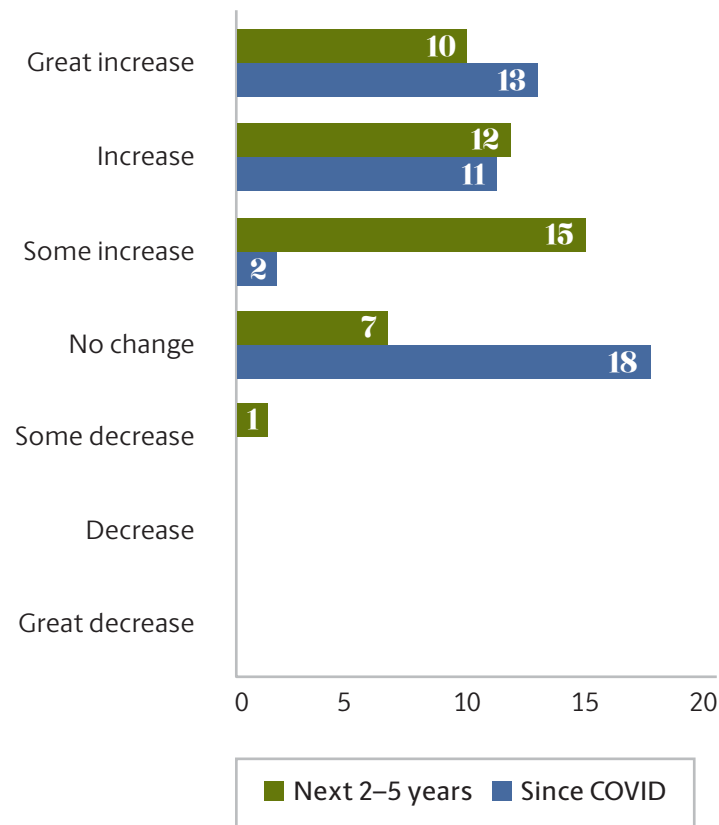
Greater Insights into Leaders

One of our colleagues, Rob Ployhart, often refers to the axiom that “under duress, we regress” meaning that pressure causes most people to resort to their true personality as opposed to the impression they try to create in others’ minds. We heard from a number of CHROs in our Zoom meetings that the crisis had provided meaningful insight into the skills and personalities of leaders. In fact, Lucien Alziari, suggested that the crisis helped to reveal characteristics about leaders in a few weeks that under normal conditions might take two years to observe. We asked CHROs about the extent to which the crisis provided greater insights into both the positive and negative qualities of their leaders. As **Figure 7** illustrates, they reported that the crisis provided greater insights into both, but slightly more insights into the positive relative to the negative characteristics.

CHANGING ELT HIRING PROCESSES

For executive level hires, particularly from the outside, firms often fly a candidate for an ELT job to the headquarters and have them go through interviews with the CEO and a number of other C-suite members. However, the work-from-home/shelter-in-place requirements of the pandemic largely precluded firms from conducting executive-level searches using the normal face-to-face process. We asked about how their use of virtual (e.g., Zoom/Webex) interviews had increased since the COVID crisis, and then to evaluate how much it would increase after the crisis was over in two to five years. Not surprisingly, as **Figure 8** shows, the majority (26) of CHROs indicated that the use of virtual interviewing had somewhat increased, increased, or greatly increased, although a significant number (18) indicated it had not changed. However, a very small number (7) suggested that it would not change after the crisis, and the vast majority (37) suggested it would increase, somewhat increase, or greatly increase over the next two to five years.

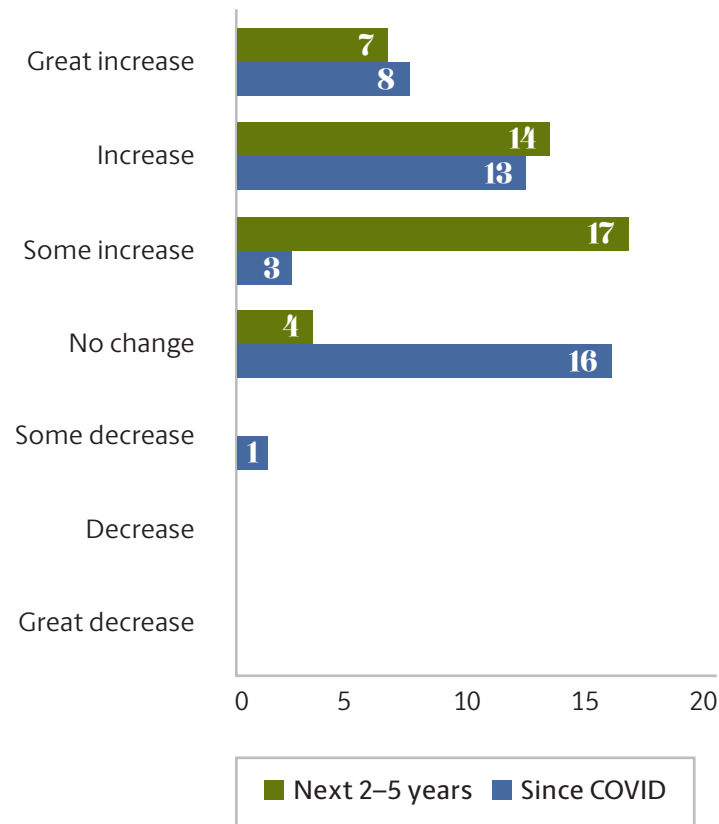
Figure 8
Portion of initial ELT interviews conducted virtually



CHANGING ELT HIRING PROCESSES (cont.)

We then asked about the change in the use of virtual hiring for the entire process with regard to TMT members, as opposed to only the initial interviews. Like with the initial interview, **Figure 9** shows the majority (24) indicated that conducting the entire TMT hiring process virtually had increased, somewhat increased, or greatly increased, while a significant number (16) said it had not changed. Also, like the previous question, very few respondents (4) answered that it would stay the same after the crisis, with the vast majority (38) saying it would increase, somewhat increase, or greatly increase.

Figure 9
Portion of the entire ELT hiring process conducted virtually

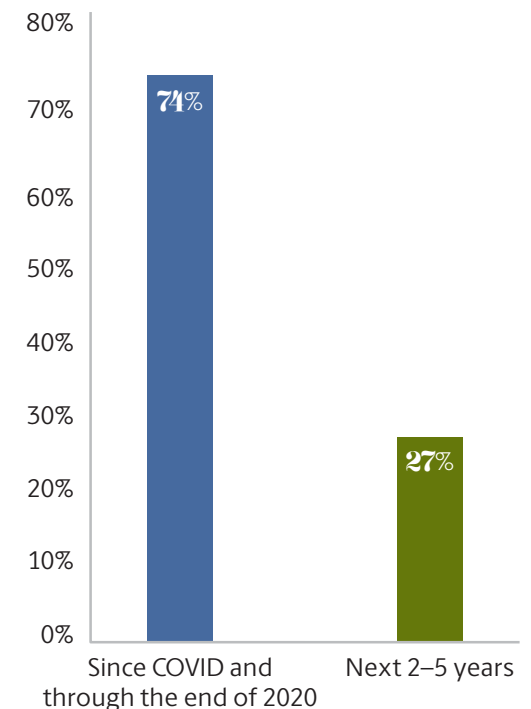


CHANGES IN BOARD MEETINGS

Finally, we had heard during the Zoom meetings as well as from our Directors' Council that most, if not all, board meetings were moving to virtual engagements to ensure safety of the board members. We asked CHROs to indicate what percentage of the board meetings they expected to be conducted virtually for the rest of the year, and found that number to be high (74%). However, having learned that meetings could be conducted using this platform, we asked what percentage of board meetings they expected to be conducted virtually after the crisis ends (two to five years from now). That number of 27% was significantly lower, but we suspect significantly higher than might have been reported prior to the crisis. **Figure 10** illustrates these results. Certainly boards, because almost all members are independent and only interact very infrequently, need face-to-face time to build

relationships and get to know one another more deeply (e.g., over meals, at receptions, on breaks, etc.) Thus, this indicates that companies will want to ensure that they provide sufficient opportunities for such interaction in face-to-face board meetings. However, in order to reduce board member time commitments and expenses, our results suggest that they may try to have one meeting a year conducted virtually. Further, boards who have members who reside overseas may face considerable challenges in the near future to meeting in person due to the pandemic. Thus, virtual meetings may be a reality for some organizations facing this situation. Such boards are likely to face even more challenges regarding board member interaction to develop strong relationships and ensure all members are included in governance responsibilities.

Figure 10
Percentage of virtual board meetings



CONCLUSION



Clearly the COVID crisis has transformed many aspects of how business gets done. On the negative side, it forced quick, reactive, and probably not entirely efficient changes in a number of processes, including those having to do with executive succession. On the positive side, it has caused organizations to question their long-held assumptions about what “good” can look like. It changed perceptions of high potential leaders as it effectively revealed hitherto unrecognized positive characteristics of some leaders (and negatives of others). It has also changed the nature of interactive processes, both in hiring of ELT members and of board meetings.

Our research revealed that the transformation stemming from COVID has had five important effects:

1. It has focused the board on the criticality of talent management.

Boards increasingly recognize the importance of talent over the long-term, but often focus attention primarily on the CEO succession talent pool, and many only once they know succession is coming soon. This crisis shifted their

focus to the importance of talent in the present, particularly in times of crisis. In addition, the focus has broadened beyond the CEO to talent lower in the organization, all of whom may be in play in the case of a crisis. When faced with the potential for significant business disruption due to multiple executives becoming ill or incapacitated, talent quickly rises to the top of the board’s radar.

2. It has taken off the succession blinders.

Whereas past approaches may have defined roles and individuals with a relatively narrow set of knowledges, skills, and abilities (KSAs), BCP requires focusing on broader and more generalizable job specifications and talent identification. Things like ability to deliver results, develop followership, courage, problem solving, and learning may be more important to identifying individuals within succession plans than functional or business knowledge.

3. Develop talent to capabilities not profiles.

One of the weaknesses of succession stems from attempting to develop people to succeed in the next

position by focusing on the profile of that position. However, the crisis has pointed to the fact that profiles inadequately define the position and in a crisis the profile may have nothing to do with what it takes to succeed. Thus, firms can focus more on developing broad capabilities that individuals can use in a wide variety of positions rather than more specific skills believed to be required for a specific position or set of positions.

4. Expand how we interact with candidates.

In the past we have believed that, particularly for executive-level talent, the need for face-to-face in person interviewing was critical. Executives assumed the only way to truly assess someone was in physical presence with them. In addition, onboarding required the new executive to have physical face-to-face contact with his/her new colleagues. However, the crisis precluded either of those from taking place, and yet both selecting and onboarding processes seemed to happen effectively. The virtual interviewing allowed the process to take place more quickly because firms did not have to find a date on which a substantial portion of the ELT

CONCLUSION (cont.)

was physically in the building. Rather candidates could interact with all of the ELT in a fraction of the time. In addition, while taking more work, those executives were able to get to know their colleagues and role expectations using technology. The reduced interaction before hiring does alter the importance of other activities, such as due diligence, given the lack of face to face interaction. The reduced time commitment required due to a lack of travel may also increase external candidates' willingness to engage in job search. This might make it easier to attract high quality external talent. At the same time, while it made it easier and faster to hire external talent, it also made it easier and faster for competitors to poach the focal firm's talent.

- 5. *Change the nature of board meetings.*** Finally, due to safety concerns almost all board meetings went virtual once the pandemic hit in full force. While not viewed as ideal, such a process demonstrated that much of the board's work can be done virtually and at a fraction of the cost (travel, hotel, meals, etc.) of a normal board meeting. Board members have told us that there is a need for board members to get to know one another and build relationships that requires face-to-face meeting, so we expected our findings that virtual board meetings would decline post pandemic. However, the results suggest that many boards may find running committee meetings and a smaller percentage of board meetings using technology can reduce cost and the time burden for board members.



“On the positive side, it has caused organizations to question their long-held assumptions about what ‘good’ can look like.”



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The Center for Executive Succession serves as an independent, objective source of knowledge regarding C-suite succession practices. The center provides a forum for corporate leaders to shape the future direction of succession practices, which are increasingly one of the board's top governance priorities. Our partners have the opportunity to contribute to cutting edge research that challenges the status quo and is empirically driven to further success in C-suite succession planning. For more information or to inquire about potential membership, please visit our website or contact us at sc.edu/moore/ces.

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The Darla Moore School of Business at the University of South Carolina is home to a world-class faculty and 12 major research centers. It is committed to educating leaders in global business and to playing a central role in the economic growth of the state by bringing the world to South Carolina and South Carolina to the world.

Founded in 1919, the Moore School has a history of innovative educational leadership, blending academic preparation with real-world experience through internships, consulting projects, study abroad programs and entrepreneurial opportunities. The Moore School has grown into a thriving site of academic excellence with an enrollment of more than 5,300 undergraduate students and more than 700 graduate students. The school offers a wide range of programs in nine undergraduate concentrations, seven master's degrees and two Ph.D. degrees as well as executive education programs and consulting services to the business community.

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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