

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

BUILDING THE HIGH-PERFORMING EXECUTIVE LEADERSHIP TEAM

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

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HR@MOORE

Survey of Chief HR Officers

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EXECUTIVE SUMMARY

Over the past two years researchers in the Center for Executive Succession have conducted interviews with CEOs, former CEOs, board members, and CHROs regarding how they build their executive leadership teams (ELT) and accelerate those teams to become high-performing. In addition, the 2020 HR@Moore Survey of CHROs assessed a number of relevant characteristics of the CEO and the ELT. This report provides a summary of this multi-method research stream.

First, the interviews reveal that CEOs must first build a team whose skill sets match the needs of the strategy and whose motivations prioritize the outcomes of the organization and the team over their own. Once in place, CEOs can accelerate the team's performance by articulating a broader purpose than just financial returns and working to create a culture and values that engage the team and the organization. They also must articulate a clear strategy and the values that will guide decision-making by team members, drive alignment to the strategy and values among the team members, and ensure that incentives promote behaviors that foster alignment and drive support for the strategy. The CEO must also constantly evolve the team as the strategy changes, and listen to the advice and counsel provided by board members.

Second, the 2020 survey assessed a relatively new characteristic known as CEO Generativity, a characteristic described as a focus on developing and enhancing the vitality of the next generation and a desire to leave one's own contributions in capable hands. We found that high Generativity CEOs had more diverse, cohesive and inclusive ELTs. They also were more engaged in the CEO succession process and had driven more diverse talent pipelines for senior operating roles.



OVERVIEW

The increasingly short tenure of Chief Executive Officers leads to more frequent events where a new CEO must build an Executive Leadership Team (ELT). Given the pressure to demonstrate effectiveness as a CEO, these individuals must quickly construct this team to have the right people on it, and to accelerate them into working as a high-performing team.

This research addresses four basic questions:

1. How should CEOs think about constructing the ELT in terms of which individuals must be managed out and which individuals should be invited onto the team?
2. What can CEOs do to get this new team to quickly achieve high levels of performance?
3. What is the role of the board in helping CEOs accomplish the first two tasks?
4. What is the impact of CEO Generativity on the nature of the ELT?

To address these questions we sought information from two sources. First, we interviewed two sitting CEOs, 13 board members 11 of whom had been CEOs and three CHROs regarding how CEOs seek to construct a team with the right skills, and then seek to accelerate the team's functioning to quickly achieve high performance. Second, we leveraged information captured from CHROs on the 2020 HR@Moore Survey of CHROs.

BUILDING THE TEAM

Our interviews pointed to three main lessons that should guide CEOs as they think about how to construct the ELT.

Strategy Dictates Skills

A number of the executives we spoke with agreed that a new CEO first has to develop the strategy for the firm. That strategy will dictate the skills that must be present in the ELT. If the strategy entails growing through acquisitions, the CEO likely needs one or more key executives (e.g., the CFO) who is skilled and has experience in acquisitions. This may require replacing the current CFO not for performance issues, but rather for a lack of strategic fit.

There's No "I" in Team

A number of the CEOs we interviewed noted that while all executives, like other human beings, seek individual success, the most effective team members have learned to subordinate their own interests for the interest of the firm. This does not mean they cease seeking their own interests, but that they align their interests with what the organization needs to accomplish. No one expects that the kind of high-performing and highly ambitious executives that rise to the top of the organization need to be completely selfless, and submissive individuals who never differ with the CEO. However, ELT members need to ensure that their individual ego and self-interest do not result in constant conflict and the appearance that they value their own success more than they value the success of the team.

Building the Team is a Journey, Not a Destination

One long-time CEO noted that a new CEO needs to build a team that meets the requirements of the strategy, but that as the strategy changes, often so must the composition of the team. For instance, a CEO who inherits a company in need of cost-cutting as part of a turnaround strategy needs an executive team skilled in cost control. However, once the company has completed the turnaround and the strategy begins to focus on growth, a substantially new team may be necessary as those good at cost-control may not be the best at driving growth.

ACCELERATING THE TEAM

Once the CEO has constructed the team, the next task focuses on how to accelerate the movement towards becoming a high performing team. Our data revealed a number of ways CEOs can accomplish this.

People Need Purpose

People do work for pay, and executives certainly hope to build their wealth. However, the people we interviewed noted that getting a group of individuals to work effectively as a team requires more than money. They noted that people work harder and more cooperatively if they see themselves as part of a larger purpose. CEOs can accelerate the team to the extent that they can articulate a broader and more noble cause for the team to pursue. It could be to save and return an iconic company to its previous status or a broader societal purpose such as providing life-saving drugs.

Build the Values/Culture Vice

Often the major obstacle to changing the culture and values stems from inertia among middle managers. The former CEOs noted that to effectively drive culture change, one needed to use the culture/values vice. This requires communicating and engaging the top levels of the organization as well as the lowest levels of the organization. As those at the top and those at the bottom actively promote and even demand the cultural change, it will squeeze those middle managers into ultimately buying into the new culture. However, clearly this requires gaining 100% commitment from the ELT who promote (and live) it to their direct reports and drive the change down from the top.

Clearly Communicate a Common Strategy

The individuals we interviewed also noted the importance of developing and articulating an overarching strategy that engages the ELT. The communication of the strategy must provide guidance for each of the ELT members in terms of their responsibilities for its implementation. Otherwise, individual members can branch off in pursuing their own functional or business strategies in ways that do not support the strategy developed by the CEO.

Execution Requires Alignment

Successful execution of the strategy requires that all ELT members align their resource allocation and decisions toward it. CEOs mentioned that they desired that ELT members would raise issues and questions regarding the strategy while it was being discussed and developed, but that once the strategy was chosen, all of the ELT members had to align around it and ensure effectiveness in its implementation.

Find and Fire the Passive-Aggressive

A number of the individuals we interviewed noted that passive-aggressive executives composed the worst type of ELT member. Those who seem on board and state they are behind the strategy or the leader in the meeting, but then go out and express resistance or disrespect after the meeting create a toxic team environment.

ACCELERATING THE TEAM (cont.)

You Get What You Pay For

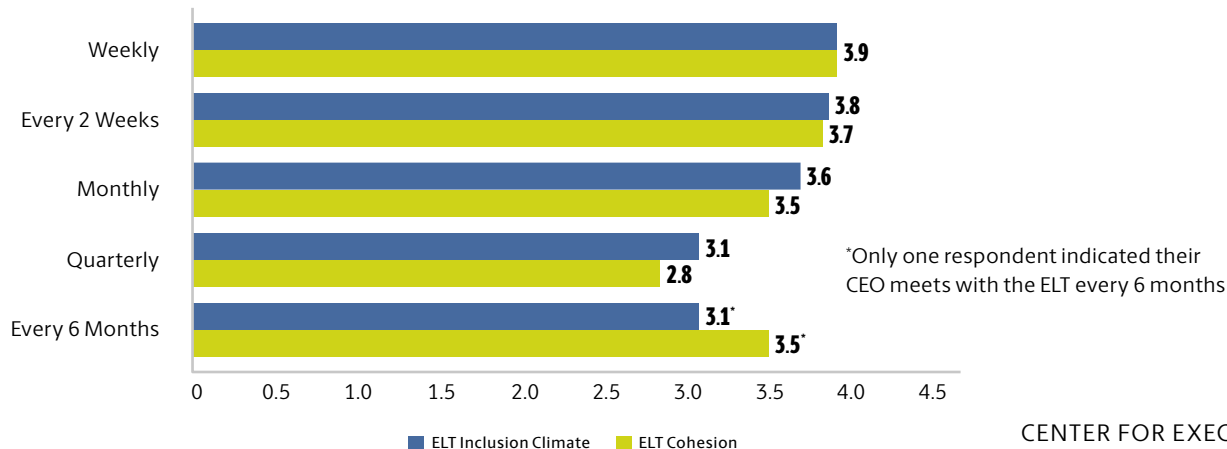
While it was only mentioned by a few former CEOs, those few emphasized the importance of executive pay and aligning the incentives with what the CEO hopes to accomplish strategically. Again, they recognize that the most impactful executives buy into the larger purpose of the organization, but that they also react to incentives. If incentives are misaligned they can create dysfunctional behavior among team members. Additionally, executive incentives also send a message to employees and other stakeholders as to what the organization believes is important, and so it is important to ensure that incentives are expressing the organization's values.

Acceleration Takes Time

Finally, our findings from the 2020 HR@Moore Survey of CHROs revealed that the amount of time CEOs spend with the team directly translates into the dynamics of the team. We asked CHROs how frequently the CEO met with the ELT (weekly, bi-weekly, monthly, quarterly). We also assessed cohesion and inclusive climate of the ELT. As **Figure 1** illustrates, there was a positive relationship between how frequently CEOs met with their team and the dynamics that make for a high-performing team.*

Figure 1

CEO-ELT Meeting Frequency and Functioning



THE BOARD'S ROLE IN BUILDING THE ELT

We asked board members, many of whom were former CEOs, to reflect on how the board can help a CEO with constructing and leading the team. They noted three main areas where boards can be a resource to the CEO in building his/her team.

Learn the Team

Board members noted that because of the limited exposure they often have to team members, they need to make a concerted effort to get to know them. In their previous roles as CEOs and executives they often viewed evaluating talent as a critical component, and they noted that this does not change as a board member. They need to critically evaluate all the ELT members to understand their strengths and weaknesses, not just as individuals but as a team. Effective teams need individuals who have complementary skills, so it is not a matter of looking to upgrade individuals who are weak in a particular area, but to ensure that the team has strengths represented in all the important areas necessary to lead the organization and effectively implement the strategy.

Advise and Counsel

One perennial area of conflict revolves around which responsibilities fall to the board and which to management. Clearly the CEO most needs to construct a team with whom s/he feels comfortable. Thus, when board members see potential team members they believe the CEO might need to address, they need to tread lightly. They noted that the role of the

board is to provide advice and counsel, but only either when asked or when they see a glaring problem that seems to be in the CEO's blind spot. Even in the latter case, the board should only initially raise the issue as something for the CEO to consider without implying a specific course of action. However, if the CEO fails to address the issue and the board feels it threatens the firm's ability to perform, the board may need to increase the forcefulness with which they suggest action. This is consistent with our previous research regarding how the board knows if a new CEO is succeeding. One theme they identified was that they looked at how the new CEO was constructing the team in terms of exiting those who needed to be exited and attracting team members with the right skills.

It Starts and Ends with the CEO

As one experienced board member said, "The CEO is the leader of the company until he's not. If the ELT is not coming together, then they need to get rid of the CEO." If the CEO does not listen to the board's advice, the board may need to find a new CEO.

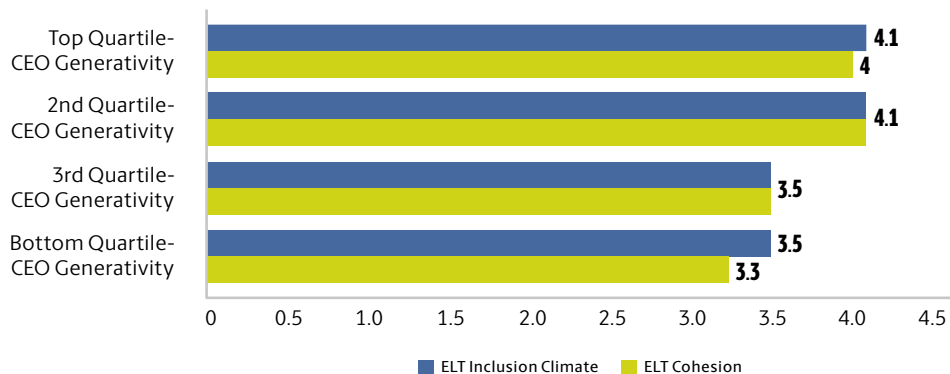
CEO GENERATIVITY

In addition to the interviews, we assessed a few characteristics of the CEO that might lead to building a high-performing team. CHROs assessed their CEO on a characteristic known as CEO Generativity. Generativity relates to an individual's focus on developing and enhancing the vitality of the next generation and a desire to leave one's own contributions in capable hands. CEOs high in generativity take a long-term orientation and believe that part of their responsibility as CEO is to build an organization that will sustain itself once they depart. This includes actions that build the pipeline of future talent that will lead the organization in the future. Some of the items from this measure are "The CEO tries to pass along knowledge he or she has gained through his or her experience," "The CEO has made and created things that have had an impact on the company," "The CEO has important skills that he or she tried to teach others," and "The CEO believes his or her contributions will continue after he or she leaves."

First, as **Figure 2** shows, CEOs high in Generativity build cohesive and inclusive teams.

Figure 2

CEO Generativity and ELT Functioning



CEO GENERATIVITY (cont.)

Second, because of the future orientation, as seen in **Figure 3**, CEOs high in Generativity were also very committed to the CEO succession process. Third, we thought that perhaps CEOs high in Generativity would also be likely to build more diverse ELT's. We had asked about the number of people on the ELT and then the number of women and men in each of seven different racial groups, so we computed a measure of the % White Male (i.e., the higher the percent, the lower the diversity) and found that it was negatively correlated with CEO Generativity. In other words, as **Figure 4** shows, CEOs high in Generativity tend to build more diverse ELTs.

Figure 3

CEO Generativity and CEO Succession Commitment

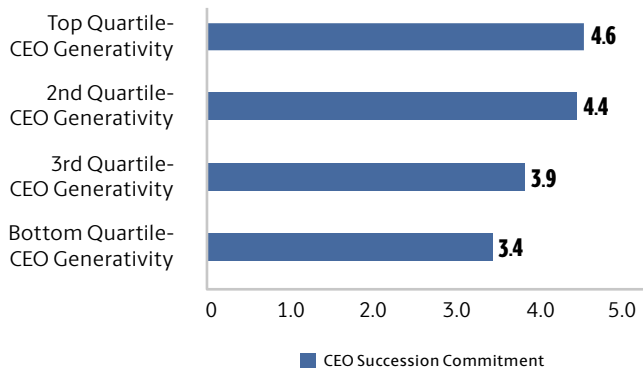
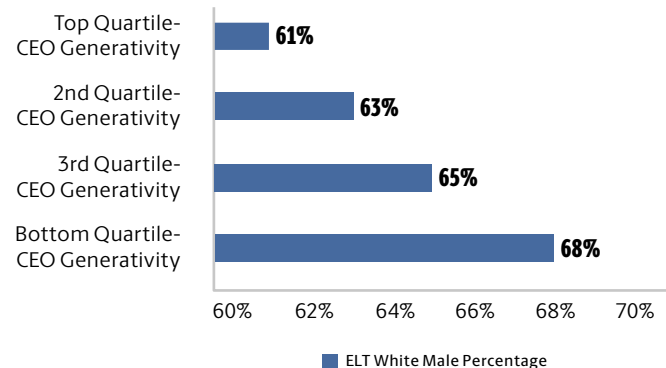


Figure 4

CEO Generativity and ELT Diversity



CEO GENERATIVITY (cont.)

We repeated this analysis regarding the diversity of the talent pipeline for Senior Operating Roles. Our first report from the 2020 survey focused on the diversity in this pipeline and both the obstacle to and best practices for increasing diversity. Again, we suspected that CEOs high in Generativity might support creating more diversity in the pipeline of talent. As **Figures 5a, 5b and 5c** show, CEOs high in Generativity also tend to build more diverse talent pipelines for Senior Operating/P&L roles. Figure 5a shows that firms with CEOs high in generativity have a lower percentage of white males in their talent pipeline. Similarly, Figure 5b and 5c show that firms with CEOs high in generativity have more females and more non-white candidates in talent pipelines.

Figure 5a
CEO Generativity and Talent Pipeline Diversity

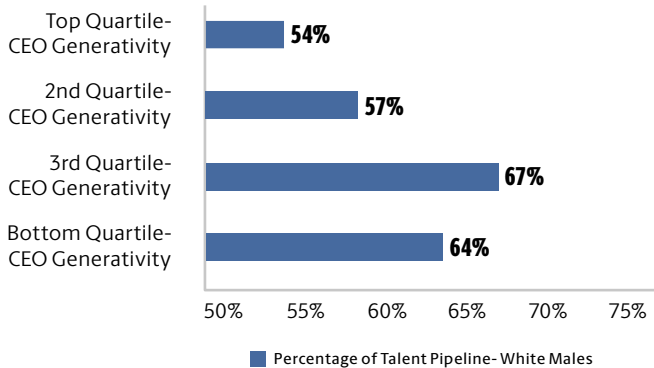
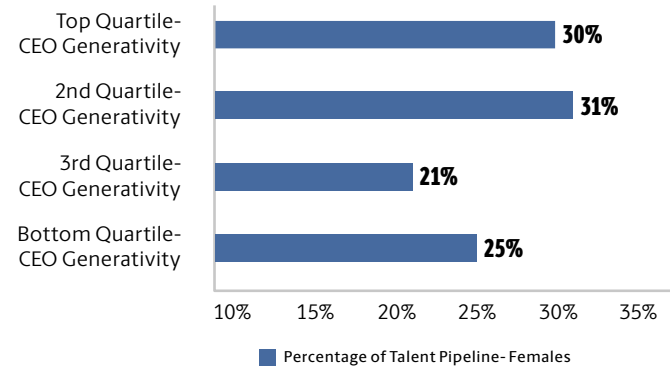


Figure 5b
CEO Generativity and Talent Pipeline Diversity



CEO GENERATIVITY (cont.)

Finally, we explored how CEO Generativity might impact the role of the CHRO. When we correlated Generativity with each of the seven roles of the CHRO (Talent Architect, Strategic Advisor, Counselor/Confidante/Coach, Leader of the HR Function, Board Liaison, Workforce Sensor, and Firm Representative) we found that it was only related to the Firm Representative role. In other words, as shown in **Figure 6**, CEOs high in Generativity seem to encourage their CHROs to be more externally oriented and involved in their professional associations.

Figure 5c

CEO Generativity and Talent Pipeline Diversity

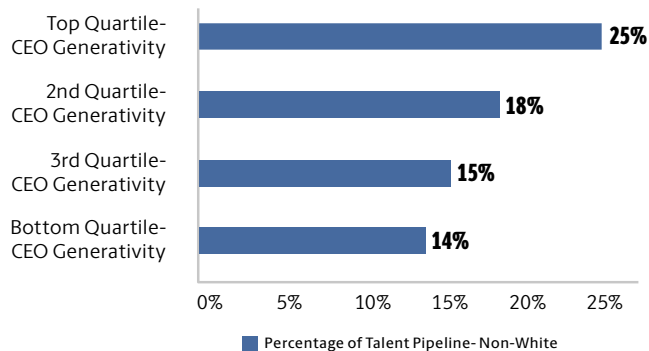
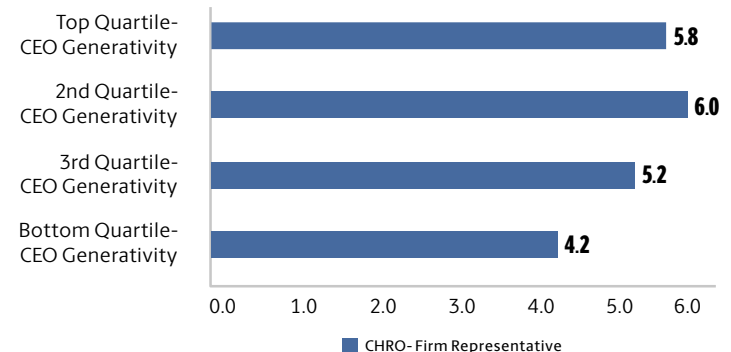


Figure 6

CEO Generativity and CHRO Firm Representative Role



CONCLUSION

Our data collection reveals that building a high-performance team depends on both the CEO's behavior and personality. Behaviorally, CEOs need to first focus on constructing a team with a set of skills that complement those of the CEO, the ELT members, and the requirements of the strategy. They then need to define the purpose, strategy, and values of the organization in a way that engages the ELT members and provides the behavioral boundaries within which all members will operate. Finally, they need to be open to the observations and suggestions made by board members who have a different view of and perspective on the ELT members.

In addition, the survey results reveal the importance of the personality characteristic of Generativity, or a desire to build an organization and talent pipeline that will last beyond the CEO's tenure. High Generativity CEOs have more cohesive, diverse, and inclusive ELTs, are more engaged in the CEO succession process, and develop more diverse pipelines for talent. This does not mean that boards should only hire High Generativity CEOs, but that they should be aware of the generativity of the CEO. In cases where a low generativity CEO holds the role, this suggests the need for the board and others such as the CHRO to play a more active role in developing talent and especially diverse talent lower in the organization.





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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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