



THE CHRO ROLE AND CEO GENERATIVITY

Results from the 2021 HR@Moore Survey of Chief Human Resource Officers

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EXECUTIVE SUMMARY

The 2021 HR@Moore Survey of CHROs examined a number of aspects of the CHRO role, ELT and Board climate, and CEO Generativity. Results showed that the COVID crisis may have resulted in CHROs spending more time as a Strategic Advisor. In addition, over time CHROs are spending less time with the board around executive compensation and more time on CEO and executive succession. In addition, many reported spending time with the board on DE&I issues. Finally, CHROs continue to come into their role as direct outside hires, and while more CFOs are internally promoted, relative to CHROs, the number of outside CFO hires is rising.

Our results show that boards tend to exhibit both higher average levels of cohesion and diversity and inclusion climate relative to Executive Leadership Teams (ELT).

Finally, a CEO's Generativity, or the degree to which he or she shows concerns for future generations, continues to show positive relationships with both Board and ELT climate as well as CEO succession commitment and effectiveness. However, unlike last year's survey, generativity was not related to the diversity (in terms of both women and racial minorities) of the ELT and both the short-term and long-term CEO succession pipeline.

OVERVIEW

The HR@Moore Survey has examined the changing Chief Human Resource Officer (CHRO) role for over 10 years. In addition, for the past 2 years the survey has asked CHROs to report their CEO's "Generativity," a characteristic describing the extent to which the CEO engages in acts which promote the wellbeing of younger generations to ensure the company's long-term survival. The 2021 survey was sent to almost 400 CHROs and 150 of them responded. This report summarizes the results regarding the CHRO's time spent in a variety of roles and dealing with a number of issues. In addition, in a follow-up to last year's survey, we again report on CEO Generativity and its relationships with a number of aspects of the Executive Leadership Team and talent pipeline.

CHRO Roles.

Over the life of the survey, CHROs have reported the time they spend in 7 different roles: Leader of the HR Function, Strategic Advisor, Talent Architect, Counselor/Confidante/Coach, Board Liaison, Workforce Sensor, and Firm Representative. These roles are described in more detail in **Table 1**.

TABLE 1 CHRO Roles

Strategic Advisor to the Executive Team

activities focused specifically on the formulation and implementation of the firm's strategy

Counselor/confidant/coach to the Executive Team

activities focused on counseling or coaching executive team members or resolving interpersonal or potential conflicts among team members

Liaison to the Board of Directors

preparation for Board meetings, phone calls with Board members, attendance at Board meetings

Talent Strategist/Architect

activities focused on building and identifying the human capital critical to the present and future of the firm

Leader of the HR Function

working with HR team members regarding the development, design and delivery of HR services

Workforce Sensor

activities focused on identifying workforce engagement/morale issues or concerns and building employee engagement

Representative of the Firm

activities with external stakeholders, such as government agencies, investor groups, proxy advisory firms, professional societies, etc.



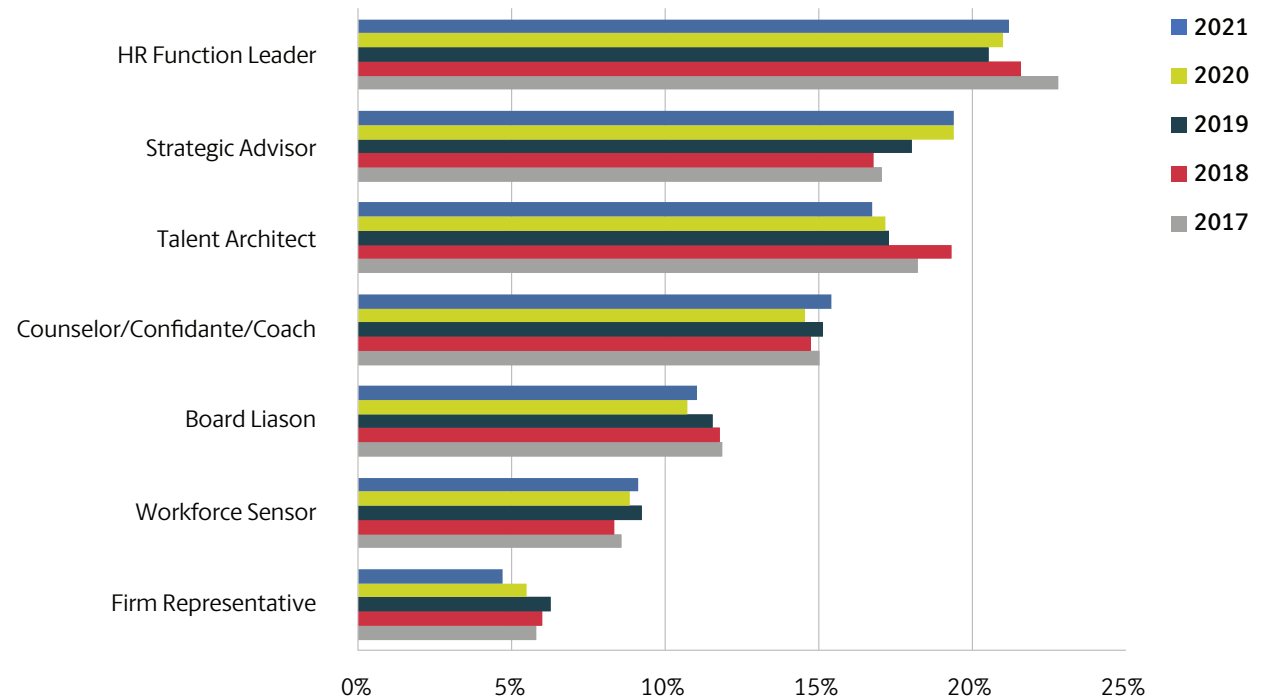
As can be seen in **Figure 1**, the reported time spent in each role changed little from the previous year. Last year (2020) organizations were forced to address both the pandemic and massive societal conflict over racial justice issues. One result of these dual crises is that CHROs spend more time serving in the role of Strategic Advisor increasing to 19% from the previous year's 16%. The results suggest that this increase in strategic emphasis has endured. One hopes that the pandemic highlighted the important strategic input of CHROs and that they are and will continue to be called upon in this area.

However, CHROs still spent the highest amount of time (21%) in Leading the HR Function. While the numbers have decreased slightly over the years, this still remains the role that consumes the most CHRO attention.

Talent Architect (17%), Counselor/Confidante/Coach (15%) and Board Liaison (11%) each account for more than 10% of a CHRO's time, and each remained relatively consistent over the previous three years. Finally, Workforce Sensor (9%) has remained stable and Firm Representative (5%) has seen a slight reduction in time spent. The latter finding can easily be explained by the fact that much of the Firm Representative role takes place at CHRO and business professional association meetings. Because those meetings were held virtually rather than face-to-face, the lack of travel and more efficient (albeit not necessarily more effective) networking reduced the time requirements for this role.

FIGURE 1

Time Spent in CHRO Roles





CHROS AND THE BOARD.

A second question asked CHROs to report on how much of their time with the board was devoted to a number of issues and these results are shown in **Figure 2**. Again, consistent with past research, the greatest time commitment was around executive pay (37%). However, while not displayed in the figure, the past 5 years have seen a dramatic reduction in time spent on this issue relative to the beginning of the survey, when reports often ranged in the 50 and 60 percent range.

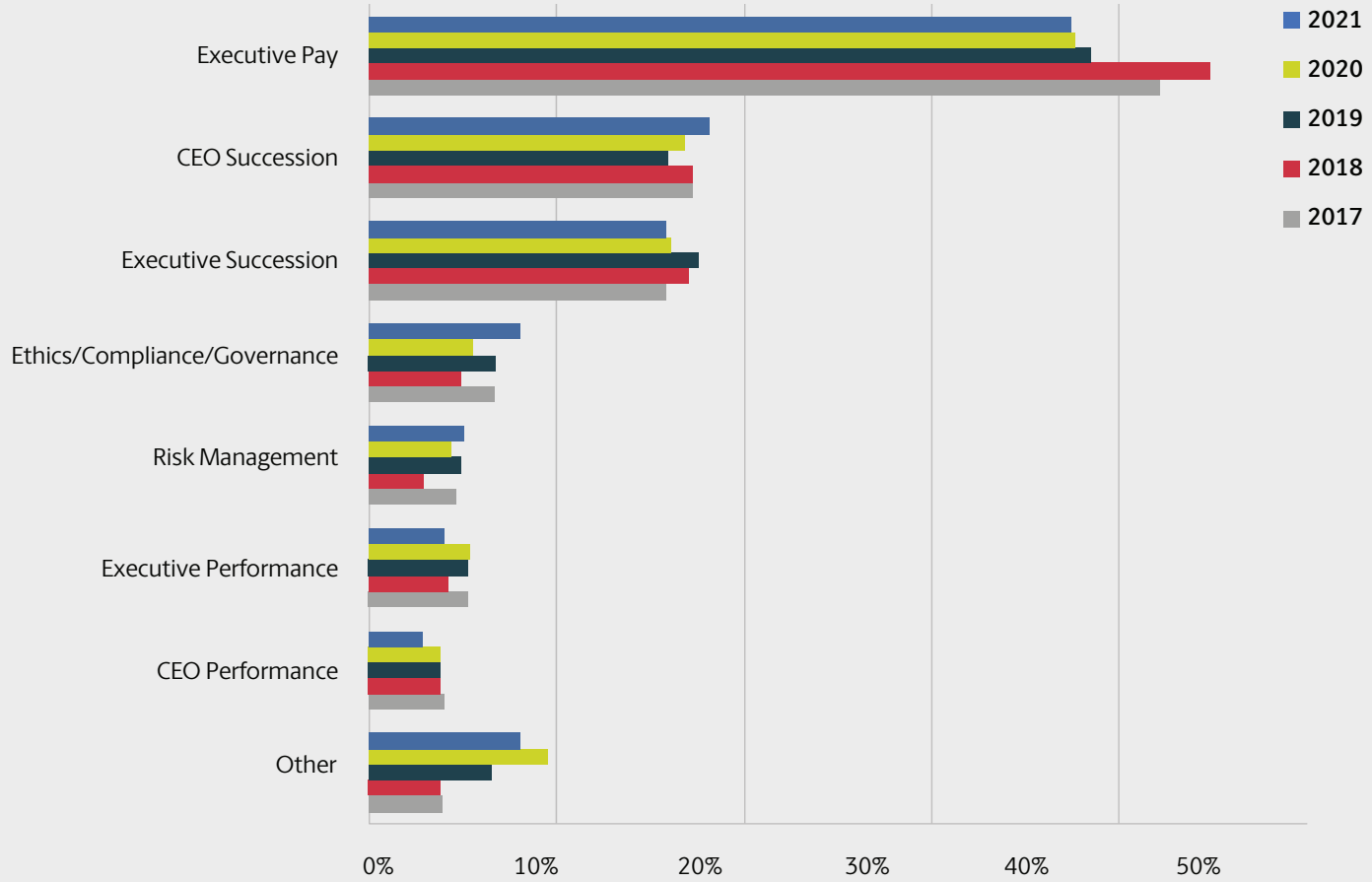
In demonstrating boards' increasing focus on executive talent, CHROs spent considerable time with the board on CEO succession (18%) and executive succession (16%). Again, these issues have become greater points of emphasis over the past 5 years compared to early years when these numbers were each 10% or less.

Interestingly, this year (and 2020) the "Other" category accounted for a significant (8% in 2021 and 10% in 2020) amount of time interacting with the board. To understand this phenomenon, we explored the areas CHROs reported in this category. By far, Diversity, Equity, and Inclusion topped the list with 13 of the 33 CHROs who wrote in responses noting this as one of the areas. Culture and Talent/People Strategy also received 5 or more mentions, suggesting that boards increasingly focus their governance attention on the critical people drivers of the business.



FIGURE 2

Time Spent on Issues with the Board

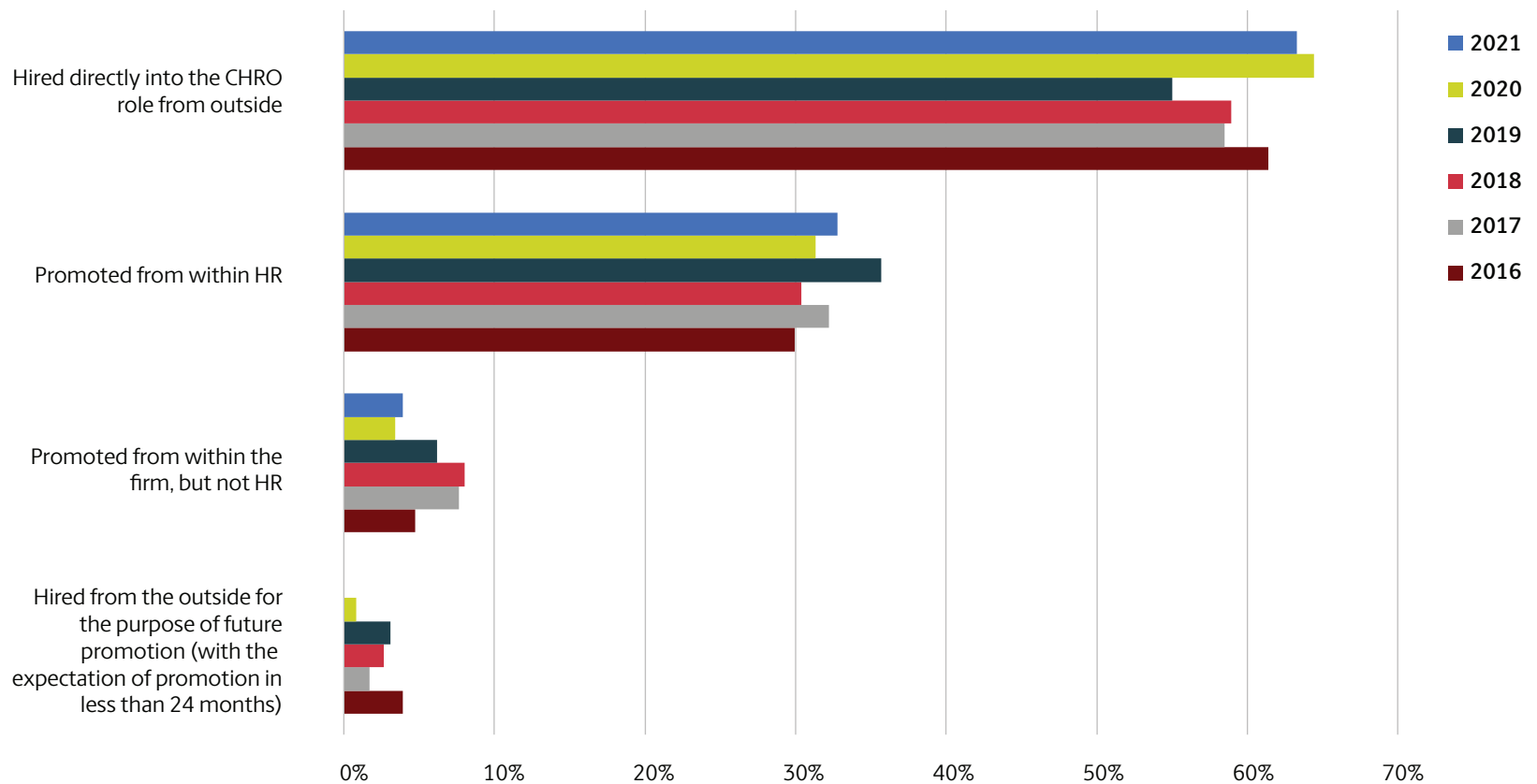


CHRO, CFO, AND CEO PATHS.

Our research has consistently examined how CHROs, CEOs, and CFOs came into their roles. **Figure 3** shows the trends for CHROs over the past five years. Disappointingly but not surprisingly because of the consistency of results over time, CHROs hired from outside (63%) continue to far outpace those developed and promoted internally from within HR (33%). One positive result is that there are fewer “non-HR” CHROs (4%) currently placed into the role. Additionally, the number of instances where the eventual CHRO was brought into the organization to become CHRO in a couple of years dropped off substantially.

FIGURE 3

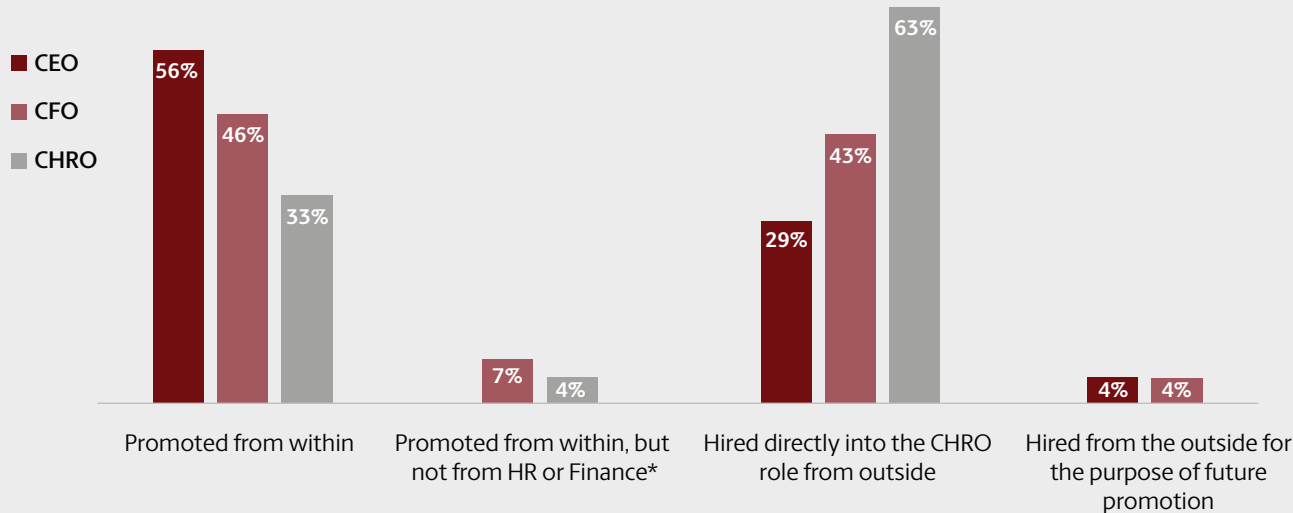
How were you Promoted to the CHRO Role?



When comparing CHROs to CFOs and CEOs, **Figure 4** shows that far more CFOs (46%) and CEOs (56%) were promoted internally and far fewer (43% and 29% for CFOs and CEOs, respectively) were hired directly from outside the firm. While not displayed in the figure, we note that when compared to past data, CFOs seem to be decreasing in terms of internal promotions (mid-50%'s in the past) and increasing in outside hires (low- to mid-30%'s in the past). Interestingly, the percentage of individuals hired from outside with the expectation of future promotion into these positions remains low (4% for CEOs and CFOs). This is surprising given that hiring individuals from outside can provide a trial period that reduces some of the risks associated with direct outside hires (e.g. culture shocks).

FIGURE 4

Path to Position



*only applies to CHRO and CFO

ELT AND BOARD CLIMATE

As in past surveys, we asked the CHROs to describe the “climate”, or shared perceptions of the group and its functioning, of both the ELT and the Board of Directors. These items covered two aspects of how the group functions. First, “Cohesion” describes the extent to which the members work as a team in terms of cooperating with each other, depending on each other, standing up for each other, working together and regarding each other as friends. Second, “Diversity and Inclusion climate” comprises the level of trust in and appreciation of each other, how well they resolve conflict and have healthy debate, value each other as people, feel they can reveal their true selves to other members, and seek the input from all members. Note that this is less a traditional measure of diversity and more a measure of how people are accepted for who they are regardless of their background. The results for the ELT and the Board are illustrated in **Figures 5 and 6**, respectively.

Across both groups, the highest ranking item deals with the extent to which the members cooperate with one another, and

the lowest item concerns the extent to which they consider one another friends.

Comparing the two groups, it appears that the Boards display greater cohesion and a more positive climate for diversity/inclusion as eight of the sixteen items had means above 4.0. In particular, CHROs reported boards to be highly cooperative with greater trust, culture for appreciating differences, and the ability to depend upon each other. This manifests in a boardroom where directors effectively resolve conflict, value their colleagues, and engage in healthy debate while working as a team. The ELT, in contrast, only had three of the fifteen items with means above 4.0 for the ELT. While there are 16 items of comparison for the Board, there are only 15 items for the ELT. The numbers in both graphs are correct.



FIGURE 5

ELT Cohesion and Diversity & Inclusion Climate

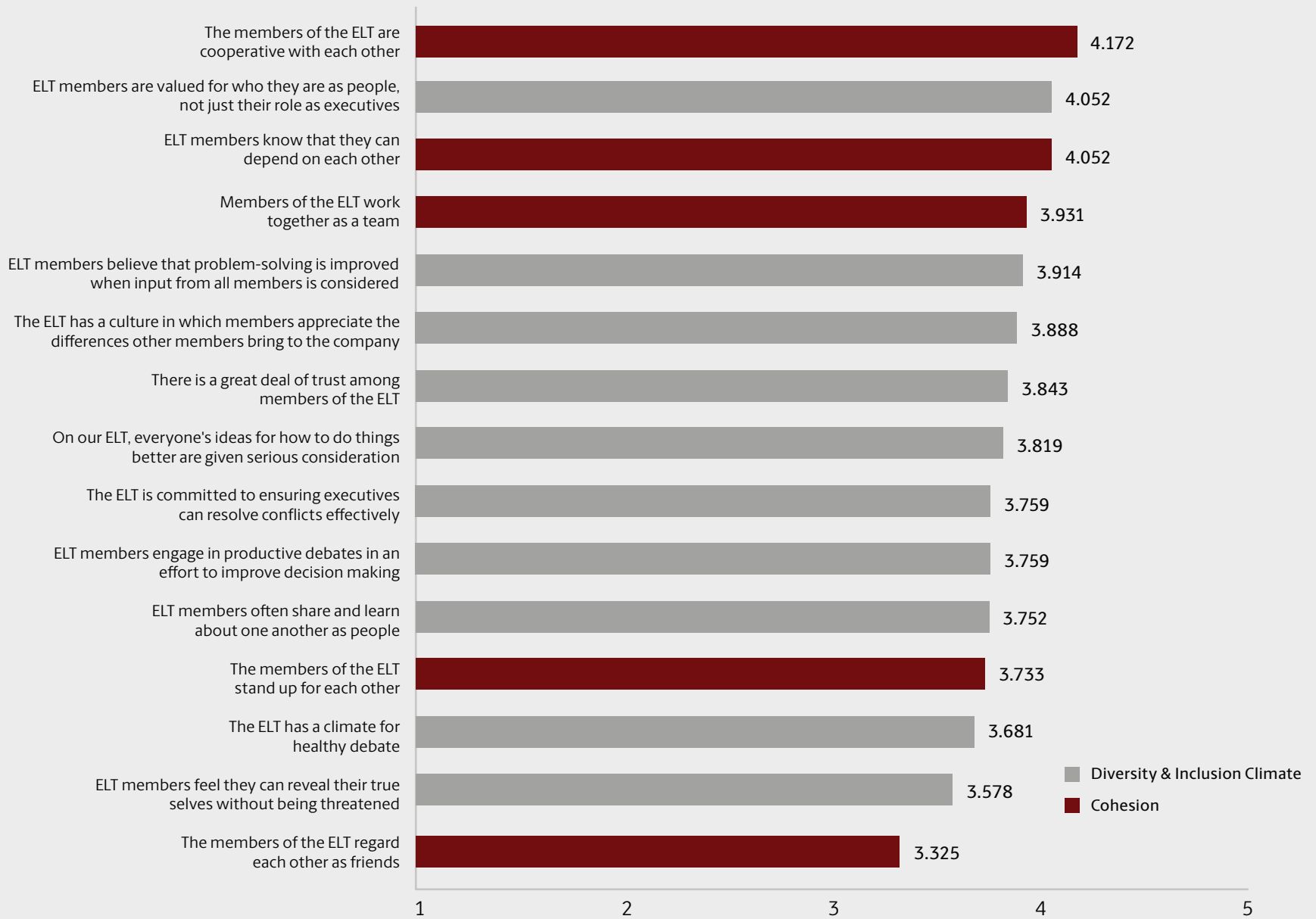
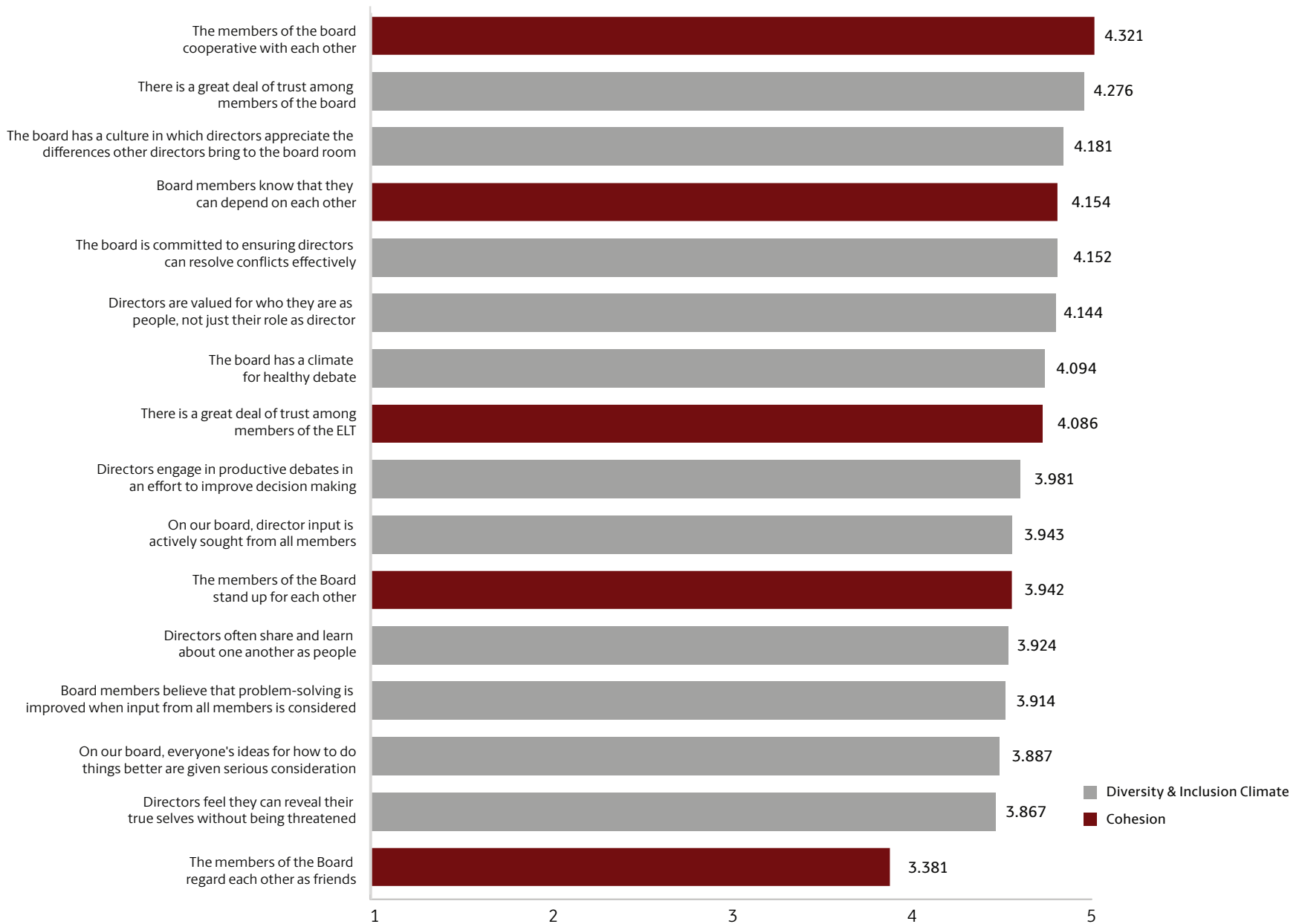


FIGURE 6

Board Cohesion and Diversity & Inclusion Climate



CEO GENERATIVITY AND ITS IMPACT

The 2020 survey introduced the characteristic of 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 with the purpose to guide the next generation. 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. As such, it is likely that highly generative CEOs will undertake actions that build the pipeline of talent that will lead the organization in the future.

In the 2020 survey data, we saw that CEO Generativity was positively related to a number of characteristics of the ELT, the board, and

aspects of CEO succession. The survey data from 2021 shows that these results are consistent across both years. As **Table 2** shows, the survey data from 2021 finds similar positive relationships between CEO Generativity and these measures.

On a negative note, last year we found significant relationships between CEO Generativity and the diversity of the ELT and both the short-term and long-term CEO succession pipeline. However, as Table 2 illustrates, none of these critical relationships were statistically significant, suggesting that the relationship between generativity and diversity in the pipeline were not systematically related.

TABLE 2

	CEO Generativity
ELT Cohesion	0.48*
ELT Diversity/Inclusion	0.53*
Board Cohesion	0.24*
Board Diversity/Inclusion	0.35*
Percentage of Women on the ELT	-0.02
Percentage of Racial Minority ELT Members	-0.04
Percentage of Women in the CEO Pipeline (1-3 Years)	0.14
Percentage of Racial Minority Candidates in the CEO Pipeline (1-3 Years)	0.1
Percentage of Women in the CEO Pipeline (3-5 Years)	0.1
Percentage of Racial Minority Candidates in the CEO Pipeline (3-5 Years)	-0.06
Succession Effectiveness	0.34*
CEO's Commitment to Succession	0.49*
Board Chair's Commitment to Succession	0.29*
Lead Director's Commitment to Succession	0.67*

*Indicates statistically significant correlations. These are illustrated in figures 8-15.

On a positive note, the results show that CEOs high in Generativity promote healthy relationships and processes with those they work closely with. **Figures 8 and 9** illustrate the positive relationship between Generativity and both ELT Cohesion and ELT Diversity/Inclusion climate. CEOs reported as the most generative also were reported to have the strongest level of ELT cohesion and the most positive climate for diversity and inclusion among the ELT.

FIGURE 8
CEO
Generativity and
ELT Cohesion
(2021)

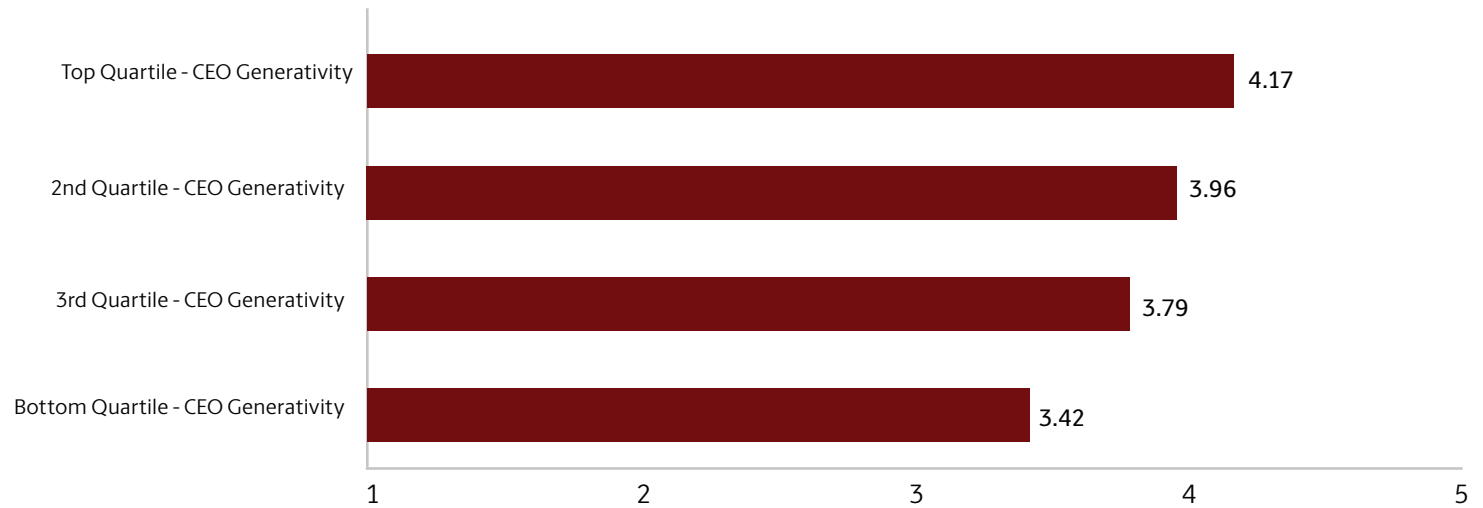
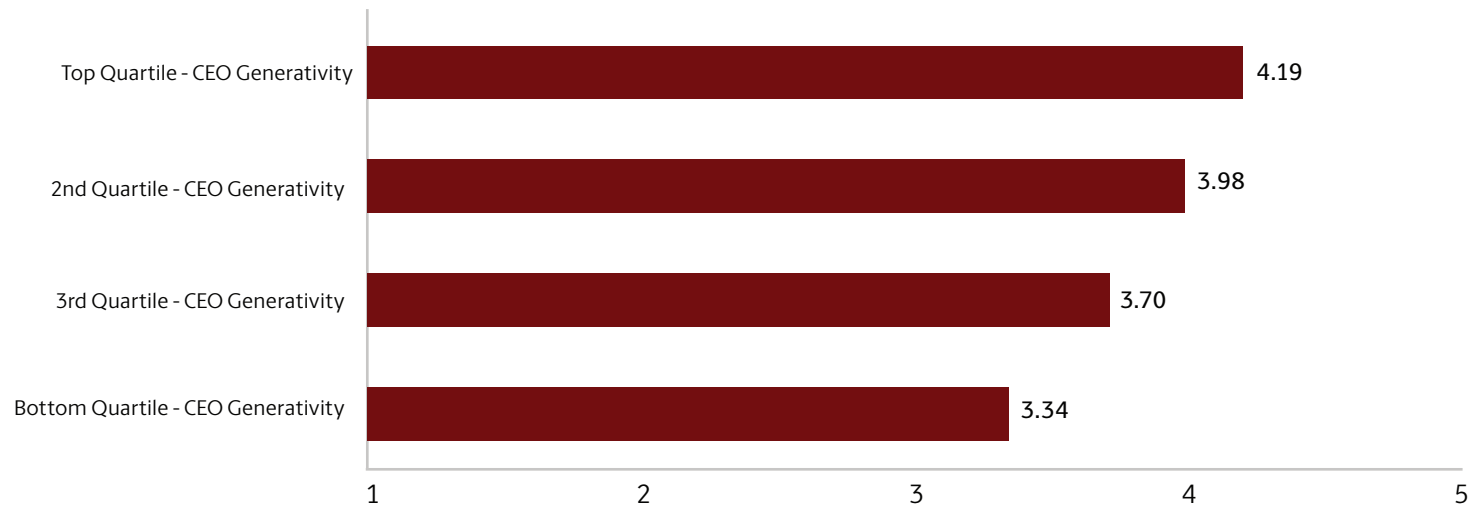


FIGURE 9
CEO Generativity
and ELT Diversity &
Inclusion Climate
(2021)



Similarly, CEOs high in Generativity are associated with boards that are both more cohesive (**Figure 10**) and have a higher Diversity and Inclusion climate (**Figure 11**).

FIGURE 10

CEO Generativity and Board Cohesion (2021)

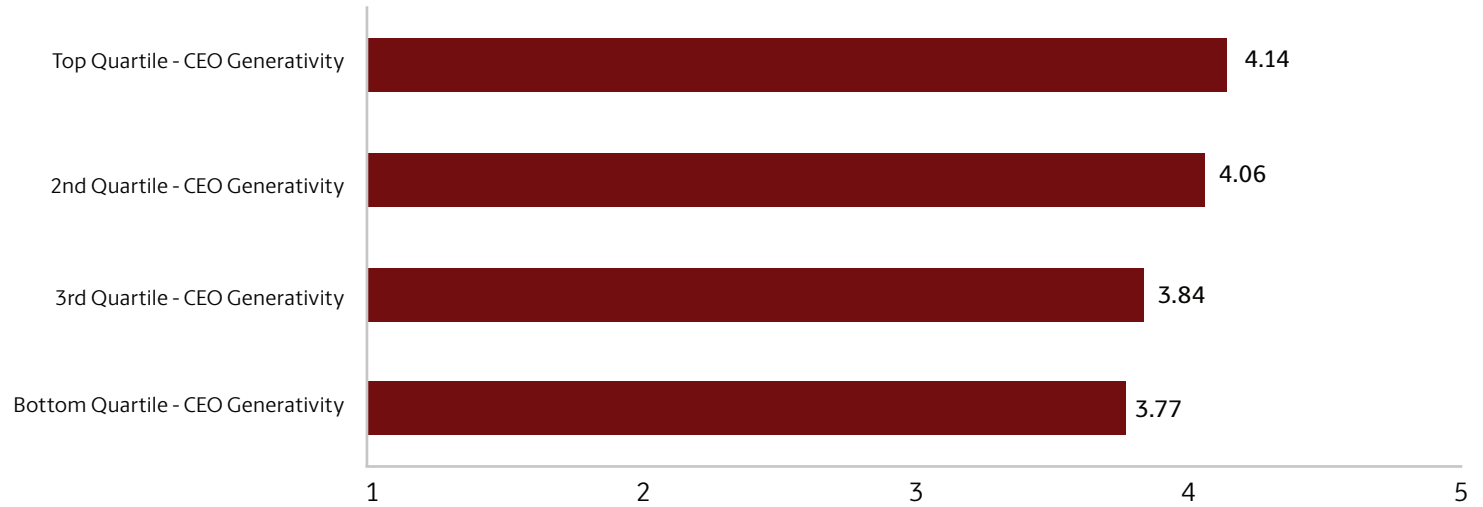
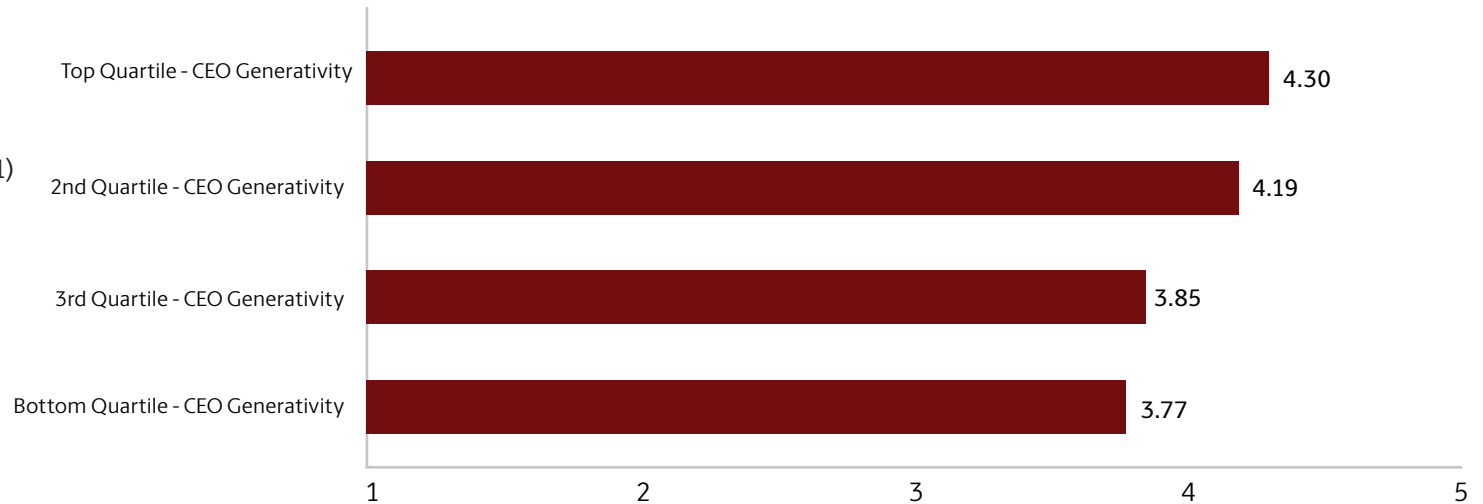


FIGURE 11

CEO Generativity and Board Diversity & Inclusion Climate (2021)



This positive impact of Generativity on the groups with which the CEO works most closely also generalizes to the CEO succession process. For example, we assessed the effectiveness of a number of CEO succession processes and found those processes positively related to CEO Generativity (**Figure 12**). Finally, CEO Generativity was positively related to the commitment of the CEO (**Figure 13**), the Board Chair (**Figure 14**), and the Lead Director (**Figure 15**) to the succession planning process. These last findings are important as they suggest that generative CEOs are likely to be heavily engaged in CEO succession planning and help engage the board and its leadership concurrently. Companies with less

FIGURE 12
CEO Generativity
and Succession
Effectiveness (2021)

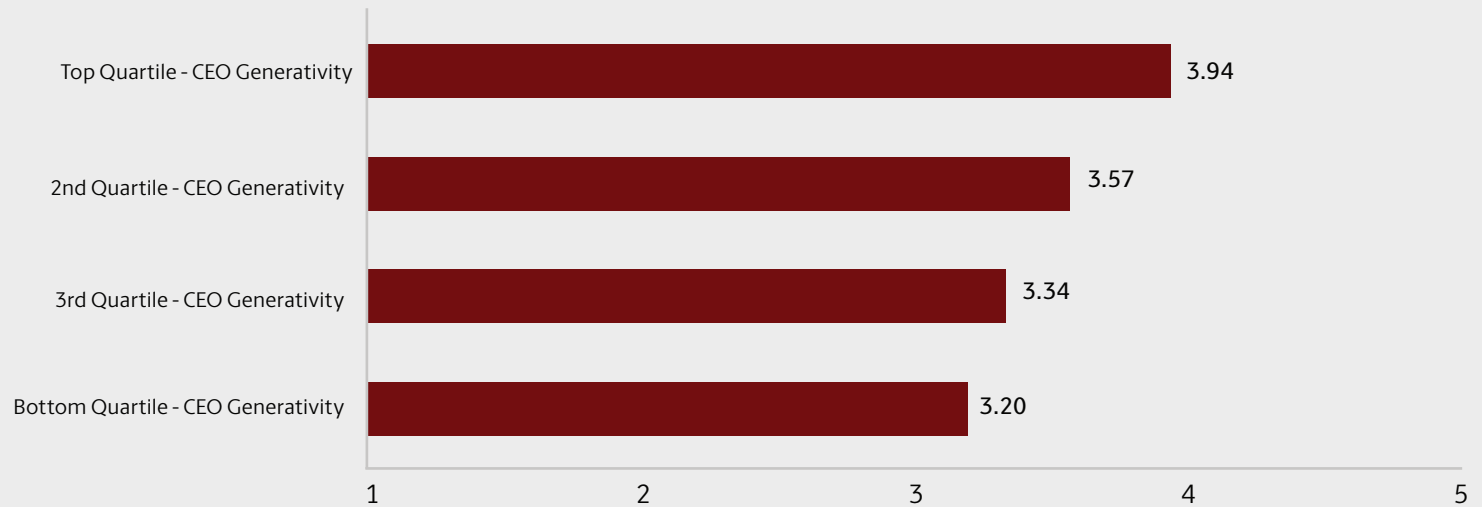
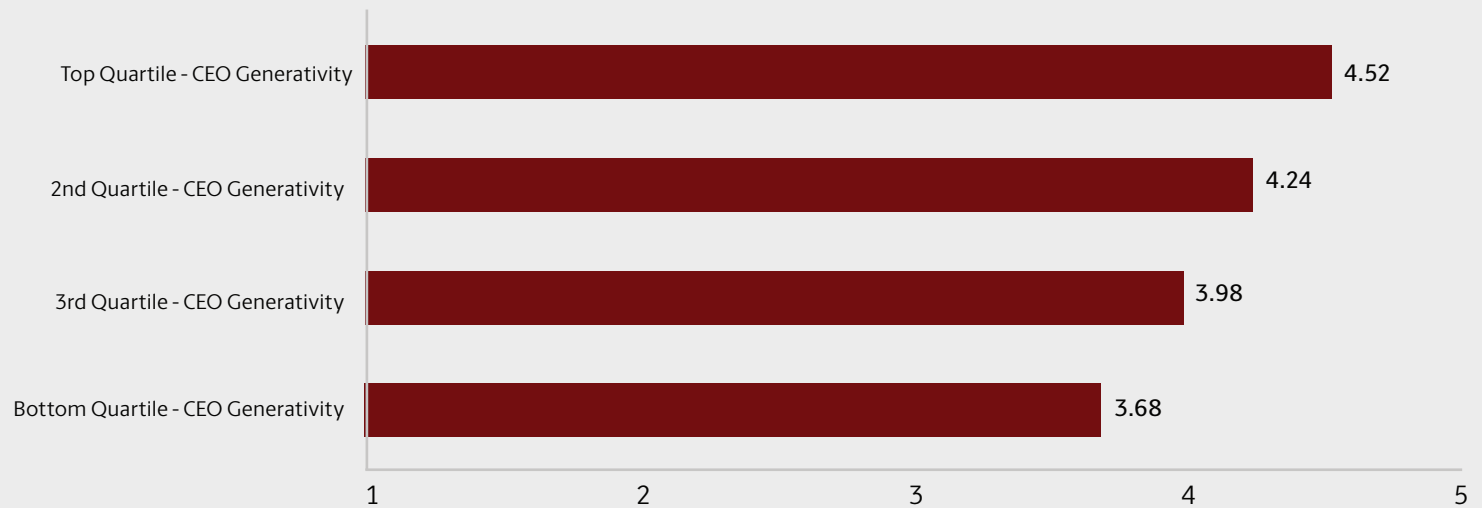


FIGURE 13
CEO Generativity
and CEO's
Commitment to
Succession (2021)



generative CEOs are likely to need to create structures designed to promote effective succession planning outside of the CEO's involvement, such as engaging the board chair or lead director more directly with the CHRO.

In summary, CEO Generativity appears to be a positive characteristic of CEOs indicating their focus on having a beneficial impact on the organization and others.

FIGURE 14

CEO Generativity and Board Chair's Commitment to Succession (2021)

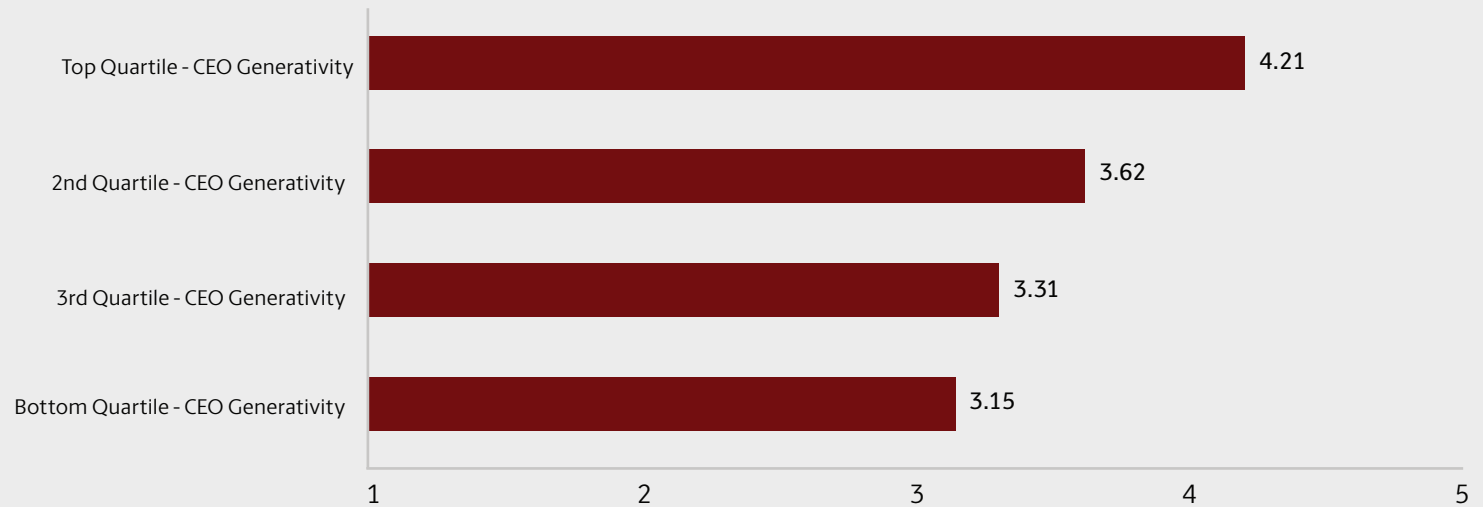
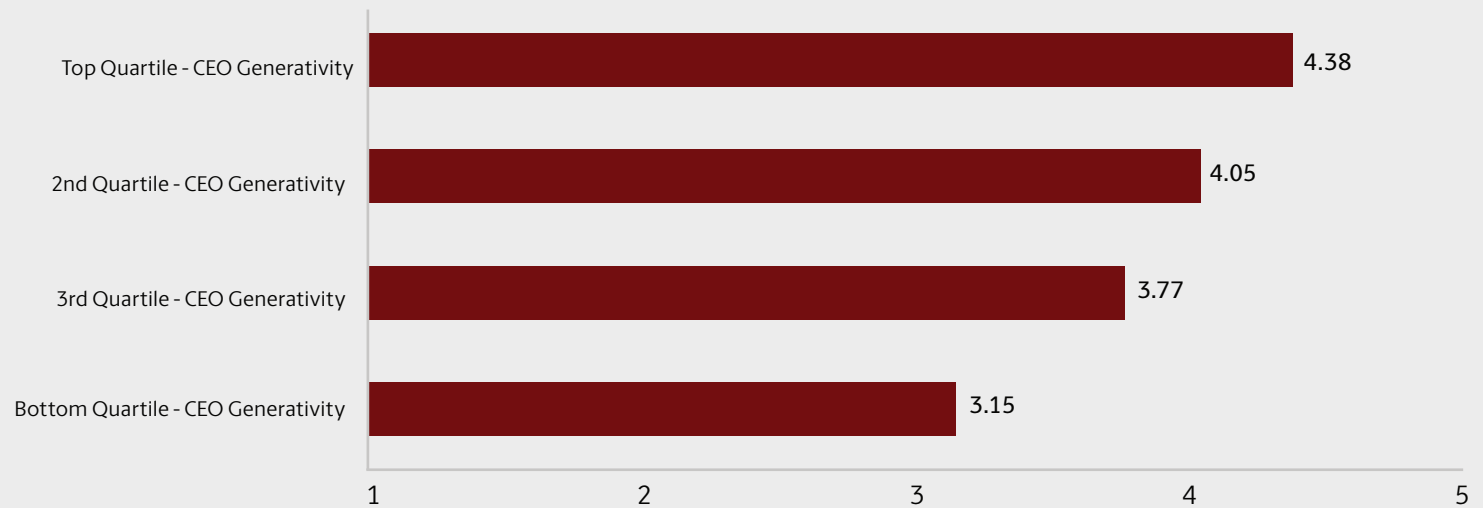


FIGURE 15

CEO Generativity and Lead Director's Commitment to Succession (2021)



CONCLUSION

The 2021 HR@Moore Survey of CHROs again examined how CHROs spend their time as well as how the interpersonal dynamics among both ELT and Board members. Finally, we again showed the positive correlations of CEO Generativity, or the CEO's concern for future generations.

These results are aimed at providing CHROs with a current state view of how their peers conduct themselves in the role and providing information on the function of CEOs, ELTs, and Boards.





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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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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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