C-Suite Succession Failures: Causes, Effects, and Prevention

Results of the 2015 **HR@Moore** Survey of Chief HR Officers

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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 its challenges, pitfalls and best practices. The sensitive nature of "behind the veil" processes has limited the ability of investigators 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 practices 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.

*This research was supported by the **Center for Executive Succession** in the Darla Moore School of Business at the University of South Carolina.*

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EXECUTIVE SUMMARY

This year's HR@Moore Survey of Chief HR Officers examined traditional aspects of the CHRO role. It also examined the weaknesses of a CHRO's predecessor and what current CHROs believe determine success in the role. The survey also examined the processes associated with succession failures among members of the C-Suite (CEO, CFO, CMO, CIO, CHRO, Business Leaders etc.); this report concerns this last issue.

We began by interviewing 7 CHROs each of whom had over 10 years experience in CHRO roles, and most across different companies. These interviews consisted of the critical incident technique where we asked them to recall and discuss a C-suite hire (one an internal promotion and one an outside hire) that within 6-9 months it became apparent that this person was the wrong hire. Based on the interviews, we developed questions we then asked participating CHROs in the 2015 HR@Moore survey of CHROs.

CHROs estimated in the survey that approximately 12% of external C-suite hires failed (compared to 30-50% estimates in our interviews) and that roughly 9% of internal promotions to C-suite positions failed (compared to 10-20% estimates in our interviews). The combination of our interviews and the survey also revealed that while it is typically clear within

6-12 months that a succession mistake occurred, the individual often remains in the position for more than two years, likely compounding the mistake. The survey results also make it clear that mistakes for outside hires are more costly than mistakes associated with internal hires.

Our findings also show that the primary cause of failure unique to internal promotions was an inability to scale an executive's capabilities to the requirements of a new, more demanding, role. The primary cause of external failures appears be an inability to develop trusting relationships, particularly with members of the Executive Leadership Team (ELT). Results also indicated that failures were also likely (for both internal promotions and external hires) if there was a mismatch of the job requirements and the person.

Our interviews and surveys also revealed that the succession process is often adversely affected by decision-making biases. By combining the role that decision-making biases play in creating failures with the reasons why promotions or new hires fail, we develop specific suggestions for how to improve the process. These suggestions are in the general categories of building the job profile, assessing the candidates, and the process by which decisions should be made.

Classroom in the Darla Moore School of Business.

INTRODUCTION

Members of the C-Suite (CEO, CFO, CMO, CIO, CHRO, Business Leaders etc.) bear the responsibility for defining, designing, and overseeing the implementation of the firm's strategic direction. Thus, these roles are some of the most critical in any firm. Because of their importance, identifying and selecting the correct individuals to fill these positions often determines the firm's success and even survival. In fact a study recently released by PwC found that a poor CEO succession decision (i.e., the difference between a natural CEO turnover and a forced turnover) results in a loss of $1.8 Billion in shareholder value.[1] The study reports that public companies who have suffered forced turnovers have lost more than $112 billion in shareholder value annually.

In spite of its importance, little is known about the C-suite succession process. Further, what is known often deviates from best practices for lower positions in the firm. For instance, recent meta-analyses show that cognitive ability testing, behavioral interviewing, personality testing, assessment centers, and work sample tests such as role-plays and simulations provide predictive information about individual job success. Yet, at the C-suite level many firms fail to use these techniques. As a previous HR@ Moore survey showed for CEO succession, firms rely most heavily on past performance records and fewer than 50% of firms use the methods noted above. One CHRO well versed in research on selection techniques referred to making outside hire decisions as "ignoring everything we know about the best ways to select people. Because they are confidentially searching, we cannot get references without jeopardizing their current job. They are so experienced that they refuse to take tests, feeling that their performance records should prove their skills. Thus we end up having them come for a day, have unstructured interviews with a number of senior leaders, and then make a decision."

[1] Favaro,K., Karllson, P., & Nielson, G., (2015)
The $112 Billion Succession Problem. Strategy+Business

Given this, one may not find it surprising that a number of C-suite succession decisions (both internal promotion and external hire) result in failure. We sought to examine (a) what causes firms to make poor C-suite hires or promotions, (b) the consequences of those mistakes, and (c) what might be done to minimize making such mistakes going forward.

We began by interviewing 7 CHROs each of whom had over 10 years experience in CHRO roles, and most across different companies. These interviews consisted of the critical incident technique where we asked them to recall a specific C-suite hire (one an internal promotion and one an outside hire) that within 6-9 months it became apparent that this person was the wrong hire. We followed up by asking them to describe what evidence pointed to the fact that the wrong hire was made, what the process was that led up to the hire, what they might have done differently that would have resulted in not making the hire, and what they learned from that experience. We also asked them to estimate the percentage of inside and outside hires they had seen over their CHRO experience that resulted in mistakes, and to estimate the cost of those mistakes.

The results of these interviews formed the basis for a number of questions that we developed for a section on the 2015 HR@Moore Survey of Chief HR Officers. These questions asked respondents to estimate the percent of C-suite mistakes they have seen for both internal and external hires, the costs of those mistakes, and to rate the importance of a variety of potential causes of the mistakes.

IDENTIFYING A C-SUITE MISTAKE

Before discussing the frequency, costs, and causes of C-suite failures, we need to define a C-suite failure. For each example the CHROs gave, we asked a specific question about how they knew that the decision had been a mistake, or the evidence that finally convinced the CEO that the individual had not been the right hire. The point behind the question was to ensure

that the failure did not exist only in the mind of the CHRO, but rather that data and consensus pointed to the unarguable nature of the failure. Some examples that the CHROs provided were:

"Business results were not on plan, team was not aligned around plan (not pulling in the same direction), didn't have full command of the business."

"S/he was a complete narcissistic, horrible leader, his/her way or the highway, would talk bad about everyone (including the CEO); if you didn't agree then you were an idiot."

"In the very beginning, his/her ego was apparent, they were worried about the culture fit, but they thought that s/he would be a great rep outside. S/he was really arrogant, treated everyone terribly. S/he was as strategic as we thought s/he was, but s/he lacked internal relationship skills s/he needed in that company. S/he failed in the last 5 yards…couldn't bring it to completion. Did not listen particularly well…gave appearance s/he did, but just pocket vetoed what s/he was told. S/he would say that it was the culture, and it was impossible to crack."

"S/he created a bloated infrastructure which evidenced a lack of operating intuition and experience. In addition, s/he always had 14 reasons why couldn't be on budget and complained about the 150 people who were holding this individual back from advancing the organization. All of the peer group started to visit the CEO with their list of complaints."

Based on the answers, we developed the following questions to help identify a poor succession decision that needs to be rectified:

• Is the individual's business/unit missing its targets?

• Is the individual blaming others for missing the targets?

• Is the individual generating multiple excuses for missing the targets?

• Does the individual seem to lack a full handle on the business?

• Has the individual failed to establish strong relationships with his/her peers?

• Has the individual talked poorly about his/her peers?

• Has the individual talked poorly about the CEO?

• Are the individual's direct reports misaligned around what they need to do (i.e., not all pulling in the same direction)?

• Are the individual's direct reports fleeing (transfers, turnover)?

• Does the individual act abusively toward those lower in the organization?

• Does the individual behave autocratically, failing to listen to others' ideas?

• Does the individual fail to accept constructive criticism and adapt behavior to feedback?

• Does the individual seem overly concerned with him/her self (status, perks, etc.)?

Having provided a framework for identifying C-Suite failures, we now turn to understanding the frequency and costs of such failures.

C-SUITE FAILURE: FREQUENCY AND COSTS

Based on the interviews we developed a number of questions to put before the CHROs participating in the 2015 HR@Moore survey of CHROs. We discuss the results below.
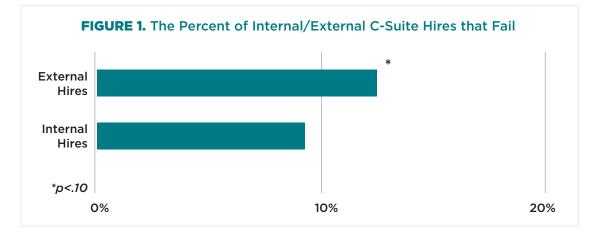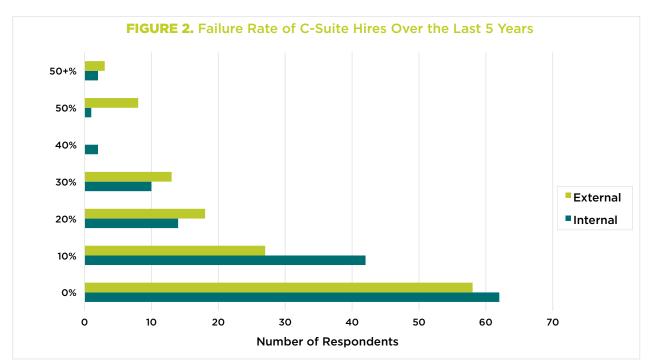
Sonoco Pavilion in the Darla Moore School of Business.

Frequency of Failure

First, we asked the CHROs to estimate over the past 5 years, what percentage of internal promotions (external hires) they would consider failures. The results differed greatly from that which we had heard from the interviews. As can be seen in Figure 1, CHROs estimated that approximately 12% of the external hires had failed (compared to 30-50% estimates in our interviews) and that roughly 9% of the internal promotions had failed (closer to the 10-20% estimated in our interviews). These results are marginally statistically significant suggesting that externals fail more frequently than internals. Figure 2 displays the percentages of CHROs who indicated each of the failure categories.

In talking with HR executives, one reason for the divergence between the estimates in the interviews and the estimates on the survey emerged. These executives suggested that the definition of failure on the survey item differed from that of the interviews in that the survey. In the interviews we focused on knowing within 6-12 months that the person had been wrong, but the survey defined failure as the person being removed within 2 years. A number of executives noted that often people

FIGURE 1. The Percent of Internal/External C-Suite Hires that Fail

*p<.10

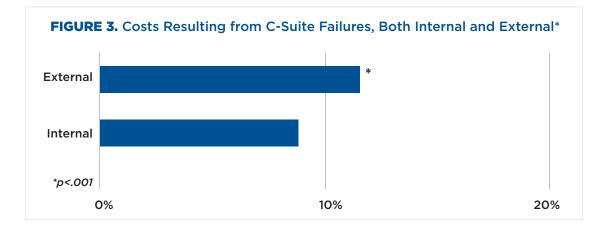**FIGURE 2.** Failure Rate of C-Suite Hires Over the Last 5 Years

are left in the role even when those around may know that it was a mistake to put them in the role. This may be because the performance is sub-optimal but not negative, important constituencies might be worried about the repercussions of removing the individual, or due to personal loyalties to the executive. Thus, often C-Suite peers may know that a hire/promotion was a mistake, but the individual may stay in the role for longer than 2 years.
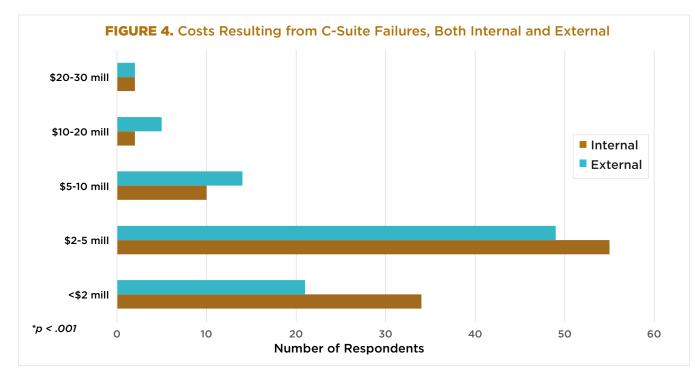
Cost of Failure

Similar to the interviews, we also asked the CHROs to indicate the average cost of a C-suite failure. The question specified that these were the direct costs (i.e., salary, bonus, severance, etc.) associated with the person's hiring and firing. As can be seen in Figure 3, the cost of an external failure was significantly higher than the cost of an internal failure. As can be seen in Figure 4, approximately 85% of respondents reported that internal failures cost less than $5 million compared to only 70% saying that of external failures.

Having observed that C-suite failure happens with enough frequency and high enough costs, we will now turn to examining the causes of such failures.

FIGURE 3. Costs Resulting from C-Suite Failures, Both Internal and External*

*p<.001

FIGURE 4. Costs Resulting from C-Suite Failures, Both Internal and External

*p < .001

Number of Respondents

CAUSES OF FAILURE IN INTERNAL PROMOTIONS

As mentioned before, in our interviews, we asked CHROs to recall a time when an internal candidate was promoted and it quickly became apparent that the person had been the wrong hire. These incidents revealed a few, somewhat, consistent themes regarding why internal candidates tend to fail. These are described below.

Inability to Scale

The greatest predictive dilemma facing an internal promotion to a C-suite role concerns an individual's ability to function effectively in a role with larger scale and complexity. Those who have succeeded running a $100 million business may not have the capacity to run a $1 billion business. Or an individual successful in managing within a region or nation may not effectively lead across a global organization. Similarly, a functional leader who has great skills in a specialized part of the function may not have the capacity to manage across multiple specializations comprising the overall function. Some examples of this failure are given below:

"S/he was very successful in a previous expatriate assignment that was regional. However, now that they are in the global role, they are struggling. There was also an acquisition shortly after the placement. S/he's now been there 1.5 years and has not been able to scale up. S/he seemed to be okay at a lower rank, but when put to a higher level, couldn't cut it."

"S/he had a terrific track record, strong executional results, hard-charging, blunt operator...like General Patton...all the strengths and weaknesses. Soldiers liked the executive because s/he was successful general, true meritocracy, tough as nails, good following. This division GM was then promoted to COO which we needed to run company successfully, but also partially to see if s/he could be a CEO candidate. We were less clear about his/her leadership abilities. We had to dismiss the individual 4 months after, which was quick, because s/he did not want to cooperate with corporate staff, wanted to operate independently, only with those s/he thought critical to his/her success. The individual entirely missed building a relationship with CEO, who s/he didn't view as his/her boss. In his/her mind, results were the only thing that matters... judge me on results. There was no one better suited to be GM of a division...s/he could move a team down the field, push it to completion. But s/he couldn't scale...his/her success in GM role didn't prepare him/her for top seat.

"The major predictive talent question – if they were to get a higher position, why might they fail? Usually the answer targets behavioral or capability problems. In this case the function had multiple dimensions to it and the employee had a lot of experience in just one of them. S/he simply lacked the capacity to manage the greater complexity."

The Role Changes the Person

A few of the interviews revealed examples of individuals who were promoted to C-suite roles that then began to exhibit behaviors never seen before. For example:

"Functional Leader. Had iterations within company. Looked like they fit the culture. Tested their abilities, but not in a big enough way fast enough. They found that they changed with the role... They weren't as able to work as well with others... The position might have gone to their head. S/he acted differently under pressure. The senior team didn't have confidence in the employee's credibility and decision-making. Became bossy to his/her team and hierarchical and stubborn (to the point of tears). Previously had been collaborative."

Tolerance for Poor Performance

Those promoted from within often have a network of advocates that want to see them succeed. This may create a bias that prevents true accountability and thus productivity in the new role.

> "One big take away is that people who are very well liked with long service—you give them the benefit of the doubt too often. You want them to succeed so you cut them too much slack. You give them too many chances, time etc. It is interesting how patient everyone had been with his/her lack of performance."

CAUSES OF FAILURES IN EXTERNAL HIRES

In contrast to internal promotion failures, where the capacity to scale to new job requirements is often most difficult, almost all of the examples of outside hire failures focused on the inability to establish relationships with those inside the firm, particularly the ELT peers. As one CHRO stated "I've never fired a senior executive for not having the technical competence. Always culture, fit, etc., it's always that."

> "I wanted them to fire them sooner. I talked to them and couldn't make any headway. Terrible cultural fit. The employee was good at cloaking. Narcissistic – didn't want to change and thought they were always right. Talked bad about CEO very openly. He/she was always calm/in control of their emotions. Thought he/she was just being brutally honest."

> "The candidate was low on EQ. However, s/he was scary smart, out of the box thinker, ideas were great and challenging. CEO said some of the ideas s/he provided were exactly why s/he was hired. S/he had no sense, however, of hierarchy and did not build relationships. Would throw peers under the bus to the board."

> "Negotiations with person were complex, warning signs in the negotiation, consumed with optics, titles, power symbols (cared about it a lot), real estate buyout, s/he was really leveraged."

These examples illustrate the need for greater efforts in assessing the personality and leadership style of outside hires. Because information on such characteristics can not be easily accessed from their current/past employer, outside hires should have significantly greater rigorous and systematic assessment in order to minimize such cultural misfits.

COMMON CAUSES OF FAILURE

In addition, two challenges emerged that were common across internal and external failures. Both dealt with a mismatch between the requirements of the role and the person brought in to fill it.

Overlapping, Rather than Complementary Skill Sets

The first issue concerns the need for complementary skills among members of the C-suite team. One CHRO pointed to an example of having a CEO and COO who both thought alike, including having similar strengths (strategic perspective) and weaknesses (operational attention).

> "Senior staff (C-suite and several board members) saw that the CEO and President became best buds. Then financial crises happened. The company was slow on uptake because there were too many cooks in the penthouse. The operating styles of both the President and the CEO were not close enough to the business."

This highlights the importance of recognizing the composition of C-Suite teams. While ensuring that each role is filled by individuals with the skills necessary to succeed in its requirements, the interdependence among ELT members requires a team-based analysis as well.
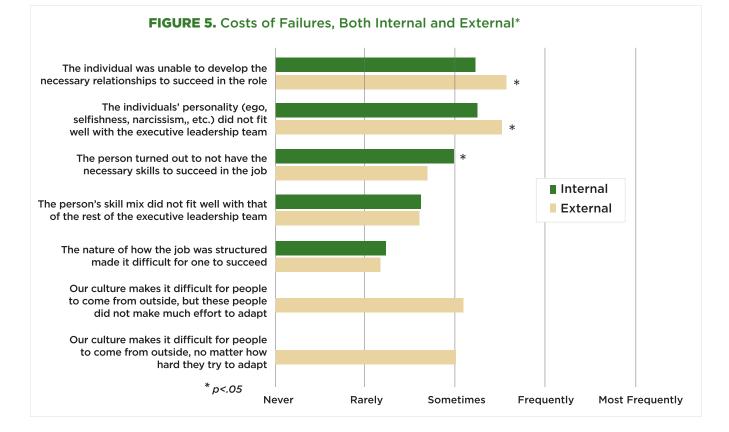
Business Change Creating a Mismatch

Another type of mismatch may stem from a change in the business environment. For instance, an executive brought in to instill strong financial and operational discipline during a recession may not be ideally suited to a fast growth strategy during an expansion, or vice-versa. One CHRO reported:

> "The executive was brought in to grow the top line, but then business tanked, needing cost cutting. S/he was good at growing the top line, but not at cutting costs, good at tax work. New CEO was a strategist but not operational expert. Challenges to revenue required dramatic reorganization. Needed a more operationally oriented CFO. The CFO was a nice executive with great people skills, but couldn't bring in people to run operational aspects. Brought in (a consulting firm) to assess people and showed him/her skill gaps that existed on the team, but s/he was too nice to move people to the right spots."

This suggests that C-Suite hires must be made in a forward looking, rather than past looking manner. Certainly sometimes the business environment suffers an unexpected shock that creates a mismatch. However, often some of the changes are relatively predictable (e.g., a pharmaceutical company that knows some popular drugs will come off patent protection), and decisions should be made with those scenarios in mind.

CAUSES OF C-SUITE FAILURE: RESULTS OF THE 2015 HR@MOORE SURVEY OF CHROS

Based on the interviews, we developed a set of survey items asking CHROs to indicate, based on their experience, how frequently each of the potential issues was the reason behind an internal/external C-suite failure. Six of the causes were common to both internal and external hires, but we presented two additional ones for external hires dealing with the extent to which the culture makes it difficult for outsiders to assimilate. These results are presented in Figure 5.

FIGURE 5. Costs of Failures, Both Internal and External*

The individual was unable to develop the necessary relationships to succeed in the role *

The individuals' personality (ego, selfishness, narcissism,, etc.) did not fit well with the executive leadership team *

The person turned out to not have the necessary skills to succeed in the job *

The person's skill mix did not fit well with that of the rest of the executive leadership team

The nature of how the job was structured made it difficult for one to succeed

Our culture makes it difficult for people to come from outside, but these people did not make much effort to adapt

Our culture makes it difficult for people to come from outside, no matter how hard they try to adapt

Internal
External

* p<.05

Never   Rarely   Sometimes   Frequently   Most Frequently

Interestingly, for all C-suite succession decisions, the failure to develop relationships with peers and the individual's personality (ego, selfishness, etc.) were the most frequently cited reasons for failure. However, consistent with our interviews, the causes of failure differed significantly for internal promotions versus external hires. Externals were far more likely to fail due to a failure to develop relationships and their negative personality, and internals were far more likely to fail due to not having the skills necessary to perform the job. In addition, a poor cultural fit (either because the individual tried to adapt but did not succeed or the person did not try to adapt) were frequent causes of external hires' failure.

Clearly, the information asymmetry problem exists regarding external hires. While the hiring firm may know much about the individual's performance record, gaining information on the candidate's interpersonal and leadership style presents a significant challenge. Thus, it appears the inability to gain sufficient information in these areas often leads to poor hiring decisions.

On the other hand, the information on an external hire's performance may provide more solid data regarding that individual's ability to perform the role, particularly in cases where the person already holds that position in a different company. Because the internal candidate does not have the role, the firm faces a different challenge: prediction of the candidate's ability to scale up to the increased responsibility, complexity, and scale. Thus, firms often make poor internal decisions because they lack the assessment tools necessary to make such predictions.

DECISION BIASES IN C-SUITE DECISION MAKING

Often people assume that C-Suite decision making is a purely rational process that results in failure when insufficient information exists as part of the decision making process. However, research on decision-making has identified a number of decision-making biases that result in distorting or ignoring relevant information and lead to suboptimal decisions. In the interviews with CHROs as well as the written comments from past survey, we saw a number of these biases displayed. The most common biases we identified are discussed below. In addition, we provide some illustrative quotes from our interviews or past surveys that provide insight into what that decision bias looks like in an actual C-suite decision.

In-group bias: overestimating the abilities and value of our immediate group at the expense of people we don't know well, e.g., CEO's and boards, being predominantly white males, may subconsciously gravitate toward white male candidates.

> "Handling different perspectives on potential candidates - e.g. they like the people that present well versus the better rounded candidates who may not be as smooth or like them" (emphasis added)

> *Difficult conversations with the board:* "Diversity as a critical business driver and the importance of non negotiable diverse succession talent slates"

Post-purchase rationalization: subconsciously justifying a bad decision by convincing yourself it was a good one, e.g, the tendency of the

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CEO and board to not want to admit that an individual they chose is failing.

> "One big take away is that people who are very well liked with long service—you give them the benefit of the doubt too often. You want them to succeed so you cut them too much slack. You give them too many chances, time etc. It is interesting how patient everyone had been with his lack of performance."

Repetition bias: believing what is repeated most often, rather than what is most valid, e.g., as the CEO or Board Chair keeps repeating the qualifications of their preferred candidate, others begin to believe that candidate to be the best qualified.

> "One of the candidates is his "favorite" and widely recognized as someone thought of by the CEO as that."

Bandwagon effect: going with the crowd, e.g.. as the CEO and a few board members crystallized around a candidate, the others follow without clear reason.

> "Some years ago, I had to give the Board a "lesson" on assessing candidates with facts and tools and not opinion based on Board room observation only. That didn't sit well with some Board members, who felt this approach would hurt the chances of the candidate they supported at the time."

Overconfidence bias: putting too much faith in

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your own knowledge and opinions, e.g., CEOs and board members believe themselves to be superb judges of talent.

> "CEO had talked about C-suite staffing issues he wanted to resolve. One individual he wanted to hire. I advised the CEO not to hire that individual for 6 reasons. The CEO understood and did not disagree with these reasons but wanted someone he could trust and with whom he had a relationship/ worked with before."

Confirmation bias: focusing on information that confirms our already preferred course of action and ignoring information that does not confirm this action, e.g., once consensus emerges around a candidate, any negative information is ignored or discounted.

> "Boards pick the person they like. I would have picked a different candidate. This individual had big red flags in a more recent 360. However, the candidate had good scores on a 360 from 5 years before. They should have disregarded a five year old assessment and paid attention to the more recent red flag."

Incremental decision making and escalation of commitment: viewing decision as a small step within a larger process...perpetuates a series of similar decisions, when perhaps many of those decisions should be evaluated with a fresh mind.

> "At the last stage of the process we received an unsolicited reference that was negative – it didn't match up with other references and wasn't pursued – they said that they had "gone too far" in the process to pull the plug now.

We discuss these not as an indictment against CEOs and boards, but rather to illustrate how common decision biases infiltrate extremely important decisions, such as choosing the individuals with greatest responsibility for charting the future of the firm.

AVOIDING C-SUITE MISTAKES

Based on the interviews, the survey data, and data from past HR@Moore surveys, we sought to develop a more comprehensive approach to C-suite succession decisions that might minimize both the frequency and the corresponding costs associated with C-Suite succession failures.

After each of the examples that CHROs provided, we asked them to reflect on what they had learned from these experiences. A number of these learnings are summarized below:

"When hiring people, don't be in a rush. When you are too eager, you become biased to overlook the negative because they are so eager to fill the job.

"Can't assume things will work. Must remain critical of every candidate, even if you are desperate to fill the position. Put any other motives aside and be objective about who will be the best candidate."

"I learned that third-party assessment needs to be better utilized. At this level, there are wizards/charlatans who can bluff their way through interviews. Never trust my own abilities to figure it out without supplementing it with third party assessment."

"Condition the soil so transplant will have a chance. Do not underestimate the subtle sabotage and undercutting of the team."

"Theme of mistakes: hire was made based on personal loyalty rather than on the process, not laid up against the needs of the business. In the very near term it all came down to what the CEO was comfortable with."

"In considering hires, you must always look at dramatic issues that are affecting the company in the near future and consider these when evaluating skill sets"

These quotes illustrate anecdotal examples of things that CEOs, ELTs and boards can do to maximize the accuracy of the C-suite succession decisions. However, looking over the entirety of this report we sought to develop a more comprehensive approach to managing the process of C-suite succession decisions.

Between classes on the "Learning Level" of the Darla Moore School of Business.

GUIDELINES FOR MINIMIZING C-SUITE FAILURES

We suggest that firms seeking to make better C-suite succession decisions should ask the following questions in the design of their decision making process:

Build the Role Profile

The first necessary step in C-suite succession entails developing the proper role profile for the position. This requires looking to the future to determine the skills and experiences necessary for what the person in the position will face over the next 2-5 years rather than simply what the current role-holder has.

- What are the competencies necessary for this role considering what the business will face over the next 3-5 years?

- Do we anticipate a change in our growth trajectory (either upward or downward) and if so, will the profile remain the same under each condition? In what ways would the profile change under each condition?

- What are the competencies necessary for this role considering the CEO's current strengths and weaknesses?

- What are the competencies necessary for this role considering the strengths/weaknesses of the Executive Team?

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- What are the competencies or personality characteristics necessary to blend into the current ELT's culture or operating style?

- Is the role designed in a way that the incumbent can succeed...i.e., have enough authority?

Assessment

We heard a number of CHROs express frustration with the lack of good assessment techniques and the tendency for boards to feel as if their own ability to judge talent was enough. While subjective judgment plays a role in the process, a number of questions can help the assessments go deeper and stay more objective.

- How does the individual's performance history indicate possession of the most important competencies?

- How well has the individual demonstrated an ability to scale up to meet the needs of each increasingly large and complex role? What behavioral examples illustrate this?

- How much different is the role (scale, complexity, stakeholders, etc.) to the role the individual now occupies? Can we assess the individual's capability in these areas of difference?

- What do 360 degree evaluations indicate about the individual's leadership style and potential weaknesses? How reliable are these evaluations (frequency, over what length of time, how many respondents, any chance for them to be biased?)

- What indicators do we have about the person's overall cognitive ability/ability to learn?

- What indicators do we have about the person's overall ability to adapt in changing situations?

- What indicators do we have regarding the individual's ability to build relationships with superiors? Peers? Subordinates?

- What indicators do we have about the individual's ability to fit into the company's culture? The ELT culture?

- Has the individual demonstrated any narcissistic tendencies such as being overly concerned about title, perks, pay, etc.?

- How can we leverage objective third party assessments to gain additional indicators regarding the individual's potential areas of risk?

- Is the process sufficiently rigorous to identify the relevant information needed to make an informed decision?

- Are interviews and assessments performed rigorously enough to find potential weaknesses or are they conducted in a manner which might only provide confirmatory evidence rather than disconfirmatory information?

Process

Finally, CHROs expressed that often the process of a succession decision leads to suboptimal outcomes. The following questions can be asked throughout the process in order to maximize the decision quality.

- Have we cast a sufficiently broad net (both internally and externally) to ensure that we have an adequate pool from which to choose?

- Are all evaluative comments tied to the profile we have defined or are comments of a more personal/subjective nature?

- Have we sought out as much negative information as possible about the individual?

- Have we adequately weighted negative information, or do we seem to be discounting it?

- Has each individual identified and expressed what they consider to be the candidate's most likely area of risk?

- Have we assessed the risk of failure in the role relative to the risk of not filling the role right away?

- Have we given appropriate consideration to information obtained from individuals at all levels of the organization (i.e. subordinates vs. those of the Board?

- Should we consider whether relevant parties are in agreement regarding the competencies identified earlier (in building the profile) and which candidate possesses them?

CONCLUSION

Succession failures among members of the C-Suite (CEO, CFO, CMO, CIO, CHRO, Business Leaders etc.) are all too common (between 12-50% for outside hires and between 9-20% for inside promotions). Further, even though recognition that the promotion or hire was a failure may occur quickly, it often takes much more time before the person is removed, further compounding the mistake. Additionally, the costs associated with these failures are substantial, and greater if the hire is from the outside.

The primary cause of failure appears to be a mismatch between the job requirements and the person, and these mismatches may occur because the person was unable to fulfill the requirements at this new level or because the firm (or environment) changes and the candidate is not suitable for this change. Additionally, internal promotions that fail are often due to the person's inability to scale to the new job's requirements, and external failures often result from the new hire's inability to develop trusting relationships, particularly among the ELT and fit into the new ELT culture.

By combining the role that decision-making biases play in creating failures with the reasons why promotions or new hires fail, we develop specific suggestions for how to improve the process. In particular, organizations can improve the likelihood of success by building a clearly defined role profile, providing more rigorous assessment of candidates, and ensuring all information received is appropriately considered.

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 enhance 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.

Center for Executive Succession

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