

# THE CHRO'S ROLE IN CEO SUCCESSION

*A CHRO panel discussion moderated by  
author and researcher Patrick Wright, PhD*



The departure of a CEO and the process of determining a successor is one of the most high-stakes transitions any organization will face. The board of directors must identify what a future leader looks like; the sitting CEO must wrestle with the change in role and loss of control; and the prospective successors must undergo an evaluation process that at best is difficult, and at worst may feel opaque or inconsistent.

The CHRO plays an essential role in CEO succession, but there is a growing understanding in the CHRO community that this role is not always clear: CHROs can benefit from more exploration of strategies and best practices to help facilitate effective succession.

A panel of veteran HR experts explored these issues and the associated variables affecting succession situations in a lively discussion for members of the Seattle CHO Group in January 2014. The event, “CEO Transitions and the Board/CHRO Relationship,” focused on crucial challenges and valuable strategies for CHROs as they work with CEOs, boards of directors, and candidates during the succession process.

The panel discussion was led by author, researcher and professor Patrick Wright of the Darla Moore School of Business at the University of South Carolina. Professor Wright (whom *HRM Magazine* named one of the 20 “Most Influential International Thought Leaders in HR” in 2011, 2012, and 2013) conducted the 2013 [HR@Moore Survey of Chief Resource Officers](#), which focuses on CEO succession issues of fundamental concern to CHROs.

“Boards are under pressure to ensure they make good decisions in CEO succession,” he told the audience. “They look to the CHRO to head the process, but most CHROs have never been through it.” Professor Wright’s survey identifies

common challenges of the process, and best practices that can help CHROs facilitate effective results.

Four distinguished HR executives with recent experience in CEO transition joined Professor Wright and the CHO Group members for the conversation: Lisa Brummel, Executive Vice President of Human Resources for Microsoft; Kurt Fischer, Chief Human Resources Officer of the Bill & Melinda Gates Foundation; Michelle Clements, Senior Vice President of Human Resources for REI; and John Hooper, Senior Vice President of Human Resources at Weyerhaeuser.

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Professor Patrick Wright

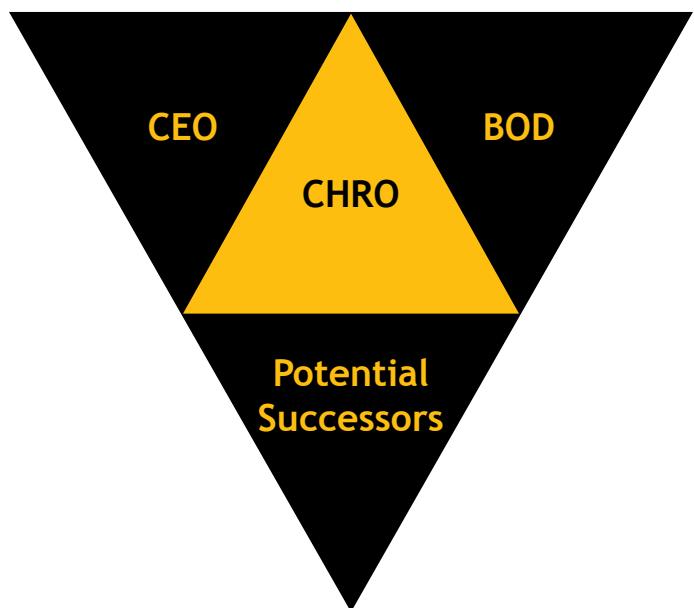
The panelists offered perspectives from a diverse set of transition circumstances. Microsoft was concluding an extensive and challenging CEO search involving multiple stakeholder input. The Gates Foundation recently completed a search informed by specific challenges of the nonprofit world. REI’s previous CEO was tapped unexpectedly last year to serve in the Obama Cabinet, precipitating a time-pressed search and transition. Weyerhaeuser brought its new CEO on board eight months ago after an intensive 18-month process.

## Challenges of CEO Succession

The panel identified a number of challenges in the process. Primary among them is facilitating board alignment on the profile criteria for an incoming CEO. Professor Wright noted that alignment is a critical issue for survey respondents as well, especially in ensuring the profile identifies the skills and experience needed to move the company forward into different strategies and environments - as opposed to simply reflecting the attributes of the current CEO. Ms. Brummel encouraged CHROs to take the time necessary to bring various (and sometimes conflicting) opinions into an aligned set of criteria: what will help build the company in the future? Mr. Hooper described his strategy of helping the board pencil out scenarios of what an “average, good, or great” decision would look like for future financial results, including benchmarking companies in adjacent industries that had made “average” or “great” decisions. This exercise energized the board’s commitment to make the “great” decision for the company, and helped them zero in on the attributes most important to achieving that result.

All the panelists also emphasized the importance of managing expectations and emotions of those inside the process (candidates, the board, and the sitting CEO) and outside it (employees, shareholders, and media). Ms. Clements described a previous succession process in her career in which internal candidates were vetted early and then forced to wait while external candidates were evaluated, resulting in frustration and organizational stress. Her strategy is to schedule the internal vetting later in the process. Communication is also critical: Ms. Clements remarked, “Know that you will have hurt feelings [from people involved in the process], and stay a step ahead.”

The panel’s experience supports a key conclusion of the HR@Moore survey: the CHRO plays a central role in an effective succession process by interacting with and integrating three major stakeholders: the CEO, the board, and the potential successors.



## Working with CEOs

Emotions can run high for an outgoing CEO. It can be difficult to step away from the prestige, power, and rewards of the position. It can also be tough to accept that the successor’s profile reflects new skills that are needed to take the company forward: as Professor Wright commented, from the CEO’s perspective, “Someone is telling me that I wouldn’t be good enough for this organization in five years.” That can lead to a reluctance to engage with the process or to contribute effectively during the transition. Additionally, difficult discussions may occur around the CEO’s loyalty to their own internal bench and perceived reluctance to fairly consider external candidates. As one HR@Moore Survey participating CHRO commented, “How do we get to a different answer than ‘No’?”

The panelists emphasized the importance of focused conversations with the CEO about these potentially sensitive issues, and urged CHROs to engage with, rather than avoid, the emotional complexity. As Mr. Fischer pointed out, “The start of a successful onboarding process for the new CEO is making sure the sitting CEO has a good transition out.” The CHRO can represent a neutral perspective and act as a sounding board for the CEO who is learning to let go.

### **Working with the Board of Directors**

CHROs have their work cut out for them when board members have vague or conflicting ideas about a successor profile. Specific criteria are vital to helping the board fairly evaluate candidates (especially those with whom they might not feel strong personal affinity). The panelists suggested a number of strategies, including interviewing each board member individually for input before trying to align them as a group on criteria; identifying the “non-negotiable” criteria; and clarifying who makes the final hiring decision (the full board or a committee). The panelists unanimously agreed that engaging a search firm is essential to bringing a diverse pool of external candidates to the process, and to running an efficient process that is perceived as unbiased and fair.

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Kurt Fischer, Bill & Melinda Gates Foundation

Once the transition occurs, it’s time for the CHRO to encourage the board and the new CEO to begin considering and planning for the next succession, so the company has time to develop internal talent.

### **Working with Potential Successors**

Development plans for internal potential successors, and providing them ongoing, meaningful exposure to the board, were two important elements cited by the panel and by survey respondents. Strategies suggested include “board buddies” for all senior level management; ensuring that CEO-directs present to the board at least once a year; and reviewing development progress and feedback regularly.

The panel reiterated the need for ongoing communication with candidates during the search process. Ms. Brummel also noted that CHROs must ensure the company has a clear plan for candidates who are not chosen. All panelists agreed that these “what if” discussions need to be open, transparent, and early in the selection process, since it’s a common outcome for unsuccessful candidates to leave the company—which affects the senior leadership team that the new CEO inherits.

### **Key Lessons for CHROs**

Professor Wright asked each panelist to identify a key lesson for the succession process. Mr. Fischer warned CHROs to be ready for bumps as personalities and emotions come into play. Expanding on that point, Ms. Clements emphasized the need for contingency plans and constant communication with all the players to manage their expectations. Mr. Hooper stressed the need to actively engage with the board debate necessary to lock down the successor-profile and selection criteria. And Ms. Brummel reminded CHROs that, “[The process is] not as linear as you’d like it to be. As an HR leader, you can be extraordinary in your process and execution, but it’s not linear.”

Professor Wright offered additional advice from the 159 CHROs who responded to the HR@Moore survey: encourage fact-based discussion of profile and evaluation criteria; keep everyone aware of the process; and help the players manage the emotions that necessarily arise as selection moves forward. Many additional insights are available in the [HR@Moore Survey report](#).

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Lisa Brummel, Microsoft

Managing an effective succession process to the best long-term result for the company requires planning, flexibility, consistent communication, and the ability to balance the perspectives and emotions of the sitting CEO, the board of directors, and the candidates. The CHRO, with his or her big picture view, understanding of the players, and strategic skill set, is uniquely positioned to lead from the center.

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### *About the CHO Group*

The CHO Group is a membership organization that provides strategic business leaders in HR access to leading-edge ideas, practices, and wider perspectives that help them add bottom-line value to their organizations. The group operates in several locations in the Western United States. For more information, email [chogroup@waldronhr.com](mailto:chogroup@waldronhr.com).

