Inside the C-Suite:

The CEO, the Board, and the ELT

Results of the 2017 HR@Moore Survey of Chief HR Officers

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The 2017 HR@Moore Survey of Chief HR Officers asked respondents to provide information on the relationships among those in the C-suite and the board. The results revealed that half of the respondents reported that their CEO also served as the Chairman of the Board (indicating there is a separate Lead Director), while the other half had an Non-Executive Independent Chairman of the Board (Non-executive Chair). Non-executive Chairs tended to exert greater monitoring of the CEO and provide more advice relative to Lead Directors. There did not seem to be any differences in the effectiveness of the relationship or the level of collaboration between the CEO and the Non-executive Chair or the Lead Director. However, higher levels of trust existed between the CEO and the Lead Director than between the CEO and the Non-executive Chair. When asked about the kinds of tensions that existed between the CEO and either the Non-executive Chair or Lead Director, the most frequent answer was that there were none, but some noted that Non-executive Chairs were more likely to disagree with the CEO over CEO pay and Lead Directors were more likely to have conflicts with the CEO over strategic direction. Finally, CHROs reported that the board weighs accounting profits, strategic decision-making, revenues, shareholder returns, and strategy implementation most heavily when evaluating the CEO.

CHROs reported that Executive Leadership Teams (ELT) ranged from 4 to 20 individuals (although 77% ranged between 7 and 12) with the most popular (modal) number being nine. Chief Operating Officers/Presidents and CFOs were on 100% of the teams, CHROs on 98%, and Chief Legal Officers on 94%. Chief Marketing Officers (69%) and Chief Information Officers (54%) were less likely to be part of the ELT. Finally, 61% of firms had at least one business unit leader on the ELT, with the number of business unit leaders ranging from one to ten and a modal number (18%) of four.

In terms of dynamics among the ELT, CEOs were most likely to rely on the CHRO as a confidant, followed by the CFO and the President/COO. Almost half (49%) of the ELTs meet monthly, with 37% meeting every other week. CHROs reported that the most popular areas where ELTs could work better together were around strategic focus, operating as a team, collaboration, alignment and management of issues, and open communication. The most popular way that CEOs seek to improve ELT effectiveness is by building team culture and fostering open communications. CEOs formally appraise ELT members annually (49%) or semi-annually (29%) and these performance management processes are most effective for guiding incentive payout decision and identifying underperforming executives. Finally, when asked about the differences between the ELT performance management process and that of the rest of the organization, 29% of CHROs reported they were the same, whereas others identified differences in terms of providing more ongoing feedback (20%), being more informal (18%) and having a stronger focus on metrics and outcomes (18%).
Overview

Part of the 2017 HR@Moore Survey of Chief HR Officers asked CHROs to respond to questions about the CEO’s relationship with the Board Non-executive Chair or Lead Director, about the nature and size of their Executive Leadership Teams, and how the CEO manages the team. This year 134 out of 505 CHROs responded to this section of the survey for a response rate of 27%.

The question of CEO duality (serving as both the CEO and the Chairman of the Board) has been of interest to those focused on corporate governance. Proxy Advisory firms such as ISS and Glass-Lewis have come out against such a structure, arguing that it gives the CEO too much control. Academic researchers have explored CEO duality and found both positive and negative effects. We sought to get an insider’s perspective on differences in the relationship between the CEO and either the Non-executive Chair (if the CEO is not the Chair) or the Lead Director (when the CEO is the Chair). In addition, much has been written about an Executive Leadership Team (ELT) without ever clearly defining what it is and who comprises it. Thus, again, this year’s survey provided us with an opportunity to explore both the nature and composition of the ELT.

Thanks to the Center for Executive Succession partner CHROs for their support of our research:

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CEO Duality and Its Effects

One important question facing the field of corporate governance concerns who leads the Board of Directors (BOD), given that the board has a responsibility to shareholders to ensure that the company’s leaders are working in the shareholders’ best interests. The Chairman of the Board plays the leadership role in how the board functions, setting the agenda of the board meeting, and thus, largely controlling what the board sees and hears. CEO duality exists when that Chair is also the CEO, thus, giving the CEO greater influence over the information provided to the board. If the Chair is independent (i.e., not an executive of the firm; Non-executive Chair), good governance advocates suggest that the board is better able to guard against executives withholding relevant information that the board needs to fulfill its governance responsibilities. Regardless of the formal structure, the Non-executive Chair/Lead Director acts as the primary interface between the board and the CEO, and thus it is important to understand how the relationship between these two individuals may be impacted depending on which structural form the company chooses.

On the survey, we asked a question about whether the CEO also served as the Chairman of the Board and a series of questions about the CEO’s relationship with the Non-executive Chair or Lead Director as well as the board’s method of evaluating the CEO. As can be seen in Figure 1, both arrangements resulted in an effective relationship, the Non-executive Chair/Lead

![Figure 1](image-url)

The CEO’s Relationship with the Non-executive Chair or Lead Director

- **Non-executive Chair**
- **Lead Director**

- **The relationship is effective**
  - Non-executive Chair: 4.3
  - Lead Director: 4.3

- **Defers to the CEO’s judgment**
  - Non-executive Chair: 3.9
  - Lead Director: 4.0

- **Acts as a sounding board**
  - Non-executive Chair: 3.8
  - Lead Director: 3.8

- **Formally evaluates the CEO’s performance**
  - Non-executive Chair: 3.9
  - Lead Director: 3.8

- **Provides CEO advice**
  - Non-executive Chair: 3.7
  - Lead Director: 3.9

- **CEO solicits advice**
  - Non-executive Chair: 3.7
  - Lead Director: 3.4

- **Monitors CEO’s strategic decision making**
  - Non-executive Chair: 3.5
  - Lead Director: 3.1

- **Facilitates CEO’s relationship with the Board**
  - Non-executive Chair: 3.2
  - Lead Director: 3.0

- **Operates at arm’s length**
  - Non-executive Chair: 3.3
  - Lead Director: 2.9

- Not at all
- Slight extent
- Moderate extent
- Great extent
- Very great extent
Director deferring to the CEO’s judgment, and the Non-executive Chair/Lead Director acting as a sounding board. Differences were observed in that, relative to the Lead Director, the Non-executive Chair was more likely to monitor the CEO’s strategic decision-making closely, operate at arm’s length, and have the CEO solicit advice. Non-executive Chairs were slightly more likely to provide the CEO advice and facilitate the CEO’s relationship with the board.

Figure 2 shows that trust is slightly greater between the CEO and the Lead Director than between the CEO and the Non-executive Chair. CHROs reported that the two parties trusted one another “to a very great extent” in 68% of the cases with the Lead Director compared to only 50% with an Non-executive Chair. We must note that overall CHROs reported that the two parties tended to be relatively high in terms of trust.

We then asked CHROs about any sources of tension between the CEO and the Non-executive Chair or Lead Director in an open-ended format. We coded these responses into similar themes and found very few differences. First, as seen in Figure 4, the most popular response was that there were no tensions between the CEO and the Non-executive Chair (38%) or Lead Director (42%). Non-executive Chairs were slightly more likely to be involved in tension around the firm’s strategic direction (23%) than Lead Directors (14%). Lead Directors were more likely than Non-executive Chairs to have tensions around compensation (14% vs. 4%) and C-Suite succession and talent (12% vs. 6%).

However, virtually no differences existed in terms of collaboration. As seen in Figure 3, over 80% of CHROs reported that the relationship between the CEO and the Non-executive Chair/Lead Director was collaborative to a “great extent” or “very great extent”.

Figure 2
Trust Between the CEO and the Non-executive Chair or Lead Director
- Non-executive Chair
- Lead Director

Figure 3
Collaboration Between the CEO and the Non-executive Chair or Lead Director
- Non-executive Chair
- Lead Director

Figure 4
Sources of Tension Between the CEO and the Non-executive Chair or Lead Director
- Non-executive Chair
- Lead Director
Finally, we asked about the relative importance of different kinds of information that the board uses to evaluate the CEO. As seen in Figure 5, four types of information stand out with all receiving average ratings of 4.2: accounting profit metrics, strategy formulation/strategic decision-making, revenue metrics, and shareholder returns/stock price. In addition, strategy implementation came in close behind these top 3. Customer metrics, employee engagement, cost containment, relationships with employees, and analyst reports all fell below 3.5.

These results may call into question the concerns of “good governance” advocates who suggest that Lead Directors cannot govern the CEO as effectively as Non-executive Chairs. We see almost no differences between the metrics used by boards led by an Non-executive Chair and those led by the CEO/Chairman. In addition, it does not appear that many differences exist in terms of the overall relationship, trust, and collaboration between the CEO and either the Non-executive Chair or the Lead Director. While certainly, CEO duality may provide narcissistic or Machiavellian CEOs with more leverage over the board, our past research has shown that few CEOs fit this negative stereotype. Thus, the choice of a structure, CEO/Chairman vs. Non-executive Chair, may be more of a choice dependent upon a company’s particular context rather than one of greater or lesser effectiveness from a governance standpoint.

**Figure 5**
The Board’s Methods of Evaluating the CEO

<table>
<thead>
<tr>
<th>Metric</th>
<th>CEO is not Chairman</th>
<th>CEO is also Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy formulation / strategic decision-making</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Accounting profit metrics</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Revenue metrics</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Shareholder return / stock price</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Strategy implementation</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Communication with stakeholders</td>
<td>3.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Operational metrics</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Customer metrics</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Cost containment</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Relationship with employees</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Analyst reports</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Media reports</td>
<td>2.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Least important  Slightly important  Moderately important  Very important  Most important
The Executive Leadership Team

Significant amounts of academic research have attempted to explore how the ELT affects decisions and outcomes for organizations. However, this research primarily uses only the executives listed in the proxy, which represents the highest paid employees, but does not necessarily represent the actual executive leadership team as defined by the CEO and how the team operates. We sought to gain insider information across companies about how each defines the ELT, and how the CEO seeks to manage the ELT.

We first listed the most common C-suite jobs (COO, CFO, CHRO, CMO, CLO/GC, and CIO) and asked (a) if the company had such a position and (b) if the position is part of the ELT. We also asked what other positions were part of the ELT, enabling us to develop a count of the number of individuals that comprise the ELT. As **Figure 6** shows, ELT size ranged from 4 to 20 executives (inclusive of the CEO). However, the vast majority (77%) of teams had between 7 and 12 executives, with the modal and median number being 9 executives.

Our results showed that 58 companies did not have a COO, 42 did not have a CMO, 4 did not have a CIO, and 1 did not have a CHRO on the ELT. In terms of who comprises the ELT, **Figure 7** shows that of the companies that had the position, 100% of COOs and CFOs are on the team, 98% of CHROs are on the team, and 94% of CLO/GC’s are on the team. In addition, only 69% of CMOs and 54% of CIOs are part of the ELT. Together these results suggest that most companies have a CIO, but almost half do not put this person on the team, whereas only 46% have a CMO as part of the ELT, with a large percentage (34%) not having one, and 20% having one, but not making that individual part of the ELT.

**Figure 6**
Executive Leadership Team Size (Including the CEO)

<table>
<thead>
<tr>
<th>ELT Size</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>1%</td>
</tr>
<tr>
<td>17</td>
<td>1%</td>
</tr>
<tr>
<td>16</td>
<td>2%</td>
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<td>14</td>
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<td>8</td>
<td>13%</td>
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<tr>
<td>7</td>
<td>4%</td>
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<tr>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>5</td>
<td>3%</td>
</tr>
<tr>
<td>4</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Excludes other functional leadership (e.g., Manufacturing) and business unit leadership (e.g., Division President).
We then asked what other positions (not listed) were part of the ELT. As Figure 8 shows, 39% of CHROs reported that no business unit leaders were part of their ELT. In these cases, the CEO seemingly relies on the functional heads (CFO, CHRO, etc.) as the team that makes major strategic decisions for the corporation. Such cases may illustrate situations where business leaders are asked to run their businesses with the resources provided by the corporate office or may be indicative of single business firms who do not have a need for a multi-divisional structure. On the other hand, about 50% have 1, 2, 3, or 4 business unit leaders as part of the ELT.

Finally, we coded the responses to the other positions that appeared on ELTs that were not business unit leaders (Figure 9). The most popular functional category dealt with positions devoted to Public Relations, Communications, Investor Relations, or Government Relations, such as “SVP Communications” with 32% having such a position on the ELT. In addition, 25% noted a position devoted to strategic activities such as “Chief Strategy Officer.” We also found 24% had a position devoted to Engineering, R&D, Technology, or Innovation such as “Chief Technology Officer.”

Furthermore, 21% of CHROs reported a position dedicated to Ethics, Compliance, Risk, or Audit with titles such as “Chief Compliance Officer” or “Chief Risk Officer.” Interestingly, 20% of CHROs reported industry specific or corporation specific positions such as “Chief Medical Officer,” “Chief Science Officer,” or “SVP Underwriting.” Lastly, 20% reported a position devoted to operations or manufacturing (e.g., “SVP Operations”) and 16% of firms had a position on the ELT devoted to supply chain (e.g., “EVP Supply Chain”).
Managing the **ELT**

In understanding the ELT, we first asked the extent to which a variety of individuals serve as a confidant to the CEO. As seen in **Figure 10**, not surprisingly, given our CHRO sample, CHROs scored as the closest level of confidant (4.1) followed by the CFO (3.9) and the President/COO (3.7).

**Figure 10**
Confidants to the CEO

We also asked about the frequency of ELT meetings, and **Figure 11** shows the results. Almost half (49%) of the ELTs meet monthly and over a third (37%) meet every other week.

We asked survey participants to indicate the area(s) where the ELT has the greatest opportunity for improvement in how they work together. As **Figure 12** shows, the greatest area for improvement was around “Strategy formulation and alignment,” with 30% of CHROs mentioning this. This category usually described situations
where team members were pursuing their own business agenda rather than taking a larger, enterprise-wide focus. Many of these respondents also indicated challenges with “Open Communication” (20%) and “Collaboration” (19%), so these factors may help explain issues with aligning on strategic focus. Second, “Teamwork/Camaraderie” was also mentioned by 24% of the CHROs, and often described the fact that the group seemed to work more as a “team of leaders” than as a “leadership team.”

Next, “Open Communication,” identified by 20% of the CHROs, dealt with team members exhibiting passive-aggressive behavior, failing to be transparent, inadequately expressing their own opinions, and failing to challenge one another. The next two, Collaboration (19%) and Trust (11%) were often mentioned together. While separate categories, these concepts are intertwined, as collaboration entails people working together, and such behavior often depends on having relationships of trust with one another. “Decision making,” identified by 17%, comprised being better and faster at making strategic decisions. Finally, “Communication level” described a different communication problem. As opposed to open communications, 5% of CHROs described the fact that because the team is so busy, they often do not have time to communicate with one another.

We then asked about what the CEO does to increase the effectiveness of the ELT in terms of how they work together, and Figure 13 displays these results. The most popular strategy was “Builds team culture,” with 28% of the CHROs mentioning this. This might entail “bringing in a team coach,” “conducting a new manager assimilation with the team,” “having a recreational event,” or “having weekend gatherings and team building sessions including spouses and significant others.” Second, the CEO seeks to foster more open communications (19%) as he or she “encourages all to participate in team
discussions,” “includes everyone in communications,” “encourages members to talk,” and “opens all topics up for input and discussion.”

Third, 11% of CHROs noted that the CEO meets with the ELT outside of regular meetings such as “bi-weekly one-on-one with directs,” “regular one-on-ones,” and “he’s very effective backstage working with the team members.”

However, not all CHROs had positive descriptions of how the CEO seeks to improve how the team works together. Comments included:

“Not enough...he is the hub and the ELT are the spokes...we need to work on issues more holistically as a team.”

“Not a strength of his.”

“Not a lot. The team focuses on team norms on occasion, but it is not driven by the CEO.”

“Not enough! He is OK with the discussion but the sense of the group is that he wants to hold the decision with himself and the CFO.”

“Our CEO’s biggest development opportunity is conflict resolution. So, I end up playing that role often.”

Word cloud made from CHRO’s answers to the question: “How can the ELT work better together?”

[Image of a word cloud with various words such as collaboration, decision, trust, and strategy prominent in the visualization.]
Some examples of how CEOs seek to improve the effectiveness of the team are provided in Table 1.

It is important to note that many CHROs describe multiple ways that most (but not all) CEOs try to increase how ELT members work together, yet many also note that ELTs do not work well together in terms of alignment, communication, collaboration and trust. This does not suggest that CEOs are ill equipped or unwilling to build teams. Rather, the nature of executives (e.g., highly ambitious, very smart, performance-driven) combined with the structure (e.g., disparate business units or functional responsibilities) and incentives (rewards for delivering executives’ personal business or functional plan) creates a perfect storm for, at best, apathy towards other ELT members, and at worst, antagonism toward and conflict with other ELT members. This seems to be an inherent structural flaw in ELTs, requiring significant attention, effort and investment to overcome. Thus, the fact that ELTs are not perfect should not necessarily reflect the CEO’s lack of effective leadership. However, it should spur CEOs to attempt to invest their time and energy in understanding the limitations of and minimizing the potential negative consequences of the structure and related support mechanisms, such as incentive plans.

Table 1. Examples of CEOs’ Efforts to Build the Team

“The CEO calls regular meetings of ELT members (though topics are ad hoc) to address specific issues and challenges together.”

“He gives people space to truly own their area and expects each of us to work together and solve issues together. Very seldom does it take his involvement to solve things we can and should work out ourselves.”

“He is great at not playing favorites. He manages to maintain close relationships with all members of the ELT in different ways. He values everyone contributions and never lets disagreements fester. He makes sure everyone is direct with each other to resolve issues.”

“Demonstrates through his actions what ‘good’ looks like. Sets expectations with the ELT accordingly. Holds ELT accountable (there are consequences for poor behavior).”

“Encourages all to participate in team discussions. Supports comments from all. More time for networking. More relaxed and greater decision making allowed.”

“We spend a great deal of time on culture, team effectiveness and how we work together. Quarterly we spend two hours just on the team and how we are interacting and supporting each other. Each member of the team also has an executive coach that focuses on individual behaviors and how they each interact with each other.”

“Leads by example, explicitly sets expectation for how we interact, invests time to host team-building events one to two times per year.”

Photo courtesy of the University of South Carolina Athletics Communications and Public Relations Department
We also wanted to examine how ELT members are managed in terms of formal evaluations. Many firms have been eschewing formal performance ratings for more frequent and informal conversations throughout the organization, but it is not clear how such changes may apply to the ELT. In addition, some CHROs have mentioned that the usual HR processes that exist throughout the organization do not exist in the C-suite. Therefore, we asked CHROs how frequently ELT members are formally evaluated/appraised by the CEO. As Figure 14 shows, almost half (49%) said that ELT members undergo formal appraisals annually, with 29% saying it is done semi-annually. Interestingly, 13% say that no formal appraisals are conducted for ELT members.

We also asked about the effectiveness of the ELT performance management process (PMP) for achieving a number of different objectives, and these results are displayed in Figure 15. The PMP is most effective for guiding incentive payout decisions and identifying underperforming executives (3.7). It is important to note that since the response scale was 1-5, this suggests that, on average, PMPs are not seen as “Extremely effective” for achieving any objectives.

Finally, we asked an open-ended question to CHROs about the differences between the ELT’s PMP and the PMPs in the rest of the organization. The most popular, but still relatively small, response was that the ELT’s PMP is consistent with the rest of the company (29%). Where there do seem to be differences, the major differences seem to be that the ELT’s PMP provides more ongoing feedback (20%), is more informal (18%), and has more of a focus on metrics and outcomes (18%).
Summary and Conclusion

This report provides insiders’ insights into the relationships between the CEO and the Non-executive Chair/Lead Director, and the CEO and the ELT. Contrary to a number of good governance advocates and proxy advisory firms, our results show few differences in the relationship between a CEO and either the Non-executive Chair or the Lead Director.

We also found that ELTs usually consist of between 7 and 12 executives, with CFOs (100%), CHROs (98%), and CLO/GC’s (94%) the most frequently and consistently represented. COOs are always on the team, but only about half of firms have COOs. Most firms (61%) also include at least one business unit leader as part of the ELT.

ELTs seem to need help in working as a team. The biggest areas of opportunity for them to improve are in alignment, open communication, collaboration, trust, and teamwork/camaraderie. CEOs most often try to get their ELTs to work together more effectively by building a team culture, fostering open communication, and meeting with ELT members outside of regular ELT meetings.

Finally, formal PMPs for ELT members tend to be conducted once or twice a year. While many are not different that the PMP for the rest of the organization, some tend to differ in that they are more frequent, more informal, and more focused on metrics and outcomes. However, these PMPs are rated, on average as being very effective only for making incentive payout decisions and identifying poor performing executives.

Word cloud made from CHRO’s answers to the question: “What does the CEO do to improve ELT effectiveness?”
Meet the Authors

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**Anthony J. Nyberg** is a Professor of HR and a Moore Research Fellow who examines how organizations compete through people, specifically the strategic role of pay in the attraction, emergence, retention, and motivation of human capital resources. He is also the Academic Director of the Masters of Human Resource Program, serves as Research Director for the **Center for Executive Succession**, and has received numerous awards for his research including AOM’s 2017 HR Division Scholarly Achievement Award. Prior to earning his PhD, he spent ten years as the managing partner in a financial services firm.

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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 has earned LEED Platinum certification, making it a model for sustainable architecture and sustainable business practices. Its open and flexible design facilitates enhanced 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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