



# LEVERAGE

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## PREDICTING CEO SUCCESS

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## Turning promises into real change

The dreams of the Civil Rights pioneers of the 1950s and 60s – to eliminate codified racial segregation and discrimination and the disenfranchisement of African Americans – seem at once

achievable and nowhere near close to fruition.

On the one hand, some progress has been made. We’ve had a Black President and now a woman of color as Vice-President. A growing number of stars in entertainment, media and sports are Black. The racially tinged attacks by police on innocent Black men have led to some high-profile convictions and some soul-searching among local, state and federal leaders. Most companies have adopted diversity, equity and inclusion promises and posted them online.

Meanwhile, more hate crimes are being committed against people of color than in decades. The pandemic fully exposed deep fault lines in equity of economic opportunity, housing and health. Governance has largely failed to identify and mentor diverse talent among their own ranks, so when the CEO and other top positions come open, Black candidates do not automatically get invited to apply, let alone win the posts.

The minority of health systems and healthcare service and product companies that have taken a long, hard look at diversity, inclusion and equity in their organizations understand how different perspectives and lived experience can lead to out-of-the-box strategies that positively impact the corporate bottom line. They also discover that without purposeful action from the top throughout the organization, diversity efforts go nowhere, and the result is a leadership team that doesn’t look like the communities being served.

Turning talk into action is what The Leverage Network is all about. Our Healthcare Executive Leadership (HcEL) Program provides a vehicle for organizations and their Employee Resource Groups to effectively activate their DEI efforts by creating a platform for organizations to demonstrate their investment in the professional growth and development of their diverse talent.

HcEL is a 6-month program with a curriculum designed to prepare senior Black professionals for the top C-suite roles within the healthcare ecosystem to overcome the “hiding in plain sight” phenomenon. The program gives participants tools and techniques to help them navigate their environments, advance as quickly as their talent and expertise can take them. The curriculum includes a wide array of real-world topics critical to career success and advancement, such as:

- Getting paid your worth
- Optimizing your odds of success in executive search
- Leveraging your relationship with the chief human resource officer

TLN has graduated two cohorts of the HcEL program. Of the more than 40 executives participating in the program, 40% have been promoted to higher positions with broader responsibility utilizing the tools and resources provided during the program.

Through our work we are changing how healthcare is led by creating a strong pipeline of diverse talent and actively closing the gap between upper management and the senior most opportunities for Black professionals.

*Antoinette (Toni) Hardy-Waller*

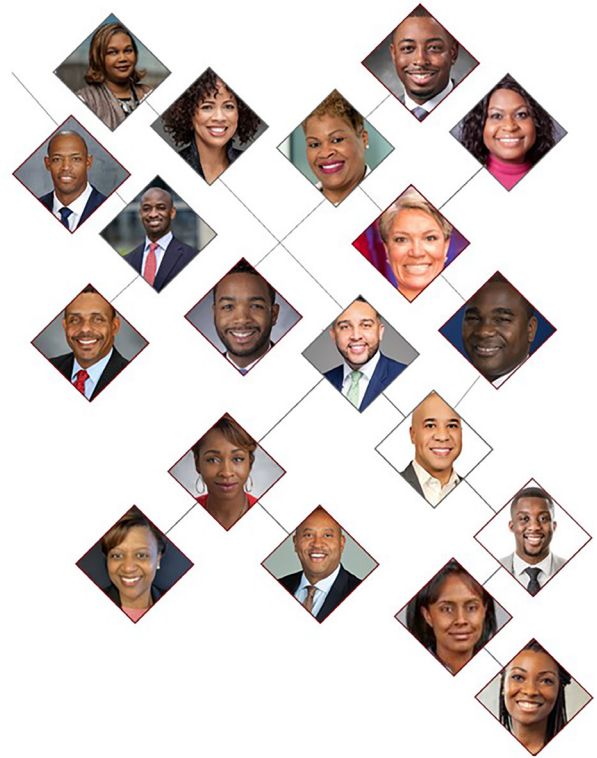
Antoinette Hardy-Waller  
Founder and CEO

# MARK YOUR CALENDARS!



*The Leverage Network's Annual Leadership Summit is the premier gathering of the most dynamic, influential, and successful Black executives in healthcare and corporate America committed to increasing diverse voices in the board room and the C-Suite to influence equitable and inclusive change. This event will feature disruptive panel discussions, innovative leadership sessions and TLN's annual "Equity Honors" awards dinner. Come JOIN US in leveraging our influence for change!*

***Registration opens soon; keep an eye on your inbox!***



## PREDICTING CEO SUCCESS: WHEN PERFORMANCE OUTPERFORMS EXPERIENCE

By [Claudius Hildebrand, PhD](#), and [Gregory J. Vaughn, MD](#), consultants with [Spencer Stuart](#)

The selection of a new CEO is a high-stakes decision for any board. Amid intense scrutiny and pressure, boards must consider extensive information about individual candidates and its relevance to the success of the business.

As a CEO succession process unfolds, it is not uncommon for boards to shift their orientation from maximizing upside such as in promoting or hiring talented executives from less senior positions – to minimizing potential downsides of their decision. As one director told us, “The worst thing that could happen is to pick a CEO who is a disaster.” For some, prior experience becomes a seemingly logical proxy for future performance. As doubts seep in about an unproven candidate’s ability to succeed, the door closes on a far wider set of leaders with different demographics and backgrounds.

In fact, demand for prior CEO experience jumped from 4% in 1997 to 19% in 2022 (using a 3-year rolling average of S&P 500 CEO transitions). When we asked 50 seasoned directors about the finding, most considered the ability to increase shareholder value a primary benefit of experience.

Such an assumption seems intuitive at first, and we often see it shape CEO selection processes, but what if the logic is flawed? Our research into [CEO performance and the CEO Life Cycle](#) finds no premium results from hires with prior CEO experience. In fact, studying the performance of 855 S&P 500 chief executives over a 20-year period, we see higher market-adjusted total shareholder returns for those serving in their first role.

First-time CEOs on average stay three years longer. And when we look at a subset of CEOs who led S&P 500 companies in both their first CEO role and in subsequent CEO roles, 70% performed better the first time. The median year-over-year performance difference between a CEO’s first and second role was a staggering 7% per year. While nearly every experienced CEO (97%) outperformed the market in their first role, only 38% managed to hit the same benchmark in subsequent roles.

Our research finds that first-time CEOs’ longer-term orientation and more balanced focus between profitability and revenue growth is reflected in their performance. Even in challenging environments, first-timers attempt to lead through a mix of growth and profitability. We see a sharper increase in revenue growth in the early years with operational efficiency slightly lagging. Most importantly, as first-time CEOs progress in their tenure, they manage to increase growth and operational effectiveness in tandem, while we see this convergence less often among experienced CEOs.

Understanding the real drivers of performance can help boards focus their decision-making and select the CEO who is most likely to succeed in light of the opportunities and challenges the company faces. As a product of their prior experience — or lack thereof — CEOs deploy different mental models in how they lead, resulting in different areas of focus and performance patterns.

## Diversifying the CEO pipeline

These findings have important implications for diversifying the CEO pipeline. Reliance on prior experience as an indicator of future success perpetuates the status quo and represents yet another barrier to underrepresented groups. Over-reliance on misleading indicators of success unnecessarily shrink an already small talent pool even further, thereby excluding many viable candidates who may not have been a CEO previously but have the essential attributes to lead complex organizations.

To remove the biases that disadvantage underrepresented groups, boards should use a structured assessment approach that focuses on how well executives align with the specific capabilities and leadership style required for success in the role, as well as individuals' ability to develop, adapt to changing contexts and make well-reasoned judgments. "If someone is CEO material, they will figure it out. Nobody is ever 'ready,'" one CEO told us.

For the longer term, boards, CEOs and chief human resource executives today should reframe how they manage their [CEO search and succession planning](#) so there is greater representation across all backgrounds in three, five and even 10 years. This requires consistent, deliberate efforts in six areas:

- Setting intentional objectives
- Building diverse leadership pipelines earlier
- Maintaining the diversity of the candidate pool right up through selection
- Balancing critical career experience with assessment for potential
- Mitigating bias through education and vigilance
- Providing post-selection support for success

Companies will improve the odds of having the right CEO for the future when they develop a pool of talent with diverse backgrounds, skills and perspectives. This requires a dynamic process to discover and develop candidates with high potential and a willingness to look beyond experience.



## HEALTHCARE EXECUTIVE LEADERSHIP CAPSTONE EXPERIENCE

June 7, 2023

In Collaboration With

Deloitte  
Greenhouse™

## CAPPING IT ALL OFF

On Wednesday, June 7th, prior to the kick-off of the [2023 Executive Women of Color Summit \(EWOC\)](#) in Charlotte, N.C., TLN will launch its new HcEL Capstone Experience in collaboration with the Deloitte Greenhouse.

What will be an annual program is the first of its kind, developed exclusively for HcEL graduates. This personalized, immersive and exclusive four-hour program is designed to crystallize the learnings and takeaways from the six-month program and equip participants with insight to effectively utilize these tools.

In a confidential, open, safe environment, executives will gain clarity on career priorities, optimizing stakeholder relationships and building a legacy. At the end of the intensive course each executive will be able to build their own success story and develop an actionable plan to execute.

The Experience will have an attendance limit. All HcEL Cohort members are encouraged to reserve your seat ASAP.

[Click here for details.](#)

The deadline to RSVP is Friday, May 26th.