# Chart of the Week

Incoming CEOS: Inside Promotions and Outside Hires

FROM *CEO SUCCESSION PRACTICES: 2013 EDITION*

The vast majority of CEO successions involve the promotion of an "insider" who has served at least a year with the company. Among S&P 500 companies announcing a succession event in 2012, 72.9 percent of incoming CEOs were "insiders." The average tenure-in-company of insider appointments was 15.8 years in 2012, consistent with the average of 15 years for 2000–2012.
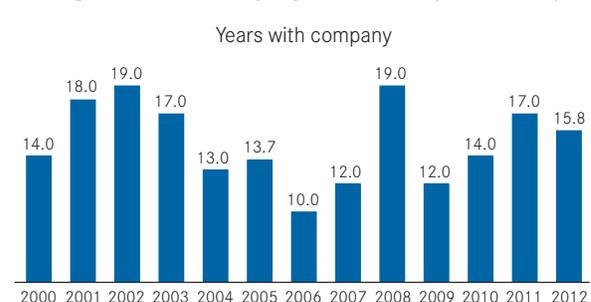
It is interesting to note that the rate of outside appointments (those with less than one year with the company) has been steadily increasing. The rate of outside CEO hires was 27.1 percent last year, significantly higher than the 19 percent rate recorded in 2011. From 2009 to 2011, nearly 25 percent of incoming CEOs were outside hires. In the early 1990s, the rate of outside hires in the S&P 500 was nearly 20 percent, while it was 10.4 percent in the 1980s and 8.3 percent during the 1970s.

Inside promotions and outside hires (2012)

N=53

Insider	Outsider
72.9%	27.1

0   100%
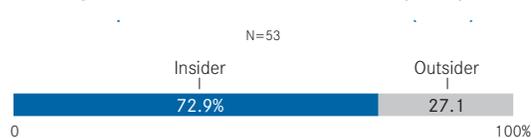
Source: The Conference Board based on data from company IR websites, 2013.

Average tenure-in-company of insiders (2000–2012)

Years with company

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
14.0	18.0	19.0	17.0	13.0	13.7	10.0	12.0	19.0	12.0	14.0	17.0	15.8

Source: The Conference Board, based on raw data from Compustat Executive Compensation (ExecuComp) database, and company IR websites, 2013.

Why it matters…

- Selecting a director from the company's board as CEO appears to be a potential new development in the inside/outside discussion. In 2012, two incoming CEOs were long-standing members of the company's board, while three interim CEOs were also board members.

- The percentage of successions involving "seasoned executives" (i.e., incoming CEOs with at least 20 years of experience in the company) has continued to decline.

For more information on trends in CEO succession and a discussion of notable succession events occurring in 2012, download *CEO Succession Practices: 2013 Edition at* www.conference-board.org/publications or contact Matteo Tonello at matteo.tonello@conference-board.org