

# Chart of the Week



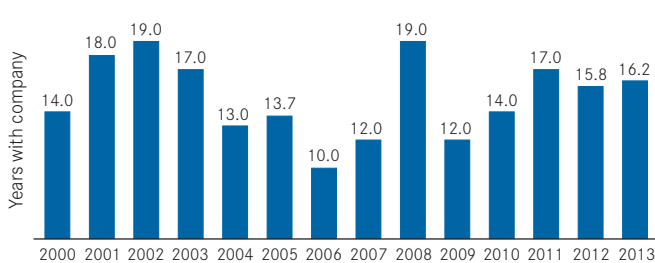
## CEO inside promotions versus outside hires

FROM *CEO SUCCESSION PRACTICES: 2014 EDITION*

While momentum has slowed, the overall upward trend recorded since the 1970s of the hiring of outsiders to fill vacated CEO positions is continuing in the 2010s. In 2013, 23.8 of incoming CEOs were “outsiders” who were promoted to the CEO position after serving less than one year with the company.

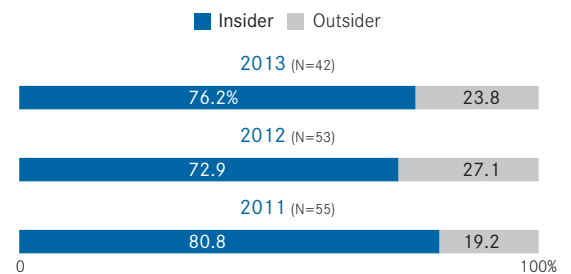
For 2000–2013, the average tenure-in-company of an “insider” promoted to CEO after serving at least one year with the company was 15.1 years. The percentage of successions involving a “seasoned executive” (tenure in the company of at least 20 years) has continued to decline since the 1980s. In 2013, only 26.2 percent of insider promotions involved a “seasoned executive,” down from 30.2 percent in 2012.

Average tenure-in-company of insiders (2000–2013)



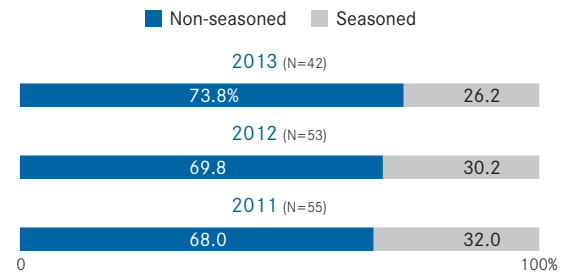
Source: The Conference Board, based on raw data from Compustat Executive Compensation (ExecuComp) database, and company IR websites, 2014.

Inside promotions and outside hires (2011–2013)



Source: The Conference Board based on data from company IR websites, 2014.

Incoming CEOs who are “seasoned executives” (2011–2013)



Note: A “seasoned executive” has 20 years or more with the company.  
Source: The Conference Board, based on raw data from Compustat Executive Compensation (ExecuComp) database and company IR websites, 2014.

### Why it matters...

- Better-performing companies are more likely to appoint a seasoned executive as CEO. For example, 34.6 percent of incoming CEOs in companies with better performance (industry-adjusted total shareholder return above the bottom quartile of all S&P 500 companies) were seasoned executives, compared to 12.5 percent of incoming CEOs in poorly performing companies.
- The market for lateral hires of CEOs has expanded in the last four decades. This trend is directly correlated with the progressive reduction of tenure observed during this time. While in some cases, the outside recruitment of a CEO may be indicative of poor succession planning, growth strategies in today’s ever-changing and globalized marketplace force companies to regularly probe their business direction and seek innovation outside of their internal pool of top talents.

For more information on trends in CEO succession and a discussion of notable succession events occurring in 2013, download *CEO Succession Practices: 2014 Edition* at [www.conference-board.org/CEOsuccession2014](http://www.conference-board.org/CEOsuccession2014) or contact Matteo Tonello at [matteo.tonello@conference-board.org](mailto:matteo.tonello@conference-board.org). The publication was made possible thanks to a research grant by Heidrick & Struggles.