

Chart of the Week



Transitioning to a new CEO and board leadership

FROM *CEO SUCCESSION PRACTICES: 2014 EDITION*

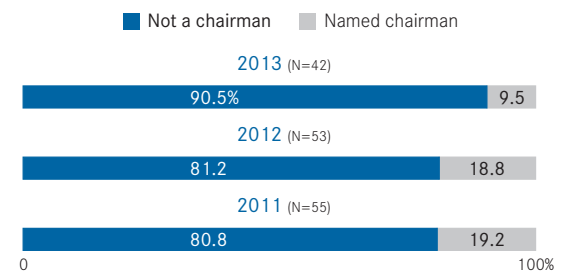
In 2013, only 9.5 percent of S&P 500 CEO successions involved immediate joint appointment as board chairman—a significant decline from 18.8 percent in 2012 and 19.2 percent rate in 2011. Based on a review of 2013 succession announcements, 52.4 percent of departing CEOs remained as board chairman for at least a brief transition period, typically until the next shareholder meeting. This rate is higher than the approximately 33 percent reported in 2012.

Across industries, fewer than half of companies report using the practice of “auditioning” a potential CEO by training and testing through temporary assignments as chief operating officer or chief financial officer. Among nonfinancial services companies, larger companies (in terms of annual revenue) are much more likely to use such assignments than smaller ones. Among financial services companies, which reported the highest adoption rate (42.1 percent), those with assets of less than \$10 billion were most likely to “audition” a potential CEO.

Why it matters...

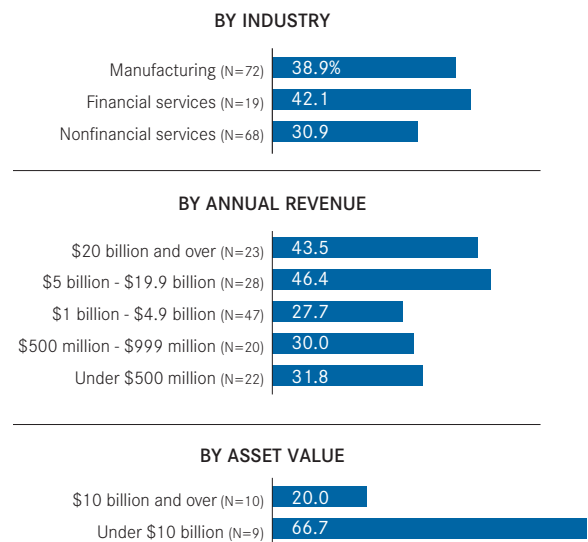
- While some departing CEOs appear to remain actively involved in the company after relinquishing their chief executive role, other boards use the succession as an opportunity to adapt to evolving board leadership practices and trigger the separation of CEO and chairman duties. The choice is influenced by factors such as the personalities involved, the possible need to further facilitate the transition, or specific business circumstances that may require the retention of the departing CEO’s talents and network.
- Data on auditioning practices reveal that, for many companies, the executive suite continues to be rigidly compartmentalized. This is detrimental to CEO succession planning, which should be viewed as an ongoing leadership development process that is integral to the business strategy and corporate culture. For this reason, the board should ensure that top leaders in the organization are regularly challenged through assignments outside of their traditional area of responsibility.

Joint election as board chairman (2011–2013)



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

Companies adopting CEO auditioning practice (2013)



Source: The Conference Board/Stanford GSB/IED, 2014.

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/CEOsucceesion2014 or contact Matteo Tonello at matteo.tonello@conference-board.org. The publication was made possible thanks to a research grant by Heidrick & Struggles.