

Chart of the Week



CEO Succession: Characteristics of Incoming CEOs

FROM *CEO SUCCESSION PRACTICES: 2013 EDITION*

Among S&P 500 companies, the number of CEO successions involving “seasoned executives” (i.e., incoming CEOs with at least 20 years of experience in the company) has declined. Inside promotions involving seasoned executives decreased from 58 percent at the end of the 1980s to 46 percent by 1996. From 2009 to 2011, that percentage declined to 35 percent. In 2012, just 30.2 percent of inside promotions to CEO involved seasoned executives.

Among the succession announcements for CEO transitions that took place in 2012, the professional qualifications of the incoming CEO, including a description of his or her professional career and educational background, were the qualities most commonly emphasized (93.8 percent of announcements). Leadership abilities (39.6 percent of succession announcements) and a focus on creating firm value (37.5 percent) were also frequently discussed.

Only 18.8 percent of the successions in 2012 involved the immediate joint appointment of the incoming CEO as board chairman.

Incoming CEOs who are “seasoned executives” (2012)



Note: A “seasoned executive” has 20 years or more with the company.

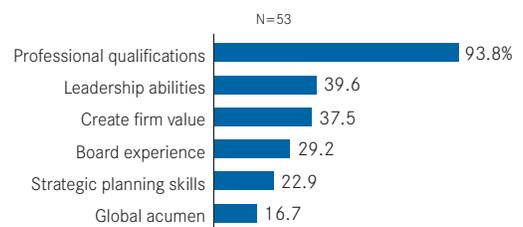
Source: The Conference Board, based on raw data from Compustat Executive Compensation (ExecuComp) database, and company IR websites, 2013.

Joint election as board chairman (2012)



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

Incoming CEO professional qualifications and skills (2012)



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

Why it matters...

- The tendency to appoint a seasoned executive as the incoming CEO is associated with company performance at the time of CEO succession.
- Twenty-seven percent of incoming CEOs in companies that had industry-adjusted total shareholder return (TSR) (defined as the two-year total shareholder return minus the two-year TSR of all S&P 500 companies in the same industry) in the bottom quartile of all S&P 500 companies were seasoned executives, compared to 38 percent of incoming CEOs in companies that had better performance.

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