



2020 CEO Transitions

Each year, Spencer Stuart tracks CEO transitions among S&P 500 companies. These transitions can be part of a planned succession or can arise unexpectedly, resulting from company performance or personal issues. In addition to cataloging the reasons for CEO departures, based on company reporting, we also examine information about the successors, including whether or not they are internal candidates and whether they have been appointed chair of the board in addition to CEO.

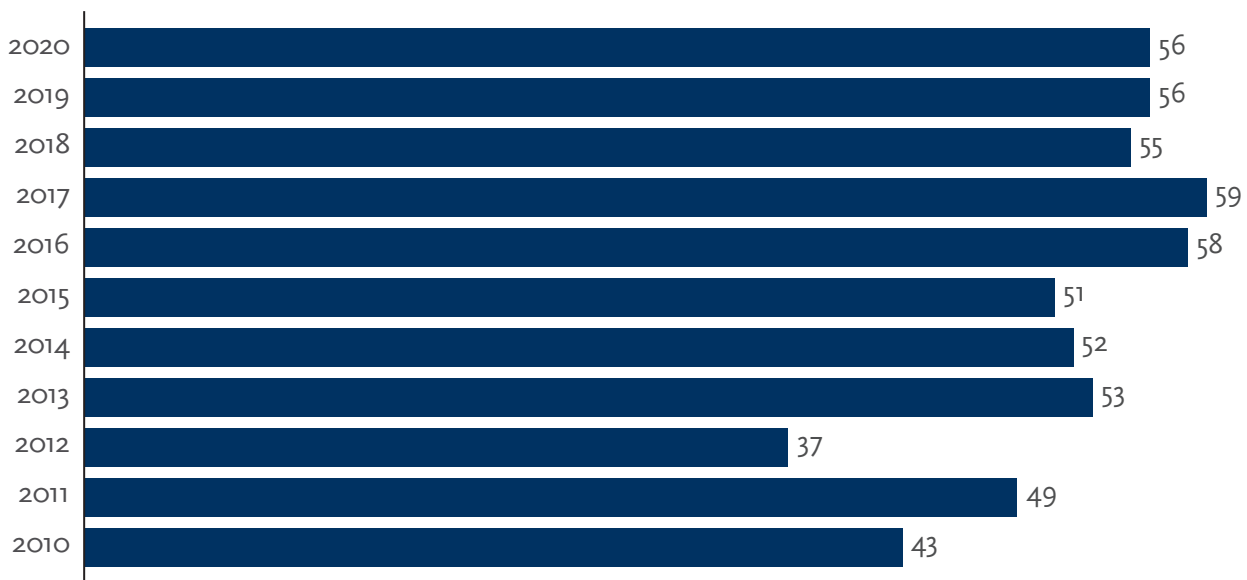
In 2020, there were 56 total CEO transitions, consistent with 2019. While internal promotions continued to account for the majority of transitions, more new CEOs in 2020 were hired from the outside (29%) than in 2019. We also saw an increase in the number of CEOs who resigned under pressure, from 13% in 2019 to 20% in 2020.

CEO transition overview

Fifty-six S&P 500 companies installed a new chief executive in 2020, the same as in 2019. CEO transitions were on a record pace during the first half of the year, but the early momentum in transitions was offset by a 60% decline in the second half of the year as the COVID-19 crisis fully took hold. This is consistent with patterns seen in past crises; [CEO transitions decline in a crisis](#),¹ as many boards put business continuity first and delay a leadership change for fear of destabilizing the company.

Based on previous trends, we expect CEO transitions will pick up as early as mid-2021 or the beginning of 2022, potentially reaching all-time highs.

S&P 500 CEO Transitions 2010-2020



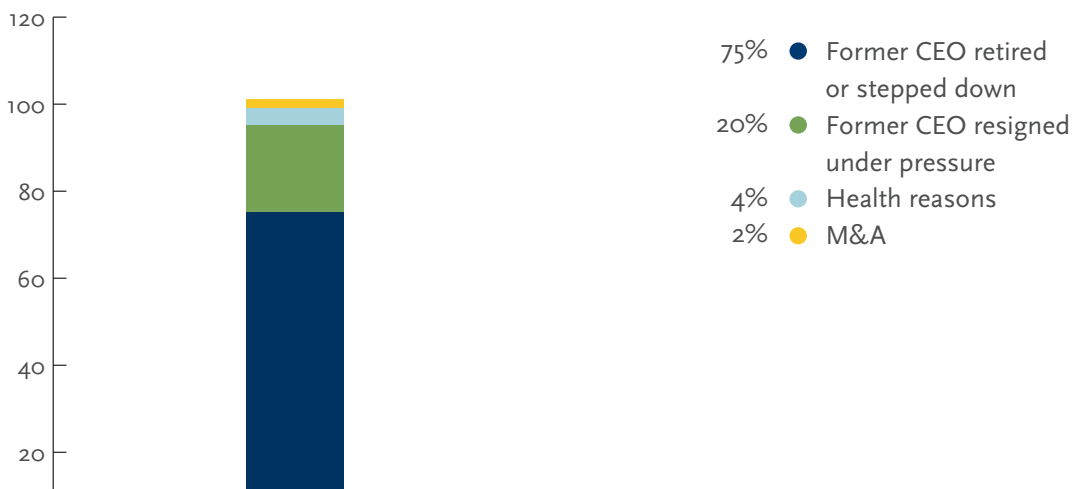
* Transitions data in the article "Covid-19: Is Your Board Hitting the Brakes on CEO Succession?" include the appointment of co-CEOs, even when no CEO transitioned out of the role, and the transitions of CEOs whose companies were added to the S&P 500 later (i.e., company was not an S&P 500 company at time of transition but is now an S&P 500 company). Our quarterly/annual CEO transitions reports define transitions as incoming CEOs who replace an outgoing CEO only at companies listed in the S&P 500 at the time of transition.

Why do CEOs leave?

In 2020, 20% of CEOs resigned under pressure, according to company reports — versus 13% in 2019. Only two of the 11 forced resignations occurred in the second half of the year, when the pandemic was in full swing. In past crises, we found that forced exits for poor performance or scandal declined even more dramatically than transitions overall. Amid uncertainty, boards often opt to retain the CEO to minimize disruption to the organization during a turbulent period, even if leadership succession was high on the agenda prior to the crisis.

The vast majority — 75% — of CEO transitions were attributed in company reports to the former CEO’s decision to retire or step down. This represents a decrease from 82% in 2019. Of the remaining transitions, 4% of CEOs left for health reasons and one new CEO was selected as part of a M&A transition.

Reasons for CEO Transitions*



*Data in chart may not total 100% due to rounding.

CEO profile

The average age of the incoming CEOs is 54, the same as in 2019. The average age of the outgoing CEOs is 61, versus 60 in 2019.

Eight of the new CEOs are women, representing 14% of all the newly appointed CEOs. All of the incoming female CEOs replaced incumbent male CEOs. There were five new women CEOs in 2019.

Ten (18%) of the new CEOs had prior public company CEO experience.

When looking at the last role new CEOs held before becoming CEO, we found:

36%

were promoted from COO or enterprise-wide president roles

29%

were promoted from a divisional CEO or president position

9%

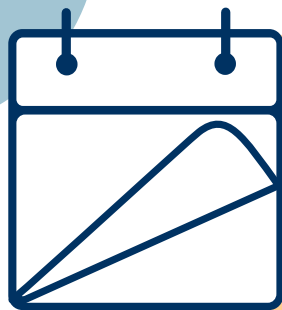
were CFOs immediately prior to appointment

4%

(two) were “leapfrog” candidates — hired from a position one level below the C-suite (e.g., not reporting directly to CEO) such as a divisional general manager

54

years: average age of **incoming** CEOs



61

years: average age of **outgoing** CEOs

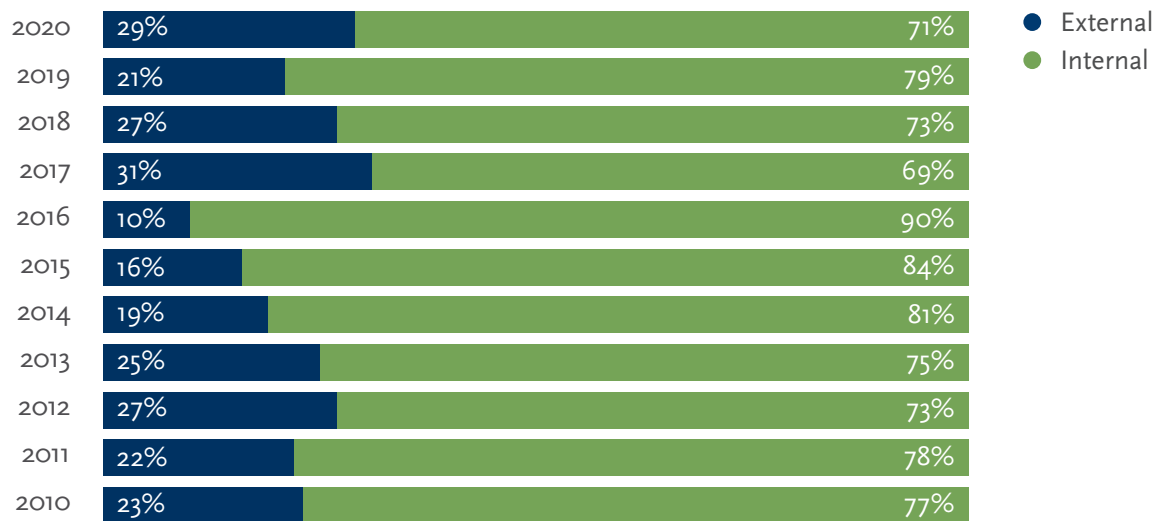
External vs. internal successors

S&P 500 boards continue to look inside their organizations for CEO successors, although we saw an increase in externally hired CEOs in 2020 — 29% versus 21% in 2019. “Internal” successors include internally promoted CEOs, former company C-suite executives and “insider-outsiders,” who were recruited from outside the company and promoted into the CEO role within 18 months. “External” successors are externally recruited CEOs and board directors.

Potentially driving the increase in external appointments, boards were more likely to name an independent board director as CEO in 2020 than in previous years; 10% of all new CEOs and 38% of externally appointed CEOs came from the board. CEOs who come from the board tend to have shorter tenures, are often perceived as a bridge solution and may be hired for a specific job, such as leading a transformation.

Forty of the new CEOs — 71% — were promoted from within the company, and 74% of those 40 CEOs were identified as part of a planned succession. In 2019, 79% of new CEOs were internal successors, with 80% of internal promotions resulting from a planned succession.

CEO Successors: External vs. Internal Candidates



We also examined whether the reason for the former CEO's departure influenced the choice of successor. Our analysis shows that when a CEO resigned under pressure, the board was slightly more likely to select a replacement from outside the company:

42 CEOs retired or stepped down; **34** or **81%** of their successors were internally promoted.

11 CEOs resigned under pressure; **5** or **45%** of their successors were promoted from within and **6** or **55%** were hired from the outside.

Split vs. shared board chair and CEO roles

Five of the new CEOs in 2020, 9%, were also named chair of the board upon appointment, the same as in 2019. Thirty-eight percent of the outgoing CEOs stayed on to serve as board chair, 86% of whom already held the role of board chair.

Is the New CEO Also the Board Chair?*



*Data in chart may not total 100% due to rounding.

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