SpencerStuart

2024 CEO Transitions:

The measure of the market

Each year, we analyze thousands of data points to explain the how, what and why of CEO transitions in the S&P 1500 and break down what the numbers mean for you as a board director, CEO or CHRO.

Spencer Stuart has long tracked the tenure, backgrounds and turnover of CEOs of America's largest public companies. Today, our research and analysis include CEO transitions data for the S&P 500, S&P MidCap 400 and S&P SmallCap 600 — and combined views of the full S&P 1500. With the S&P 1500 representing about 90 percent of U.S. market capitalization, we can share observations that represent most of the public leadership transitions in the United States.

Given the variance in the size and structure of companies, it is hard to draw meaningful conclusions about why CEOs are leaving their jobs from the data alone. Industry dynamics, company structure, health or performance, internal talent pipelines and the presence of an activist investor are all factors playing a role in whether a CEO leaves or stays.

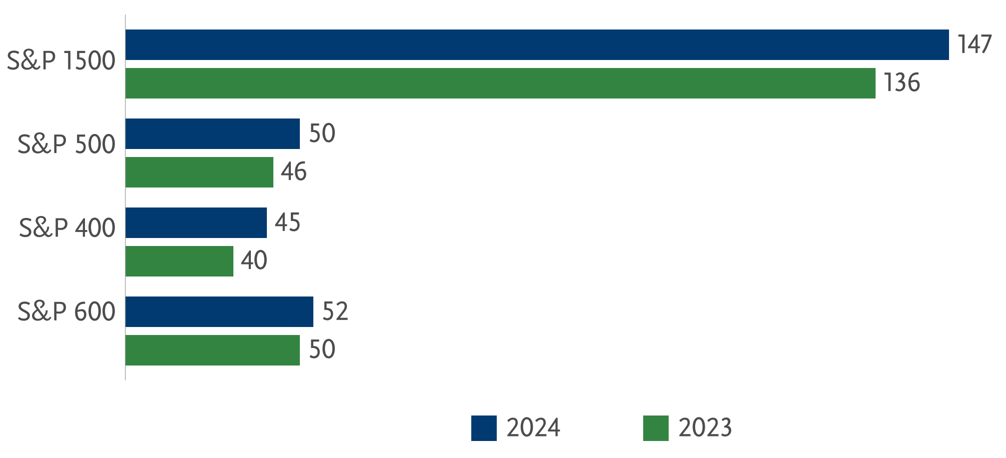
That said, we are seeing several broad trends from our analysis of 2024 transitions:

» Overall, CEO transitions among S&P 1500 companies remain below pre-pandemic levels but are slightly higher year over year across small-, mid- and large-cap companies.
» Among mid-cap and small-cap companies, we tracked a surge in appointments of external candidates and those who previously served as a public company CEO, suggesting boards are prioritizing experience when selecting a new CEO.
» For those industries that commonly have divisional structures, the divisional CEO role emerged as a major launchpad for new CEOs in 2024.
» Women were appointed CEO in record numbers, representing 16 percent of all S&P 1500 incoming CEOs.

Transitions are up slightly from 2023, but remain historically low

S&P 1500 transitions remain lower than pre-pandemic levels, although they ticked up slightly year over year to 147 from 136 in 2023. Fifty S&P 500 companies appointed a new chief executive in 2024, an increase from 46 in 2023. CEO transitions among MidCap 400 and SmallCap 600 companies saw similar increases.

EXHIBIT: S&P 1500 CEO TRANSITIONS, LAST TWO YEARS



The industries that saw the lowest levels of turnover were financial services (7 percent) and technology, media and telecommunications (7 percent), both among the best-performing industry sectors across the S&P 1500. The consumer and industrial sectors experienced the most CEO turnover — 12 percent — compared to other sectors. In our work, we see boards encountering more external pressure to intervene when performance wanes.

TRANSITIONS AND TURNOVER BY INDUSTRY 2024

	Number of S&P 1500 transitions	Share of total 2024 transitions	Number of CEOs currently active on S&P 1500	Turnover
Consumer	32	22%	278	12%
Financial Services	25	17%	374	7%
Healthcare	19	13%	169	11%
Industrial	55	37%	463	12%
Tech, media, telecom	16	11%	228	7%

More companies turning to outsiders

The share of externally hired CEOs surged in 2024, representing 44 percent of all new S&P 1500 CEO appointments — the highest since 2000 when we began tracking this data. While outsider appointments increased in all segments of the S&P 1500, mid-cap companies led the way, with 58 percent of new CEOs hired externally and only 42 percent promoted from within the company.

INSIDER/OUTSIDER SPLIT BY INDEX

	S&P 500		MidCap 400		SmallCap 600	
	Insider	Outsider	Insider	Outsider	Insider	Outsider
2024	72%	28%	42%	58%	52%	48%
2023	74%	26%	70%	30%	62%	38%

Large- and mid-cap companies have historically leaned more heavily toward insider appointments than smaller companies as they can more easily leverage a divisional president or similar management structure to train well-rounded P&L leaders. The share of internal appointments among S&P 500 companies has been largely consistent over time.

We also see variance across industries. Fifty-three percent of incoming healthcare CEOs and half of new CEOs in the consumer and technology sectors were hired from outside the company. Newly appointed CEOs in financial services were most likely to be internal candidates (64 percent internal).

INDUSTRY SNAPSHOT

	Insider appointments	Outsider appointments	Experienced CEO appointments
Consumer	50%	50%	22%
Financial Services	64%	36%	12%
Healthcare	47%	53%	26%
Industrial	60%	40%	22%
Tech, media, telecom	50%	50%	25%
All	56%	44%	21%

What explains the rise in external appointments?

Company size and structure play a role. Large companies with many business units have more general management roles to develop and test high-potential leaders, giving them more internal options when the time comes. Conversely, smaller companies or those without a divisional general management structure, such as many software or retail companies, may be more likely to turn to external CEO talent. As we work with more boards that are investing in longer-term succession, they are also being more thoughtful about the readiness of internal candidates when making selection decisions, especially in light of the broader needs of the organization in that moment in time.

Boards are also more likely to select external candidates to steer the company during a crisis, to take the business in a new direction or to shepherd the development of an internal candidate.

56%

S&P 1500 internal appointments 2024

68%

S&P 1500 internal appointments 2023

Who's an insider and who's an outsider?

Internal successors are internally promoted CEOs, former company C-suite executives/CEOs and "insider-outsiders," two-step appointments who were recruited from outside the company and promoted into the CEO role within 18 months.

External successors are externally recruited CEOs and include those appointed from the board of directors.

A trend toward experienced and older CEOs

The increase in external appointments tracks a growing preference for experienced CEOs, driven by small- and mid-cap companies. Approximately one in four CEOs appointed by small-cap (23 percent) and mid-cap (24 percent) companies had prior CEO experience, compared with only 16 percent of new S&P 500 CEOs. Overall, a fifth of incoming S&P 1500 CEOs in 2024 (21 percent) previously served as a public company CEO, an increase of 8 percentage points in three years.

Healthcare and technology, media and telecommunications companies were most likely to appoint experienced CEOs, who represented one in four appointments in those sectors. Experienced CEOs are often valued for their proven skills in navigating regulatory complexities, market dynamics and investor expectations.

Similar to the increase in outsider appointments, company size and structure — and the ability to develop strong, ready internal candidates — help explain the difference in experienced CEO appointments between large-cap businesses and small- and mid-cap companies. More broadly, some boards may view an experienced CEO as a safer bet, given the scrutiny on them today, including activist pressure. However, our analysis has found that first-time CEOs achieve higher performance over the course of their tenure on average compared with experienced CEOs.

Related to the increasing demand for experienced CEOs, we also see a trend toward older CEOs. The average age of incoming CEOs in 2024 (55.7) is consistent with 2023 but notably higher than prior years. Nearly 30 percent (28 percent) of new CEOs are 60 or older and, for the first time, half of active CEOs are above the age of 60.

Just over half of incoming S&P 1500 CEOs (56 percent) are in their 50s, and 16 percent are in their 40s. No CEO under 40 was appointed in 2024. Small-cap companies had the highest share of both new CEOs 60 and older and new CEOs in their 40s compared to the other indexes.

> **Sixteen percent of all newly appointed S&P 1500 CEOs are women, a historic high.**

More women reach the top

Sixteen percent of all newly appointed S&P 1500 CEOs are women, a historic high. The gains for women were broad based, with the share of women among new CEOs reaching highs in each index: S&P 500 (18 percent), MidCap 400 (18 percent) and SmallCap 600 (12 percent). These appointments bring the total number of active women CEOs on the S&P 1500 to 8 percent.

Looking across sectors, industrial companies appointed the largest share of women: 24 percent of new industrial CEOs are women. The industrial sector also has the highest share of active women CEOs (11 percent).

S&P 1500 WOMEN CEOS BY INDUSTRY

	% of incoming CEOs	% active CEOs
Consumer	12%	10%
Financial Services	16%	7%
Healthcare	11%	7%
Industrial	24%	11%
Tech, media, telecom	0%	4%

More CEOs rise from divisional CEO roles

Our research shows that first-time CEOs typically ascend from four “last-mile” roles: chief operating officer (COO), divisional CEO, chief financial officer (CFO) and “leapfrog” leader promoted from below the C-suite.

Following a decline during the pandemic, the S&P 1500 recorded the highest percentage to date of newly appointed CEOs coming from a divisional CEO background, 35 percent. Mid-cap companies were most likely to appoint a divisional CEO, representing 42 percent of CEO appointments. CEOs from the consumer (42 percent) and technology, media and telecommunications (43 percent) sectors are most likely to select a divisional CEO as CEO.

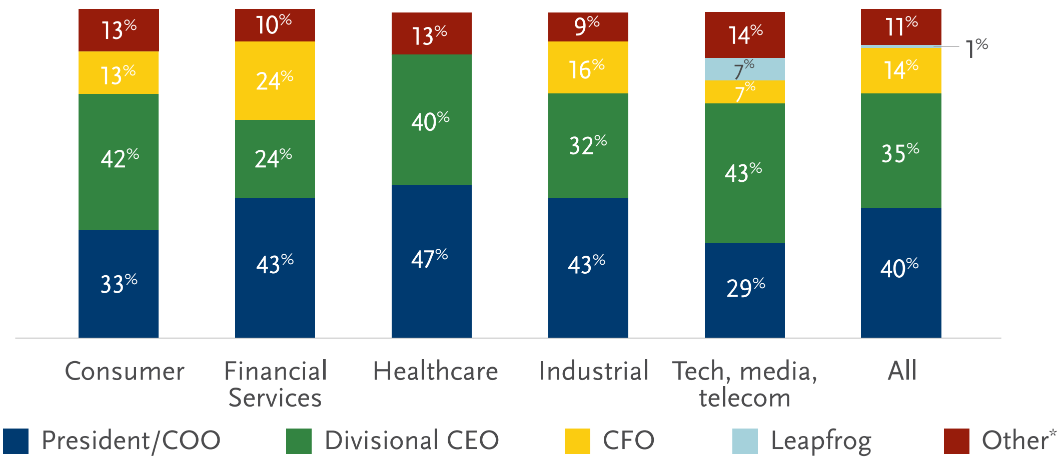
The rise in divisional CEO appointments, along with the increased share of experienced CEOs, suggests boards are looking for leaders who have already “walked the walk.” In fact, three-quarters of first-time CEOs hired externally came from a divisional CEO role.

COOs/presidents continue to account for the largest, though declining, share of S&P 1500 CEO appointments, 40 percent. While the COO/president role varies across companies, succession candidates often are named COO as a “finishing” role to gain additional enterprise and stakeholder exposure.

CFOs made a notable comeback in 2024, with 14 percent of new S&P 1500 CEOs coming through the CFO role, compared with 5 percent in 2023. CFOs are steeped in the company’s strategy and financials, understand investors’ perspectives and often are skilled at communicating with shareholders. Financial services firms are most likely to appoint a CFO to the top job.

Only one first-time CEO appointment was a “leapfrog” leader, hired from below the second layer of management, down from 5 percent in 2023, and 9 percent in 2022 when a notable number of CEOs were appointed from advisory and other C-suite roles. The decline in leapfrog appointments likely reflects increased caution by boards, who overall turned to outsiders and experienced CEOs in 2024.

LAST-MILE BACKGROUNDS



*Other includes other C-suite leaders and board members

Fewer CEOs reportedly left under pressure

Consistent with prior years, the vast majority of CEO transitions were attributed to the outgoing CEO's decision to retire or depart for another role or for personal reasons. These planned departures accounted for 90 percent of S&P 1500 CEO departures, an increase from 86 percent in 2023. Resignations under pressure declined to 8 percent from 10 percent in 2023. S&P 500 companies reported the most forced departures, which drove 9 percent of transitions.

CEO tenure is declining over time, while departing CEOs are older

While the average tenure of departing CEOs ticked up year over year to 9.2 years, it has declined by nearly a year since 2021 (10.3 years). We see this trend across most segments, with average tenure between 2021 and 2024 declining from 11.2 to 8.3 years among the S&P 500 and from 10.3 to 9.9 among small-cap companies. While each CEO transition is unique, the combination of higher uncertainty and the increased pressure on CEOs is certainly taking its toll.

Looking across industries, healthcare and financial services CEOs had the longest tenure at departure, 12.2 years and 12.7 years, respectively. Consumer CEOs departed much earlier, with an average tenure of 7.1 years.

Departing CEOs were 62.5 years old on average, a year older than in 2023 but on par with the immediate post-pandemic averages. The healthcare sector had the highest share of CEOs departing in their 70s (16 percent), while 41 percent of consumer CEOs left in their 50s.

Governance norms are evolving, with few new CEOs named chair

The proportion of S&P 1500 CEOs who also become chair at appointment has fallen over time, as boards are more likely to have independent chairs or to name an executive chair as part of the transition. In 2024, 5 percent of new S&P 1500 CEOs were also named board chair upon appointment, a small uptick from 4 percent in 2023.

Bucking a trend over the past few years, fewer boards had an executive chair serving alongside a new CEO — 32 percent versus 42 percent in 2023. Executive chairs are most likely to be the outgoing CEO: in 25 percent of S&P 1500 CEO transitions, the outgoing CEO was executive chair. Boards sometimes turn to an executive chair to provide continuity during a transition as well as strategic insight and hands-on onboarding support to the new CEO, especially a first-time CEO. In light of the increase in experienced CEOs this year, boards may feel less need for an executive chair. While this is a common transition path, our research suggests that the executive chair role should be used carefully.

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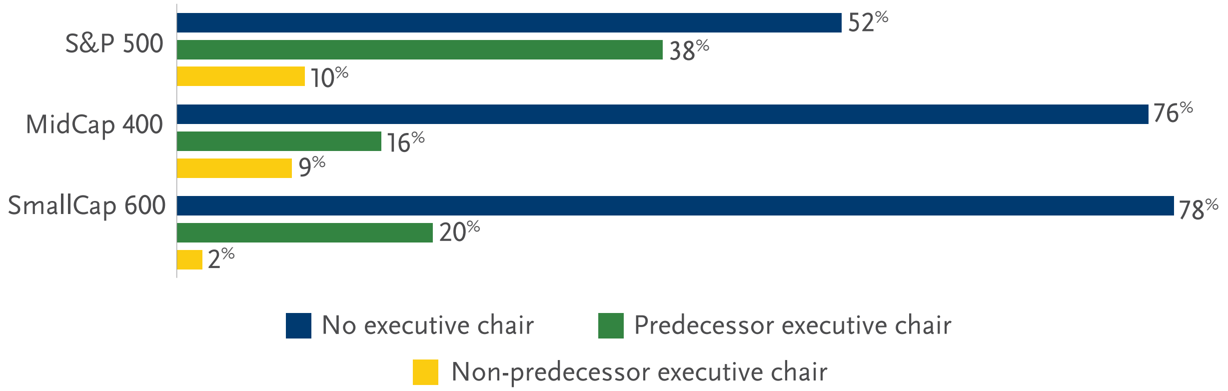
Large-cap companies are most likely to have an executive chair: 48 percent had an executive chair at the transition and 38 percent of S&P 500 executive chairs were the outgoing CEO. Just over 20 percent of small- and mid-cap companies had an executive chair serving alongside a new CEO.

Looking across industries, an executive chair was most common among consumer companies (37 percent of transitions). By comparison, in healthcare, which had the most external appointments, just 22 percent of boards named an executive chair.

EXECUTIVE CHAIR STATUS BY INDEX



The bottom line for leaders

So what do these trends mean for leaders? We see four key takeaways.

» While boards are more willing to act when they see warning signs of poor performance, they can avoid being caught flatfooted by aligning on a holistic performance dashboard that includes more than outcome measures, regularly evaluating CEO performance and maintaining a robust CEO succession plan. Most importantly, boards must be willing to move quickly when performance concerns arise, whether to replace the CEO or to intervene and recommit to the plan.

» For their part, CEOs should spend sufficient time building deeper relationships with the board, individual directors and, especially, the board chair or lead independent director. When CEOs invest in these relationships and build alignment with the board on the evolving challenges to the business and how to respond, the board is less likely to become adversarial when performance challenges arise.

» Selecting the CEO is one of the board's most important jobs, if not the most important. Yet many companies struggle to get succession right; in a recent director survey, almost half of directors told us they are concerned that they won't have a single internal candidate ready for a transition. Boards can start by clarifying the respective roles of the CEO, CHRO and the board in the succession planning process and investing earlier in succession planning and leadership development for potential CEO candidates.

» To ensure they have viable internal candidate options when the time comes, boards should treat succession as an "always-on" process that takes into account multiple future scenarios and the related characteristics and capabilities needed in the next CEO.

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About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 60 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

About Spencer Stuart's Board & CEO Practice

Drawing on our deep understanding of the challenges facing boards and CEOs, along with our groundbreaking research on CEO and board performance, our consultants help boards, CEOs and CHROs navigate the high-stakes leadership decisions that make a critical difference for the future of their teams and organizations.