THE CONFERENCE BOARD
Trusted Insights for Business Worldwide

# Chart of the Week

## Departing CEO tenure (2000–2013)

FROM *CEO SUCCESSION PRACTICES: 2014 EDITION*

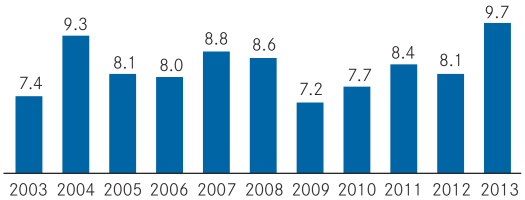
In contrast to employee tenure across the labor market, which has remained relatively stable, the average tenure of a departing CEO in the S&P 500 has declined in recent years—from 9.9 years in 2000 to 8.1 years in 2012. The year 2013 was an outlier (with an average CEO tenure of 9.7 years, the longest since 2002), presumably due to retirements delayed for economic considerations during the recent global market turmoil. Formal policies on whether the retiring CEO should continue to serve as a board member are also becoming less common. Across industries, a large majority of companies do not have a formal policy of this type. There is a clear correlation between its adoption and company size (in terms of annual revenue). Roughly 30 percent of companies with annual revenue of $20 billion or more require the departing CEO to leave the board, while only 4.5 percent of companies with annual revenue of less than $500 million do so. When present at financial services companies, such policies explicitly permit board retention.

### Why it matters…

- The general decline in average tenure could be due to several factors. The pressure of serving as the CEO of a large company in an increasingly competitive global marketplace could contribute to voluntarily shorter tenures. Other reasons could include the increasing presence of private-equity firms, which has created new employment opportunities for CEO-level talent, and increased director independence and executive accountability. Increased scrutiny from shareholders might also make boards more inclined to dismiss CEOs who perform below expectations. The lower tenure in 2003 may have been related to the US recession that occurred after September 11, 2001, and an increase in high-profile accounting scandals.
- Formal policies on board retention have become less prevalent as companies move toward a board composition model based on principles of independence and expertise diversification. Continued involvement by the former CEO also poses a risk of undermining the new leadership.

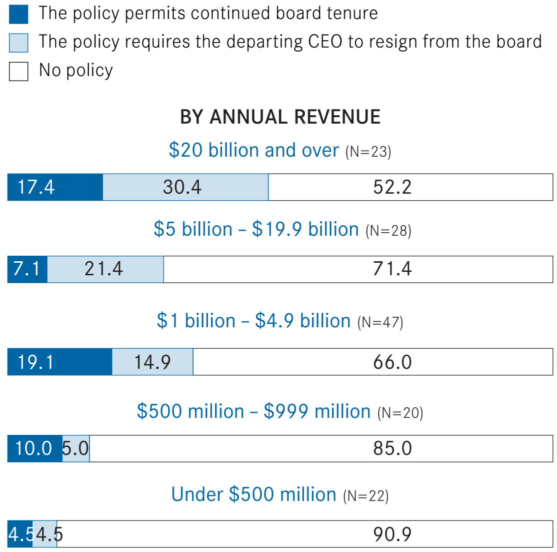
**Departing CEO tenure (2003–2013)**

Average tenure as CEO (in years)




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

**Policy on board retention of departing CEO (2013)**




Note: Percentages may not add up to 100 due to rounding.

*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/CEOsuccession2014 or contact Matteo Tonello at matteo.tonello@conference-board.org

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