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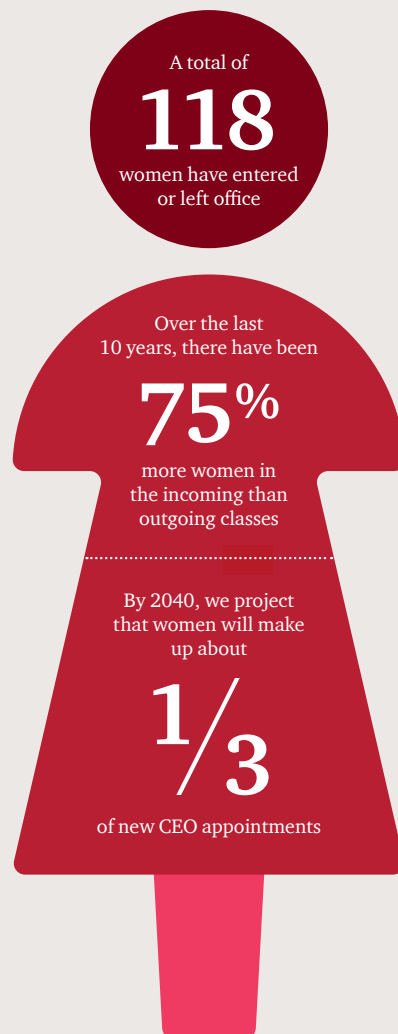
The 2013 Chief Executive Study

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**Women CEOs
of the last 10 years**



For 14 years, Strategy& has examined CEO turnover and the incoming class of CEOs at the world's largest 2,500 public companies. We focus on incoming and outgoing CEOs – rather than all CEOs – because determining what happens at critical decision points can help us understand what companies are looking for in their CEO and how the role is changing.



This year, in addition to undertaking our usual analyses, we took a special look at our data on women CEOs over the past 10 years. A total of 118 women have entered or left office at these companies since 2004.

Some trends:

- Women CEOs are still rare — just 3 percent of this year's incoming class — but they are becoming more prevalent, and we expect that trend to accelerate. **By 2040, we project that women will make up about a third of new CEO appointments.**
- In terms of professional background, we found fewer differences between female and male CEOs than we expected, but two particularly notable ones: **Women are more often hired from outside their company, and women are more often forced out of office.** *Read more*

CEO turnover at the largest 2,500 companies in 2013 was business as usual, with the turnover rate typical for non-recession years and an emphasis on planned changes:

- In 2013, 14.4 percent of CEOs left office, a small decrease from 2012's 15.0 percent but higher than the five-year average of 13.9 percent.
- Just over 70 percent of changes at the top in 2013 were planned (not a result of M&A or of CEOs being forced out), a common level in recent years but nearly 20 percent higher than the average rate of such transitions during the first decade of the century. *Read more*

Most of the new CEOs are familiar to the companies that hire them, a trend we discussed at length in last year's study. In 2013:

- 76 percent were insiders — people promoted from within the company — and 26 percent had worked at only one company during their career.
- 58 percent joined their company from one in the same industry.
- 80 percent hailed from the country in which company headquarters were located.
- 65 percent did not have experience working abroad. *Read more*

More women are becoming CEOs, slowly but surely

In eight out of the last 10 years, the proportion of women in the incoming class of CEOs has been larger than the proportion in the outgoing class, indicating that women CEOs are becoming more prevalent among the world's largest 2,500 public companies.

- Over the last decade, there have been 75 percent more women CEOs in the incoming than outgoing classes.
- Over the past five years, the share of women in the incoming CEO class (3.6 percent) was considerably higher than in the prior five-year period (2.1 percent).
- Despite these trends, women made up just 3.0 percent of the incoming class in 2013, a 1.3 percentage point drop from 2012.

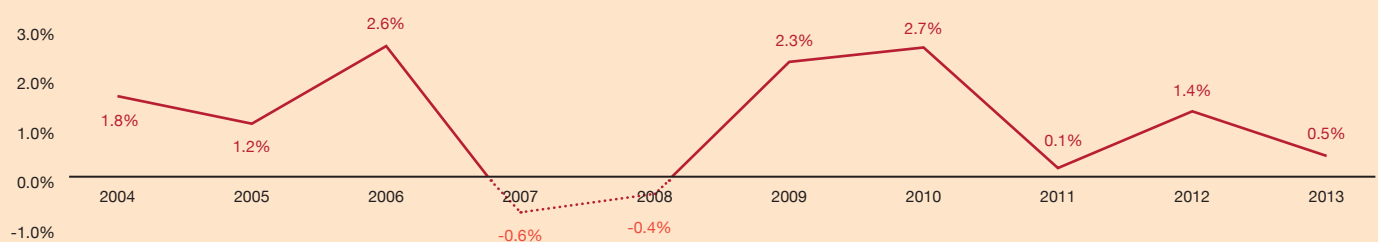


As much as one third of the incoming class of CEOs will be women by 2040, based on a 10 year trend in our data, ever higher education of women, continuing entry of women into the business workforce, and changing social norms of corporate leadership around the world.

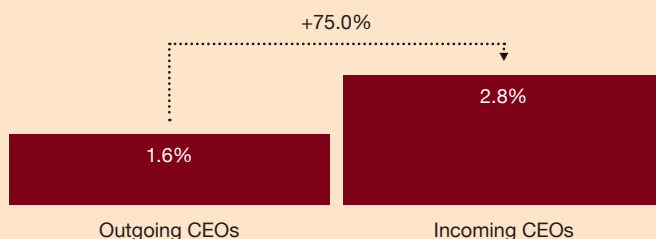
Ken Favaro, Senior Partner



Difference between the share of incoming women CEOs and outgoing women CEOs 2004–13



Percentage of women CEOs in incoming and outgoing classes 2004–13

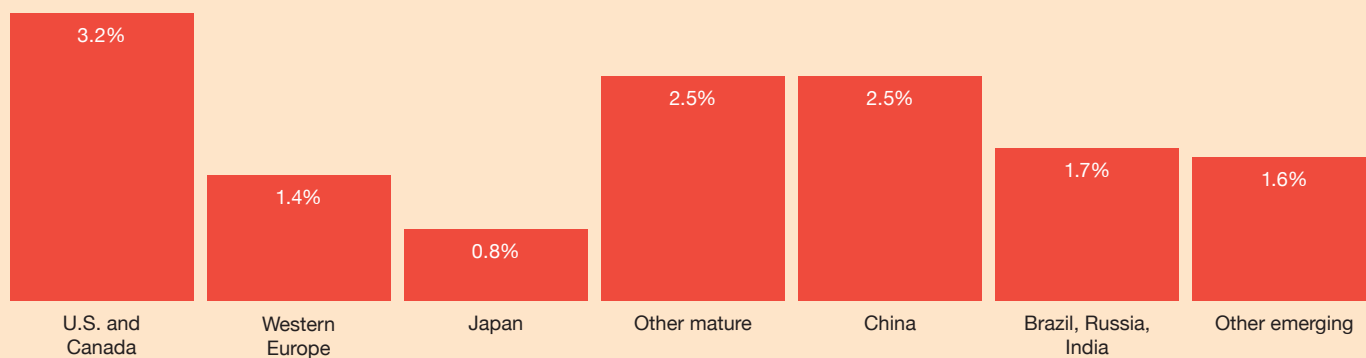


Where women lead

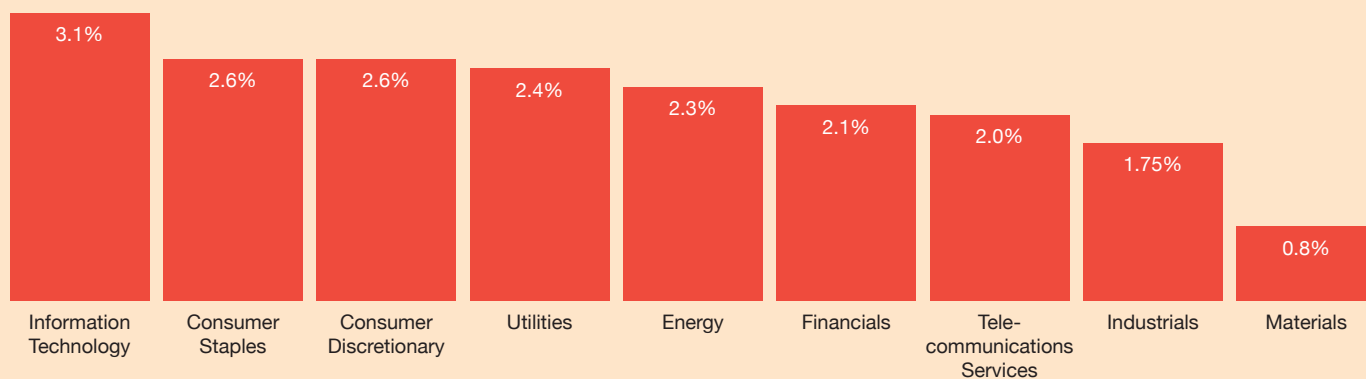
- Women lead companies in every region. Companies in the U.S. and Canada have had the highest percentage of women CEOs over the decade we studied (3.2 percent), and those in Japan have had the lowest (0.8 percent).
- Companies in the information technology, consumer staples, and consumer discretionary industries have had the highest percentages of women CEOs (3.1 percent, 2.6 percent, and 2.6 percent, respectively); the materials industry has had the lowest (0.8 percent).



Percentage of incoming and outgoing women CEOs 2004–13
By company headquarters region



By industry



Women CEOs are more often hired from outside

In terms of professional background*, women CEOs are different from their male peers in that they are more often outsiders — new CEOs hired from outside the company (35 percent of women versus 22 percent of men).

Otherwise women CEOs have about the same professional backgrounds as their male peers in that they:

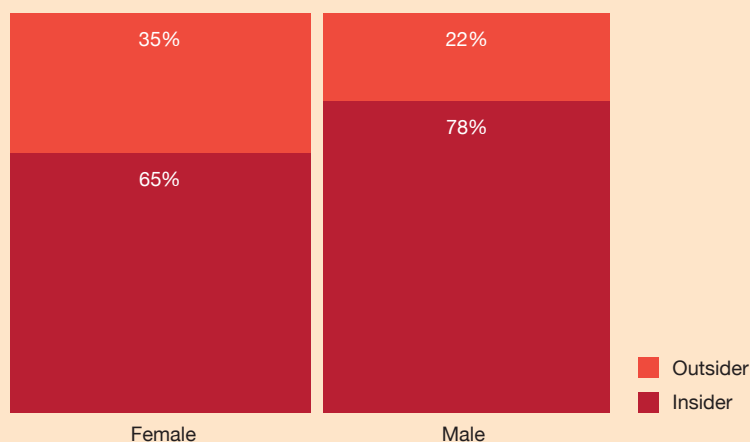
- Rarely come from a region different from that in which company headquarters are located
- Only sometimes have experience working internationally
- Are of similar age

In addition, women, like men, are rarely granted a joint CEO/chairman title.

*The differences or similarities cited on this page are statistically significant within a p-value of 0.05. This means that there is only a 5 percent probability that these findings are due to chance.



Incoming and outgoing CEOs by insider versus outsider status and gender 2004–13



That women CEOs are more often outsiders may be an indication that companies have not been able to cultivate enough female executives in-house. So when boards look for new CEOs, they necessarily find a larger pool of female candidates outside their own organizations.

Gary L. Neilson, Senior Partner

How and when women leave office

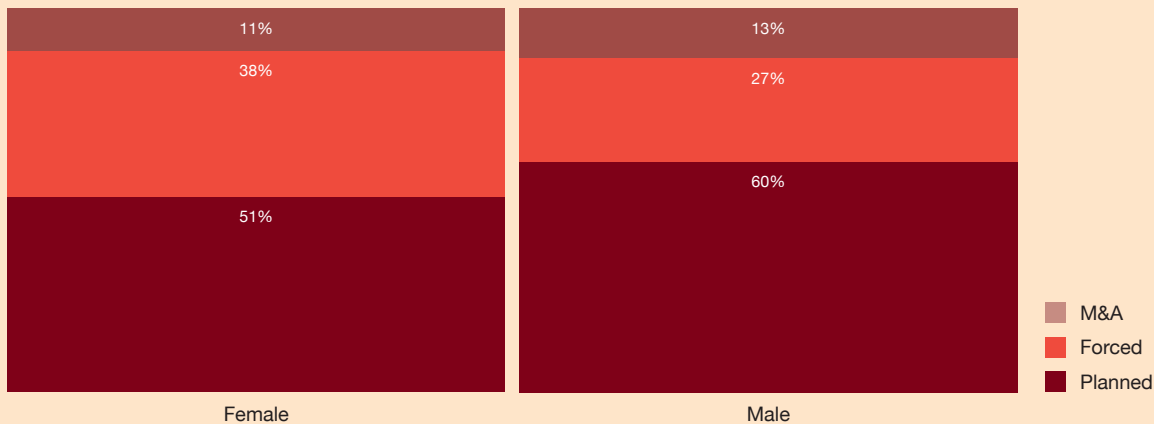
They're more often forced out

Among CEOs leaving office over the past 10 years, a higher share of women have been forced out than men (38 percent of women vs. 27 percent of men).*

* The difference is statistically significant within a p-value of 0.05. This means that there is only a 5 percent probability that this finding is due to chance.



Outgoing CEO succession reason by gender 2004–13



Changes at the top in 2013

- In 2013, CEO turnover at the world's 2,500 largest public companies decreased slightly, to 14.4 percent (from 15.0 percent in 2012).
- The percentage of planned turnovers remained high in 2013, reaching just over 70 percent, similar to the rate of planned turnovers since 2010 but nearly 20 percent higher than the rate between 2000 and 2009.
- Among regions, the highest turnover rates were in Brazil, Russia, and India (at 21.1 percent).
- Among industries, the highest turnover rate was in telecommunications services (at 22.1 percent).
- Both the regional and industry trends have held for three years.

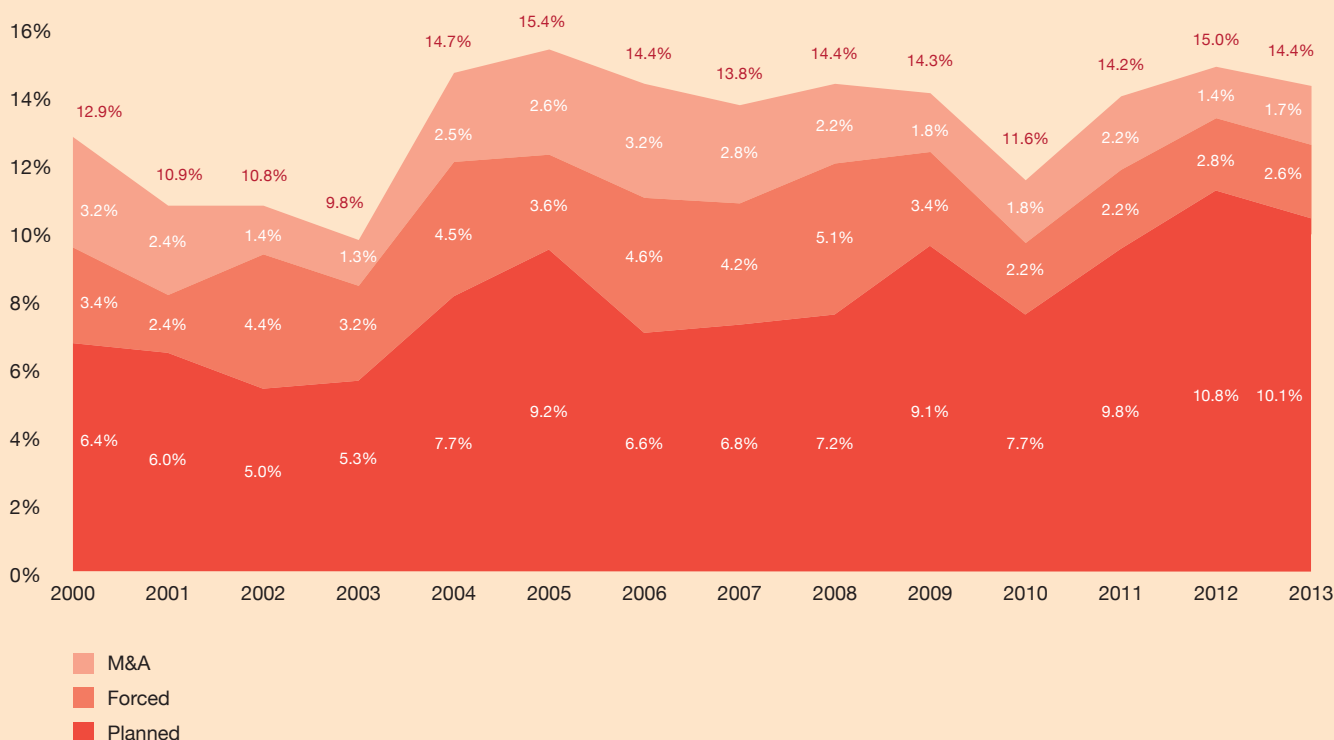


The high proportion of planned turnovers is a strong signal that companies are continuing to take an active, considered approach to putting in place new leadership.

Gary L. Neilson, Senior Partner



CEO turnover events as percentage of top 2,500 public companies by succession reason

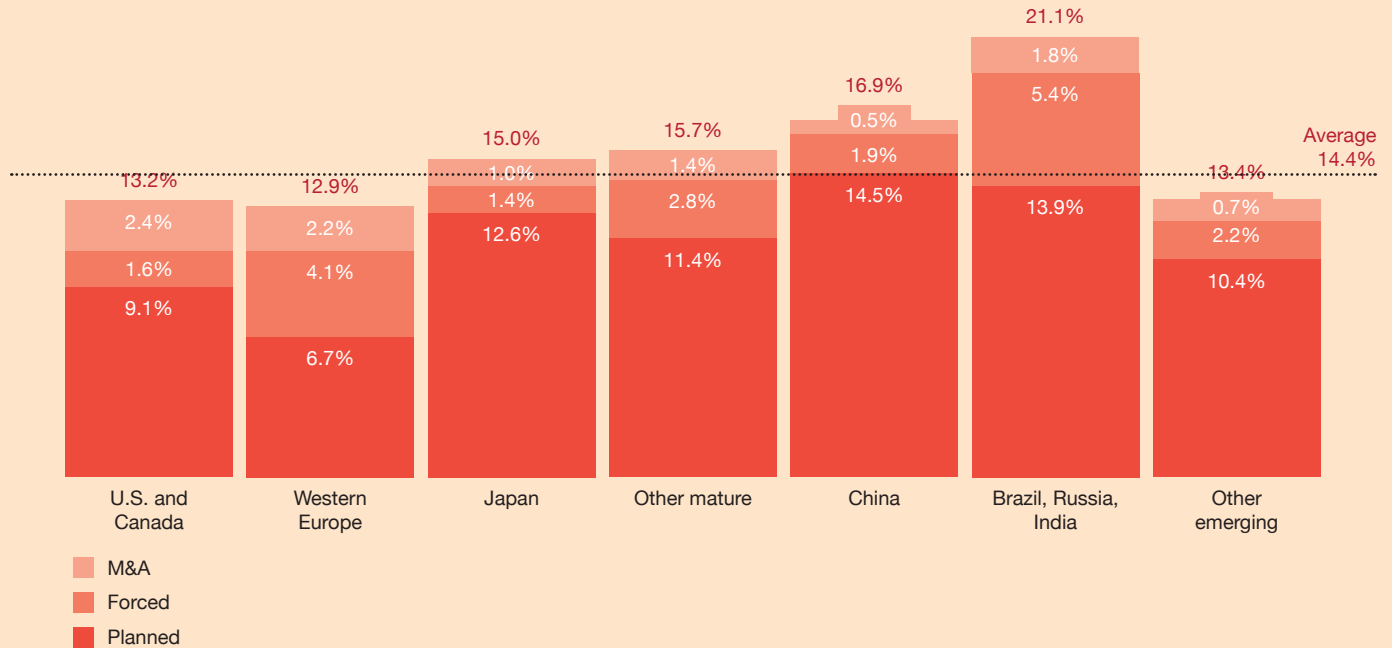


Changes at the top in 2013 continued

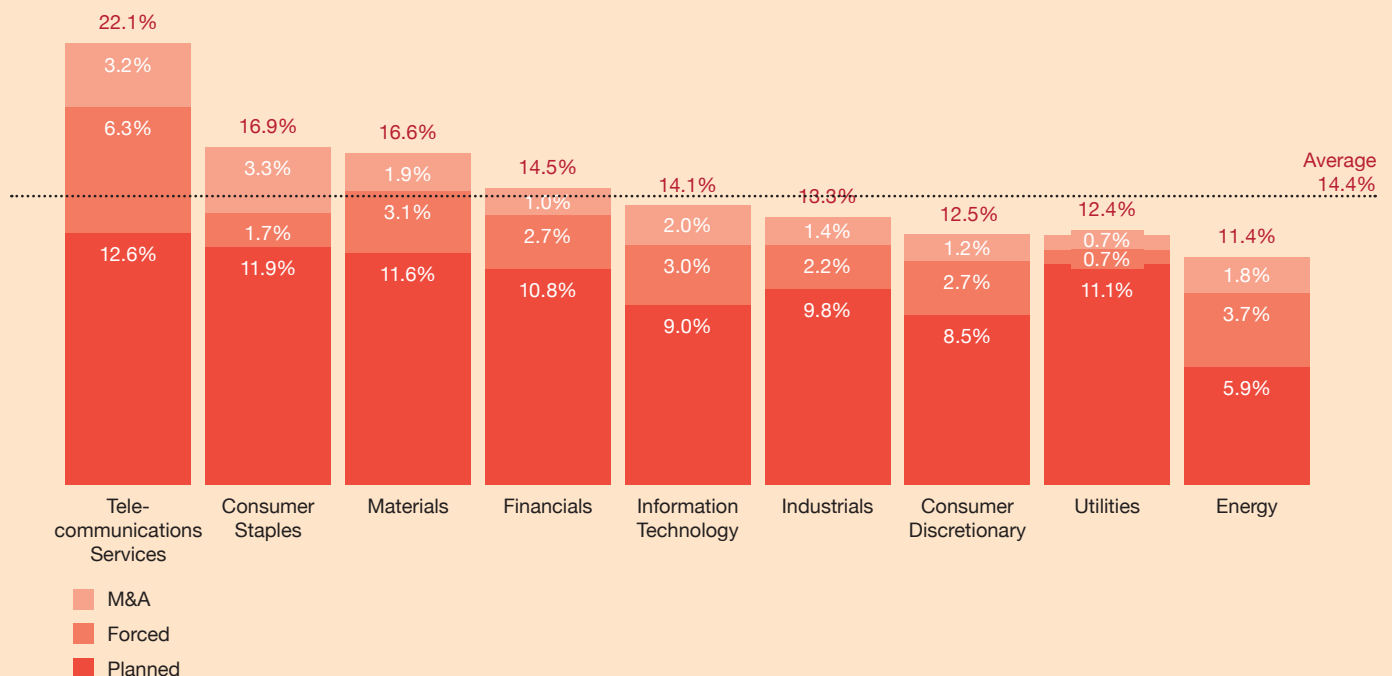


CEO turnover rate in 2013

By company headquarters region



By industry



2013's incoming class of CEOs

Familiar faces

CEOs in 2013's incoming class were mostly familiar to their companies (we found this to be true over the past five years, and first reported on it at length in **last year's study**):

- 76 percent of 2013's new CEOs were insiders (compared to 71 percent in 2012), and a full 26 percent had worked at only one company (compared to 25 percent in 2012).
- 80 percent of incoming CEOs were from the same country as that in which company headquarters are located, slightly lower than 2012's 81 percent.
- 65 percent did not have experience working abroad, a 10 percentage point increase from the previous year.
- 58 percent had joined their company from one in the same industry, almost the same as 2012's 55 percent.
- The median age remained at 53.



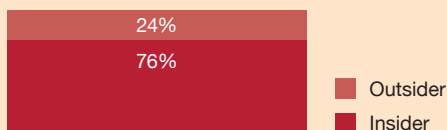
Companies continue to select CEOs who are familiar faces, particularly when it comes to nationality and international experience, suggesting that the 'global CEO' is more mythical than real.

Per-Ola Karlsson, Senior Partner

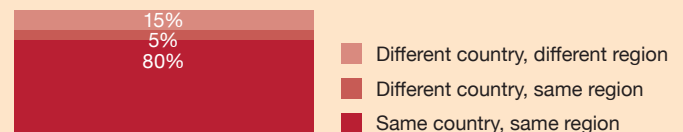


Incoming CEOs in 2013

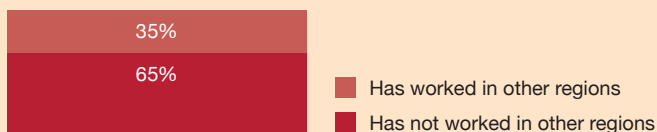
By insider versus outsider status



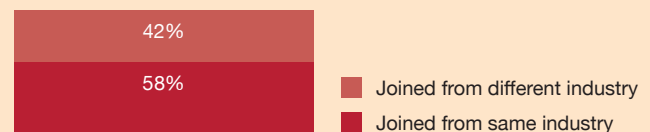
By nationality compared to company headquarters region



By previous experience in different region compared to company headquarters region



By same or different prior industry compared to current company industry



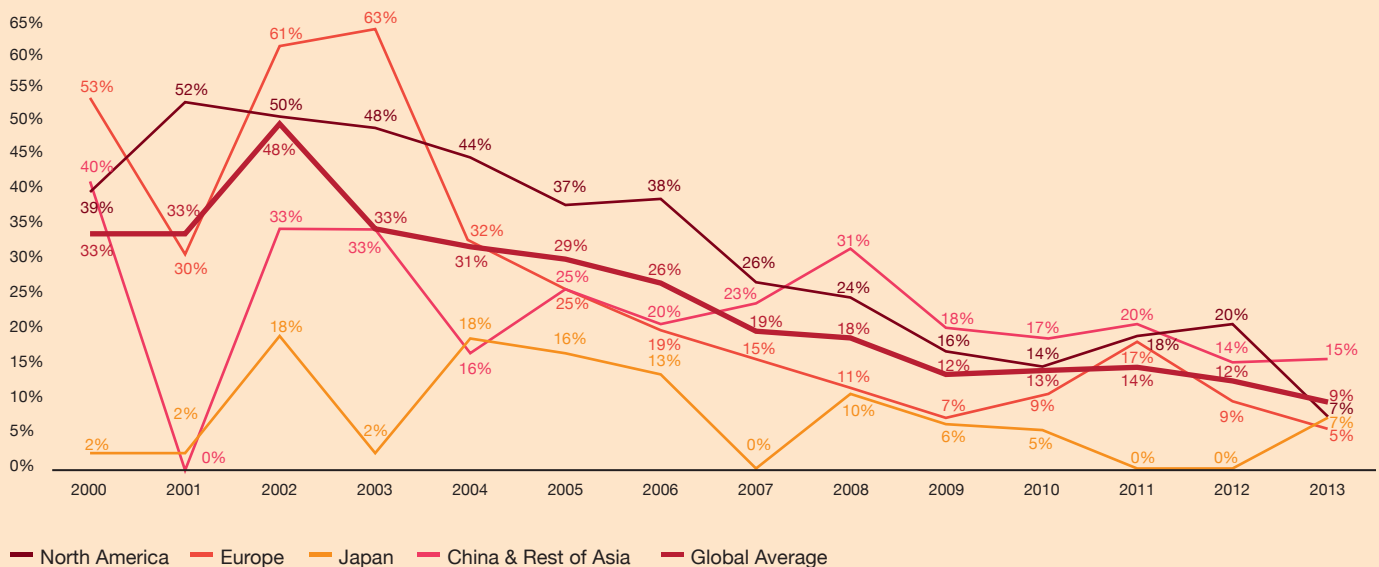
2013's incoming class of CEOs

Titles and education

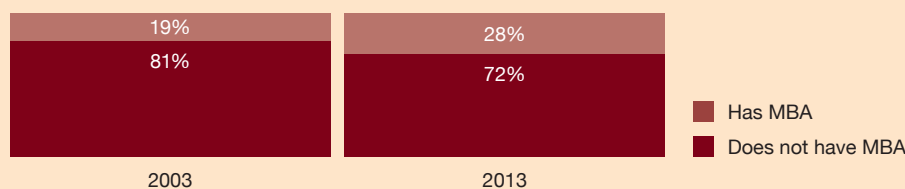
The share of the incoming class appointed with a joint CEO/chairman title has steadily decreased since the beginning of our study and reached an all-time low of 9 percent in 2013.



Percentage of incoming CEOs who also hold the position of chairman



Incoming CEOs by MBA education 2003 and 2013



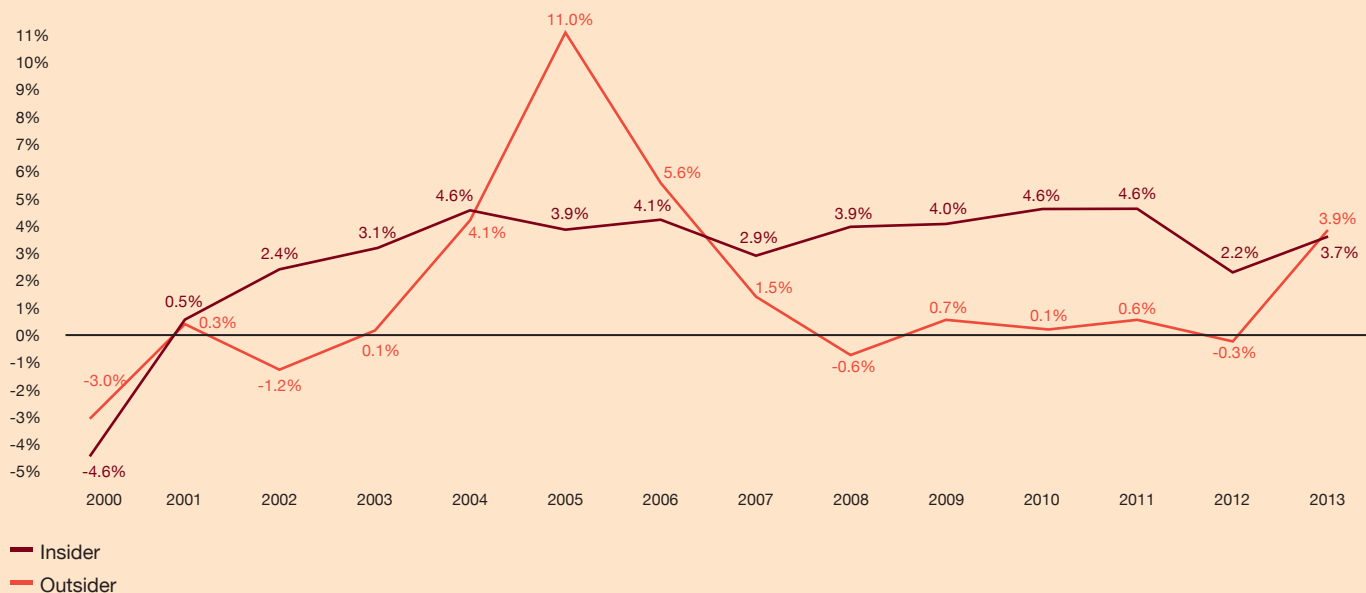
The share of incoming CEOs with MBAs increased by nearly 50 percent between 2003 and 2013 — a trend we expect will continue.
Ken Favaro, Senior Partner

CEOs who left office in 2013

- Outgoing CEOs' median tenure in office has been relatively steady for the past six years. It increased slightly in 2013 to five years.
- Typically, outgoing CEOs who were insiders when they became CEO deliver higher shareholder returns. In 2013, however, outsiders generated about the same returns as insiders (mainly due to high shares of highly performing outsiders in North America and in the consumer staples industry).



Outgoing CEOs' median shareholder returns by insider versus outsider status 2000–13



One CEO to the next

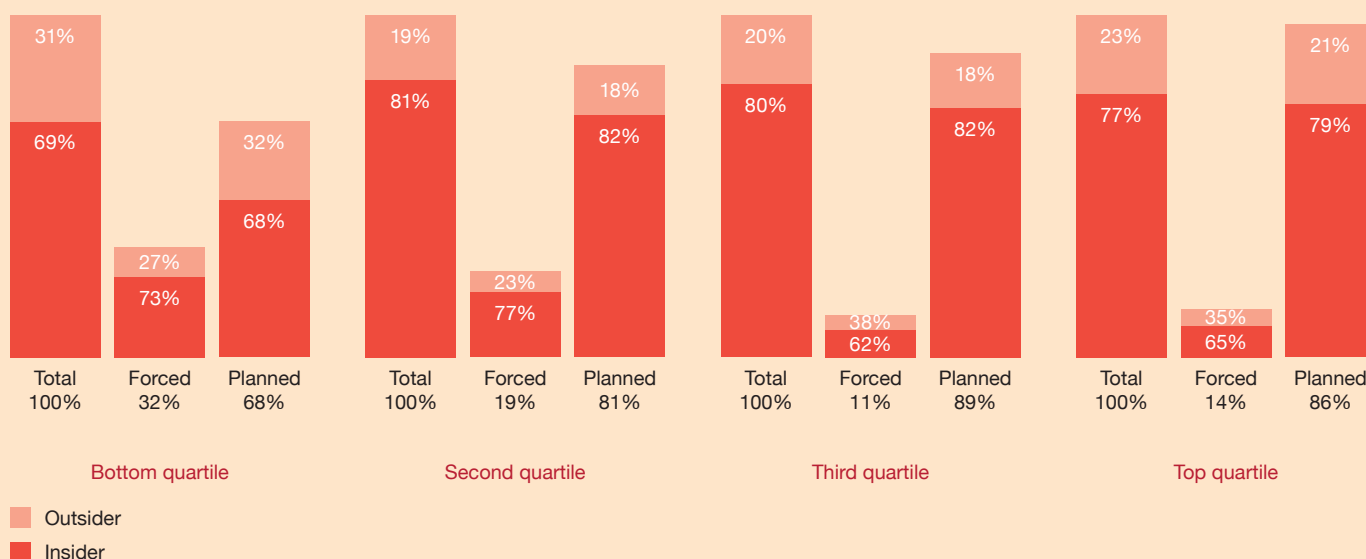
- CEOs who generate the lowest returns to shareholders are more often forced out (32 percent for the lowest quartile performers vs. 14 percent for the top quartile performers), and their companies more often hire outsiders to replace them (31 percent vs. 23 percent).
- When outgoing CEOs remained or became chairmen in a planned turnover – what we call apprenticing incoming CEOs – 89 percent of incoming CEOs were insiders in 2013 (up from 79 percent in 2012).



When a CEO is forced out, appointing a new CEO is a time-sensitive decision. Companies that do not have effective succession practices in place more often have to rely on outsiders to fill the position quickly. These companies may also be looking for new ideas.
Per-Ola Karlsson, Senior Partner



Incoming CEO insider versus outsider status by forced versus planned departure of outgoing CEOs and quartile of annualized shareholder returns over outgoing CEO's tenure 2009–13



About the authors



Ken Favaro

Ken Favaro is a Strategy& Senior Partner and the global lead for its Enterprise Strategy group. His expertise covers corporate and business strategy, strategic innovation, and organic growth. Ken works across all industries, particularly in the consumer, retail, healthcare, and financial services industries.

“Women are becoming more prevalent at the top of the world’s largest companies — a trend that will only continue to grow. Companies need to plan how they will seek out and prepare their future women CEOs for leadership.”



Per-Ola Karlsson

Based in Dubai, Per-Ola Karlsson is a senior partner with 25 years of consulting experience. His main areas of expertise are strategy formulation, organizational development, corporate center design, and governance. In addition, he frequently supports companies in the areas of change management and people capabilities building.

“Our research shows that on the whole, insider CEOs generate higher returns over their tenures than outsider CEOs, so companies seeking to hire women may benefit from looking inside more often than they do today.”



Gary L. Neilson

Gary L. Neilson is a senior partner based in Strategy&'s Chicago office. He has 30 years of experience with the firm and focuses on helping Fortune 500 companies with operating model transformation challenges. More specifically, he works with clients on organizational design, cost restructuring, and enterprise-wide transformation programs. He serves clients across all industries, including consumer, healthcare, financial services, transportation, industrials, and energy.

“The share of joint appointments as CEO and chairman is once again at a low level, a sign of good governance reflecting increased accountability and decreased conflicts of interest. This is one of the longest-lasting trends we’ve seen over the past 14 years.”

Methodology

This study identified the world's 2,500 largest public companies, defined by their market capitalization (from Bloomberg) on January 1, 2013. Our research team members then identified the companies among the top 2,500 that had experienced a chief executive succession event and cross-checked data using a wide variety of printed and electronic sources in many languages. For a listing of companies that had been acquired or merged in 2013, we also used Bloomberg.

Each company that appeared to have changed its CEO was investigated for confirmation that a change occurred in 2013, and additional details — title, tenure, gender, chairmanship, nationality, professional experience, and so on — were sought for both the outgoing and incoming chief executives (as well as any interim chief executives).

Company-provided information was acceptable for most data elements except the reason for the succession. Outside press reports and other independent sources were used to confirm the reason for an executive's departure. Finally, Strategy& consultants worldwide separately validated each succession event as part of the effort to learn the reason for specific CEO changes in their region.

To distinguish between mature and emerging economies, Strategy& followed the United Nations Development Programme 2013 ranking.

Total shareholder return data for a CEO's tenure was sourced from Bloomberg and includes reinvestment of dividends (if any). Total shareholder return data was then regionally market-adjusted (measured as the difference between the company's return and the return of the main regional index over the same time period) and annualized.

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