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News Release

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CEO turnover at record high; successors following long serving CEOs struggling according to PwC's Strategy& Global Study

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CEO turnover hit a record high of 17 percent in turbulent 2018 but there is a group of executives holding steady according to the 2018 CEO Success study released today by Strategy&, PwC's strategy consulting business. The study, which analyzed CEO successions at the world's largest 2,500 public companies over the past 19 years reports that while the median tenure of a CEO has been five years, 19 percent of all CEOs remain in position for 10 or more years, consistently, over the time period analyzed.

Despite disruption, intense competition and eager investors, the median tenure within the group is 14 years with these long serving CEOs who also have better performance, and are less likely to be forced out than not long serving CEOs. By region, North American CEOs hold a significant margin in the probability of becoming a long term CEO at 30 percent, followed by Western Europe at 19 percent, Japan and the BRI countries (Brazil, Russia and India) at nine percent and China at seven percent.

2018 also showed a rise in the share of CEOs who were forced out of their positions for ethical lapses. In fact, more CEOs (39 percent) were forced out for ethical lapses rather than financial performance or board struggles, a first in the study's history. This number rose 50 percent as compared to 26 percent in 2017.

Rough road ahead

Successors to long serving CEOs are not faring as well as they are likely to have shorter tenures, worse performance and more often forced out of office than the CEOs they replaced. Nearly half of successor CEOs moved down a performance quartile or more as compared to their predecessors. 69 percent of successors who replaced a long serving CEO in the top performance quartile ended up in the bottom two performance quartiles.

“Succeeding long-serving CEOs is clearly very challenging,” said Per-Ola Karlsson, partner and leader of Strategy&’s Organization, Change and Leadership Practice in the Middle East. “Their successors typically both deliver lower returns to shareholders and are noticeably more likely to be dismissed than the legend they succeeded as well as their peers.”

CEO turnover in 2018
Turnover among CEOs at the world’s 2,500 largest companies soared to a record high of 17.5 percent in 2018 — 3 percentage points higher than the 14.5 percent rate in 2017 and above what has been the norm for the last decade.

CEO turnover rose notably in every region in 2018 except China, and included a large increase in Western Europe. Turnover was highest in “other mature” economies (such as Australia, Chile, and Poland), at 21.9 percent, and nearly as high in Brazil, Russia, and India (21.6 percent). The next-highest turnover numbers were in Western Europe (19.8 percent), and the lowest were in North America (14.7 percent).

Among industries, turnover was highest in communication services companies (24.5 percent), followed by materials (22.3 percent) and energy (19.7 percent). Healthcare saw the lowest rate of CEO turnover in 2018, at 11.6 percent

Women at the Top
The share of incoming women CEOs was 4.9 percent down slightly from the record high of 6.0 percent in 2017. However, the trend has been upward since the low point of 1.0 percent in 2008. Unlike in 2017 when the record high was driven by a 9.3 percent spike in incoming CEOs in the US and Canada, the largest percentages in 2018 originated in Brazil, Russia, India and China and other emerging countries. The utilities industry had the largest share of women CEOs at 9.5 percent followed by Communication Services and Financial Services at 7.5 and 7.4 percent respectively.

About the 2018 CEO Success Study
Over the course of the past 19 years, Strategy& has been tracking continuous data on CEO successions. The 2018 study analyzed CEO successions at the world’s 2,500 largest (by market capitalization) public companies over the last 10 years. We define dismissals for ethical lapses as the removal of the CEO as the result of a scandal or improper conduct by the CEO or other employees; examples include fraud, bribery, insider trading, environmental disasters, inflated resumes, and sexual indiscretions.

For the purposes of this study and to distinguish between mature and emerging economies, Strategy& followed the United Nations Development Programme 2018 ranking. Total shareholder return data over 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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About Strategy&
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As part of PwC, every day we're building the winning systems that are at the heart of growth. We combine our powerful foresight with this tangible know-how, technology, and scale to help you create a better, more transformative strategy from day one.

As the only at-scale strategy business that's part of a global professional services network, we embed our strategy capabilities with frontline teams across PwC to show you where you need to go, the choices you'll need to make to get there, and how to get it right.

The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that gets an organization through the changes of today and drives results that redefine tomorrow. It's the strategy that turns vision into reality. It's strategy, made real.

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