Russell Reynolds ASSOCIATES

The Transformation of the CEO

Global CEO Turnover Index Annual Report

Foreword

Twelve months on from our inaugural Global CEO Turnover Index Annual Report, business and societal transformation continues to accelerate at pace.

Following a year in which nearly half of the world's population headed to the polls, it is little surprise that today's global landscape continues to be marked by historic change and volatility. The pace of technological, environmental, and regulatory transformation, plus perceived celebrity CEO status, is placing increased scrutiny and pressure on leaders and CEOs.

As a result, getting succession right has never been more important.

That's why we developed the Global CEO Turnover Index. By tracking data from the world's leading stock indices to determine how many listed company CEOs have left their posts each quarter, we can provide a real-time picture of CEO succession that can help boards make more informed decisions in 2025 and beyond.

This report examines three central themes that can inform boards' approach to the next twelve months: a record year for CEO turnover, the transformation of the CEO role and pathway, and the continuing rise of succession planning. We hope that our latest data and expert perspectives will help leaders globally proceed with confidence in an ever-changing world. Throughout the year we will continue to produce quarterly Global CEO Turnover Index updates to ensure that our clients are always one step ahead.

We look forward to working with you in 2025.

Constantine Alexandrakis
CEO, Russell Reynolds Associates

Chapter One: A record year for elections and CEO turnover

With almost half the world's population involved in national elections, 2024 was a year characterized by change, so it is perhaps no surprise to see the recent trend of high CEO turnover reach a new peak with record departures reported.

The latest figure of 202 departures significantly surpasses the six-year average of 186 and represents a 9% increase from the 2023 number. The S&P 500 is a powerful indicator of the trend, with 58 CEOs departing in 2024, a 21% increase compared to 2023—this marks the second-highest number on record and exceeds the six-year average of 52. The ASX 200 and SMI 20 also experienced record-breaking turnover, with 70% of all global indices tracked showing higher than average turnover.

However, a number of key markets are bucking this trend. For example, the FTSE 100 saw just 12 CEOs depart in 2024, a decrease of 14% compared to 2023. Similarly, the DAX 40 turnover was also low with just five CEOs departing in the last two calendar years, while the NIFTY 50 in India saw just three departures in 2024 (compared to seven in 2023).

The convergence of theatre and science

Stephen Langton, an RRA Managing Director in Asia Pacific, believes two major trends are converging to drive this record turnover: "When I assess the overall data, there are two major forces at play here—theatre and science.

"When I say theatre, I mean that today everyone—the media and beyond—wants to talk about CEO succession. So, while company margins or percentage rates may be changing, what people gravitate to is the human story of the CEO: Did they succeed, or did they fail and why? This is true of the public at large but particularly shareholders who I'm seeing going to a chair and asking for a change in CEO.

"The combined effect of this is a rise in exposure for today's CEOs. There's more attention and more scrutiny and, as a result, it is more common for the front runner to turn down the job. The increased emphasis on the CEO role and the accompanying celebrity status has ramped up the pressure and we're seeing more CEOs who only want to do the job once. This contrasts with the recent past where it was not uncommon for a CEO to be taking up their third or fourth role and the net effect of this is that there are now fewer experienced CEOs, more 'step up' candidates who have never been a CEO before, and potentially an increasing number of well-qualified leaders who don't want the top job.

"The second force is the science of CEO succession—the methodology and process of replacing a CEO has changed radically in favor of detailed due diligence. Boards are spending much more time focusing on appointing the right CEO and ensuring that the biggest variance in risk and performance is not the wrong CEO."

Activist investors making their presence felt

Another trend that could be driving record CEO turnover is the role of activist investors. According to the global investment bank Barclays, a record 27 CEOs resigned or were forced out last year by activist investors, nearly treble the number in 2020.

Rusty O'Kelley, RRA Co-Lead Board and CEO Advisory Partners in the Americas, discusses the growing influence of this group: "There is no doubt that activist investors are a key contributor to the record turnover numbers in 2024 and their presence is being felt particularly strongly in the US. I would characterize these departures not as failed appointments but as failed execution."

> "Activists are looking at total shareholder return, and they tend to jump in after six quarters of trailing performance—now that we are a couple of years on from the easing of Covid factors, activists want to know why their capital has not been deployed more effectively, that's the tipping point in many cases. A good example of this in action is online retail where the Covid boom has dropped off and leaders perhaps overestimated their future performance."
>
> **Rusty O'Kelley**, Russell Reynolds Associates

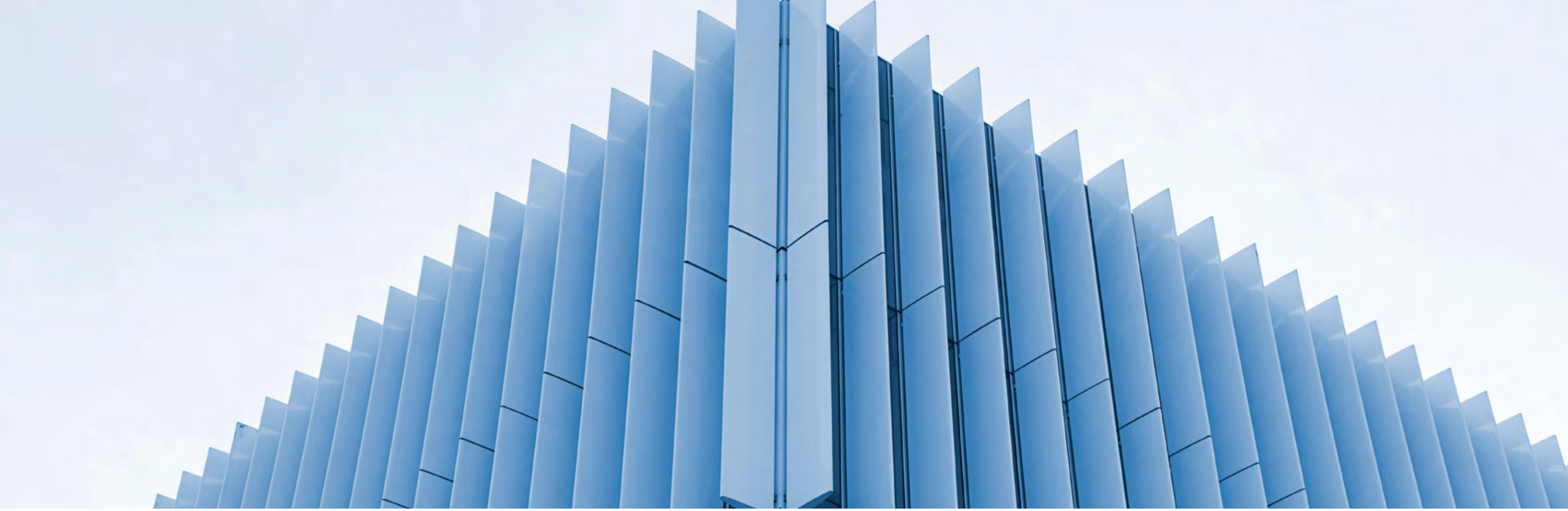
Economic and geopolitical factors at play

RRA EMEIA Co-Lead Laura Sanderson believes the reason for the turnover disparity in 2024 is directly linked to the current economic and geopolitical situation of individual nations: "While overall CEO turnover is up, where we are seeing a depressed turnover rate it is usually connected to depressed economic performance and political uncertainty as a result of almost half the world heading to the polls in 2024. This is not a huge surprise—when the outlook is uncertain and the going gets tough, you don't change your CEO; rather you tend to wait until the economic outlook is a bit better, and then you change your CEO."

This is reflected in lower CEO turnover rates for the FTSE 100 following a UK election and sluggish GDP growth, and similar patterns for the DAX 40 with political uncertainty in Germany and the NIFTY 50 on the back of elections in India. Conversely, with no elections in Australia and Switzerland, we have seen record-breaking levels of turnover in both markets, clear evidence that elevated turnover can be a positive indicator of a stable political backdrop. The S&P 500 CEO turnover data represents something of an outlier given the US also went to the polls, but an ongoing economic boom is an important factor here.

O'Kelley makes the point that political uncertainty has and will continue to have an impact on the role of the CEO: "Against this backdrop, CEO responsibility today is not so much the ability to navigate complexity, but the ability to navigate completely unexpected events and relationships. This is going to be more important than ever as populist movements gather momentum after the 2024 elections.

"In addition to dealing with the needs of employees, investors and other stakeholders, CEOs will also need to carefully manage their relationships with governments, and this may well lead to even higher rates of turnover. The bottom line is that the job just got even harder."



Encouraging signs for gender length of service

While the trend for outgoing CEO tenure across the board remained in line with the six-year average, the last twelve months have revealed encouraging signs from a gender perspective.

Overall average length of service stands at 7.4 years though there are some notable outliers with the DAX 40 (8.4 years), Euronext 100 (9 years), and the STI 20 (11.1 years) all experiencing longer tenure year-on-year.

Sanderson sees this average tenure as a positive: "Most of the research strongly suggests that CEO effectiveness peaks at around year six and starts to decline from year eight, so 7.4 years is a solid foundation for effective CEO performance."

While the overall picture is steady, the gender picture has gradually improved over the last six years. This trend is brought into sharp focus when you consider the figures from 2023 and 2024. In 2023, the average tenure for women CEOs was over four years shorter than that of their male counterparts. However, the 2024 data reveals a significant improvement, with the gap closing to three years, with the average tenure for women CEOs now 4.6 years compared to 7.6 for men CEOs.

Particular markets highlight this shift, with the S&P 500 average tenure for women CEOs growing from 2.1 years to 3.5 years, and the FTSE 250 figure growing from 6 years to 7.4 years.

Gender parity still too far away

The bigger picture around gender parity is also improving, but not quickly enough.

At the start of 2024, we were 81 years away from gender parity. Twelve months on, that figure is down to 72.5 years. In some markets, the picture is more positive—the figure for the DAX 40 is 34 years and the FTSE 100 is 39 but in others—the Nikkei 225 and S&P/TSX Composite—it is significantly higher than the average.

Sanderson believes the latest data is encouraging and sobering in equal measure: "We really shouldn't be in this position, but it is positive to be making significant inroads, and it is a fact that the current trend of high CEO turnover is good for gender parity as it creates opportunities—opportunities that have been grasped by women CEOs. But there is much work to do and our experience working with women on boards is that it is only through sustained, concerted efforts that we can continue to accelerate progress."

In total, 2024 saw 24 women take on new CEO roles, accounting for 11% of all incoming CEOs. This is the second highest number of incoming women CEOs in the study, following 26 in 2022, although the proportion is down slightly from 12% in 2023.

Chapter Two: The transformation of the CEO role and pathway

One of the key trends emerging from the 2024 research is the remarkable CEO turnover reported by the technology sector.

While CEO turnover across all industries is up 9% year-on-year, the corresponding figure for the technology sector is ten times that at 90%. In total, 40 tech CEOs departed, which represented 50% more turnover than the six-year average.

RRA consultant and member of the Technology Practice, Sean Roberts assesses the landscape: "The technology sector is going through a period of profound change, and this change is being turbo-charged by Gen AI, digital infrastructure investment, and continued growth in software. This has triggered the creation of new or growing companies requiring CEO talent. However, we have also seen expectations of increased performance or strategic change have a direct impact on the increase in CEO appointments, and this has been particularly prevalent in the privately held software market.

"In addition, the rise in interest rates in the last two years has triggered a massive shift in 'growth at all costs' CEOs to CEOs that can grow top and bottom line. It also gave investors an excuse to trade out underperforming CEOs for new ones with new skillsets."

Roberts also adds that a handful of 'technology superstars' are changing the entire dynamic of the sector. He explains: "The major global players are in a position where they can place a huge number of 'bets' across a wide variety of different technologies and these 'hyper-scalers' are now setting the direction for entire ecosystems which brings an additional layer of pressure to tech companies across the board."

Given the transformational backdrop outlined above, it is perhaps not surprising that 2024 was also a remarkable year for short-term appointments, with 43 CEOs departing within the first 36 months, the highest level since 2018. Ten of these departures were within technology, an annual record for the sector.

Transformation is a constant state of being

Langton makes the point that this relentless disruption is not confined to tech companies: "There isn't a single CEO role profile out there that isn't stamped with the word 'transformation'—it's what every business wants in a leader. Traditionally, transformation was a phase of a company's evolution, but today it is a constant state of being.

"Given the nature of the sector and the rapid development of AI, it is no surprise to see such a high rate of turnover in technology. But every sector aspires to the qualities that have supercharged the growth in technology—who doesn't want to be mercantile, entrepreneurial, visionary, and innovative? As a result, speed and pace are basic requirements for every leader of every company and as businesses evolve, so do the expectations around the CEO."

New routes to the top job

Considering the disruptive nature of the landscape described above, it is perhaps predictable that in 2024 the technology sector had the lowest number of incoming CEOs with CEO experience at just 8%.

Roberts examines this finding: "Many CEOs have been in a holding pattern given the lack of private equity deal activity in the past two years and therefore companies have had to be more creative in attracting CEO talent. Technology CEOs come in all shapes and sizes and there is no 'formula' for it. So, for example, while the CFO is often seen as a natural stepping-stone to CEO, in technology the route is different because of the intense focus on differentiating through product, technology and Go-To-Market strategy. It's all about customer centricity and a laser focus on the things that will drive growth in the business."

The latest research revealed that this changing route to the CEO job is by no means confined to technology. Across all sectors, the 2024 numbers identified COO as the joint highest route to the top. COOs and other executives both made up 22% of incoming CEOs in 2024, ahead of existing CEOs at 15%, CFOs at 10%, Other C-Suite at 7% and Regional Heads at 4%; Deputy CEOs at 1%, the remaining 20% were made up of divisional heads.

These figures are in line with the six-year average with COO, Other C-Suite, Other Executive and Regional Head slightly more prevalent and CFO, Deputy CEO and Division Head slightly less common.

But it is telling that the COO figure for the S&P 500 and NIFTY 50 is significantly higher at 33%, given that the US and India are both on the frontline of technological advancement. It's a link that Sanderson wants to explore: "We're seeing quite a few of our clients needing to create COO roles which involve major responsibility for the technology transformation their organizations are required to make, and that experience is good preparation for a CEO role.

"To be an effective digital first leader you need the systems thinking brain to understand how the technology works, but you also need a deep understanding of the business model applications from a commercial and strategic point of view allied to people and change management skills, because every technology implementation is a massive change management and people development opportunity. This combination of complementary skills learned and developed at COO level is the ideal platform for a CEO role because what a CEO really needs is enterprise-wide thinking."

New dynamics and new challenges for today's CEO

All of the conditions outlined above are contributing to the changing nature of today's CEO.

Langton believes that boards and investors no longer want a CEO to be top of the pyramid: "We want the next CEO to be a member of the executive team with a clear convening role. In the recent past we've seen boards struggle to appoint internally because CEOs had selected their teams to serve the CEO, not replace them. But today, we're coming out of that era and moving to a time of more collective responsibility, where the CEO leads an organization through their team, not through a personal mandate."

Sanderson echoes this view: "Today, we want a CEO to invite their team to come together and work it out as a collective. For me, the role of a CEO today is to create and guide a team of leaders, not command and control them—they're not conducting an orchestra, they're leading a jazz band and improvisation is very much the order of the day."

Chapter Three: Succession planning on the rise

Last year told a hugely positive story around succession planning, with 22% of all CEO departures occurring because of a planned succession process—a 13% increase year-on-year, and the highest level ever recorded. This growing emphasis on succession planning contributed to fewer CEO removals, with the figure dropping to 14%, a significant decrease from 27% in 2023 and the lowest level since records began in 2018.

Sanderson welcomes these developments: "This is great news on both counts. Firstly, it's a sign that boards are being more proactive and long-term in their thinking when it comes to succession planning, and it's also encouraging to see lower levels of CEO removals."

Langton agrees and makes the point that the succession planning process is now becoming perennial: "The only decision that a board has to make without management support is the selection of a CEO—it is the single most important decision they will make, which is why we are starting to see boards apply more science around it.

"Formalized succession planning is becoming far more common and as part of this process, many boards now start succession planning as soon as a new CEO is in place. This is for two reasons—one, so that they never need to formally declare to shareholders and media that they have put this process in motion and two, because it is absolutely the right thing to do. I fully expect this clear trend towards better succession planning to continue to move in the right direction."

O'Kelley expands on this: "There are almost no directors that I speak to who aren't at the very least preparing for succession planning—it is a huge area of focus. Today, the organizations we work with are thinking longer term than ever before, on average two to four years ahead and in some cases up to seven years ahead."

Succession planning driving internal trend

In line with the trend towards longer-term succession planning, 2024 also saw a record number of leaders promoted from within their organization, with this group making up 73% of all incoming CEOs, a figure above the six-year average of 69%. Against the transformation backdrop outlined in this report, internal candidates comprised 84% of incoming CEOs in the technology sector, significantly above the six-year sector average of 66%.

Although the FTSE 250 and NIFTY 50 leaned more on external talent, with 63% and 67% of their hires coming from outside the organization, Sanderson highlights the direct link between a 22% increase in succession planning and a record level of internal appointments: "This clearly demonstrates that more and more companies are hunting first for their next CEO inside not outside their organization and that they are doing a better job in preparing their internal pipeline. This can only be good news because this is the best way to lower the risk of destroying shareholder value."

Langton also links the science of CEO succession outlined earlier to the growth of internal appointments: "Boards are under huge pressure to appoint internally because an external appointment can be read as: What was wrong? Why was nobody ready? The other factor is that with an increasing number of CEOs only wanting to do the job once, there are more opportunities available to internal candidates."

Stepping up to the top

The internal trend is mirrored by the increase in first-time candidates, with 85% of all incoming CEOs individuals who hadn't been a CEO before. This figure is on a par with the six-year average though, again, the FTSE 250 relied more than others on experienced leaders, with 39% of their hires having previous group-level CEO experience.

Langton reflects on this: "The proliferation of step-up candidates will increase because boards have far more control of an internal appointment with L plates on their back than an external appointment where there are more unknowns. Also, boards want to send a message that they've done a good job, and the future of their company is in safe hands."

The trend for internally appointed CEOs to serve longer than their external equivalents continues too. This has now been the case since records began in 2018 and the 2024 numbers revealed average internal CEO tenure at 8.7 years as opposed to 7.3 years for external.

Conclusion

With emerging technology set to turbo-charge transformation at an even greater pace in 2025, the three themes identified in this report can help guide the way forward for boards and other senior decision makers.

A record year of CEO turnover, the transformation of the CEO and pathway, and the continuing rise of succession planning are all significant factors that can help boards make informed decisions over the next twelve months.

With increased scrutiny and pressure on CEOs, getting succession right has never been more important.

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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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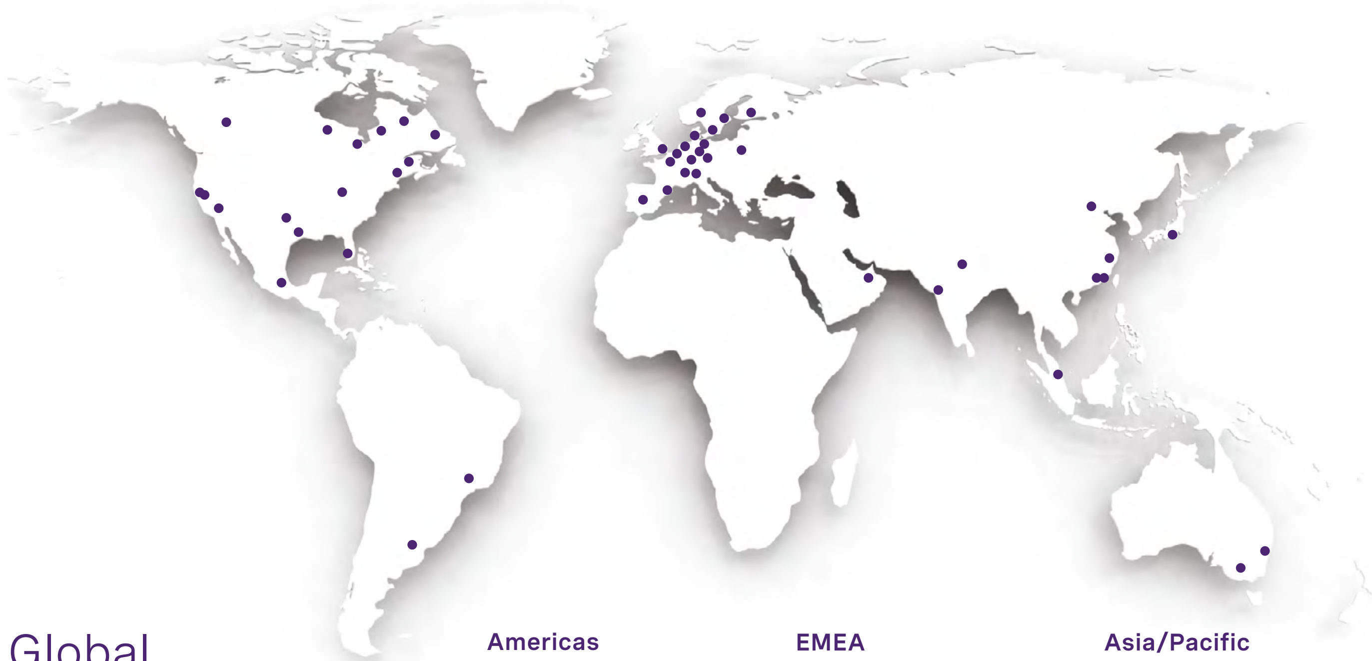

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