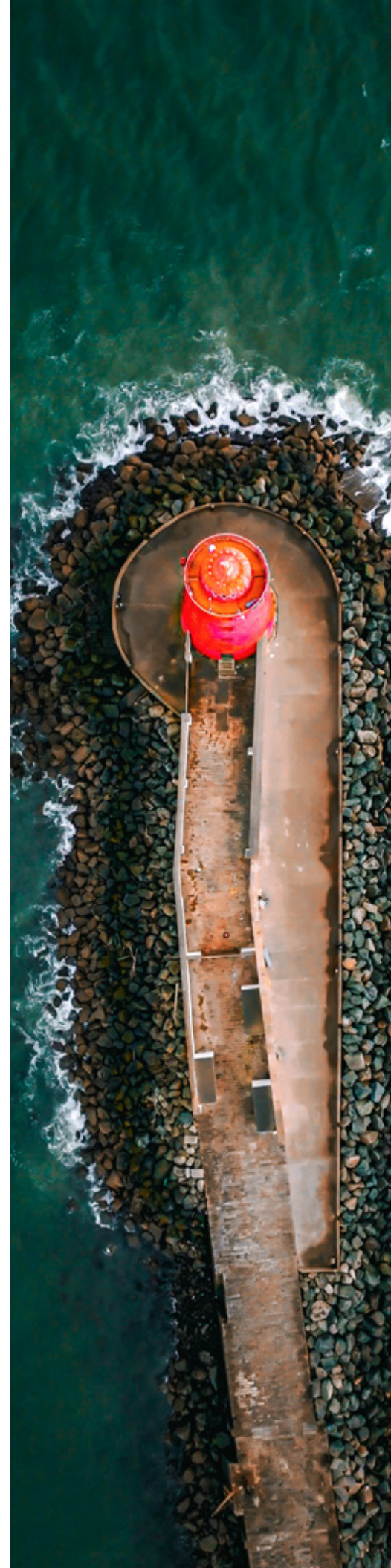


In Volatile Times, Select CEOs for Strategic Advantage, Not Safety

Many boards decided to delay CEO transitions when COVID-19 first hit, assuming the storm would soon pass. It's clear five years later that there is no "other side" of the storm. In this unpredictable environment, where traditional modeling falters, it can be difficult for boards to know how to plan for succession — and many, in fact, are getting it wrong.

We have observed three particularly problematic behaviors in succession planning amid this unpredictability. The first is boards are avoiding making decisions. CEO transitions in the S&P 500 are down 13% since 2020 and have been at decade lows in three of the past four years. There are signs that the dam may be breaking: The first half of 2025 was the most active first half for S&P 1500 CEO transitions in the past five years. That's an encouraging sign because, while it's understandable that boards may be hesitant to change captains midstorm, trying to wait out the rough weather carries its own risk. Inaction signals to the organization that now is the time to hunker down, not evolve.



Second, we've observed boards' tendency to hedge their bets by keeping their outgoing CEOs around as executive chair. In about half of U.S. appointments made since 2020, the outgoing CEO was appointed executive chair — up from 27% in 2015. With the appropriate structure and mindset, an executive chair can provide a sense of continuity during turbulent times and retain the former CEO's valuable expertise. But this approach can hurt more than it helps, potentially undermining the new leader's authority, sending mixed messages about who is making the decisions and raising questions about whether a new CEO truly has the board's confidence.

Finally, boards are focusing too much on experience when selecting a new CEO. Beyond high-profile examples of “boomerang CEOs” returning to their roles (such as Bob Iger at Disney, Sergio Ermotti at UBS and Steve Hemsley at UnitedHealth Group), more boards are passing over first-time CEOs in favor of those who have led companies before. Nearly a quarter of incoming S&P 1000 CEOs in 2024 had already held the top job at another public company. Among S&P 500 companies, three of the four highest percentages ever of experienced CEO hires occurred during the five years since 2020. We observed a similar increase in appointments of experienced CEOs in companies listed on major European stock exchanges, where they accounted for nearly one-fifth of CEO hires in 2024.

In times of volatility and ambiguity, this bias doesn't serve companies well. As our research has shown, highly experienced CEOs often rely too much on playbooks that have worked for them in the past, become overly focused on cost cutting and are less adaptable than first-time CEOs.

In an unpredictable business environment, depth of experience is less important to CEO performance than the range of experience, particularly with organizational change, failure and recovery.

Drawing on our in-depth research into the CEO life cycle, including analysis of CEO transitions in the U.S. and Europe — and on the consulting work we regularly do with boards and CEOs globally — we explore why the “safe” approach to succession can be counterproductive and offer three strategies for boards to transform CEO selection into a moment of strategic advantage.

The wrong — and right — type of experience

In an unpredictable business environment, depth of experience is less important to CEO performance than the range of experience, particularly with organizational change, failure and recovery. CEOs untested in those areas can have three potential drawbacks that can erode the company's competitiveness: rigid playbooks, cultural calcification and shorter tenures.

Rigid playbooks. Pattern recognition and familiar playbooks can be an asset when conditions are stable, but they're a potential liability amid growing uncertainty or a shifting context. They can limit a CEO's ability to spot new threats and organizational needs and to act on unconventional opportunities. Especially if their experience is rooted in a fundamentally different environment, leaders can be drawn to outdated assumptions and miss vital signals and information. Ultimately, boards must look beyond simple markers of experience and determine what the CEO will need to do based on the specific context and the key challenges for the future.

Cultural calcification. Leaders who have mastered legacy operating models may be less inclined to challenge inherited assumptions or adapt to emerging business realities. This is a bigger risk when an organization's culture, systems and processes have evolved to complement the style and preferences of a long-serving CEO — even more so when the outgoing CEO stays on as the executive chair.

Shorter tenures. Experienced CEOs tend to clock fewer years in the job than novice CEOs do. First-time S&P 500 CEOs serve nearly three years longer on average than their seasoned counterparts do (9.5 years versus 6.7 years). In 2024 the average tenure of experienced CEOs dropped to 4.6 years, the second shortest tenure we've seen in the past 10 years. One explanation for this is the decision by some boards to take a chapter-based approach to CEO selection, appointing leaders to guide the company through a specific phase of evolution rather than assuming every CEO must serve a decade or more. While this approach can work, it can create an unintended "staccato" effect without structured planning, as each new CEO adopts fresh priorities before prior efforts fully gain traction.

Turning selection into strategic advantage

Instead of leaning into safety and stability when choosing CEOs, boards need to treat the hiring process as a chance to gain an edge over competitors. Here are three ways they can do that.

Balance risk and reward. Boards tend to have a greater appetite for transformation when a leadership change is further out. They think more expansively about where the business could go and consider more "unexpected" leader profiles with greater upside possibilities — often reflecting the future of the business. As the transition nears, however, many boards get anchored in where the business is today, leading them to see novel candidates as risky and, in turn, select more traditional, "expected" candidates.

There's a useful sports analogy here: At the end of a game, teams in the lead will often change tactics to focus on not losing instead of on winning. All too often, that shift in tactics causes teams to squander their leads and lose games. In unpredictable markets, reinvention is essential, and selecting a "safe" leader can pose significant long-term risks. The antidote to selecting for safety is for boards to develop a clear understanding of where their company and the CEO are in their life cycles and then to match CEO selection to the moment.

This takes courage on the board's part, especially when there's no crisis. But when done thoughtfully, a bold move can pay off handsomely, as the example of one European financial services firm we've worked with demonstrates. While company performance was solid, the board felt the organization had become complacent. The company had a strong balance sheet and achieved modest annual growth, but the CEO had no bold growth plans. The board communicated its views to the sitting CEO, who decided to leave, sparking an outcry from investors and analysts comfortable with the stable growth under the current leadership. In looking for a successor, the board bypassed several proven CEOs to ultimately select a creative and opinionated investment banking executive with deep M&A experience to reinvigorate the organization and set a growth agenda. The new CEO spearheaded a dramatic acquisition spree that reshaped the company's culture and led to growth that dwarfed that of its peers. The market responded, increasing the company's share price sixfold in just a few years.

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Prioritize CEO development through "always on" succession planning. Organizations should deliberately cultivate leaders by giving them diverse, nonlinear roles and assignments that build resilience and adaptability. They should place high-potential executives in unfamiliar contexts where experience alone won't suffice, encouraging them to maintain a beginner's mindset even as they gain more and more know-how. Rotations, crisis simulations and stakeholder-facing jobs all can help shape managers into leaders who can recognize patterns without becoming stuck in them.

Boards also must push to ensure that the company's pool of senior leaders contains a range of thinking styles, backgrounds and perspectives. Supported by a culture of transparency and meritocracy, this approach expands the options a board has, allowing it to make bolder bets without being cornered into safe picks. Priming the pipeline isn't just about candidates, however. It's also about challenging assumptions. As one board chair told us, the best succession processes "test the boundaries of the spec" — that is, they include candidates (internal and external) who bring compelling attributes even if they aren't a precise match with all the predetermined criteria for the job. By staying open to how a candidate's unique background could shape the CEO role itself, forward-thinking boards avoid fixating on what's worked in the past. Then executive development becomes a way of learning what kind of leadership the company truly needs, which often differs from what the board initially thinks it wants.

Microsoft took a well-documented version of this approach in developing its current CEO, Satya Nadella. Before taking the helm, Nadella rotated through multiple divisions of the company, including cloud services, business solutions and R&D. His varied background allowed him to break from the company's traditional Windows-centric approach and pivot toward cloud services and subscription models, while his exposure to talent across the company helped him shape a diverse leadership team that could execute the company's new strategy.

Reframe the selection criteria. Instead of being overly guided by past-oriented criteria — such as sector expertise, a prior CEO role or a track record of financial results — boards should establish forward-looking criteria that capture leaders' adaptability, innovativeness and long-term strategic vision. Amid complexity and unpredictability, the most effective leaders are agile thinkers who can solve ambiguous problems, guide teams through uncertainty and engage the organization in sustaining transformation.

This is what we refer to as executive intelligence — the ability to make decisions in real time, process new information and course-correct when conditions change. It is reflected in the way leaders pose questions, challenge assumptions — including their own — synthesize competing perspectives and bring others along. Leaders with executive intelligence excel in larger, more complex roles — or those with a vastly different context, where past playbooks or established relationships aren't relevant.





Followership is another vital skill that boards need to look for today. This is the capacity to inspire people inside and outside the organization through a combination of clear vision, demonstrated competence and authentic connection that motivates others to willingly commit to shared goals.

Such attributes became an important consideration for the board of a media company facing digital disruption. The two final CEO candidates included an industry veteran and an outsider. The veteran had an enviable track record of generating strong cash flow from current business lines — an important consideration to fund the company's transformation. But the board also recognized that future growth would have to come from new revenue streams like digital advertising, subscriptions, e-commerce and data monetization — areas where the outsider had the edge.

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Our assessment revealed the outsider candidate had very high executive intelligence, including strong conceptual-thinking skills, the capacity to read social cues and emotional responses, and the ability to adapt her behavior based on new information. These attributes gave directors confidence that she would succeed in a rapidly changing business environment — and bring internal and external stakeholders along on the journey.

Their bet paid off. Over the next few years under the new CEO, the company accelerated its shift to digital offerings and successfully extended its audience reach.



Selecting the right CEO in today's environment isn't solely about operational excellence or steady hands. It's about resilience, reinvention and range. The most successful boards won't treat CEO selection as a defensive move to guard against risk. They'll treat it as a strategic opportunity to bet on growth, innovation and transformation. Adaptability isn't a soft skill — it's the new currency for enduring leadership.





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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, and many 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.

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