The Best CEO Successions Start Early and Dig Deep

Our global analysis of the Business Services industry reveals that while experience and track record are key, early preparation is even better

By Marc Daleiden

CEO succession planning—a critical duty of the board and its Chair—typically unfolds over a two-year period prior to the official transition. But is this timeframe enough to identify, nurture and select a leader who can ensure the long-term success of a business?

The answer is *not really*. We conducted an analysis of the 110 most recent CEO appointments in the top 50 listed Business Services companies worldwide, and our findings lay bare that CEO succession planning should start much earlier.

Effective CEO succession planning involves more than just making the right decision at the right time. It requires identifying and developing the right candidate pool throughout their entire career journey—from early talent development to executive leadership.

One in six appointed candidates has previous CEO experience

Out of the Top 50 global Business Services companies globally, only 16% of appointed CEOs had prior experience in the same role. Relying on the strategy of “hiring a ready-made solution to simply resolve issues” is no longer relevant. CEOs need to face more and more new and unknown challenges, which are causing more and more complex issues to handle and solve. Even individuals who have held a significant Divisional or Regional CEO position may not be adequately prepared for the end responsibility ofa CEO role. Thus, systematic preparation is crucial to mitigate excessive “learning on the job” and ensure the long-term success of both the candidate and the company.

68% of CEOs were appointed internally

The vast majority of CEOs in our sample were promoted from within the organization—a pattern not exclusive to the Business Service industry, but reflecting a broader trend observed across sectors. This approach provides a stable balance between injecting external impulses and ensuring greater stability. However, grooming an internal bench of high potential candidates calls for thorough development pathways—something we observed to be less pronounced in the Business Services sector in comparison with other industries.

Only 12% of externally appointed CEOs had CEO & industry experience

Our study found that in 32% of appointments, the board deliberately opted for external talent or lacked viable internal options. In such instances, prior CEO experience was an important requirement, which 44% of candidates met. Interestingly only 12% had both industry and CEO experience. While the latter scenario is often idealized in many succession processes, it seldom occurs in reality. It is worthwhile noting that diligent preparation is essential even in the case of external appointments to ensure the new CEO swiftly integrates and gains traction.

A 35 year old new joiner as game changer

Boards and CEOs might be missing on a goldmine of untapped talent. We uncovered that CEOs appointed internally are 49 years old when appointed and have spent on average 14 years in the company—meaning they joined at the age of 35. This presents both risks and opportunities. The **risk** is that internal CEO candidates might not have had a chance to develop broader leadership skills, resulting in strong “internal views” and a smaller “what good looks like” repertoire when compared to candidates who experienced multi-company or multi-industry careers. Shortcomings can be as diverse as strategic thinking, international working and living experience, dealing with investors or managing multi-market businesses. The **opportunity** lies in the ample time available, allowing for strategic preparation of potential CEO candidates by providing them with appropriate developmental pathways and growth opportunities within the organization. It is key to assess and nurture their potential carefully and make them feel the commitment to ensure that they are well-equipped and motivated to assume the CEO position or other critical C-suite roles when the time comes.

Board and CEO alignment needs to be a norm

Although Chair and CEO talent radars traditionally operate in separate spheres, compelling evidence suggests they should converge. In CEO succession planning, it is crucial for both the Chair and the incumbent CEO to jointly develop a strategy that promotes early-stage visibility of the internal CEO talent pool. A CEO's leadership mandate includes planning for the immediate and long-term future, regardless of whether stepping down is on the horizon in their short- or mid-term plans. By working closely together to create a feasible succession plan that aligns with the company's long-term goals and vision, they establish the groundwork for a successful transition.

5% of Business Services CEOs are female – Really?

While this reality is more than concerning, it also represents a significant opportunity for the industry to be more proactive in recruiting and developing diverse talent of all kinds. Numerous studies have proven the tangible benefits of a more balanced leadership and employee population. However, much like the challenges encountered in internal CEO succession, creating a more diverse pipeline of potential CEO candidates requires determination, focus and time.

Success can be measured but not generalized

The lingering question is whether factors such as a previous CEO career or industry experience can reliably predict a CEO's success. Statistically, CEOs with industry experience have demonstrated twice the success in increasing share price compared to counterparts without such experience. Experienced CEOs have achieved higher profitability during their tenure compared to first-time CEOs. However, it would be unwise to draw conclusions for a CEO succession process as these outcomes are influenced by a multitude of factors, including the CEO's mission, starting point, economic cycles, stock market trends, or external crises.

CEO succession as way to propel the industry

Business Services companies have always leveraged simple business models: enabling clients to focus on core competencies while improving their competitiveness via lower cost or higher performance. Value drivers as labor arbitrage or economies of scale have long supported this approach but are not losing their grip in an increasingly digital, complex and unpredictable world. The time is right for the industry to elevate their game in terms of leadership development to appoint CEOs who are capable to “future-proof” its business models and ensure the long-term success of their businesses. Only then can they truly propel the industry forward into a new era of growth and innovation.

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