

# New research reveals chief executive 'churn' as myth

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Professor Malcolm Higgs led the research. Credit: University of Southampton

Research into the leadership structure of the UK's largest companies, carried out by the University of Southampton in collaboration with executive search consultants Thorburn McAlister, suggests turnover rates or 'churn' in the position of chief executive are much lower than commonly perceived.

A report funded by Thorburn McAlister and the Southampton Management School examined data from companies in the FTSE-350 index to explore changes in senior executive and board positions over a

five year period.

Results show:

- just 51 chief executives moved to their job from another [chief executive](#) position.
- 66 per cent of recruited chief executives in the FTSE-350 are internal appointments. This may indicate that boards wish to maintain strategic continuity by appointing home-grown talent.
- average length of service of a chief executive in the FTSE-350 is 6.35 years and 5.91 in the FTSE-100. Previous reports of tenure in the FTSE-100 have suggested an average figure of 3.25 years.
- markets appear to value long-service and maturity – with chief executives in service for more than 10 years demonstrating the highest growth in their company's share price.
- 85 per cent of chief executives in the FTSE-350 are of the baby-boomer generation (born 1945-65), with just 13 per cent from generation-X (born 1966-80) and none from generation-Y (born post 1981).
- just 14 chief executives in the study were women.

Research leader, and Head of the Southampton Management School, Professor Malcolm Higgs comments, "It is accepted wisdom that chief executives are highly vulnerable to being attracted to a higher paying role, ready to leave for a better deal – but our research challenges this.

"Evidence suggests their moving around occurs far less than assumed, with little movement from one chief exec position to another. In these financially turbulent times, with pay and bonuses in the spotlight, we should ask ourselves if high levels of remuneration are really keeping people in post, or if the impetus to move isn't as strong as perceived."

Professor Higgs continues, "Furthermore, the large number of current chief execs in the baby-boomer generation, and comparatively low numbers in generation-X, raises the question of whether we can maintain our chief exec talent? Do we have a talent gap? Or are we better at nurturing talent internally in companies than we have tended to think?"

Researchers used the HemScott Company database on UK-domiciled and publicly traded stocks (now Morningstar Company Intelligence) to gather company data and details of directorships. Where necessary, this was supplemented and verified with analysis from company websites and archived data.

Director at Thorburn McAlister, Anthony McAlister, comments, "This review will help inform organisations and develop better talent management practices. Year on year it will build into an outstanding resource for FTSE 350 stakeholders."

The information in the report was taken as a snapshot view on 1 August 2011. In addition to information on chief executives, the research also examined data on chairmen, financial directors and board positions in the FTSE-350.

Provided by University of Southampton

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