

Route to the Top 2022

The group of CEOs appointed between July 1, 2021, and June 30, 2022, included the highest share of first-time CEOs in three years, suggesting that boards may be more open to taking a risk for the right experience.



About the report

This year's *Route to the Top* draws on an analysis of the profiles of the 1,169 CEOs at the largest companies in 25 markets. The data reflects the CEOs as of August 14, 2022. The date of analysis is September 10, 2022. Australia and New Zealand (ASX 100 & NZSX 10), Belgium (BEL 20), Brazil (B3), Canada (TSX 60), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX & MDAX), Hong Kong (Hang Seng), Ireland (ISEQ Overall), Italy (FTSE MIB), Kenya (NSE Top 40), Mexico (BMV), the Netherlands (AEX), Norway (OBX), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), Spain (IBEX 35), Sweden (OMX Stockholm 30), Switzerland (SMI Expanded), the United Arab Emirates (ADX & DFM), the United Kingdom (FTSE 100), and the United States (Fortune 100) are included in this report.

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Welcome to Route to the Top 2022

4 Introduction

6 Global snapshot

7 CEO appointment trends

13 Five on-ramps to the route to the top

15 Looking forward

Introduction



The relentless events of the past two and a half years have delivered shock after shock to companies around the world. Leaders and companies have had to manage the impact of the ongoing COVID-19 pandemic, increased global calls for social and racial justice, and increased regulatory disclosure requirements related to sustainability. And the war in Ukraine continues to evolve in an unpredictable manner, with tragic outcomes for people and myriad impacts on economies and business.

As trust in governments is eroding, companies and their leaders are expected more than ever to step into a role in solving societal issues. In an environment of increased uncertainty, in which more stakeholders are demanding influence and many societies are becoming increasingly polarized, more is at stake. In the vacuum of political leadership and volatility across many countries, more is expected from

CEOs in particular as the ultimate representatives of both their companies and the business sector in general.

CEOs in most markets are expected to speak on behalf of their companies on any issue. There is no doubt that the effects of the events of the past several years are playing a major role in trends both positive, such as diversity initiatives, and negative, such as the growing workforce fatigue, as well as a wide range of other challenges companies face, from climate change to economic volatility.

But, as the role of the chief executive becomes more complex and demanding and requires more resilience, it could become less appealing—even for seasoned executives.¹ We saw a slowdown over the past two years in the rates of CEO appointments in all but 4 of the 25 markets we have been tracking.

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¹ A new Deloitte study found that almost 70% of C-suite executives surveyed are considering leaving their jobs for a role that better supports their well-being. See Steve Hatfield, Jen Fisher, and Paul Silverglate, "The C-suite's role in well-being," Deloitte, June 22, 2022, [deloitte.com](https://www.deloitte.com).

However, one-third of the companies in our study have appointed a new CEO since January 1, 2020, which underscores the continued need for change even in the midst of volatility. Our research shows that the newer cohorts of CEOs, those appointed over the past three years, are bringing more diversity and fresh perspectives into the role and shifting the needle on the overall profile of the CEOs in our study.

For this report, we also looked in detail at the backgrounds of all of today's sitting CEOs. We sorted them by the level at which they entered the company of which they became CEO, and we found five points of entry, or "on-ramps": those who joined their company as the CEO or from the board of directors; those who founded their company, those who joined their company as the CEO, those who joined the company as a direct report to the CEO, those who joined as another senior leader, and those who have a long tenure at their company. These five groups bring different mixes of expertise to the table, and we hope providing this perspective will help boards and CEOs shape their CEO succession planning efforts to meet their current, and future, needs, whether they are planning for a near- or long-term succession.

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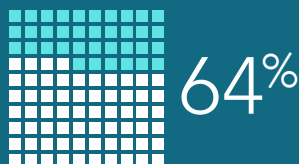
Key findings

Overall, the rate of appointments held relatively steady in the period between July 1, 2021, and June 30, 2022, compared to the previous year: there were 140 appointments in the 2021–2022 period, compared to 145 in the same period between 2020 and 2021. This is noticeably down, however, compared to two years ago in most of the markets we study.



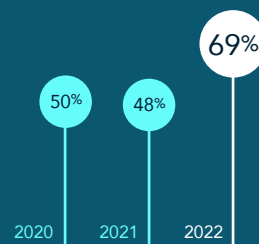
There was a shift toward appointing CEOs internally:

64% were internal appointments in the period ending this summer, compared to 61% in the prior period, suggesting a heavier reliance on internal succession planning processes and a focus on developing talent to reduce uncertainty.



The group of incoming CEOs included the highest share of first-time CEOs in three years:

69%, compared to 48% in 2021 and 50% in 2020, suggesting that boards may be more open to taking a risk for the right experience.



There was also a lower share of new CEOs with prior C-suite experience:

71% this year, compared to 83% in the previous year, suggesting boards are also broadening their understanding of what backgrounds create great CEOs.



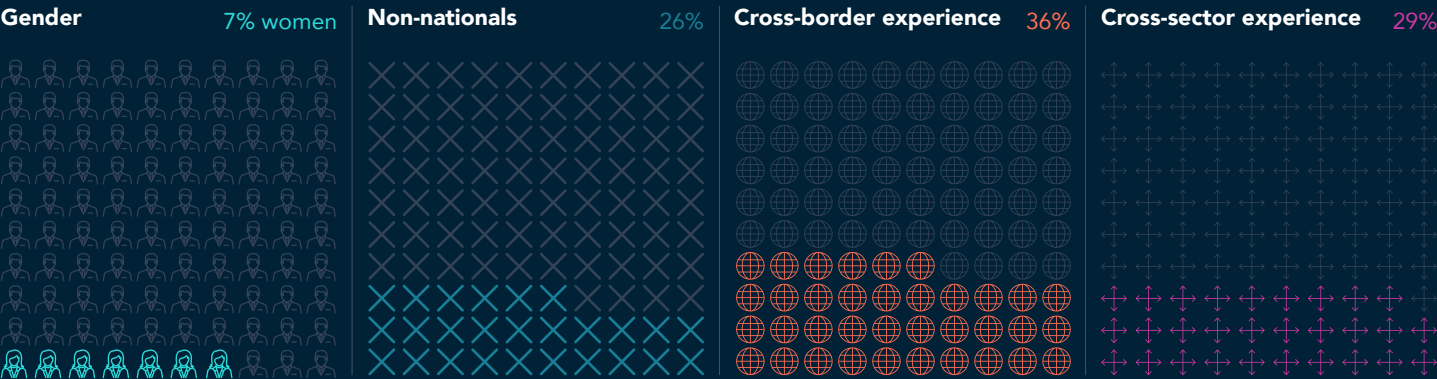
There was slow but steady progress on the gender balance:

13% of new CEO appointments were women, compared to 11% in 2021 and 9% in 2020, suggesting that more boards are seeking diverse voices and fresher sets of experiences.

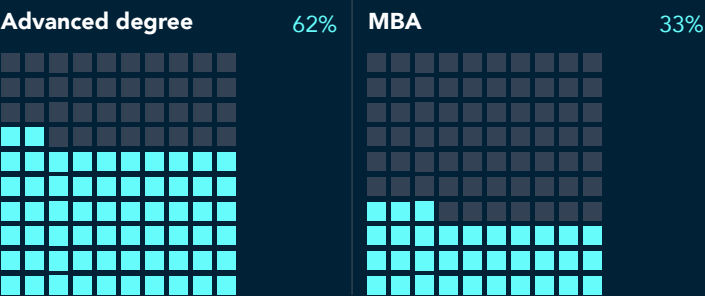
Global snapshot: All current CEOs

Average age at appointment	Average age	Appointed before age 45	New appointments <small>(appointed July 1, 2021, or later)</small>	Average time to appointment <small>(years)</small>	Average tenure <small>(years)</small>
50	57	25%	14%	9	7

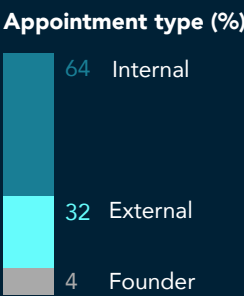
Diversity



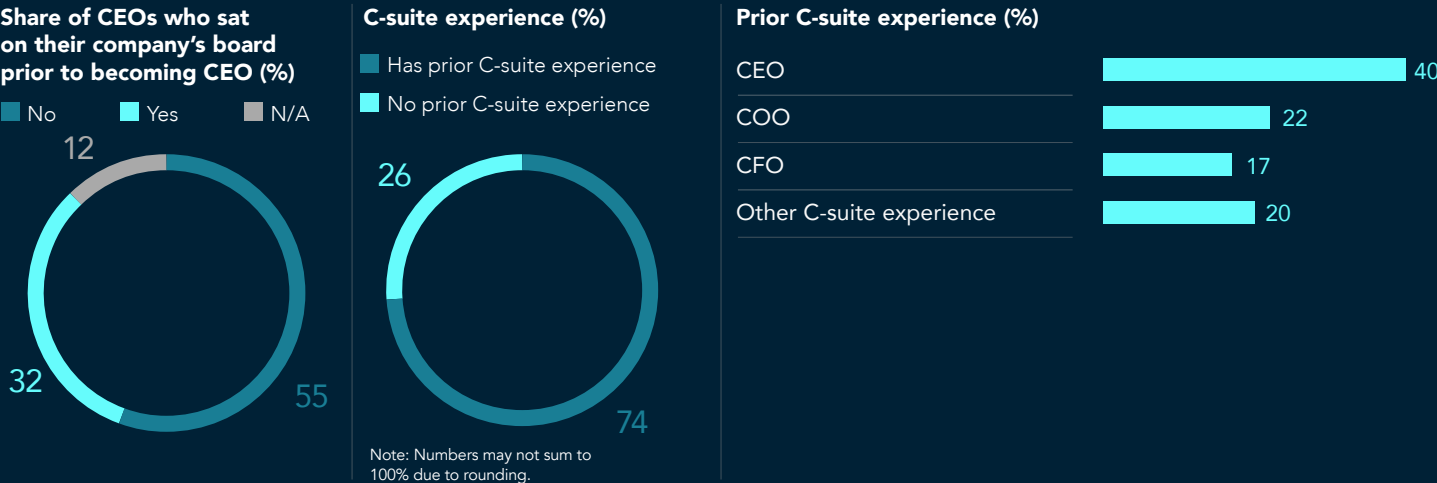
Education



Appointment type



Prior C-suite experience



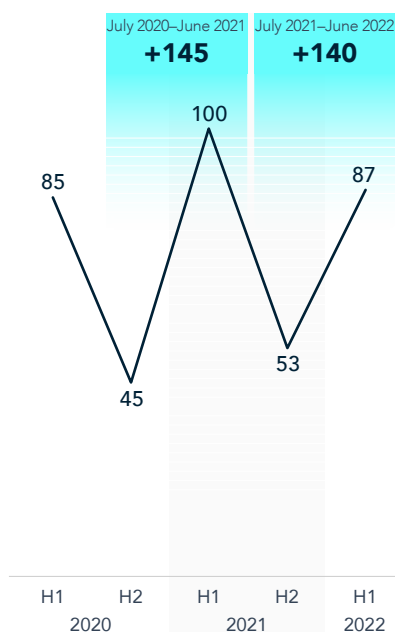
CEO appointment trends



The rate of CEO appointments held steady, but with significant differences from market to market

Overall, the rate of appointments held relatively steady in the period July 1, 2021, to June 30, 2022, compared to the previous year: 140 compared to 145. These figures are, however, higher than pre-COVID years, following a marked slowdown in 2020. Also, there are significant differences from country to country, with most showing a larger slowdown: out of the 25 markets we study, only 4 made more appointments in this year's report, compared to our last report.

Number of CEO appointments, 2016–2022



CEO appointment trends, by market, 2020–2022

■ Increased number of appointments
 ■ Decreased number of appointments

Market	Number of companies	2020	2021	2022
Australia/New Zealand	104	13	16	14
Belgium	20	1	1	5
Brazil	78	6	13	7
Canada	60	7	5	10
Denmark	24	3	4	2
Finland	25	6	3	2
France	40	4	9	4
Germany	90	14	16	10
Hong Kong	69	8	10	13
Ireland	30	1	2	2
Italy	40	4	5	6
Kenya	40	New country 2022		7
Mexico	42	0	1	1
Netherlands	25	6	3	2
Norway	25	New country 2022		6
Portugal	15	3	3	1
Saudi Arabia	30	New country 2022		6
Singapore	30	1	3	3
South Africa	40	5	7	6
Spain	35	3	6	4
Sweden	29	6	2	0
Switzerland	47	8	6	5
United Arab Emirates	40	4	10	6
United Kingdom	100	14	12	11
United States	100	14	13	8

Out of the 25 markets we include, only 4 made more appointments this time than in our last report.

More CEOs appointed internally

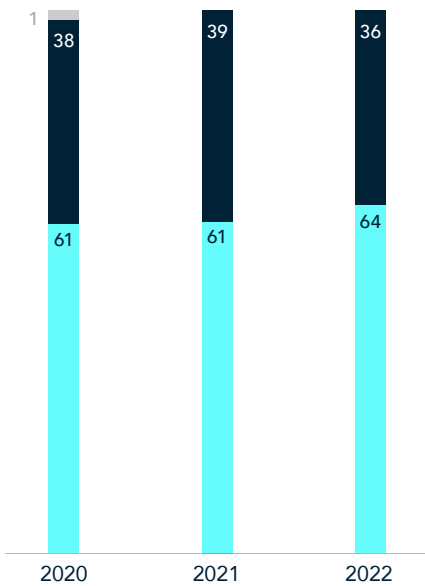
As the levels of uncertainty and volatility grow every day, many boards and companies are looking at people they know well and who know the company well for their incoming CEOs. This also suggests a heavier reliance on—and confidence in—leadership development to reduce uncertainty.

There are significant differences among regions when it comes to the type of appointment, with North American companies making 78% of their CEO appointments internally, while Middle Eastern and African companies rely to a lesser extent on their internal talent pool, with 56% and 54%, respectively, of their current CEOs having been promoted internally.

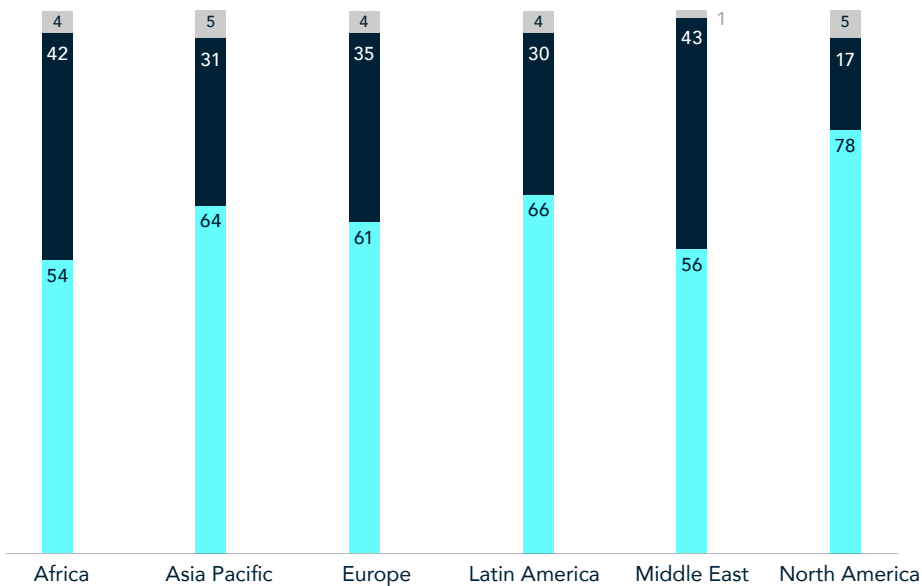
New CEO appointments (%)

Internal External Founder

Appointment type, 2020–2022



Appointment type, by region, 2022



More first-time CEOs

In the face of increased expectations of the person in the top role, many boards are changing their criteria for the backgrounds and experiences of their new CEOs, even when they draw candidates from their own ranks. The CEOs appointed over the past 12 months, for example, included a significantly higher share of first-time CEOs compared to the groups from the previous two years.

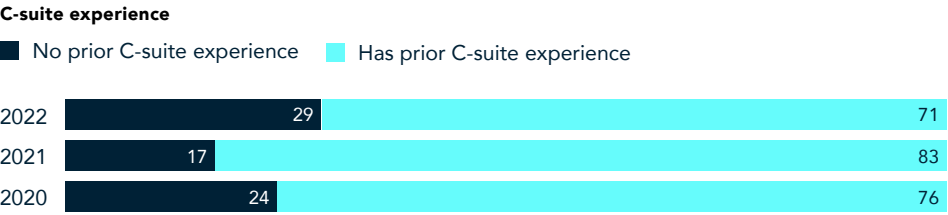
New CEO appointments: First-time CEOs, 2020–2022 (%)



An increase in the share of all CEOs with more varied C-suite experience

The backgrounds of the newest appointees are different enough from their longer-serving peers that the overall balance of experience for all CEOs has shifted. The latest cohort brings in both more diverse C-suite experiences (experiences other than the traditional CEO or CFO experience) and backgrounds that do not include C-suite experience and instead more frequently include roles such as head of division, regional leader, executive vice president, general manager, and managing director.

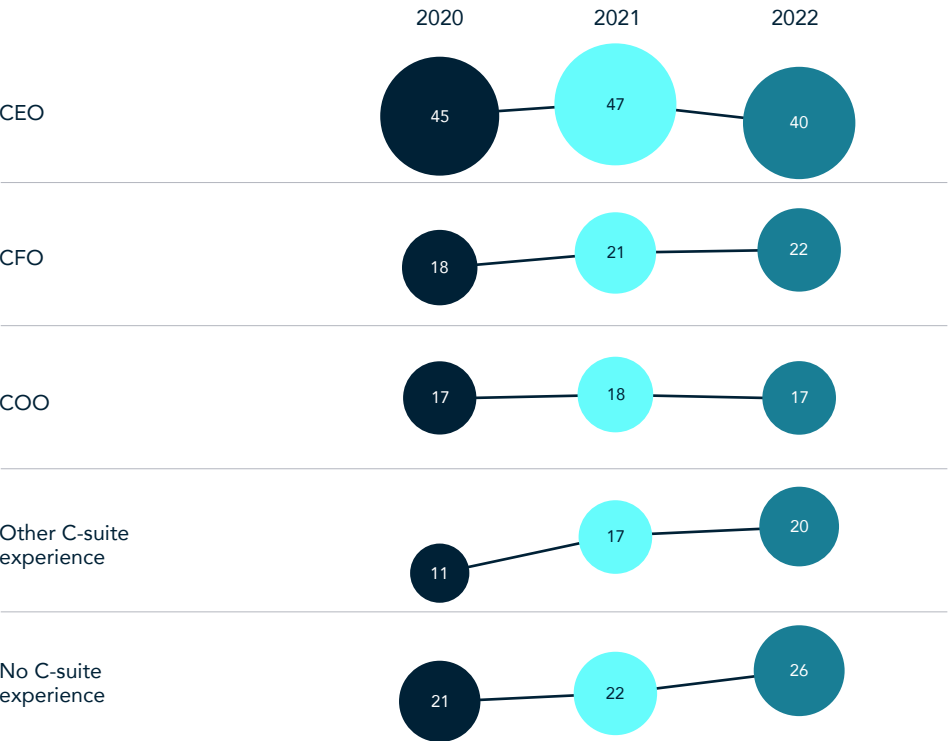
New CEOs: C-suite experience (%)



Type of C-suite experience, by year



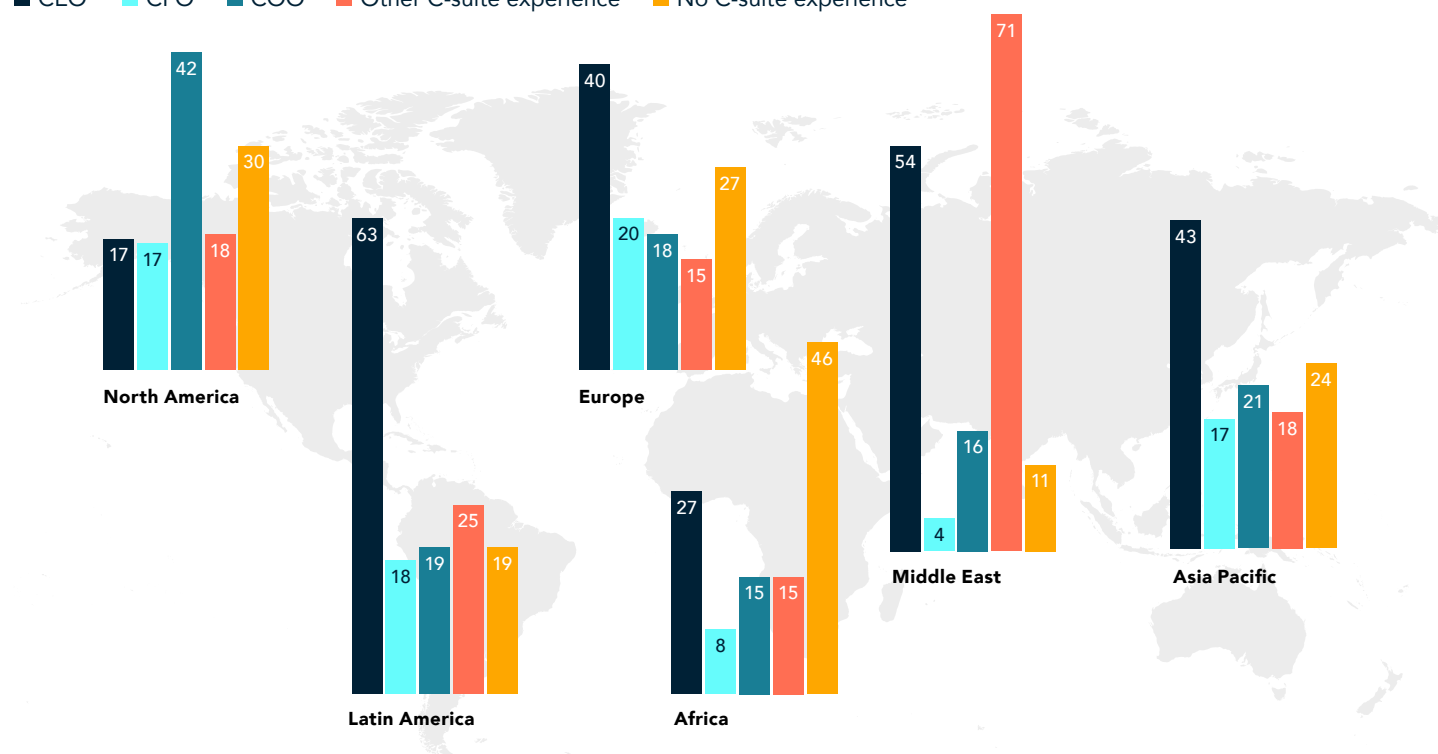
Type of prior C-suite experience, all CEOs, 2020–2022 (%)



However, differences persist by region.

Prior C-suite experience of all CEOs, by region (%)

■ CEO ■ CFO ■ COO ■ Other C-suite experience ■ No C-suite experience

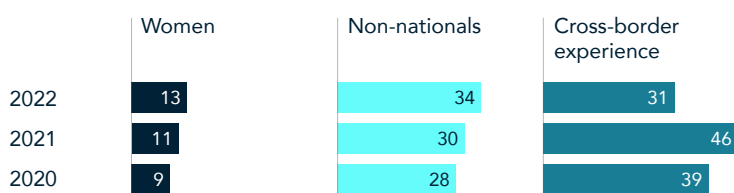


Small but steady gains for gender diversity and a wider range of other fresh perspectives

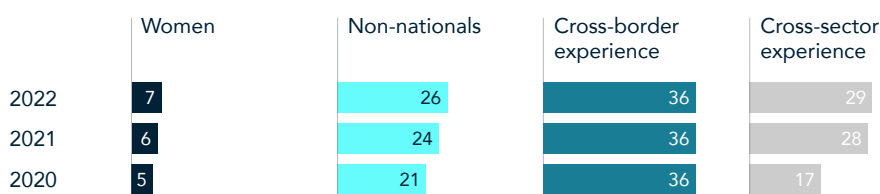
One of the key challenges boards have to manage when choosing CEOs is that there are more stakeholders demanding access, influence, and wider representation on leadership teams—seeing the CEO as the key indicator of progress, or lack thereof.

We see slow but steady progress on the share of women becoming CEOs, as well as on the diversity brought by CEOs of a nationality other than their company's home country and those with cross-sector experience. Over the past three years, the needle has moved with each incoming group of CEOs. Thirteen percent of the CEOs appointed in the period between July 1, 2021, and June 30, 2022, were women, compared to 11% in 2021 and 9% in 2020; out of 18 women CEOs appointed in this report's period, 7 are based in Europe, 6 in Asia Pacific, 3 in Africa, and 2 in North America.

Diversity of new CEOs, 2020–2022 (%)



Demographics, all CEOs, 2020–2022 (%)



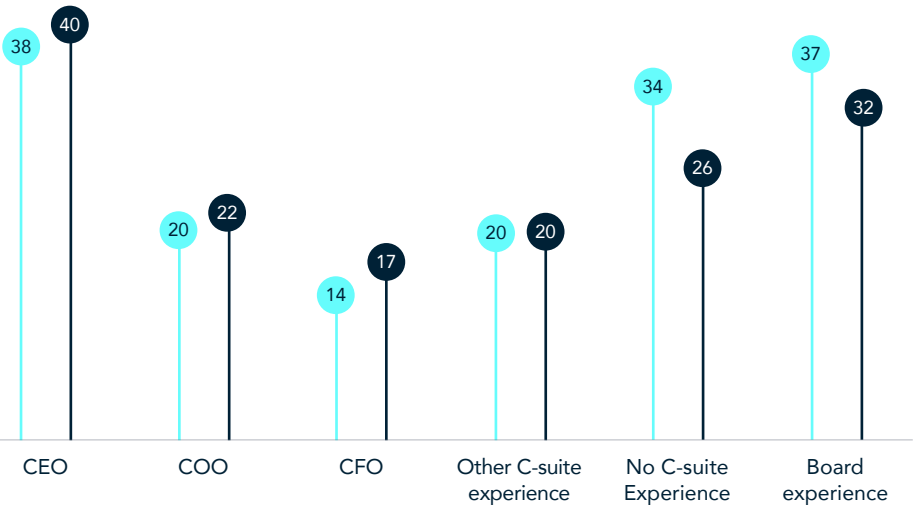
It's also notable that the backgrounds of the women who are new CEOs are very similar to that of the new CEOs who are men, aside from the fact that the women slightly more often have prior experience on their current boards and less often any C-suite experience. These similarities could mean that as

boards cast nets more widely, women are now more often being evaluated on the same terms as men for CEO positions; that the female talent pool is maturing or that boards are less prone to mitigate perceived risks by requiring additional qualifications from women.

New CEOs: C-suite roles over their career, women compared to men (%)

Women Men

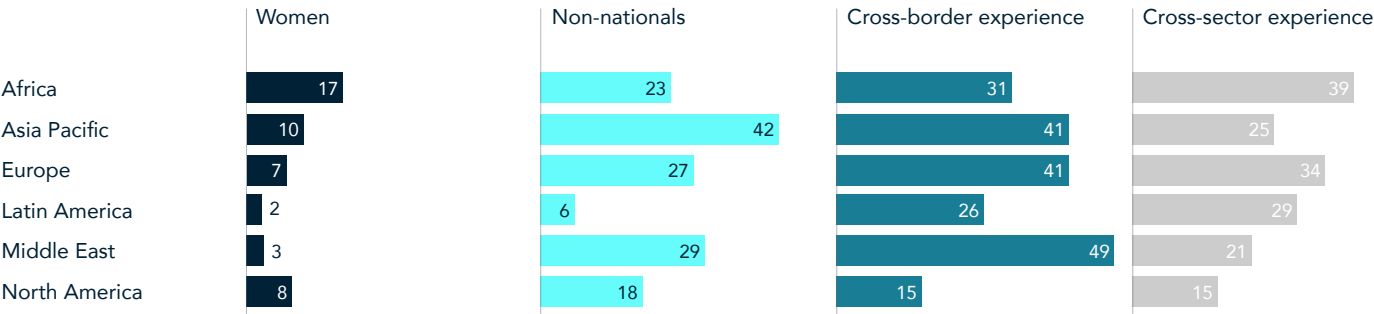
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There are significant regional differences in these areas too, however, with African markets leading on the gender balance and Latin American and Middle Eastern markets trailing. Asia Pacific's markets have the largest share of CEOs who are non-

nationals, and the Middle East has the highest share of CEOs with cross-border experience. When it comes to cross-sector experience, African companies lead the field, and North American companies rank last.

Diversity, by region, all CEOs (%)



Five on-ramps to the route to the top

This year, we sorted the CEOs by the level at which they entered their company. These five groups bring different mixes of expertise to the table, and we hope this perspective will help boards and CEOs shape their CEO succession planning efforts to meet their current, and future, needs, whether they are planning for a near- or long-term succession. These five points of entry, or the “on-ramps,” include:

Other senior leader

16%

Those who joined their company as:

- Vice president
- Director
- Senior manager
- Function leader

Average age at appointment	48
Average time to appointment (years)	13
Average tenure (years)	7

Founder

4%

Those who founded their company

Average age at appointment	36
Average time to appointment (years)	3
Average tenure (years)	19

Straight to CEO

34%

Those who joined their company as:

- CEO
- CEO designee
- Member of the board

Average age at appointment	51
Average time to appointment (years)	<1
Average tenure (years)	6

Direct report to the CEO

25%

Those who joined their company as:

- Executive director
- C-suite executive
- Head of division
- Executive vice president or senior vice president

Average age at appointment	50
Average time to appointment (years)	6
Average tenure (years)	6

Long tenured

18%

Those who joined their company as:

- Manager
- Analyst/associate
- Intern

Average age at appointment	52
Average time to appointment (years)	26
Average tenure (years)	5

The larger share of internal appointments suggests that more companies are focusing on their internal succession planning. One might assume that the majority of CEOs, or at least new ones, rose up through the ranks of their companies to develop into the leaders they are today—but that assumption is incorrect. Excluding founders, only 18% of the CEOs in our study are long tenured, which

we define as having spent more than 90% of their career in their current company. In other words, for most CEOs, their current companies shaped them into senior leaders, but their early development happened elsewhere.

When looking at gender diversity, the group of people appointed directly into the CEO role has the highest share of women, at 10%. This suggests that

many companies are still struggling to develop gender-diverse talent pools for succession planning. (There are no female founders in our study.)

There are different succession patterns for each group: for example, while 38% of those hired straight into the CEO role had been a CEO before, the head of division is a much more common route for internal appointments.

Prior experience of all CEOs, by level of entry (%)

	% Previous role	% Previous role –1
Straight to CEO	<ul style="list-style-type: none"> 38 CEO 16 Head of division 6 General manager/ managing director 6 Global function leader 5 Regional leader 	<ul style="list-style-type: none"> 22 CEO 19 Head of division 8 Regional leader 6 Global function leader 6 General manager/ managing director
Direct report to the CEO	<ul style="list-style-type: none"> 24 Head of division 16 CFO 15 COO 9 Executive vice president/ senior vice president 9 Other C-suite 	<ul style="list-style-type: none"> 23 Head of division 11 CEO 11 COO 10 Global function leader 8 Regional CEO or leader
Other senior leader	<ul style="list-style-type: none"> 24 Head of division 18 COO 15 CFO 10 Global function leader 7 Deputy CEO 	<ul style="list-style-type: none"> 22 Head of division 15 Regional CEO or leader 14 Global function leader 8 CFO 6 Executive vice president/ senior vice president
Long tenured	<ul style="list-style-type: none"> 27 Head of division 20 COO 7 Regional leader 7 Global function leader 6 President 6 CFO 	<ul style="list-style-type: none"> 31 Head of division 15 Global function leader 8 Regional CEO or leader 7 COO 6 Other C-suite
Founder	<ul style="list-style-type: none"> 20 CEO 10 Global function role 8 Founder 6 General manager/ managing director 4 COO 	<ul style="list-style-type: none"> 10 CEO 8 Founder 6 Other C-suite 4 Regional CEO or leader

Many companies focus on bringing an external CEO straight into the role or hiring someone as a direct report to the CEO as part of their succession planning. But this analysis suggests that other approaches can potentially lead to more successful outcomes. For example, on one of the metrics of success over time, tenure as CEO, CEOs who were originally brought into the company two levels below the CEO have the longest tenure compared to all other CEOs, except founders. In contrast, CEOs who had spent 90% or more of their career in their companies have the shortest tenures.

Looking forward



The CEO today needs more than ever to be ready for anything, from dealing with crises to empowering employees to navigating the changing expectations of boards and a growing range of other stakeholders. We have seen a small but increasing number of boards looking at CEO succession through the lens of strategy and scenario planning, putting in place multiple contingencies for different contexts and time horizons, from CEOs who will retire in the role at a planned time to a number of emergency CEO succession options. By viewing CEO succession as a living mechanism that continuously assesses potential candidates for the top role, these boards are giving themselves the best chance of success. In that context, understanding the different characteristics and routes to the top for executives who start at the company at different times gives boards another lens to understand their options.

Because the majority of CEOs were promoted internally, albeit at different stages of their careers, leadership development should be seen as a key instrument in shaping and retaining the necessary leaders. However, other research we have conducted shows that among executives not in human resources, only 16% consider their company to be industry leading or world class at placing people at the executive level, and only 14% think that their company's executive learning and development programs and succession planning efforts are mostly or entirely connected. Among HR leaders, less than a third say their company's leadership development programs are mostly or entirely connected to their succession planning processes.² This suggests that many companies have a long way to go in integrating these efforts. Furthermore, we believe that integration should extend all the way to the board's work in defining

Because the majority of CEOs were promoted internally, albeit at different stages of their careers, leadership development should be seen as a key instrument in shaping and retaining the necessary leaders.

² Analysis of proprietary data from a survey of 101 human resources executives and 150 executives in other functions conducted in the summer of 2022.

CEO roles for various future scenarios—which of course differ significantly by industry and region, despite the fact that global companies face many similar pressures—as well as ensuring the company has processes to build the necessary capabilities for each.

We believe that integration should start by driving CEO succession planning deeper into the organization. Our analysis suggests that boards that dive at least to the pool of executives two levels below the C-suite—and ensure that that pool includes people with the right mix of experience, capabilities, and perspectives—will develop a larger internal group of strong potential leaders. These findings also highlight the importance of early talent detection systems. These efforts will work best when they are complemented by tailored leadership development, transition, and onboarding for each CEO and potential CEO. A clear set of career paths may also ensure that home-grown potential candidates will be more motivated to stay with their companies.

When boards bring CEOs straight into the role, their focus should be on using onboarding in the most effective way to allow the new CEO to learn very quickly how the organization works, as well as to build networks and teams to complement his or her particular mix of expertise and capabilities. And as more companies seek to become more global, many will need to reconsider regional traditions in CEO hiring and succession planning.

In essence, we hope boards will use these findings to help them understand the advantages and disadvantages of every route their new CEO may emerge from as they assess their options.



CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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