

Video Transcript: Succession Planning vs. Outside Hires

Simon Patterson:

If we focus on one particular area, which is the succession analysis, what we found was that the index for chief executives who have been promoted is much, much higher than for those who have been brought in from the outside. To some extent, it's what you might expect. In that chief executives who were brought in have a bit of a premium because they've been hired from the outside. They have to be brought in for good reasons.

It turns out that the promoted executives are delivering so much more value to the shareholders than the new chief executives. It really does raise the question, why are remuneration committees so nervous about losing a chief executive, when in actual fact the chief executive is not doing very well, should probably be let go? One who can be brought up from the ranks will do potentially so much better. I think that looking at the index data might be useful for remuneration committees, in terms of making that decision.

