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Are Firms Neglecting Succession Plans?

By Leslie Kwoh

More companies are recruiting CEOs from outside their firm than ever before, a sign that, to some degree, succession planning has fallen by the wayside, according to new research.

Eleven of the 42 CEOs who assumed the post at S&P 500 and Fortune 500 companies between January and July of this year were recruited from outside the company, rather than promoted from within, according to an annual study of 669 companies by executive-search firm Crist|Kolder.

Examples include [Avon Products Inc., which hired Johnson & Johnson](#) veteran Sherilyn McCoy; [Freddie Mac, which tapped Donald Layton, a former E*Trade Financial Corp. CEO and J.P. Morgan Chase & Co. executive](#); and [Yahoo Inc., which appointed Google Inc.](#) executive Marissa Mayer.



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Outside In: Marissa Mayer was brought in from Google to run Yahoo.

Based on current and historical trends, these external recruits are projected to comprise a record-high 27.9% of all new CEOs by the end of the year, according to the study. That would surpass the 20% annual average since the firm began tracking the data in 1995, as well as the 2008 high of 27.4%.

“Coming through difficult economic times, [companies have] been focused on putting out immediate fires as opposed to long-term issues like succession,” says Tom Kolder, president of Crist|Kolder.

Ranjay Gulati, a Harvard Business School professor of leadership and organizational behavior, says companies may also be turning to outside “saviors” after unsuccessfully struggling to adapt in a fast and competitive marketplace.

“It’s a confidence issue and a desire for fresh thinking,” he says. “They’re thinking, ‘I can’t solve my problems myself, so maybe someone else can do it.’”

Meanwhile, external recruitment of chief financial officers and chief operating officers will also reach near-record levels this year, at 44.8% and 21.3%, respectively, the study projected.

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