Are CEOs less ethical than in the past?

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**OBJECTIVE:**
The survey takes a special look at why more CEOs are being forced out of office due to ethical lapses and how companies can build a culture of integrity.

In addition, there is an annual analysis on CEO turnover and the 2016 incoming class of CEOs.

**METHODOLOGY:**
The CEO Success study identified the world’s 2,500 largest public companies, defined by their market capitalization (from Bloomberg) on January 1, 2016. Strategy& then identified the companies among the top 2,500 that had experienced a chief executive succession event between January 1, 2016, and December 31, 2016, and cross-checked data using a wide variety of printed and electronic sources in many languages. For a listing of companies that had been acquired or merged in 2016, we also used Bloomberg.

Each company that appeared to have changed its CEO was investigated for confirmation that a change occurred in 2016, and additional details — title, tenure, chairmanship, nationality, professional experience, and so on — were sought on both the outgoing and incoming chief executives (as well as any interim chief executives).

**KEY FINDINGS:**

- Boards of directors, institutional investors, governments and the media are holding chief executive officers to a far higher level of accountability for ethical lapses than in the past. Globally, CEO dismissals for ethical lapses increased from 3.9% of all successions in 2007-2011 to 5.3% in 2012-2016—a 36% increase.
- CEO turnover at the world’s largest 2,500 companies decreased from its record high of 16.6% in 14.9% in 2016, due largely to the drop in merger and acquisition activity.
- Globally, companies appointed 12 women CEOs in 2016—3.6 percent of the incoming class. This marks a return of the slow trend towards greater diversity that had been in place over the last several years—and a recovery from 2015’s recent low point of 2.8 percent.

**CONCLUSION:**

- Globally, this year’s study shows that although there is still room for improvement, boards continue to get better at planning smooth successions and bolstering corporate governance.
- The data also shows that the concentration of power in a single person is declining: The share of incoming CEOs who also serve as chair of the board at the world’s 2,500 biggest companies has been dwindling steadily, from 48 percent in 2002 to 10 percent in 2016.
- Dismissals for ethical lapses increased significantly over the last five years — on a global basis and in each of the three major regions we analyze: the U.S. and Canada; Western Europe; and Brazil, Russia, India, and China (the BRIC countries).