Is CEO churn a reflection of our times?

In an unprecedented period of change last year, 18 FTSE 100 CEOs departed – from Mark Wilson at Aviva to Sir Martin Sorrell's high-profile exit from WPP.

Their tenures were somewhat different: Wilson joined Aviva, the UK's largest insurance company, in 2013, while Sorrell founded WPP, the world's largest agency group, in 1985. Wilson served just five years, in contrast to Sorrell's run of 32 years – which makes him the longest-serving FTSE CEO of modern times.

Interestingly, Sorrell also made the fastest comeback in recent corporate history, returning with a new shell company within about six weeks of his departure and his first digital acquisition a month later.

According to a survey published by Nasdaq-quoted executive search consultancy Heidrick & Struggles, the global CEO churn rate has been rising steadily since the start of the millennium and has nearly tripled, from 3.4% in 2001 to 9.3% in 2016.

Over the same period, the FTSE 350 churn rate increased from 9.5% in 2001 to 16.5% in 2016. Interestingly, one in five FTSE 100 CEO appointments was made within the past year – and just one in three CEOs appointed since 2012 currently occupies the role. Life at the top has never been more precarious and, globally, only 13 out of 1,000 CEOs go on to take another chief executive officer role.

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Perhaps this accelerated change at the top reflects how fast businesses need to evolve in the fourth industrial revolution, and the inherent volatility associated with the rapid change.

Alternatively, it may be a natural culmination, 10 years on from the global financial crisis and the longest bull market in history – events that ushered in a period of low economic growth and low inflation against a backdrop of high asset inflation and massive digital disruption.

From high street retailers to global consumer packaged goods (CPG) companies, businesses found themselves without pricing power, struggling to compete against discounters and online operators, with high commodity prices and rising minimum wages. Against these insurmountable headwinds, change at the top is inevitable while boards grapple with new-age problems of disintermediation and margin-shrinking transparency.

Unsurprisingly, in times of trouble and uncertainty, there is a human tendency to return to the tried and tested – to old brands and formulae that have worked in the past, and that are respected and trusted.

Recently, famous founders have been revived as new products in three different industries – Marcel at agency group Publicis, Jack's at retailer Tesco, and Marcus at investment bank Goldman Sachs. All have one purpose: to reinvent the business model and/or regain lost market share in areas adjacent to the core market.

First, Publicis unveiled its AI-powered platform Marcel, named after its founder, Marcel Bleustein-Blanchet. It is described as a 'reinvention', with Publicis – having broken the divide between data, creativity and technology – now breaking the barriers between talent and opportunity, centred on productivity, connectivity and knowledge.

Later, Tesco launched Jack's, its cut-price brand designed to take on the German discounters Aldi and Lidl. The new concept is named after the company's founder, Jack Cohen, who was nicknamed 'Slasher Jack' because of his 'pile it high, sell it cheap' approach. The new model is focused on low prices and 'quality' British produce.

Lastly, Goldman Sachs launched Marcus, its easy-access online savings account, which offers savers a highly competitive 1.5% per annum interest rate. Named after one of the founders of Goldman Sachs, Marcus Goldman, it is described as transparent, secure and easy to use.

Back to the future.