

**THE MARKET FOR CEOS
GOVERNMENT SUPPORT AND ITS IMPACT ON FIRMS
- DISCUSSION -**

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0. SUMMARY AND MAIN FINDINGS

- How efficient CEO hiring is, and what model(s) best describe it?
 - **Main finding** – “Firms hire from a *surprisingly* small pool of candidates”
 - Boards are already familiar with >90% of new CEOs
 - 80.4%.are insiders
 - 72% of new CEOs are promoted internally
 - **Methodology** – descriptive
 - **Contribution/Overall** – Inform theories of CEO-firm matching; evidence on CEO labour market frictions
 - **Interpretation/Conclusion** – “Explaining our findings requires both firm-specific human capital and asymmetric learning.”
 - High CEO pay - “might be due to growing rents from firm-specific skills or asymmetric information, or due to CEOs capturing a growing share of these rents.”

DISCUSSION:
MISSION
IMPOSSIBLE

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[The Market for CEOs \(with Dirk Jenter\)](#)

Revise and resubmit, *Journal of Finance*



I. INTERPRETATION

- “Firms hire from a *surprisingly* small pool of candidates” (72% / 80% / 90% too much?)
- What should be our benchmark for the proportion of internal/external? 50%? Less?
- “This is hard to reconcile with models of the labor market in which (...) CEOs are chosen for general skills, and executives transfer freely across firms.”
- CEOs can accumulate both Firm Specific + General Skills; in fact, if they accumulate general skills by moving around firms/industries/accumulating board positions they are more likely to, at some point, establish some connection to the firm Generalist → Internal
- *Internals* might also have (a lot of) general skills – General Skills might have been acquired before internal promotion

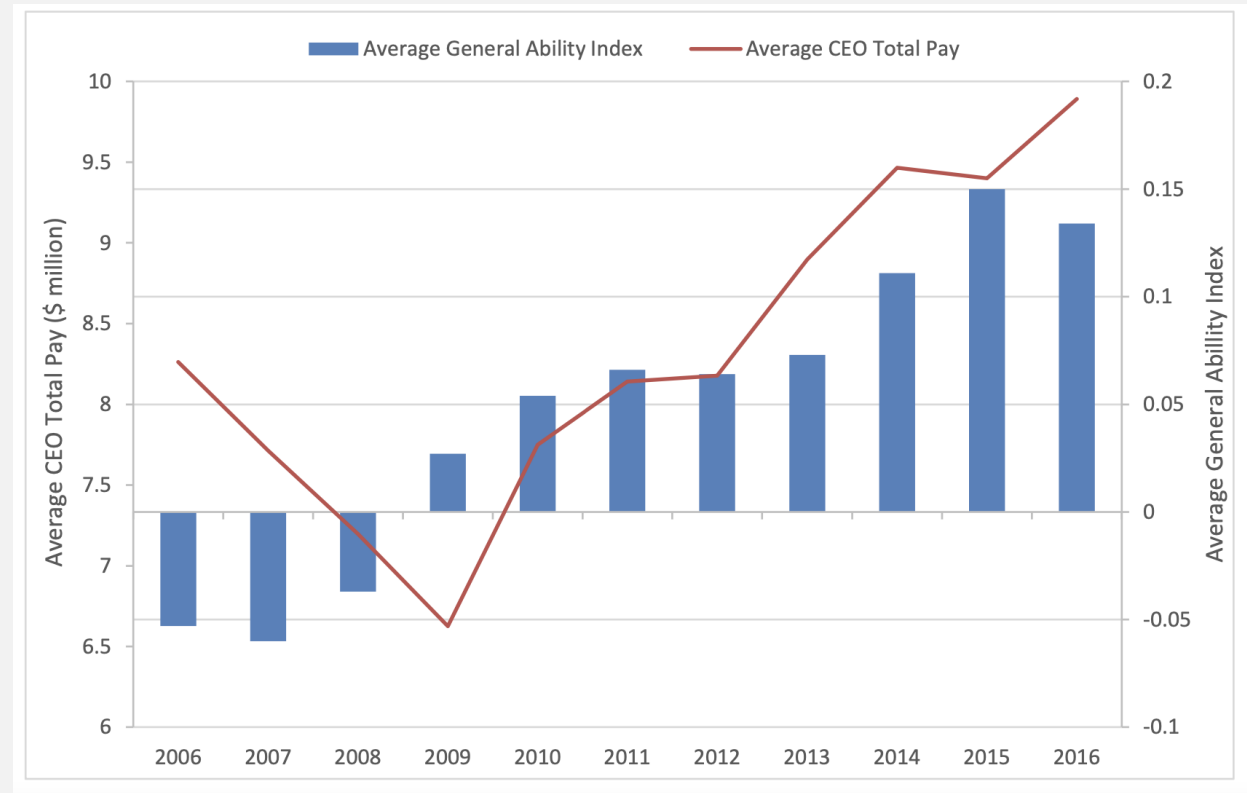
II. GENERALISTS CEOS - OR SHAMELESS OWN PAPER PROMOTION PART III -

- Actually, not my paper...

Coles, Du and Xie 2022 (WP)

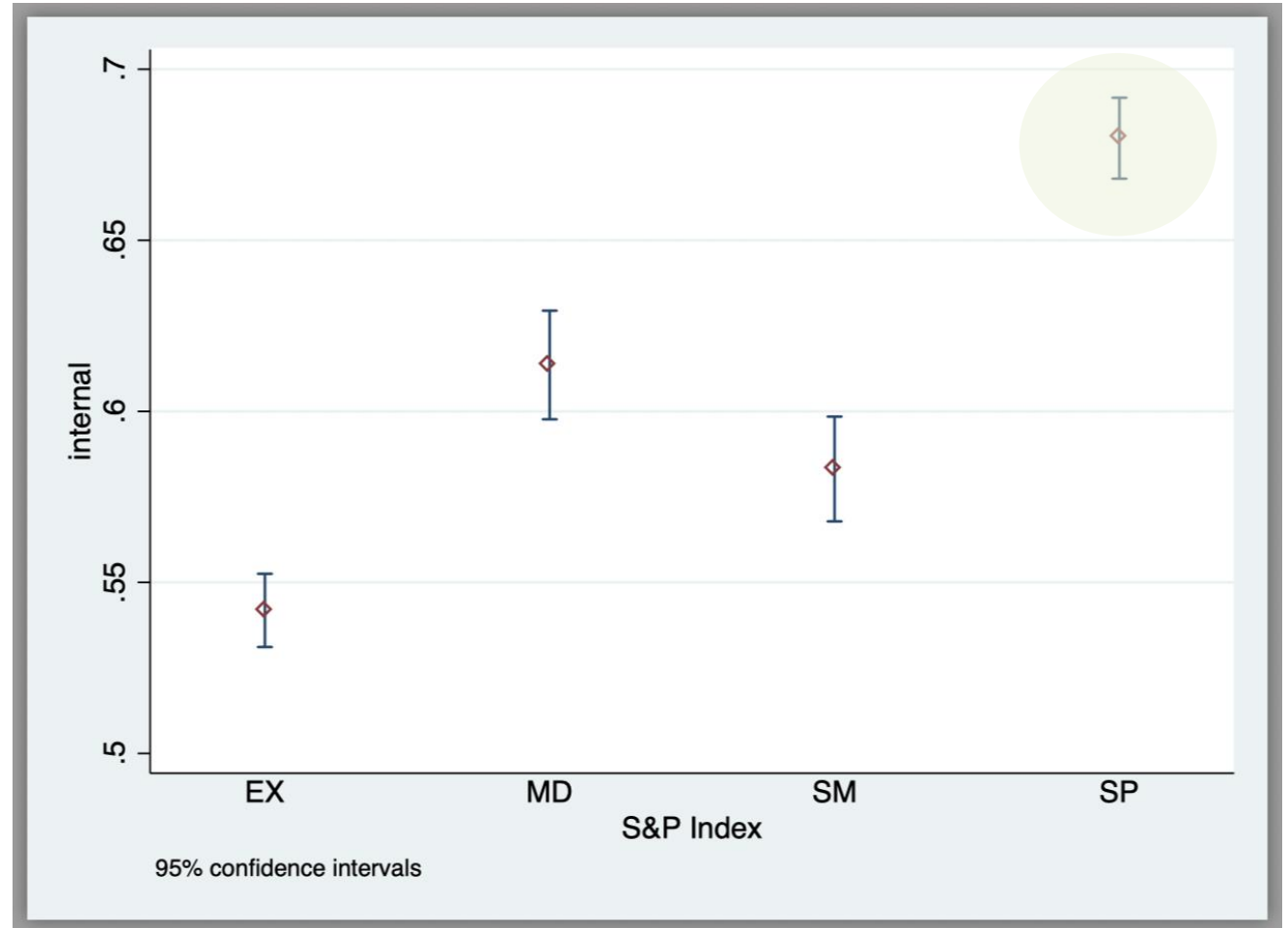
CEO General Ability Index and Total Pay

This figure shows the average General Ability Index (*GAI*) of our sample-firm CEOs in each year from 2006 to 2016. Our sample comes from the Incentive Lab Compensation and Metrics Data. The *GAI* index for CEOs is calculated by applying the scoring coefficients to the five standardized components: number of firms a CEO worked for ($X1$), number of positions a CEO worked ($X2$), number of Industries in which a CEO worked ($X3$), CEO experience dummy ($X4$), and conglomerate experience dummy ($X5$) (calculation of *GAI* is described in Section 2). CEO characteristics data are from BoardEx. CEO compensation data are from EXECUCOMP. Variable definitions are provided in Table A.



N=21,909
1993-2007

% INTERNAL CEOS



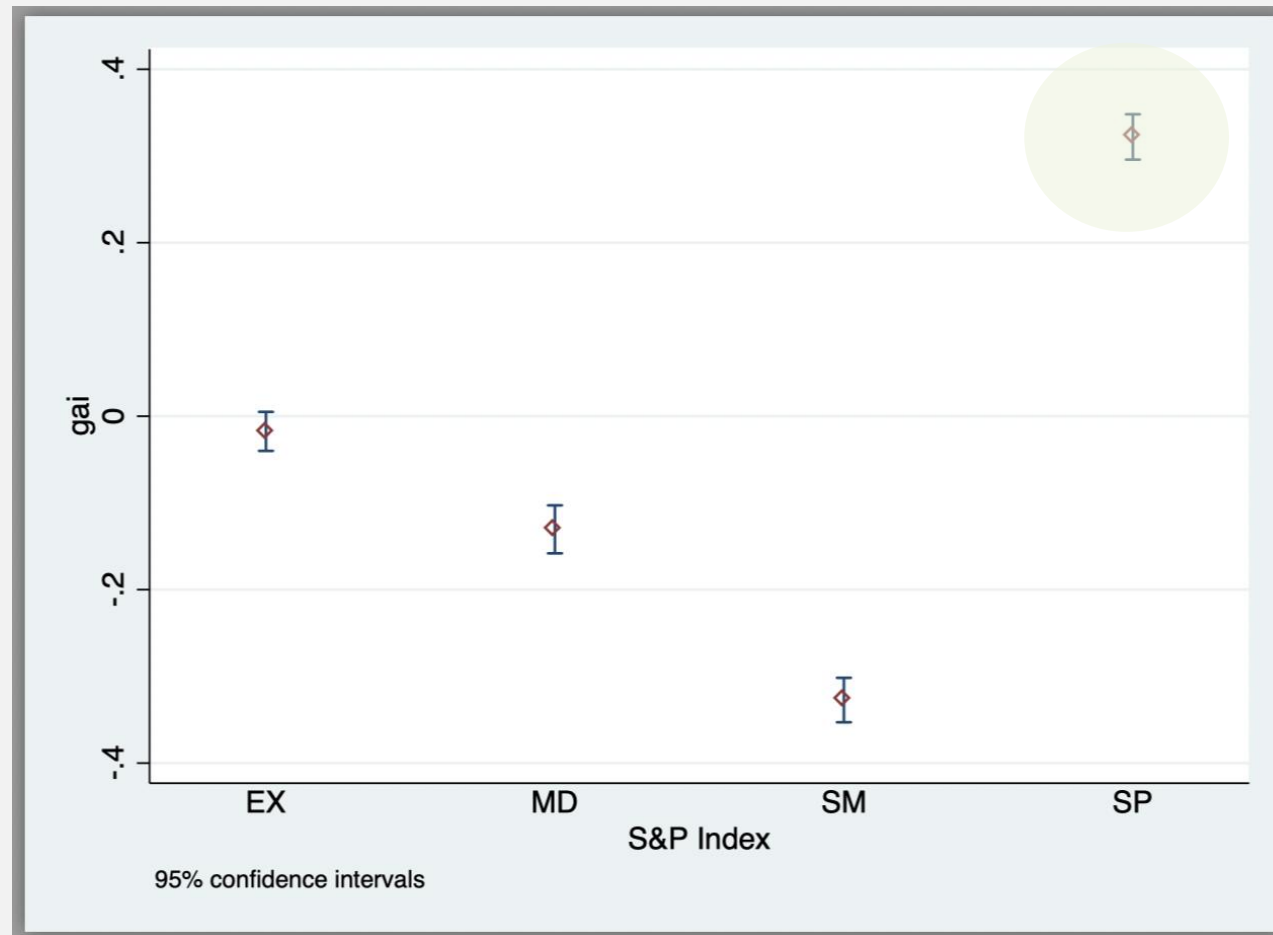
SP = S&P 500 (sample execucomp + boardex for which gai available)

MD = S&P Midcap Index

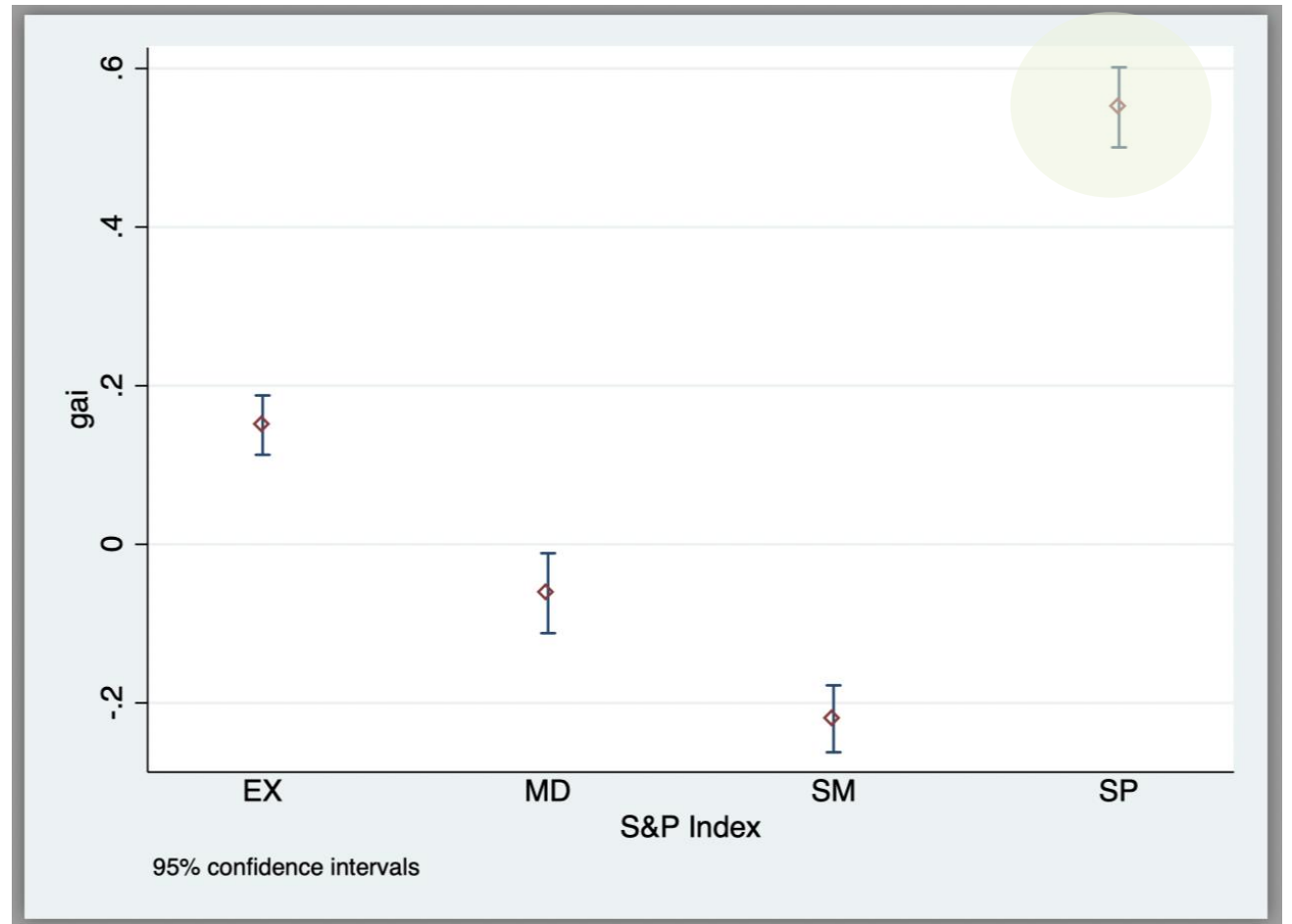
SM = S&P Smallcap Index

EX = not on a major S&P Index

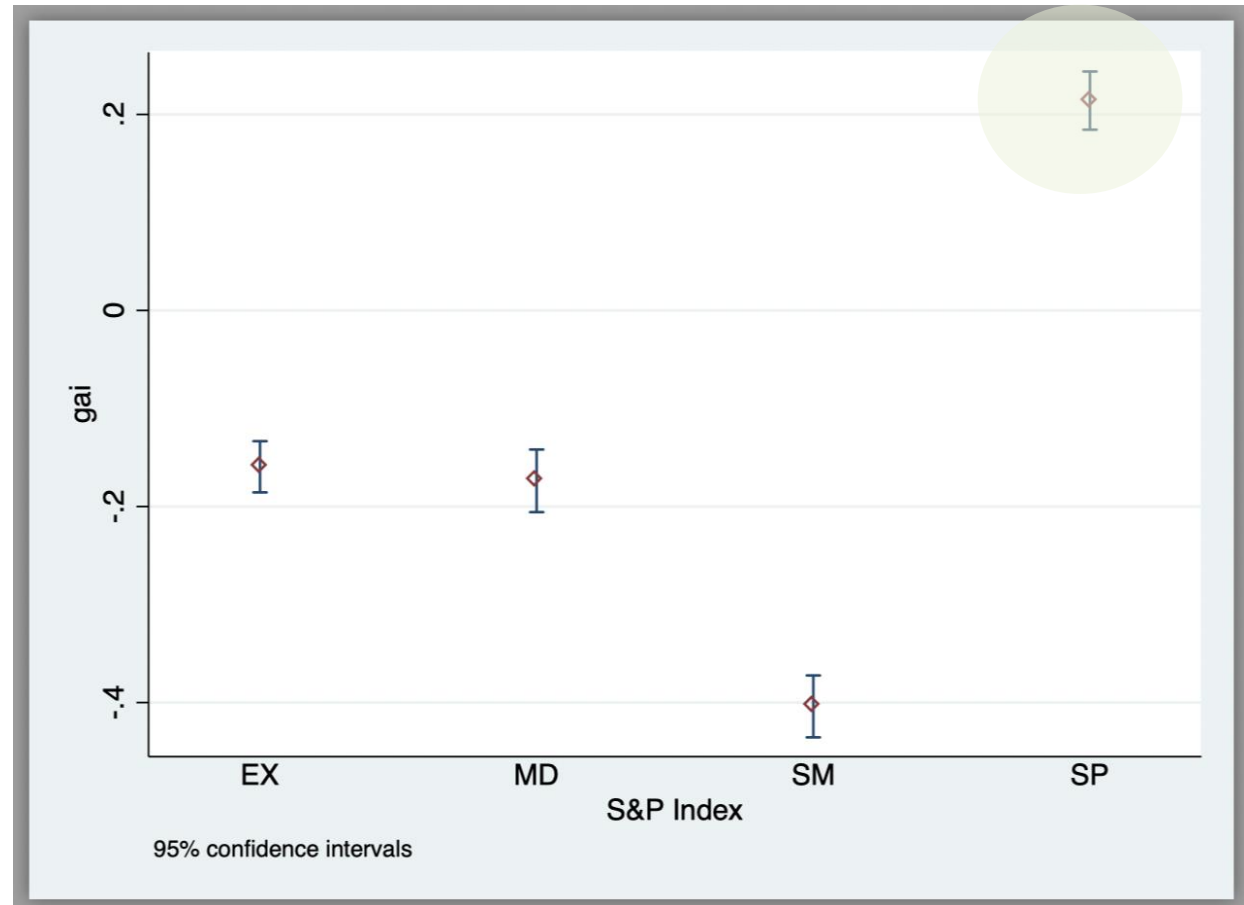
II. GENERALISTS @ S&P500



II. EXTERNAL GENERALISTS



II. INTERNAL GENERALISTS



III. INTERNAL

Panel A: All firms (1,256 CEO hires)

Internal promotion	External hire			
72%	28%			
	Former executive	Board member	Former executive or board member	Outsider
As % of all hires	4.1%	7.5%	8.4%	19.6%
As % of external hires	14.5%	26.8%	29.9%	70.1%

Internal

All timer in firm

Worker more than x years

Former Worker at some point

Former Executive

Board member

Some link to firm

External

PwC + Add to myFT

UK companies more likely to hire outside CEOs



Barclays chief Jes Staley © Bloomberg

Sarah Gordon, Business editor APRIL 19 2016



Big UK companies are breaking with their global peers and hiring more chief executives from outside than ever before.

Last year, 58 per cent of new UK chief executives came from another company, versus 23 per cent globally, according new research by PwC that also found record turnover at the top of the world's biggest companies.

IV. HETEROGENEITY

- UK only has 42% internals according to PwC
- What might explain this heterogeneity?

V. CONCLUSION

- Important paper and relevant question
- New evidence that internal hires are high for very large firms – speaks to the need of new models of CEO-firm matching and pay? Segmented markets?
- Thank you!!! I enjoyed thinking more about these questions!