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Chris Mumford, managing director, HVS Executive Search, assesses whether the trend for younger CEOs, holding shorter tenures, is coming to hotels

Older and wiser?

A recent study reported that the average age of a large company chief executive is falling and that the tenure of that chief executive is getting ever shorter. The Egremont research, as reported in *The Sunday Times*, 18 February 2007, stated that, "the average age of chief executives of FTSE 100 companies is 52" and that turnover of chief executives is increasing, "in the mid-1990s, about 8% of companies had a change of chief executive a year. Now, the figure is 15%".

The article summarised that today's major companies are led by executives who are younger, show less loyalty to the company, take bigger remuneration packages, and are more dispensable than in the past.

The reasons given were the heightened pressure on chief executives in today's climate of regulation and filing defined public company life as well as the increasing need for leaders to constantly innovate in order to stay ahead.

Age and guile over youth?

Curious to see if the same trend is being experienced in the hotel sector, we took a look at the average age and tenure of chief executives at a dozen major hotel companies in Europe and North America.

The average age of chief executives in our snapshot peer group in 2006 was 58 years. In 2003 the average age was 56½ years.

The current crop of hotel company chief executives are therefore an average of six years older than the FTSE 100 average.

It would appear therefore that either there is less chief executive turnover in the hotel industry with chief executives remaining, and ageing, in place for longer, or that depth of experience acquired through years on the job resonates strongly with shareholders. It was interesting that not one of the surveyed chief executives is currently below the age of 50 years.

Out of our peer group it is those two companies with the longest chief executive tenure which are often regarded as the most stable and high performing

The knock-on effect of shortening CEO tenure is increased pressure on the executive to implement strategy as quickly as possible in a short time

For a more accurate comparison against the FTSE 100 companies, we split the hotel peer group by geography and found that the average chief executive age in Europe is currently 53 years, which is much more in line with the FTSE 100 average. In North America the current average is 63 years. At first glance this could indicate an even greater importance being given to the experience levels of chief executives, but on further analysis we see that the results for North America are skewed slightly by the presence of two chief executives in their seventies. Discount them and the average age drops to 56 years.

According to the Confederation of British Industry (CBI) in the UK, the average tenure of FTSE 100 chief executives is under four years and falling further.

If one looks at the hotel industry over the past three years, immediate examples of change of chief executive are to be found at InterContinental Hotels Group, Accor, Starwood, and Whitbread among others. On a group basis however the average tenure considerably outperforms the FTSE 100 at nine years in 2006.

This is unchanged from 2003 and is perhaps unsurprising that the oldest chief executives are also those with the longest tenure. If we reconsider the data without the honourable gentlemen at Four Seasons and Marriott, the average chief executive tenure falls to five years, 4½ years in North America and 5½ years in Europe.

The knock-on effect of shortening chief executive tenure is an increase in pressure on the executive to implement strategy as quickly as possible in order to achieve results in a short time-frame. One of best ways to stave off an early exit is to keep shareholders happy with healthy results but the window in which to make this happen is ever shortening.

The consequence of course is a lack of focus on long-term, or even mid-term, strategy and growth. For this reason it is encouraging to note that chief



Inexperienced or a fresh perspective?

Image: photos.com

executive tenure in the hotel sector is above that of the FTSE 100 average. Also, it could be argued that out of our peer group it is those two companies with longest chief executive tenure, Four Seasons and Marriott, which are often regarded as the most stable and among the higher performing companies.

It is also worth note however that five of the chief executives in our peer group have held their current position for less than three years.

To play the king

The average tenure of their predecessors was six years. Time will tell us how long the current incumbents' reigns will be and how much they manage to achieve during that time. It is our prediction, given current market conditions, that chief executive tenure rate in the hotel industry will remain stable and not decrease significantly during the coming couple of years.

There will however be the occasional change triggered by non-market related conditions, such as Stephen Bollenbach's retirement, which will ultimately start to bring down the average hotel company chief executive age.

Hotel companies included in the study: Hilton, InterContinental Hotels Group, Starwood, Orient Express, MWB, Accor, Whitbread, TUI, Club Med, Marriott, Four Seasons, Wyndham.