Glass Cliff in S&P 500 CEO Transitions

Introduction

The **glass cliff** describes the possibility that women and other underrepresented leaders are more likely to be elevated to leadership positions when an organization is already facing unusually difficult or precarious conditions. The concern is therefore not only whether diverse leaders reach senior positions, but also **what type of organization they are asked to lead once they get there**.

This report examines the glass-cliff hypothesis across a dataset of **500 S&P 500 companies**. Diverse leaders are defined as incoming CEOs who are female and/or non-White, including diverse co-CEO teams. The analysis addresses four questions: whether diverse leaders are more likely to be appointed after poor company performance; whether they are more likely to replace CEOs who departed under external pressure or were forced out; whether they perform worse after inheriting an underperforming company; and whether they perform worse after taking over following a pressured or forced CEO departure.

Stock performance is measured **relative to the S&P 500**. A value of −20 percentage points means the company's stock performed 20 percentage points worse than the S&P 500 over the same period; it does not necessarily mean the stock itself declined by 20%.

Across all four analyses, the aggregate results provide little evidence of a systematic S&P 500-wide glass-cliff effect. However, several extreme individual observations show why the overall averages alone do not capture the full range of conditions inherited by incoming CEOs.

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1. Were Diverse Leaders More Likely to Be Appointed During a Crisis?

The first question examines whether diverse leaders were disproportionately appointed when the company was already performing poorly. A **crisis appointment** is defined as a CEO transition where the company underperformed the S&P 500 during the 12 months before the new CEO took over.

Among the **92 diverse-leader transitions** with sufficient pre-handover data, 50 followed company underperformance, producing a crisis-appointment rate of **54.3%**. Among **341 non-diverse-leader transitions**, 193 followed underperformance, a rate of **56.6%**.

Incoming CEO	Measurable transitions	Appointments after underperformance	Crisis appointment rate
Diverse leaders	92	50	**54.3%**
Non-diverse leaders	341	193	**56.6%**
Total	**433**	**243**	**56.1%**

The difference is only **2.3 percentage points**, and it runs in the opposite direction from the glass-cliff hypothesis: diverse leaders were slightly less likely to take over after poor stock performance.

That overall similarity, however, does not mean that all crisis appointments were equally difficult. The binary crisis measure treats any negative relative return the same way, whether the company trails the S&P 500 by 3 percentage points or by more than 70.

This becomes important when looking at the most extreme transitions. Before Meghan Frank and André Maestrini became interim co-CEOs, **Lululemon performed 72.3 percentage points worse than the S&P 500**, making it the most severe formal negative outlier among diverse-leader crisis appointments. The company's difficulties extended beyond the stock price. Lululemon's board later stated that North American performance had softened, comparable sales had weakened, and its internal review identified a need for changes to strategy and leadership.

https://corporate.lululemon.com/media/press-releases/2026/05-18-2026-123025131

This makes Lululemon a particularly precarious diverse-leader appointment even though the broader dataset does not show that such situations are systematically assigned to diverse executives. Severe appointments also occurred among non-diverse CEOs: Dollar General underperformed the market by **78.1 percentage points**, United Airlines by **73.7 points**, and GE by **64.8 points** before their respective transitions.

The first analysis therefore produces an important distinction. **At the population level, diverse leaders were not more likely to inherit underperforming companies. At the company level, however, individual diverse leaders still sometimes entered exceptionally difficult positions.**

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2. Were Diverse Leaders More Likely to Be Appointed After External Pressure or Forced CEO Exits?

The second question measures instability from a different angle. Rather than asking whether the company's stock had performed poorly, it asks **why the preceding CEO left**.

Pressured or forced departures include removals, terminations, documented performance-related departures, misconduct or investigations, and leadership changes involving board, shareholder, or investor pressure.

Among **93 diverse-leader transitions** with a classifiable predecessor departure, 9 followed a pressured or forced exit, representing **9.7%**. Among **352 non-diverse-leader transitions**, 39 followed such an exit, or **11.1%**.

Incoming CEO	Classifiable predecessor departures	Pressured / forced exits	Rate
Diverse leaders	93	9	**9.7%**
Non-diverse leaders	352	39	**11.1%**
Total	**445**	**48**	**10.8%**

Again, the difference is small and opposite to what a broad glass-cliff effect would predict.

The usefulness of this second measure is that **poor company performance and an unstable leadership transition are not necessarily the same thing**. A CEO may retire normally while the company is struggling, or a board may replace a CEO even when stock performance is relatively strong.

Dollar General demonstrates how the two types of instability can overlap. Before Todd Vasos returned as CEO, the company had performed **78.1 percentage points worse than the S&P 500**, while the leadership transition itself was board-led. Dollar General publicly stated that a leadership change was necessary to restore **"stability and confidence"** in the company.

https://www.sec.gov/Archives/edgar/data/29534/000110465923108865/tm2328316d1_ex99-2.htm

This represents exactly the kind of high-risk CEO role that matters to glass-cliff research: the incoming leader inherits both deteriorating company performance and instability surrounding

the predecessor. Yet Vasos is a non-diverse CEO, reinforcing the broader result that these high-risk positions are not uniquely assigned to diverse executives.

The analysis also helps identify observations that deserve additional review. Federal Realty is coded in the current dataset as a forced or performance-related departure despite the company having previously announced Donald Wood's succession as part of Steven Guttman's planned retirement. That makes Federal Realty's **+54.7 percentage-point pre-handover outperformance** unusual not only statistically, but also potentially as a classification issue.

https://ir.federalrealty.com/news-releases/news-release-details/federal-realty-investment-trust-announces-succession-plan

Overall, the second question again provides **no evidence that diverse CEOs disproportionately enter after involuntary or highly unstable leadership exits**. But it also demonstrates why the specific circumstances behind a transition matter: two CEO replacements can carry the same label while reflecting very different levels of organizational distress.

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3. Did Diverse Leaders Perform Worse After Taking Over During a Crisis?

The first two questions examine the circumstances surrounding appointment. The third shifts attention to what happens **after the incoming CEO takes over**.

This analysis includes only companies that had underperformed the S&P 500 before the CEO transition and for which a complete 12-month post-handover stock-performance window is available.

Among **47 diverse-leader crisis appointments**, companies subsequently outperformed the S&P 500 by **3.7 percentage points on average**, with a median of **+3.4 points**. Among **176 non-diverse-leader appointments**, the average was slightly higher at **+4.6 points**, but the median was **−1.6 points**.

Incoming CEO	Complete crisis observations	Mean +12M performance vs. S&P 500	Median +12M performance vs. S&P 500
Diverse leaders	47	**+3.7 pp**	**+3.4 pp**

Non-diverse leaders	176	**+4.6 pp**	**−1.6 pp**

The 0.9-percentage-point difference in average performance is minimal. More importantly, the median tells a different story: the middle diverse-led company **outperformed** the market, while the middle non-diverse-led company **underperformed** it.

This gap between mean and median reflects several enormous positive returns in the non-diverse group. MGM Resorts outperformed the S&P 500 by **250.6 percentage points** after Bill Hornbuckle's appointment, while Vertiv recorded **+210.8 points**, Caterpillar **+157.4**, and Devon Energy **+156.6**.

These observations matter because they show that a small number of extreme recoveries can substantially raise the average for an entire group.

MGM is the clearest example. Bill Hornbuckle became acting CEO on March 22, 2020 as the COVID-19 crisis was shutting down the travel and casino industries. MGM stated that outgoing CEO Jim Murren accelerated his departure because of the unprecedented public-health situation.

https://investors.mgmresorts.com/2020-03-22-MGM-RESORTS-INTERNATIONAL-ANNOUNCES-APPOINTMENT-OF-BILL-HORNBUCKLE-AS-ACTING-CHIEF-EXECUTIVE-OFFICER-AND-PAUL-SALEM-AS-CHAIRMAN-OF-THE-BOARD

The subsequent return therefore occurred from an extraordinarily depressed starting point. As operations reopened, MGM's Las Vegas Strip revenue increased **111% in 2021 compared with 2020**, while adjusted property EBITDAR increased **649%**.

https://investors.mgmresorts.com/2022-02-09-MGM-RESORTS-INTERNATIONAL-REPORTS-FOURTH-QUARTER-AND-FULL-YEAR-2021-FINANCIAL-AND-OPERATING-RESULTS

MGM's +250.6-point performance should therefore not be interpreted as a pure measure of CEO ability. It reflects leadership performance alongside pandemic timing, reopening, and an extreme base effect.

This is precisely why the median matters. The non-diverse group's average is slightly higher than the diverse group's, but its **median is five percentage points lower**. Once the distribution of returns is considered, there is no evidence that diverse CEOs systematically performed worse after inheriting underperforming companies.

The third analysis therefore separates two ideas that are sometimes conflated in glass-cliff discussions: **being given a risky position and failing in that position are not the same thing**. Diverse leaders in this dataset did not demonstrate systematically weaker subsequent performance.

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4. Did Diverse Leaders Perform Worse After Taking Over Following External Pressure or Forced CEO Exits?

The final question applies the same performance analysis specifically to CEOs who followed pressured or forced predecessor departures.

Only **44 transitions** have both a qualifying predecessor departure and a complete 12-month post-handover performance window. Seven involve diverse incoming leaders and 37 involve non-diverse leaders.

For the seven diverse-leader transitions, the average company outperformed the S&P 500 by **18.9 percentage points**, with a median of **+21.5 points**. Non-diverse-led companies averaged only **+1.7 points**, with a median of **−4.3 points**.

Incoming CEO	Complete observations	Mean +12M performance vs. S&P 500	Median +12M performance vs. S&P 500
Diverse leaders	**7**	**+18.9 pp**	**+21.5 pp**
Non-diverse leaders	37	**+1.7 pp**	**−4.3 pp**

At face value, this is the strongest difference in the entire study. Diverse-led companies outperform the non-diverse group by **17.2 percentage points on the mean** and **25.8 points on the median**.

The result clearly contradicts the idea that diverse leaders perform worse after inheriting unstable leadership situations. However, it must also be treated as the least statistically stable result because there are only seven diverse observations.

Waters Corporation shows how influential one observation can become in such a small group. Waters outperformed the S&P 500 by **68.0 percentage points** in the year following Udit Batra's appointment. The transition followed an agreement between the board and Christopher O'Connell that O'Connell would leave once a successor was identified, during an environment that the company itself described as highly uncertain because of COVID-19.

https://ir.waters.com/News--Events/newsroom/news-details/2020/Waters-Corporation-Announces-CEO-Succession-Plan/default.aspx

The subsequent improvement was reflected in operating performance as well: Waters reported **18% full-year sales growth in 2021**.

https://ir.waters.com/News--Events/newsroom/news-details/2022/Waters-Corporation-NYSE-WAT-Reports-Fourth-Quarter-and-Full-Year-2021-Financial-Results/default.aspx

Waters illustrates two important points at once. First, difficult leadership transitions do not inevitably lead to failure. Second, in a seven-company sample, a single +68-point return can materially influence the overall average. Removing Waters lowers the diverse group's mean from **+18.9 to roughly +10.8 percentage points**—still positive, but much less dramatic.

The correct interpretation is therefore not that diverse leaders universally outperform after pressured CEO exits. Rather, **the data provides no support for the prediction that they perform worse**, and the available sample actually points strongly in the opposite direction.

Implications

Across the four questions, the findings consistently separate **appointment risk** from **leadership outcome**.

The first two analyses show little aggregate evidence that diverse leaders receive systematically more precarious CEO appointments. Their likelihood of taking over after company underperformance and their likelihood of following a pressured predecessor departure are both slightly lower than those of non-diverse leaders.

At the same time, the extreme observations demonstrate that the absence of an aggregate difference does not eliminate the possibility of glass-cliff-type appointments at individual firms. Lululemon's −72.3-point pre-handover performance represents a far more precarious role than the average crisis appointment, even though other severe cases such as Dollar General also involve non-diverse incoming leaders.

The performance results introduce a second insight. Even where diverse executives inherit difficult situations, there is no indication that they subsequently perform worse. This matters because organizational problems inherited from the predecessor can easily be misattributed to the incoming CEO. A leader may enter a company already experiencing strategic weakness, industry disruption, investor pressure, or reputational damage and then be evaluated based on outcomes whose causes substantially predate their tenure.

The outliers also show that post-handover stock performance should not be interpreted as a pure CEO-performance measure. MGM's enormous rebound is inseparable from the pandemic reopening, just as other companies may benefit or suffer from sector cycles, commodity prices, technological shifts, and macroeconomic conditions.

Future analysis could therefore improve on the binary crisis measure by incorporating **crisis severity**, distinguishing moderate underperformance from extreme deterioration, and separating company-specific crises from external shocks.

Limitations

The analysis is descriptive rather than causal. It does not control for sector, company size, CEO experience, macroeconomic conditions, or the causes of company underperformance.

The crisis measure is also based on stock performance relative to the S&P 500, which provides consistency across companies but captures very different underlying situations. United Airlines during COVID-19, for example, represents a different type of crisis from a firm suffering company-specific execution failures.

Sample sizes also decline as the analysis becomes more specific. While 433 transitions can be analyzed for pre-handover stock performance, only 44 pressured or forced transitions have complete post-handover performance data, including only seven diverse leaders.

Finally, unusual observations should continue to be reviewed for coding accuracy. Federal Realty, for example, appears inconsistent with its current forced-departure classification based on the company's publicly disclosed succession plan.

Conclusion

Across the S&P 500 dataset, the evidence does **not support a systematic glass-cliff effect in CEO appointments**.

Diverse leaders were slightly less likely to inherit companies that had recently underperformed the market (**54.3% versus 56.6%**) and slightly less likely to replace CEOs who left under pressure (**9.7% versus 11.1%**). These differences are small, but neither points toward greater aggregate appointment risk for diverse executives.

The performance analysis reaches the same broad conclusion. Diverse leaders did not perform worse after inheriting difficult situations. Their average performance following crisis appointments was comparable to that of non-diverse leaders, while their median performance was stronger. After pressured or forced predecessor exits, diverse-led companies performed substantially better in the available sample, although the small number of observations makes that result tentative.

The study therefore does not suggest that the glass cliff is a universal feature of S&P 500 CEO succession. Instead, the evidence points toward a more selective phenomenon. Individual transitions such as Lululemon demonstrate that diverse leaders can still be asked to lead under exceptionally precarious circumstances, but similarly severe appointments also occur among non-diverse leaders.

The broader implication is that understanding the glass cliff requires looking beyond whether a CEO is appointed during a “crisis.” The severity, origin, and context of that crisis, as well as the circumstances of the predecessor's departure, are essential to understanding the actual risk inherited by the incoming leader.