

What Drives CEO Succession Today—And Are Boards Ready?

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[00:00:00] Brian Campbell: Welcome to C-Suite Perspectives, a signature series by The Conference Board. I'm Brian Campbell, the leader of the Governance & Sustainability Center here at The Conference Board.

Today, we'll discuss CEO succession, including what boards are dealing with now, why turnover [00:00:15] has become more visible, and what practices matter most when transitions happen under pressure. Joining me are Blair Jones, managing director, and Greg Arnold, managing director, of Semler Brossy. Welcome Blair and Greg.

[00:00:29] Blair Jones: Thank you, [00:00:30] Brian. It's good to be here.

[00:00:33] Brian Campbell: Let's start at a high level. When you look at CEO succession right now, what feels different from a few years ago and what, if anything, is driving that change?

[00:00:44] Greg Arnold: It's interesting, [00:00:45] Brian. We found in the joint study with The Conference Board that the rate of succession was actually increasing in 2025 and it wasn't limited only to low-performing companies. In our study we found that the rate of turnover among Fortune 500 CEOs [00:01:00] was 12% in 2025 compared to the bottom quartile of 14%, which is a shift from prior years when there was a much bigger spread. It's interesting too, the rate of forced exits, which can be a little hard to quantify, also declined [00:01:15] slightly for the first time in the last five years. There is certainly a changing environment around CEO succession, at least based on the study and work that we did this last year.

[00:01:24] Blair Jones: The way we're looking at it is that boards have been able to move away from using corrective [00:01:30] actions only to really thinking about succession strategically. That's particularly important as they try to respond to the environment we're

in now that is constantly changing. AI is turning things upside down. We've got geopolitical risks, we've got other new [00:01:45] technologies. Being able to think about having the right leader for the right time becomes increasingly important.

That's really what should have been happening all along. It's just that as we hit COVID and then were quickly followed by a lot of geopolitical tensions, it [00:02:00] was easier for companies to hold onto the talent they knew rather than continue the succession planning processes that they had in place historically.

[00:02:09] Brian Campbell: As you pointed out, we've seen a wave of CEO turnover recently. Some of it's planned, [00:02:15] some abrupt, and some under activist pressure. How should boards be thinking about this landscape?

[00:02:20] Blair Jones: The lesson that underscores all of this is you always want to have a plan in place. That plan has emergency components to it and your regular succession planning [00:02:30] components. A board should be almost gaming out the scenarios to figure out who the right successors are, depending on what happens, in what timeframes. So that would be around an abrupt departure where a CEO [00:02:45] goes to another organization or where you have a forced exit. It could include places where your technology changes quickly and you need new skills from what you have. It could happen because of a health incident. It could happen because of activist pressure or could [00:03:00] happen because of normal retirement planning. All of those are important to scenario play out.

[00:03:06] Greg Arnold: The other thing too is the world is changing and evolving so quickly, with AI disruption and geopolitical changes. [00:03:15] All sorts of things like that. It's important for the company and the board to continue to evaluate the CEO profile and the skills that are needed as they're looking forward.

And those skills may change. What may have been important over the last five years may not be the critical [00:03:30] skills that you need for the next five. Boards are doing that and running their talent evaluation process, understanding if those skills sit in the organization or not, and whether you can build them or you need to go look externally for [00:03:45] talent to supplement the talent you have in your organization today.

A big piece of that is the board having an open conversation with the CEO about that CEO profile and how it may need to change with the person that's in the seat today. It's important for the [00:04:00] board to be transparent on that and think forward about what may be important in the future.

[00:04:08] Brian Campbell: As you alluded to, CEO tenure certainly feels less predictable than it was, say, a decade ago. What do you [00:04:15] see as the driving forces behind these exits? Is it strategy resets, investor pressure, or boards raising the bar?

[00:04:24] Greg Arnold: I think it's all those things. CEO succession can really be company specific. It's hard to [00:04:30] say that there's one trend driving all of this. It

depends on where the company is and its trajectory and lifecycle and specific forces it's facing. What we did see in the study with The Conference Board was that the average tenure of departing [00:04:45] CEOs increased a little bit this last year, which signaled to us that many of these CEOs were seasoned, successful executives-- especially when you combine it with the higher departure rates among the higher-performing companies. [00:05:00] Some of it is planned, I think, people who had been in the role for a few years in the early 2020s-- there was so much disruption there-- getting to the end of their time. And as boards are doing that, they can be more planful about the transition.

And then, of [00:05:15] course, there's a whole other bucket of unpredictable change that's driving it as well. So it really is a combination of things.

[00:05:20] Blair Jones: Boards, at the end of the day, as we said earlier, just need to get back to resetting their succession planning approach so that they're thinking about it [00:05:30] strategically and they're ready for whichever of these scenarios comes their way. Because the one constant is change. Having the right skills in place and having those skills developed appropriately within the organization or looking [00:05:45] outside, if that's where the right skills reside, then that's what they need to be thinking about and being prepared for.

[00:05:53] Greg Arnold: We're also seeing a lot of high-profile shifts of CEOs at certain companies. If you think about the Starbucks [00:06:00] CEO hire or Intel, you have these big legacy companies that are facing all sorts of new pressure now that hadn't been in place before. Some of that's driving CEO succession change as well.

[00:06:14] Brian Campbell: On the [00:06:15] predictability front, it sounds like internal succession remains the preferred path, yet we're seeing that more boards are turning to external hires. What's driving boards to look outside? Is it missing capabilities, investor credibility, or urgency?

[00:06:29] Blair Jones: [00:06:30] It's interesting. As we looked through the findings from our study, external appointments nearly doubled. They were at almost 33% in 2025, which meant internal promotions dropped below 70% for the first time in [00:06:45] eight years. Internal promotions continue to make up the vast majority of succession planning but these external appointments, as Greg was pointing out, are often happening in the wake of investor dissatisfaction, huge shifts in the [00:07:00] landscape for these companies. Sometimes those skill sets to make that kind of turn and respond to that kind of pressure just don't reside internally, so companies are willing to take the risk to move from the outside. What [00:07:15] you have to know when you go to the outside is that it is a risk. You want to approach that thoughtfully and try to put in place all of the processes and support to make those external hires as successful as possible.[00:07:30]

[00:07:30] Greg Arnold: I think that's right. All things equal, companies would prefer to have a planned succession process with internal candidates. And maybe have one or two, three internal candidates that you have your eye on for multiple years as you're thinking about where the business is [00:07:45] and what it needs in the future.

Sometimes boards are forced to go outside when the internal culture or strategy needs a reset. That can be a lot easier to do when you have a new voice coming in. There's certainly cases [00:08:00] where businesses have tried to do that internally and it's worked but it sends a stronger signal externally when you bring in a new person from the outside to be the CEO.

[00:08:10] Blair Jones: There can be things that are strategically related. We have one client who needed to get into an [00:08:15] entirely new market and the people who had grown up internally had never worked in that market and didn't have the relationships or the expertise to play there. In that case, the external hire became very important.

With that said, they surrounded that [00:08:30] external hire with very capable, high-potential business unit heads to help with the cultural piece of what Greg was talking about and make sure that the transition was as good as possible.

[00:08:43] Greg Arnold: We've had other clients too, where the [00:08:45] business had been focused on things like higher profit margin, higher return on capital, but the business was not getting the multiple in the market that they could have if they had a higher emphasis on growth. And [00:09:00] so in that situation, they brought in an external CEO who changed the shape of the organization, changed the reporting structure, reoriented the business back toward growth from a comp perspective, which is the things we deal with, change the incentive [00:09:15] plan to reweight certain metrics, etc.

That degree of change can be easier when you have an external CEO rather than somebody that has a lot of the legacy relationships because the new person can start fresh.

[00:09:29] Brian Campbell: [00:09:30] I appreciate that, Greg and Blair. That leads to the question of what do you actually say about the plan? We'd note that there's tension between keeping succession plans confidential while making them credible. How should boards strike that balance and what can they responsibly signal to investors and [00:09:45] employees?

[00:09:46] Greg Arnold: In our experience, one way this comes up often is in the shareholder outreach conversations that boards and comp committees are having during the off season in the summer and the fall, where they're talking to the governance groups at large institutional investors. [00:10:00] CEO succession and process is often a question that comes up and having a good response to that and making sure your directors are prepared to address those questions in a credible way is a good first step that I think applies to all [00:10:15] companies, whether it's internal or external. Creating that credibility is important.

There's other things. If there's a planned internal succession for a business that's in a steady state, often what you'll see is a leading candidate move [00:10:30] into a new role, like a COO role. And that's a pretty strong signal externally that's the CEO and waiting, or

at least the CEO in trial period.

That's a strong signal that works in certain cases. Or you may do things like [00:10:45] have the internal candidate begin to take on broader roles in investor relations, on earnings calls, or at conferences, etc. That can send the signal for in those situations with an internal candidate.

[00:10:58] Blair Jones: Internally, there are a lot [00:11:00] of ways to send signals to people about their importance to the organization and to help with their retention. One of the primary ways to do that is to identify them as high potential. Let them know they're high potential, put them through an assessment process [00:11:15] with an external partner which will help identify their strengths relative to tried and tested profiles of successful C-Suite executives from both within and outside the organization. Also identify their [00:11:30] development needs. That way they get coaching and they get specific areas to work on. You can also expand their roles. All of this signals to them that they're in the hunt for a larger role. Maybe it's not the CEO role but they're someone [00:11:45] who's important to the organization. That has strong messaging potential to those individuals and hopefully keeps them engaged with the organization through the time that they may be relevant candidates.

From an external standpoint, Greg underscored the [00:12:00] importance of talking to your investors about your process and the rigor that you have around looking at the criteria for successors on an ongoing basis, as well as the conversations that the board is having to make sure that both [00:12:15] emergency and planned succession plans are in place.

There also are some unintended things companies can do as they're preparing for succession. For instance, if you find yourself in a situation where you aren't quite ready to have a succession and it would [00:12:30] be helpful to the organization to keep a CEO in place for a period of time while you allow the candidates that are internal to get a little stronger or to assess the need to go externally, some companies will put in place a [00:12:45] retention for their existing CEO. There are pros to that in the sense of you create some near-term stability, particularly if that CEO has a lot of credibility in the marketplace and has delivered good performance for shareholders. Shareholders can get some [00:13:00] confidence that, at least for a period of time, that individual be in place.

The con is that some of the internal candidates now have a timeframe associated with when the succession may take place and they may decide that's too long for them and may seek [00:13:15] opportunities externally. In addition, investors may also question why the board wasn't more ready and needs to keep the CEO on for a period of time. They may look at it as something broken in the succession process. As you [00:13:30] start to think about the different things you're doing and the signals you're sending, you just want to think about both the intended and the unintended consequences.

[00:13:38] Greg Arnold: On the comment about the multiyear retention awards, the importance of having a rationale for it is [00:13:45] just critical for investors to understand.

If they think it's because the CEO needed to be retained and the board was being reactive, that's where it can fall flat. If it's proactive; intentional; has a clear [00:14:00] rationale; and even tied to go-forward strategy, effectiveness, and success of the business, then it can land a little better externally. Do you agree?

[00:14:09] Blair Jones: Yeah, I fully agree with that.

[00:14:11] Greg Arnold: The signaling thing can be tricky too, especially if you have [00:14:15] multiple candidates in the running. We've seen some high-profile companies where there's been departures and speculation in the media that the person left because so and so was more likely to become the CEO. [00:14:30] When you're sending those signals in terms of role shifts or other things like that-- or even not intending to send a signal, just expanding the role and training the person and giving them the broader experience they need-- if it doesn't work or you have multiple people that are [00:14:45] in the horse race, you just have to be prepared too that those people may leave and understand that you have good succession behind them. And have a good response if you get questions around those things too, because it's not always that a well-laid [00:15:00] plan works out perfectly or the person that you elevate as the CEO in waiting turns out to be the right candidate at the end of the day.

Boards just have to be ready to absorb some of that too, if there needs to be a change in direction, whether it's the business context changes, [00:15:15] or an activist comes in, or it's just the person didn't turn out to be the right person at the right time. There's downsides as well as upsides with some of these shifts we've been talking about.

[00:15:27] Brian Campbell: We're going to take a short break and we'll be right back with [00:15:30] more of my conversation with Blair Jones and Greg Arnold.

Welcome back to C-Suite Perspectives. I'm your host, Brian Campbell, the leader of the Governance & Sustainability Center at The Conference Board, and I'm joined by Blair Jones and Greg Arnold of Semler Brossy. [00:15:45] I'm going to come right back into the questions here. What would be the appropriate role for a sitting CEO as far as shaping or influencing their successor?

[00:15:54] Blair Jones: The first thing you want to do is have open conversations, like Greg said, with the CEO as [00:16:00] you're approaching their retirement. This process at some level starts from the day they become CEO but certainly becomes more urgent as you get, perhaps, two to three years out from what is a likely succession timeframe. So the first step is just involving the [00:16:15] CEO to understand his or her thinking about the tenure, about the likely candidates, and to share where the board's head is around how they would like the succession planning process to go.

But the CEO's involvement from there [00:16:30] really depends on the context. If it's a company where things are running well and the strategy is not likely to change then the CEO's involvement is likely higher in that regard. Some of the individuals that have been brought up internally [00:16:45] within the organization are likely candidates and the CEO

can be very helpful in bringing those along and getting those individuals to the right place in the process.

If it's more of a performance issue then it's a little bit harder for the [00:17:00] CEO to be as involved. The board should keep the CEO informed that a process is going on but they may be less involved in some of the board discussions than they would be otherwise.

Often, you have a period of time that you're [00:17:15] able to do this, working together, where you're doing these assessments of the individuals that we had talked about. The CEO is weighing in with their assessment of the individuals as well and being helpful to the board as they try to plan for the [00:17:30] next stage.

Ultimately, this is a board process. The CEO should be involved to the extent they can be helpful to the board but the board has to own the selection of the new CEO. It's the most important decision from a governance perspective.

[00:17:44] Greg Arnold: [00:17:45] The other thing I would say, we've seen is that particularly among large companies that have been performing well, it's become pretty common to have a long-tenured CEO move into an executive chair role for a period of time [00:18:00] to help signal stability externally. And it helps the new CEO navigate, have a sounding board, and provides a transitional period for the outgoing person.

In many cases, that seems to work pretty [00:18:15] well. We've seen it at a number of our clients over the last several years work pretty effectively. The key to it, though, is making sure that there's a defined period of time and defined roles. In all cases, you don't want the old boss [00:18:30] hanging around and poking their finger in things with the new bosses running the show. You really want to have clarity over who's making the decision, who's in the seat, who has the ultimate responsibility for guiding the organization, etc.

But it has [00:18:45] been pretty common to start to do these transition periods over six to 12 months, where you have an exec chair role and that person tapers their involvement off over time. It is part of a planned succession process.

[00:18:59] Blair Jones: And that allows the [00:19:00] new CEO to get their sea legs around all of the new responsibilities, while the outgoing CEO handles some of the board responsibilities. But you do want both clear decision rights and a natural process [00:19:15] of transitioning out of that role so that the new CEO can fully grow into the role independently.

[00:19:23] Greg Arnold: One of the things that we see in our work with boards and comp committees is the way the new CEO [00:19:30] interacts with the board, talks to the board, presents to the board, receives feedback from the board, is a new process often for that individual. Having somebody who is in the room, who is involved, who's done it for many years, can help that piece [00:19:45] because the person will probably be pretty good at strategy, at managing direct reports, at talking to investors. But that board-CEO dynamic is a piece that can only be experienced for somebody who's a CEO. And so

having that exec chair role [00:20:00] can be helpful in that context too.

The other thing too is in challenge situations, sometimes the CEO's not involved at all.

[00:20:07] Blair Jones: That's right.

[00:20:08] Greg Arnold: Those are tricky. Those are tricky where the board's running the process on their own. The CEO may know [00:20:15] something could happen but doesn't know when or if it will. And those are tricky. And in that case, obviously the CEO is not really involved at all in shaping the process or identifying the successor or any of those things. Hopefully companies aren't in those situations [00:20:30] very often.

[00:20:32] Brian Campbell: I think that's right. Those unexpected CEO exits, they seem less rare than they used to. So how can boards prepare for a sudden transition? And what do the best-prepared boards do differently?

[00:20:44] Greg Arnold: [00:20:45] Sudden transition can take a lot of different forms. Sometimes there's a sudden transition because your CEO departs for a different opportunity, a better opportunity, a bigger company, a different industry, etc. Those will feel [00:21:00] abrupt.

In really unfortunate circumstances, there could be a health issue or some other issue where the CEO needs to step down. That's one category I would say, and often in that category, boards will have contingency plans in place around [00:21:15] interim emergency successor roles. The process is to identify who steps into that role. Sometimes it can be the CFO steps in, sometimes it could be a director who is a former CEO steps in and leads as an interim for a [00:21:30] period of time. We actually saw that interim appointments in this last year, in the study that we did with The Conference Board, came down from 24 but it was actually still above the historical average that we saw for a few years before [00:21:45] that. It's probably a pretty variable number depending on circumstances at the time but just making sure that you have that emergency succession plan in place is a good practice that most companies will have.

In the other case of emergency unexpected exit where there's [00:22:00] poor performance, we've talked a lot about that. That's a different context, I would say, where you're finding a new person and letting the incumbent go.

[00:22:09] Blair Jones: These emergency succession plans need to include emergency succession-- not just for the CEO, but for [00:22:15] some of the other roles as well-- because it's not uncommon, for instance, for the CFO to step into that interim role. So you need an emergency succession plan for the CFO as well, so that you have an interim who can fill in [00:22:30] there. But these emergency succession plans are not just about identifying who the individual is. They have to do with how the process for getting all of this in place works, what the communications are both internally and externally. In every [00:22:45] circumstance we've been in, regardless of which of the circumstances that Greg outlined drive the emergency transition, the board has had to lean in more than it

would otherwise.

Because it's really-- at least at the [00:23:00] time of the transition-- a community leadership effort to make sure that you're clear about how the interim process is going to be led and what needs to get accomplished immediately versus what can take a little bit more time to get to. A [00:23:15] lot of that depends on which of those circumstances it is as to what the mandates are for that period.

[00:23:21] Greg Arnold: And if it's an interim, how do you support that person that's in the role where they may not have fully developed sides? If a CFO is [00:23:30] stepping into the role, how do you support with operational expertise and decisions? You probably have division leaders or business unit heads that can run their business but how do you make sure that you're having the right conversations for somebody who may not have been fully [00:23:45] ready to step into the full CEO role in a period of time? It's important to make sure that the team around the person is adequately equipped and understands how the process will work and how the decisions flow too.

[00:23:57] Brian Campbell: And boards are increasingly held accountable when [00:24:00] successions go wrong. What responsibility sits with the board versus management and at what point does a failed transition become a governance issue rather than a leadership one?

[00:24:10] Blair Jones: It's a really interesting question, Brian. The board, as we said [00:24:15] earlier, choosing the CEO is one of their most important decision rights. If there's a failed CEO, it sits squarely with the board. Some of the other successions are certainly overseen by the board and included in the [00:24:30] process of looking at some of the key C-Suite executives but that responsibility is probably more shared among management and the board. Nobody wants to end up in this circumstance. Everybody has to be sad and has to own a bit of something that's [00:24:45] failed.

In terms of your question of when does it become a leadership issue versus a governance issue, sometimes you do make wrong choices. As with many failures, the question is how do you respond to that and how quickly do you respond to that? The investor community [00:25:00] is going to look at how quickly you course correct and how you message around that course correction, as well as what criteria and support you put in place the second time around to make sure that you don't [00:25:15] have continued failures.

[00:25:16] Greg Arnold: Companies can probably endure one failed succession but if you have another one, that's when it starts to get problematic from an investor perspective and they start to question [00:25:30] governance. The other thing is if boards are taking a risk on a new candidate and it doesn't work out, obviously that's a different set of circumstances than if you had an internal, long-trained successor that just wasn't up to the task. This is a little [00:25:45] context specific, in terms of how it's evaluated and what the specific circumstances are around the candidates.

We've been talking implicitly about large companies. There's an interesting dynamic on

this, smaller companies [00:26:00] where they can't afford to have a really deep bench and so the CEO does a lot. They may not have clear internal successors and some of my smaller clients, it's actually an intentional decision they've [00:26:15] made. They'll have an emergency plan where they may have a former CEO that sits on the board that could step in if there's an emergency but they know for real planned succession that they're likely going to have to go external. In that [00:26:30] context, it's just tricky. It's tricky because you have higher risk with an external candidate. You don't know if you're going to close them. You don't know if they're going to fit culturally, etc. If you're one of those companies, you get a [00:26:45] little bit more leeway if it doesn't work because the other side of the coin is you're adding cost, you're adding management team, you're adding all these layers to the organization for years that are going to impact the business.

And maybe investors don't want that. And so they'll acknowledge and give you a [00:27:00] little bit wider range to have one that doesn't work. Rather, if you're a Fortune 50 company, I think you get a little bit less leeway around succession and successful succession planning.

[00:27:13] Blair Jones: The main lesson here is [00:27:15] that you should do everything in your power to try to get the most successful transition in place, where you've had exposure to the candidates, you've done the assessment. You're going in with eyes wide open about the real strengths that this candidate brings, [00:27:30] as well as the weaknesses. But if it doesn't work out, the board needs to act quickly and have a clear plan for how they're going to move forward and create a better outcome on the other side.

[00:27:43] Greg Arnold: I'll just add one more thought. As we've seen over the [00:27:45] last few years, the comp committee's mandate has expanded beyond the traditional exec comp items to cover things like human capital management, talent, succession, etc. This is an area where the comp committee tends to have more time to go a [00:28:00] little bit deeper into the talent of the organization and really understand sort of plans, processes, individual people, and how that is setting the company up around succession generally because that's what feeds the pipeline into [00:28:15] CEO successors. That may sit at the board at some companies but often, just given all the responsibilities of the various committees and board level, that sits with the comp committee. This has actually been a good corporate governance trend over the last few years because it's helping [00:28:30] companies build the muscle and showing to the management team that it's a board-level priority. And so it gets a little bit more focused too, in that respect.

[00:28:39] Blair Jones: And allows you to bring in candidates earlier where you do feel like you've got some [00:28:45] holes.

[00:28:45] Brian Campbell: Final question. If a board makes just one improvement to its CEO succession approach this year, what should it be?

[00:28:54] Greg Arnold: Really depends where the board is so far on their process. I'd say for all boards, [00:29:00] it's important to have a process, be intentional around it. Make

sure that you keep your CEO profile updated as the business context changes and evolves. Often these are established and you have a [00:29:15] CEO in place and then they're not always revisited. But revisiting that annually, making sure that it still fits and that the board is really looking for what the organization needs two, three, four, five years down the road is an important piece.

[00:29:30] You can make sure that both you have the right candidates identified but also the good pipeline and processes to make sure that you're growing those people internally. I'd say that's one thing that boards should just check on, make sure they're comfortable with relative to their approach.[00:29:45]

[00:29:45] Blair Jones: No question. And maybe that includes getting someone in externally to help them, which would not just be about succession. It's about strategy as well, pushing them as to the future focus for the organization and where things may change. Because that may mean [00:30:00] when you do this profile, the profile may have skills that aren't resident in your organization or may mean you need to dig a little bit more deeply beyond your first level successors to your second level successors to end up with a more viable candidate.

[00:30:14] Greg Arnold: I'll add [00:30:15] just one more thing. Because what we do is exec comp, also just check that if you have internal candidates that the comp is appropriate, that there's appropriate holding power, that we're sending the right signals through pay, that you're not going to lose the person [00:30:30] unexpectedly as stock price volatility flows through equity, holding power, values, etc. That's a good due diligence check as well for comp committees to do.

[00:30:39] Brian Campbell: Okay. Thanks for this wonderful conversation on CEO succession. Thank you so much, Blair and Greg, [00:30:45] for joining us today.

[00:30:46] Blair Jones: Thank you.

[00:30:47] Greg Arnold: Thanks, Brian.

[00:30:49] Brian Campbell: And thanks to all of you for listening to C-Suite Perspectives. I'm Brian Campbell, and this series has been brought to you by The Conference Board.

AUTHORS



Brian Campbell
**US Governance &
Sustainability Center
Leader, General Counsel**
The Conference Board
General Counsel
The Conference Board



Blair Jones
Managing Director
Semler Brossy



Greg Arnold
Managing Director
Semler Brossy

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