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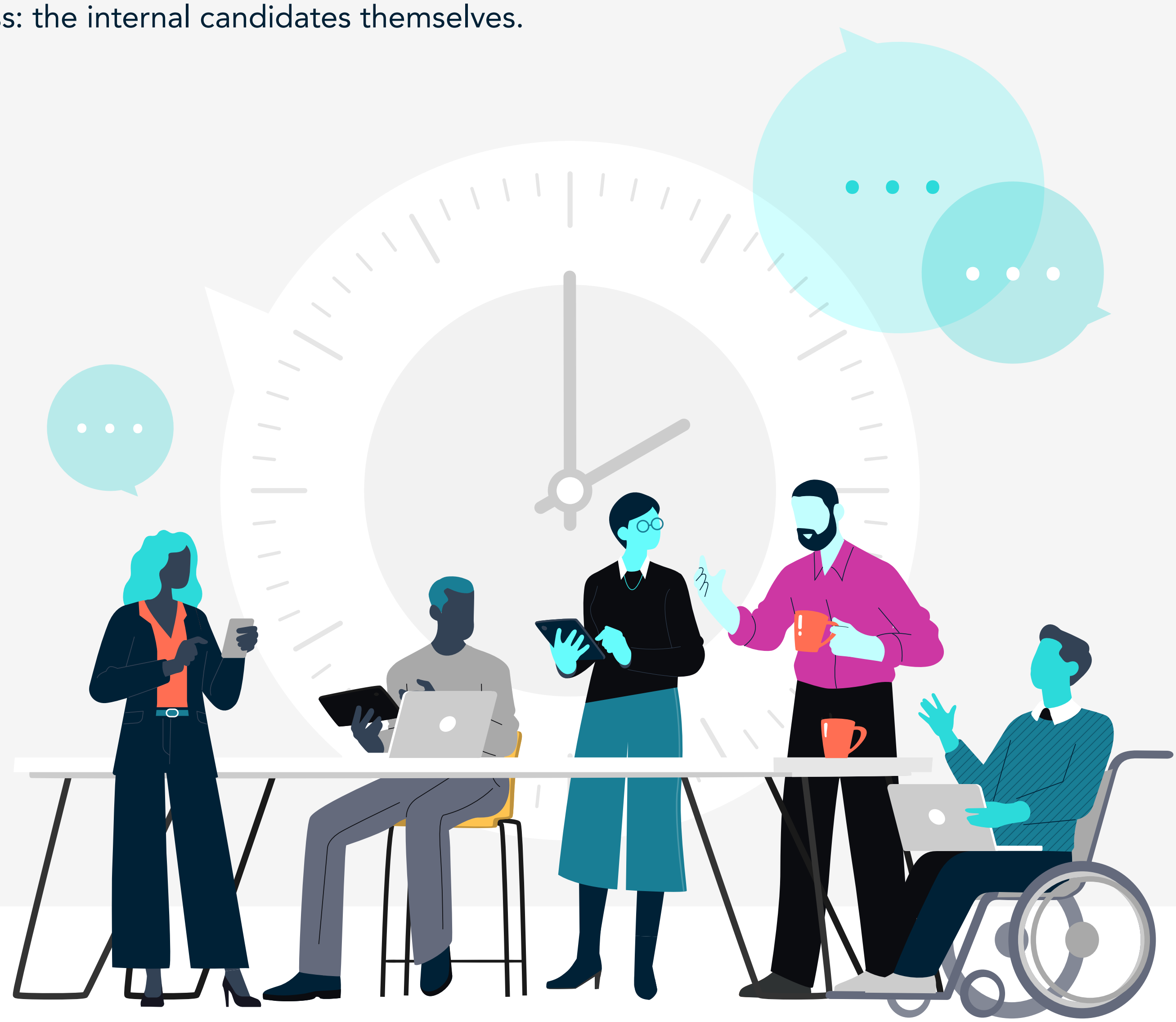
CEO succession planning: Where internal candidates go wrong—and how CEOs and boards can get them right

Internal CEO appointments remain the most common route to the top, yet too many organizations continue to mismanage one crucial aspect of this highly sensitive process: the internal candidates themselves.



In 2025, 63% of CEOs appointed at public companies in major markets globally were internal candidates. This trend has held broadly steady for the past seven years, reflecting a strong and persistent preference for insiders when it comes to the top job. In uncertain times, boards often favor candidates who understand the business deeply and can provide continuity within an ever-changing operating environment.[1] It's also a strong signal that the organization's fundamentals, culture, and internal mobility are in good health.

Yet the process for securing those advantages can create risks when succession planning is mishandled. And the risks can destabilize organizations for long periods of time—through anxious leadership teams, executives more focused on winning the top job than performing their current roles, internal factions forming around favorites, questions about fairness, and overlooked leaders who disengage or leave altogether. In our experience, this kind of fallout is surprisingly common across organizations of all sizes and ownership types.

While there is no single right succession planning process, boards and incumbent CEOs can dramatically improve outcomes by focusing on three interdependent dimensions: timing, transparency, and communication.

Getting the timing right: Quiet and hot phases

The board's appointment of the next CEO should be a top priority, yet timing—when to plan, talk, and decide—receives too little attention. It's helpful to think of effective internal succession as a multi-year journey that spans two broad stages: a quiet phase and a hot phase.

The quiet phase, led by the current CEO at many companies, can begin years before their departure. Typically, we believe it should start on their first day. During this period, the CEO keeps the board informed, provides occasional high-level updates to stakeholders and regulators, and seeks the advice of trusted advisors. The focus here is on systematically identifying and developing internal candidates, and sometimes intermittent external benchmarking—but no explicit discussions or searches.

The transition between the quiet and hot phases is especially delicate and often determines the effectiveness of the process.

The hot phase is more akin to active recruitment, typically beginning when the CEO's departure is roughly two years out. At this stage, boards should begin to be more directly involved in—and ideally drive—the succession process. The current CEO and board have active discussions with internal and external candidates,[2] and formal evaluation, referencing, and interview processes become more visible. The transition between these phases is especially delicate and often determines the effectiveness of the process. Naming internal candidates too early, for example, can trigger a multi-year race among critical team members. At its worst, this can distract leaders and even weaken financial performance. Wait too long, however, and the board risks compressing the hot phase into a rushed exercise, limiting its ability to explore all the alternatives thoroughly.

1 "Route to the Top 2025: Explore global CEO backgrounds and trends," Heidrick & Struggles, April 23, 2025, heidrick.com.

2 Boards should look to conduct external benchmarking periodically as part of their ongoing succession planning process. Find out what else leading boards are doing to beat the "succession planning paradox" in Jeremy Hanson, "CEO and board confidence monitor: Beating the succession planning paradox," Heidrick & Struggles, October 30, 2024, heidrick.com.

Calibrating transparency: Enough, but not too much

Many CEOs and boards assume that transparency eases succession—and in general, transparency with shareholders, regulators (when relevant), candidates, and employees is crucial. For public companies, transparency is a legal obligation with disclosure regulations dictating what information must be shared and when.

However, in the quiet phase, too much transparency can backfire. Announcing candidates during the quiet phase can complicate their authority, invite unhelpful scrutiny, and fuel gossip. It can also inadvertently signal to others that they are not in the running, harming morale and even retention.

Through our work, we've seen prolonged succession contests damage organizations. For example, in one case, two long-known internal contenders—announced too early in the process—turned the process into a race that deeply polarized the organization and left the new CEO with a divided leadership bench. The challenge for boards and CEOs is to maintain an honest, ongoing conversation about future leadership without letting the discussion become a destabilizing force.

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One effective way to strike this balance is to fold assessments, coaching, and stretch assignments under the umbrella of ongoing leadership development rather than explicitly branding them as succession-related.[3] This allows candidates to be primed for the top job without the distractions associated with a CEO race.

Disclosure regulations should provide the starting point for board conversations around transparency wherever they are relevant; they set out the legal minimum requirements. But for all boards, thoughtful navigation on how transparent to be, with whom and at what point in the journey, is essential for maintaining trust within the organization.

Communicating well: Expectations and relationships

Even when timing is clear and transparency calibrated, the way messages are delivered can still make or break an internal succession process. The most important aspects of communication in this context are managing expectations and relationships among the CEO, the board, candidates, and the rest of the top team.

Expectation management with internal candidates is particularly critical. A sitting CEO may have a preferred successor in mind, but ultimately, the decision is not theirs to make. Telling a candidate, even informally, that the role is all but theirs risks disappointment and may alienate other contenders. Even when a CEO is genuinely convinced that a specific executive is the right choice, it is safer and more accurate to frame this as their view, rather than a certainty.

Again, this can be a delicate balancing act. For instance, one CEO at a global consumer company exercised both advocacy and restraint, ultimately strengthening the board's confidence in their preferred candidate and the succession process itself. After several internal assessments, the board had asked one leading candidate to take on a defined stretch role with clear success metrics and targeted coaching. While the CEO hoped this executive would eventually succeed him, he focused his energy on helping the candidate meet the board's criteria instead of openly championing him. The board was left to design and lead the selection process independently.

To be sure, the CEO-board dialogue about succession can be sensitive. Some CEOs refuse to discuss it. Extensive board discussions about candidates can make CEOs anxious about their own future in the role. An overly engaged CEO, on the other hand, can unintentionally signal to the board a lack of engagement with their role or an eagerness to move on. Clear and open conversations can help manage these tensions, for example, by explicitly positioning succession as a governance and performance and risk management issue, and by agreeing on a shared narrative around timeline and process.

3 Data can improve every aspect of leadership development and succession planning, but most companies make far less use of it than they should. Find out more in Sarah Arnot, Sharon Sands, and Todd Taylor, "How data can improve every aspect of executive leadership development and succession planning," Heidrick & Struggles, July 31, 2024, heidrick.com.

Practical steps for boards and CEOs

Despite the potential pitfalls, there are ways to capture the advantages of internal appointments while minimizing the downsides. Several best practices stand out from our work with boards and CEOs:

Design the process with a quiet phase and a hot phase in mind. Clearly define who is accountable for what in each phase, and how transparency and communication will evolve throughout the journey.

Avoid making promises that can't be kept. However tempting it may be to reassure top candidates about their chances of becoming CEO, framing opinions as certainties can damage trust and cohesion if the final decision goes the other way.

Assess top internal candidates early and often—without over-signaling. Use ongoing leadership development, assessments, and coaching as a natural context to build CEO readiness, rather than explicitly linking every intervention to succession.

Carefully time when internal candidates are told they're in the running. Communicating too early can distort behavior and focus; communicating too late may not leave enough time to adjust course if necessary.

Handled thoughtfully, internal CEO succession can deliver the continuity and leadership assurance that stakeholders expect from an insider appointment. Deliberately shaping the timing, transparency, and communication of the process, while paying careful attention to the experience of internal candidates, can significantly improve the chances of a successful transition, as well as reduce internal turmoil and bolster the chances of retaining more of the senior leadership team.

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