

Private equity focus: A new process for CEO succession planning in a new normal

Private equity leaders often treat CEO succession as an afterthought. Our survey research shines a light on three key areas of improvement.



CEO succession planning is a critical indicator of organizational foresight and future performance, widely regarded as one of the key responsibilities of boards. However, recent Heidrick & Struggles surveys of CEOs and board members around the world¹ have found that leaders at private equity (PE)-backed companies place a lower priority on CEO succession planning than their peers at public companies—28% of board members we surveyed at these firms say that they consider CEO succession planning only on an emergency basis.

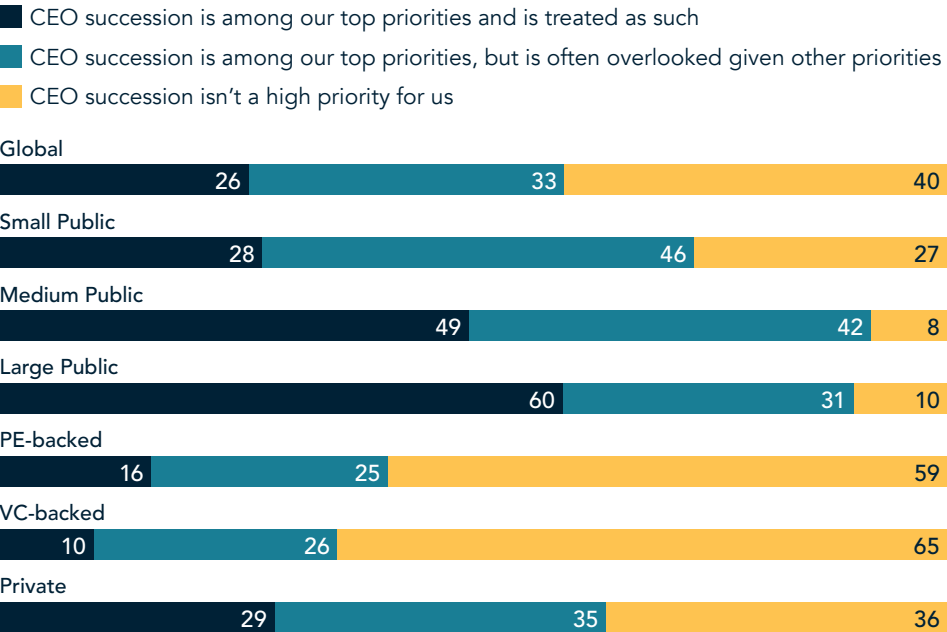
This tracks with PE firms’ traditional approach, but it has persisted through a fundamental change in the landscape for PE portfolio company leadership:² longer exit timelines mean that PE investors are now having to think more like operators, which means creating value through operations and, often, experiencing more leadership changes than they have been used to. Indeed, today over 70% of CEOs at PE-backed companies are replaced during an average hold period of five and a half to six years. Our own experience and conversations with private equity leaders show that a more established and robust succession planning process—one integrated into an overall talent strategy—will best-position PE firms for success.

Drawing on data gathered from Heidrick & Struggles surveys conducted in 2024 and 2025 of CEOs and board members around the world, this report explores current approaches to succession planning at PE-backed companies and what these leaders can do to best position their organizations for the future in the current environment.

Top succession planning priority today

Globally, across all ownership structures, 26% of CEOs and board members say that CEO succession is among their top priorities and is treated as such. However, only 16% of respondents from PE-backed companies say the same.

Priority of CEO succession planning: By company type (%)



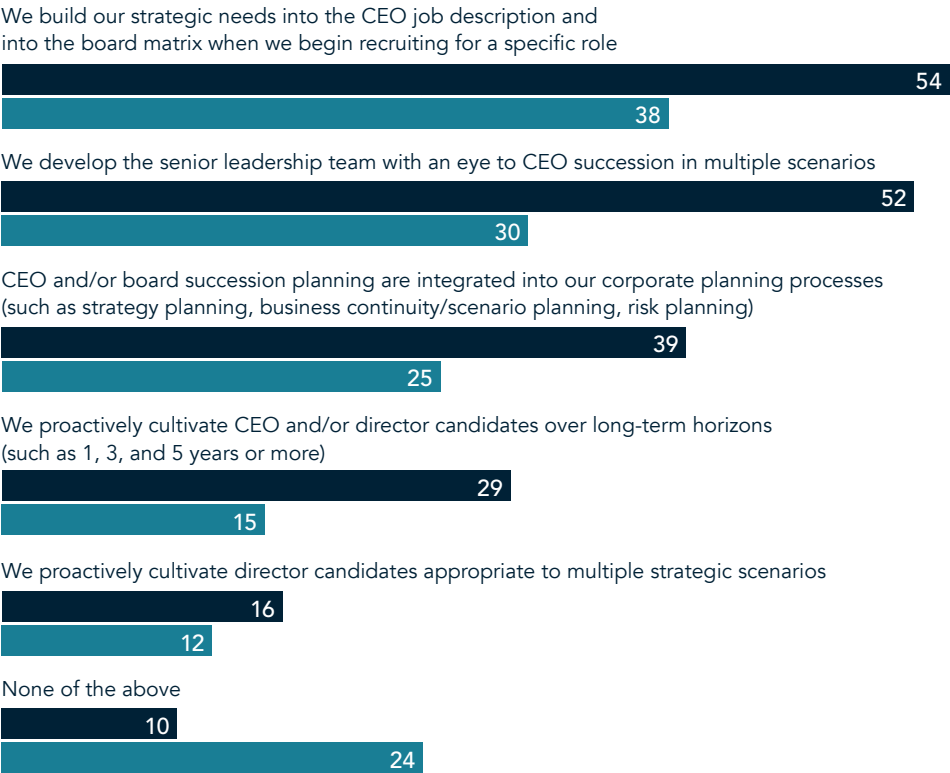
Note: Numbers may not total 100% due to rounding.
Source: Heidrick & Struggles survey of CEOs and board members, March 2025, n=1,027

1 An online survey of CEOs and board members conducted in June and July 2024 garnered 1,702 respondents across sectors and markets around the world. Another online survey of CEOs and board members conducted in spring of 2025 garnered 522 respondents across sectors and markets around the world.
2 For more on assessing CEO candidates, see Jason Henderson and Amanda Worthington, “The landscape for hiring a PE operating company CEO is changing fast—hire for “how” to navigate it successfully,” Heidrick & Struggles, <https://www.heidrick.com/en/pages/private-equity/the-landscape-for-hiring-a-pe-operating-company-ceo-is-changing-fast>.

In a companion survey, we found that PE-backed company respondents less frequently say there is alignment between CEO and board succession planning and strategic planning in their company than their peers at public companies. For example, respondents from PE firms say they develop the senior leadership team with an eye to CEO succession about half as frequently as respondents from public companies.

What is the relationship between CEO and board succession planning and strategic planning in your company? (%)

Public PE-backed



Source: Heidrick & Struggles survey of CEOs and board members, March 2025, n=1,409

Respondents at PE-backed companies also say that open conversations about succession planning are not a common part of their operating norms. Only about a third, for example, report that discussions about CEO or director succession are expected, encouraged, and pursued on an ongoing basis. This is roughly half the share of leaders at public companies who report the same.

Which of the following best describes your company’s overall approach to CEO and board succession planning? (%)

Public PE-backed



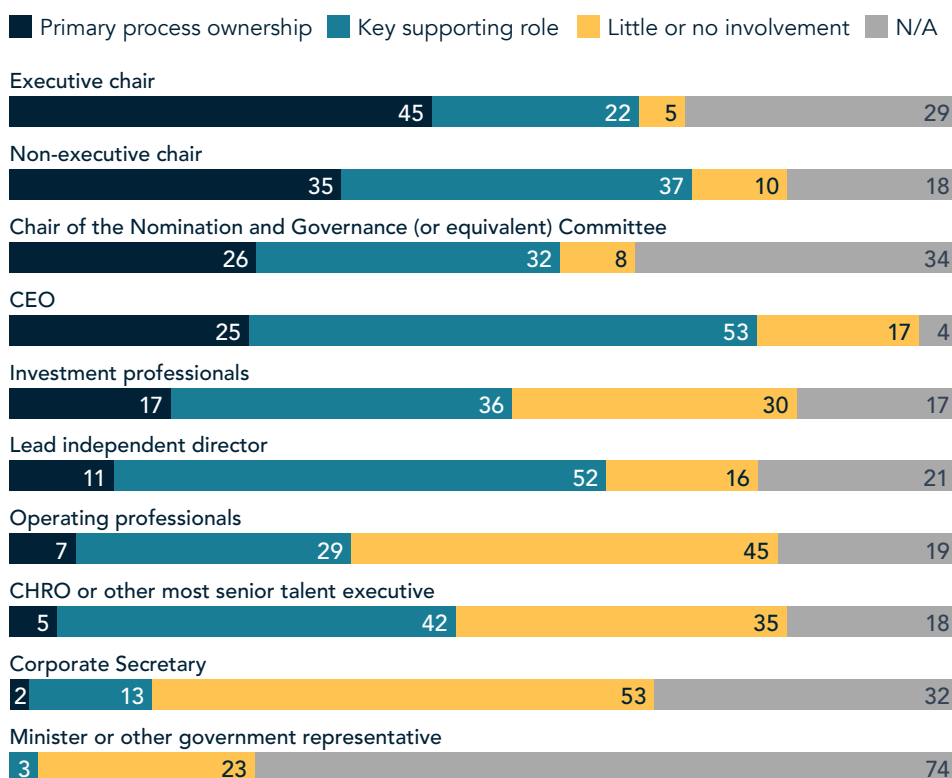
Source: Heidrick & Struggles survey of CEOs and board members, March 2025, n=1,421

Further, because most PE portfolio company boards are typically comprised of investment professionals and people with sector expertise, these boards often lack directors who have experience with CEO succession planning compared with traditional public-company boards.

A major challenge regarding succession planning at PE-backed companies, our surveys found, is the high level of uncertainty about who is responsible for succession planning among the portfolio company's board, the board chair, the firm's head of talent, or investment professionals.

What level of responsibility does each of the following have for CEO succession at your company? (%)

PE-backed respondents



Note: Numbers may not total 100% due to rounding.

Source: Heidrick & Struggles survey of CEOs and board members, March 2025, n=411

Taken together, our survey results point to a lack of integration of strategic oversight and talent practices as the primary factor behind why CEO succession is so often overlooked at PE-backed companies.

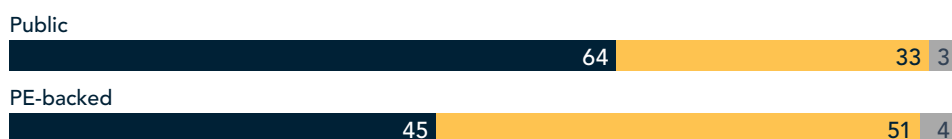
Increasing investment in succession planning

There are some encouraging signs that PE-backed companies are doing more to focus on succession planning and treat it as an important part of their long-term business strategy. Nearly half of respondents (45%) from PE-backed companies say they have increased investment in succession planning. Their reasons for doing so most often include the increasing expectations of CEOs and board members, which are aligned with what leaders at public companies say. In private equity, longer exit timelines are one contributor to these increased expectations of portfolio company CEOs; many companies have also been responding to a widening risk environment, greater regulatory attention, and director and CEO candidates who are insisting on improved discipline.³

Has your board increased its overall investment in CEO and board succession planning in response to current trends affecting governance? (%)

PE-backed respondents

■ Yes ■ No ■ Prefer not to answer



Source: Heidrick & Struggles survey of CEOs and board members, March 2025, n=1,419

Looking ahead: Borrowing from corporate to benefit PE

Regardless of where PE leaders choose to start, clarity regarding the succession planning process, the responsibilities of each person, and agreement on the importance of succession planning to overall value creation and strategy, is of the utmost importance.

We have seen that the private equity firms that do this well have centralized talent functions and treat talent strategy and management as core drivers of value creation. We have three key recommendations for PE firms looking to improve their CEO succession strategies.

Assume and plan for at least one CEO succession per portfolio hold period

The likelihood of the CEO at the beginning of the investment being retained throughout the hold period has been less than 20% for more than a decade now. Additionally, multiple studies have shown that replacing a CEO typically extends the hold period by an average of six to 12 months, and these transitions can incur substantial costs for PE firms in delayed and unmet value creation. Given this business reality, it is prudent for PE boards plan for at least one CEO replacement throughout the hold period.

Implement portfolio-level, fit-for-purpose CEO succession planning to avoid conflicts of interest

In most cases, the replacement CEO in a portfolio company will be an external hire, brought in to improve performance—often due to a lack of confidence in the existing leadership. This means asking the sitting CEO or chief people officer to manage this process creates an obvious conflict of interest (unlike longer term planned successions seen at other types of companies). In addition, PE firms that centralize CEO succession planning with targeted, periodic market mapping of “ready now” talent are often best suited to minimize business disruption.

³ “Route to the Top | Today's CEO: The growing importance of character, learning, and leading in a contested world,” Heidrick & Struggles, February 28, 2024, heidrick.com

Conduct CEO succession planning proactively and continuously

Most public boards discuss CEO succession planning annually if not more frequently. Most PE-backed organizations, however, do so only on an as-needed basis. Periodically scanning the available talent market, combined with robust CEO performance management, ensures that PE firms have a more extensive set of options when they want to make a change.

Although CEO succession planning is a lower priority for PE-backed companies than public companies, the higher rate of CEO turnover in PE today, combined with the shifting talent landscape and volatile market conditions, means that a stronger focus on longer-term leadership assurance will better prepare these organizations for a present and future in which more is at stake, more is uncertain, and more is expected of the CEO than ever before. We believe that an ongoing approach to succession planning, with a broader set of selection, evaluation, development, and replacement activities for both the CEO and board, will best position companies for the future, whether private or public.⁴

4 "Route to the Top | Today's CEO: The growing importance of character, learning, and leading in a contested world," Heidrick & Struggles, February 28, 2024, Heidrick.com.

About the authors

Gustavo Alba

is a partner in Heidrick & Struggles' Miami and New York City offices and a co-global managing partner of the Private Equity Practice.

galba@heidrick.com

Jason Henderson

is a partner in Heidrick & Struggles' New York office and leads the Private Equity Practice for Heidrick Consulting.

jhenderson@heidrick.com

Stephen Schwanhauser

is a partner in Heidrick & Struggles' Stamford office and a co-global managing partner of the Private Equity Practice.

sschwanhauser@heidrick.com

Private Capital Practice

Heidrick & Struggles' global Private Capital Practice combines a deep understanding of private capital markets with world-class expertise across all major industries and functions to provide a broad range of value-adding services.

With more than 80 consultants in 50 offices around the world, our expertise shadows the private capital life cycle from pre-deal due-diligence support to pre- and post-acquisition executive search, leadership assessment, proactive introductions, and the construction of advisory boards for both private equity firms and their portfolio companies.

We pride ourselves on our work with private capital-backed portfolio companies to secure the leadership needed to deliver on tomorrow's strategies. Our consulting services enable us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

In addition, we are the leader in finding top private capital management talent by recruiting investment professionals, operating partners, and other essential senior managers who support financial growth.

Leaders of Heidrick & Struggles' Private Capital Practice

Global

Gustavo Alba
Miami and New York
galba@heidrick.com

Stephen Schwanhausser
New York and Stamford
sschwanhausser@heidrick.com

Americas

Jonathan Goldstein
New York
jgoldstein@heidrick.com

Asia Pacific & Middle East

Guillaume Levi
Hong Kong
glevi@heidrick.com

Stephen McAlinden
Hong Kong
smcalinden@heidrick.com

Europe & Africa

Will Moynahan
London
wmoynahan@heidrick.com

Venture Capital

Alexis Hennessy
Los Angeles
ajhennessy@heidrick.com