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Navigating the Rapids of Internal CEO Succession: Tips for Boards, CEOs, and Candidates

SUSAN M. SNYDER, TJAI M. NIELSEN, PH.D., AND ARIEL CLEMONS

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CEO transitions have far-reaching consequences for organizational success. As such, managing a CEO transition is one of the board's most critical responsibilities.

The timing of CEO transition varies: when begun within a year of the incumbent CEO's departure, it usually involves a search for an external candidate (which may include consideration of internal candidates as well). Best practice dictates that transition planning begin more than two years before the incumbent CEO plans to leave the role, with many advocating that it start immediately upon the selection of a new CEO.[1] Taking on CEO succession early — a process sometimes called CEO progression — creates the opportunity for the board and incumbent CEO to align on what the future may require and to build leadership depth across multiple executives in order to mitigate risk. Among the many benefits, proactively attending to CEO succession:

- Prepares the organization for inevitable CEO change, regardless of the exact timing of the transition;
- Drives alignment between organizational strategy and the talent needed to execute it; and
- Generates momentum to develop internal leadership capability and therefore fosters more effective execution.[2]

That said, there's no question that taking on CEO succession early creates challenges. The biggest challenge is that long-term CEO progression is emotionally difficult. Many boards and CEOs avoid proactive CEO succession because they fear losing strong internal candidates during and after the transition. A Stanford study showed that nearly 75% of internal candidates for the CEO position left when they did not get the top job.[3] The risk of unwanted turnover, however, exists even when organizations avoid succession and move directly to a CEO search; in these cases, executives typically leave disgruntled with their former employer. Investing in executive development that benefits both the organization and potential successors can mitigate this reputational risk.

In addition to unwanted turnover, boards and CEOs worry that the emotional toll will be negative for the senior team and the organization, even though they acknowledge the positive strategic impact of taking on CEO transition early. Internal succession is not just about who is next — it's about how potential successors and the executive team as a whole navigate what can be difficult waters. Potential pitfalls include:

- **Internal Competition:** Multiple candidates may subtly (or overtly) vie for the role, creating factions that can undermine team cohesion.
- **Shifts in Influence:** Once identified as contenders, candidates may see their access to certain conversations expand — or contract. This access will not go unnoticed by the executive team.
- **Perceived Favoritism:** If boards or CEOs are seen to favor one candidate, it can erode trust across the leadership team.[4]

Without active management, these dynamics can negatively impact culture, slow execution, and diminish the eventual successor's readiness. In one large pharmaceutical company, unmanaged rivalries during an executive succession process led to a 14% turnover rate (a twofold increase) among director-level leaders within a year. Unchecked rivalries can leave lasting cultural scars.

Strategies for Boards and CEOs

In order to manage these dynamics, we recommend that Boards and CEOs:

- **Communicate Clearly:** Provide clarity on the process, timeline, and decision criteria not only for succession, but also for why sub-team composition has changed (if it has). Share not only "what" is happening, but also "why" to proactively stem speculation.
- **Expect Continued Focus on the Current Role:** Ensure candidates remain fully empowered in and focused on their current roles, while expanding their skillset to an enterprise-level lens. Clearly communicate your expectation that they do so — and that being able to demonstrate "both/and" thinking and action is part of your expectations.
- **Invest in Assessment:** Use structured, objective, third-party leadership evaluations, including 360-degree feedback, to measure readiness for the role. This decreases the appearance of favoritism and allows you to invest in developing what matters most.
- **Provide Feedback and Support:** Move quickly to address behavior that is negatively impacting the team. Offer coaching or mediation resources to navigate potential tensions.
- **Consider Retention Strategies:** While unwanted turnover can occur during CEO transitions, it can be managed. The very act of developing capability is a retention strategy; in addition, many organizations create compensation packages intended to retain their highest-performing talent for a period of time.

The Balancing Act for Internal Candidates

What receives far less attention – but is no less critical – is the lived experience of internal CEO candidates. These leaders face unique pressures because they operate in a fishbowl, navigating professional relationships and strategic expectations while under constant observation. Understanding and managing these dynamics is essential for boards, incumbent CEOs, and internal succession candidates themselves.

Internal CEO candidates navigate an intricate blend of visibility, vulnerability, and ambition. Unlike external hires, they must manage dual identities: continuing to deliver in their current role while being evaluated for the next. Internal candidates often benefit from consideration, finding themselves with increased energy and enthusiasm. However, consideration can trigger several emotional challenges for internal candidates:

- **Heightened Scrutiny:** Every decision, comment, and leadership move may be interpreted as evidence of readiness (or lack thereof) – they are under a different kind of spotlight.
- **Relationship Strain:** Managing loyalty to the incumbent CEO while signaling a vision for the future can create tension with the CEO (who is often experiencing their own emotional challenges with transition); likewise, relationships with other colleagues (especially other potential successors) can often become challenging.
- **Isolation:** Confidentiality requirements and competitive dynamics can limit the ability to seek candid feedback or emotional support, just when they need it most.

Being an internal CEO succession candidate is a balancing act that requires exceptional emotional intelligence . . . just like being a CEO does. Learning to manage these internal tensions offers excellent development opportunities toward the desired role. A CEO is always in the spotlight, navigating complex relationships with the board and the community, and it truly is lonely at the top.

Strategies for Internal Candidates

If you are "in the running," it is vital to:

- **Stay Focused:** The CEO is in service to the organization's mission and constituents, not to themselves. Likewise, your focus now should be on continuing to deliver measurable results in support of that mission while developing the ability to shoulder the additional tensions inherent in the CEO role. Focus on adding value to the mission and on the development journey, not the destination.
- **Practice "Both/And" Leadership:** Demonstrate a vision for the future without undermining current leadership. Build alliances internally (and externally) that transcend competition, embracing the opportunity to learn from competitors and create more positive outcomes. Think of it as preparing for board/CEO relationships and for increasing partnerships with external competitors.
- **Don't Go It Alone:** Draw on trusted advisors outside the organization to provide honest counsel. Seek a strong executive coach who can challenge your internal narrative, help you reframe challenges, and support your development.

Internal CEO succession is more than a strategic process — it is a deeply human journey that shapes the trajectory of the organization's highest-potential leaders. In healthcare and life sciences, CEO transitions affect lives far beyond the organization, as well as the livelihoods of everyone in it. The more intentional the process, the smoother the transition. By acknowledging emotional realities, anticipating common dynamics, and committing to transparent, structured practices, boards, CEOs, and internal candidates can turn potential pitfalls into opportunities for stability, engagement, and growth.

Sources

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Authors

SUSAN M. SNYDER, Executive Partner for WittKieffer's Global Leadership Advisory, is an experienced business leader and trusted advisor focused on helping executives and their teams more capably and confidently navigate the complexities of their roles and the business challenges they face. Susan's consulting expertise includes executive team alignment and development, culture definition and sustenance, M&A integration, CEO and executive succession, and executive development. She consults extensively with healthcare and life sciences organizations, as well as higher education and nonprofits focused on social impact.
ssnyder@wittkieffer.com

TJAI M. NIELSEN is a Senior Partner in Global Leadership Advisory at WittKieffer. In this role, he advises private equity firms, venture capital investors, and Fortune 500 senior executives on critical leadership challenges, including CEO succession, M&A, talent assessment and development, and organizational performance optimization. He has extensive experience working with investors across various sectors, both pre- and post-transaction and was recently recognized with a Top 25 Private Equity Consultants and Leaders Award.
tnielsen@wittkieffer.com

ARIEL CLEMONS, a Consultant in WittKieffer's Leadership Advisory solution, has a diverse, dynamic background as an expert in leadership assessment as well as healthcare operations. She combines a technical understanding of various assessment instruments with the tact and empathy to help executives leverage assessment results for their immediate and long-term benefit. aclemons@wittkieffer.com

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