

# A CEO's First 1,460 Days: What 326 CEO Exits Tell Boards About Succession Planning

A JamesDruryPartners Analysis of 2025 CEO Transitions

## The CEO Tenure Crisis is No Longer a Trend — It's the New Normal

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2025 was a record year for CEO departures. Across multiple tracking methodologies and data sources, the picture is consistent: more CEOs are leaving their roles, sooner, and under more pressure than at any point in the modern era of corporate governance.

Against this backdrop, JamesDruryPartners undertook an independent analysis of 2025 CEO exits – one focused specifically on U.S. public companies and explicitly oriented toward the implications for board governance. In examining U.S. public companies with revenues exceeding \$100 million, we identified **326 CEO exits** in 2025 and dissected the contributing factors of each.

Our study, built upon publicly reported data and recent industry studies, has shown that CEO departures increased 16% worldwide in 2025, as compared to the previous year, and are up 21% compared to the eight-year average. Global CEO tenure, on average, fell to 7.1 years in 2025 – well below the 8.3-year average recorded in 2021. Strikingly, the proportion of CEOs who departed within 36 months of taking the job increased 79% year-over-year. Likewise, outplacement data shows that 2025 saw the highest annual number of CEO exits from U.S. companies since 2002.

Corporate boards would do well to keep these unfortunate realities in mind. Among their most consequential responsibilities are hiring, supporting, and evaluating the CEO, planning for succession, and managing the risks that come with abrupt leadership transitions. That task has never been more challenging. Economic uncertainty, shifting corporate priorities, the impact of tariffs, potential deregulation, evolving consumer behavior, and the accelerating adoption of AI have made identifying the most appropriate long-term leader significantly more complex.

The risks of getting it wrong are real. High CEO turnover carries a steep organizational cost. Teams led by a leader with a short horizon struggle to build the trust, cohesion, and cultural continuity that drive sustained performance. When employees sense that priorities are in constant flux, morale erodes, and attrition rises. Likewise, frequent CEO transitions tend to erode investor confidence. Such events can signal underlying problems and strategic instability, raise concerns over disruption and loss of institutional knowledge, and cast doubt on valuation and a company's ability to create long-term value.

## Our Analysis of CEO Exits in 2025

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Our analysis focused on 326 individual CEO departures in 2025 at public companies of meaningful scale (annual revenue of \$100 million or more). The 23 interim CEOs serving at these companies were not included in our study. We excluded CEO departures attributed to death, M&A, and exits announced in 2025 but not effective until 2026. Departures were categorized as either voluntary (retirements and resignations) or involuntary (terminations, with or without cause).

Categorizing exits as voluntary or involuntary is as much art as it is science. The clearest case – termination for cause – was also the rarest, representing just 5% of all involuntary exits. Other classifications required contextual judgment, considering the abruptness of the exit, whether an interim or permanent successor was named, stock price trajectory, board retention of the departing CEO, pressure from activist investors, and how reputable media characterized the departure. Our categorizations were not based on statements contained in corporate press releases. Given the high stakes involved with CEO transitions, official language is often deliberately ambiguous.

Data used was sourced primarily from **BoardEx** and **S&P Capital IQ**, supplemented by news coverage from reputable sources. The information in this report should be regarded as directionally instructive rather than statistically definitive.

## Four Patterns Worth Taking Seriously

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### Finding 1. The Four-Year Danger Zone for New CEOs is Real (and Quantifiable).

Our findings clearly indicate that the first four years are the highest-risk period of a CEO's tenure. Among CEOs who exited involuntarily, 61% did so within their first four years. A broader look shows that nearly 40% of S&P 1500 CEOs departed within five years. The pattern is echoed by Fortune, writing in a recent article, *"turnover in the corner office is the highest in decades."* McKinsey & Co reported that nearly a third of CEOs didn't survive their first three years, while also noting that the odds of a long tenure rise significantly once that threshold has passed.

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*61% of involuntary CEO exits occur within the first four years of tenure.*

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Generally speaking, investors extend grace to the CEO in the early years, but by year three, expectations shift decisively from forward vision to execution. Performance paths often tend to diverge sharply from expectations in years three through five. Boards that aren't watching closely find themselves reacting rather than leading. Voluntary exits by CEOs follow the inverse pattern: most occurred after year four, and 37% came after ten or more years of service.

Understanding that the four-year "danger zone" is real, these statistics should catalyze boards to examine their existing governance structures. Upon doing so, some may find that thoughtful recalibration and risk mitigation planning are in order. A robust succession plan is critical to ensuring business continuity, mitigating risk, and maintaining investor confidence during changes in leadership – sage advice for any corporate board, and doubly so for those overseeing a CEO with less than four years on the job.

### Finding 2. 95% of Involuntary Exits Were Not Considered to be "For Cause."

Of the 108 involuntary exits in our dataset, only **5% were terminations for cause**. The remaining 95% were terminations based on a board decision, early in the relationship, that the CEO was not delivering what the company needed.

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*"When 95% of involuntary exits are not for cause, the question isn't only whether the CEO failed — but whether the board did as well."*

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Among CEO departures occurring within the first two years, it is roughly estimated that as many as 46% are attributed to misaligned expectations, insufficient onboarding, and unclear mandates. It is also the case that the boards may have changed their minds regarding the company's needs, but failed to clearly communicate that shift to the CEO.

Activist investors have also compounded the problem. Activist campaigns rose 23% in 2025, with 141 launched against S&P 500 companies alone. Such scrutiny has increased pressure on boards to replace underperforming CEOs. According to Fortune, the odds of a forced CEO departure at a company where activists hold significant stakes now exceed one in five. At mega-cap brands, that figure nearly doubles.

All things considered, CEO succession planning remains a corporate governance blind spot. Only a quarter of board directors say succession planning was among their top priorities. 40% said it wasn't a priority at all. Boards that fail to invest in preparing for succession are less likely to create the conditions for CEO success in the first place.

### Finding 3. Involuntary Exits Cluster in Small-Cap Companies

A correlation exists between company size and the circumstances involved in CEO departures. Involuntary exits at small-cap companies accounted for 63% of all CEO transitions. At large-cap companies, voluntary exits outnumbered involuntary ones by more than 2-to-1.

Larger companies tend to have more mature governance infrastructure, robust internal talent pipelines, and greater institutional resources to support CEO transitions. JamesDruryPartners research found that large-cap companies regard internal promotions as carrying lower failure risk. Accordingly, only about one-third of these boards decided to hire their most recent CEO from outside the company.

Market capitalization appears to be a stronger proxy for performance than revenue size. Larger market cap companies (often mature, high-value, well-established companies) tend to have stronger governance and more stable leadership environments. The inverse corollary is equally telling: small-cap companies incur the highest transition risk, perhaps because they are the least likely to have the succession infrastructure in place to manage it.

#### **Finding 4. Boards Ignore Risk Involved with External Hires**

Among CEOs who were ousted involuntarily, 55% were external hires. Among those who exited voluntarily, 64% had been promoted from within. Internal CEOs serve an average of 8.7 years versus 7.3 years for external hires. What makes the data particularly striking isn't the internal-versus-external split itself, it's the number of boards that repeat the mistake. In 89% of cases, boards replace failed external hires with another external candidate. When an internally promoted CEO failed, boards split evenly between internal and external replacements.

Despite advantages enjoyed by CEOs promoted from within – greater familiarity with the company's culture, strategy, and levers of success – it appears that many boards disregard their company's internal leadership talent pipeline in favor of external candidates. One reason for this may be a predisposed preference for battle-tested leaders. Among companies that underwent an involuntary CEO exit in 2025, 26% of incoming CEOs had prior experience as a chief executive – more than double the 11% of corporations that replaced CEOs who departed on a voluntary basis.

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*“Persistently hiring external CEOs following past external CEO failures may be a sign of a board's blind spot. Rather than learning from succession history, some boards seem to be repeating it.”*

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This is not an argument against external hiring. There are often sound reasons to seek outside talent. The internal bench may lack qualified talent, or the company may need a transformative perspective that only an outsider can provide. However, the decision to look outside must always be deliberate and supported by factual assessment.

### **Five Takeaways for Corporate Governance**

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A number of key patterns and governance imperatives emerge from our study regarding public company CEO departures and analysis of executive tenure, succession, and boardroom behavior.

#### **Imperative 1: Consider the First 36 Months of a CEO's Tenure to be a Governed Transition — Not a Trial Period**

The evidence is clear; while a majority of involuntary exits occur within the first four years, many boards seem to take a laissez-faire approach to engaging with new CEOs – setting expectations and providing support.

At the outset, mutual expectations should be decided and agreed upon with respect to execution milestones, talent upgrades, customer retention, operating rhythm, and performance results (EPS, TSR, revenue growth). Both parties should agree, in advance, on what “off track” performance might look like and what the board's response might be. Rushing to judge a CEO before they have had time to prove themselves is a failure of governance, not talent.

#### **Imperative 2: Build an Early Alert System Beyond the Stock Price**

CEO transitions are frequently preceded by weak stock price performance. In such cases, boards are playing defense rather than proactively governing. Stock price is a lagging indicator. Using it as the primary trigger for a CEO transition is neither fair nor sound.

Boards should maintain awareness of leading performance indicators and review them during board meetings. For example: execution against strategic milestones, customer turnover, executive retention, forecast accuracy, performance quality metrics, organizational culture, and operating rhythm. This is to ensure that any potential deterioration in organizational health becomes visible early enough to enable constructive intervention – not to micromanage.

### **Imperative 3: Forge an Explicit CEO-Board Agreement Before Day One**

It is estimated that 95% of involuntary exits may be “for cause.” Often, the underlying reason is a fundamental mismatch in expectations. CEOs believe they were hired to do one thing, while the board may have later concluded it needed something else. Such misunderstandings are consistently identified as the most common (and preventable) source of leadership failures.

The need for explicit alignment before the CEO appointment is finalized cannot be overstated. Key elements include the scope of the strategic mandate, timelines for major changes, clear delineation of decision-making responsibilities and areas of authority, and the cadence and format of CEO-board communication. These conversations may feel awkward at the outset, which is precisely why they must happen before “business as usual” begins. Boards that defer such conversations may be setting their new CEO up for failure.

### **Imperative 4: Succession Planning is an Ongoing Process, not a “One and Done” Exercise**

If involuntary exit risk is most prevalent in the first four years, treating succession planning as an occasional event is insufficient. Research shows that companies with thoughtful, ongoing CEO assessment processes in place experienced substantially higher market cap growth, and lower rates of CEO turnover, than those without them.

An effective succession planning process includes a calibrated talent map – maintaining an understanding of who is ready now, who could be ready in 12 to 24 months with targeted development, and who is on a longer runway. It also involves conducting at least one succession simulation annually: What would the board do if the CEO announced their departure tomorrow? What if there were a sudden incapacitation? What if a major earnings miss combined with activist pressure created an urgent governance crisis? Boards that can't answer those questions could find themselves playing catch-up at an inopportune time.

### **Imperative 5: Be Deliberate – Not Habitual – About Internal vs. External Hiring**

Industry data reveals a troubling pattern when an external CEO hire fails. Boards overwhelmingly default to hiring another external CEO. That is organizational inertia, not strategic deliberation.

There is some evidence that favors internal succession. Analysis indicates that CEOs “promoted from within” serve an average of 1.4 years longer than external hires. When contemplatively selected, they may create more value through cultural knowledge, strategic continuity, and faster assumption of responsibilities. The right question for boards is not “should we look inside or outside?” It should be: “Given the challenges and opportunities ahead, who is best equipped to lead our company – and where are they most likely to be found?” That perspective, grounded in an honest needs assessment and candid evaluation of past performance, is more likely to illuminate the best path forward.

Smaller companies may face a compounding challenge. With leaner structures and limited talent pipelines, they are simultaneously the most exposed to risk from hiring externally and the least likely to have an internal bench from which to draw qualified candidates. For such boards, investing in leadership development below the C-suite level is the most urgent governance imperative — and, unfortunately, the most likely to be deferred. That deferral is governance risk by another name.

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## **The Shifting Governance Environment**

External data reflects an ongoing structural shift in the conditions under which CEOs are expected to perform – and boards are expected to govern. Several forces are converging to compress CEO tenures and raise the stakes of every succession decision.

**Activist pressure has reached record levels.** A substantial year-over-year increase in activist campaigns in 2025 has effectively imposed a private equity standard on public company leadership. On too many occasions, CEOs are viewed as operators expected to deliver immediate, measurable results, rather than long-term stewards building institutional legacies.

**The CEO role is expanding faster than the support around it.** Today's CEOs may be grappling with roughly twice as many issues as their counterparts faced five years ago – without a commensurate enhancement of the organizational structures designed to support them.

**A traditional “grace period” is a distant memory.** Whereas CEOs once had time to develop strategy, set direction, and build alignment, boards are now being pressured to render verdicts within the first two to three years – driven by investors expecting more immediate results.

**Board preparedness may be somewhat lacking.** Most boards tend to review succession plans once, or perhaps twice a year. Planning is often deferred in favor of high-visibility concerns, some of which exemplify the importance of thoughtful succession planning.

The result is a system in tension. Boards face more pressure than ever to get CEO succession right, while investing less time and attention to strengthening the infrastructure required to do so. The cost of that gap is tangible. According to McKinsey & Co., failed CEO transitions cost S&P 500 companies approximately \$1 trillion in shareholder value annually.

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## A Note for Executives Considering CEO Succession

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The findings of this study speak primarily to corporate boards. But it also conveys important messages for executives who are on, or aspire to be on, the CEO succession path.

The compressed timelines documented here are not going away. The executives most likely to thrive in the current environment are those fortunate enough to begin their tenure with a capable, engaged, and supportive board that provides well-defined mandates and clear expectations. The CEO who waits to understand what the board expects – rather than ensuring alignment exists before Day 1 – is operating without a map in the most consequential period of their career.

**Board directors who understand CEO succession from the inside, those who have been in the room when these decisions are being made, and learned from past successes and failures, are the directors most able to help their boards sidestep the pitfalls documented in this report.** For precisely this reason, active CEO experience continues to rank as one of the most valuable attributes a board director can possess.

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## Parting Thoughts

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This analysis of **326 CEO exits** offers a window into patterns that are largely invisible in real time. The exits themselves are public. The governance dynamics that produced them are not.

What is visible, and what the data confirms, is that the system is under stress. Boards are terminating more CEOs in the first four years than in the past. Most of those terminations are not for cause, and many involve external hires. The pattern is consistent enough to be instructive, and consequential enough to deserve greater attention.

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### About JamesDruryPartners:

Founded in 2001, JamesDruryPartners offers board advisory services to firms in the U.S. and select countries abroad. Its practice encompasses services ranging from traditional director recruitment, board evaluation and benchmarking, and director assessment to its most innovative offering: [BoardSelect®](#) – through which the firm has counseled over 500 highly accomplished executives on optimizing their corporate board appointments. Spanning all industry sectors, corporations with revenues of \$1B to \$385B have retained JamesDruryPartners to optimize board selection for their top executives. Additional information about our firm can be found at [www.jdrurypartners.com](http://www.jdrurypartners.com).

### Article Contributors:

[James Drury III](#) and [Steven Lewis](#) (Thought Leadership)

[Adam Zajac](#) (Content Development)

[Bob Sitko](#) (Research)