

Why and How CEOs Have Exited

By Gerard Leider and Carrie Guenther

CEO TRANSITIONS are among the most consequential moments in a public company's life cycle. A CEO transition can signal renewal and growth or invite instability, depending on how effectively the transition is managed.

For directors, CEO transitions raise two critical questions: Why is the transition happening, and what role, if any, should the outgoing CEO play to ensure continuity and safeguard shareholder value?

Thoughtfully addressing these questions is critical given that CEO transitions are not rare events but are common occurrences among large public companies. As boards prepare for 2026 and beyond, they should assess potential transition triggers and define the outgoing CEO's role during a transition.

Why Transitions Are More Frequent

CEO transitions have been on the rise over the last several years and are no longer a once-in-a-decade event. Based on proxy disclosures over the last 12 months, nearly one in five S&P 500 companies experienced a CEO turnover in the last year, driven by the following mix of factors:

- **External pressures.** In the face of high interest rates, market volatility, and other challenges, some leaders have struggled to adjust to market demands.
- **Institutional or activist investors and board expectations.** When performance consistently lags expectations, external parties force turnover as they are less willing to give CEOs the benefit of the doubt.
- **Leadership fatigue.** Exhaustion caused by addressing a near constant stream of monumental events, such as post-pandemic recovery, geopolitical volatility, and fluctuating tariffs, over the past few years has influenced turnover.
- **Knowledge gaps.** Some leaders have left due to an inability to exploit new technologies, particularly generative artificial intelligence.

The Role of the Outgoing CEO


The way in which departing CEOs approach their exits can have a significant impact on incoming leaders' success. A well-defined role for the outgoing CEO, aligned with the successor's near-term objectives and concerns, can ensure a smooth transfer of responsibilities and minimize disruption.

Among the 93 S&P 500 companies that disclosed a CEO change in the last 12 months, common post-transition paths for the exiting CEO included the following:

1. **Executive chair.** In this role, an outgoing CEO maintains "employee" status, continues to guide the company's strategy, and supports the successor. The term of the position ranges from six to 18 months, after which the former CEO either transitions to become an independent director or exits the board entirely. Nearly 50 percent of outgoing S&P 500 CEOs reported transitioning to an executive chair role.
2. **Nonexecutive board member.** In this scenario, the outgoing CEO remains on the board but is no longer employed by the company and shifts his or her focus from day-to-day leadership to strategic oversight. Only 10 percent of outgoing S&P 500 CEOs reported transitioning to a non-employee board member or nonexecutive chair role over the last 12 months. By statute, three years is required for a former CEO, nonexecutive board member to become "independent."
3. **Special advisory role.** The outgoing CEO remains with the company as a special advisor to the CEO or board to provide senior counsel and institutional knowledge transfer without daily operational duties in this post-transition path. The term of a special advisory role is often between three and 12 months. This arrangement can be particularly effective in planned successions, especially when the new CEO is an external hire and needs targeted onboarding support. Approximately 13 percent of outgoing S&P 500 CEOs transitioned into a special advisory role.
4. **Retirement.** A proactive, planned retirement is often the most orderly transition type, with the CEO notifying the board six to 18 months in advance of the departure. This allows ample time to identify, evaluate, and prepare the next leader; structure onboarding; and communicate with stakeholders. Approximately 25 percent of outgoing S&P 500 CEOs had a planned retirement over the last 12 months.

Furthermore, less than 5 percent of companies did not have a pre- or post-termination plan for the outgoing CEO.

Planning Ahead

A CEO transition is both a challenge and an opportunity. When boards are faced with one, directors should proactively plan, create a clear understanding of the transition timeline, define the outgoing CEO's role and compensation, determine the support the new CEO requires, and oversee the internal and external communication strategy. 



GERARD LEIDER (left) is a partner and **CARRIE GUENTHER** is a senior consultant at the executive compensation consulting firm Meridian Compensation Partners.

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