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EXECUTIVE PERSPECTIVE

The PE Succession Paradox

I have coached both kinds of CEOs into a portfolio company. The data backs up what I've seen more often than the industry wants to admit.

85% vs 57%

Success rate of first-time CEOs versus experienced PE-backed CEOs in portfolio company placements

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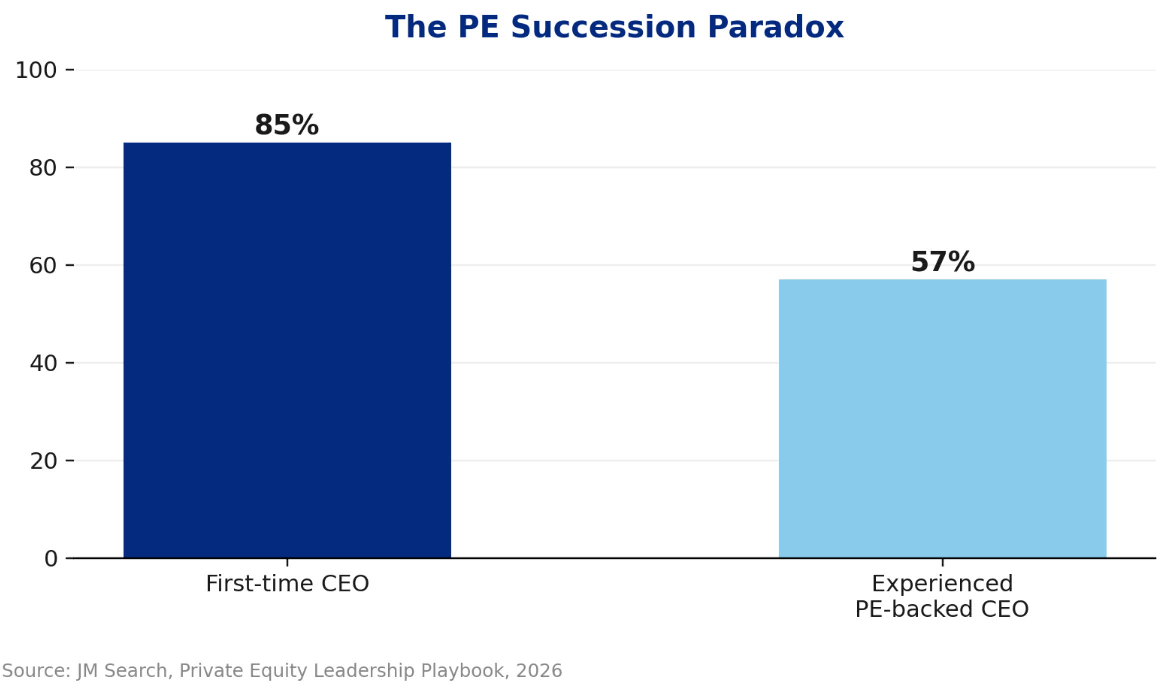
The Instinct That Costs More Than It Saves

When a portfolio company needs a new chief executive, the reflexive move is to bring in someone who has already run a PE-backed business, someone who knows the cadence of a hold period and speaks the language of the investment committee. I understand the instinct. I have also watched it backfire enough times to take the research seriously. Analysis from JM Search covering hundreds of CEO, CFO, and go to market searches found first-time CEOs succeeded 85 percent of the time, compared with 57 percent for experienced PE-backed CEOs placed into similar roles.

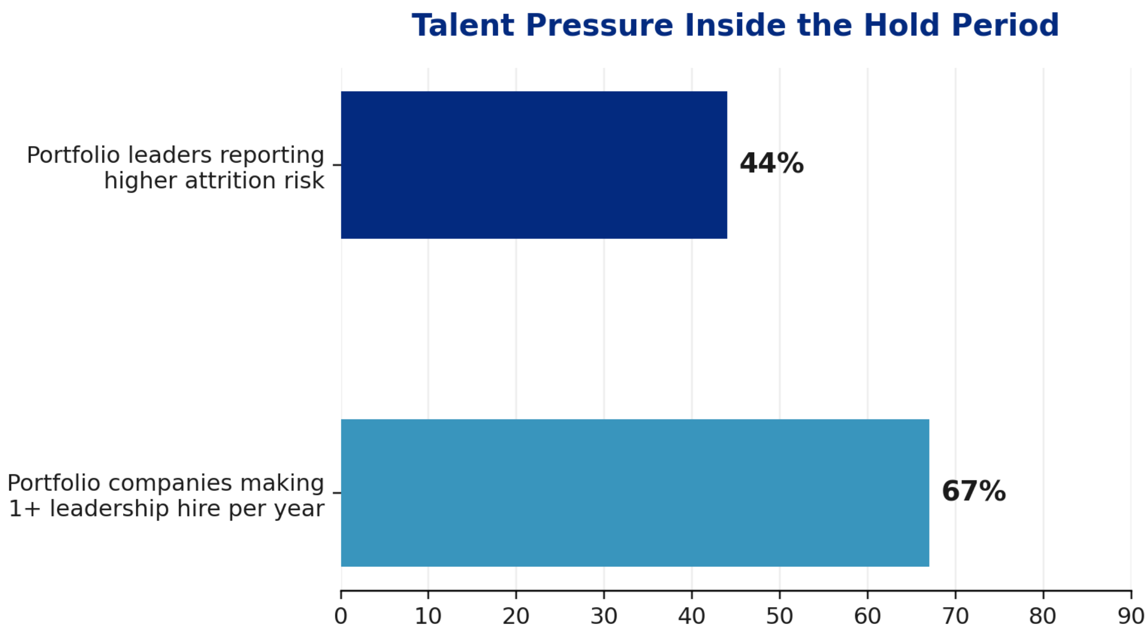


First-time CEOs are outperforming experienced PE-backed operators on placement success.

The likely explanation is not that experience is a liability. It is that experienced PE CEOs often arrive with a fixed playbook from their last portfolio company, one that does not always transfer cleanly to a different thesis, sector, or operating model. First-time CEOs tend to build the plan around the specific business in front of them rather than the one they last ran, which sounds obvious once you say it out loud and is somehow still rare in practice.

Why This Matters More as Hold Periods Extend

Longer holds have shifted the center of gravity in value creation from financial engineering toward operational execution and leadership bench strength. More than two thirds of US and UK portfolio companies now make at least one leadership hire every year. CEO turnover inside portfolio companies tends to spike around year two, once the original transformation thesis the CEO sold to the board and the organization stops holding up against operating reality.



Source: Altrata Portfolio Company Talent 2026; AlixPartners PE Leadership Survey 2026

Talent pressure intensifies as holds extend.

The Numbers at a Glance

Metric	Figure	Source
First-time CEO success rate in PE placements	85%	JM Search, 2026
Experienced PE-backed CEO success rate	57%	JM Search, 2026
Portfolio companies making 1+ leadership hire per year	Over two-thirds	Altrata Portfolio Company Talent 2026
Portfolio leaders reporting higher attrition risk	44%	AlixPartners PE Leadership Survey, 2026
PE firm and portfolio leaders surveyed	420+	AlixPartners PE Leadership Survey, 2026

The Retention Risk Underneath the Succession Decision

Forty four percent of portfolio company leaders report a higher risk of losing their top performers as performance pressure increases through the hold period. Firms that treat talent risk reactively, addressing attrition after it happens rather than shaping the talent strategy from deal close, are the ones absorbing the cost of unplanned CEO turnover at the worst possible point in the hold.

What the CPO Signal Tells You

The clearest evidence that talent has become a value creation lever, not a support function, is where funds are placing new senior hires. Heading into 2026, more chief people officers are sitting at the center of value creation conversations, alongside the CFO searches that used to dominate portfolio company hiring. For a fund still treating that seat as a cost center hire made after the CEO and CFO are already in place, this is worth reconsidering.

The Better Question for the Investment Committee

The question worth putting in front of an investment committee is not whether a candidate has run a PE-backed company before. It is whether the candidate's operating instincts actually match this specific thesis, this specific sector, and this specific gap between where the business is and where the fund needs it to be at exit. Prior PE experience is a data point I would want on the table. On its own, it is not the predictor most search processes still treat it as.

References

1. JM Search, "The Private Equity Leadership Playbook: Executive Talent Acquisition Trends & Insights for 2026," February 10, 2026.
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3. AlixPartners, "Eleventh Annual Private Equity (PE) Leadership Survey 2026."
4. Beecher Reagan, cited in Hunt Scanlon Media, "The Private Equity Executive Talent Trends That Will Define 2026," January 13, 2026.
5. McKinsey & Company, "Global Private Equity Report 2026," February 10, 2026.