

Spinouts and Departures: How Leadership Mobility is Reshaping Private Equity

There's plenty being written about consolidation in private capital, but another story is emerging. The industry isn't just converging; it's splitting. More investors are stepping out to build something new, with real autonomy, focus, and purpose. Could this bifurcation be what defines the next era of private equity?

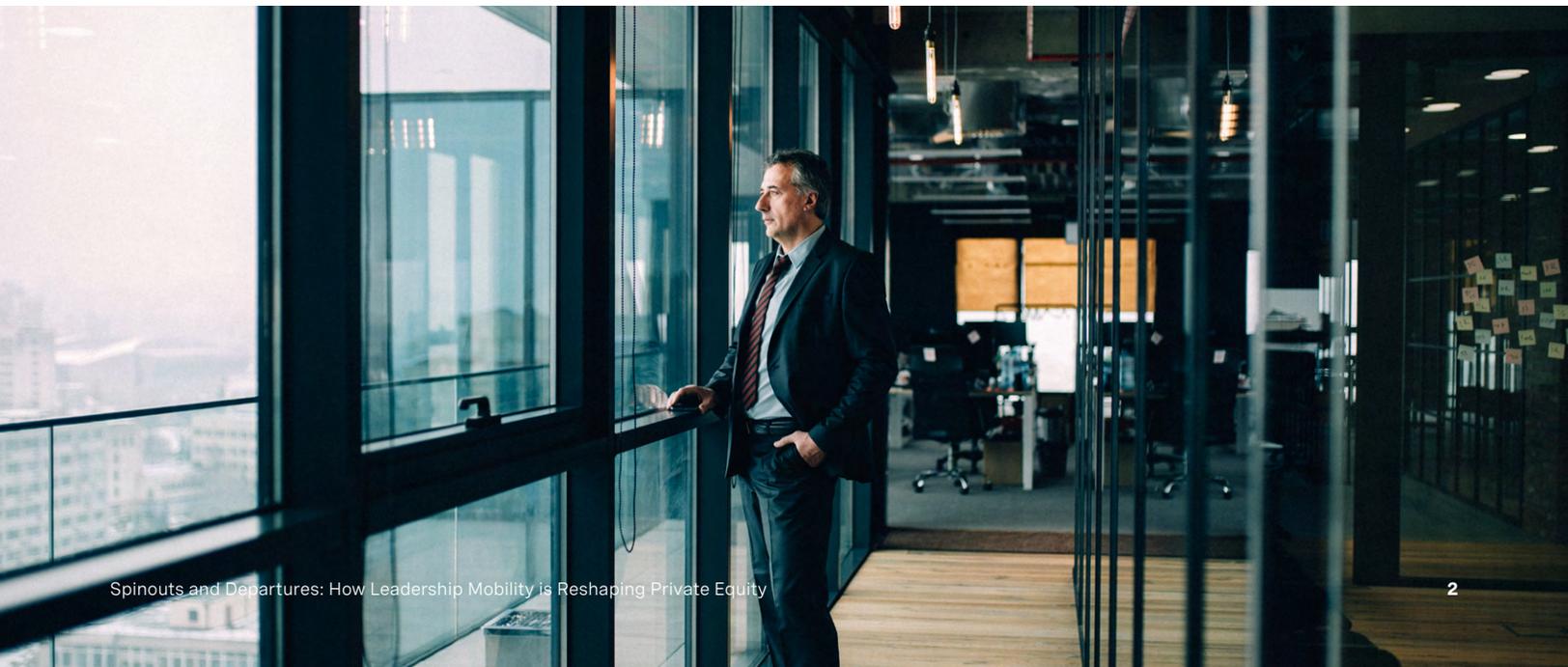
While there are signs of improvement, the private equity (PE) industry continues to navigate prolonged hold periods, slower deal flow, and sustained fundraising headwinds. Amid these challenges, another influence is quietly reshaping the landscape: senior leadership mobility. Since 2020, departures at the partner and managing director (MD) level have increased, driven by several factors, including succession bottlenecks, shifts in investment focus, and persistent fundraising pressures, where flat is considered the new up.

Yet, even as the industry narrative emphasizes consolidation and scale, a countercurrent of entrepreneurial activity is gaining momentum. Many veteran dealmakers are leaving established firms to launch new funds, with 142 first time managers formed in 2024 alone¹. This growing divergence between scale at the top and innovation at the edges reflects a broader structural reordering of the industry. Large multi-asset platforms are solidifying their position through diversification, while a new generation of independent specialists is testing the boundaries of agility, differentiation, and alignment.

Not every departure represents a regretted loss, but each exiting partner takes with them meaningful deal-making capacity, potential investor relationships, CEO relationships, and strategic influence. Building on [our recent research into PE hiring and inflows](#), this paper shifts to outflows, examining who's leaving, where they're going, and what it means for the industry.

Methodology

Russell Reynolds Associates analyzed 321 partner and MD moves from 2020 to 2025 at 158 U.S.-based PE firms with funds of \$2 billion or more. We classified each departure by destination: new investment vehicle or spinout, established investment firm (in funds above or below \$2 billion), operating company or corporate role, retirement, individual investing, other, or unannounced. Additional insights were drawn from direct interviews with General Partners (GPs) and Limited Partners (LPs).



The state of senior investor mobility

Senior leadership turnover was widespread in U.S. PE from 2020 to 2025, but its intensity correlated with fund size. Nearly all large-cap funds (above \$10 billion) reported senior departures, compared to 74% of funds in the \$5 billion to \$10 billion range and 63% in the \$2 billion to \$5 billion range (Figure 1). In absolute terms, 40% (127) of moves originated from \$2 billion to \$5 billion funds, 34% (110) from funds above \$10 billion, and 26% (84) from firms managing \$5 billion to \$10 billion funds. This distribution suggests that both the large-cap and small-cap funds are the most active sources of senior leadership movement.

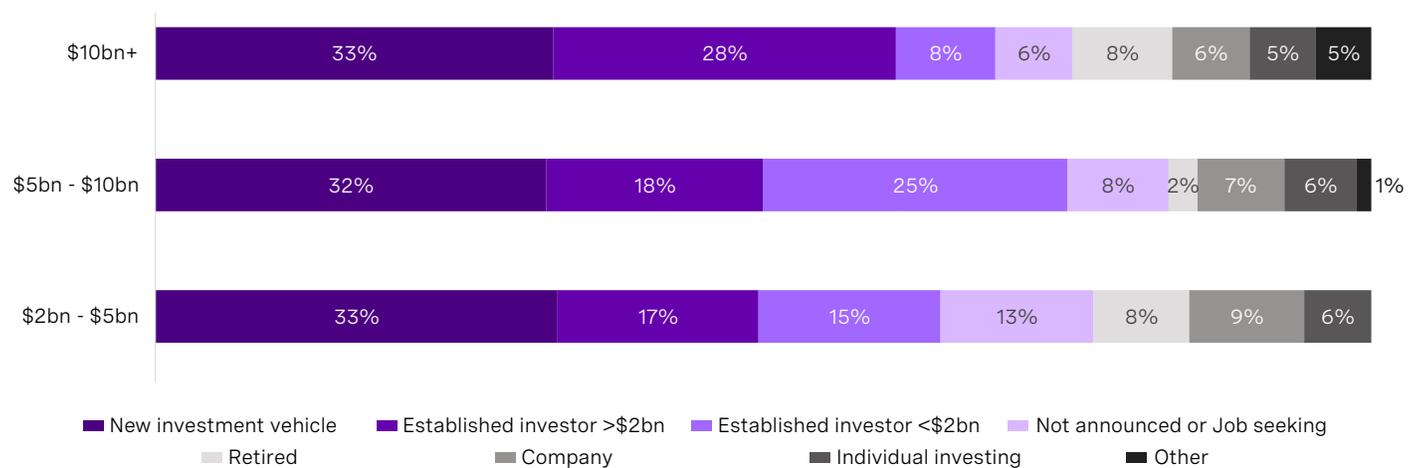
Figure 1: Proportion of funds with senior exits in the US (2020 to 2025)



Source: Russell Reynolds Associates analysis, N = 321 senior leadership moves across 158 funds

Across all fund sizes, approximately one-third of departures led to new investment vehicles (Figure 2), reflecting a growing desire among senior investors for autonomy, flexibility, and the opportunity to build their own platforms. Despite a softer fundraising environment, appetite for emerging GPs, broadly defined as managers raising \$100 million to \$300 million funds or their first \$1 billion, remains strong. In a recent survey of 68 U.S. LPs, all respondents indicated plans to maintain or increase allocations to emerging GPs². Some LPs have gone further, introducing explicit mandates for emerging manager programs.

Figure 2: Percentage distribution of moves by fund size in the US (2020 to 2025)



Source: Russell Reynolds Associates analysis, N = 321 senior leadership moves across 158 funds

During this period, eight percent of senior leaders retired from both large-cap and small-cap firms, compared with only two percent in mid-cap funds. While we use the term retired, discussions with credentialed senior investors reveal that most are stepping back from direct fund commitments while remaining highly active across advisory, board, and personal investing roles.

What the data reveals

These movements are more than personnel changes; they reflect a broader evolution in leadership mobility across the asset class. Competition for proven investors has intensified, and the market has become more fluid. While a small number of firms have institutionalized succession planning, many still manage transitions opportunistically, creating continuity risks and potential cultural disruption.

At the same time, increased mobility is driving innovation. Spinouts and strategic transitions are expanding the ecosystem, diversifying the investor base, and introducing new perspectives on deal-making and governance. The sector is both consolidating and diversifying, with continuity and creativity emerging as complementary forces shaping its future.

One former managing partner told us, “In smaller next-generation funds, particularly in the current fundraising environment, the economics are tighter and there may not be enough to go around. That reality drives some of the most talented professionals to leave and seek opportunities where the upside is clearer and better aligned with their contributions.”



Why senior investors are leaving to launch new funds: The convergence of industry forces and personal incentives



While no single factor explains the trend, senior PE investors are increasingly leaving established firms as cyclical pressures, structural constraints, and personal incentives converge, making the launch of a new fund both feasible and attractive. What once appeared risky now represents a rational path to stronger economics, greater influence, and clearer alignment.

“Good investors want better economics and are underwhelmed by the conservative nature of leadership during economic downturns. They want more freedom and crave to be more creative,” shared a former managing partner.

External pressures: The industry environment is pushing talent out

Mature PE franchises are experiencing growing tension as traditional models collide with the expectations of the next generation. Several forces are accelerating this shift:

Market cycles amplifying underlying pressures

As one senior investor observed, “When markets are strong, carry feels tangible, people are effectively locked in, and fee protection encourages stability. But when performance slows down and liquidity stretches, firms become more conservative and risk averse. Ambitious investors feel increasingly constrained.” Our analysis shows nearly the same number of new fund launches in 2007 to 2009 and 2023 to 2025, underscoring how downturns reliably expose misalignment and trigger spinouts.

Succession gaps widening at aging franchises

It is reported that over half of PE firms admit to not having a formal succession plan in place.³ Founders often retain disproportionate control over economics and investment authority, slowing the advancement of rising leaders and constraining their influence within the firm.

Economic constraints driving talent reassessment

- Mid-career bottleneck eroding economic advancement: Promotion to partner once occurred in an investor’s 30s, but many funds have delayed this progression by introducing new titles as staging posts. Increasingly, investors are being promoted in their 40s into junior-partner roles that, particularly at large platforms, offer limited economics (often around 1% of a large-cap fund’s carry pool) and decade-long liquidity horizons. Many see this structure as misaligned with their contribution and risk. As The Wall Street Journal put it, “the golden handcuffs are off.”⁴
- Continuation funds extending liquidity horizons: The surge in continuation vehicles from 2023 to 2024 has given senior partners liquidity while extending payout horizons for others by five to seven years. In some cases, total carry duration now approaches 15 years, significantly reducing the attractiveness of staying.⁵
- GP-stakes deals concentrating ownership: While senior leaders may unlock liquidity by selling stakes in the management company, these deals rarely broaden equity participation. Rising partners increasingly conclude that ownership is capped and unlikely to expand.

Emerging managers outperforming established franchises

PitchBook data shows that top-decile emerging buyout funds (2015 to 2018 vintages) outperformed established peers by approximately 6.6 percentage points.⁶ For investors with strong theses and proven track records, the economics and performance potential of independence look increasingly attractive.

Ecosystem support expanding for new GP formation

Institutional LPs, sovereign wealth funds, and family offices are actively backing emerging managers. The operational infrastructure, spanning administration, compliance, and fundraising, has matured to the point where launching a firm no longer requires huge personal wealth. Although brand legacy is clearly important, some historical barriers to new fund launches have meaningfully diminished.

Personal motivations: Individual incentives pulling investors toward independence

As cyclical and structural pressures intensify across the industry, the personal incentives to leave have strengthened. Across our interviews, four motivations show up most consistently among senior leaders:

Pursuing greater autonomy and control

Experienced investors increasingly want the ability to shape investment priorities, culture, and decision-making. As one former large-cap partner noted, “leaving a major platform to build something much smaller was financially challenging but also totally liberating.” For many, full ownership of outcomes justifies the entrepreneurial effort.

Growing frustration with organizational dynamics

Large platforms can be seen by some as bureaucratic and politically complex. Limited attribution clarity, slow governance, and ambiguous succession decisions leave senior talent questioning long-term fit.

Diverging from firm strategies or sectors

Strategic shifts or deprioritization of certain industries can create natural friction. Increasingly, sector-focused funds are being raised as investors pursue high-conviction opportunities that their firms no longer prioritize.

Recognizing a compelling financial logic for independence

Launching a debut fund with full GP ownership can, over time, surpass the economics of a multi-billion-dollar platform partnership while offering greater control, faster liquidity, and clearer alignment, but it requires patience.

Private equity is evolving into two dominant archetypes: scaled platforms and independent specialists. This bifurcation is not fragmentation but progression. Large platforms offer diversification and durability, while independent managers provide agility and sharper alignment.



Strategic implications for private equity firms

Leadership fluidity and rising new-fund formation are reshaping the competitive dynamics of private equity. What began as isolated partner departures has become a systemic shift in how firms attract, develop, and retain senior leaders. Proactive talent management is now a performance imperative.

For both GPs and LPs, leadership continuity is inseparable from fund performance and investor confidence. To navigate this environment, firms must master three strategic imperatives:

1. Institutionalize succession planning and manage key person risk

Does the GP have next-generation leaders ready to step up? Are governance processes in place for unexpected departures?

- **Build the talent bench:** Treat succession as an ongoing process, not an event. Identify, mentor, and empower next-generation leaders, and hold current partners accountable for developing successors.
- **Elevate EQ:** Senior roles require not only investment judgment but also the ability to influence, lead, and build consensus. Developing greater soft skills prepares future partners to act as effective shareholders and board contributors.
- **Invest in culture:** Transparency, collaboration, and shared ownership strengthen retention and attract top talent.

2. Align incentives for retention and ownership

Do allocations and exit payouts encourage partners to remain through the life of the fund?

- **Audit alignment:** Revisit carry, co-invest, and GP ownership structures to ensure retention and alignment across fund lifecycles.
- **Balance economics and engagement:** Retention depends not only on compensation but also on a sense of purpose, autonomy, and influence.

3. Communicate governance

How has the GP communicated past leadership changes to investors? Do fund documents protect LPs against team fragmentation?

- **Communicate proactively:** Provide timely, transparent updates on leadership transitions and the firm's approach to talent management and key-person coverage.
- **Institutionalize governance and reassure LPs:** Establish clear protocols for investor communication, succession, and contingency planning.

Rising talent mobility, coupled with LPs' growing focus on distributions, is redefining what it means to be a successful fund. Stating the obvious, firms with stagnant fundraising or underwhelming performance face the greatest risk of losing star dealmakers, further accelerating the growth of emerging managers and spinouts.

Strategic considerations for new fund managers

For senior investors leaving established platforms, independence offers both opportunity and responsibility. Success requires combining entrepreneurial agility with institutional-grade discipline. Key priorities include:

- **Define differentiation:** Articulate a clear, distinctive investment thesis and communicate it consistently. Clarity of purpose builds conviction.
- **Institutionalize discipline early:** Build governance, compliance, and reporting frameworks from inception. Our [latest publication on emerging best practices in exit governance and processes](#) highlights how leading funds are formalizing exit committees and hiring sell-side specialists to maximize distributions.
- **Design aligned incentives:** Create transparent carry and co-invest structures that attract and retain high-caliber operators from established funds.

With clarity, credibility, and culture at the core, new managers can transform disruption into advantage and investor confidence into long-term partnership.

What's next for senior leaders?

It is the point in the cycle where rising partner churn signals another shift in the PE industry. As firms manage larger portfolios and more complex partner groups, the bar for leadership discipline is increasing. Long-term outcomes depend not only on strong deal execution but also on the presence of exceptional fund managers who can allocate capital decisively, mobilize teams, and maintain a steady rhythm of investment and returns. Firms that retain top performers, institutionalize succession, and align incentives are best positioned to preserve continuity and sustain performance.

At the same time, the growth of new managers is reshaping competitive dynamics. Specialization and agility are challenging traditional hierarchies, creating a more nuanced market than the consolidation narrative suggests. The industry is evolving along two paths: concentration around large platforms and expansion through high-conviction specialist managers. This dual trajectory is likely to define the next era of private equity leadership and performance.

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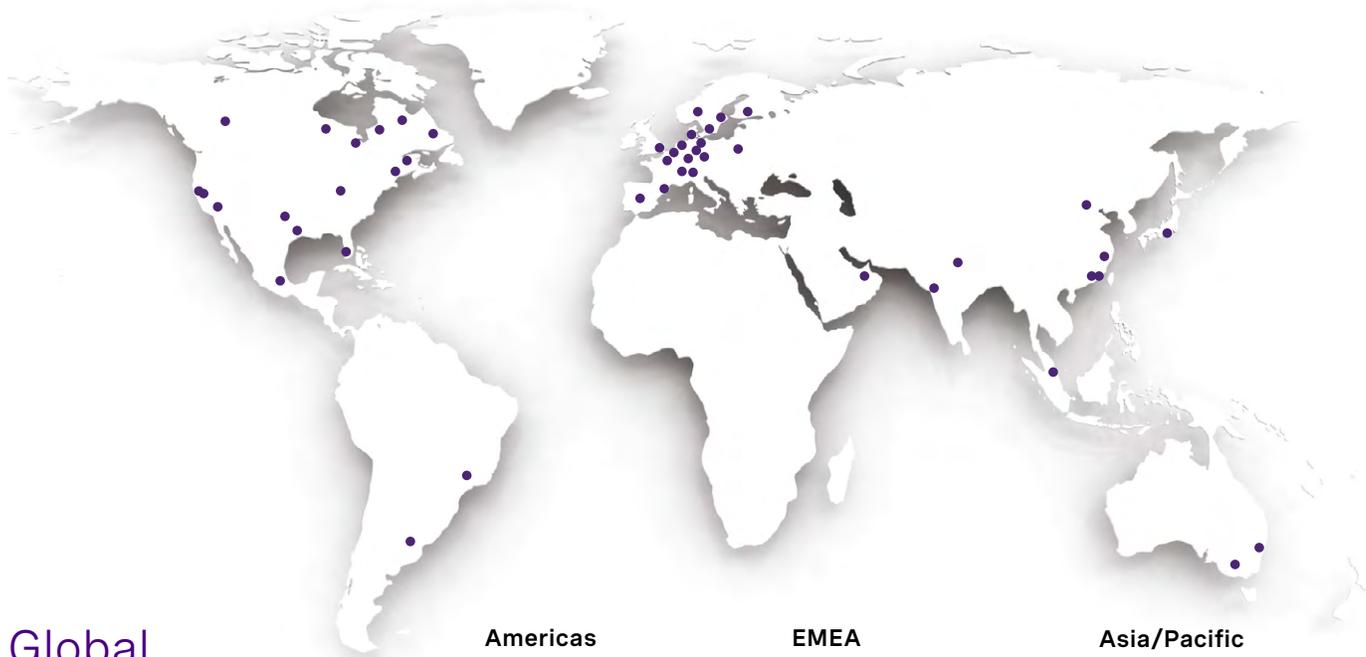
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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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