

The Rationale for Succession Planning

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Succession planning is a structured process for identifying and preparing potential successors to assume new roles. It generally entails assessing and discussing a talent pool, identifying high potential employees for further development, and providing them with opportunities to prepare for leadership roles. There are eight reasons why organizations are investing in the succession planning process:

1. Lower Costs to Fill Vacant Positions

Succession planning allows internal candidates to prepare for key positions; and therefore, avoids the cost of external searches for talent (search firms typically charge 30% of the executive's annual salary).

Leadership benchstrength is a "bank account" to fuel the growth of the organization.

2. Greater Chance of Leadership Success

Internal hires have a better chance of success than external hires. The reason is that internal candidates know the organization better (and the organization knows more about internal candidates; and therefore, can make more informed decisions about successors).

3. Replacement of Marginal Leaders

With no successor in place, the marginally effective leader is able (or required) to stay in place. Preparing internal leaders encourages and facilitates the replacement of marginal leaders.

4. Better Retention of Talent

Succession planning helps retain good people because they see the opportunity for promotion. They will stay and work toward promotions rather than leaving to pursue opportunities.

Viable succession plans are an "insurance policy" to guard against the loss of leaders.

5. Fewer Unfilled Positions

Because open leadership positions can be filled quickly, organizations that conduct succession planning can avoid the potential costs of unfilled positions. In the absence of a qualified leader, mistakes can happen, lawsuits filed, opportunities missed, and so on.

6. Greater Investor Confidence

Changes in leadership can create doubt and risk: a rumor on the street that an organization has no viable succession plan can depress stock value. Succession planning calms the fears of investors and can act as an "insurance policy" to maintain investor confidence.

7. Better Investment of Development Dollars

By identifying individuals with high potential, organizations can focus their resources on the people whose development is most important to the future of the organization.

8. Greater Capacity for Growth

Organizations that have deep benchstrength – multiple people who can start and lead new business units – are able to respond quickly to growth opportunities.

