

Succession Planning: Key Considerations 2024



Key Considerations in 2024

Competitive Advantage

Even though organizations understand the critical need for succession planning, many are not adequately prepared to replace CEOs and other key employees when they leave. According to a 2023 SHRM survey, 56% of HR professionals reported that their organizations lacked a succession plan, with only 21% having a formal plan.

The pandemic caused many organizations to either not have or step back from succession planning. A 2019 ATD report showed that just 35% of organizations had a formal succession planning process, and a 2020 I4CP study indicated that 70% of leadership development programs were postponed or delayed. Consequently, these organizations could encounter significant talent shortages in a competitive job market.

The cost of not identifying and preparing a successor can be substantial, with estimates suggesting that replacing a failed executive can cost up to ten times their salary. Succession planning also helps lower employee turnover, which can cost between half to twice an employee's salary. A 2019 LinkedIn survey revealed that 94% of employees would remain with their employer longer if they invested in their learning and development.

Planning Frequency and Metrics

Succession planning can no longer be an occasional once-a-year activity. The unprecedented levels of employee turnover in pursuit of new opportunities elsewhere have demonstrated that succession planning should be treated similarly to business continuity planning, requiring regular reviews and adjustments. Planners must realistically assess the retention risks their organizations face and how swiftly employee turnover can compromise leadership preparedness.

This process must become a proactive, continuous effort that stays closely aligned with the organization's evolving needs—potentially as frequently as quarterly. The days of planning for three to five years out are behind us, as today's workforce is more fluid, with employees changing jobs more frequently.

To ensure the effectiveness of your organization's succession plan, it's critical to track key metrics and indicators regularly. Rather than attempting to monitor every possible HR metric, prioritize the most relevant ones for your organization and prioritize those.

Core Competencies

Organizations have had to quickly adapt to shifting economic and societal trends, including the growing focus on environmental, social, and governance (ESG) issues. Additionally, the pandemic-induced disruptions that led to significant changes in organizational processes and priorities have underscored the need to reevaluate the key competencies and qualities required in executives and leadership roles.

Understanding Organizational Needs

In today's environment, a deep understanding of an organization's financial and operational fundamentals is no longer sufficient; addressing the human aspects of the organization is equally essential. Executives and key personnel must develop new skills to effectively lead an increasingly remote and asynchronous workforce.

Given the current challenges, organizations may now need key roles to possess the following core competencies:

- Emotional intelligence and empathy
- Agility and resilience in managing change
- Strong communication abilities
- Proficiency in managing remote teams

Diversity, Equity and Inclusion (DEI)

One positive outcome of the "great resignation" is that it allows organizations to

emphasize Diversity, Equity, and Inclusion (DEI) when filling vacancies, especially as more leadership positions become available. This is an ideal time to integrate or enhance a focus on DEI in leadership development and succession planning. Research continues to demonstrate that diversity and inclusion benefit performance, while a lack of visible diversity in leadership can negatively impact an organization's culture and overall success.

Building a diverse leadership pipeline requires deliberate and strategic succession planning alongside development initiatives. To boost opportunities for diverse employees, organizations should:

- Establish a clear DEI policy
- Hold leaders accountable for achieving DEI objectives
- Ensure a diverse panel of decision-makers is involved in promotions
- Offer more mentorship opportunities to diverse succession candidates

Refer to the checklist on the following page to design and execute a succession planning strategy that will provide your organization with the stability necessary for long-term success.



Checklist

Utilize this checklist to create and execute a succession planning strategy to provide your organization with the stability necessary for success.

Define Goals and Key Metrics

Clarify the reasons for initiating the succession planning process. Potential motivations might include:

- Demonstrating senior management's commitment to growth and development
- Ensuring key employees have ample opportunities for promotion and advancement
- Allowing senior management (and possibly the Board of Directors) to gain a deeper understanding of critical personnel
- Ensuring continuity in leadership and management roles
- Preparing qualified candidates to step into open positions
- Developing a more diverse internal talent pool
- Fostering a culture that emphasizes development and internal mobility
- Retaining top talent within the organization
- Reducing the time required to fill open positions
- Lowering overall costs associated with talent acquisition

Determine the criteria for measuring success and effectiveness. Potential outcome-based metrics include:

- Overall employee turnover rate
- Turnover rate among top-performing employees
- Average employee tenure
- Overall retention rate
- Retention rates for identified succession candidates
- Average time taken for employee promotions
- Percentage of positions filled internally by succession candidates versus external hires
- Time required to fill open positions
- Total recruitment costs

Define the Scope

Identify the organizational levels and positions that the succession planning process will cover, which may include:

- CEO
- Other C-level positions (e.g., COO, CFO)
- Department heads (e.g., Development, Finance, Programs)
- Division heads within operations
- Key middle management roles
- High-potential employees at lower levels

Specify the information to be included in an Employee Succession Summary, which typically contains:

- Recent performance reviews (last 2-3 years)
- Objective performance relative to goals
- Subjective assessments of competencies
- Evaluation of growth potential and upward mobility
- Assessment of readiness for promotion
- Evaluation of long-term commitment to the organization (vulnerability)
- Summary of strengths and areas for development
- A development plan aimed at enhancing the employee's readiness for advancement

Evaluation of growth potential and upward mobility:

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Candidate Readiness Predictive Index - Samples

Key Positions at < Insert Company Name >			Candidate Readiness		
Position	Current Incumbent	Expected Opening	Ready Now	Ready in 1-2 Years	Ready in 3-5 Years
President & CEO					
COO					
Vice President					
Director					
Coordinator					

Name:	Development Concepts: 1. 60% to 70% of development occurs when doing challenging work (on-the-job assignments, social projects, etc) 2. 20% to 30% of development comes from people (manager, role models, mentors, coaches) and constructive/candidate feedback. 3. 10% of development comes from training education (seminars, special training) reading, etc.) 4. Our main focus should be to build additional competencies based on our strengths
Title:	
Strengths:	

Key Competencies	Competencies for Development	Development Opportunities

PPR Succession Planning Toolkit

- [How to Get Started with Succession Planning](#)
- [Model Succession Plan Form](#)
- [Succession Planning Assessment and Readiness Survey Form](#)

About PPR

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