



# *The Importance of Succession Planning: 6 Ways to Safeguard Your Organization by Preparing for the Future*



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## Introduction

**Succession planning should be at the forefront of all initiatives within your organization. You can protect your company's interests and set things up for success by developing the future leaders who already exist within your workforce.**

We understand that thinking about the future can seem daunting when the present already feels unstable. Between talent shortages, supply chain issues, and everything in between, many organizations are feeling stretched to the limit. Even so, we believe that taking the time now to plan for what's ahead will stabilize the organization and prevent a lot of headaches in the future.

It can be easy to put off something like succession planning when there are so many pressing things that business leaders deal with on a regular basis. Many organizations think they will "get around to it" later when they have more time. Succession planning is certainly a long-term play, but without it, your short-term efforts may fall flat.

By prioritizing succession planning, your organization will benefit by:

- Identifying qualified internal leaders
- Improving company culture through internal development
- Discovering more innovative ways to reach organizational goals
- Setting up the organization for future growth and success

Our goal with this ebook is to help you understand the many ways that succession planning boosts your organization and readies you for what's ahead.



## Why Is Succession Planning Important?

It's easy to blame talent loss on societal phenomena—be it “The Great Resignation,” a widespread “talent re-shuffle,” or even what some are calling “The Great Retirement.” But the truth is, employees leave organizations for a variety of reasons all the time. New external opportunities, retirements, and other factors all contribute to talent loss. Regardless of why an employee may exit, organizations need to figure out who's going to take the reins when someone steps away.

Yet, surprisingly, an overwhelming majority of organizations aren't prepared for what happens when people leave. A 2021 survey found that only 21% of organizations have a formal succession plan.<sup>1</sup> The bad news is that 79% of organizations are left without a plan, especially as people continue to leave their jobs at a high rate. Another study revealed the following eye-opening statistics about how organizations regard succession planning:

- Only 50% look to internal candidates first when filling open roles.
- Only 33% feel their company culture supports internal job mobility.
- Only 35% encourage lateral moves within their organization.<sup>2</sup>

With so many business leaders looking externally for their next hires, it's no wonder that people are continuing to seek employment opportunities outside of their current organizations. According to the U.S. Bureau of Labor Statistics, there were 11.3 million job openings in May 2022, but only 6.5 million people were hired for new roles.<sup>3</sup> That means a lot of organizational leaders are likely scrambling to fill crucial positions when someone leaves their organization.

Carefully executed succession planning is meant to help you avoid that scramble. The core of succession planning is to determine what skills and talent currently exist within your organization that can be developed. The goal is to safeguard your organization's future by identifying your employees with the best potential to fill specific roles. Taking the time to do so will yield enormous benefits for your organization.

<sup>1</sup> Tyler, K. (Apr 2022). “In Uncertain Times, Succession Planning Is More Important Than Ever.” Society for Human Resource Management. [Available online.](#)

<sup>2</sup> The HR Research Institute. (Nov 2021). “The State of Internal Mobility, Succession, and Career Development 2021-22.” HR.com. [Available online.](#)

<sup>3</sup> Bureau of Labor Statistics. (Jul 2022). “News Release: Job Openings and Labor Turnover—May 2022.” United States Department of Labor. [Available online.](#)

## What Are the Advantages of Having a Succession Plan?

Succession planning does more than help HR leaders and managers avoid future frustrations. We've outlined some of the best advantages for organizations that come with having a succession planning process in place.

### 1 Discover the Skills You Already Have

The individuals in your organization represent a nearly limitless pool of potential. Each person's unique background means there are likely to be skills within the organization that are going unrecognized. Luckily, succession planning allows HR leaders and managers to discover these skills and put them to good use.

That's especially important when you consider that employees who feel like they're being under-utilized are 10 times more likely to look for a new job compared to those who don't feel this way.<sup>4</sup> There are many external factors that contribute to people leaving their organizations. You wouldn't want to inadvertently encourage anyone's departure by not recognizing their skills.



<sup>4</sup> LinkedIn Learning. (2022). "2022 Workplace Learning Report: The Transformation of L&D." LinkedIn. [Available online.](#)



## 2 Improve Your Culture Through Growth and Development

Once you've discovered the many skills and potential of the talent in your workforce, you can use that knowledge to bolster morale and keep your business running efficiently. Employee trend data from your succession planning software shows you which employees are likely to be the best fit for leadership development. Harnessing this knowledge will help you ensure that your leadership roles will continue to be filled by the most qualified people in your organization.

You'll also have the added benefit of supporting internal growth and professional development. According to Glassdoor research, "taking a proactive approach to your employee growth and professional development strategies...can mitigate employee turnover and drive more productivity."<sup>5</sup> This makes sense since most employees want to develop within their roles and grow throughout their careers.

Employees who feel they can't grow will start looking for work elsewhere. In 2021, 63% of people who left their jobs cited lack of growth as a top reason for leaving.<sup>6</sup> When people are leaving your organization because they feel they're stuck or stagnant in their careers that contributes to a negative work culture.

Succession planning allows you to provide targeted skills development for your employees, giving them a sense of purpose and reinforcing the message that your organization cares about its people growing and achieving their career goals.

<sup>5</sup> Soeun Choi, C. (Jun 2021). "7 Ways to Support Employee Growth and Professional Development." Glassdoor. [Available online.](#)

<sup>6</sup> Parker, K. & Menasce Horowitz, J. (Mar 2022). "Majority of Workers Who Quit a Job in 2021 Cite Low Pay, No Opportunities for Advancement, Feeling Disrespected." Pew Research Center. [Available online.](#)



### 3 Reduce Business Expenses

At the end of the day, you need the right people in the right places to get things done efficiently and effectively. Succession planning helps you discover who those people are and get them ready for where they'll fit best within your organization down the line.

Like everything else, succession planning will come with a cost. In addition to choosing the right software to meet your needs, you'll need to invest in some training for your HR teams and managers so they can get acclimated to the system. From there, you'll need to set aside time on a regular basis to revisit your plan. It will be an ongoing process, so you'll need to budget accordingly.

Even so, your business will get a better return on its investment with succession planning than without it. Reskilling current employees for future positions is much more cost-effective than seeking external candidates to fill open roles. Research shows that the cost of replacing an individual employee is approximately one-half to two times the employee's salary.<sup>7</sup> That means replacing just one employee whose salary was \$75,000 could cost your organization \$150,000. Multiply that by the rising number of people leaving their jobs right now, and businesses could see themselves spending much more to replace talent—if they aren't already.

Conversely, the average cost to reskill current employees for other roles is \$24,000 per worker<sup>8</sup>—a significant difference! From a budget perspective, investing in succession planning is a smart business move. While you'll incur some costs from having the software, you can prevent a lot of turnover, saving your organization a vast sum overall.

<sup>7</sup> McFeely, S. & Wigert, B. (Mar 2019). "This Fixable Problem Costs U.S. Businesses \$1 Trillion." Gallop. [Available online.](#)

<sup>8</sup> Harris, B. (Jan 2019). "Who Should Pay for Workers to be Reskilled?" World Economic Forum. [Available online.](#)

## 4 Foster and Encourage Innovation

Once you've identified potential successors for roles within your organization, you can begin the process of preparing these individuals for an eventual transition. An important aspect of this process is to provide mentorship opportunities. Mentoring is another way to boost morale and grow your company culture. It's also a great way for employees to hone their skills.

When potential successors are encouraged to work on projects alongside the people currently occupying those prospective roles, those successors earn critical real-world experience that they can later apply to the positions themselves. More seasoned employees can serve as sounding boards for individuals who are not as familiar with the role. Conversely, less seasoned employees may bring a fresh perspective to a problem or task that had otherwise gone unnoticed.

Mentorship no longer looks like senior-level employees imparting their knowledge upon junior-level associates. Today, mentors and mentees are developing mutually beneficial relationships in which everyone learns from each other. This opens the door for more collaborative work, which in turn can lead to greater innovations in your organization.

## 5 Manage Change Successfully

Done well, succession planning helps your business avoid the growing pains that often come with initiating people to their new positions. After all, when someone leaves your organization, they don't just leave with their personal items. They're also taking institutional knowledge that, in some cases, has been developed over the span of decades. This can be anything from subject matter expertise to existing professional relationships or accounts, critical management processes, and so on.

These things typically can't be quickly passed along to the next individual to occupy the role. As such, you want to be very intentional with your succession planning. Long-term succession planning should lead to a nearly seamless transfer of institutional knowledge from the exiting employee to their successor.

It's impossible to predict everything, and there will surely be an adjustment period when someone new takes over. That said, thorough planning can often mitigate these challenges. Your employees will spend less time in the adjustment period and will be able to get back to their full productive capacity quicker when they've been properly mentored and prepared for a new role within the organization, as opposed to someone entering with little knowledge of your company's inner workings.



## How Do You Start Succession Planning?

Once you've made the decision to start succession planning, it's time to start planning! We've outlined six steps you'll need to take to successfully get your plan off the ground.

### 1 Prioritize Which Roles to Start With

Each employee brings value to your organization, but creating a succession plan for every single position right off the bat is likely to be overwhelming. When you're at the start of your succession planning journey, it makes the most sense to first consider the positions in your company that you cannot live without. These could be your top-tier leadership roles, but they could also be your critical subject matter experts. You should consider the specific in-demand skill sets of your employees.

You can determine your top-priority roles by running through some scenarios. Start by examining your current staff in each position. Ask yourself the following: if the employee occupying this role today handed in their resignation tomorrow, would we have an emergency? If the answer to that question is "yes," then it's highly likely that you should be working on a succession plan for that position.

Here are a few more questions to consider when assessing your workforce:

- Does this employee make decisions that have a significant impact on the organization?
- Does this person's position require any specialized training or knowledge?
- How much time and money will it take to fill this position?

Over time, your organization can—and should—grow its succession planning efforts to include all areas of your business, and you'll want to create a system that enables your managers to assist in that process. The priority to begin with, however, will be addressing the positions that could wreak the most havoc in your business if left unfilled.





## 2 Map Out Talent Profiles

Part of deciding who could be a good fit for a future position is making sure employees' skill sets and potential for growth align with the skills necessary to complete the job in question. To do this, you'll first need to map out talent profiles for the positions in your organization.

For each role, you should have a very clear set of expectations for what's required of someone occupying the position. One way to do this is to consider what criteria you might use to fill the position if it were vacant. Some areas to consider include:

- Required knowledge, skills, and competencies
- Typical job functions
- Qualifications and qualities of employees currently holding the position

Making your talent profiles will provide more opportunities for collaboration between managers, HR leaders, and employees. The people who have been working in your high-priority positions can provide valuable insight into what the day-to-day work is like, which can help you build more accurate talent profiles.

### 3 Identify Potential Successors

Once your leadership team has decided which roles to prioritize, you'll need to begin the process of identifying potential successors within your organization. The goal here is to find the best internal candidates to develop and grow into these other roles.

Your succession planning software will allow you to collect and manage your employee data in one convenient interface, so your leadership team can objectively assess the potential of your workforce. You'll want to gather the following employee data:

- Skills and behavioral competencies assessments
- Work history and career aspirations
- Potential, promotability, flight risk, and loss impact
- Development, retention, and retirement plans

It's important to note that succession planning doesn't mean pre-selecting candidates for new positions. There might be multiple people who would perform the job exceedingly well. It's also possible that you won't have someone internally who is perfect for the role. While the ideal outcome is for these candidates to eventually occupy the positions you've identified, the purpose should be to prepare them and develop their skills.

Circumstances can change unexpectedly—for both the organization and its workforce. None of us can predict the future, and there will always be the possibility of a potential successor leaving your organization before they get the chance to occupy a new position. Individuals can experience changes to their life circumstances, or they could simply want to pursue other ventures.

Likewise, the organization could go through a tumultuous experience and feel the need to make workforce changes. You want to avoid being too narrow-sighted with your succession planning. It's best to consider multiple potential candidates when considering succession and focus on how best to encourage their career growth.

## 4 Create Development Programs Specifically for Potential Successors

In this step of the process, you've identified your high-priority roles for succession and have made your shortlist of potential candidates to fill these positions in the future. To prepare your potential candidates for these new roles, you'll need to invest in some continuing education and training.

Upskilling is an important part of this stage, but it's only one aspect of these training programs. You'll want your potential successors to develop holistically to become the best candidates possible for these positions. In addition to continuing education, development plans for these employees should include:

- Mentorship and employee coaching, particularly with the employee currently in the priority position serving as mentor to the potential successor
- Opportunities for potential successors to work on projects alongside their predecessors
- Planned overlap between the predecessor and the successor

This final point isn't always feasible, but in situations where someone has announced their retirement or intent to leave the organization, it's a good idea to plan on some overlap before the successor officially takes over the job. This can go a long way to assist in the transfer of workplace knowledge.

## 5 Get Your Potential Successors Involved

Gathering data and creating plans to develop successors is an essential aspect of successful succession planning. It's also useless when your successors aren't involved in the process. You'll need to have open communication with the individuals you've identified as candidates for succession, or else you'll run the risk of devoting resources to candidates whose career aspirations aren't aligned with your vision.

You should learn where employees want to go in their careers and have ongoing candid conversations about how they can reach their goals—and how you're planning to support their growth. Informing potential succession candidates also reassures them that they're a valued member of the organization, which boosts their morale and could help deter them from seeking opportunities elsewhere.

## 6 Review, Reassess, and Update the Plan

Your succession plan should never be set in stone. You may discover new information about an employee that changes your perspective regarding their potential to fill a particular role. When that happens, your team will need to reassess its employee data and possibly change course. It's also possible that potential candidates will leave the organization before they've had the opportunity to step into a new role—leaving your team to go back to the drawing board.

It's also important to keep in mind that a successful succession planning process will be layered. Each role that's filled by an internal candidate will create another open position within the organization. Eventually, you'll need to look to external candidates to fill positions, but careful planning should minimize this need.

## A Final Word

Your organization will experience turnover—it's an inevitable part of business. Fortunately, you can take measures to ensure that your organization manages turnover effectively. Careful succession planning will minimize the impact your organization feels when employees choose to part ways, and you'll be able to grow your culture and reduce hiring costs along the way. Succession planning safeguards your organization, so you're ready for whatever the future may bring.



## About PeopleFluent

As a market leader in integrated talent management and learning solutions, PeopleFluent helps companies hire, develop, reward, and advance a skilled and motivated workforce. Deployed separately or as a suite, our software spans [recruitment](#), [talent mobility](#), [performance](#), [compensation](#), [succession](#), [org charting](#), and [learning](#)—tailored for either large or mid-enterprise organizations. We deliver unmatched functionality and flexibility, recognized by leading analysts, to develop people, drive performance, and deliver results.

Our talent solutions unify talent processes within a collaborative experience that enables HR and L&D teams to guide managers and employees with contextual learning—right in the flow of work.

A part of [Learning Technologies Group plc \(LTG\)](#), PeopleFluent provides world-class service and an unparalleled ecosystem of partners to optimize employee experience, employer brand, and business results.

For more, visit [peoplefluent.com](https://peoplefluent.com)

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