

The Top Five Reasons to Implement Succession Planning

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The Business Logic	The Talent Benchstrength® Application of this Logic
<p>1. A successful business always has contingency plans and risk management strategies in place to reduce risks.</p>	<p>Can you imagine an organization saying, “We don’t worry about a security breach of our system data—we’ll just figure it out when that happens.” And how successful will a business be without financial investments and reserves, as a part of a financial risk management plan? What would you think of a company without a disaster recovery plan?</p> <p>Succession planning is risk management for your most important asset—your employees. Succession planning (including long term and emergency talent-loss plans) is contingency planning for talent. No other aspect of your business is left to chance. No other aspect of your business is handled by “figuring it out when it happens.” So why leave your talent retention, succession and development to chance? If our talent is our “most important asset” then succession planning should be our most important risk management action.</p>
<p>2. The costs of external recruiting are typically higher than the costs of internal talent retention, succession and development.</p>	<p>Many organizations spend far more on the costs of external recruiting for unknown assets than they spend on succession planning and career development for the great people they’ve already hired and trained. External recruiting costs include: hiring fees, marketing fees, executive search firm fees, hiring bonuses, higher salaries for new employees, lost opportunities during the time-to-fill period, training costs for new employees, etc. What is your budget for external talent recruiting services, and how does that compare to your internal talent development budget?</p> <p>Every company should compare their total external recruiting costs to their budget for internal talent and succession development to ensure they have planned the right balance of staffing and funds on external talent versus internal succession development. A good business practice is to spend funds on known assets for the company, rather than spending more money on unknown assets without a clear return-on-investment. This same strategic concept applies to talent management as well as other areas of business management.</p>
<p>3. If your primary talent plan is to hire talent externally, you might have a “hiring addiction”.</p>	<p>Addictions are characterized by something that “must be had” and which continue to cost more and more over time. So if your primary talent strategy is to hire external candidates, your top talent sees that they have no career path at your company so they leave, causing you to have to fill that additional new opening, and often you have to pay more in salary and a hiring bonus and/or search firm fee to replace that person. And so this “external talent addiction cycle” becomes a vicious cycle, costing more and more over time.</p> <p>But planning for the succession and careers of your internal employees can “reset” this addiction cycle, so that you can retain more top talent and have a more balanced talent strategy, hiring externally when it is appropriate, and having more internal employees developed and ready for growth when it is appropriate.</p>
<p>4. If the priority is to hire leaders externally rather than developing our own leaders, we are assuming our competitors do a better job of developing their leaders.</p>	<p>Clearly there are going to be many times that we need to hire external talent with fresh ideas and with new competencies and knowledge to add to the organization. But if this is not also balanced with developing the strategic thinking skills and the knowledge of your great internal talent, then the “silent message” you are sending to employees is that it is better to hire leaders who have been developed by other companies, rather than developing our own leaders.</p> <p>Effective succession planning is about identifying and developing qualification and skill gaps to prepare employees for future positions—it is not about “putting names on a list” and hoping people will be ready for those roles.</p>
<p>5. If a farmer waited until the summer to plant crops, would be too late. If you wait until top talent leaves to develop successors, it will be too late.</p>	<p>It takes years to provide the job experiences and formal training needed to prepare successor candidates for a new leadership role. So if we say, “We don’t have time for succession planning” then we don’t have a “crop” of great leaders ready for the future.</p> <p>Budgeting is the process of planning for and projecting the money needed to achieve goals and to be successful in the future. Succession planning in the process of planning for and projecting the talent needed to achieve goals and to be successful in the future. Can you imagine a company saying, “We don’t have time for budgeting this year”?</p>