



Report on the State of Succession Planning in 2023

Trends, challenges, and future directions in succession planning

“Without the right succession planning put to play in human resources, we build for the future without a future.” — Mmanti Umoh

“It is better to be prepared for an opportunity and not have one than to have an opportunity and not be prepared.” — Whitney Young Jr.

“A leader’s lasting value is measured by succession.” — John C. Maxwell

Welcome

Welcome to SIGMA's 2023 report on the state of succession. In this report, our goal is to use the data we've collected to provide insights into trends, challenges, and future directions of succession planning.

This report is based on SIGMA's proprietary data gathered from clients and prospects. Over the past 50 years we've worked with more than 8,500 public and private organizations across North America, and we love sharing what we've learned. Permission was obtained for the collection of this data, which has been aggregated to protect the anonymity of respondents. No individual or organization's names have been shared. Sources include webinar polls, feedback surveys, online quizzes, group training, custom consulting, and more. This report is based on data collected on or before September 21st, 2022.

We hope this report provides value to your leaders, and that our insights help you improve the state of succession in your organization.

Sincerely,
Your team at SIGMA

Meet Our Experts



Erica Sutherland, Ph.D.

SENIOR CONSULTANT & EXECUTIVE COACH

Erica completed her Ph.D. in Industrial-Organizational psychology at Western University. She is a Senior Consultant at SIGMA, where she delivers consulting services and Succession Planning solutions to clients. As a member of SIGMA's executive coaching team, Erica works one-on-one with leaders to develop talent. She also brings her expertise in measurement and psychometrics to the R&D team, assisting with the development and validation of SIGMA's many assessments.



Brittney Anderson, Ph.D.

SENIOR CONSULTANT & EXECUTIVE COACH

Brittney is a member of our coaching and consulting team. She brings her expertise in evidence-based practice to provide companies with leadership solutions that meet their needs. Primarily, Brittney helps her clients prepare for their future with succession planning and comprehensive leadership development programs. As an executive coach, she helps leaders hone their skills using a process-based approach to development.



Glen Harrison

VICE PRESIDENT

Glen oversees SIGMA's sales and marketing activities. As a skilled presenter and trainer, he has designed and delivered engaging and entertaining workshops and webinars to help leaders and HR professionals enhance their understanding of how our products and services can be used to realize potential within their organizations.

Since 1967, SIGMA has helped thousands of organizations across North America develop their people potential and increase organizational effectiveness.

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Chapter 1

WHAT IS SUCCESSION PLANNING?

What is Succession Planning?

Succession planning is a strategic human resource (HR) initiative, and it is one of the most important talent development practices an organization will undertake.

When people hear the words “succession planning,” they usually think of choosing someone to replace them after they retire. But succession planning is so much more.

A key aspect of succession planning is the identification of an internal talent pool, also known as a [leadership pipeline](#), that feeds into each of an organization’s critical roles — the roles that have the greatest impact on an organization’s performance.



What is Succession Planning?

Because succession planning focuses on talent pipelines, it requires an ongoing process of employee development. The goal is to identify high potentials early in their career and provide them with opportunities to hone their skills.

A strong succession plan works to create a [bench](#) of candidates for each critical role, rather than just selecting a single successor. A deep leadership bench supports the strength and stability of an organization, both now and in the future.



Effective Succession Planning Is

Ongoing: Succession planning is not a one-time decision or strategy; it is an ongoing process.

Strategic: Succession planning should involve senior leaders and their vision for the future of the organization.

Long-term: Succession planning starts early by investing in candidates at all levels.

Structured: Strong succession plans are systematic and follow a process.

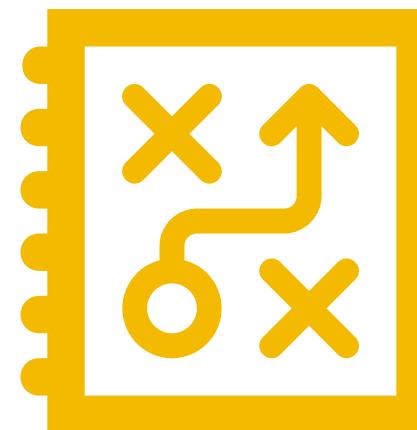
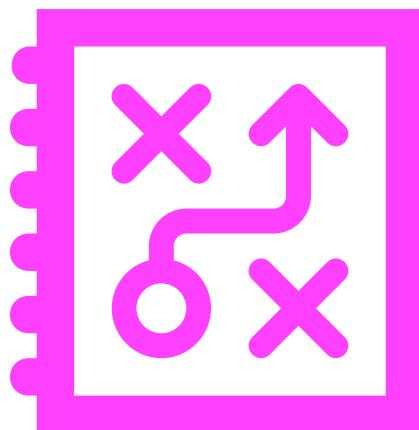
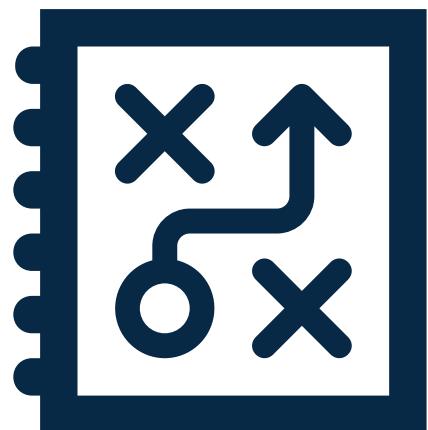
Standardized: The succession planning process should be the same for each individual or group, making it easy to scale across an entire organization.

Objective: Strong succession plans are data-driven.



Succession Planning vs. Replacement Hiring

One of the common misconceptions about succession planning is that it's nothing more than choosing a successor. However, choosing one's own successor usually doesn't enable strong succession. That's why Peter Drucker, an Austrian-American management consultant, cynically stated "succession planning often results in the selection of a weaker version of yourself."



When most people use the term "succession planning," what they are really referring to is replacement hiring.

Replacement hiring is the process of selecting or hiring a replacement without any long-term talent development to support the process.

Succession Planning vs. Replacement Hiring

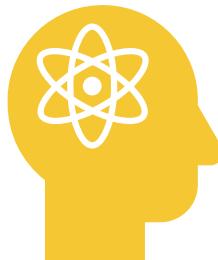
We often speak with clients who struggle to maintain the vitality of their leadership team because they've been operating under the principles of replacement hiring for years. Rather than preparing for change in their leadership teams, they wait until change happens and then realize they are not prepared. Even if there is a viable internal candidate, they usually haven't been given the development opportunities that are necessary for them to be fully prepared for the role.

The pattern of replacement hiring is widespread. In 2016, 1 in 3 CEOs were hired externally.¹ This number is especially staggering because 50 years ago, only 1 in 10 CEOs were hired externally.²



Succession Planning vs. Replacement Hiring

Of course, there is nothing wrong with hiring externally — sometimes it is even preferred. However, when it comes to onboarding an external hire vs. an internal hire, there are a few distinct challenges an external hire will face:



Knowledge

External hires begin their roles without any institutional knowledge and are unfamiliar with the corporate culture, history, and day-to-day operations of the organization.



Relationships

In most situations, external hires don't have any pre-existing relationships with their team.



Onboarding

The onboarding process tends to take much longer for external hires. Performance may suffer while new hires build trust with other employees and become comfortable in the organization.

5 Myths About Succession Planning

In addition to the confusion between replacement hiring and succession planning, there are a few other misconceptions about the nature of succession planning. Below are five common myths we've encountered in our work with clients:

1. Succession planning is just for CEOs.
2. Succession planning is just for people who are retiring.
3. Succession planning is HR's job.
4. Succession planning is not necessary for flat organizations.
5. Succession planning is irrelevant for family firms.

Myth #1: Succession planning is just for CEOs

Many leaders and HR professionals are under the impression that succession plans only need to be developed for CEOs or senior leaders. This impression may be driven by the fact that succession planning usually only garners media attention when a president or CEO of a large organization retires. As a result, most people only think about senior leaders when it comes to making succession plans, when they really should consider critical roles across the entire organization.

Critical roles are the roles that have the greatest impact on an organization's performance and are the most difficult to replace. These are the roles for which succession planning should be prioritized. While critical roles include the president and CEO, they also encompass other roles that are essential to the successful operation of the organization, including those that are not traditionally seen as leadership positions.

For example, office administration and technical roles are often overlooked in the succession planning process. These roles may not be prominent on an organizational chart, but they are often critical for keeping day-to-day operations running smoothly.

Myth #1: Succession planning is just for CEOs

Ideally, each role in an organization
should have its own succession plan.

However, this may not be feasible in large organizations. Instead, leaders can start by creating a succession plan for critical roles and then scaling the process throughout the organization.

Myth #2: Succession planning is just for people who are retiring

Coupled with the assumption that succession planning is only for CEOs, many believe that succession planning is only necessary when an employee retires. Unfortunately, there are many other reasons why a position may become vacant — some more sudden than others. Leaders may decide to change roles or organizations, people fall ill, families move, high-potential employees get recruited, and of course, people retire. Organizations may also choose to restructure, change, combine, or eliminate certain roles. In each of these scenarios, a succession plan is needed to help the transition go smoothly.



Myth #3: Succession planning is HR's job

Another common myth about succession planning is that HR should be entirely responsible for managing the process. Results from SIGMA's online succession planning quiz show that 42% of organizations rely on HR alone to manage the succession planning function. Another 35% of organizations delegate the responsibility of choosing a successor to each individual leader. Only 23% of organizations have their board, C-suite, and upper management involved in the succession planning process.³ That's a very small number of organizations — barely 1 in 5 — doing succession planning the way it should be done. A proper succession plan includes all senior leaders in the decision-making process, as well as any associated stakeholders.



Myth #4: Succession planning is not necessary for flat organizations

Some leaders argue that they don't need a succession plan because their organization doesn't have a hierarchical structure. Rather than having a clear, upward path to promotion, flat organizations have few levels of management between senior leadership and employees, and in some cases, none at all. Small businesses and startups are two types of organizations that often have a flat structure. In particular, these organizations may not think to plan for succession because they don't expect employees to leave in the early stages of organizational growth, or they don't feel like their talent pool is large enough to support a proper succession planning process.



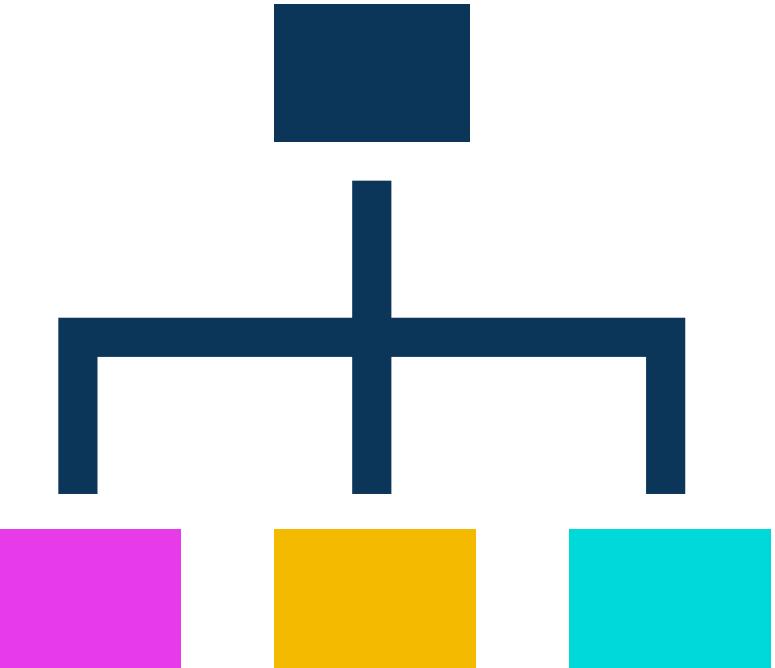
Myth #4: Succession planning is not necessary for flat organizations

While the assumptions outlined on the previous page are common, neither are correct. Start-ups are just as likely to lose staff as well-established organizations. In fact, startups may be more likely to lose talent because of the many challenges associated with entrepreneurial ventures. In these cases, having a succession plan becomes even more important because every role in a small organization is critical; each founder or first employee is an important source of institutional knowledge. Additionally, the stability of a small or new business is already precarious; any disruption to operations or staffing could seriously harm the viability of the venture.

It is just as important for small business, flat organizations, and startups to develop a strong succession plan.

Myth #4: Succession planning is not necessary for flat organizations

For small or medium-sized enterprises (SMEs), succession planning comes with a unique set of challenges. The scale of a succession plan should be customized to suit the size of an organization. In the case of small businesses, for example, it may be more important to cross-train individuals so that they can cover for one another during vacation, illness, or long-term absences. For more information about how succession planning can be tailored to small and medium-sized enterprises, download our workbook [Succession Planning in SMEs](#).

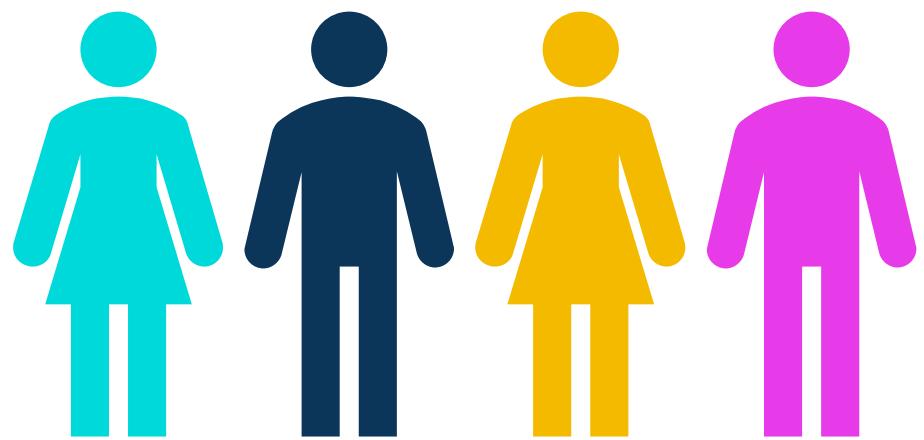


Myth #5: Succession planning is irrelevant for family firms

Succession planning is about more than determining the next leader of a family business; it's about setting a foundation to protect the family's legacy as the leadership of the firm is passed down to the next generation. Just like any organization, family businesses face conflicts over power and control. Succession planning is one of the greatest family business challenges, and family dynamics can make these issues even more difficult to address.

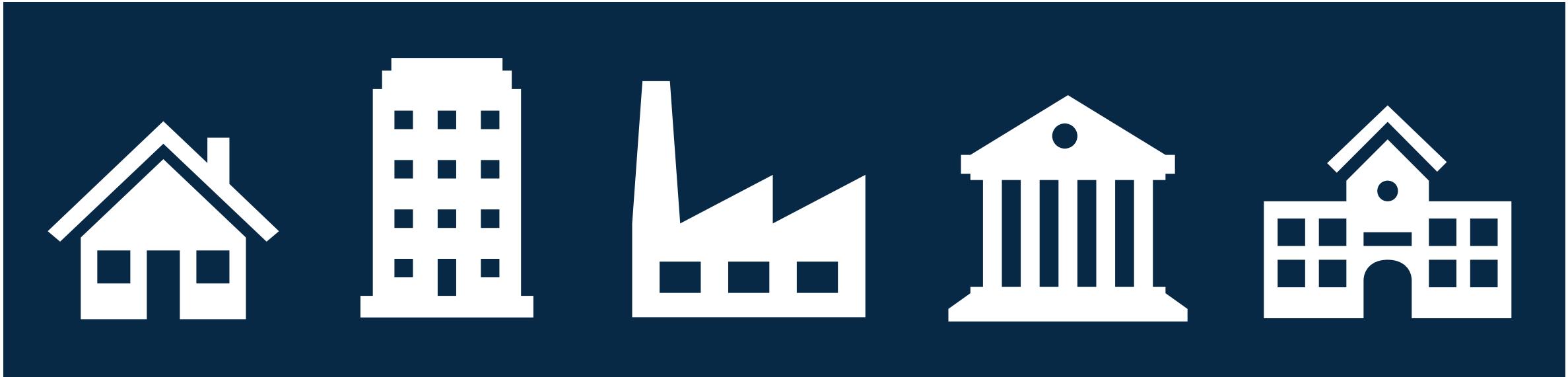
Succession plans clearly define the roles family members may take on in the business, how profits should be distributed, who may serve on the board, how to plan for future leadership, and other matters such as taxes, liability, and estate planning.

Like any other organization, family firms also need to be objective when choosing a new CEO. Perhaps there are individuals outside of the family who should be considered as candidates for succession? In this case, a formal succession planning process can prevent bias from clouding the decision.



A Critical Strategic Process

Ultimately, succession planning is not just for one type of organization. Succession planning is a critical strategic process for all organizations: public, private, for-profit, not-for-profit, startups, and family firms. Everyone benefits from intentional leadership development and smooth succession — in other words, a proper succession planning process.



Chapter 2

WHY SUCCESSION PLANNING MATTERS

Why Succession Planning Matters

Without a defined succession plan in place, a vacancy to a critical role can create confusion and be a massive risk to an organization's stability. To be truly effective, succession plans must be created long before they need to be enacted. However, our data shows that many leaders underestimate the value of having a strong succession plan:⁴

- Nearly 1 in 10 leaders believe succession planning is not worth the time and money that it costs.
- Nearly 50% of leaders believe succession planning has operational benefits but no financial benefits.

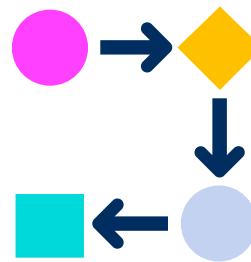


Why Succession Planning Matters

Although some business leaders struggle to understand the benefits of having a strong succession plan, there are many that recognize its value. Almost 60% of leaders agree that the risk of not having a succession plan is high,⁵ and 48% of leaders understand that succession planning has significant cultural, operational, and financial benefits.⁶ A robust succession planning process only serves to strengthen these important success factors.



Cultural



Operational



Financial

Cultural Benefits of Succession Planning

Organizations that have a succession planning process demonstrate commitment to long-term stability. This can be both reassuring and motivating for employees. The cultural benefits of succession in an organization come from its structured, dependable process.

A well-designed plan makes it clear how candidates are identified, developed, and tracked over time. This transparency reduces uncertainty and strain on shareholders, board members, and clients who count on organizational stability. Having a clear, transparent plan is also reassuring for employees — both in times of transition and in times of stability. Employees see that their leaders have a plan and that steps are being taken to build a leadership pipeline that will be sustainable in the long term.

Studies show that general anxiety is significantly correlated with ambiguity and a lack of structure.⁷



Cultural Benefits of Succession Planning

Beyond offering reassurance, succession plans can be highly motivating. The succession planning process involves identifying and developing talent, which demonstrates to employees that high-performers will be recognized and rewarded.

This creates a culture of learning and growth that motivates individuals to do their best. Therefore, succession plans can boost employee motivation and performance too.

Culture refers to the social and behavioral norms that are common among a group of people; it is a product of shared values and a common mission and vision.

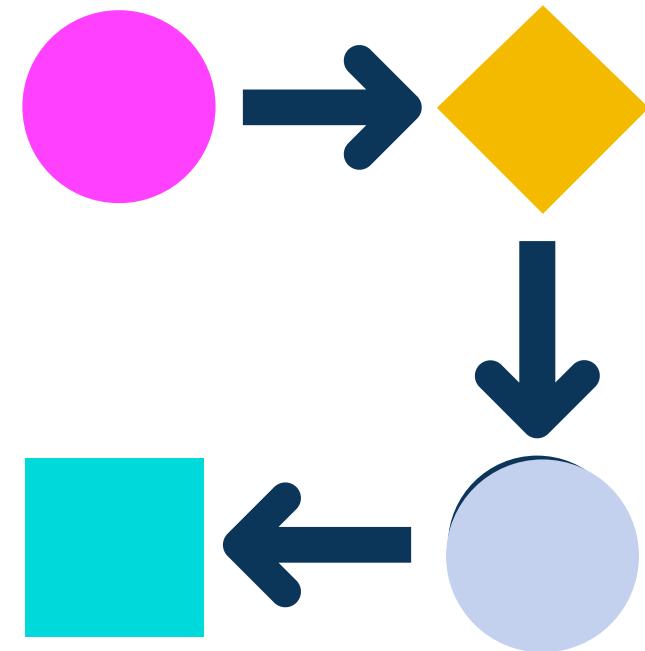


Succession Planning as a Foundation for Diversity

Diversity, Equity, and Inclusion (DEI) have become critical elements in organizational policy — so much so that many organizations now include DEI messaging in their mission, vision, and values statements. Additionally, succession planning can be used to build a foundation for DEI initiatives. A succession plan, by nature, promotes diversity through its objective process for talent development and promotion. A proper succession plan reduces similarity bias and other elements of conscious or unconscious partiality by focusing on the competencies and skills required for success in critical roles. Further, assessments can help inform decisions about candidates, thereby limiting the opportunities for bias to influence selection processes. Succession plans can also make leadership pipelines more equitable and inclusive by providing opportunities and developmental support to a diverse range of employees. Not only that, when organizations are transparent about their succession planning process and advocate for objective decision-making, they are more likely to attract and retain diverse talent. Therefore, succession planning can be used as a powerful tool for accomplishing goals around DEI.

Operational Benefits of Succession Planning

Of the many benefits associated with succession planning, operational benefits may be the most apparent. The operational benefits of having a strong succession plan include increased employee morale, greater job satisfaction and commitment to the organization, and an improved ability to attract and retain talent. Succession planning also helps organizations build a talent bench around each critical role. These talent benches allow organizations to reap the benefits of having a stronger set of leaders, even though only a handful of them will become successors in the future.



An effective succession plan can help organizations:

- ✓ Identify critical roles and create clear job descriptions.
- ✓ Identify multiple candidates for each critical role so that vacancies are filled with the best candidate, rather than the only one.
- ✓ Ensure successors are prepared to step into vacant roles.
- ✓ Develop strong leaders who benefit the organization every day, not just in their role as successors.
- ✓ Reduce the time for onboarding candidates into new roles.
- ✓ Create a standardized process for succession planning that can be easily communicated, replicated, and scaled across other teams and departments.
- ✓ Demonstrate the organization's commitment to invest in their employees, resulting in improved attraction and retention of top talent.
- ✓ Train employees now for future roles by upskilling them in their current capacity.
- ✓ Make merit-based decisions that help organizations maximize performance.

Financial Benefits of Succession Planning

Often, when organizations think of succession planning, they primarily think of the cost — the time spent planning, the capacity spent training, and the dollars spent consulting. Many are unaware of the fact that [a strong succession plan saves money](#), and that there are costs to not having a plan. In fact, when it comes to unplanned succession, the stakes are higher than most people think.

Recently, a study of the world's largest 2,500 public organizations found that unplanned succession costs an average of \$1.8 billion in shareholder value.⁸ These expenses come from a combination of direct and indirect costs.



Direct Costs of Not Having a Succession Plan

- Severance packages.
- Recruiting or executive search firm expenses.
- Unplanned board meetings with unexpected travel costs.
- Time spent reviewing resumes.
- Screening candidates and conducting interviews.
- Discussing alternatives.
- Premiums paid for unplanned and external hires.
- Lawyers, consultants, public relations, and more.

According to new benchmarking data from the Society for Human Resource Management (SHRM), the average cost per hire in 2022 was \$4,700. However, employers estimate that actual costs are closer to three times the position's salary.⁹

It usually takes 1-3 months to complete an external hire. That's a long time for a ship to sail without its captain! This is why it's especially important to have a succession plan for leadership positions and other critical roles.¹⁰

Indirect Costs of Not Having a Succession Plan

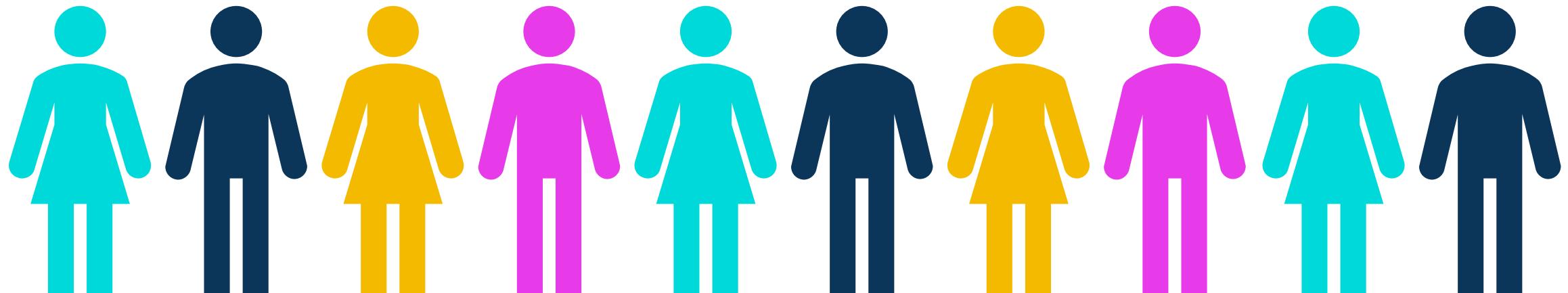
- The time and capacity lost while onboarding unprepared candidates.
- Perceived instability within the organization.
- Damage to third-party relationships, such as clients, suppliers, or contracts established based on relationships with outgoing leadership.
- Lower morale and disrupted team dynamics.
- Expenses related to establishing new strategy and procedures.
- Further turnover as employees leave for more stable organizations.
- Loss of revenue, earnings, and share price for public organizations.

Turnover is contagious.

A study by LinkedIn showed that 59% of respondents considered leaving their job as a direct result of a colleague's resignation.¹¹

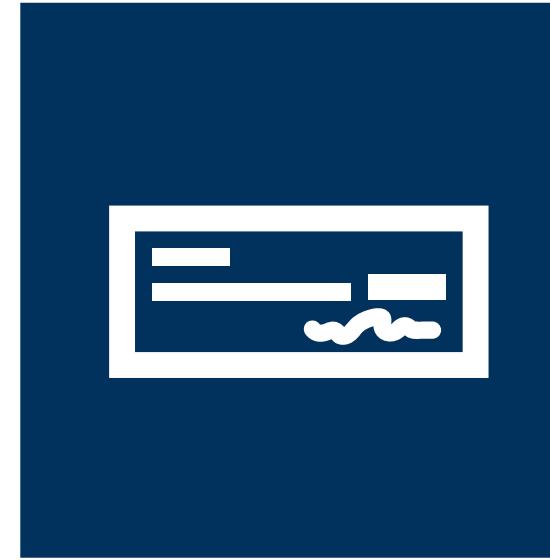
Financial Benefits of Succession Planning

The cost of unplanned succession doesn't show up as a line on a balance sheet. There are relative degrees of costs associated with how unprepared an organization is for succession. A study of organizations that had engaged in a search for a CEO concluded that the longer the organization took to name a successor, the greater their performance suffered.¹² We've seen this happen among our own clients as well. Not having a succession plan can be very costly for organizations both in the immediate term and in the long term; it's the ripple effect of a talent pool that hasn't been built for the future.



Financial Benefits of Succession Planning

There are financial benefits to having a strong succession plan — benefits that many leaders (44%) find hard to believe.¹³ Having a strong succession plan increases organizational productivity, reduces down-time during onboarding, helps to sustain client relations, and boosts investor confidence in the organization. These factors can significantly improve both revenues and stock prices for publicly traded organizations.



Chapter 3

COMMON BARRIERS TO SUCCESSION PLANNING

Barriers to Succession Planning

More than half of organizational leaders (57%) understand the importance of succession planning,¹⁴ but many teams are still reluctant to sit down and make a plan. In this chapter we'll explore the barriers to succession planning, including common themes we've seen in our research and our work with clients.

A key step in building a succession planning process is to anticipate and prepare for adversity. All organizations face challenges and setbacks when implementing a new initiative, so it's important to consider what form these roadblocks may take and how to overcome them.



Barriers to Succession Planning

SIGMA helps clients prepare for adversity by guiding teams through common barriers to succession planning and sharing the challenges most organizations encounter when implementing a major strategic planning process. Beyond training leaders to create contingency plans for predictable problems, we also help them anticipate the unique challenges their organization may face. From these conversations, we've identified a few common hurdles that teams will likely encounter as they begin the succession planning process:



Difficulty attracting
and retaining talent



Too much
responsibility
placed on one
person



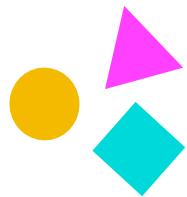
Lacking
leadership
support



Difficulty
adapting to
change



Using a one-size
fits all approach
to development



Lacking
standardization



Keeping the
succession plan
a secret

1. Difficulty attracting and retaining talent

One of the greatest barriers to succession planning is the difficulty organizations face in finding and keeping star employees. When people are coming and going, it's difficult to establish a long-term development process, let alone find strong leaders who can act as internal coaches for high potentials. While an unstable workforce certainly makes it difficult to get a succession planning process off the ground, the succession planning process itself aids in the attraction and retention of talent. Employees want to work for employers who will invest in them, so creating opportunities for individual development incentivizes high-potentials to join and stay with an organization.



2. Too much responsibility placed on one person

When done correctly, succession planning is an organization-wide, ongoing strategic process. This responsibility should not be placed on one person or one department; it should be spearheaded by a cross-departmental team of leaders, fully supported by upper management. For more information on who to involve and how to involve them in the succession planning process, explore SIGMA's blog [Creating a Succession Advisory Team](#)



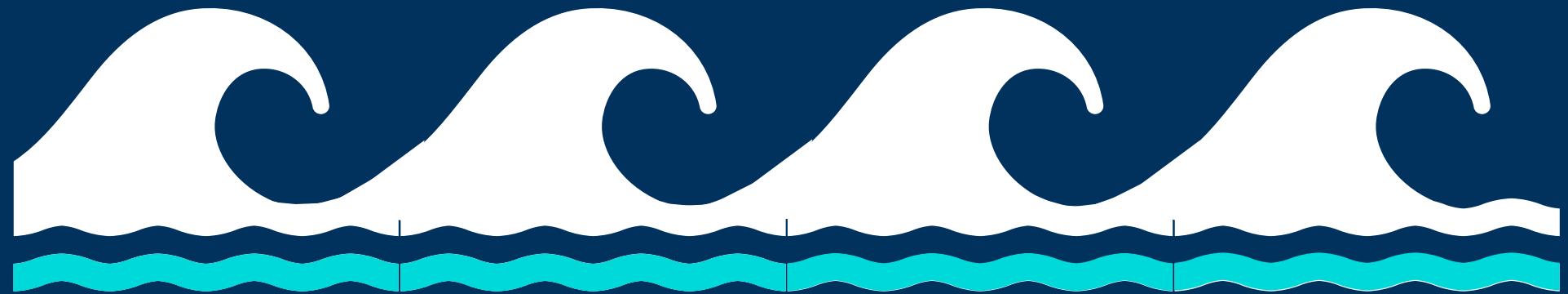
3. Lacking leadership support

When it comes to a strategic process like succession planning, it is particularly important to have support from upper management. If upper management doesn't support succession planning, it can be difficult for mid-level leaders to justify the time they spend investing in the long-term coaching, training, and employee development efforts associated with the succession planning process. Upper management also needs to play a central role in the communication of the plan in order to generate buy-in from employees. It is critical, therefore, that succession planning be supported from the top.



4. Difficulty adapting to change

Succession planning is all about change and adapting to those changes can be challenging. Organizations need to keep up with the ever-changing nature of their roles. Administrative roles, IT, marketing — nearly every job has evolved considerably over the past 10 years. This rapid change can be a barrier for succession planning if organizations are not regularly updating job descriptions and monitoring the skills their employees are acquiring in order to adapt to the changing needs of their job.



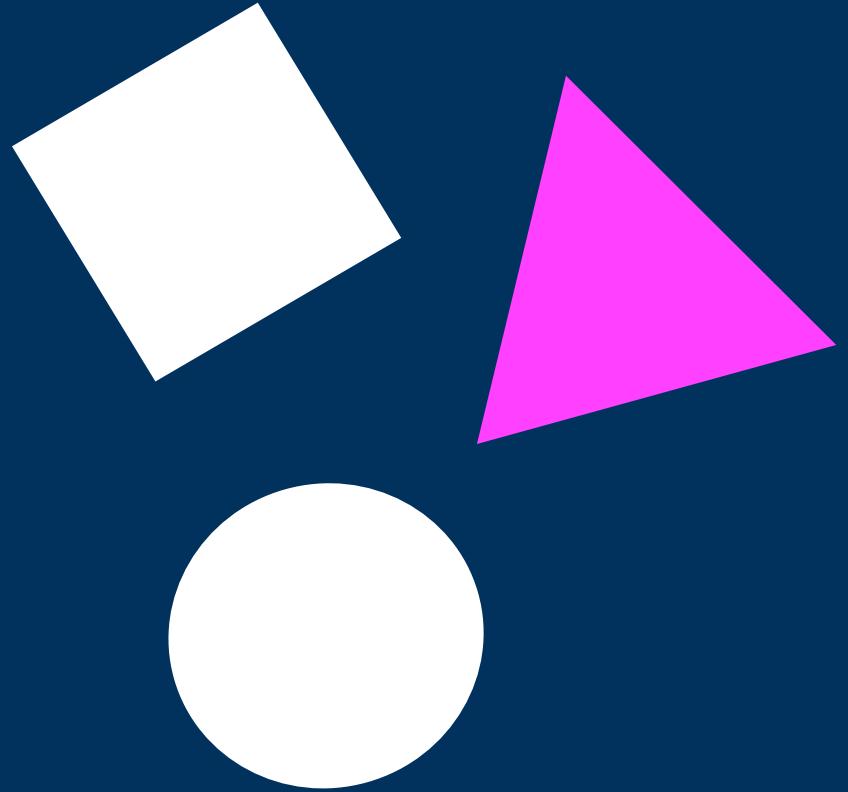
5. Using a one-size fits all approach to development

Another barrier to effective succession planning is using a one-size-fits-all approach. The strategy for developing a succession candidate in the operations department may be very different from the strategy used to develop a candidate in sales. Not every employee should take part in the same tasks and training. Ensure development plans are individualized and catered to the needs of each candidate. This will help to create plans that are targeted and effective.



6. Lacking standardization

While we don't want to use a one-size-fits-all approach to succession planning, there is great value in creating a standardized process. Unfortunately, in our experience with clients, we have noticed that it is much more common for organizations to use an every-leader-for-themselves, patchwork approach to succession. This approach does not lead to fulsome plans or successful implementation. Instead, organizations should seek to build a well-documented, well-rehearsed process for succession planning. This allows for an easily replicable and scalable process.



7. Keeping the succession plan a secret

Another common mistake leaders make is to shroud the implementation of a succession plan in secrecy. Leaders usually want to protect the privacy of their employees and they want to avoid the potential for hurt or disappointment among those who are not selected to be a part of the succession planning process. This approach usually ends up causing more problems in the long run. It is better to recognize that succession planning efforts will inevitably be shared among employees and to approach the process with transparency and honesty. A healthy succession plan includes a communications strategy. For more information about what that strategy should look like, read SIGMA's blog [How to Communicate Succession in Your Organization.](#)



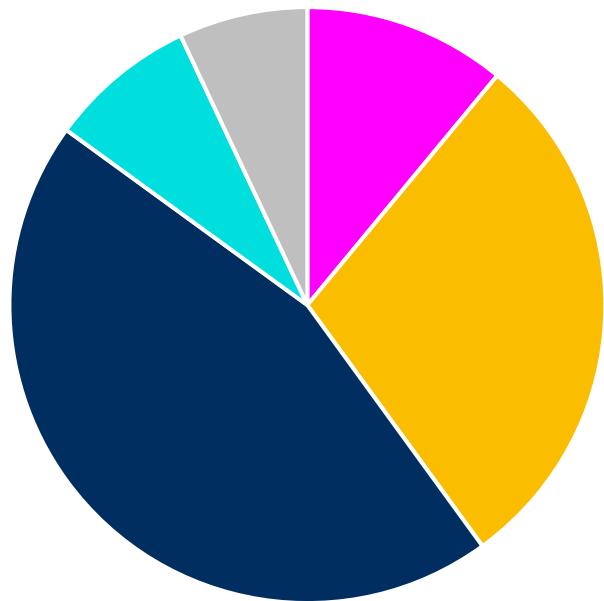
What the Numbers Show

At SIGMA, all of our recommendations are evidence-based and data-driven. One of our data sets comes our free [webinar](#) series, attended by hundreds of informed professionals from many different industries and countries all over the world. In our Succession Planning Webinar, we ask attendees what challenges their team faces when implementing strategic plans. Scores are fairly evenly distributed, but there are six challenges that leaders highlight most:¹⁵

1. Maintaining long-term commitment (20%).
2. Finding the time (19%).
3. Getting buy-in from employees and leaders (18%).
4. Lacking a standardized process (15%).
5. Lacking knowledge (14%).
6. Lacking a dedicated team (13%).

What the Numbers Show

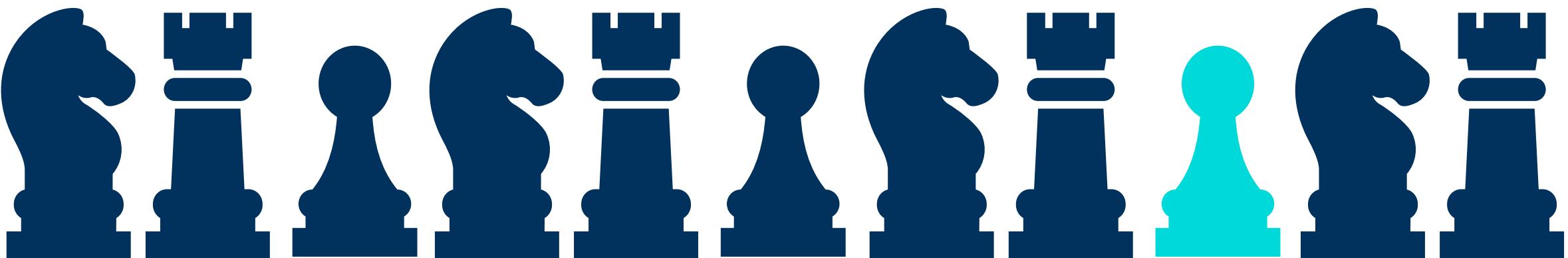
Succession planning isn't the only process affected by the challenges listed previously. SIGMA has noticed an overarching trend related to the difficulties of implementing any strategic process — not just succession plans. More than 1 in 3 leaders disclosed that their organization rarely follows through on strategic plans. Another 1 in 10 don't know whether their organization makes strategic plans at all:¹⁶



- 11% always implement their strategic plans
- 29% usually implement their strategic plans
- 45% rarely implement their strategic plans
- 8% don't create strategic plans at all
- 7% don't know whether the organization creates strategic plans

A Note on Strategic Planning

Clearly, there are barriers to strategic planning that affect organizational development beyond succession planning alone. However, succession planning is a great first step to overcoming these barriers. A proper succession planning process includes discussions about the future of the organization, its talent pool, critical roles, and employee development efforts. It also has a built-in system for measuring progress. Therefore, building a strong succession plan can become a springboard for accomplishing other strategic initiatives as well. In the next chapter of this report, we'll explore the process in detail.



Chapter 4

THEMES IN SUCCESSION PLANNING

Themes in Succession Planning

This chapter will provide a snapshot of contemporary trends in the succession planning space, as well as a sneak peek into where the practice of succession planning is going. We will introduce some trends in corporate strategic planning, common competencies for development, as well as explore what succession planning will look like in the future.



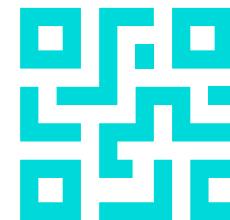
Trends in Corporate Strategic Planning

When SIGMA meets with clients, one of the first discussions we have is concerned with future directions. We ask clients to identify risks and opportunities around the themes of talent, innovation, their customers, and the industry. From this discussion, SIGMA's consultants compile a list of future directions and trends the organization should keep in mind as it works to remain competitive in the industry, and as an employer.

The top three future directions we have identified in our recent work with clients are as follows:²⁶



Recruiting and
retaining staff



Keeping up with
innovation

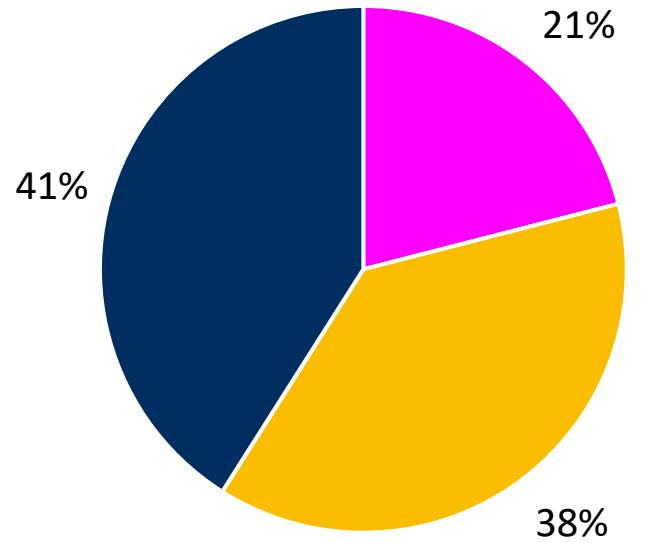


Improving customer
experience

Recruiting and Retaining Staff

It's no surprise that today's leaders are focused on recruiting and retaining staff. In 2021, the U.S. Bureau of Labor Statistics reported that more than 4 million workers quit their job each month.²⁷ Consequently, a record breaking 10.9 million jobs were vacant at the end of July.²⁸ Among career experts, this massive exodus from the workforce has been labelled [The Great Resignation](#).²⁹ In the aftermath of The Great Resignation, 36% of leaders confirmed that attracting, retaining, and developing staff has become one of their highest priorities.³⁰

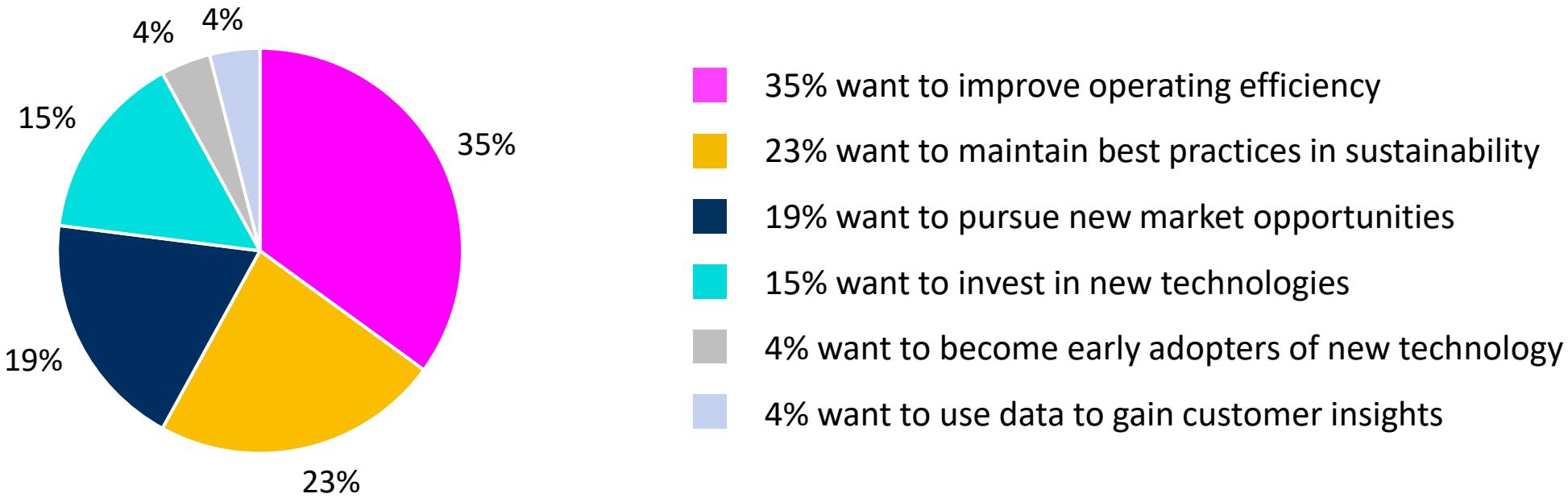
Of those leaders, 21% are focused on attracting staff, 38% are focused on retaining staff, and 41% are focused on providing training and education for existing staff.³¹



- attracting staff
- retaining staff
- providing training and education

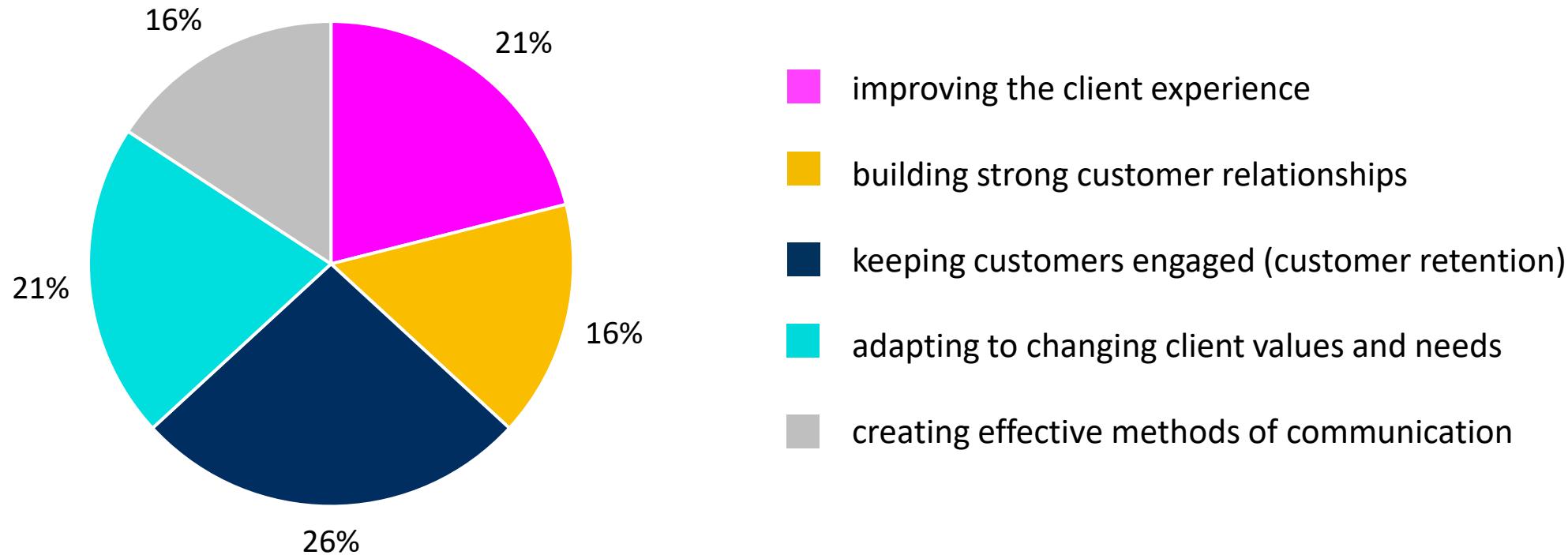
Keeping Up With Innovation

Close behind the effort to recruit and retain staff is the effort to keep up with innovation. In our conversations with leaders, SIGMA has noticed a growing awareness among organizations that industries and markets are changing drastically, largely due to the influence of emerging and developing technologies. Nearly 1 in 10 leaders tell us that their priority is to stay current with industry knowledge, and more than 1 in 4 highlight a desire to keep up with innovation. For those leaders, there are some commonalities in how they intend to approach innovation:³²



Improving Customer Satisfaction

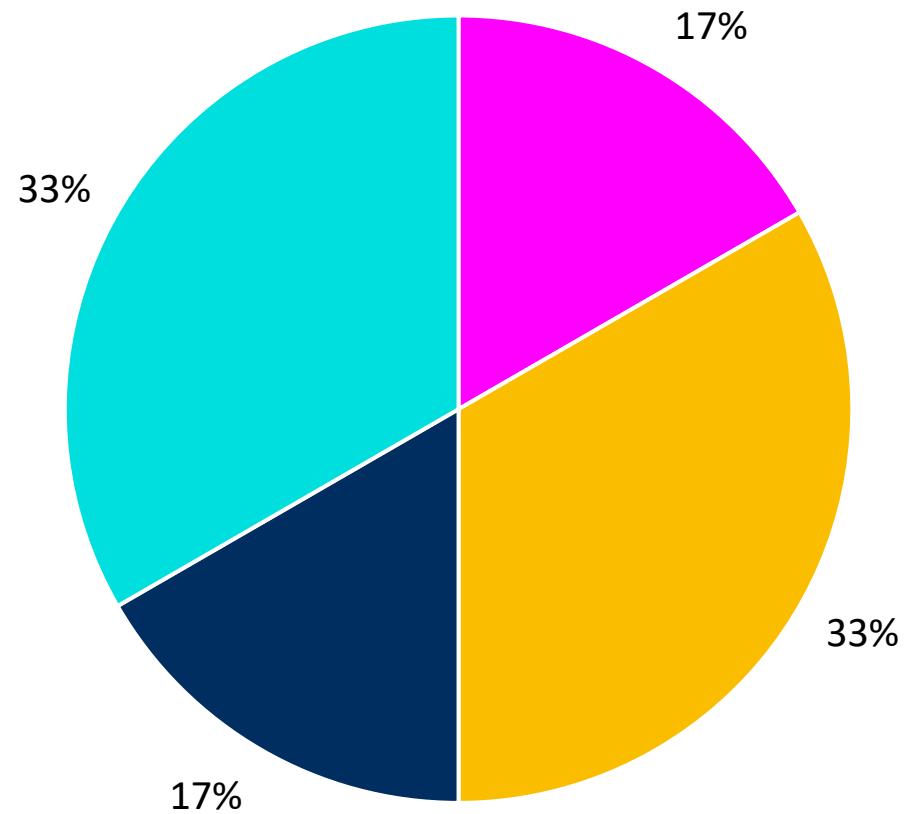
Nearly a quarter of all leaders tell us that the future of their organization depends on the satisfaction of their customers. In order to improve customer satisfaction leaders told us that they are focusing on:³³



A Note on Brand and Culture

Another theme that emerged in our client conversations was the desire to transform the organizational brand and culture. Clients often mentioned using their corporate culture to market their organization as an attractive employer, thus improving recruitment and retention. They also want to use their brand to position themselves as a leader in the adoption of emerging technologies. Finally, leaders mentioned using their brand and culture to communicate their commitment to clients. Leaders want to create a brand/culture that:³⁴

- █ emphasizes customer service
- █ is diverse, open, and accepting
- █ improves employee morale
- █ keeps the brand competitive and modern



Common Competencies for Development

Leadership competencies are an important part of our discussion regarding succession planning themes. In our work with clients, we see a pattern of shared competencies that often appear in our clients' development plans. These shared competencies come from two sources:

1. SIGMA's [LeaderBase](#), a database we use to track the competencies that our clients select as important for their leaders.
2. Data gathered from anonymized assessment results. This data highlights the strengths and development opportunities of real people in our clients' talent development programs.

Understanding common development opportunities can help organizations plan group training or select resources that support the large-scale development of specific skills.

Common Critical Competencies

Common critical competencies were taken from SIGMA's LeaderBase. This database contains Success Profiles for a variety of leadership roles common to many organizations. Profiles were developed based on job analysis referencing O*NET (a tool for career exploration and job description), as well as competencies endorsed by succession planning clients using the [LSP-R](#).

Based on data collected to date, here are the top 10 competencies that organizations want to see in their leaders:

Because these ten competencies are listed as common requirements for leaders, they can be used as a benchmark for talent development.



1. Communication.
2. Strategic Planning.
3. Integrity.
4. Developing and Coaching Others.
5. Facilitating Teamwork.
6. Active Listening.
7. Decisiveness.
8. Prioritizing.
9. Assuming Responsibility.
10. Vision.

Common Strengths and Development Opportunities

In addition to common critical competencies, it is important to highlight common strengths and development opportunities. Critical competencies are what leaders are looking for, but strengths and development opportunities are a snapshot of what an organization is currently working with.

Together, this information can be used to identify top talent and create powerful development plans that target the critical competencies where employees have room for growth. Here's what our client data suggests:

Strengths

1. Open-mindedness.
2. Integrity.
3. Risk-taking.
4. Delegation.
5. Decisiveness.

Development Opportunities

1. Thoroughness.
2. Monitoring and Controlling.
3. Organizing the Work of Others.
4. Short-term Planning.
5. Self-discipline.

Common Strengths and Development Opportunities

Based on the common development opportunities, we can conclude that most leaders could benefit from training in Thoroughness, Monitoring and Controlling, Organizing the Work of Others, Short-term Planning, and Self-discipline.

Interestingly, none of these competencies were highlighted in LeaderBase as part of the top 12 critical competencies organizations select for their leaders. On the other hand, only two strengths, Integrity and Decisiveness, overlapped with critical competencies. This means there are typically a few areas where employees demonstrate a degree of ability but haven't yet developed optimal strengths.

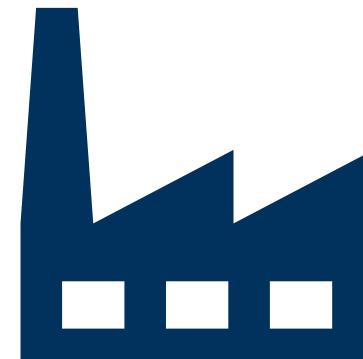
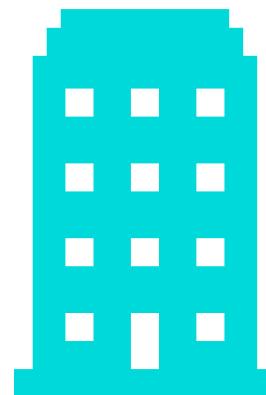
We generally recommend creating development plans that include both an individual's lowest-scoring development opportunities as well as areas of strength. Employees can benefit from seeing immediate progress in some areas while maintaining engagement to further develop in others.



Common Strengths and Development Opportunities

These lists reflect a general trend and may not be specific to the unique set of critical competencies required at all organizations, or the strengths and development opportunities common to all employees.

To fit the unique context of an individual organization and its employees, we recommend using a scientifically validated assessment like the LSP-R to determine each organization's critical competencies.



Final Thoughts

Overall, the future of succession planning looks bright. Business leaders have recognized the importance of having a robust plan and a strong leadership pipeline that prepares succession candidates to step into critical roles. Many organizations have also placed a renewed emphasis on the need for talent development. People aren't just quitting their jobs because of excess stress or a desire to experience a new role. In fact, more than 1 in 5 individuals have stated that they left their job because they saw better opportunities for advancement and professional development elsewhere.³⁵

Succession planning, therefore, needs to be about more than just selecting a successor. It needs to be a comprehensive process of understanding the key roles in an organization, nominating a diverse pool of candidates for each critical role, and supporting ongoing employee development to provide the opportunities for growth that people want. This is the essence of succession planning at its best, and it is also the future of succession planning for many organizations.

Chapter 5

BONUS: AN INTERVIEW WITH THE EXPERTS

For the last chapter of this report, we asked our consultants some of the most pressing succession planning questions. Here's what they had to say:

Q: What motivates organizations to approach you for succession planning support?

A: Organizations typically reach out to us for one of two reasons: either they're being proactive and searching for a way to create a succession process as part of their strategic plan, or they've recently faced a critical vacancy at work and are looking for a way to be better prepared moving forward. Either way, the need for succession planning comes from the same place — the desire for stability and security in key roles. Turnover is inevitable; it's one of the few things we can predict when we look into the future of any organization. Those organizations that are best equipped to mitigate the negative effects associated with turnover are the ones that are prepared — they have a succession plan. Succession plans certainly mitigate the negative effects of turnover, but they also benefit organizations through the retention of organizational knowledge, the engagement of employees in development programs, and the smooth transitioning of candidates. At the end of the day, however, most of our clients approach us due to an underlying need for stability and preparedness.

Q: What types of organizations do you see most in your consulting?

A: We have seen clients from a variety of industries — healthcare, government, education, hospitality, retail, and more. We have also seen organizations of various sizes, from small businesses to large corporations. The common factor among these organizations is that they are all extremely busy with day-to-day operations. Leaders feel pressed for time, so addressing a large strategic initiative, like succession planning, often feels out of reach. That's where SIGMA can help bridge the gap and kick-start the process. We help organizations create customized succession plans and the structure of our succession process allows clients to replicate it on their own. Most of our clients have critical roles they want to begin with, so our process allows them to get succession started right away where it's needed most and then expand it over time. We really encourage this approach, especially for those organizations that are beginning to think about succession for the first time and may be feeling overwhelmed by the entire process.

Q: What are the common challenges that organizations face during succession planning?

A: Organizations usually stumble at critical junctures in the succession planning process: deciding which roles to prioritize, how many candidates to develop, how to share information about succession with others, and how to document the process effectively. However, the greatest challenge we see our clients facing time and time again is not actually in the process of creating the plan — it's in the execution. Studies have shown that 67% of well-formulated strategies fail due to poor execution.³⁶ Organizations either struggle to prioritize succession over time, or lose support for their plans from their leaders and employees. That's why having a detailed, customized action plan is so important. Organizations will also want to ensure that there is a succession advisory team (SAT) responsible for implementing the plan, as well as a system for accountability. Identify the stakeholders and keep them involved. SIGMA helps our clients check all of these boxes: we provide a detailed, customized 12-month succession plan for each member of your leadership team. We also identify and train leaders who will be a part of your SAT, and we establish a system for accountability — both within your organization and with SIGMA as a business partner.

Q: How can organizations encourage buy-in to their succession plan?

A: Buy-in from upper management, incumbents in critical roles, and candidates is crucial for a succession plan to be effective. To encourage engagement from these stakeholders, ensure that the plan aligns with your organization's overall strategic plans. Look for ways to incorporate objectivity, accountability, and measurement into all stages of the process. Keep transparency and communication at the forefront of your plan so that employees across all levels of the organization are familiar with the process and feel involved. Provide regular updates to your organization about your succession goals, activities, and milestones. Your priority should be to keep conversations about succession going over time to ensure it becomes part of your day-to-day operations. Engagement with succession begins at the top, so look for ways to keep upper management interested and involved in your succession plan.

Q: What is the future of succession planning?

A: The future of succession planning will align with the future interests and areas of concern in strategic planning. In recent years, we've seen a focus on using succession planning to support recruitment, talent retention, and DEI. This is because succession planning can be used as a vehicle for achieving other strategic goals. Looking forward, we expect to see succession planning become more embedded in organizational policies and procedures. Through The Great Resignation, recent trends in job hopping, and a decline in overall job tenure, organizations are placing a growing emphasis on talent development processes that are intended to attract and retain staff. This, in essence, is the foundation for succession planning. Another change we expect to see in the future of succession planning is a shift in which types of roles organizations are considering critical and are actively prioritizing in their succession planning process. We expect that IT, HR, digital marketing, and communications roles, among others, will become more important, and will therefore be prioritized in succession planning processes.

Q: What advice would you give to organizations starting a succession plan for the first time?

A: It is important that leaders trust in the succession process. Succession planning doesn't need to be intimidating or overwhelming. If leaders follow a structured plan, document their decisions, and invest consistent time and attention to their plan, they will see progress toward their goals. Succession planning isn't easy, but it rests on simple principles of objectivity, transparency, and proactivity.

If you have questions about anything in this report,
please don't hesitate to reach out to us.
We are always happy to chat.

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