

# Don't have a succession plan? Here's what it could cost you:



## MONEY

Direct costs associated with unplanned succession have been estimated at over 10 times the price of an executive's salary.[1] Direct costs include severance packages, recruiting and executive search firm expenses, unplanned meetings with unexpected travel costs, premiums paid for unplanned or external hires, lawyers, consultants, public relations, etc.



## TIME

One of the greatest indirect costs of unplanned succession is the time lost while onboarding unprepared candidates. If there is no viable candidate inside the organization, many hours will also be spent finding an external replacement. This process includes resume review, holding interviews, screening candidates, and discussing alternatives.



## RELATIONSHIPS

Unplanned succession will also impact relationships. For example, there may be damage to client and supplier relationships, which may alter discount agreements and contracts established based on relationships with outgoing leaders. Trust may also be broken between the employee and their employer; turnover rates may rise as employees look for more stable organizations.



## SHAREHOLDER VALUE

Stock markets do not react well to change, particularly when that change is unexpected and unplanned for. A study of the world's largest 2,500 public companies showed that unplanned succession costs firms an average of \$1.8 billion in shareholder value. [2]



## PERFORMANCE

Performance also suffers when there is no succession plan. A comparison of companies forced to name a CEO successor revealed that those who took longer to select a CEO performed worse. [1] Not only that, nearly 40% of today's CEOs are failing to meet their performance expectations within 18 months of taking on the job. [1]



## MORALE

Beyond the successor themselves, unplanned succession also affects the performance of others. Perceived instability can lower morale, disrupt team dynamics, and prevent employees from trusting their leaders and focusing solely on their work.

[1] HARRELL, E. (DECEMBER 2016). SUCCESSION PLANNING: WHAT THE RESEARCH SAYS. HARVARD BUSINESS REVIEW. [HTTPS://HBR.ORG/2016/12/SUCCESSION-PLANNING-WHAT-THE-RESEARCH-SAYS](https://hbr.org/2016/12/succession-planning-what-the-research-says).

[2] FORBES. (MAY 12, 2015). THE \$112 BILLION CEO SUCCESSION PROBLEM. FORBES. [HTTPS://WWW.FORBES.COM/SITES/STRATEGYAND/2015/05/12/THE-112-BILLION-CEO-SUCCESSION-PROBLEM/#6A228C227688](https://www.forbes.com/sites/strategyand/2015/05/12/the-112-billion-ceo-succession-problem/#6A228C227688).