

How to Build a Strong Succession Plan in 6 Simple Steps

Building a Succession Plan

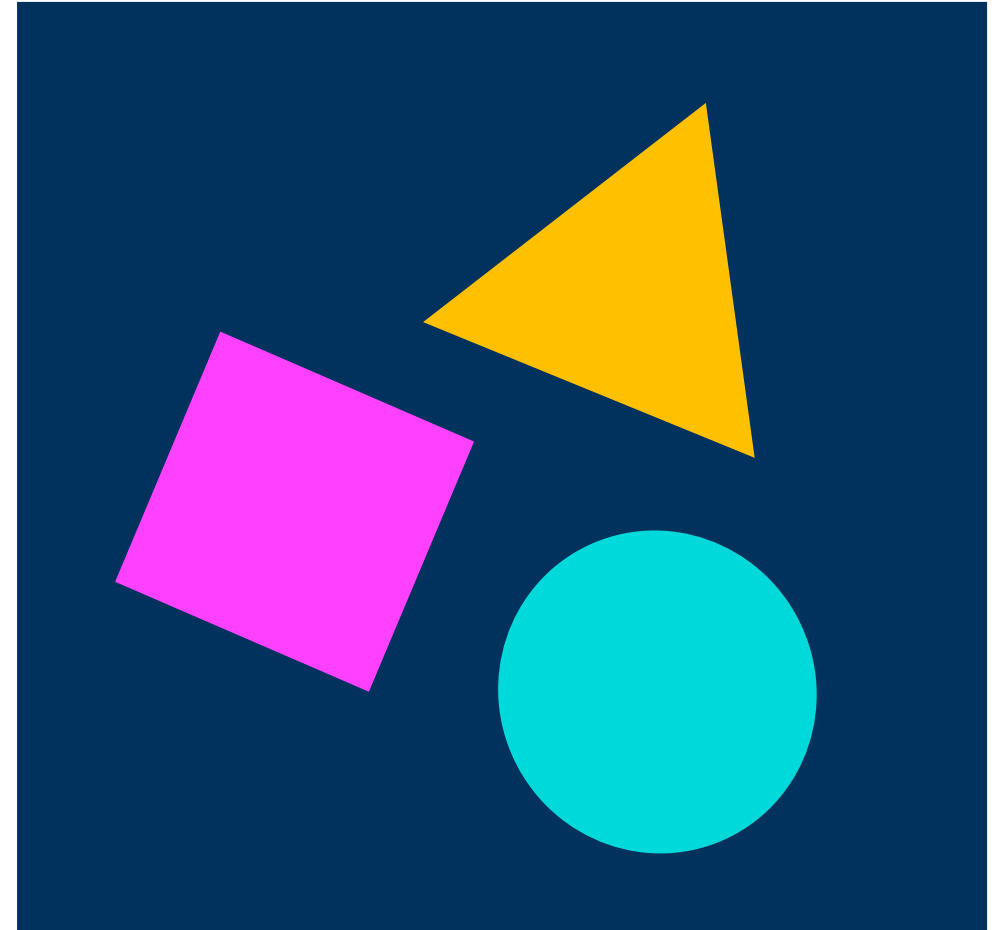
Succession plans don't materialize on their own; building them takes commitment and time. In this guide, we will explore SIGMA's step-by-step process for building a robust succession plan. This process has been informed by our work with public and private clients across North America. SIGMA's process has been tested and refined through years of experience and implementation, and clients have seen practical results. Before we examine the process itself, let's consider why having a process matters in the first place.



Why Succession Planning Needs a Process

Only 8% of organizations we speak to have a proper, documented succession plan. Roughly half (48%) use replacement hiring as a makeshift succession planning process, and another 44% use a mix of replacement hiring and succession planning. That means 92% of organizations are operating without a proper plan in place.¹ What are those organizations with undocumented or replacement plans missing out on? Why is having a process important?

Having a standardized and documented succession planning process is important for a variety of reasons:



Why Succession Planning Needs a Process

1. First, standardization makes the process easier to replicate and scale. For example, a standardized and documented succession plan for a core team of leaders can easily be rolled out across other teams and departments as well.
2. Second, having a process for succession enables merit-based decisions. This is important, because succession-related decisions can easily become subject to similarity bias, causing leaders to select an individual who may look, act, or work like the incumbent, but may not be the best candidate for the job. That's why succession should be data-driven. This will help reduce bias and prevent personal preference from influencing the decision.



Why Succession Planning Needs a Process

3. Because succession planning processes enable merit-based decisions, they also encourage a culture that supports diversity, equity, and inclusion. Objective processes are more accessible and just than personal preference, which means they are also more likely to foster diversity among those who are hired and promoted. In this way, a proper succession planning process can become the foundation for DEI initiatives.
4. Having a succession planning process is also valuable because it provides a record of how decisions are made. When decisions are properly documented, organizations can offer a transparent explanation as to why one candidate was selected over another, or how candidates were nominated in the first place.



Why Succession Planning Needs a Process

5. In addition to providing a rationale for decisions, having a succession planning process allows decisions to be made more effectively and efficiently. With clear step-by-step procedures and standardized documents, succession plans remove the ambiguity regarding what hasn't been done and what needs to be done. This clarity helps reduce time wasted on waiting and wondering or completing unnecessary tasks.
6. Finally, having a formal process for succession planning makes it much easier to communicate with stakeholders, especially when presenting and articulating the value of the plan to senior management or a board of directors. Having a formal process also helps promote the organization as a competitive employer because top talent is attracted to organizations that invest in the professional development of its employees. Being able to communicate a succession planning process also has internal benefits as it helps provide clarity and structure for employees through the communication of decisions and strategic plans.



Ultimately, having a succession planning process facilitates transitions more smoothly and successfully.

It may take an initial investment of time, but that investment will pay dividends in the long run.

SIGMA's 6-Step Succession Planning Process

SIGMA's [6-Step Succession Planning Process](#) is more than a simple replacement hiring process; it is a comprehensive talent development program designed to prepare organizations for a stable future. These six steps describe how to identify high potential employees and prepare them to become viable successors for critical roles. In essence, this plan lays the groundwork for developing a [leadership pipeline](#), the product of which is a healthy [succession bench](#) for each critical role in an organization.



STEP 1

Identify Critical
Roles



STEP 2

Build Success
Profiles



STEP 3

Nominate
Successors



STEP 4

Assess Talent



STEP 5

Develop Talent



STEP 6

Measure
Progress

STEP 1: Identify Critical Roles

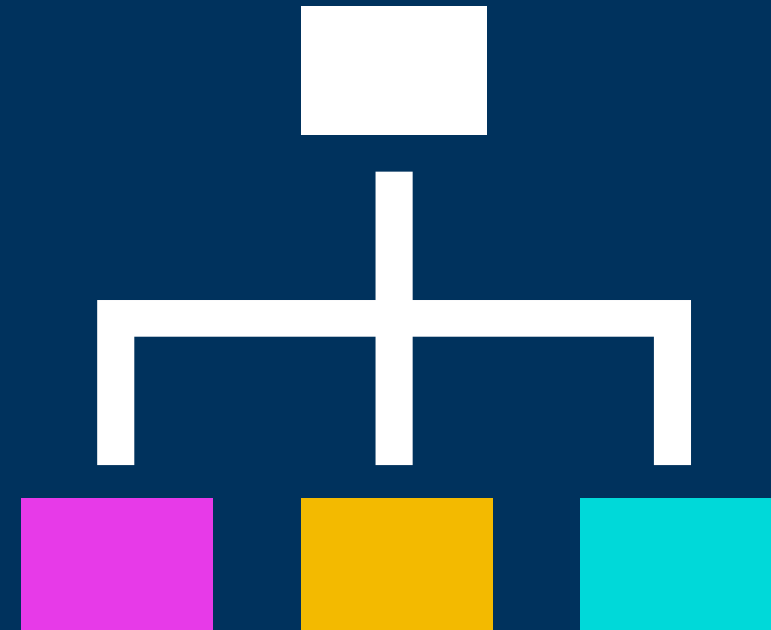
The first step in the succession planning process is to identify critical roles. Critical roles are those roles that have the greatest impact on an organization's performance and are the most difficult to replace. These are the positions an organization should prioritize in its succession plan. A critical role is one that has:

- 1 An urgent, imminent need for a succession plan
- 2 A strong impact on the operations of the business
- 3 A unique skill or knowledge base required to perform the job well
- 4 Few internal candidates who can be trained for the role
- 5 Few external candidates who can be easily hired into the role

Any role that meets one or more of the above requirements can be considered a critical role. Some roles are more critical than others — at least in the context of succession planning.

Critical Roles vs. C-Suite Roles

A common mistake we see when it comes to identifying critical roles is an assumption that all critical roles should be leadership roles. While C-suite, VP, and other managerial positions are likely critical, there are other positions that should not be overlooked. Consider administrative roles, IT, and other linchpin roles that possess considerable institutional or technical knowledge. A good litmus test for whether a role is critical or not is to ask, “If the incumbent in the role were to leave right now, how would it impact our business?” If finding a successor would be difficult, or operations would be severely impaired, that role should be considered a critical role.



Critical People vs. Critical Roles

When working with our clients, we carefully and deliberately outline the difference between a critical role and a critical person. Why? Because succession plans should be made with the long-term health of a role in mind, independent of any single incumbent.

That being said, it is not uncommon to have a critical person who wears multiple hats and works a variety of jobs. Although the loss of this person would significantly impact the organization, it can be difficult to create a succession plan for individuals who wear multiple hats and fulfil multiple roles. Because succession plans should be made for roles rather than people, it might be necessary to break this individual's role down into two or more roles in order to create a clear succession plan.



Critical People vs. Critical Roles

For example, consider an organization where the office manager is responsible for day-to-day operations, as well as payroll and accounts payable. As the business grows, the office manager may take on more sophisticated tasks, expanding their role further. When creating a succession plan, the organization should consider if it is possible to replace this highly skilled and specialized incumbent with just one candidate. If not, the organization will need to break down the role into multiple components, such as office manager and HR manager. Each role should have a distinct job description and success profile. The organization can then turn its attention to creating strong talent pools for each of these roles, preparing for the day when the current office manager decides to vacate their role.



STEP 2: Build Success Profiles

Once critical roles have been identified in the succession planning process, the next step is to build a success profile for each of those roles.

Success profiles are similar to job descriptions in that they list the education, experience, and skills required for a role, as well as duties the incumbent is expected to perform. However, success profiles also go beyond the parameters of regular job descriptions by documenting the leadership competencies that are necessary for success in that role.



Don't Skip This Step

Building success profiles is a step that organizations are often tempted to skip. But success profiles lay the foundation for assessing, developing, and promoting candidates into critical roles. It is imperative to take time to outline which skills and qualities are needed for success in that critical role, otherwise other talent development efforts may suffer.

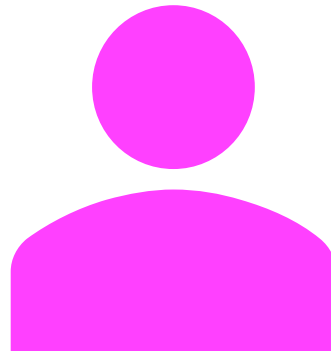
- Having a strong success profile allows leaders to quickly identify candidates who are suited for the job.
- A strong success profile allows organizations to identify skills gaps and create individual development plans targeted towards preparing different candidates for different roles.



STEP 3: Nominate Successors

After creating success profiles, it's time to start nominating successors. This step involves brainstorming and matching every possible candidate for succession to each critical role selected in Step 1.

Nominating successors can be a difficult task — it's one that teams often get stuck on. To help get started, we've compiled a list of tips and tricks that we've gathered over the years from our work with clients:



STEP 3: Nominate Successors

- 1. Consider everyone.** At this stage it's easy to overthink who gets nominated and who doesn't. We encourage clients to cast their net wide and consider anyone who shows aptitude for being a succession candidate in the future. In particular, look for potential. There may be a diamond in the rough who currently needs development but could be a strong succession candidate in 3-5 years. These candidates are just as valuable as current high performers, especially if current high performers are not willing or able to grow further.
- 2. Assess candidates across departments.** While it certainly makes sense to begin with an incumbent's direct reports when nominating candidates for their role, it is also valuable to consider potential candidates in other departments. These employees may require some additional cross-departmental training, but they can dramatically increase the size of internal talent pools if they are considered as candidates for development.
- 3. Clarify that being nominated as a candidate does not guarantee selection as a successor.** This is a reality that needs to be communicated clearly throughout the succession planning process. Employees who are nominated to participate in development are not guaranteed a promotion. Be sure that everyone understands this before they agree to take part in the succession planning process.

STEP 4: Assess Talent

Once succession candidates have been nominated, it's time to assess talent. This is another important step that many organizations are inclined to overlook. The temptation is to take a pool of candidates and put them through a conventional training program, either one that has been used internally in the past, or one that has been sourced from a third-party vendor. While this form of training certainly “checks the box,” it is rarely effective at preparing candidates for succession.

Rather than funneling candidates through the same training, SIGMA advocates for individual development plans that target specific gaps between candidate profiles and the success profiles for critical roles. Assessing talent allows leaders to identify those gaps and create targeted development plans.



STEP 4: Assess Talent

Talent assessment can take many forms, but organizations should look for a measure that is evidence-based, validated, and reliable. At SIGMA, we use our scientifically-validated [Leadership Skills Profile — Revised™ \(LSP-R\)](#) to support organizations that want to thoroughly understand their candidates' strengths and development opportunities.

The best talent assessments employ a comprehensive [leadership competency framework](#) that can be integrated with other development tools, including success profiles, development plans, and performance metrics. Investing in standardized assessment and development tools is important because it allows succession planning and talent development efforts to be seamlessly integrated with other important HR functions.



STEP 4: Assess Talent

Five things to look for when choosing a strong personality assessment²

- 1 The assessment uses an evidence-based model of personality
- 2 It measures traits that are relevant to the job
- 3 It was created by those with expertise in test design and psychometric assessment
- 4 It has been validated on a sample that is similar to the candidate pool
- 5 There is evidence of strong reliability and predictive validity

STEP 5: Develop Talent

Developing talent is the most important and the most time-consuming stage in the succession planning process. This is where the heavy lifting gets done, and it is important that it gets done right.

There has been an emerging trend in talent development toward strengths-based training. Strengths-based training emphasizes the skills and abilities that come naturally to an employee. The focus is on what each person already does well, rather than the areas where they have room to grow.

While strengths-based training can be validating and affirming, it is not always the most effective at helping individuals grow. Instead of focusing on strengths-based training, SIGMA advocates for a balanced approach to learning and development. We recognize the need to affirm gifts and allow people to play to their strengths; this is an important practice in building confident and effective teams. However, we also recognize the need to challenge people to build self-awareness and achieve their full potential, and that requires an investigation into the areas where they have room for growth.



Coaching for Development

“Great leaders don’t create followers,
they create more leaders.”

— *Tom Peters*


In most organizations, leaders are given substantial responsibility, and they do much more than simply accomplish their own tasks. They are mentors to their employees, scouts for rising stars in the organization, and serve as role models by embodying the traits and values the organization promotes. When provided with proper training, these leaders can make highly effective internal coaches for succession planning candidates. SIGMA has seen the benefits of this kind of coaching firsthand and we strongly believe that effective talent development should include a one-on-one coaching component. Let’s take a closer look at how coaching works.




Coaching for Development

Coaches support the talent development process by helping candidates reflect on assessment results, gain self-awareness about strengths and skill gaps, and set development goals. Coaches also act as accountability partners by meeting regularly with candidates to monitor progress and ensure that they are accomplishing their goals.

Studies have shown that coaching makes it significantly more likely that candidates will achieve their development goals.³ Coaching also increases the likelihood that changes in a candidate's behavior will be sustained long-term.^{4,5}

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Other Benefits of Coaching⁶

- ✓ New skill acquisition.
 - ✓ Improved relationships.
 - ✓ Exposure to other perspectives.
 - ✓ Increased role clarity.
 - ✓ Increased motivation.
 - ✓ Improved performance.
 - ✓ Elevated work/life satisfaction.
 - ✓ A healthier organizational culture and environment.
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Other Benefits of Coaching

Beyond these operational benefits, coaching can also show quantifiable financial returns. 90% of coaches estimate that the 18-month prospective value of their coaching engagement's impact on organizational effectiveness exceeds \$50,000.⁷ Managers also recognize the financial benefits of coaching, with 42% of managers estimating the value of coaching engagements to be more than \$25,000.⁸ More than 1 in 5 organizations also notice an increase in sales and revenue after coaching engagements. This increase in revenue is present regardless of the original motivation for coaching.⁹

Coaching can have a significant impact on talent development and the success of an organization at large. It may take time, but it is certainly worth the cost. Effective coaching not only strengthens a succession plan, it also bolsters leadership teams and benefits the finances, operations, and relationships within organizations.



STEP 6: Measure Progress

The final step in SIGMA's 6-Step Succession Planning Process is to measure progress. In our conversations with clients, we've learned that

nearly 1 in 10 leaders don't know whether their organization's strategic plan ever gets implemented

If leaders don't know whether their strategic plans are being implemented, it means they are not measuring progress. Even when organizations do take the time to measure progress, it's important to make sure the metrics are chosen properly, measured well, and that the results are communicated. Here are three simple steps to measure progress effectively:



STEP 6: Measure Progress

1. **First, leaders must agree on a set of success metrics**

These metrics should be important to the organization, as there is no sense in measuring data that won't be used. Start by considering the data that is already available, then think about the information that can be used to determine if the goals of the succession plan are being met.

2. **After success metrics are set, data must be recorded**

Data should be recorded regularly (we recommend recording data and reviewing the succession plan once every six months). Remember to take a baseline measure before beginning to implement the talent development process. Baseline measurements ensure the ability to calculate growth over time.

3. **Finally, information must be acted upon**

As American engineer W. Edwards Deming once said, "The ultimate purpose for collecting data is to provide a basis for action or recommendation." To do this well, it is essential to review progress regularly and share the results. We recommend meeting at least once every six months to update the plan and adjust goals as needed.

Data from progress measurements can be used to

- ✓ Confirm progress toward development goals.
- ✓ Make adjustments as needed to accomplish goals.
- ✓ Communicate success to the board of directors, investors, or other stakeholders.
- ✓ Share progress with the entire organization.
- ✓ Motivate coaches and candidates.
- ✓ Calculate return on investment (ROI).
- ✓ Attract top talent by demonstrating a commitment to measurable professional development.

STEP 6: Measure Progress

When measuring progress, remember that succession planning is an ongoing journey. Our 6-Step Succession Planning Process should look more like a cyclical pattern than a linear checklist. Over time, positions will change, and talent will come and go. Organizations are dynamic, so their succession plans must be too.

Be prepared to take many groups through the development process and to refresh and update the strategy as needed. Frequent revisions ensure the succession plan stays current, contextualized, and suited to the changing needs of the organization.



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

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