



# Succession Planning Basics

For Business Service Organizations

*Rev 06/04/2024*









**CURRENT MOOD**



**When someone asks if it's  
been a rough week...**



**Yeah, why does it show?**

# Agenda



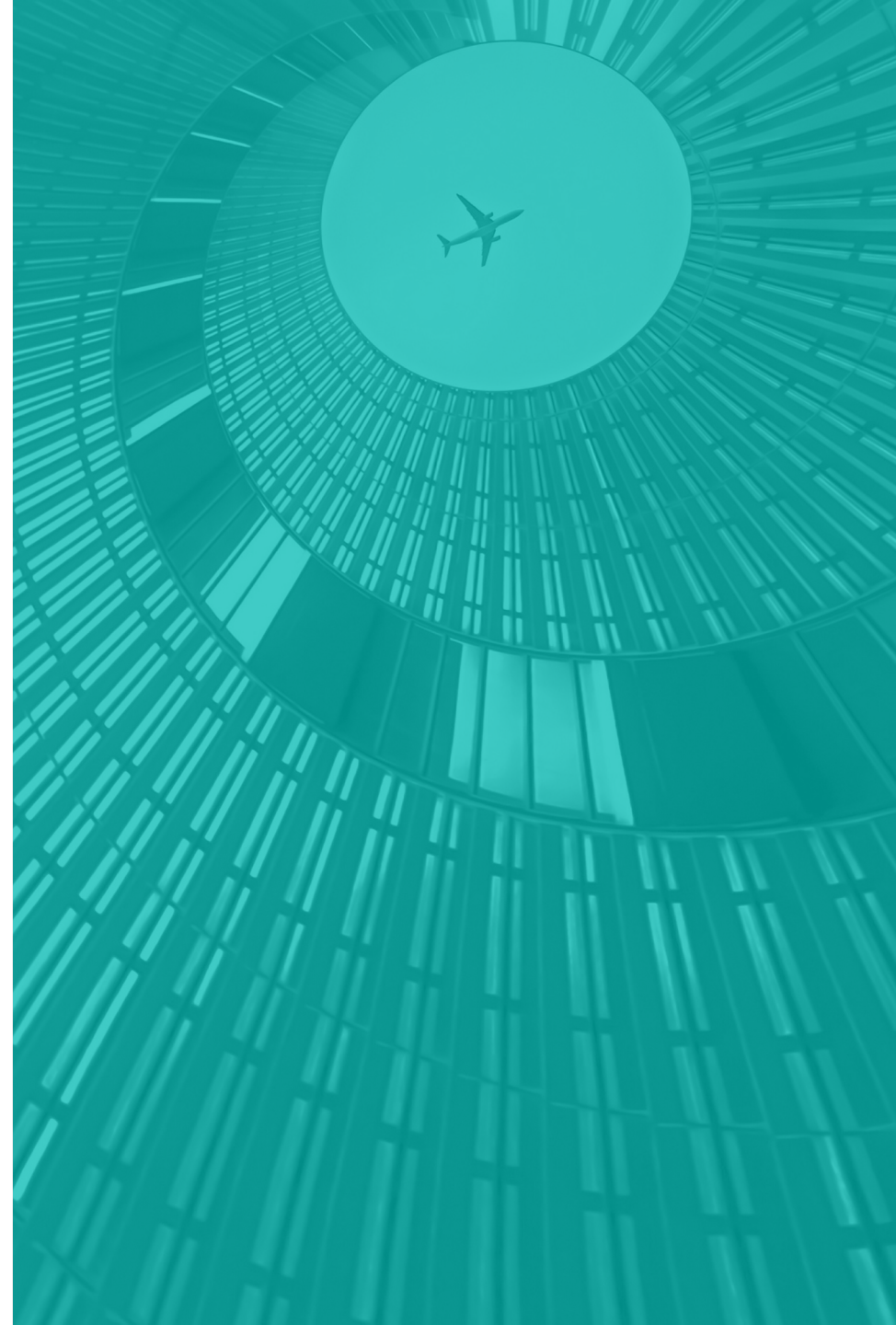


# Agenda

Part 1: Succession Plan Definition & Importance

Part 2: Succession Plan Building

Part 3: Execute, Evaluate, & Monitor Your Plan



# PART 1 DEFINITION & IMPORTANCE







## PART 1: DEFINITION & IMPORTANCE

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### Succession Planning

The process of identifying important positions in the organization and creating a talent pipeline to fill those vacancies as folks move on from your organization.

### Successor

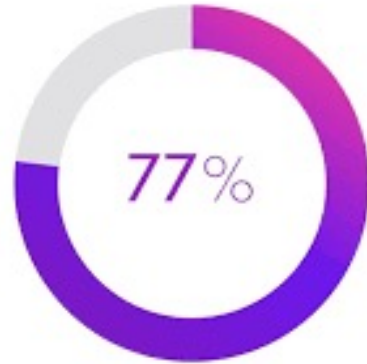
The person with the knowledge, skills, and ability to fill a vacant position (either permanently or until a replacement is found).

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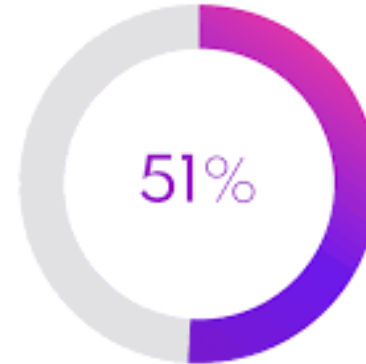
**Misnomer:** *Succession planning is only for those at the top.*



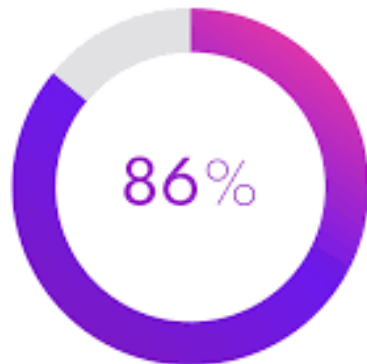
# PART 1: DEFINITION & IMPORTANCE



CEOs did not participate in the performance evaluation of top executives  
*(Stanford, 2014)*



Leaders have weak confidence in maintaining a clear / consistent succession program  
*(Deloitte, 2014)*



Leaders believe succession planning is an “urgent” an “important” priority, yet only 13% believe they do it well  
*(Deloitte, 2014)*



CEO turnover in the world’s 2,500 largest companies is at 17.5% which means that every year companies must appoint a new executive  
*(PwC, 2018)*



# PART 1: DEFINITION & IMPORTANCE

A landmark study that Rakesh Khurana and Nitin Nohria of Harvard Business School conducted years ago sheds light on the first kind of cost. Khurana and Nohria examined the impact that different types of CEO succession had on operating returns in 200 organizations over a 15-year period.

They compared four scenarios: (1) an insider promoted in a firm doing reasonably well; (2) an insider promoted in a firm doing poorly; (3) an outsider hired in a firm doing reasonably well; and (4) an outsider hired in a firm doing poorly.

They found that, on average, insiders didn't significantly change their company's performance. That makes sense: Similar people working in similar ways at the same company will produce similar results.

*With outsiders, the change was much more extreme.* In the infrequent cases when a company was doing very poorly, outsiders added great value, on average. *But at companies doing reasonably well, outsiders destroyed massive value.* This suggested that companies looking for a new CEO should hire external candidates only in exceptional cases, when a major turnaround or cultural change is called for.



# PART 1: DEFINITION & IMPORTANCE

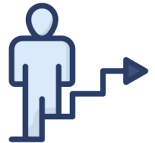
## BENEFITS



Ensures business continuity



Ensures institutional knowledge, key skills, and “know how” is maintained

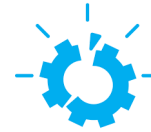


Integrates into career path & career development



Fosters employee retention & boosting morale

## RISKS



Disruption to business operations (*or worse, closing the organization*)



Loss of crucial knowledge that may not be recovered



Loss of talent who grow their career elsewhere



Culture disintegration and eroding of organizational values



**GAME TIME!**



# Gap Identification

Take a step forward if you:

1. Have a job description for all unique positions in your organization that properly identify the skills, knowledge, and experiences required to excel in each unique role.
2. Have updated job descriptions for each unique role regularly, at least annually.
3. Identified which of those unique positions are the most critical for the organization's long-term viability.
4. Determined which of those critical positions have no identifiable successor in the organization today.
5. Understand the core skills, knowledge, and/or experiences that are required for a successor to be effective in those critical position(s).
6. Conducted a skills gap analysis across your team(s) to identify potential successors & where those potential successors may need further development.
7. Provided training and development opportunities to close the skill gaps of potential successors.
8. Have your succession plan(s) (by critical position) written down and you evaluate them regularly.



# PART 2 PLAN BUILDING







## PART 2: PLAN BUILDING

### Job Descriptions = The Foundation

*(Game Steps 1-2)*

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- Have a written JD for each unique position
  - Clearly articulate the education, skills, knowledge, experience(s), and/or capabilities required to excel in the role
    - *This supports solid planning, and it also supports conducting performance reviews well as the JD sets the standard against which you evaluate*
  - Update JDs annually, at a minimum, as business is organic and job duties morph over time
    - *Get input from other stake holders in the organization about what's important in the role*

# PART 2: PLAN BUILDING

## Unique Critical Positions = Organizational Longevity

(Game Steps 3-4)

- ✓ Identify unique position which are most critical to the organization's long-term viability
- ✓ Which of those roles have no identifiable successor today?
- ✓ Review each member of current staff
  - Years of service?
  - Years until retirement?
- ✓ Review backfill metrics:
  - Average time to hire?
  - Average turnover?

<b>Criticality Position impact on long-term viability</b>	<b><u>Vulnerability / Risk to Org</u></b>			
	<b>No successor identified for this position</b>			
		Low	Moderate	High
	High	Moderate Risk	High Risk	High Risk
	Moderate	Low Risk	Moderate Risk	High Risk
Low	Low Risk	Low Risk	Moderate Risk	

Average time to **train** successors = 36 months





## PART 2: PLAN BUILDING

Needed Skillset – Current Skillset = Skill Gaps

*(Game Steps 5-6)*

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- Determine the core skills required to achieve the desired outcomes
  - Get granular and clear, not *“je ne sais quoi”*
  - Not just “communication skills” rather:
    - “Style of communication” (perpetuating your culture)
    - “Method of communication” (oral or written or both)
  - Not just “leadership skills” rather:
    - “Sought out as a mentor and subject matter expert on \_\_\_\_”
    - “Viewed as the visionary for the future of the organization”



# PART 2: PLAN BUILDING

Needed Skillset – Current Skillset = Skill Gaps

*(Game Steps 5-6)*

## SAMPLE SKILL GAP ANALYSIS CHART

Skill	Importance to Role	Current Level	Required Level
Communication style perpetuates the culture	Medium-High	5	8
Viewed as the visionary of the future of the org	Medium-Low	1	6
Develops strong rapport with org constituents	High	7	10
Identifies community partners and networks appropriately	High	8	10
Budgeting skills ensure the long-term financial health of the org	Medium	7	7



**PART 3**  
**EXECUTE,  
EVALUATE, &  
MONITOR**



# PART 3: EXECUTE, EVALUATE, & MONITOR

Training & Development + Written, Evaluated Plan = SUCCESS(ion planning)

*(Game Steps 7-8)*

## Training & Development Opportunities

Development Opportunity	Acquisition Methods / Actions
Knowledge Acquisition	<ul style="list-style-type: none"><li>➤ Seminars</li><li>➤ Workshops</li><li>➤ Conferences</li><li>➤ Classes (online / in-person)</li></ul>
Hard Skill Experience Acquisition (e.g. technical skills)	<ul style="list-style-type: none"><li>➤ Job shadowing</li><li>➤ Department rotations</li><li>➤ Technical skill courses / “lab” work</li></ul>
Soft Skill Experience Acquisition	<ul style="list-style-type: none"><li>➤ Presentations</li><li>➤ Oral / written communications</li><li>➤ Leading meetings or projects</li><li>➤ Proper steps of delegation (Show / Watch / Own)</li></ul>





# PART 3: EXECUTE, EVALUATE & MONITOR

## Training & Development Opportunities

Skill	Importance to Role	Current Level	Required Level	Next Action (T & D Opportunities)
Communication style perpetuates the culture	Medium-High	5	8	<ul style="list-style-type: none"> <li>Shadow 1-1 meetings</li> <li>Review written communications</li> </ul>
Viewed as the visionary of the future of the org	Medium-Low	1	6	<ul style="list-style-type: none"> <li>Increase opportunities to challenge long-term thinking</li> <li>Ask for input before sharing insights</li> </ul>
Develops strong rapport with org constituents	High	7	10	<ul style="list-style-type: none"> <li>Have them watch you (show + watch)</li> <li>Discuss after interaction</li> <li>Watch them (own)</li> </ul>
Identifies community partners and networks appropriately	High	8	10	<ul style="list-style-type: none"> <li>Clear guide on ideal partners</li> <li>Show what “appropriate” networking looks like</li> </ul>
Budgeting skills ensure the long-term financial health of the org	Medium	7	7	<ul style="list-style-type: none"> <li>Maintain / stay the course</li> </ul>

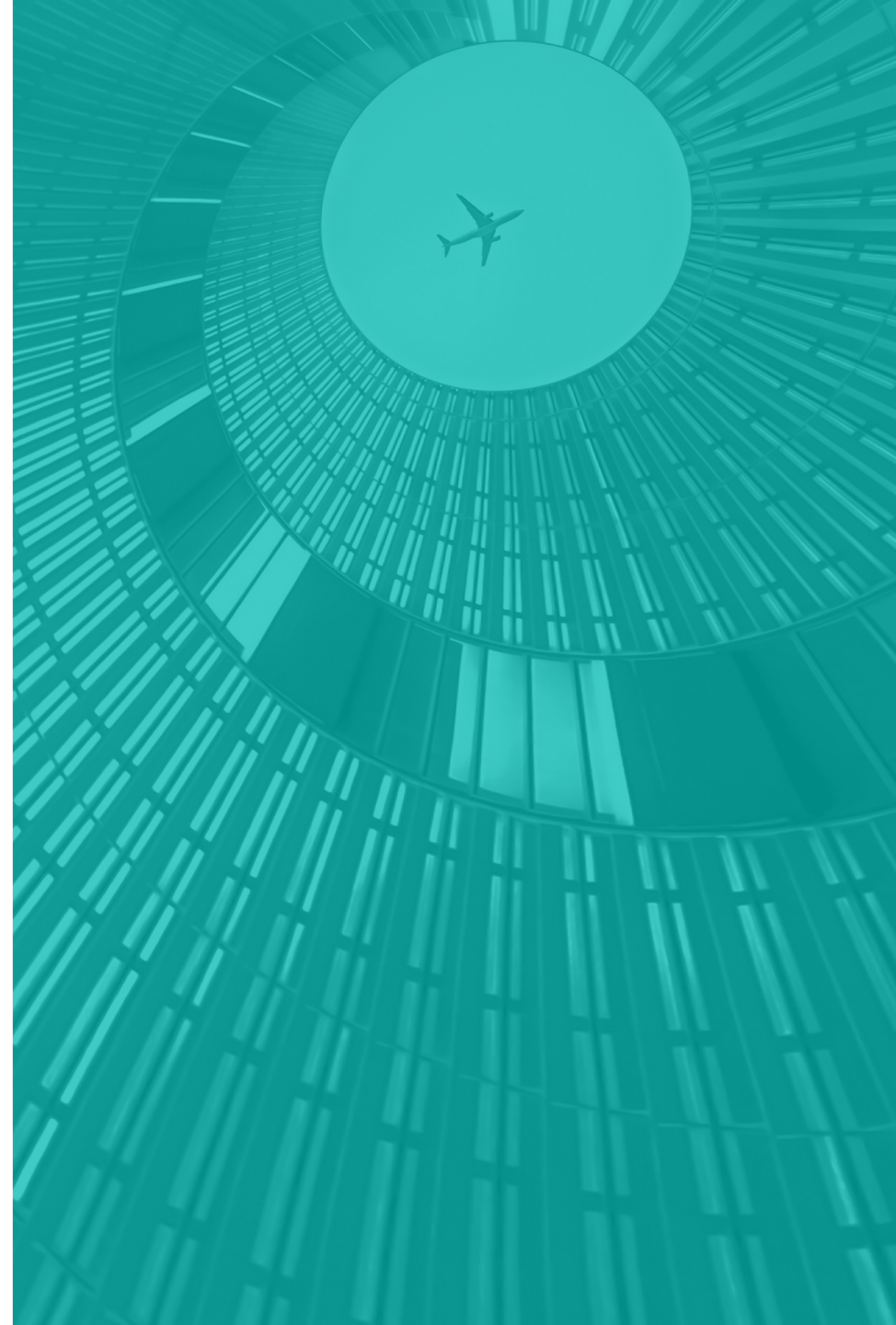




## PART 3: EXECUTE, EVALUATE, & MONITOR



1. Write down your plan
2. Revisit skill gap areas of growth every 4-6 months to monitor progress
3. Evaluate the number of “ready now” candidates compared to original benchmark
4. Consider how much risk is mitigated if an employee were to leave the organization
5. Compare current org chart to future org chart (24-36 months) regularly





# Thank You! Questions?



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