

# REVAMPING SUCCESSION

## A FRESH APPROACH, A BETTER INVESTMENT

Thought Leadership



With CEO turnover at its highest in 20 years, and the average tenure being fewer than 7 years, the process of succession planning stands as a cornerstone of strategic readiness.

Succession planning is more than a human resources (HR) practice. It's a critical imperative that ensures a seamless transition of leadership and the cultivation of talent within an organization.

Our recent survey of top HR leaders and talent managers found that most companies consider succession and workforce planning necessary for long-term success. But there is a problem: they're not spending nearly enough resources on their efforts, ultimately impeding their workforce preparedness and effectiveness overall. A staggering 90% of organizations recognize the importance of succession planning, yet only 37% back this up with substantial financial commitments. It's a disparity further accentuated by a recent LinkedIn study that revealed **only 35% of companies** have a formalized succession process for critical roles.

### The imbalance between importance and investment

The misalignment between perceived importance and actual investment raises a fundamental question: Why place such a high premium on succession planning only to fail in allocating the resources necessary for success?

Although budget constraints and competing priorities are inevitable, experts in the field have long emphasized the importance of aligning strategic priorities with investments in resources and talent. Succession planning enables

organizational sustainability by proactively preparing leadership transitions and nurturing talent within a company. **Research shows** that overlooking this crucial process can result in both immediate repercussions (such as unforeseen turnover and leadership voids) and long-term effects (including reduced organizational performance and talent-pipeline deficiencies). The enduring benefits of robust succession planning can far outweigh the short-term gains from a lack of investment in this core organizational need.

To bridge this gap, companies can take a multi-strategy approach, one that considers succession planning as an investment in the future, a safeguard against unforeseen leadership holes, and a tool for enhancing organizational resilience. It is not just best practice; it is a strategic necessity. Organizations should start by identifying critical roles and specifying the leadership competencies, traits, and behaviors needed for success. They should also understand their talent pool and develop current and emerging leaders by providing the necessary developmental experiences. Furthermore, companies should anticipate future leadership needs, aligning with the evolving business strategy, and identify leaders and employees who can drive and support transformation. Reflecting on our survey findings, we see a clear need for a balanced investment in succession planning to ensure long-term organizational success.

## The multi-strategy approach to succession

While organizations value succession planning, there is no consensus on a specific approach. Our survey revealed that position-based succession planning—that is, focusing on identifying and preparing talent for critical roles—is most frequently used. Many companies employ this approach to ensure key positions can be filled by internal talent.

Yet, a recent study found that **73% of companies** rely solely on single nominations by direct managers to identify internal candidates for leadership roles. This can prove to be problematic, as managers often have limited line-of-sight into their employees' work, which may result in bias around a candidate's abilities. Instead, years of research and expertise show that effective succession requires effective evaluation. Before promoting an employee, companies will need to gather input from multiple sources and use robust assessments to gain a more comprehensive understanding of their performance and potential to step into a critical role.

The second most common approach, according to our survey, is the performance-potential matrix, which assesses an employee's performance over time and their future potential within the organization. This method helps companies understand that an employee's performance may not adequately capture their potential, especially if they are underutilized or their strengths are not aligned to their current role. By focusing on potential, organizations will not only put the right people in the right roles, but they will open career paths and create better internal mobility. Approaches like the performance-potential matrix enable companies to identify high-potential employees and nurture their growth for future leadership roles, thus **building a strong talent pipeline**.

Interestingly, our findings also revealed that competency-based planning is the least utilized among employers today. This more tailored approach places a strong emphasis on developing specific skills and attributes in potential leaders—something that is increasingly important in the current business environment. However, rather than prioritizing an employee's readiness to fill a specific role, this strategy focuses on defining, assessing, and developing competencies among organizational talent, which requires considerable resources and investment. Despite being resource-intensive, competency-based succession

planning offers an in-depth understanding of an employee's capabilities, helping organizations provide the right developmental experiences and propel leaders.

Besides uncovering the most used approaches, our survey also revealed that companies utilize more than one strategy for succession planning. The differentiated needs and strengths across organizations—as well as the robust nature of succession—suggest a multi-approach solution. Companies with cultures deeply rooted in employee learning and development may opt for succession strategies that center around their talent pipeline and are more likely to identify key competencies for their workforce. Moreover, a multi-strategy approach to succession planning may integrate the existing strengths of the organization's other programs, such as a high-potential program. While experts in the field have long advocated for the use of customized strategies, the ability to identify and implement effective succession planning remains a challenge.

## Extending succession planning to middle and first-level management

Traditionally, succession planning has been centered on preparing an organization's most senior leadership. But a recent survey of young CEOs found that a lack of talent in the succession pipeline not only resulted in lost productivity, but it **also inhibited the organization from seizing new opportunities**.

Times, though, are changing. Organizations are broadening their succession planning efforts to include a wider range of management levels. Results from our survey indicate that roughly 50% of organizations have expanded their succession planning to include middle managers, recognizing the wealth of leadership potential at this critical organizational tier. Additionally, around 33% of respondents include first-level managers in their succession planning initiatives, **highlighting a strategic commitment to developing talent** during the early stages of their careers. Investing in other leadership levels is crucial, as mid- and first-level managers bridge the gap between carrying out upper-level directives and translating them into meaningful guidance for their direct reports. In this ever-evolving landscape, these managerial ranks can make all the difference in a business's ability to truly execute their strategy.

## Conclusion

Succession planning is a dynamic and evolving field that demands attention and strategic foresight. The imbalance between the perceived importance and the actual investment is a critical issue that organizations must address. By aligning resources with strategic priorities, companies can fortify their succession planning endeavors.

With varied approaches to succession planning, organizations are open to experimentation and adaptation. This flexibility reflects ongoing efforts to improve and diversify talent pipelines. Investing in a deeper understanding of talent enables organizations to target the right developmental training and uncover previously untapped potential.

The extension of succession planning to mid- and first-level management is a promising trend that fosters inclusivity, ensuring leadership development is not limited to a select few. As organizations recognize and prioritize the potential of emerging leaders at all levels to create a holistic strategy, they will be better prepared for the challenges and opportunities of the future. Building a strong bench of leadership talent will enable organizations to pivot, grow, and transform in the face of significant disruption and uncertainty. Succession planning is not just about maintaining the status quo; it's about future-proofing the organization.

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