

The Cost of NOT Having a Succession Plan

If your company doesn't have a clear succession strategy, you might be exposing yourself to significant hidden costs. Here's why ignoring succession planning is a costly mistake, backed by data.



1. Leadership Gaps Can Cost You Millions

When key leaders leave without a succession plan in place, the resulting disruption is more expensive than most companies realize. A study by the Center for American Progress found that **replacing a highly-skilled executive can cost up to 213%** of their annual salary in hiring, onboarding, and lost productivity.

Without a clear leadership pipeline, companies risk scrambling to find replacements, often hiring external candidates who take longer to adapt and may not fit the culture.

The Financial Impact of Leadership Turnover:

💡 Companies lose an average of **\$1.8 million per year** due to poorly managed leadership transitions. *(Gartner, 2023)*

💡 **70% of organizations** admit they struggle to find successors for senior leadership roles. *(Deloitte, 2022)*

💡 Businesses that lack a structured succession plan experience **25% lower revenue growth** than those with one. *(Harvard Business Review, 2021)*

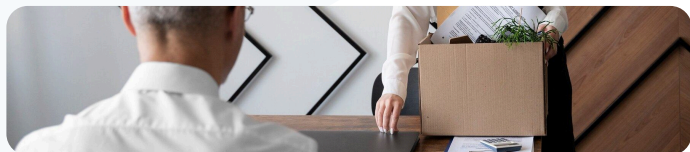


2. Productivity Takes a Major Hit

When leadership roles remain unfilled or are given to unprepared successors, productivity plummets. Employees become uncertain about their future, and decision-making slows down as organizations struggle to realign.


During this time, **businesses suffer from reduced efficiency, operational delays, and strategic misalignment**—all of which hinder long-term growth.


❗ **Fact:** It takes an average of 6 to 9 months for a new executive to reach full productivity. *(SHRM, 2022)*



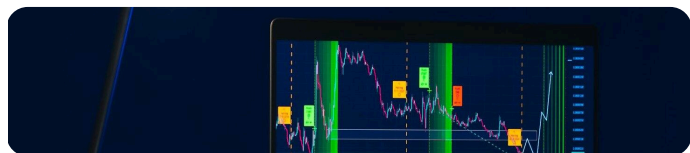
3. Employee Engagement and Retention Decline

A lack of succession planning affects more than just leadership—it creates uncertainty at all levels of the company. When employees don't see clear career paths, they **lose motivation and look elsewhere** for opportunities.

 **94% of employees** say they would stay longer at a company that invests in their career development. *(LinkedIn Workplace Learning Report, 2023)*

 Companies with formal succession plans see **50% lower** voluntary turnover than those without. *(Bersin by Deloitte, 2022)*

Without a visible succession strategy, top performers don't see a future within the company, making it easier for competitors to poach your best talent.

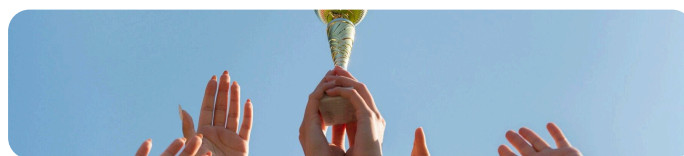


4. Investors and Stakeholders Lose Confidence

For publicly traded companies and large enterprises, leadership stability directly **impacts investor confidence**. Sudden executive departures without a succession plan often **lead to stock price volatility** and concerns about long-term strategy.


 **Fact:** Companies that fail to plan for CEO succession see a **4% to 5% drop** in stock price after an unplanned departure. *(Harvard Business Review, 2021)*

This loss of confidence can also extend to clients, partners, and suppliers, who may question whether the company can maintain long-term stability.



5. Your Competitors Gain an Advantage

If your company isn't grooming future leaders, your competitors are. Organizations with robust succession plans are better positioned to attract top-tier talent and retain high performers.

 **86% of leaders** at high-performing companies say they have a formal succession plan in place. *(PwC Global CEO Survey, 2023)*

 Only **35% of organizations** say they are effectively developing future leaders. *(DDI Global Leadership Forecast, 2023)*

Without a proactive plan, businesses are forced to react to leadership changes rather than strategically prepare, leaving them **vulnerable to competitors** who have strong internal pipelines.

The Solution: Building a Strong Succession Plan

Steps to Build an Effective Succession Plan:

1. **Identify Key Roles & Critical Skills** – Determine which positions are essential to long-term success.
2. **Develop Internal Talent** – Create leadership development programs to groom future leaders.
3. **Implement Cross-Training** – Ensure successors gain experience across multiple departments.
4. **Use Data & Assessments** – Leverage performance data to identify high-potential employees.
5. **Regularly Update the Plan** – Succession planning should be a continuous process, not a one-time effort.