CASE STUDY

A Case Study on Succession Planning: Outsource or Do-It-Yourself?

MEET **SANDY.**

Sandy is the Vice President of Human Resources (VP of HR) at a mid-sized tech company in California. Her company has a strong executive team, however, most of them are legacy employees quickly approaching retirement. The board of directors has asked Sandy to implement a formal succession planning process in order to mitigate the risk of losing their leaders and having no qualified candidates to take their place.

Although a little nervous, Sandy is excited about this opportunity. She knows that succession planning is one of the most important strategic processes her organization will undertake. It's about more than just choosing a successor for each role; Sandy will have to build an entire leadership development program that identifies and trains high-potential employees. If she's going to do it right, Sandy will have to prepare multiple candidates for each critical role so that her organization always has a strong leadership bench to fall back on.

The prospect of creating a succession plan — let alone an entire talent development process — is a little daunting. Sandy knows she could do it on her own, but there are also resources available that she could use to make the process more efficient and effective. Sandy is considering the following three options:

1. CREATING, FROM SCRATCH, an entire succession planning process and all supporting materials
2. USING AN EXISTING PROCESS and as many free tools and templates as she can find
3. HIRING A CONSULTING FIRM to guide her company through the succession planning process

Each of these options has its own set of benefits and drawbacks. Before Sandy makes a decision, she takes some time to sit down and think through the pros and cons of all three options.

COMPARING **OPTIONS**

1. STARTING FROM SCRATCH

Starting from scratch is ambitious, Sandy knows that already. As the VP of HR, Sandy has other duties she will need to continue performing while implementing her succession plan. Sandy doesn't think she can reasonably do both effectively, however, she does want to at least consider this option before eliminating it entirely.

PROS	CONS
▪ All models and assessments are customized to the needs of the organization ▪ There may be opportunities to publish or gain proprietary rights to any methods or models developed along the way	▪ This route would take Sandy exponentially more time ▪ Sandy has no background in industrial-organizational psychology or statistical methods (beyond a few courses she had to take to get her HR designation). She may not be qualified or able to develop psychological measures that are both valid and reliable

2. USING EXISTING TOOLS AND TEMPLATES

After careful consideration, Sandy is confident that she won't be starting from scratch when it comes to her succession plan. A quick Google search shows her that there are plenty of tools and templates available for her to download and use. Sandy likes the idea of spending more time researching upfront, and then hopefully being able to do everything herself. However, she knows there are some risks that come along with a do-it-yourself (DIY) approach to succession planning.

PROS	CONS
▪ Cost-effective ▪ No communication or collaboration with third-parties ▪ Sandy has more ownership and control of the process and results	▪ Effectiveness depends on the quality of the resources available online ▪ Sandy will have to spend a significant amount of time researching the succession planning process, comparing tools and templates, and learning how to use them ▪ Sandy will have to take care of the entire administration and implementation of the succession plan on her own

3. WORKING WITH A CONSULTANT

Going through the pros and cons of DIY Succession Planning, Sandy is beginning to grasp how much work it actually takes to establish a proper succession planning process. She's starting to wonder whether it might actually be worth working with a consultant in order to get the job done.

PROS	CONS
▪ Use of a proven succession planning process, as well as tools and templates that have been optimized over years of client use	▪ More costly up-front
▪ No preparation required; only a short amount of time spent implementing and communicating steps along the way	
▪ No analysis or decision-making required; experienced succession planning consultants will provide Sandy with a detailed 12-month succession plan for each member of her leadership team, as well as an executive summary to present to her board of directors	
▪ Access to the ongoing support of consultants who are experts in the field	
▪ Access to a much greater range and quality of tools, templates, and other resources	

NOT-SO-FUN **FACTS**[1]

- Due to ineffective (or non-existent) succession planning, 40% of today's CEOs are failing to meet performance expectations within 18 months of taking on the job
- Costs associated with unplanned or ineffective succession have been estimated at over 10 times the price of an executive's salary (i.e., lost knowledge, missed opportunities, client delays)

SAVING TIME **VS. SAVING MONEY**

Sandy finishes her list of pros and cons and sits back to evaluate. Sandy is almost positive she doesn't want to implement a succession plan starting from scratch — why would she when there are plenty of resources available for free online? What Sandy isn't sure about is the quality of the free resources available to her. She's also not sure whether she has the time, expertise, or qualifications to do succession planning well herself.

After about an hour, Sandy comes to the conclusion that her decision is about saving time vs. saving money. Working with a consultant might be more expensive up front, but it would certainly save Sandy and her company a significant amount of time. Sandy is also aware that an ineffective succession planning process may be much more costly in the long run — both in time and money — compared to the relatively small investment her company would have to make in having a consultant get them started.

Because quantifying things is always helpful for making decisions, Sandy decides to do some quick mental math to estimate how much time it would take for her to do succession planning on her own vs. working with a consultant. SIGMA Assessment Systems was recommended to her by a co-worker who had worked with them in the past, so Sandy did her calculations based on SIGMA's Succession Planning Launch.

SANDY'S CALCULATIONS

	HRS	DIY	HRS	SUCCESSION WITH SIGMA
EXPERTISE	20	Sandy will have to spend about 20 hours familiarizing herself with the nature of succession, best practices, and available resources.	0	SIGMA's consultants know succession planning inside and out. Sandy won't need to do any preparation beforehand; SIGMA's consultants will answer all her questions and tell her everything she needs to know along the way.
PROCESS	10 TO 40	Sandy will have to create a succession planning process (i.e., step-by-step approach for how she is going to create her plan). She could use SIGMA's free Succession Planning Guide or she could create her own. Based on whether or not Sandy uses an existing model, this could take her anywhere from 10 to 40 hours.	0	SIGMA has a ready-made six-step succession planning process that's been tried and tested with clients across industries and around the world. Sandy would have no work to do, and she would have added peace of mind knowing that SIGMA's process has been shown to be both efficient and effective.

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	HRS	DIY	HRS	SUCCESSION WITH SIGMA
MATERIALS	10 TO 40	Sandy will have to create materials to support her succession planning process. She can use the free tools and templates in SIGMA's Template Library, or she can draft her own. Either way, Sandy will have to prepare a few slide decks and materials for presentation; this could take her anywhere from 10 to 40 hours.	0	No preparation required! SIGMA has slides, activities, and resources that have been vetted by many clients before Sandy. SIGMA also has a large archive of supporting documents. Sandy will have access to all of SIGMA's tools, and SIGMA's consultants will be on standby to create new resources to meet any needs specific to Sandy's organization along the way.
LEADERSHIP COMPETENCY FRAMEWORK (MODEL)	10 TO 40	In order to make sound decisions about employee potential, Sandy will need a framework for leadership and talent in her organization. Depending on whether she decides to create her own leadership model, or uses an existing model, this could take anywhere from 10 to 40 hours.	0	SIGMA has a ready-made Leadership Competency Framework that corresponds to all of SIGMA's services and assessments. This framework was developed and validated by industry experts, so Sandy knows it will be an accurate and reliable tool for identifying talent in her organization. No time required at this stage from her.
TALENT ASSESSMENT	20	In addition to a robust leadership model, Sandy wants to make sure she gets accurate and objective measures of her employees' potential. To do this, Sandy wants to use a talent assessment. Researching talent assessments, selecting the right one, and administering it will take Sandy about 20 hours.	5	Corresponding to their Leadership Competency Framework, SIGMA has a leadership assessment, the "Leadership Skills Profile – Revised (LSP-R)." SIGMA will introduce Sandy and her leadership team to the LSP-R and its Focus Report. Sandy will also have access to SIGMA's supporting slide decks, development guides, and other tools for administering the LSP-R. With all that help, it should only take Sandy about five hours to administer the LSP-R.
PRESENTATION	20	Sandy will have to prepare, practice, and facilitate any presentations or group sessions included in her succession planning process. This will take about 20 hours.	6	Sandy can sit back, relax, and let SIGMA handle the communication of the succession plan. SIGMA's consultants will prepare and facilitate all presentations, group sessions, and other workshops. All Sandy needs to do is to attend. This will take about six hours.
DATA COLLECTION & PROCESSING	40 TO 60	Sandy will have to compile, analyze, and work with all the data herself. She will have to put together everyone's organizational charts, success profiles, and arrange their nominated succession candidates into some form of a succession bench. This will take her about 40-60 hours.	0	SIGMA's consultants will collect data from all participants in Sandy's succession planning program. Results will be organized, analyzed, and used to prepare all other documents needed to continue the succession planning process. Although it will take SIGMA consultants about 25 hours to work through this streamlined process, it will take no time from Sandy.
FINAL SUCCESSION PLAN	20	Sandy will have to create a formal succession planning proposal and present it to her executive team and possibly her board of directors as well. This will take her about 20 hours.	2	SIGMA will provide an executive summary of Sandy's succession plan in the form of PowerPoint slides. All Sandy has to do is present. Given that her bosses are busy, Sandy thinks she can get both the prep and presentation done in two hours.
COMMUNICATING THE PLAN	10	Sandy will have to communicate the succession planning process, invite people to meetings, and answer questions along the way. Throughout the entire planning process, this will take Sandy about 10 hours.	2	SIGMA's consultants will introduce the process of succession planning to Sandy's team and answer any questions her coworkers have along the way. SIGMA also provides Sandy with a Succession Planning Communications Guide that walks her through the communications she will need to do on her own. The guide also includes email templates and meeting agendas. Altogether, Sandy won't need to spend more than two hours sending a few emails and being available for her team.
TOTAL	**150 – 230 HOURS**		**15 HOURS**	

DECISION TIME

Sandy is quite surprised when she adds up the hours. Trying to build a succession planning process on her own — even with third-party tools — could take her anywhere from 4-to-6 weeks if she's completely focused on only the succession plan. Sandy estimates that even if she's able to balance succession planning with her other ongoing duties, it could take her upwards of six months to get the job done. If the board agrees to give her that time, Sandy isn't sure whether she wants to risk putting together a plan on her own that may not be implemented properly. Since this is such an important strategic process, Sandy wants to make sure it's done right.

At the end of the day, Sandy is faced with the following considerations:

- **DIY SUCCESSION WOULD TAKE SANDY ANYWHERE FROM SIX WEEKS TO SIX MONTHS** — or longer if she encounters unforeseen challenges along the way (which Sandy thinks is very likely).
- **SUCCESSION PLANNING WITH SIGMA WOULD TAKE ONLY 15 HOURS OF SANDY'S TIME.** This would allow her to deliver a robust succession plan to her board within the next few weeks while continuing to perform her other ongoing duties.
- **SIGMA'S SUCCESSION PLANNING LAUNCH SERIES COSTS $20,000 UP FRONT, BUT COULD SAVE SANDY'S COMPANY SIGNIFICANT COSTS IN THE LONG TERM** if the alternative option, a DIY succession plan, is not done well.

Knowing what you know, and if you were Sandy, what would you do?

NOT-SO-FUN **FACTS**

67%
of well-formulated strategic plans fail due to poor execution[2]

1 in 3
leaders rate their company as "poor" or "very poor" at implementing strategic plans[3]

READY **TO GET STARTED?**

If you're ready to start your succession planning process, check out SIGMA's Succession Planning Launch. We offer flexible in-person and online services that will bring your leadership team together to create a plan that works for you. Our consultants can help you get six months' work done in just six hours. By the end of the session, you'll know how to launch a robust succession planning process and have a customized 12-month succession plan for each member of your leadership team. Contact us for more information or reach out to our consulting expert. We're always happy to chat!

TALK **TO AN EXPERT**

EMAIL GLEN **1-800-401-4480 ext. 233**

Glen oversees SIGMA's sales and marketing activities. As a skilled presenter and trainer, he has designed and delivered engaging workshops and webinars for senior managers and HR professionals. Glen knows our material inside and out, and can tell you first-hand stories of the work SIGMA has done with its clients. If you are interested in learning more about SIGMA's succession planning services, send him an email or give him a call! He'd love to chat with you.

REFERENCES

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