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**The Scenario Succession Planning Theory**

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**Abstract**

The main purpose of this paper was to disintegrate the myth about succession planning especially on its ability to ensure organizational continuity and stability by proposing and introducing the Scenario Succession Planning Theory. The paper has brought up an introduction to succession planning, proposed the scenario succession planning theory with its five scenarios, the scenario succession planning theory matrix, the conceptual positioning, the theoretical contribution and the four optional theoretical propositions to the perspective.

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Key words: contingency, planning, scenario, succession, theory,

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**Introduction to Succession planning**

Succession planning is a deliberate and systematic process through which an organization identifies, develops, and prepares individuals to assume key leadership and critical roles when they become vacant (Cascio & Boudreau, 2023). It goes beyond simply naming a replacement; it involves assessing future leadership needs, building talent pipelines, mentoring potential successors, and ensuring that the organization has the right people ready at the right time. In essence, succession planning links talent management with long-term strategic direction, ensuring continuity of leadership and sustained organizational performance (Charan et al., 2001).

The rationale of succession planning lies primarily in its ability to ensure organizational continuity and stability. Leadership transitions are inevitable due to retirement, resignation, promotion, or unforeseen events. Without a clear succession plan, organizations risk operational disruption, loss of strategic direction, and weakened stakeholder confidence (HBR, 2016; OECD, 2023). A well-structured succession plan ensures that transitions are smooth and that institutional knowledge is preserved rather than lost. Succession planning also supports strategic alignment and long-term performance. Organizations operate in dynamic environments that require consistent leadership to execute strategies effectively. By preparing future leaders in advance, firms ensure that successors understand the organization's vision, mission, and goals, enabling continuity in strategy implementation while also allowing room for adaptation and innovation (Teece, Peteraf, & Leih, 2016). Succession planning signals to employees that the organization invests in their growth and values internal progression. This not only motivates high-potential employees but also reduces turnover, as individuals see clear career pathways within the organization (Rothwell, 2010). It transforms leadership development from a reactive process into a proactive and structured system. Additionally, succession planning enhances risk management and governance. Leadership gaps, especially at senior levels, can expose organizations to strategic, operational, and reputational risks (OECD, 2023; WEF, 2024). By identifying and

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preparing successors in advance, organizations mitigate these risks and strengthen governance structures. Boards and top management are better able to ensure accountability, continuity, and resilience. Finally, succession planning fosters organizational adaptability and resilience. In times of crisis or rapid change, organizations with strong succession pipelines can respond more effectively because they already have capable leaders who can step in and drive transformation (Henderson & Reppening, 2022). This makes succession planning not just a human resource function, but a critical strategic capability that underpins long-term sustainability and competitiveness. In summary, succession planning is essential because it ensures continuity, aligns leadership with strategy, develops and retains talent, reduces risk, and strengthens the organization's ability to adapt and thrive in a changing environment.

### **The Theory**

The Scenario Succession Planning Theory proposes that the effectiveness of succession planning is determined by the degree of alignment between two central forces: organizational continuity needs and strategic renewal needs. Every leadership transition sits somewhere along a spectrum between preserving stability and driving transformation (Donaldson, 2001; Miles & Snow, 1978). The optimal successor, therefore, is not simply the most qualified individual, but the one whose origin, perspective, and organizational familiarity best fit the organization's immediate and future strategic context. The theory assumes that all candidates are equally qualified in terms of skills, experience, and leadership competence; what differentiates them is their institutional knowledge, cognitive distance from the organization, and capacity for change versus continuity. Under this theory, succession outcomes are shaped by three key variables: organizational familiarity (insider vs outsider), strategic distance (alignment vs disruption), and legitimacy (perceived acceptance by stakeholders) (Suchman, 1995; OECD, 2023). These variables interact to produce different performance trajectories depending on the succession scenario.

In the first scenario, *the acquaintance*, the deputy takes over and the transition reflects the highest level of continuity alignment. The deputy possesses deep institutional knowledge, established relationships, and an implicit understanding of organizational culture and strategy. This minimizes disruption and ensures stability in operations and stakeholder confidence. The theory suggests that this pathway is most effective in environments where the organization is performing well, faces low turbulence, or requires strategic consistency (Charan et al., 2001). However, the same familiarity that ensures smooth continuity may limit innovation, as the deputy is often embedded in existing assumptions and routines.

In the second scenario, *the known*, a senior manager within the organization (but not the deputy) assumes leadership. There is still strong internal alignment, but with slightly greater cognitive distance. This individual understands the organization but may bring a fresh internal perspective, especially if they come from a different functional area. The theory posits that this option balances continuity with moderate renewal, making it suitable for organizations that require incremental change without destabilizing core operations (Rothwell, 2010). Legitimacy remains relatively high, although internal competition or perceived bypassing of the deputy could create short-term political tensions.

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The third scenario, *the recognized*, involves appointing a leader from an outside but related organization possibly within a portfolio. Here, the organization introduces external portfolio experience while retaining portfolio familiarity (not necessarily industry familiarity). According to the theory, this scenario offers a stronger capacity for strategic renewal without completely sacrificing contextual understanding (WEF, 2024). This pathway is most suitable when the organization seeks transformation but must remain competitive within established industry boundaries. The successor can import best practices, challenge internal norms, and drive change while still navigating portfolio dynamics effectively. This pathway is most suitable when the organization seeks transformation but must remain competitive within established portfolio boundaries. However, initial legitimacy may be contested, and a period of cultural adjustment is often required.

In the fourth scenario, *the stranger*, the successor is a leader sourced from outside the portfolio within the same industry. Here, the balance shifts further toward renewal. While the individual understands the industry's competitive forces, they lack familiarity with the specific organization's culture, systems, and informal networks. This scenario is optimal when the organization faces strategic stagnation or requires significant repositioning within the industry including a turn around (Henderson & Reppening, 2022). The outsider brings new strategic lenses and may disrupt entrenched practices, but risks include resistance from internal stakeholders and a slower assimilation process. Legitimacy must be actively built through early wins and stakeholder engagement.

The fifth scenario and the last, *the complete stranger*, involves a complete outsider away from the industry. This represents the highest level of strategic disruption and lowest initial alignment. This successor introduces maximum cognitive diversity, enabling radical innovation and transformation (Teece et al., 2016). However, risks include weak legitimacy and high integration challenges. The theory argues that this pathway is most appropriate in crisis situations, declining performance, when industry paradigms themselves are shifting and in when a volatile turnaround is needed. However, the risks are substantial: lack of industry knowledge, weak initial legitimacy, and potential misalignment with core business realities. Success in this scenario depends heavily on the leader's adaptability, the strength of the supporting management team, and the organization's openness to change.

Overall, the Scenario Succession Planning Theory emphasizes that no single succession pathway is universally superior. Instead, effectiveness depends on matching the successor's origin and perspective with the organization's strategic needs at the time of transition. Continuity-oriented contexts favor internal successors, while transformation-oriented contexts benefit from external appointments. The theory highlights that succession planning should be a deliberate strategic choice, not merely a procedural or hierarchical one, aligning leadership transitions with long-term organizational direction.

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**Scenario Succession Planning Theory Matrix**

Organizational Embeddedness internal to external successors (Continuity to Transformation)	Change Intensity (stability to disruption)	Succession Scenario	Organizational Familiarity	Strategic Orientation (Continuity vs Renewal)	Key Advantages	Potential Risks	Best-Fit Context
Continuity (Low Change)	stability	<b>1. Acquaintance (Deputy takes over)</b>	Very High (deep institutional knowledge)	Strong Continuity	- Smooth transition- High stakeholder trust- Operational stability	- Limited innovation- Reinforces status quo	Stable environment; strong performance; need for consistency
Continuity to Slight Renewal	Slight stability	<b>2. Known (Senior manager in same firm not deputy)</b>	High (internal but less embedded)	Moderate Continuity with some Renewal	- Fresh internal perspective- Maintains cultural fit- Encourages incremental change	- Internal rivalry- Possible legitimacy concerns	Need for gradual change without disruption
Balanced Transition	compromise	<b>3. Recognized (External from related organization)</b>	Moderate (industry knowledge, limited firm knowledge)	Balanced (Continuity + Renewal)	- Brings best practices- Industry familiarity- Drives strategic improvement	- Cultural adjustment challenges- Initial resistance	Strategic repositioning within industry
Renewal to Transformation	Slight disruption	<b>4. Stranger (External from same industry)</b>	Low (no firm knowledge, but industry familiarity)	Moderate to High Renewal	- New strategic thinking- Industry insights- Breaks internal rigidity	- Slow integration- Stakeholder resistance	Need for transformation within industry boundaries
Transformation (High Change)	Disruption	<b>5. Complete Stranger (External outside industry)</b>	Very Low (no firm or industry familiarity)	Strong Renewal / Disruption	- Radical innovation- Fresh perspective- Challenges dominant logic	- High failure risk- Low initial legitimacy- Learning curve	Crisis situations; need for turnaround or reinvention

The Scenario Succession Planning Theory Matrix illustrates the alignment between successor origin and the organization’s required level of strategic change. Movement from internal to external successors corresponds with increasing strategic renewal and decreasing organizational familiarity, highlighting succession as a strategic, rather than purely administrative, decision.

**The Conceptual Positioning**

The conceptual positioning of the Scenario Succession Planning Theory explains how the model is situated within existing theory and how it advances understanding of leadership succession in organizations. At its core, it is a contingency-based framework, meaning that it rejects the idea of a single best approach to succession planning. Instead, it argues that the effectiveness of a leadership transition depends on how well the chosen successor aligns with the organization’s specific strategic needs at a given time. These needs exist along a continuum that ranges from continuity, where stability and preservation of existing systems are important, to transformation, where major change, restructuring, or strategic renewal is required.

The theory integrates strategic management, leadership succession, and organizational change theory by linking leadership selection directly to organizational performance outcomes (Porter,

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1985; OECD, 2023). It is anchored on two dimensions: organizational familiarity and strategic change intensity. The theory reframes succession planning as a strategic alignment mechanism rather than a procedural Human Resource (HR) function. It proposes that succession success is not only about leadership competence, but more importantly about the degree of fit between the successor's level of embeddedness in the organization and the organization's need for change. In other words, whether a successor comes from inside or outside the organization becomes strategically significant depending on whether the organization needs stability or disruption.

The theory is built on two key underlying dimensions. The first is organizational familiarity or embeddedness, which describes how deeply a potential successor understands and is integrated into the organization. This dimension ranges from high embeddedness, such as internal candidates who are fully familiar with the organization's culture and systems, to low embeddedness, such as external candidates who are new to the organization and bring limited internal knowledge. The second dimension is strategic change intensity, which reflects the degree of change the organization requires. At one end is continuity, where the focus is on maintaining stability, consistency, and incremental improvement. At the other end is transformation, where the organization requires significant disruption, innovation, or turnaround.

By combining these two dimensions, the theory moves beyond viewing succession as a simple administrative replacement process or hierarchical promotion decision. Instead, it reframes succession as a strategic alignment problem, where the central question becomes whether the type of successor chosen is appropriate for the organization's current and future strategic direction. Different successor profiles—internal, related external, or completely external—generate different outcomes depending on how well they match the organization's need for stability or change. This positioning elevates succession planning into a core element of strategic management and organizational design.

**Theoretical Contribution**

The Scenario Succession Planning Theory makes several important theoretical contributions to existing literature on leadership, strategy, and governance by reshaping how succession planning is understood and applied in organizations. The theory extends contingency theory into leadership succession (Donaldson, 2001). It bridges corporate strategy and leadership transition decisions, showing that succession is inherently strategic. It also reframes succession as a strategic alignment mechanism rather than a governance routine (WEF, 2024). First, the theory extends contingency theory into the domain of leadership succession. Traditional contingency theory argues that there is no single best way to organize or manage an organization; instead, effectiveness depends on the fit between internal structures and external conditions. Building on this idea, the theory applies the same logic to leadership transitions. It argues that the effectiveness of a successor depends on how well their background, experience, and level of organizational familiarity align with the organization's strategic needs at the time of transition. In this way, succession is no longer treated as a fixed or standardized process, but as a context-dependent decision shaped by environmental and organizational conditions.

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Second, the theory bridges the gap between corporate strategy and leadership transition decisions, which are often treated separately in academic literature. Corporate strategy focuses on long-term direction, competitive positioning, and organizational performance, while succession planning is often viewed as an HR or governance function. This theory integrates the two by showing that leadership transitions are inherently strategic decisions because they directly influence the organization's ability to implement its strategy. Therefore, choosing a successor is not just about filling a vacancy, but about ensuring strategic continuity or enabling transformation depending on organizational needs. Third, the theory introduces succession planning as a strategic alignment mechanism rather than a routine governance activity. In many organizations, succession planning is treated as a compliance requirement or a formal HR procedure. However, this theory reframes it as a critical strategic tool used to align leadership capabilities with the organization's desired direction of change. Whether an organization seeks stability, incremental improvement, or radical transformation, the choice of successor becomes a deliberate mechanism for achieving that strategic intent. This elevates succession planning from an administrative process to a core element of strategic management (Hitt, Ireland, & Hoskisson, 2020).

Finally, it provides a multi-scenario framework applicable across corporate, public, and non-profit sectors, making it broadly transferable. Instead of assuming a one-size-fits-all model, it recognizes that different sectors and organizations face varying levels of complexity, stability, and environmental uncertainty. By outlining multiple succession scenarios—from internal deputies to external industry and non-industry leaders—the framework becomes versatile and transferable (Henderson, & Reppening 2022). This makes it useful not only for corporations but also for public institutions and non-profit organizations where leadership continuity and transformation are equally critical. In summary, the theory contributes to knowledge by expanding contingency thinking into succession planning, integrating strategy with leadership transitions, reframing succession as a strategic alignment tool, and offering a flexible multi-context framework applicable across sectors.

### **Optional Theoretical Propositions**

The optional theoretical propositions of the Scenario Succession Planning Theory are designed to guide future empirical testing and to clarify how different organizational contexts influence the effectiveness of succession decisions. The first proposition (P1) suggests that organizations operating in stable environments are more likely to achieve better outcomes when they select internal successors, particularly those with high organizational familiarity such as deputies. In such environments, change is minimal and predictable, so continuity in leadership is more valuable than disruption. Internal successors are better positioned to preserve institutional knowledge, maintain existing systems, and ensure smooth execution of established strategies (Miles & Snow, 1978).

The second proposition (P2) argues that when an organization experiences moderate environmental dynamism, such as gradual industry changes or evolving competition, a hybrid succession approach becomes more effective. In this case, successors drawn from related

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external organizations are ideal because they combine industry knowledge with fresh perspectives. This balance allows the organization to adapt incrementally while still maintaining operational stability (Groves, 2007).

The third proposition (P3) focuses on organizations facing crisis situations or major disruption. It suggests that in such contexts, organizations perform better when they appoint externally sourced successors with low organizational embeddedness, including individuals from outside the industry. The logic is that crises often require radical change, and outsiders are less constrained by existing routines, cultures, or assumptions. Their distance from the organization enables them to challenge entrenched practices and introduce transformative solutions.

The fourth proposition (P4) highlights the importance of alignment between succession choice and strategic need. It argues that the greater the mismatch between the type of successor appointed and the organization's actual strategic requirements, the higher the likelihood of succession failure. For example, appointing a highly internal successor in a crisis situation may preserve stability but fail to deliver necessary transformation, while appointing a radical outsider in a stable organization may create unnecessary disruption. Therefore, success depends on achieving a proper fit between leadership type and organizational context (Suchman, 1995).

Together, these propositions form the foundation for testing the theory empirically by linking environmental conditions, succession choices, and organizational performance outcomes. They also reinforce the central idea of the theory: that succession planning is most effective when it is treated as a strategic alignment decision rather than a routine administrative process.

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