

# Succession Risk Management

Translating Strategic Imperatives into  
Talent Requirements

**TALENT**  
INSTITUTE

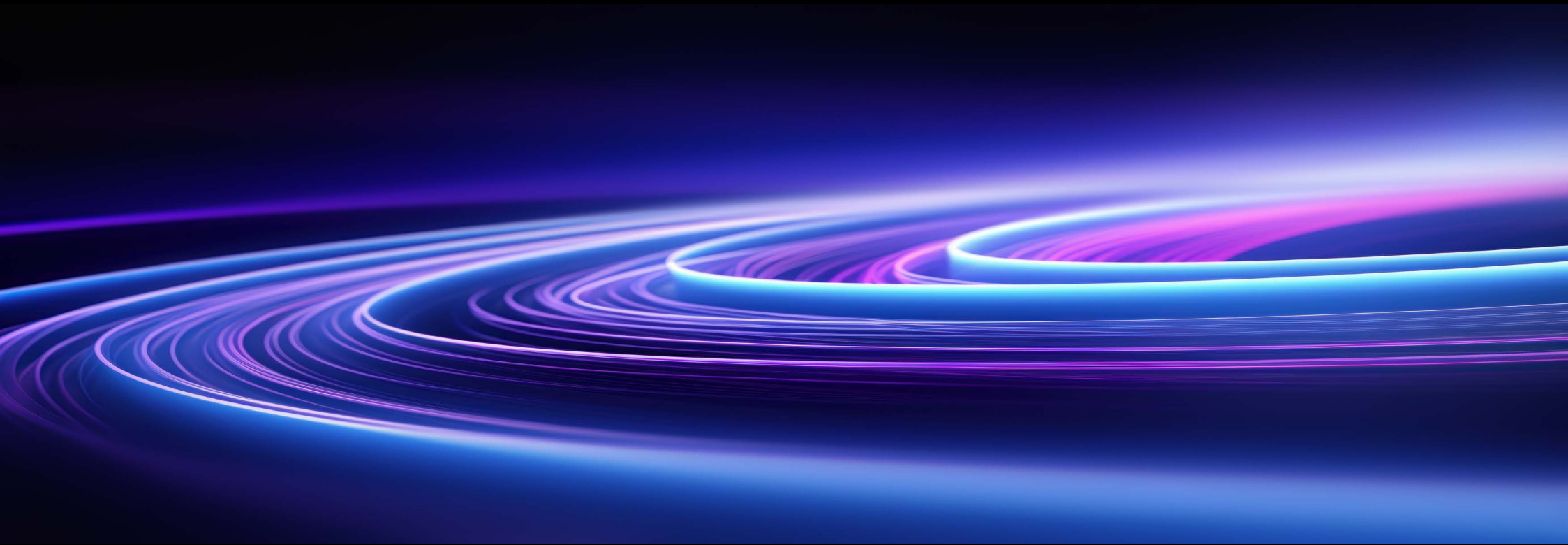
# Shift in Approach

Once reserved for the upper echelons of senior management, and often approached as replacement planning should catastrophe strike, succession planning has been redefined.

Succession planning now focuses on managing risk and ensuring continuity across all levels of the organisation (and hence the reference to [succession management](#)). The emphasis is on creating dynamic [talent pools](#) that provide the feedstock for critical roles – both leader and professional.

When executed effectively, succession management is a proactive core business process, built into the fabric of the organisation. As such it is integral to an organisation's culture, and is systemically linked to the foundational underpinnings of performance.

Over time, it becomes a continuous business process, which is integrated with an organisation's business planning and organisational capability development cycles.



# So What Are The Risks?

Succession management is fraught with risk, the more important ones being:

- Mistaking high-performance for high-potential
- A belief that past performance (at current level) predicts future performance (at the next level) in a different role
- Cloning (the tendency of senior executives to choose successors in their own image)
- Backing the wrong choices (resulting from unchallenged assumptions, or due to a lack of talent analytics)
- Not providing transition-support for identified successors
- Promoting *not-ready-now* candidates into more complex, next-level roles (and effectively setting them up for failure)
- Promoting a person beyond his/her level of capability (with disastrous consequences for the individual, the team and the organisation)
- Adopting an ad hoc approach to what should be an ongoing business process
- Short-term planning horizons.

From an organisational perspective, the risks that succession management aims to mitigate include [vacancies in critical roles](#), [portfolio risk](#) (having the wrong mix of leaders to meet the challenges of a changing mandate or strategy), [knowledge retention](#) and the [flight-risk of key talent](#) (often to competitors).

# Critical Roles – The Focus of Succession Risk Management

Succession risk management focuses on critical roles, which are crucial to the achievement of organisational outcomes.

As such, a vacancy in a critical role will have a significant tangible impact on the ability of the organisation to deliver outputs, achieve milestones, or meet budget requirements.

In terms of succession risk management, a lengthy vacancy, under-performance, or high turnover in critical roles are 'worst-case' scenarios.

Critical roles can be framed in many ways. Ultimately, it is about those roles which drive most value, growth and risk – ones that have strategic impact.

# The Key Steps in Succession Risk Management

## Understand the Context

- Where is the organisation headed?
- What are the promises we have made to the Board/shareholders/stakeholders?
- How do we win in the markets we serve?
- Which capabilities and roles will be central to strategy execution, business continuity and growth?

## Identify Possible Risks

- What might happen in the future when critical roles need filling (considering bench strength and external supply)?

## Prioritise Risks

- Which scenarios are most likely and least desirable?

## Target Mitigation Activities

- What can be done to minimise the risks of these scenarios occurring, or the impact if they do occur?

## Review

- Re-assessing risks previously identified, and evaluating whether mitigation strategies remain effective and appropriate.

Just as today's financial institutions must stress test their capital requirements, succession plans must stress test the leader capital in light of different strategic scenarios.

Ultimately succession risk management is about making judgements and predictions about the *capacity of identified high-performers to develop the competencies and behaviours required for effective performance in meaningfully larger, or more challenging roles – at the next level and beyond.*

The question begs: *What certainty do we have that we are investing in the **right** people?*

# Strategic Enquiry

The departure point is a strategic enquiry that involves desktop research and executive conversations, which centre around the following topics:

- Where the organisation is headed
- The competitive landscape and emerging realities
- Developing megatrends and possible headwinds
- Top priorities the CEO is driving
- Evolving leader challenges
- Perceived capability gaps
- The current and desired leadership culture
- Current bench strength and leader development efforts
- Possible risk exposure.

Having developed a contextual understanding, our approach is sculpted to meet the specific needs of our client.

# Succession Management Architecture and Governance

As part of the strategic enquiry, we also review the client organisation's succession management architecture and governance framework.

# Confirming Successor Potential and Transition Readiness

Given the multi-faceted, and often under the surface, factors that drive success in leader roles, there is an obvious requirement for a high-quality, robust and predictive assessment process.

Drawing on extensive global research, and utilising high-end psychometric measures and carefully designed simulations, the Talent Institute offers a rigorous process to collect powerful analytics that informs decision-making, reduces risk and increases the return on your investment.

Nominated key role successors are assessed against a universal leader competency framework that is aligned with the client organisation's business strategy.

Special attention is paid to the individual's capability to master increased complexity, as well as possible derailers that could lead to sudden and spectacular failure in a next-level more complex role.

# Talent Analytics

The assessment process generates highly visual *micro-analytics* (in respect of each candidate) and *macro-analytics* (in respect of a group of candidates).

Typical analytics include:

- The relative strength of the individual's competency profile (in relation to what is required)
- A synopsis of strengths and growth areas
- Cognitive bandwidth/Business reasoning
- The individual's ability to master increased levels of complexity, uncertainty and ambiguity
- Possible derailers and risk-factors
- A view on potential
- A view on transition readiness.

The analytics, which form the basis of a [talent review session](#) with the executive leadership team, also serves as an input to the design (or re-design) of a [customised leader development strategy](#).

# Advisory Services

From conversations about people risk and leadership strategy development to a full suite of talent management solutions, including competency-based assessments, the identification of high-potential employees and future leaders and succession management, the Talent Institute provides an end-to-end solution to help you achieve organisational objectives and lasting impact.



# About the Talent Institute

The Talent Institute is a privately held boutique professional services firm that specialises in strategic talent management consulting. Specifically, we focus on helping clients develop and implement strategies and practices to more effectively manage the selection, deployment, development and retention of talent to support current business strategies and to prepare for future challenges.

Our core competency lies in our ability to interpret talent analytics in the context of strategy and business impact, and the use of predictive intelligence to inform risk mitigation, capability development and talent investments.

Grounded in organizational psychology, we leverage research, analytics, expertise and industry insights to enable business performance by removing the guesswork from making decisions about people.

## Next Step

If you have concerns about the effectiveness of your organisation's succession management efforts, or the strength of your successor slate, you may wish to have a conversation with:

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