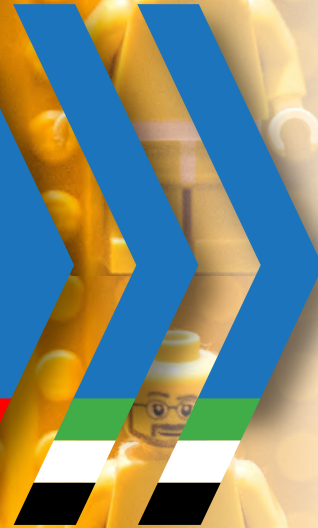# crf
CORPORATE RESEARCH FORUM

SPEED READ >>>

EFFECTIVE
SUCCESSION
MANAGEMENT
IN THE GULF REGION

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INTRODUCTION

The Gulf region is unique in terms of the articulation of a clear Human Resources strategy and skills plan, creating an opportunity for companies, and their HR Functions, operating in the region to connect their long-term resource planning and people development to these national strategies.

As a result, HR's role in the identification, development and succession of talent is critical to these national agendas.

1.0
WHAT'S THE ISSUE?

Succession management is one of the core processes for ensuring continuity in a successful business. It is essential to executing strategy and sustaining performance over the long term. Ultimately, it is the responsibility of the CEO, supported by the Executive Team and HR, to ensure the mechanisms are in place to identify successors and replace key contributors and that those processes deliver the results the business needs. In this regard, succession management is far more than just an HR process.

Unfortunately, too often, businesses either don't do succession management at all or don't do it well: they spread themselves too thin trying to cover lots of roles; put names on plans to 'tick a box'; or don't cover roles that hold strategic value. Another pitfall can be to rely too heavily on the passage of time and incidental experience: someone won't be 'ready in two years' if they aren't offered development to fill in their skills gaps in the meantime.

> Tara Cherniawski, Head of Assessment Practice IMEA at BTS is clear that building effective succession practices
> *"[will require] a shift in the culture or the organisational mindset, to remind leaders that this is a purposeful and value add strategy. It has to be holistic and thoughtful: it's not just a tick box or a talent review once a year."*

Across the GCC, it seems that the question of the use and efficacy of succession management practices is really around the maturity of organisations: concepts like 'high potentials', which have been employed and interrogated in mature global organisations for some time, are finding new use in the region as their HR functions mature.

2.0
BENEFITS AND PURPOSE OF SUCCESSION MANAGEMENT

BENEFITS OF SUCCESSION MANAGEMENT

According to Michael Timms, author of *Succession Planning That Works* (2016). Succession management can help:

1. Prevent a talent shortage at the executive level in the face of an ageing population
2. Prevent the loss of institutional knowledge
3. Support the execution of business strategy
4. Reduce external recruitment and the associated costs
5. Avoid reliance on temporary workers
6. Minimise risk
7. Increase retention

Succession management is, in one sense, a continuity process. It is both an internal process and a governance requirement, which serves as a way to prevent risk to business continuity by ensuring that roles are filled and the current strategy as a whole isn't endangered by the loss of a particular person.

Our research highlighted the following common purposes served by succession management:

RISK MANAGEMENT

Mark Hudson, CHRO at ADS Securities, points out that relying solely on the transactional talent market to fill gaps when they arise can leave companies open to regulatory issues when this can't happen fast enough, or where local talent is needed to meet localisation quotas. Managing risk is an important part of succession management, but this should not come at the cost of the business' overall future focus.

GOVERNANCE

Succession management is also, in many cases, a governance requirement, so companies can demonstrate their commitment to risk management and to legal and political requirements, such as localisation laws.

DEVELOPMENT

A key purpose of succession management is to prepare people to progress in their careers and be successful in bigger and more complex roles. Learning and Development is what transitions replacement planning into succession management: filling candidates' skills and experience gaps and offering opportunities to learn and grow. For case studies on development, the full report has case studies from McDermott and SABIC.

EFFECTIVE SUCCESSION MANAGEMENT IS...

3.0
... ALIGNED TO BUSINESS AND NATIONAL STRATEGIES

"Every strategic discussion has a people implication."

BILL PASMORE, PROFESSOR OF PRACTICE OF SOCIAL ORGANIZATIONAL PSYCHOLOGY, COLUMBIA UNIVERSITY

There are several ways that organisations can make the connection between business strategy and succession management more explicit.

STRATEGIC WORKFORCE PLANNING

Strategic workforce planning is a process which can help leadership teams develop answers to questions such as:

- What strategic capabilities will the business need to master to execute its strategy?
- Which kinds of job roles and kinds of people are critical to delivery of the strategy and likely to be difficult to get hold of? How do we define and shape them?
- Which roles will be most critical to future success of the organisation? How do we match talent to add value in those roles, by matching our best people to our most critical roles?

CRITICAL ROLES

Having identified the organisational capabilities required to deliver the strategy, the next stage is to translate strategic imperatives into talent requirements, defining the critical roles and key actions needed to execute the strategy.

A DEVELOPMENTAL CULTURE

Efforts to harness succession management as a means of executing the business strategy through people are unlikely to be successful unless the organisation culture supports the internal development of talent.

A 'developmental culture' is one where, faced with difficult decisions around balancing short-term results and longer-term development, the organisation is prepared to make tough calls to prioritise development.

4.0

... AN INTEGRATED TALENT MANAGEMENT PROCESS

"For critical roles at senior levels, our succession plans are intended to give a credible view of succession to enable us to proactively take action where we have gaps."

METTE HERSBY, MANAGER OF LEADERSHIP SUCCESSION, SHELL

The most effective approaches to succession management not only flow from business strategy, they are also designed so all elements of the succession management system work consistently together and integrate effectively with the wider talent management systems within the organisation.

TALENT POOLS OR ROLE-BY-ROLE SUCCESSION PLANNING

One of the choices around succession management is how to structure the process. The two most common options are role-based and talent pools. Whereas role-based planning focuses on identifying candidates for current or future roles, talent pooling involves building pools or lists of talented individuals who have potential to progress more generally.

SELECTION, ASSESSMENT, AND RANKING

How to choose and rank those individuals who are included in succession management processes is a key choice in succession management. Typically, there are three elements to this:

- Identifying individuals who might be considered to be a potential successor. Some companies use a potential model, definition or set of criteria to assess people consistently.

- Assessment, either for selection or development purposes, might involve psychological assessments, development centres or 360 feedback. Conversations around assessment in the GCC seem to be shifting from the traditional realm of people acumen towards the ever-necessary HR skills of business and commercial acumen.

- Ranking, which compares different individuals and seeks to calibrate assessments so decision makers can make objective comparisons between individuals.

The most effective succession management systems are not only linked to the business strategy, they also ensure that the different elements of the system are themselves integrated. In practice this means also considering the following:

1. **Resourcing and Assessment.** Are the criteria we use for hiring externally and moving people internally consistent? Should we use the same criteria for identifying high potentials when we recruit externally? Is the recruitment function aware of the talent strategy and priorities? Are they simply hiring for immediate vacancies or are they looking further ahead?

2. **Deployment**. Do our internal deployment processes assist potential successors to get the job experiences they need to drive their career progression? Do we take into account individual development plans when preparing shortlists for internal positions? Are there mechanisms for individuals to declare what job moves they would like to make to support their career progression?

3. **Retention.** Do the people in critical talent pools or succession plans have retention plans? Do they have a stretching role, clear objectives, and is their contribution clearly recognised? How well embedded is critical talent in the organisation, for example through strong relationships with the CEO and executive team? Do we understand the factors that lead to key talent being more engaged and more likely to stay with the organisation, and do we act on that?

4. **Structure.** How will the succession process be structured, in line with external resourcing and internal job posting? Will a distinction be made between roles that are open to all and specifically intended for local talent? Will there be alignment between similar roles filled by third party nationals and local talent? How will individuals in similar roles support each other in on-the-job development?

Transparency is one of the major considerations when designing succession processes. To tell people or not to tell people – and how much to tell them?

The first consideration is that of transparency of process versus transparency of outcomes or decisions. Transparency of process, such as the selection criteria for critical roles or individuals in each type of role, is generally encouraged. However, transparency of outcome – how people are rated or who is chosen for roles or pools – is a different story.

Being thoughtfully transparent means looking at transparency from three angles.

1. **Organisation culture, principles and values.** Decisions on transparency of succession plans should flow from the organisation's overall culture and talent philosophy.

2. **Process transparency.** Overall, we would recommend that you be transparent about your processes and criteria, even if you choose not to be transparent about individual succession plans.

3. **Individual transparency.** Where possible, we suggest being transparent about succession status with the relevant individual, whether or not this information is shared more widely. However, transparency does not necessarily mean full disclosure where it is not helpful or necessary.

5.0
… THOUGHTFULLY TRANSPARENT

Our research highlights two main areas where the application of evidence can be strengthened, and which in turn can positively impact the outcomes of succession management.

DATA QUALITY

Data is a challenge for organisations, whether it's the quality of the data on individuals, roles, and business plans, that underpins succession processes, or the confidence of HR and business decision makers in using data to make decisions.

LINE MANAGER CAPABILITY

Line managers act as a linchpin in ensuring discussions around succession translate into tangible actions with impact on individual development. Managers create micro-cultures that can either support or work against succession strategies.

EVALUATION

Finally, evaluation is a crucial part of an evidence-driven succession process. Organisations need to evaluate the outcomes of their succession management, not just the process. The process may work smoothly or appear effective, but not deliver the necessary outcomes.
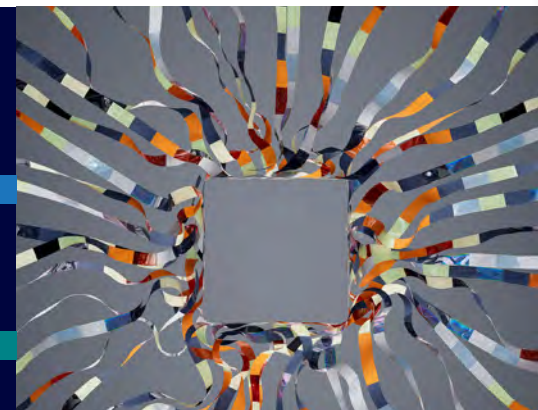
6.0
…EVIDENCE-BASED

7.0
PARTICIPATIVE AND EMPLOYEE-CENTRED

An emerging trend we are seeing in some global organisations is succession management becoming more devolved and less the preserve of certain privileged candidates. In other words, a bottom-up participatory process that opens up career development and succession to a wider and deeper audience of talent. This reflects broader organisational trends towards greater employee centricity, a move away from top-down command and control leadership, and the desire to create more inclusive talent pipelines.

EFFECTIVE SUCCESSION MANAGEMENT

IN THE GULF REGION

8.0
CONCLUSIONS AND RECOMMENDATIONS

In summary, succession management is a vital process of talent management in the modern business context, with the potential to reinforce key talent pipelines and support broader business goals.

CRF's key recommendations from this report are:

▶ Determine what purposes succession management needs to serve in your organisation. Be clear about which purposes are in play at any one time: is it governance, risk management, development, or a combination of the above?

▶ Establish a clear connection between the national goals, business strategy and succession management processes.

▶ Understand and articulate how it fits within an overall talent strategy: the outcomes should be owned and extolled by the senior management team and strongly facilitated by HR.

▶ Your strategy must be culturally and contextually relevant for your company in your region. Following an evidence-based practice approach will help you to ensure that your decision making is backed by internal and external data.

▶ Be transparent about transparency: there may be limits to how transparent you can or want to be, according to your organisation's culture, so you should openly explain this to your talent pool. Regardless of your level of transparency about outcomes, you should aim to be as transparent as possible about your process.

▶ Dedicate time to training your managers in how to operate this important discipline.