

Succession Planning Dynamics 2024: Leadership Insights and Advice



SUCCESSION IN AN ERA OF MARKET DISRUPTION, RAPID TRANSFORMATION, AND A YOUNGER GENERATION OF LEADERS

Succession has always been important for organisations and appointing the right leader, with the right skills, at the right time, is fraught with challenges.

We surveyed a cross-section of leaders to find out how they were managing leadership succession, and their responses make it clear that novel social and economic developments are impacting succession.

Younger talent want leadership opportunities much sooner than previous generations. A more competitive talent market is driving organisations to create more structured succession plans. Leadership skills are changing rapidly, demanding a blend of soft skills and technical business acumen.

Maintaining diversity, equity and inclusion (DEI) is a key consideration in succession planning, and environmental, social and governance (ESG) is a critical element in attracting leadership talent.

The leaders we surveyed are meeting these challenges head on. Redefining their succession process, creating new structures and pipeline growth, embedding leadership development in their cultures, using empirical data to identify highflyers, and adapting to the changing mindsets of younger leaders.

Like other Odgers Berndtson surveys, our interviewees are senior leaders at the top of their respective organisations.



HOW TO ALIGN SUCCESSION PLANNING WITH ORGANISATIONAL STRATEGY

Link to future skills needs

Linking to future leadership skills needs was a consistent approach for aligning succession with an organisation's strategy.

One company leader told us they recently refreshed their skills framework, aligning it with "best practice in today's context, but also in terms of where the world is going, and what we're trying to achieve in the future."

Another leader cited their company's transition from listed investment portfolio to unlisted investment portfolio: "The leadership skillset we need is going to be different in our new strategic reality."

To this point, the organisation had paused its succession planning for several roles before better understanding their required future leadership skillsets.

In practice, this often means taking stock of an organisation's current skills mix and identifying current and potential future gaps. "We conduct strategic workforce planning before we actually get to the succession itself," one leader explained. "Once you understand the skills you have and the skills required in the future, then you can start assessing which roles will be required to execute the strategy."

Identify strategic roles

A group director explained that succession is an ongoing process. They identify the roles critical for the organisation's success, then identify internal candidates with the potential to lead those roles in three to five years' time.

This begins at the top: "We identify people in the business who we believe will ensure the continuation of the group strategy." This includes at least two potential successors and one "emergency successor who can hold the fort if needed."

Part of the identification process involves assessing "readiness levels" – how long before the potential candidate is fit for the role. "You might find someone is ready in the next two years, or the next five years."

Importantly, the strategic roles critical to achieving the strategy are not always core roles. They might be tier two or three leadership positions: "We believe these roles are critical for the success of our strategy – without them, we'd be in big trouble, so we make sure we always have potential successors for them."

Another leader uses a similar process of role and candidate identification: "We focus on specific roles but also maintain a separate list of high potential staff who could fill leadership roles in areas of growth in the business, even if the roles don't exist yet."

For another senior leader, ensuring critical roles are always filled, means making talent and retention part of the ExCo agenda: "We have embedded the talent agenda as part of the Group ExCo conversations. This ensures leadership talent aligns with key strategic drivers, which for us are transformation and diversity."

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Use data to assess potential leaders

A large number of respondents discussed using data to inform succession decisions. Internal heads of talent build a “talent profile” by combining leadership assessment data with qualifications, experience, and importantly, personal aspirations. This enables them to accurately “plot” the person’s trajectory potential within the organisation.

It also means they can identify the people who they thought might have leadership potential but possess underlying skills gaps that were not so obvious. “We removed or moved people off the succession programme because now we have data and we can see the individuals we thought had potential, but in fact have critical skills gaps,” one leader explained.

This enables them to have transparent conversations with these individuals supported by quantitative data. It also avoids the common pitfall of putting someone through a succession process, only to find that the person’s aspirations don’t align with the organisation’s goals.

Another benefit of data-led succession planning is ensuring leadership representation. One organisation focused on race and gender representation in senior leadership roles. They aligned this to their “winning sectors” – those functions they saw as strategically critical and needed to be “bulked up”.

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THE CURRENT CHALLENGES TO SUCCESSION PLANNING

Willingness to 'stick it out'

Internal candidates with the patience to wait for leadership posts are increasingly in short supply. "People need to stick it out for much longer than they would have wanted to," one leader told us. This is an acute problem for their company due to the flatness of the hierarchical structure, which limits exposure to managerial and leadership opportunities.

It is also an increasing challenge with younger generations who are likely to move on if they don't attain leadership opportunities quickly. "Our biggest challenge is attracting talent into the organisation who are willing to wait maybe five years for an opportunity," a senior banking leader said.

Another leader faced the same challenge: "We identify talented successors who are hungry for the role. But they're ready right now, and if they're ready right now then it's easy for them to find something else."

On the other hand, some companies struggle with motivation alignment, sometimes identifying someone who has no intention of moving from their current position. "Succession planning is not always a key priority which can cause frustration for the incumbent, as they don't feel the individual is taking their development as seriously as they would like."

Pace of transformation

Sector and market transformation is relentless, demanding agility and adaptability. Unsurprisingly, for many of our respondents, it also required constant updates and changes to the leadership skills mix.

As one banking leader explained to us: "The sector is becoming increasingly complex and the future is highly uncertain. You can't assume the skillsets and the approach you have today will help you to respond to the challenges of tomorrow."

Another leader explained how they had built a "growth hub to invest in future skills." In doing so, they discovered skill deficits that could not sustain their future ambitions. Part of their concern centred on what they described as

an "ageing population of competence" and a greater need to "prepare the middle layer," in order to build a more diverse skills portfolio.

Lack of trust in the process

Many organisations struggle to overcome preconceived beliefs about the succession process itself. This leads to low engagement among internal candidates who reason there is little to gain in applying for a role, for which (they believe) the Board has already identified someone.

"When we advertise a role internally, sometimes we don't see anyone apply for it," one leader said. "And when we start to ask why, people tell us, 'what's the point – you've already identified someone for it.'" Building back trust in the process is therefore a key objective; in particular, demonstrating the use of data in making objective decisions in choosing successors.

Protecting DEI progress

A critical challenge for many organisations when thinking about succession is maintaining leadership team diversity. Particularly for those with a weaker middle management pipeline, they risk losing hard won DEI progress.

"If we want to protect the makeup of the team from a DEI perspective, we need to take this into consideration when identifying successors," a senior leader said. "Ultimately, how do we preserve the progress we've made?"

Highly politicised roles

In certain sectors, leadership increasingly comes under public scrutiny, deterring some candidates.

One leader in higher education told us that even those with aspirations to lead had turned down positions due to current levels of scrutiny. "When applying for senior roles, individuals are required to make public presentations to a highly politicised constituency and this becomes an opportunity for others to shoot them down or pursue personal vendettas."

HOW TO GENERATE EMPLOYEE BUY-IN AND FOSTER A CULTURE OF DEVELOPMENT

Provide growth opportunities

For many organisations, maintaining employee engagement is often achieved by offering likely succession candidates' growth and experience opportunities. A tried and tested method is providing exposure to different business units, sectors, or markets.

"We give people exposure to businesses in different sectors of the economy," a group director told us. "An individual can be an investment manager in the infrastructure world for a couple of years, then we give them the opportunity to learn the financial services industry."

Importantly, this achieves more than just maintaining a 'high potential's' interest. It pushes individuals beyond their everyday thinking, forcing them to operate outside of the familiar to overcome different challenges. For the organisation, it results in potential leaders with broad and diverse experiences.

Growth opportunities also help mitigate the 'flight risks' of younger succession candidates. One leader had restructured their pay scales and internal mobility to provide candidates with career opportunities and salary growth every one to two years. "It ensures people don't feel like they're stuck," they said.



Have honest conversations

Several leaders mentioned the benefits of having honest conversations with potential succession candidates. More than a one-off to let the person know that they're considered talent, these conversations are ongoing throughout a person's career.

"These conversations are to let the person know where they're at in terms of their development to leader," one senior leader told us. "It's about letting the person know there is a plan for them, which becomes an ongoing and transparent discussion," a different leader said. "Define expectations with people, and be consistent and transparent," another stated.

While the conversations are open, few leaders pinpointed specific roles for their high potentials. "We identify a successor, but we don't share which role they've been selected for, because it creates a sense of expectation which can hinder the candidate's chances."

Embed development in the culture

One senior banking leader described how they took a holistic approach to succession, embedding it as part of the company culture. "We maintain the philosophy that says everybody's talented, and we demonstrate a deep appreciation for what everyone does and focus on how we support everyone in their growth ambitions."

"We have a custom-designed leadership programme that all managers participate in, in order to establish a culture of leadership in the business," another explained. In addition to higher engagement, it means managers can identify their preferred career path, helping an organisation to plan cross-functionally.

Part of this approach is engaging senior leaders in their employee's development. "We work with senior leaders to have ongoing conversations with employees and

embed values around development," one told us. "We help leaders invest in employee development, particularly in providing them with an understanding of their own capabilities," another said.

When these development actions are taken seriously, it fosters confidence in the talent process and subsequent employee buy-in. "You start building confidence in people when development actions start to translate into new career prospects."

Another higher education leader we spoke to had taken this one step further: "Colleagues nominate each other, so individuals go through the process with the knowledge that they have the support of their peers."

Identifying leaders, not successors

Several organisations told us that they are transitioning away from a "one-to-one successor" profile, and instead, identifying "great leaders."

"We're identifying strong general managers rather than successors who just match the technical skills profile," one leader said. "We are now looking for people who will make great leaders, that can literally take the organisation to the next level," another explained.

Adapting to a competitive market

For a number of organisations, succession planning had become more critical in the last two years, as the talent market became more competitive. "We have devised more personalised career development plans to dovetail into the succession plans to make them more attainable and reasonable," one leader said.

This greater focus on succession planning increasingly incorporates the next management level, in order to mitigate attrition. "We have added a second layer in our succession planning, who may take longer to be ready, but have potential."

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THE FUTURE LEADERSHIP SKILLS MIX

Diversified experiences

Broadly, organisations are now looking for generalists rather than specialists. Well-rounded individuals are more capable of managing increasingly complex challenges, including the regulatory landscape.

“It’s critical that our leaders have that broader sector experience rather than just being focused on one area,” a group director told us. “We’re looking for a lot more diversification in their careers and experiences.”

Collaboration

One leader described collaboration as a critical leadership skill; “it’s about collaborating, partnering, bringing people together, and executing on the clear vision and purpose of the strategy.”

Another defined collaboration in the context of effecting delegation: “A key skill for future successful leaders is the ability to relinquish control and invest in alignment.”

“Nothing happens without talented and passionate people and it is critical to bring them along the journey,” another leader added.

Managing complexity

“A key skill for us is managing complexity and making sense of interlinked topics, while also knowing which system levers

they need to pull in order to make things happen,” one director told us. Another said: “The complexities we’re seeing come in the form of managing organisations from an ESG perspective, while driving purpose – that requires a different skillset.”

“The sector is changing quickly and being able to adapt is critical,” a banking leader explained. “There are challenges in the sector that are outside of our control and leaders have to be able to persist and adapt through the tough times in order to succeed in the good times.”

Emotional intelligence

“There needs to be a much greater focus on emotional intelligence – we’ve found leaders high in EQ are more likely to buy into the long-term strategy and bring the organisation together to deliver it, rather than being short-term focused,” a leader said.

“It’s about understanding what drives the business, and what the buyer needs as well as what the seller needs,” another leader explained when discussing EQ.

EQ is also critical in navigating inclusion and diversity. “Leaders need to navigate cross-cultural domains, including intergenerational issues. It’s the ability to navigate these spaces and understand different backgrounds.”

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THE IMPORTANCE OF EXTERNAL TALENT

Meeting sector growth

Several leaders told us hiring externally is the only way of keeping up with current growth. "Our sector is growing at a very fast rate so the only way to access talent in the sector is by poaching talent." They went on to explain: "We have taken the stance that bringing people in at a junior level from outside the industry grows the talent in the sector, which adds value."

Another leader hires externally, specifically during growth cycles when the company wants to enter new markets. "We want to make sure we bring in an external person for that particular market to bring in the external view, in terms of how we are going to embed our organisation in that market."

Diversification of thought

External talent provides a diversity of thought, which enables organisations to stay attuned to differing cultural and social headwinds. "Bringing in talent from outside gives us a greater understanding of how the business is evolving in the context of society and what society is looking for," a director told us.

"It can be a challenge bringing in talent from outside the sector, but it's that diversity of thought that we require," another leader said.

As industries change and become disrupted, external talent can provide knowledge and skills that enable organisations to stay ahead of new market entrants.

Benchmarking against the market

Regardless of market or economic influences, most organisations agreed running external talent in the succession process enabled them to benchmark their current leadership cohort against the broader talent market.

"Running a process with internal and external talent means we can see how our talent stacks up against the external market," one leader said. "There have been times where we've gone with the internal candidate, but it's still been good for the organisation to see where our talent stands in comparison to the market."

While most organisations benefit from bringing in external leaders and running their internal talent against the external market, it's not always plain sailing. "There's a general sense of pride within the organisation and a fear that external individuals may change the culture," a higher education leader said, "which can create an artificial divide between newcomers and those who are already there."



THE CHANGING MINDSET OF YOUNGER LEADERS

Rapid growth and demand for opportunities

“We are seeing a lot more young people wanting growth very quickly,” one leader said. “They want to come in and they want to be promoted straight away,” another echoed. “They want to be accelerated in their development almost immediately.”

For all the leaders we interviewed, this was an ongoing issue – causing challenges in retention and leadership readiness.

“While we understand the need for financial gains and the prestige of promotions, this comes at a price; not embedding solid leadership skills and developing EQ that help you in more senior roles.”

To help meet the demand for progression, while also ensuring skills development, one organisation built a specific leadership programme aimed at more junior colleagues. “We have developed a programme for people who are in their first or second jobs that aims to provide some basic career skills and guidance for career growth.”

We found a large number of companies are also grappling with the demand for broad experiences from their younger leaders. “We are seeing them leave the organisation because they’re looking for international opportunities in markets where we don’t have an operation.”

The opportunity for reverse mentoring

While all organisations are struggling to retain young leadership talent, most acknowledged the unique insight that they offer and the opportunity for reverse mentoring.

“It’s about meeting each other halfway. You can’t say you know it all because the world has moved on, and therefore your older generation can still learn from them. Likewise, the younger generation can still learn from the older one.”

Purpose driven

Younger generations are “very interested in ESG,” several leaders told us. For some organisations committed to this agenda, the benefits have materialised in strong talent attraction.

“We are seeing more and more people wanting to work for us purely because of some of the initiatives we are involved in, and we are quite mindful and deliberate to make sure that we put that out there and we can use it as a competitive advantage.”

Other leaders told us they are realigning their culture specifically to capture younger generations’ interests. “They want to try new things, so we’re shifting our culture to allow those kind of things to happen,” one explained.

Remote work and leadership development

There was the general sentiment that younger generations’ desire for remote working clashed with their push for leadership development.

In discussing their preference for working from home, one leader told us, “you need to have skin in the game – to exercise that muscle. But this is where we’re seeing the gap. We have strong, technically intelligent individuals, but they’re failing dismally in leading people because they haven’t had enough experience spending time with them and getting results from them.”

In response to this very problem, another leader told us their organisation had implemented specific coaching programmes – aimed at both development and generational understanding. “They need to be paired with strong mentors, and the mentors and coaches need to understand how to manage them as well.”

LEADERSHIP ADVICE TO LEADERS EARLY IN THEIR CAREER

Finally, we asked our cross section of leaders what advice they would give their younger selves. This is what they told us.

Gain broad experience

Several leaders told us they would gain broader career experience to boost their abilities and potential.

"It's really just grabbing whatever comes your way and trying to diversify your skillsets. Because the world is moving so fast that whatever you may think is relevant today may not be tomorrow."

Another put diversification in the context of a broader business understanding: "Get to understand the business and what drives the business much quicker. Try and become a trusted partner to others in and around the business."

But they also cautioned balance: "Too much of that and you almost look scattered. It's about a healthy balance of career diversification versus having a career that looks all over the place."

CONCLUSION

For succession planning, disruption demands new thinking. South African organisations are adapting to a new leadership landscape, applying scientific methods to leadership selection and fostering development cultures to

Invest in yourself

Several leaders told us they would invest more in themselves.

"For me it was everything about the business and very little about what I took back out," one leader said. Another agreed: "Develop your skills as quickly as you can and back yourself on them – drive your own growth." For others, this was about self-mastery: "The continuous learning and the unlearning and the relearning is really quite important."

Part of self-investment was also silencing the inner critic: "Don't be afraid to make mistakes, you can learn and grow," one leader told us. "I would tell my younger self to silence the inner critic, to believe that I can do it and to believe in myself," another said.

Find a mentor

Mentorship and sponsorship are critical enablers of a leader's career. All respondents echoed the same sentiment: "Find a mentor and get guidance."

turn many of the challenges into opportunities. To discuss how these methods can be applied to your own organisation, and for help with your succession planning, please don't hesitate to get in touch.



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Succession Management

An active approach to succession management is critical to spot, equip, engage and retain the next generation of leadership talent who will deliver sustainable performance for Boards and key stakeholders.

As talent departures and the shift to a new generation of leaders continue to challenge organisations, getting succession right for key leadership roles has never been more critical. Particularly at the CEO level, succession planning for the C-Suite position opens the door for a unique conversation about the future of the organisation and the quality of leadership needed further down the organisation to sustain future success and high performance.

Done properly, the succession planning process for the C-suite level can propel and elevate the performance of the organisation, strengthening the alignment between the board, key stakeholders and the executive team. Without proper consideration, it can create confusion and misdirection across the organisation and unravel the ties that provide coherent, strong leadership across the senior team, CEO and Board.

As a partner to the CPO/CHRO we:

- Use our LeaderFit assessments to provide independent benchmarks and assess the potential of the internal executive pipeline to validate the internal talent maps;
- Validate the succession benchstrength behind C-Suite positions determining readiness, retention risks and gaps;
- Develop succession plans for the C-Suite as a whole and co-create development plans with each individual which also define line manager and organisational support;
- Deliver cohort and individual development (i.e. 3-D Growth programmes, Executive Growth coaching); and
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