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Efficient Succession Planning – A key to business success

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ABSTRACT

Today's environments are changing rapidly that organizations are facing serious unpredictability and uncertainty, which sometimes causes instability in the business operations. In this unstable environment, organizations need to rely on the most important assets: their people. Organizations need to strategize to motivate and connect their employees in order to create competitive advantage and achieving higher profitability. Organizations may consider methods like succession planning and management to promote their employees' knowledge, skills, talents, and capabilities to tackle problems created by the challenging environments. The purpose of this paper is to provide a general view in succession planning and management by reviewing the most relevant researches in this field. This comprehensive review is useful for organization managers to select and tailor succession planning approaches which best suit their organizations. In particular, this paper will benefit researchers who are interested in studying succession planning and management.

Keywords: Human resource management, succession planning and management, succession planning programs.

Introduction

"Good succession planning is not just looking at who is next in line for a slot, but looking at people early in their careers and determining what kind of training they need to become leaders."

During earlier days there was a situation where organizations had many managerial levels, and the more leaders spent time in strategic activities such as training, process improvement and mentoring. Apart from the above, there are many problems arising from the replacing process. For instance, for a new vacancy it was hard to find the right employee in a short period of time. Moreover, if the organization could not find a right person inside their organization, they must hire him/her from outside, and this will cost more for the organization. Succession planning is an important issue in the field of human resource management. In today's scenario, finding the methods of developing the

talent management programs and finding the important elements of succession planning programs is the main concern.

When it comes to the CEO selection, getting the right people, in the right place, at the right time, is a pre-requisite for long-term success of the organization. Availability of experienced and capable employees that are prepared to assume these roles as they become available is increased by Succession planning. Replacement planning" for key roles is the heart of succession planning.

An ASSOCHAM Business Barometer (ABB) Survey has revealed that India Inc. has a long way to go for putting in place its succession plan at top level. The ABB Survey of 275 leading management consultants, corporate, academicians and professionals on 'Missing Link in Succession Plan' found that only a few companies in India formulate and effectively implement succession plan for the key positions in their organization structure. This was confirmed by 75 per cent of the ABB respondents. They rated Indian companies 4 on a scale of 10 in terms of long term planning and grooming of the successor to the head of a firm. Almost half of the Indian top 100 organizations are family run businesses. Though astute in business, when it comes to sorting out matters of succession some of India's oldest business families may still need to do their homework. Be it the Ambanis of Reliance Industries, the Bajajs of Bajaj Auto, the Nandas of Escorts, or the Modis of Modi Rubber - each family has, in the recent past, faced succession and ownership issues and found them tough to resolve. Except for a handful of companies like Infosys, where the passing of baton from N.R. Narayana Murthy to Nandan Nilekani to Kris Gopalakrishnan to S. D. Shibulal, happened without a hitch, the issue of corporate governance isn't addressed with the seriousness it deserves.

Literature Review

Bossidy (2009) in the book —Execution: The Discipline of Getting Things Done, points out that —one of the most important parts of an executive job is to pass the knowledge he has acquired over the years to the next generation of leaders. It's how an executive gets results today and leave a legacy that the executive can take pride in when he moves on. He further discusses the importance of —developing the leadership pipeline through continuous improvement, succession depth, and reducing retention risk, and a leadership assessment matrix to identify those who are ready for a bigger role vs. those who need to be replaced. Cheryl(2009) recommended some strategies for implementing deliberate and systemic succession plans in the academic environment via a research in higher education institutes. These strategies include: —securing executive champions; aligning the succession plan to institutional culture, mission, vision and goals; taking an approach not unlike strategic planning; carefully constructing communication plans to embrace talent development without inferring entitlement; and a continuous evaluation of both the people and processes involved in succession planning. Levitz (2008) studied about succession planning and leadership development. He emphasized that leadership development and succession planning must be at the core of strategic planning. Motwani (2006) surveyed 368 US SMEs and found that, regardless of firm size, releasing the identity of the successor and providing him or her with training/mentoring were important planning steps. Rothwell (2005) defines succession planning as an intentional and organized effort by an organization to ensure management stability in key positions, and to keep and develop a knowledge base for the future; in addition, employees look for personal development or promotion. Rothwell indicated that the organizations lacking a formal succession plan will face the following issues:

- Key positions will not be filled in a timely manner.
- Key positions can only be filled by external candidates due to the lack of development of internal candidates.
- There are only a few people prepared for the key position.
- Key positions face frequent and unpredictable turnover.
- The potential replacements lack the necessary skills.
- The most qualified talent continues to leave and look elsewhere for advancement.

Ludwig (2005) states that succession planning is very complex and is more than a chart with names on it. It makes sure that, developing and maintaining strong leadership prepares the next generation of leaders. Identifying critical positions and developing job profiles is the crucial first step in succession planning. Another essential component is having a replacement chart with the names of individuals and describing how ready they are to step up and fill the critical positions. Next, develop high potential profiles, which are like resumes that contain information about the incumbent in a position and to assist in identifying a possible successor. It is critical to rate an employee's performance with an appraisal in their current job; a promotion may rely on their performance. When someone in the organization has been identified to be a successor of a key position, the organization needs to develop an individual development plan. This process helps to facilitate a better understanding of what the identified individual currently knows and what they need to know when they advance to a higher level position. Sharma and colleagues (2003b) investigated 118 Canadian family firm owner-managers and found that succession was overwhelmingly related to the proactivity of a trusted successor in pushing the ownership succession process. According to Morris-Lee (2001), to reduce the potential of losing current or future leaders begins by assessing why employees continue to work for an organization. This assessment can have a positive impact on employee retention. As a result, effective succession planning engages current or future leaders to stay and develop their leadership skills and foresight of the organization. He continues that there are three essential components to a practical succession plan. The first component is assessing competency and potential on an employee's current job performance. The second element is measuring preferences or how somebody thinks. This is important when developing an individual development plan. The third component is executing the development plan, which may include several different activities. Carnazza (1982) researched fifteen companies in the succession/replacement planning program. He found that the purpose of succession/ replacement planning programs was to ensure the development of the adequate number of qualified workforce to fill key professional and managerial key positions, which may be vacant in the future. The aim of the research was to examine how companies achieve the objectives of succession /replacement planning programs. He concluded that larger companies are more interested to have formal succession/replacement planning. Companies should recognize that they need time, perhaps as long as five years, for a succession/replacement planning program to be fully implemented and they need the same time to enjoy the expected benefit. In addition, he explained that succession/replacement planning links candidate's potential to position needs. A model of succession/replacement planning that created the foundation for his research findings, were the particulars of the procedures needed to achieve two essential objectives of the succession/replacement planning program. First objective was to decide the position to be covered, which concerned a process of identifying important positions, and the second objective was the person to be included, which includes the process of managing essential managers.

Objectives of study: The main objectives of the study are

- To study the Succession Planning in an organization and its important roles.
- To study the initiatives that can be taken by an organization for identifying its successor.

Succession Planning

Succession Planning is a systematic approach to ensure leadership continuity within an organization by recruiting and/or encouraging individual employee growth and development.

Succession Management

The National Academy of Public Administration (NAPA) defines succession management as a deliberate and systematic effort to project leadership requirements, identify a pool of high potential candidates, develop leadership competencies in those candidates through intentional learning experiences, and select leaders from among the pool of potential leaders.

Common Myths about Succession Planning

- The successor has to be ready now

- External candidates are more qualified and promising
- Succession planning is a single-occurrence instead of planned process
- Succession planning is a single-person event

Necessity of Succession Planning and Retention

- Increased costs of external searches
- Retention of existing talent
- Number of people retiring is higher than number of people entering workforce
- Loss of organizational memory, “tribal knowledge”
- Decreased employee loyalty leads to increased turnover
- Tight labor market = shortage of top talent; complexities at executive level
- Future of work –different needs for generations of employees

Current Economic Trends

Executives believe their 2 biggest challenges in near future would be:

1. Retaining and rewarding the best people.
2. Attracting the best people to the organization

Benefits of Establishing a Succession Plan

- Provides framework to align leadership with strategic needs of the organization; development for executive/management staff
- Strengthens relationship and information flow between the board (if there is one) and senior management team through regular contact that is part of the board’s review of candidates
- Helps prepare for unexpected vacancies
- Provides ongoing job analysis and opportunity for executive staff to adjust role based on changing business conditions and strategic initiatives

Best Practices for Succession Plan

1. Assessment of Key Positions

- What are your critical positions?
- Plan for future roles, not just existing roles
- Develop desired Leadership Competencies
- What positions need to have a succession plan?
- What are the skills, education and experiences needed to qualify for each key position? KSAs?
- What behavioral competencies will be required for each position?

2. Identification of Key Talent

- Who is a retention risk?
- Who has leadership potential?
- Who are your critical employees?

–Typically at the top 2 levels of the organization and high potential employees one level below

- Identified by management’s assessment of performance and potential for advancement

–Performance evaluations -critical

–360 Evaluations

–Personality Assessments

–Mentoring/Coaching

3. Assessment of Key Talent

- For each person on the radar, what are the primary development needs in order to be ready for the next level?
- Share analysis with employees to identify steps to increase readiness
- Help employees identify their career goals and aspirations
- Assess everyone in your organization for potential
- Who is ready for promotional opportunities within 36 months? 72 months?

4. Generation of Development Plans

- Create a targeted Career Path to get employees “position ready”

- Development Toolbox to provide Job Enrichment:
 - Cross Training
 - Job rotation
 - Special Projects or Programs
 - 360 Feedback
 - Problem resolution opportunities
 - Committee or Task Force Assignments
 - Working with Mentor or Job Coach
 - Seminars, Conferences, Continuing Education
 - Exposure -internal and external

5. Development Monitoring and Review

An annual or semi-annual status check with Board/Commissioners/Senior Management:

- Ensure Success plan still aligns with strategic goals and vision
- Reporting and tracking to evaluate progress
- Update development plan for individuals as needed
- Ensure Accountability to performance
- Measure success to plan
- Provide opportunity for on-going feedback
- Status check with candidates to confirm engagement

Keys to Success

- Involvement by Executive Management and Board/Commissioners is Critical for Development and Support of Succession Plan
- Should understand this is as a planned and structured process -not a single time process
- It should not be complicated -minimize paperwork, minimize bureaucracy
- Succession Plan should include:
 - Identification of future talent requirements
 - Clearly defined specific goals
 - Investment in Plan. Investment in People.
 - Plans to align and support organizational mission, values and strategic initiatives
 - Logistics of how successors are chose, elected, replaced
 - Roles of CEO, GM, Board, Executive Management, HR, etc.

Conclusion

The matter of the fact is that surviving and prospering in the current challenge environment require reviewing the succession planning and management in the organizations by managers before reactively promoting or shedding staff. Since succession planning and management is a process and a system, like any other human resource activities it need to be properly implemented in business organizations. Succession planning is not only important for the organizations and its current employees, but also for the investors, customers, the community and the employees. Every organization talks about the succession planning, its proven to be beneficial, yet most organizations do nothing about it when it comes to implementation. Those organizations which do not presently invest in succession planning and management system should perhaps consider it seriously; assessing the needs, requirements, and appropriateness of implementation. The process, steps of implementation, and factors which influence in or affected by succession planning need to be analyzed in various types of organization with different jobs, responsibilities and cultures.

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