

SUCCESSION PLANNING A NEED OR A NECESSITY – A GLOBAL PERSPECTIVE

Mrs. Ch. Gowthami*

Abstract :

Today's environment is changing rapidly that the organizations are facing serious unpredictability and uncertainty, which causes instability in the business operations. Apart from this today's workforce is growing older. As of January 1, 2011, the first Baby Boomers, those born between 1946 and 1964, turned 65, and approximately 10,000 more will continue to do so every day for the next 20 years. In order to overcome these issues the organizations have to identify the key areas & key positions and see that they are kept filled. In this concern raises the question of succession planning & its implementation. This paper emphasizes on the importance & role of succession planning in the organizations. Also highlights the extent of succession planning in the organizations in the select countries by focusing on the various research and recent surveys through out the globe.

Keywords: Succession Planning, Performance, Development, Organization, Management, Implementation.

* Assistant Professor, ITM Business School, Hunter Road, Warangal, Andhra Pradesh.

Introduction:

Succession Planning has found itself on the front burner for many companies with the large number of employees reaching traditional retirement age. Succession planning can be defined as any effort to ensure the continued effective performance of an organization, division, department, or work group by making provision for the development, replacement, and strategic application of key people over time (Rothwell, 2001). Succession planning is linked to leadership development in two important ways. First, being groomed as a successor is part of leadership development. Second, the process of choosing and fostering a successor is part of a manager's own development (Dubrin, 2010).

Having the right people, in the right place, at the right time, particularly when it comes to the CEO, is a pre-requisite for long-term success of the organization. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Taken narrowly, "replacement planning" for key roles is the heart of succession planning. Effective succession or talent-pool management concerns itself with building a series of feeder groups up and down the entire leadership pipeline or progression (Charan, Drotter, Noel, 2001).

It is the opinion of the researcher that succession planning establishes a process that develops the skills and abilities of employees, and prepares them for advancement, while retaining them to ensure a return on the department's investment in their training. Also, this process is an ongoing development of employees that ensures a smooth transition and minimal loss of efficiency when a vacancy occurs in the department.

The goal of succession planning is to identify employees capable of assuming leadership roles and to supply and support education and training to develop those employee's competencies, scope of operation and leadership skills. Succession planning is a continuous annual process; it is a journey not a destination. "Succession planning is mandatory for the long-term success of the organization" (Wolf, 2006).

Review of literature:

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 importance and the role of Succession Planning in Corporate World.
- To study the initiatives taken by the organizations in identifying the successor.
- To study the extent of Succession Planning in organizations in select countries.

Importance of Succession Planning:

Succession planning is an on-going dynamic process that identifies, assess and develops talent to insure that an organization can keep up with changes in the workplace and marketplace.

- 1) Succession Planning is important for the organizations because it identifies the future leaders of the organizations.
- 2) It grooms the successor as per the need and necessity.
- 3) It makes an assessment and creates a match between corporate goals and individual aspirations.

- 4) It prepares the organizations and the employees for future needs.
- 5) It prepares an organization for unexpected event.
- 6) It ensures an organization has the right people in place today, as well as in the future.
- 7) Guides in development activities of employees.
- 8) Brings HR systems into alignment.
- 9) Assures new managers are prepared for their jobs.
- 10) It focus on Organizational Effectiveness.
- 11) Helps in preparing strategies to transfer corporate knowledge.
- 12) Increases ability to achieve business goals by assuring continuity of key positions.
- 13) Improves employee engagement.
- 14) Better appreciation of employees.

Succession Planning a Global Perspective:

Canada:

A study conducted by Knightsbridge Human Capital Solutions and the Clarkson Centre for Board Effectiveness at the Rotman School of Management (CCBE) partnered with the Institute of Corporate Directors (ICD) studied the role & effectiveness of human capital among 242 Canadian board of directors. The findings of the study are that inspite of significance importance of succession planning in the organizations, only few organizations have succession plans in the place for the CEO & other top executives. And also there is a limited monitoring of succession plans for critical positions below CEO. The key findings of the study are:

- 1) Only 83% believe boards are responsible for ensuring the suitable successors to the CEO position are identified at all times, others believe succession planning is only necessary when the CEO has left or is planning to leave.
- 2) Only 55% of participants agreed that their boards have identified suitable CEO successors. Only 40% are confident that their current succession plan will ensure

seamless leadership under unexpected circumstances.

- 3) While 65% are confident that their organizations allocate sufficient time to identifying high-potential internal candidates for executive positions.
- 4) Only 39% believed that they have identified suitable successors for all executive positions.
- 5) 38% are confident in the ongoing quality of executive succession.
- 6) About half (47%) agreed that they do not review the organization's processes or succession plans for high-potential candidates for key positions.
- 7) Only 41% believe that their management teams give them enough information to assess the effectiveness of succession plans for critical positions below the executive level.
- 8) As a result, only 54% of directors are confident that their organizations will continue to have effective staffing in key non-executive positions.

As a result 44% of respondents indicated that their boards would benefit from a further increase in time allocated to succession planning in general.

The below figure demonstrates the percent of succession plans for CEO with a short list of identified candidates and succession plan for all top executives with a short list of identified candidates in various organizations.

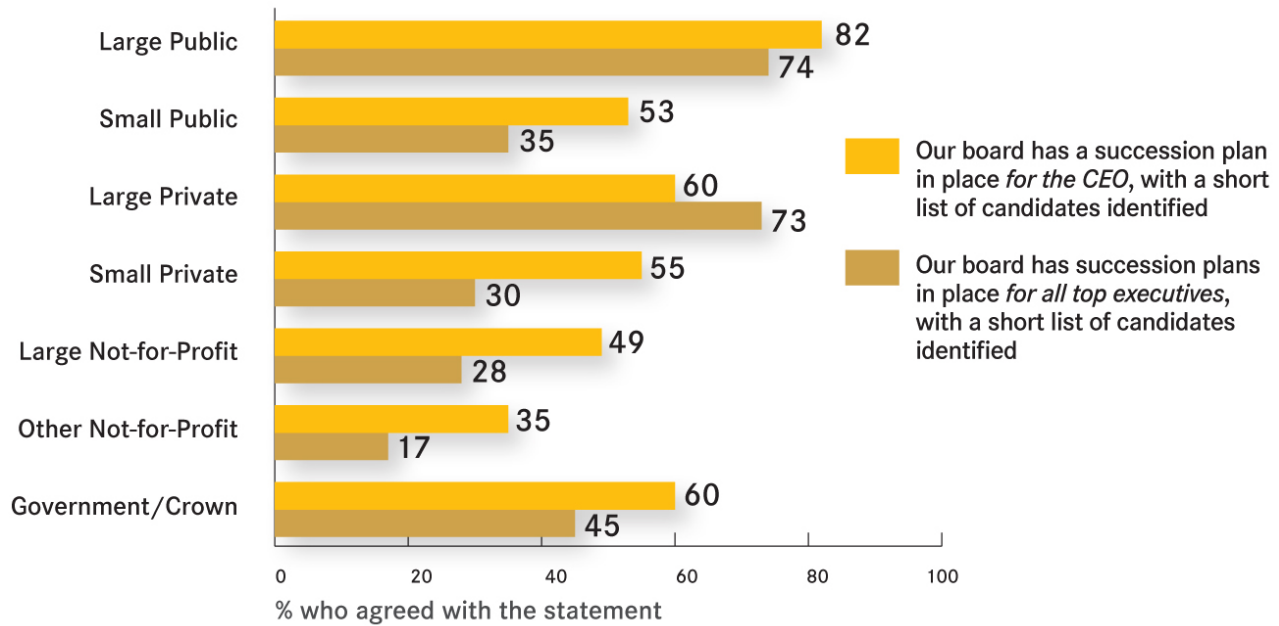


Figure-1: Succession plan for CEO in various Organizations

Source: Beyond the CEO, Research Report September 2011, Knightsbridge Human Capital Solutions

America:

American Management Association (AMA) Enterprise conducted an online survey in December 2010 to probe the perceptions of corporate bench strength as well as management succession preparedness. The study population consisted of 1,098 senior and midlevel business, human resources, and management professionals located in the U.S. (96%) and in Canada (4%).

The findings of the study are :

- 1) Nearly three-quarters (71.3%) of respondents believed that the global economy, with its hyper-competition and ever-changing business environment, has rendered leadership succession more important than ever before.
- 2) Only 14% of respondents believed that their company is “well prepared” to deal with the sudden loss of a key member of the senior management team. In fact, more than one in five respondents (21.8%) say their companies are “not at all prepared” to deal with such losses.

Many companies in the U.S have revealed that they do not have a formal succession plan in place and there are no immediate successors for most senior executives, according to CareerBuilder survey. About 31% of the companies surveyed said that they do not have a succession planning programme currently in their organisation.

India:

A study conducted by Bain & company, a US based management consultancy firm surveyed 44 top Indian firms. The key findings of the study are:

- 1) Only one in five board members was ever involved in talks about a CEO's succession and little effort was made at board level to groom top leadership.
- 2) Over 75% of the company boards in India do not even discuss the issue of CEO 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'. The key findings of the survey are :

- 1) Only a few companies formulate and effectively implement succession plan for the key positions in their organization structure.
- 2) This was confirmed by 75% of the ABB respondents.
- 3) 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.

According to a Korn/Ferry Executive Survey of global companies, nearly all – 98 % – regard CEO succession planning as an important piece of the overall process of corporate governance. But coming into practices only 35% of those same companies have a succession plan in place and are prepared for either an unexpected or a planned departure of their CEOs.

Egon Zehnder International surveyed 836 top executives worldwide, the key findings of the

survey are:

- 1) Only one third of the companies had a professional succession plan in Europe.
- 2) 32% of companies in the UK reported having a succession plan
- 3) 29 % of companies have a formal succession planning in Germany
- 4) And only 26 % was reported having a succession planning in France

A succession plan should be customized to the needs, vision, and mission of the particular organization and should form a part of its strategic goals. Additionally, a succession plan must meet the needs of and be accepted by all members of the organization. To ensure that the plan is implemented successfully, the organization should :

- 1) Have commitment and support from top management
- 2) Be guided by Human Resources
- 3) Be embraced by line staff
- 4) Focus on shared responsibility for employee development
- 5) Include individual development plans for each employee focused on development opportunities with the greatest impact
- 6) Ensure that employees take ownership of their development, with strong management support. (Radtke 2001, 20).

Conclusion:

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. Succession planning is one of those initiatives that many companies don't find the time to start until it's too late if the organizations don't address succession planning at the right time the organization may end up facing the burden in the middle of a crisis.

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