

SUCCESSION PLANNING AND ITS EMERGING ISSUES IN TODAY'S DYNAMIC ENVIRONMENT: AN EMPIRICAL STUDY

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ABSTRACT

DOI URL: <https://doi.org/10.36713/epra3093>

Succession planning plays a crucial role in today's competitive environment. Escalation pool of talent has major contribution in organizational growth. Thus, identification and development of talent is a necessity for overall development of every organization. The aim of this study is to help organizations to know the importance of succession planning and various challenges of succession planning. This research is tried to cover many aspects of succession planning like organizational survival, strategic planning, prepares future leader, a necessary process in today's organization, challenges, and organizations performance. This present study showed that succession planning helps organization to survive for longer span of time; it has positive impact on organizational performance; it has positive relationship with strategic planning; it is a necessary process for organizations to motivate and create competent and stable workforce; organizations face many challenges in implementing succession planning, so organizations must be capable enough to make effective succession plan; and it also assists organizations in identifying and preparing future leaders.

KEYWORDS: *Succession Planning, Organizational Survival, Strategic Planning, Future Leaders, Challenges, Organizations Performance.*

1. INTRODUCTION

In the today's competitive and dynamic environment, the corporate human capital has become a precious source for gaining competitive advantage over other firms. Firms are becoming increasingly dependent on their human resource capabilities. This identified the need for succession planning as it identifies key roles and mapping out ways to ensure the organization has the right people with the right skills, capabilities, and experiences, in the right place at the right time.

2. Definition of Succession Planning

Succession Planning is defined as the process of identifying and creating leaders for future who will take the place of the previous employees when they leave the organization for some reasons like promotion, retirement, resignation, retrenchment, transfer, or death.

Succession planning is a modern and popular technique used by many companies that concentrates on recognizing the talented employee in the organization, who will be possible successors for the key positions.

3. How Succession Planning Works

Succession planning appraises each leader's skills and knowledge, recognizes potential replacements both within and outside the organization, and trains and prepares recognized employees to take senior positions in the case of internal replacements. Succession planning is not a one-shot event; but should be reevaluated and updated each year in the organization. Moreover organization might need to build both an emergency succession plan in order to replace key leader unexpectedly, and a long-term succession plan to anticipate changes in leadership.

In large organizations, the board of directors oversees the succession planning. Succession planning also has impact not just on owners and employees, but also shareholders of organization. For small organization, the succession planning means to provide training to the next generation talent to take over the business.

4. Need for Succession Planning

Succession planning is a part of the human resource planning that recognizes employees may or may not work with the organization in the future. Succession plan is made to

investigate the vacancies which may take place when an employee leaves the organization, the business areas which may get affected, and the skills, knowledge and job requirements of the existing incumbent. Therefore, succession planning is required to determine how and where viable employees can fill the vacant positions in the organization.

5. Benefits of Succession Planning

The numerous significances of succession planning for both employers and employees are as follows:

- Employees are more satisfied as they know that there is an opportunity for advancement in an organization.
- Reinforcement of career development among employees as organization is planning for future opportunities.
- Supervisors will mentor employees to enhance skill, knowledge and expertise.
- Positions can be filled internally when opportunities arise.
- Leadership and employees are able to share organization's values and vision.
- With Baby Boomer business owners and leadership retiring in huge numbers, a new generation of leaders will be needed.

6. LITERATURE REVIEW

Department of management and administrative services, 2010 said that succession planning is a process that confirms that required number of employees is employed in the organization, and also that employees trained to be placed in key positions in the organization. The exercise of succession planning is to make sure that the key positions, which have been left by the related employees, are filled by using effective succession planning. Succession planning is not just a promotion of employees, but also includes experimenting, training, coaching, evaluation, communication, and accomplishment of the organization's goal.

Paul, E. Ricci, 2006 argue that succession planning is not a short-term process, but a yearly permanent one beginning from the employer of employees, since the future managers of an organization are among the employees employed today.

Collins (2009) defines succession planning as "a process that provides flawless leadership conversion across the organization".

M. Dami Baldwin (2005), found that succession planning plays a key role in the companies' strategic planning. Succession planning is not only the concern of CEOs but also for all the key positions. The succession planning process requires a long term strategy of the organization including the key areas that necessitate continuity and development of the key people that the organization wants to develop.

Jeff Weekley (2005) states that the HR professionals prepare the succession plan with a permission of CEO. A few techniques should be followed by organization to put the succession plan in the process. CEO must be a keen supporter and an energetic participant, the line management must involved in the process with HR and play a supportive role, gaps between the current skill employees possess and the future skill requirements are to be identified, succession planning ought be consistent with other programs.

Charan, et al. (2001) said that it is crucial for organizations to provide training to successors before the vacancies are generated.

Tropiano, M., 2004 said that succession planning is a systematic, strategic and premeditated attempt to develop competencies in potential employees through anticipated learning experiences such as educational training and targeted rotations in order to fill senior positions without discrimination.

Schoonover, 2011 Succession planning refers to a purposeful and systematic effort to make sure leadership stability in senior positions, to develop intellectual and knowledge capital within the potential employees for the future, to encourage individual advancement, to ensure the stability of key employees, to retain and to enhance performance of the organization.

Conger (2004), Kesler (2002), Leibman (1996), Rothwell (2005) have defined the key factors of succession planning and management system including ten elements i.e. organizational commitment with communication of expectations, process of transparency, process evaluation, identification of organizational needs, recognition of key positions, enhancement of knowledge, skill, and ability, accountability, appraisal of talents, development of individual growth policy, individual feedback, and integrity of process throughout the organization. An effective succession planning and management process is well integrated, continuous, and systematic, lined up with strategic planning, and matches available talent with the projected talent requirement for the future.

Neefe, 2009 has defined succession planning as determined by the philosophy that the leadership can be learned by potential employees and current employees can be recognized and developed to fill future leadership openings, and also allow the smooth conversion and ensures business continuity.

7.OBJECTIVES OF THE STUDY

- i. To know the role of succession planning in preparing future leaders.
- ii. To examine the importance of succession planning as a process in an organization.
- iii. To analyze the impact of succession planning on organizational performance.
- iv. To know the relationship of succession planning with strategic planning.
- v. To assess the role of succession planning in organizational survival.
- vi. To study the various challenges organizations face with respect to succession planning.

8. RESEARCH METHODOLOGY

This research is based on secondary data. The secondary data was collected through various books, magazines, research journals and other relevant sources.

9. SUCCESSION PLANNING AND ITS EMERGING ISSUES

Objective 1:- To know the role of succession planning in preparing future leaders.

9.1 Succession Planning: Prepares Future Leader

In today dynamic global economy, organizations face many troubles such as rapidly changing customer demands, public pressure from activist groups, and technological distraction. The average time period of CEO for publicly traded companies is only five years. New generation is keen for career opportunities advancement to enter the workforce, so organizations to build a strong pipeline of future leaders ought to focus on long term strategies. Succession planning

facilitates organizations to identify high-potential and capable candidates and prepare them to take responsibilities of senior positions as per the availability. With the increased competition for talent bound, establishing a succession planning process has become very crucial. Further, succession planning accelerates the organizations performance. Succession planning is a transformational stage through which management explores the future leaders.

Therefore, Succession planning enables organizations in filling the senior positions with talented candidates to assure that every leadership level has plenty of talented performers to draw from, for both present and future need.

Objective 2:- To examine the importance of succession planning as a process in an organization.

9.2 Succession Planning: A Necessary Process in Today's Organization

Succession planning helps organizations to reduce employee turnover rate, to retain talented employees, and to have stable workforce. Organizations implement a structured succession planning that make a distinction between the significance of establishing ownership of the succession plan and align the internal culture with external branding. Thus it includes identifying, assessing and developing high potential employees in the organization. Once high potential employees are identified and selected, they'll go through the development program which includes a job rotation program, a formal mentoring/coaching program, after that 360 appraisal is done to get their feedback and also receive an appropriate reward for their performance.

In today's rapid changing environment, organizations face major uncertainty and unpredictability, which sometimes further cause instability in the business operations. Thus in this unstable environment, organizations require to depend on their employees. Therefore, organizations ought to make strategies to encourage their employees and get connected with their employees in order to build competitive advantage and achieve high profitability. For this purpose organizations need to emphasize on methods like succession planning which promote their employees' skills, knowledge, capabilities, talents, and to tackle problems which may arise in future.

Therefore, organizations to prosper and survive in the challenge environment require reviewing the succession planning and management requires reacting, promoting or shedding staff. While succession planning and management both are the process and the system like any other human resource activities, so become necessary to be implemented properly in business organizations.

Objective 3:- To analyze the impact of succession planning on organizational performance.

9.3 Succession Planning: Its' Impact on Organizational Performance

Succession planning is a significant way of identifying talented employees who can take senior positions in an organization. A management succession plan helps in preparing employees to replace senior executives. Succession planning identifies in advance the gaps between what employees should to know and what they know currently i.e. competency gaps. Thus, a succession plan assesses the strengths and weaknesses within an organization and accordingly provides training to employees to impart knowledge, skills and abilities they may require to fill future vacancies that mean succession planning identifies the weak areas of employees and accordingly conducts training program to enhance the employees'

performance. Effective and efficient succession planning activities have a positive and significant impact on organizations performance not only by ensuring that key positions will remain occupied with competent employees, but also saves money of external recruitment, selection and training, which may be significantly more expensive than promoting from within the organization.

Therefore, there is positive and significant impact of succession planning on organizational performance.

Objective 4:- To know the relationship of succession planning with strategic planning.

9.4 Succession Planning: Its Relationship with Strategic Planning.

Strategic planning is an important element of succession planning. Succession plan helps organizations to lessen the gap in its active ties when its employees are promoted, resigned, transferred, retired, or terminated and improves the strategic planning of the organization. Succession plan is a continuous and systematic process that consist assessment of organizational talents, recognition of the existing skills, identification of the future requirement for the skills, identification of skill gap, implementing required training programs using on-the-job and off-the job training methods, plans for the development, job rotation plans, effectively and efficiently. Thus a formalized and determined strategic planning is required to be developed for the successful implementation of succession planning. Concerned senior directors encourage their employees to actively participate in strategic planning. Therefore, it can be concluded that there is a significant and positive co-relation between succession planning and strategic planning as these two types of planning interact with each other.

Objective 5:- To assess the role of succession planning in organizational survival.

9.5 Succession Planning: Its Role in Organizational Survival

Organizational survival is implanted organizational objectives that necessitate the investment of the energy and resources. The objective of organizational survival emphasizes all other objective of the organization. Emphasizes on this objective ultimately contributes towards the satisfaction and implementation of other organizational objectives. Moreover to assess some of the internal variables that drain from the organization the effort that ought to be directed to the accomplishing the company' objectives with execution of succession planning; such as high turnover rate; internal conflict, nepotism, career development, talent retention, supervisor' support, etc. The key independent variables of succession planning concept of the human resource planning such as talent retention, career development, nepotism, and organizational conflict play a crucial role to improve the organizational survival. All variables intended for this study that influence succession planning and human resource planning concerning organizational survival is illustrated in the figure below:



The talent retention (independent variable) act as a mediator variable in concept of succession planning that further contributes towards the organization survival to a great extent.

Objective 6:- To study the various challenges organizations face with respect to succession planning.

9.6. Succession Planning: Its Challenges

Succession planning is one of the important processes that cannot be ignored in today's competitive environment. Amplification of this process has direct and positive impact on organization as it helps in nourishing employees. There are numerous challenges that organizations face in today's dynamic environment in succession planning. Some of the challenges that organization face while conducting succession planning are size of the organization that determines the ability to provide opportunities for advancement; issues with the financial resources; the nature of funding may be an issue as more organizations rely on project funding as opposed to core funding; looking at temporary staff; senior managers who stay in their positions for too long or have expectation rights that are unrealistic; management that no longer has the skills needed for the top job; the requirements of the company's executive leadership have changed; the company's leader is no longer making a meaningful and productive contribution to the company; failing to strategically include promising employees in the succession plan, rather than including those who are disinterested, unmotivated, or lack the capacity to advance; inadequate training and development will mean employees who are not ready for a promotion; the succession plan doesn't promote people regularly, resulting in potential successors leaving the organization for other opportunities; and poor communication, which creates confusion and unrest within the company with staff speculation about the true details of the succession plan.

FINDINGS

- i. Succession planning helps companies to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital within key employees for the future, encourage individual advancement, ensure the workforce stability.
- ii. Succession planning helps organization to promote their employees' knowledge, skills, talents, and capabilities to motivate and connect their employees in order to create competitive advantage, achieving higher profitability, reduce workforce attrition and prepare for an aging workforce.
- iii. There is positive impact of succession planning on organizational performance as succession planning helps organization in identifying and providing training to employees to help them to move up in an organization. Further this would help the organization to improve its performance.
- iv. A formalized and concentrated process for strategic planning should be developed for the implementation of succession planning.
- v. Organizational survival is a primary goal of every organization and the variables of succession planning concept of the human resource planning namely; talent retention, career development, organizational conflict and nepotism play a crucial role to enhance the organizational survival/growth.
- vi. Organizations face many challenges in implementing succession planning such as the organization size that verify the ability of organization to provide opportunities for advancement; financial issues like employees contentment regarding adequate salaries and benefits; looking for temporary staff; senior managers stay for longer tenure in their positions; skills for the top level jobs no longer required; the

need for executive leadership have changed; leaders are not making productive contribution to the company; unable to include talented employees in the succession plan; improper training and development program to prepare employees for promotion; the succession planning is not done on regular basis that results in employee attrition; and improper flow of communication which creates confusion and unrest within the company.

CONCLUSION

In today's dynamic world where competition is high, organization's future plans may change for some reasons such as retirements, transfer, promotions, sickness, death, or resignation. Succession planning is considered as an appropriate plan to cope up with such kind of changes, as organizations must have key employees for replacement plan. This research has found that succession planning has positive impact on organizational performance; it helps in organizational survival for longer tenure; its helps in identifying and preparing future leaders, it has positive relationship with strategic planning, it is also a necessary process to motivate and create competent and stable workforce; and organizations face many challenges in implementing succession planning, so organizations must be capable enough to make effective succession plan. So, succession planning is not just an exercise, but an extremely important process that can be converted into organization development. Hence the organizations must be capable enough to prepare and implement effective succession planning.

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