

Succession Management at a Manufacturing Company in Chennai – An Empirical Study

A V R Pandiyan and P Jayalashmi

Abstract

Succession planning, sometimes called succession management is a process for preparing people to meet an organization's needs for talent over time. Succession planning is perhaps best understood as any effort designed 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. This is important because it often takes years of grooming to develop effective senior managers. There is a critical shortage in companies of middle and top leaders for the next five years. Organizations will need to create pools of candidates with high leadership potential. Thus the development and implementation of leadership succession plan becomes important to have the business continuity at its best. This research paper focuses on the succession planning process, the effectiveness of various methods in identifying potential successors, the attributes to be considered in selecting employees and the effectiveness of various tools in developing executives for succession management program. Further, appropriate strategies are suggested for an effective succession plan.

Keywords: Culture, Leadership, Organizational development, Quality workforce, Retention, Succession planning and management

1. A brief background of the study

Succession planning, sometimes called succession management to emphasize the active and continuous nature of the effort is a process for preparing people to meet an organization's needs for talent over time. According to William J. Rothwell, "succession planning is perhaps best understood as any effort designed 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." This is important because it often takes years of grooming to develop effective senior managers. There is a critical shortage in companies of middle and top leaders for the next five years. Organizations will need to create pools of candidates with high leadership potential. It involves a careful balancing of the concerns and needs of a firm's

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founding and senior managers, on the one hand, and its more junior investment professionals and managers, on the other hand.

One of the most critical issues for building innovation capacity in organizations is the acquisition and maintenance of knowledge. According to an Annual Talent Shortage survey conducted by HR solutions firm, Manpower, 1/3rd of employers' worldwide find it difficult to fill key positions within their organizations. Around 50 percent of the employers could not find the right talent for their business. In the Asia – Pacific region, the situation is even worse with two out of every five companies facing a talent shortage within the organization. India fortunately faces a slightly less shortage with only 16% of the employers finding it difficult to access people with appropriate skills. Quality work force is key differentiator between organizations. Quality workforce is a loyal employee equipped with competence in job and commitment to the company. Therefore the key challenge is attracting and retaining a quality workforce. Thus the development and implementation of leadership succession plan becomes important to have the business continuity at its best.

2. The process components of succession planning

- Identify key leadership criteria: It's essential that an organization knows what skills and competencies it needs to succeed. No one group, including HR, can identify all these traits. As a result, successful organizations usually rely on focus groups and task forces to better understand core competencies and personnel requirements.
- Find future leaders and motivate them: An enterprise must have a system in place for finding star employees and ensuring that they are ready for key positions. This can involve any of several approaches, including 360-degree feedback, standard reviews, and informal discussions. Understanding employees' talents, aptitudes, and interests -- and then providing interesting assignments -- creates a much higher likelihood of success than a strict compensation-reward system.
- Create a sense of responsibility within the organization: Although HR can serve as a catalyst for effective succession planning, most successful organizations rely on corporate management to review and oversee the progress of employees. Then, as a worker moves up the ladder, there's a detailed record of his or her progress -- with review from various levels within the company.
- Align succession planning with the corporate culture: Despite an emphasis on past performance, it is essential to retain a focus on core values. Effective succession planning requires an organization to stress these values, whether it's a desire to perform leadership tasks or complete assigned tasks, and weight them heavily in the overall selection process.
- Measure results and reinforce desired behaviour: The only way to know whether a succession plan is effective is to put systems in place to track results -- and have

HR review the overall effectiveness of the program. Then the organization must develop systems, such as reward-based compensation, training, and appropriate assignments, to motivate workers and push them along desired development paths.

3. Need for the study

One of the major challenges faced by many organizations is to find out the vacancies caused by retirement of executives in various key areas of management and to develop competent successors in order to avoid major disruption of business process. Retaining the talented employees in any organization is also a major challenge for HR department. In the times of raging talent war, when organizations can get crippled by the sudden vacancies in crucial middle or top level positions due to attrition, successful succession management system is a key to survival and continued growth.

What forces the organizations to pursue succession management is the scarcity- not just in quantity but in the quality of the work force as well. By moving succession management to the forefront and taking a proactive approach in leadership and employee development, the organizations lay solid foundation for smooth leadership transitions in the future. Thus succession management has become the need of the hour to keep the strategic business goals and functions properly aligned with HR goals and functions since the business itself is entirely talent or HR driven.

4. Objectives of the study

- To study the effectiveness of various methods in identifying potential successors.
- To find out the attributes to be considered in selecting employees for succession management program.
- To ascertain the effectiveness of various tools in developing executives for succession management program.

5. Review of earlier research studies

Rothwell, W. J (2001) has stated that succession management is a long term HR strategy based on the human resource and business plan requirements. Succession management is defined as any effort designed 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.

Huang, T (2001) thinks that organizations adopting formal succession management plans for their top management positions have reportedly experienced a higher return on investment than those who have not. Kramer, R. J (2003) discusses that as input to the management system, an organization usually identifies its existing competencies, related to both its leadership needs and the industry it competes in. Apart from the set of required competencies, the organization also collects data about the employees' career aspirations, interest areas, career mobility and developmental needs. This information is

then used by the organization to align individual career aspirations with organizational needs.

Lemons Darey (2004) talks that as businesses evolve and system becomes more sophisticated, organizations must address the changing nature of work and focus on preparing employees for the sorts of roles that are likely to emerge, rather than focusing solely on today's roles, which may not be required in the future. Addressing succession management is a competitive imperative. An organization that neglects employees' development and placement not only pays higher cost for locating appropriate external candidates, but also faces difficulties in assimilating a great number of new hires to the organizations culture and values. Indeed many organizations have learned this lesson through very public failures resulting from hiring leaders with impressive records but no familiarity with the unique demands of the organization.

Munro Andrew (2005) has stated that succession management isn't simply the passing of the baton to the next person. Competitive success is shaped by the organization's skill in utilizing the talents and know-how of key technical and professional groups and its effectiveness in coordinating employee performance through its ranks. Succession management therefore becomes less about a handful of top team appointments and more about how the organization thinks about and manages its talent. There is a shift in management mind-set from "filling jobs" to constantly seeking out those individuals who can move the organization forward. Succession is about performance management at all levels.

Rothwell W J (2005) has stated that succession planning and management need not be limited solely to management positions or management employees. Indeed, an effective succession planning and management should also address the need for critical backs-ups and individual development in any job category. Succession planning and management are important for other reasons as well. It forms the basis of communicating career path to each individual, establishing development and training plans and creating a more comprehensive human resources planning system.

Doris Sims and Mathew Gay (2007) have stated that at leadership level, executive succession helps organizations groom and select the next generation of leaders for more responsible positions. This ability to develop and deploy leadership capabilities and talents translates into a competitive edge for organizations.

Bersin (2015) wrote that many organizations struggle to facilitate internal talent mobility. Less than one-third has formal succession plans for all but the very top levels. When an employee leaves a company, we are forced to bring in someone else who starts at the bottom of the curve. This means we incur the cost of hiring, the loss of productivity and the diminished learning curve of the new employee. Yes, the new person may have excellent skills and perspective from the outside, but in many cases it will take years to realize those benefits. However, if HR facilitates internal talent mobility, people are constantly being developed and challenged and engagement goes up. But it won't be easy, Bersin added. Some tips he offered include:

- Making sure that all posted positions are marketed internally and that employees are encouraged to apply for them by creating incentives.
- Investing in on boarding and new-hire orientation.
- Assigning career coaches to map patterns of movement and document career paths.

Roy Strauss (2015) has stated that as older, highly skilled workers leave the workforce, how can talent managers ensure that the years of valuable experience don't leave, too? To a large extent, organizations run on the knowledge and skills of their people, especially the "tribal knowledge" of how things work and are done "here," whether it's in information technology, sales, manufacturing, or human resources. Without a consistent, effective way to transfer and share this knowledge, critical people leave and take this critical knowledge with them, resulting in business disruption and potential customer dissatisfaction. Unfortunately, most organizations have no consistent method of dealing with such a crisis when it occurs. Instead, managers and co-workers are left to "deal with it," often perpetuating problems, while the business suffers. In most organizations, the high risk is in losing the tacit knowledge that comes with many years' experience in an organization and that makes people effective in their job. What is needed is a flexible and consistent process for eliciting, capturing and transferring tacit knowledge.

Sarah Fister Gale (2015) feels that workforce planning, once a tool for only the most mature human resources organizations is going mainstream — though not at the clip many say is needed to keep up with market forces. Businesses of all sizes, from lean tech startups to massive global companies, are implementing workforce planning — the continual process of aligning workforce and organizational needs so a firm can meet its regulatory, service and production requirements — as a critical business process. Indeed, Deloitte's 2015 "Global Human Capital Trends" report shows only 5 percent of HR professionals say their workforce planning process is "excellent," while one-third say it's "adequate" and nearly 60 percent call it "weak." Another key driver of this trend is access to easy-to-use analytics tools, Weisbeck said. Companies now have access to tools that can automate much of the analytics so they can make better decisions with special expertise in the technology.

6. Research methodology

6.1 Research design

Research design is the basic framework, which provides guideline for research process. It is a map or blue print according to which the research is to be conducted. Descriptive research design is adopted for this study. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs, as it exists at present.

6.2 Sampling method

The population comprises of around 400 executives of a manufacturing company in Chennai. Random sampling technique is used for selecting the sample size of 70 respondents. A random sample allows a known probability that each elementary unit in the population will be chosen.

6.3 Data collection method

Primary data is collected directly from the 70 sample respondents through structured questionnaire. The questionnaire contains dichotomous, multiple-choice and closed-end questions.

6.4 Limitations of the study

- The findings of the study are based on the views of only 70 sample respondents. Hence, they are to be carefully considered for generalization.
- The interferences drawn are subjected to bias and prejudice of the respondents.
- The accuracy of findings is limited by the accuracy of statistical tools used for analysis.
- The accuracy of findings is constrained by sampling and non-sampling errors.

7. Data analysis

Table 1: Respondents' views on the importance of formal succession management program

S. No.	Agreement Level	Weight age	No. of Respondents	Total Score	Mean Score
1	Strongly Agree	5	37	185	4.4
2	Agree	4	30	120	
3	Uncertain	3	2	6	
4	Disagree	2	0	0	
5	Strongly Disagree	1	1	1	
Total			70	312	

Table 2: Respondents' views on the benefit of succession management system

S. No.	Agreement Level	Weight age	No. of Respondents	Total Score	Mean Score
1.	Strongly Agree	5	46	230	4.6
2.	Agree	4	21	84	
3.	Uncertain	3	3	6	
4.	Disagree	2	1	2	
5.	Strongly Disagree	1	0	0	
Total			70	322	

Table 3: Attributes to be considered in selecting executives for succession management program

S. No.	Attributes	No. of Respondents	Percentage
1.	Loyalty and Energy Level	6	9%
2.	Knowledge and Executing Out -Of- Box Ideas	8	11%
3.	Performance & Achievements	19	27%
4.	All The Above	37	53%
Total		70	100%

Table 4: The effective methods for identifying potential successors

S. No	Methods	Rank 1 (4)	Rank 2 (3)	Rank 3 (2)	Rank 4 (1)	Total Score	Mean Score	Ranking
1	Self-Nomination	16	12	28	14	170	2.4	III
2	Reporting Manager	13	29	19	9	190	2.7	II
3	Performance Evaluation Rating	34	21	7	8	221	3.15	I
4	Top Management	7	8	16	39	123	1.75	IV

Table 5: Selecting the effective tools in developing executives for succession management programs

Factors	Rank 1 (6)	Rank 2 (5)	Rank 3 (4)	Rank 4 (3)	Rank 5 (2)	Rank 6 (1)	Total Score	Mean Score	Ranking
Job Rotation	9	5	16	15	8	17	221	3.15	V
Stretch Assignment	2	8	4	31	16	9	202	2.88	VI
Job Enrichment	21	10	9	4	10	16	260	3.71	III
Coaching	4	23	5	9	18	11	233	3.32	IV
Mentoring	8	17	23	8	8	6	271	3.87	II
Training	26	7	13	3	10	11	283	4.04	I

Hypothesis testing: Chi-Square analysis

Hypothesis: There is no significant relationship between experience of the respondents and their awareness about succession management program in the organization.

Table 6: Relationship between experience of the respondents and their awareness about succession management programs

S. No.	Experience	Aware	Not Aware	No. of Respondents
1.	Less than 5 Years	4	0	4
2.	5-10 Years	6	0	6
3.	10-15 Years	9	1	10
4.	15-20 Years	12	0	12
5.	Above 20 Years	26	12	38
Total		57	13	70

Table 7: Calculation of Chi-square

S. No.	O _i	E _i	O _i -E _i	(O _i -E _i) ²	[(O _i -E _i) ² /E]
1.	4	3.26	0.74	0.548	0.168
2.	6	4.89	1.11	1.232	0.252
3.	9	8.14	0.86	0.739	0.09
4.	12	9.77	2.23	4.973	0.509
5.	26	30.94	-4.94	24.404	0.789
6.	0	0.74	-0.74	0.548	0.74
7.	0	1.11	-1.11	1.232	1.109
8.	1	1.86	-0.86	0.739	0.397
9.	0	2.23	-2.23	4.973	2.23
10.	12	7.06	4.94	24.404	3.456
Total					$\Sigma=9.74$

Calculated value is (χ Cal) : 9.74

Degree of freedom : 4

Level of significance : 5% = 0.05

Tabulated value (χ Tab) : 9.488

Inference

Since the calculated value is greater than the tabulated value, the Hypothesis is rejected. Hence, there is a significant relationship between experience of the respondents and their awareness about succession management program in the organization.

8. Findings

- 54% of the respondents are in the age group of 45- 60 years and 23% of them belong to 35- 45 years.
- 54% of the respondents possess more than 20 years of experience.
- Most of the respondents agree that the implementation of formal succession management program is important for the organization.
- Most of the respondents strongly agree that the implementation of formal succession management system will benefit the organization.
- 81% of the respondents are aware of succession management system.
- 63% of the respondents have not participated in succession management programs.
- 91% of the respondents have stated that succession management programs will enhance job satisfaction.
- 53% of the respondents have stated that the attributes such as Loyalty & Energy Level, Knowledge & Executing out-of-box ideas and Performance & Achievements have to be considered in selecting employees for succession management programs.
- 91% of the respondents have stated that proper selection procedure needs to be followed in the identification of potential successors.

- Most of the respondents have ranked Performance Evaluation Rating and Reporting Manager as the most effective methods for identifying potential successors.
- Most of the respondents have ranked the activities such as Training, Mentoring and Job- Enrichment as the most effective in developing executives.
- There is a significant relationship between experience of the respondents and their awareness about succession management program in the organization.

9. Suggestions for an effective succession plan

- Succession management as a component of talent management should be a long-term human resources (HR) strategy, based on the HR and business plan requirements. Due to the overlap with other strategies such as performance management, recruitment, development and retention, it is critical that the succession management process is integrated and aligned with all HR programs and systems.
- An effective succession plan should be in writing and rigorously referenced during the plan's implementation phase. This helps those responsible for implementation, keeps the process sustainable and assists when evaluating the plan's success.
- Senior management and the board should regularly review the plan to determine whether it remains effective or requires revisions. The succession plan itself must be as dynamic as the selection process. It cannot be viewed as an immutable, irrevocable document. Rather, it is an evolving expression of the future needs and goals of the enterprise.
- It is equally important that ancillary aspects of the succession plan, especially those addressing ownership transfers, be thoroughly and carefully documented. This results in clarity and mutual understanding of the terms and conditions of ownership transfers. It also enables future beneficiaries to understand the plan's components, expectations, and mandate. This is especially important when addressing issues like performance criteria and vesting schedules.
- If the company lacks an effective personnel evaluation policy, it should consider implementing one as part of its succession plan. These policies help identify potential leaders and successors. They also provide a guide to successfully mentoring talent, and developing a broader, more inclusive management team.
- Executives require a better understanding of the need for succession management in the organization. They need to be aware of the succession management programs implemented in organization
- Transparency is required in the nomination of potential successors so that executives better understand the criteria considered in nomination and work towards their development. Executives need to understand that nomination for succession planning is age bound.

- Training, Mentoring and Job-Enrichment practices can be implemented more effectively to enhance the effectiveness of succession management programs.
- Initiatives taken in succession management should sustain till the fruits of the initiatives are obtained. This will help the organization to better understand the challenges in moulding successors and implement better programs.
- The potential successors can meet face to face at least on a quarterly basis to discuss their growth and developmental needs.

10. Conclusion

An effective succession plan should not be considered an end. Rather, its continued success requires that it be viewed as a beginning. It can guide a business owner, creating a roadmap for success. It can also help owners attract and motivate successful employees. When owners commit to creating and implementing effective succession plans that embrace comprehensive programs for transferring management responsibility and equity ownership, they can experience the rewards of creating lasting legacies for their businesses. Moreover, in emergency situations, an effective succession plan can literally save the company's life.

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