SUCCESSION PLANNING:
A PLANNING THAT TURNS OUT INTO A LEGACY

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ABSTRACT

Succession planning is an internal recruitment in which an organization ensures that employees are recruited and developed to fill the key role within the company. Succession planning is basically the search for successors. Problems of succession in corporate India run much deeper, all the way down to even smaller firms. And there are no easy fixes.

Keywords: Succession, Recruitment, corporate India.

INTRODUCTION

Succession planning is a process which identifies and develops the people within the organization who have the potential to fill key leadership positions in the company. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Succession planning is a process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. Through succession planning process, recruit superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles. Succession planning is a kind of internal recruitment.

Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role. As the organization expands, loses key employees, provides promotional opportunities, and increases sales, succession planning guarantees that employees of it on hand ready and waiting to fill new roles.

Effective, proactive succession planning leaves the organization well prepared for expansion, the loss of a key employee, filling a new, needed job, employee promotions, and organizational redesign for opportunities. Successful succession planning builds bench strength.

HISTORY

Experts says wars of succession go back several centuries." Take the Aurengazeb syndrome". It is a pattern that recurs in corporate India over and over. The Mughal emperor imprisoned his father, went to war with his elder brother Dara Shikoh (who was the preferred choice of father; the law was then vague about the rules of succession), and eventually had all of his brothers put to the death (of course, this not happen in modern corporate India).

All too often, there is also the Dhritarashtra complex in which the blind love for a favorite child that the patriarch prefers over the others. Meritocracy seems to have no place in many succession choices, going by examples of the past. And the choice of a favorite son over the others is bound to lead to ill feeling.

Examples of the Aurangzeb syndrome include the "coup" in Apollo Tyres, where founder Raunaq Singh was deposed by son Onkar Kanwar as head of the firm, or Ranbaxy Labs, where the father (Bhai Mohan Singh) had a boardroom battle with elder son Parvnder over strategic direction, which resulted in Parvinder winning. Oddly enough, in both cases, the boards of directors in the two companies sided with the sons.

Succession is front and centre on the agenda of most boards. Recent events surrounding the succession at Infosys Technologies (and the spats associated with it) have drawn public attention. There has also been much speculation about who will succeed the likes of Ratan Tat as head of the Tata Group, or A.M. Naik of Larsen & Tourbo (L&T) and even Y.C. Deveshwar at ITC. Though these leadesrs have been storied successes, and as they ride off into the sunset, their departure also marks a generational shift. Finding people to fill their shoes as leaders will be hard. But the problem of succession in corporate India run much deeper, and all the way down even to firms that are usually clubbed into the small and medium enterprise category.

SUCCESSION PLANNING MODEL

The process of finding suitable successors involves concerted efforts with sophisticated design and strategy is known as succession planning model.

Companies devise elaborate models to characterize their succession and development practices. Most reflect a cyclical series of activities that include these fundamentals:

- Identify key roles for succession or replacement planning (achieved in phase I)
- Define the competencies and motivational profile required to undertake those roles (achieved in phase I)
- Assess people against these criteria - with a future orientation (achieved in phase II)
- Identify pools of talent that could potentially fill and perform highly in key roles
- Develop employees to be ready for advancement into key roles - primarily through the right set of experiences. (achieved in phase III)

In many companies, over the past several years, the emphasis has shifted from planning job assignments to development, with much greater focus on managing key experiences that are critical to growing global business leaders. North American companies tend to be more active in this regard, followed by European and Latin American countries.

PepsiCo, IBM and Nike are current examples of the so-called "game planning" approach to succession and talent management. In these and other companies annual reviews are supplemented with an ongoing series of discussions among senior leaders about who is ready to assume larger roles. Vacancies are anticipated and slates of names are prepared based on highest potential and readiness for job moves. Organization realignments are viewed as critical windows of opportunity to create development moves that will serve the greater good of the enterprise.

Assessment is a key practice in effective succession planning. There is no widely accepted formula for evaluating the future potential of leaders, but there are many tools and approaches that continue to be used today, ranging from personality and cognitive testing to team-based interviewing and simulations and other assessment center methods. Eliot Jaques and others have argued for the importance of focusing assessments narrowly on critical differentiators of future performance. Jaques developed a persuasive case for measuring candidates' ability to manage complexity, a robust, but operational definition of business intelligence.

Companies struggle to find practices that are effective and practical. It is clear leaders who rely on instinct and gut to make promotion decisions are often not effective. Research indicates that the most valid practices for assessment are those that involve multiple methods and especially multiple raters "Calibration meetings," composed of senior leaders can be quite effective judging a slate of potential senior leaders with the right tools and facilitation.

Professionals in the field, including academics, consultants and corporate practitioners, have many strongly held views on the topic. Best practice is a slippery concept in this field. There are many thought pieces on the subject that readers may find valuable such as "Debunking 10 Top Talent Management Myths", Talent Management Magazine, Doris Sims, December 2009. Research-based writing is more difficult to find. The Corporate Leadership Council, The Best Practice Institute (BPI) and the Center for Creative Leadership, as well as the Human Resources Planning Society are sources of some effective research-based materials.

RECENT RESEARCH ON SUCCESSION PLANNING MANAGEMENT

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More than half of companies today cannot immediately name a successor to their CEO should the need arise, according to new research conducted by Heidrick & Struggles and Stanford University's Rock Center for Corporate Governance. The survey of more than 140 CEOs and board directors of North American public and private companies reveals critical lapses in CEO succession planning.

"The lack of succession planning at some of the biggest public companies poses a serious threat to corporate health – especially as companies struggle toward a recovery," says Stephen A. Miles, Vice Chairman at leadership advisory firm Heidrick & Struggles and a global expert on succession planning. "Not having a truly operational succession plan can have devastating consequences for companies – from tanking stock prices to serious regulatory and reputational impact." Stanford Graduate School of Business Professor David Larcker adds, "We found that this governance lapse stems primarily from a lack of focus: boards of directors just aren't spending the time that is required to adequately prepare for a succession scenario." Professor Larcker is a senior faculty member of the Rock Center for Corporate Governance, a joint initiative of Stanford Law School and the Stanford Graduate School of Business.

The 2010 Survey on CEO Succession Planning, conducted this spring, surveyed CEOs and directors at large- and mid-cap public companies in the U.S. and Canada, with 10% of respondents also from large private firms. Key findings from the survey include:

- While 69% of respondents think that a CEO successor needs to be "ready now" to step into the shoes of the departing CEO, only 54% are grooming an executive for this position. "This statistic, combined with the finding that more than half couldn't name a new permanent CEO if the current chief became incapacitated tomorrow, is a total disconnect," says Mr. Miles. "It's hard to imagine that the CEO would be 'ready now' if he or she is not being groomed today."
- A full 39% of respondents cited that they have "zero" viable internal candidates. "This points to a lack of talent management and not paying enough attention to your 'bench,'" says Mr. Miles.

- On average, boards spend only 2 hours a year on CEO succession planning. "The full boards of respondents' companies meet, on average, five times a year. Succession planning is discussed at only two of these meetings, at one hour apiece," says Professor Larcker. "The nominating and governance committee – who often take primary responsibility for succession planning – did not fare much better; respondents reported that only four hours of meeting time is typically devoted to this topic each year."
- Only 50% have a written document detailing the skills required for the next CEO. Professor Larcker thinks this seems rather low: "If nothing is written down, how do we know that the board really understands what these skills should be?"
- Seventy-one percent of internal candidates know they are in the formal talent development pool, but there is regular communication (typically yearly or bi-yearly) for only 50% of these internal candidates. "There is a large communication gap, which can cause retention issues," says Mr. Miles. "Executives who don't know they are even in the running to be CEO might be easily lured elsewhere, where they believe they have room for advancement."
- The majority of firms – 65% – have not asked internal candidates whether they want the CEO job, or, if offered, whether they would accept. "Many firms simply assume that their top choices want the job, but that is not always the case," says Mr. Miles. "More and more, we see executives who don't want to be in the spotlight as the CEO, given the extreme public scrutiny associated with the position. Making this assumption without checking can cause real problems down the road."
- Once viable internal candidates for the CEO job are identified, 38% of firms think that the external search should continue at the same pace. "This is a big mistake," Mr. Miles warns. "Companies lose strong candidates when they keep the outside search open too long even though they have perfectly capable internal talent."
- While 48% of respondents think they have an extremely strong or very strong understanding of the capabilities of internal candidates, only 19% have extremely or very well established external benchmarks to measure their skills against. "It is another disconnect between perception and reality," says Professor Larcker. "How do you know that a candidate is strong unless you compare him or her against the marketplace?"
- Only 50% of companies provide on-board or transition support for new CEOs. "This is the most important job at the company," Professor Larcker observes. "Not having the support in place for on-boarding the executive can put the entire organization on unstable ground."

FACTORS AFFECTING SUCCESSION PLANNING

There are many factors which affects the process of succession planning. these factor affects the overall organization as they affects the productivity, reputation, brand image and morale of employees. These factors include succession plan, size of company, kind of company etc. The factors affecting succession planning are as follows:

- Succession plan: Succession planning provides a blueprint for the growth of your organization. Succession planning is crucial to the longevity of any organization. Implementing a succession strategy can be confusing, though, because it depends so much on the type of organization. Effective succession planning is tailored to your particular company, and what worked well for another organization might not help you. However, there are a few key factors that help guide organization in undertaking succession planning. Any organization which is strong on HR will have its own succession plan seriously practiced in their Organization. Main purpose of succession plan is to ensure that right kind of people are available to the Organization in right numbers at a given time. This helps to maintain continuity of strength and vitality of an Organization. Succession planning, therefore is part of Recruitment Plan, Training Plan and Career Growth Management Plan. Performance Appraisal Tool is one of the important tool helping all these plans. Another important tool would be strong HRMS. Many leading Corporate in India have their own In-house Training Centers, also Officer Cadre to cater to these needs.
- Family Owned businesses: If the company is owned and operated largely by family members, that strongly influences the best way to plan for succession. In a non-family-operated business, managers often start by identifying employees who seem best suited to take on leadership roles. In a family business, however, many people decide to pass the business on to family members, and start training them early to take over. In a family owned businesses, it is often hard to tell the difference between succession management and distribution of ownership. The succession also decides how the assets of the company are split up operationally and in shareholding; because founders find it hard to break up their enterprise.
- Size of company: If company has large size then organization must have a larger pool of potential successors to choose from. Organization may identify several early on, and then monitor their performance and make a decision when it is closer to time for them to take over. With smaller companies, however, designating a successor may be more difficult. Organization may not have employees prepared to take over, and may need to recruit someone specifically for the position, or hire employees based not only on how qualified they are for the job, but on how qualified they are to move up to higher-level positions.
- Kind of Company (Privately v/s Publically held Company): The succession planning may include not only choosing and training a successor, but possibly

alternative options such as selling of company to another in the same industry or to a private investor. A CEO must think not only of how his company will fare without him, but how he will manage his retirement. In article "Succession Planning for Privately Held Companies," investor Bruce R. Evans recommends that CEOs of privately held companies link their succession planning strategies with liquidation strategies. By selling his interest in the company to his successor he retires, for example, the entrepreneur can be assured of funding for retirement.

- Leadership development: Successful succession planning relies on not just choosing people to take over, but grooming potential successors to ensure they're prepared. The "Workforce" article "10 Ways to Take the Success Out of Succession Planning" says one of the biggest mistakes is simply replacing key executives, rather than evaluating all employees and identifying and training any who have the potential to move up. If organizations have a leadership development program in place, they will have a much larger pool of successors from which to choose, and who will be better trained to take on a greater variety of roles.

RESEARCH METHODOLOGY:

Research methodology comprises the research design, sample design, sources of data, selection of data, various designs and techniques used for analyzing the data. The methodology used for the study at hand is as under:

Research Design

The research design used for the research problem in hand is causal research as the objective is to determine which variable might be causing certain behavior, i.e. whether there is a cause and effect relationship between variables. In order to determine cause and effect, it is important to hold the variable, that is assumed to cause the change in the other variable(s), constant, and then measure the changes in the other variable(s). This type of research is very complex and the researcher can never be completely certain that there are not other factors influencing the causal relationship, especially when dealing with people’s attitudes and motivations.

Sample Design

The sample design adopted for the research problem in hand is convenience random sampling. The following points are also included in sample design for the purpose of the study:

The sample size for the study was 300. The sample unit of the study includes male and female employees of sample Area. The sample area for the study in hand was Jodhpur city of Rajasthan.

Methods of Data Collection

For the study in hand, both the primary and secondary data was collected. The sources of collecting both the data is as follows:

- Sources of Primary Data: The primary data for the study was collected directly from target respondents through structured questionnaire. This questionnaire includes the personal information about the respondents. The questions asked to respondents were related to their leader's behavior on workplace.
- Sources of Secondary Data: The secondary data for the study was collected from different sources such as technical and trade journals, articles, newspapers, magazines, internet, periodicals, books, reports and publication of associations related to consumer durable industry.

Tools for Analysis of Data

Along with the usual statistical tools such as tables, percentages, Chi-square test was used for analyzing the data which helps in arriving at sound conclusions.

RESULTS AND INTERPRETATIONS

Hypothesis

Null Hypothesis

H_0: There is considerable effect of factors of succession planning on organization & employees.

Alternate Hypothesis

H_a: There is no considerable effect of factors of succession planning on organization & employees.

Impact on	Effect of factors of succession planning										Total
	Succession Plan		Family owned businesses		Size of Company		Kind of Company		Leadership Development		
	No.	%	No.	%	No.	%	No.	%	No.	%	
Organization's reputation	40	20	10	5	40	20	50	25	60	30	200
Organization's productivity	60	30	05	2.5	45	22.5	40	20	50	25	200
Employees' morale	55	27.5	05	2.5	40	20	45	22.5	55	27.5	200

Chi sqr = 8.675 ; df = 8; Results = highly significant ($p < 0.001$)

The above table indicates that there is a clear effect of factors of succession planning which affects organization as well as employees. The calculated value of chi-square is much greater than the table value which means that the calculated value cannot be said to have arisen just because of chance. It is significant. Hence, null hypothesis is accepted and alternate hypothesis is rejected.

CONCLUSION

Succession planning is a process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. Through your succession planning process, you recruit superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles. Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role. As your organization expands, loses key employees, provides promotional opportunities, and increases sales, your succession planning guarantees that you have employees on hand ready and waiting to fill new roles. Effective, proactive succession planning leaves your organization well prepared for expansion, the loss of a key employee, filling a new, needed job, employee promotions, and organizational redesign for opportunities. Successful succession planning builds bench strength.

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