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Succession Planning Practices and Challenges: Study of Indian Organisations

Dr. Suruchi Pandey\textsuperscript{a}*, Deepesh Sharma\textsuperscript{b}
\textsuperscript{a}Associate Professor, Symbiosis Institute of Management Studies, Range Hill, Pune
\textsuperscript{b}Student Manager, Symbiosis Institute of Management Studies, Range Hill, Pune

Abstract

Succession planning is a key in the current scenario of tight talent markets and competitive times. Strengthening talent has a direct impact on bottom line results and contributes to organizational growth. Hence development at talent level is a must for overall organizational development.

The present study focuses on current practices and approach of succession planning followed by the industry. The study is based primary data collected as a feedback on on parameters related to succession planning practices in the across various industry organisations. In the study group, all companies had some or the other activity in bracket of succession planning. It hence becomes necessary that these positions are filled as soon as they become empty so that business doesn't suffer any loss.

This enabled us to compare, hence benchmarking against certain criteria was done. Benchmarking succession planning based on various factors like HIPO (high potential) identification, Scope of planning, talent pool creation, automation, and linkage. GAP analysis was done to identify the various GAPS in the process. Based on all the observations, business recommendations were provided.

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* Corresponding author. Tel.: +0-000-000-0000 ; fax: +0-000-000-0000 .

E-mail address: suruchi.p@sims.edu
1. Introduction

The Human Resources Management in any organisations today is struggling to maintain the workforce and face two harsh realities of which exist at any organization:

- The loss of experienced rich talent
- Changing trends in the talent market

It's clear that, organization need talent to be able to compete in global market and hence they need to develop and retain it. Although it is very easy to assume that all organizations would be successful in succession planning and practices numerous ways to address talent gaps but in practice only select few organizations are able to practically plan for the gaps and fill them in time.

Organisations struggle with forming a formal process for identifying, developing and retaining high potential people within the organization. Hence most of the organizations these days are looking for alternatives to plan who will succeed the important positions in an organization.

It seems to be an easy process but actually, it cannot be achieved in few days or months. It takes time, to refine the process. Commitment and involvement from every employee is required be it the HR managers, Line managers and senior management.

2. Literature Review

Literature review was done to identify and understand need of succession planning in various organizations. Ram Charan (2011) had stressed on need of good leaders grown out of a company itself rather than hiring them. Hiring should be stressed at lower levels only, but leaders should grow out of an organization.

Carnegie D. (2009) suggests "succession planning as a systematic way to ensure that employees in a particular organization are competent enough to develop and then replace strategic roles in organization hierarchy".

Rothwell (2005) throughout his book explains that an organization which does not have a succession planning system in place i.e. they lack a formal succession plan find trouble in various areas such as : key positions are not filled in an timely manner, key positions are filled by external candidates, constant horror of turnover at key positions, potential replacements are never ready and lack essential skills, most qualified talent is not retained. These are some problem areas which organizations face and never realize. It's just due to lack of formal planning.
Obviously good management will never happen by itself and succession planning is continuation of that (Pernick 2002). Pernick goes on to discuss some disadvantages if succession planning is not provided in an organization such as: chaos, poor image, bad publicity to stakeholders and finally spirals to bad revenues and loss of customers.

Similar ideas are shared by Edward (2012) that not identifying key position is one of the biggest blunder which organizations make. Spencer Stuart (2011) shares the Indian perspective and how organizations are taking this seriously as a major concern of their HCM plans.

During study of literature it was revealed that, there is lack of awareness in companies of the long term impact of ignoring succession planning, also there is not rigid structure or model existing for succession planning, hence study aimed e to incorporate a model which can capture the essence and be a fit to most organizations seeking to implement succession planning.

3. Methodology adopted for the present study

Succession planning methodology of around 16 organizations in ITES, Information Technology, Diversified Business, automobile and other industries were studied. Reason for choosing this wide range was not to restrict to companies of one industry but to go as broad as possible and see all possible best practices and then choose which suited us as an organization.

The primary data was collected through survey. The respondents completed an online survey which probed the following areas:

- The need of succession planning in an organization
- How well structured are the current succession planning procedures.
- How well is automation used and how can it become more useful in future.
- Tangible benefits from succession planning process.

This survey was supplemented by telephonic interviews with few respondents responsible for succession planning function to gather more specific information.

Sustainability reports available online and other data from trusted sources made up for secondary data. Secondary data was collected from internet, industry journals and magazines. This also helped in conducting benchmark study.

4. Limitations of the Study

Actual universal population of the whole organization becomes too large to study hence focus was on a smaller sample group.
• Hence the result reflects only overview.
• Data is gathered and analyzed in a short time months hence may not reflect the depth of study.
• Balancing of Qualitative aspects and Quantitative aspects.

5. Findings of the Study

5.1. Outlook towards succession planning

Organizations face the need of succession planning at some stage or the other, several who already had experienced the urge to invest in latest technology. There is so much pressure on these organizations that they are trying to figure new ways to maintain flow into their talent pipelines. Organization has an outlook of developing the talent, Companies believe in the following options as need for a succession planning process:-

![Need of succession planning](image)

A Majority [66%] respondents indicate that “Difficulty in finding successful management candidates” as the key criteria/need for succession planning. Followed by “Unexpected loss of key leaders” [36%].

5.2. Why succession planning takes a back-seat

Study reveals that companies are allocating lot more money for others functions in talent management instead of succession planning. Responses which establish above are:-

This has a dual effect. Firstly, the loss of HIPO employees recognized by the organization. Secondly, all other talent management initiatives are dependent on other and hence not linking with succession planning can cause a series of failures.

Succession planning does not have an immediate effect hence many organizations do not recognize its potential. It takes effect slowly and helps in long run, which many fast paced organizations cannot appreciate.
Companies are required to knit succession planning with other functions so as to this makes it a complete life-cycle of an employee.

5.3. Succession Planning Challenges

These challenges fall under two categories: challenges which arise due to the process also the technology related issues. Various issues which occur in process can be non-formation of talent pool and lack of clarity in future needs. Meanwhile, lack of assessment tool came out to be examples of technology challenges.

These issues which arise in succession planning are a smaller part of the bigger pie also known as HCM, i.e. acquiring the talent that is needed and at the same time addressing talent requirements for the future.
5.4. Technology Usage

When asked about various tools and usage following responses were recorded.

| Tools used in organization | Number |
|----------------------------|--------|
| Assessment tools           | 20     |
| Candidate search tools     | 11     |
| Performance management tools | 25   |
| Career profiling tools     | 11     |
| Key Position identifying tools | 2    |

Figure 1.4

Respondents were also asked about whether the whole process is automated or partially automated, majority of companies seem to be using partially automated system.

| Response        | Number | Percentage |
|-----------------|--------|------------|
| Fully Automated | 3      | 12%        |
| Partially automated | 22   | 88%        |

Partial automation refers to, either one part or more than one part of the process is done by some means of technology. Companies having a more formal process find it easy to automate certain segments in it. A fully automated system requires a rigid system which has been in use [time-tested] hence automating it becomes more feasible.

5.5. Linkage

Succession planning is just not one exclusive process, but it needs to be linked with other processes like Individual development Plan, Career aspiration mapping, Manpower forecasting etc. Such linking makes succession planning wholesome and more efficient; most of the companies do not link it completely. Most of companies are linked to either one process or not at all linked.
Figure 1.5

Even though there is awareness about the need of linking, but it is not done yet in 36% of the organizations studied. Even though most of them had linking with at least one process but none had linking with all three. Such linkages are required to make the whole system robust and sustainable in the long run.

5.6. Benchmarking of Succession Planning across various Industries

Companies chosen in study were from various industries hence giving the project maximum exposure to best-practices prevailing for succession planning. All these were compared on some set predefined criteria which were broadly classified as, Successor Planned, Scope, HIPO identification, Linkage and Automation.
After Benchmarking GAP analysis were done with respect to the various best practices in companies across industries. Given below is the table showing GAPS and remarks for same

### 5.7. Gap Analysis

| Criteria                                      | % study group satisfying criteria | Majority of Org. | Remarks                                                                                     |
|-----------------------------------------------|----------------------------------|------------------|--------------------------------------------------------------------------------------------|
| TALENT POOL                                   | 80%                              | No               | Other than top few, no other follows this                                                   |
| COMPETENCIES DEFINED FOR EACH ROLE EXPLICITLY | 26.7%                            | No               | Even though most of companies in study group don’t do this, but this a requirement to setup a formal process. |
| KEY ROLE IDENTIFICATION                       | 80%                              | Yes              | Identification of critical roles, and key roles while succession planning                    |

| Criteria                                      | % study group satisfying criteria | Majority of Org. | Remarks                                                                                     |
|-----------------------------------------------|----------------------------------|------------------|--------------------------------------------------------------------------------------------|
| SUCESSION PLANNING AT SENIOR MANAGEMENT LEVEL | 100%                             | Yes              | Succession planning at senior management level is practiced in all the organization studied. |
| SUCESSION PLANNING AT MID MANAGEMENT LEVEL    | 93.3%                            | Yes              | Mid management level Succession planning                                                    |
| SUCESSION PLANNING AT EXECUTIVE LEVEL         | 66.7%                            | No               | Most of the companies in study group are doing succession planning even for the executive positions. |
### HIPO IDENTIFICATION

| Criteria               | % study group satisfying criteria | Majority of Org. | Remarks                                                                 |
|------------------------|----------------------------------|------------------|-------------------------------------------------------------------------|
| APPRAISAL              | 100%                             | Yes              | Appraisal review is linked with succession planning in every organization evaluated in the study. |
| ASSESSMENT CENTRE      | 93.3%                            | Yes              | Assessment centre in some form or the other forms an integral part of succession planning input. Some organization has assessment centre and 360 degree in a combined format. |
| AUTOMATION TOOL        | 13.3%                            | No               | Any HIPO identification automated tool, or approach to identify HIPO.    |
| SEPARATE PROGRAM       | 33.3%                            | Yes              | Only a handful of the organizations have a separate program.            |
| 360 DEGREE             | 60%                              | Yes              | 360 degree format is exercised in some format or the other in majority of the organizations, some don’t take sub-ordinate review, but peer review and separate supervisor review are done. |

### LINKAGE

| Criteria               | % study group satisfying criteria | Majority of Org. | Remarks                                      |
|------------------------|----------------------------------|------------------|----------------------------------------------|
| INDIVIDUAL DEVELOPMENT PLAN | 46.7%                            | No               | Linking of succession planning to IDP.       |
| CAREER ASPIRATION MAPPING       | 46.7%                            | No               | Linking of career aspiration mapping         |
These gaps were then analyzed, i.e. the time outlook in which they need to addressed and the relevance of the gap to the organization.

6. Suggestions and Recommendations

After studying the existing practices and models researchers suggested following points to strengthen the existing succession planning process and a model for

6.1. Creation of a talent pool from initial level

The management should consider creating a talent pool at initial level, which can be developed over time to meet talent needs. Preparing your mid management level and low management levels to take on responsibilities of higher levels.

Proposal

The talent pool should be based on two aspects, i.e. performance and potential of employee. Performance rating can be used as input for performance. For gauging the potential of employee following approaches can be followed:

- One day workshop/assessment center.
- Supervisor and unit HR review on a small questionnaire.
- New tailor made program according to organization specifications to be made with HR team.

This would be roughly for 60-70 employees based on following calculations of a renowned IT company with employee strength of 1,60,000 employees: [Live case]
### Talent pool creation at mid managerial level.

| Description                                      | Value |
|--------------------------------------------------|-------|
| Number of employee at Mid managerial Level       | 280   |
| Employees with rating 5 [assuming 4 %]          | 11.2  |
| Employees with rating 4 [assuming 18 %]         | 50.4  |
| Total candidates                                 | 62    |

Once we have potential score for employees then we can map them onto a grid and hence have a ready reference of talent availability and probable successors based on their previous performance and potential in them.

![Talent pool grid](image)

**Figure 1.6**

### 6.2. Look for competency based solutions

Only creation of a talent pool will serve no purpose until or unless they are specifically groomed for a particular position, i.e. management should lay emphasis on competency based solutions. Succession planning should also be competency based, each successor should be identified based on competency and hence development should be done on improvement areas and competencies required to successfully perform a role.

### 6.3. Linking for succession planning

Succession planning as a process is dependent on integration with other process to give an efficient output. Succession planning should be linked to IDP [Individual Development Plan], which should be competency based as aforementioned.
Only deciding on organizational front about an individual’s development won’t be realistic, hence it should also be aligned with Career Aspirations of the individuals in a realistic manner. CAM [Career Aspiration Mapping] exercise is to be done and linked to succession planning. Actual benefit of succession planning can be reaped when it is linked with the manpower forecasting. This should help in real time assessment of talent need.
6.4. Model for Succession planning and its evaluation using metrics :-

No process is complete without a proper evaluation, merely implementing a succession plan won’t solve the need and system thus created won’t be sustainable. Based on certain metrics it needs to be evaluated again and again. Such evaluation would

| Succession plan metrics for process review |
|-------------------------------------------|
| Metrics                  | Description                                                                 |
|---------------------------|-----------------------------------------------------------------------------|
| Fulfilment percentage    | Percentage of vacancies filled internally.                                   |
| Ready Pool                | Percentage position for which ready and willing successors identified        |
| Retention rate of HIPO    | Percentage HIPO retained in the pool                                         |
| Performance of recently   | Number of rating of excellent / 1 - or exceeds expectations                  |
| promoted HIPO             |                                                                             |
| Number of HIPO promoted  | No. of HIPO identified and given opportunity.                                |
| No Successor             | Priority positions with limited or no successors                             |
| Positions covered         | Percent of positions covered by succession plan process                      |
7. Conclusion

Succession planning is one such process which cannot be ignored keeping in mind the competitive industries. Strengthening this process directly impacts the organization as it is the nourishment of talent. This activity cannot be carried out as an ad-hoc exercise but needs to be a systematic approach. It can be further fine-tuned varying from organization to organization and different industries but the major structure remains same.

We need to ensure that key positions in an organization are always filled with capable talent and this pipeline keeps on churning out seamlessly. The landscape has totally changed if we compare to what it was a decade ago and hence the approach has to evolve, rather than being reactive and shedding flab later, pro-active approach needs to be followed where we are capable enough to chalk out plan of individual in an organization keeping in mind the macro picture.

Succession planning not to be considered just an exercise, but focused upon so much that succession planning can be converted into succession development hence developing the talent pipeline and hence achieving organizational goals.

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