

SUCCESSION PLANNING AVOIDS INEVITABLE ATTRITION – AN EMPIRICAL ANALYSIS

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Abstract

The purpose of succession planning is to identify and develop people to replace current job holders in key positions. Succession planning is the process of ensuring suitable successors for future senior or key jobs, so that the careers of individuals can be planned and managed to optimize the organizations' needs. Succession planning encourages hiring from within and creates healthy environment where employees have careers and not merely jobs. The study involves competency mapping of employees and suggest training for competency development. A structured questionnaire has been designed to administer a survey. The targeted respondents were the employees of a renowned retail firm in Chennai city . The results of the analytical tests have been discussed and meaningful conclusions drawn.

Key words : Succession planning, competency , attrition

Introduction

"Succession planning is the process of ensuring suitable successors for current and future key positions, so that the careers of individuals can be planned and managed to optimize the organizations' needs viz-viz individuals' aspirations."

The purpose of succession planning is to identify and develop people from within, to replace current incumbents in key positions. Through succession planning, companies assure a steady flow of internal talent to fill important vacancies. Succession planning encourages hiring from within and creates healthy environment where employees have careers and not merely jobs. It helps in identifying human resource shortages and skill shortages before vacancies occur. Thereafter it becomes easy to groom qualified candidates for future progressions. The organization is thus assured of continuity of operations and better groomed incumbents.

Preparing a schedule for succession is critical to the success of a company especially at the top level. When the baton changes over a period of time, disruption and dislocation are minimized. Indeed when a new CEO is meant to consolidate on past success, a slow shift is ideal. If qualified candidates are not available within the company, outsiders can be considered readily for possible openings. Complete dependence on succession from within or from outside is not desirable. Internal candidates require a pat on the back when they do well. External candidates are needed for injecting flesh blood into the company.

The absence of a succession plan can seriously hamper the growth prospects of an organization. Imagine the disastrous consequences when there is a sudden vacuum at the top levels and there is no one to steer the ship. Critical plans needing immediate action get postponed. The organization remains headless and directionless for a while. Suitable candidates may not be available internally as no one

has been groomed in the past, keeping such an eventuality in mind. Bringing in outsiders may mitigate the crisis temporarily but the long term impact is bound to be negative. Internal forces may start a rebellion and create a tug of war like situation.

Problem Focus

The need for succession planning arises as this company is creating more top level opportunities due to the expansion of the company and its launch of new stores across Tamil Nadu. The purpose of succession planning is to identify and develop people to replace current job holders in key positions. Planning for successors is critical for filling up the vacancies at higher levels when they fall vacant due to retirement, resignation, promotions & transfer of top-level executives.

Objectives

- To determine what model of competency development is required to prepare employees for future roles.
- To identify the critical competencies that contributes to success of leadership.
- To determine to what extent the existing talent is capable of meeting the succession planning requirements.
- To substantiate the opinion of employees that succession planning would prevent employee attrition.

Review of Literature

According to James A Cannon (2006)^[1] the key differentiator between good and great organizations is their ability to find, develop and retain talent. If an organization is to survive, then it will only be through ensuring the continuity of its management and having the right people in the right place at the right time with the right skills. It provides practical guidance, checklists and tools to enable you to: clarify what talent management and succession planning actually are; identify the talents your organization needs now and in the future set up talent management and succession planning processes, including managing, developing and retaining talented individuals, and attracting those individuals.

Subhash Lakhotia and R. N. Lakhotia (2005)^[3] have stated that Succession planning refers to the process of planning for filling up the vacancies at higher levels when they fall vacant due to retirement, resignation, promotions & transfer of top-level executives. The need for succession planning may also arise when the company is creating more top-level opportunities. It may be from within the organization or people may be recruited from outside for filling up the vacancies. The organizations must manage Human Capital with the same clarity, discipline, and objectivity with which they manage other business assets.

As opined by Rebecca Luhn Wolfe^[2] Systematic Succession Planning explains the benefits and shows how to identify leaders and leadership positions and how to develop a succession program to meet the organization's needs. This requires the processes, systems, and most importantly, measures that clearly show the return on Human Capital. This includes integration to

all the related Talent Management processes and linkages to ground-breaking Workforce Planning tools.

Methodology

Research Design: The study was designed as descriptive in nature. An empirical study has been conducted in a renowned retail firm in Chennai. The collection of data from the population by census method implies 100% enumeration of items in the population. All the employees of same firm in different branches in Chennai city were considered - i.e. 136 respondents who are eligible for Succession Planning were considered. Primary data was collected through structured questionnaire. The questionnaire was designed in a structured form to get unbiased information from the respondents.

Data Analysis

The trends and patterns which were revealed in data analysis are presented below:

- 90% of the respondents are males and 10% of the respondents are females

Some advanced tools of interpretation have applied to analyse the data which are detailed below:

- 31.6% of the respondents have experience between 1-3 years, another 31.6% of the respondents have experience between 3-5 years and 21% of the respondents are having below 1 year of experience
- 38% of the respondents strongly agreed that succession planning creates a talent pool for future needs.
- 79% of the respondents feel that there are no successors available for replacement and 21% of the respondents feel that there are successors available.
- 51% of the respondents stated that leadership is a significant competency and 39.70% of the respondents stated that leadership is a critical competency to succeed.
- 51% of the respondents stated that technical knowledge is a significant competency, depending on the importance of its existence in the successor where as 43% of the respondents opined that technical knowledge is a critical competency.

Correlation between Technical Knowledge and Decision making ability

Hypothesis: H_0 : There is no significant relationship between technical knowledge and decision making ability

	Technical Knowledge & Decision Making Ability
Pearson's Correlation	0.507
Sig. (2-tailed)	0.000
N	136

Result

Since the significance value is less than 0.01, we reject H_0 ; Correlation is significant at 0.01 level. There is a positive correlation between the variables i.e. technical knowledge and decision making ability. The variable technical knowledge has relative influence over the variable decision quality. Hence Technical knowledge contributes to quality of decision making.

Multiple Regression - Relationship between Communication skills and Performance

Hypothesis:

H_0 : There is no significant relationship between communication skills and performance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.153	5	2.631	1.578	0.171
Residual	216.722	130	1.667		
Total	229.875	135			

Result

The calculated value is greater than the tabulated value. Hence, H_0 is rejected. Hence there is a significant relationship between the dependent variable (Past three year's performance of the employees) and the independent variables (Negotiation Skills, Precision in communication, Presentation, Listening Skills, Persuasiveness). Hence, the performance of the employees is dependent on the key competency of communication skills.

Chi Square on Experience & Performance

Hypothesis:

H_0 : There is no significant relationship between experience and performance

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.056	9	0.734
Likelihood Ratio	7.809	9	0.554
Linear-by-Linear Association	0.0029	1	0.957
No of Valid Cases	136		

Result:

Calculated value: .734

Tabulated value: .05

The calculated value is greater than the tabulated value. H_0 is rejected; hence there is a significant relationship between experience and performance.

Age & Innovation

Hypothesis: H₀:

There is no significant relationship between age and innovation.

	Value	df	Asymp. Sig. (2-sided)
Pearson's Chi-Square	25.57049813	12	0.012
Likelihood Ratio	25.84343405	12	0.011
Linear-by-Linear Association	0.601446671	1	0.438
No of Valid Cases	136		

Result:

Calculated value: .012

Tabulated value: .05

The calculated value is less than the tabulated value. Hence, H₀ is accepted, There is no significant relationship between age and innovative skills.

There is no significant relationship between age and innovative skills.

Inferences:

1. 80% of the respondents felt that succession planning is necessary.
2. 60% of the respondents were satisfied with the succession strategies that were adopted by the firm.
3. 79% of the respondents opined that they do not have a successor who is suitable to succeed the superior immediately.
4. 91% of the respondents have ranked Leadership as the critical competency
5. Majority of the respondents have ranked Individual characteristics and Communication skills as a significant competency that a successor must possess.
6. Most of the respondents ranked People Management skill as a desirable competency to be a potential successor. 46% of the respondents feel that Technical Knowledge is a critical competency.

7. 59% of the respondents have ranked Leadership as a critical competency.
8. 47% of the respondents stated that competency of Listening skills are not up to the expectation.
9. 57 % of the respondents stated that the competency on Information System, fail to meet the acceptable Standards and needs a major development.54% of the respondents felt that competency of Business Development fail to meet the expected Standards and needs a major development.65% of the re respondents substantially recommended for training to develop potential successors.
10. As the study proved that majority of the respondents are not in a position to meet the required competencies. 90% of the respondents strongly agreed that systematic succession planning would prevent inevitable attrition as it assures the significant career growth in the same organization.
11. As the research reveals that respondents who are ready to occupy their immediate successors despite lack of required competencies, the study also found that the same could overcome with pre planned training programmes as desired by the most of the respondents to fulfill their aspirations which in turn will avoid hiring as well as recruitment and attrition costs.

Conclusion

The study concludes that the successors who were identified as to succeed next, need to be trained on the competencies such as leadership skills, listening skills, communication skills, operational skills and technical skills which are desirable to occupy the key positions Monetary and non monetary incentives need to be considered as it is one of the most dominant factor that prompts the man to work and would contribute to retain the candidates who are identified as potential successors for key positions. The study was useful for the organization to identify the potential successors and training methods were suggested for the development of the successor. Succession planning program aims to identify high growth of individuals, train them with new talent. Succession planning is an on-going process; therefore, the firm needs to update the status, review assumptions, and modify strategies and continually feedback environmental developments. Through succession planning companies assure a steady flow of internal talent to fill important vacancies to avoid inevitable attrition those who are aspiring for higher positions in the same organization. Succession planning encourages hiring from within and creates healthy environment where employees have career and not merely jobs. It helps in identifying human resource shortages and skill shortages before opening occurs. Thereafter it becomes easy to groom qualified candidates for future vacancies to occupy critical positions.

References

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