



# A Study on Executives Perception on the Various Factors of Succession Planning – with Reference to Companies Based in Bangalore

Dr. GEETHA BAI. A. S.

*Associate Professor, Department of Commerce, Government First Grade College, Kanakapura Bengaluru South District.*

**Abstract--** Succession planning is a process that ensures the company to be prepared for the future labour crisis. That is, when a key employee leaves the company, the management will be already having someone groomed to fill their position. Succession planning keeps the business moving forward during the inevitable changes that come in the way of running a business. It also serve as an excellent tool for retaining the strongest performers, hence better understanding of succession planning and management is essential for every company for their success.

The main objective of this paper is to study the perception of executives towards the various factors of succession planning and management like duration of development period for potential successors and effectiveness of various methods in identifying potential successors, in selected groups of companies based in Bangalore. The type of the research adopted in this study is diagnostic study. The required data for the study were collected from both the primary and secondary sources. The primary data is collected through administered questionnaire from 300 executives. The data collected were analysed and presented with the percentages. The findings of the study help to know the perception of executives towards the succession planning and management.

**Keywords--** Business Operation, Critical Position, Executives, Key Positions, Leadership Continuity, Leadership pipeline, Perception, Replacement Planning, Succession Planning and Management, Transition, Talent pool.

## I. CONCEPT OF SUCCESSION PLANNING

Identification and nurturing of talents to fill the critical positions of the business in future and in times of crisis is the need of the hour (inevitable) for all the business organization irrespective of their sizes to achieve smooth running and continued success. Teala Wilson opined that loosing talented people is common in every organization. The reason for leaving may be different and varies from person to person. There may be a personal reason or professional reason. It may anticipate or may not be. But whatever may be the reason, losing of talented employees is great loss for the organization.

Whenever organization losses experienced, talented and highly qualified personnel either intentionally or accidentally it becomes a challenging and complex task for the organization to fill the critical vacancies.<sup>i</sup> Succession planning is the viable alternative to the organizations to overcome this critical problem. Well planned succession planning is beneficial both to the employer and to the employees. Succession planning ensures that skilled, talented and highly qualified work force is available at all times to occupy the key positions whenever the vacancy arises in future, especially during the times of transition. There by succession planning is important for every organization.

## II. REVIEW OF LITERATURE

Gabrielle Schroder (2017)<sup>ii</sup> ascertained that the responsibility of the directors in SP&M is very vital as the board must be clear that the skills, capabilities and their requirement for future endeavors of the organization. Future she highlights in her study that the presence of directors at various board meetings, on-site visits and other networking events are opportunities to access executives.

Karanth Kamal (2017)<sup>iii</sup> stated the categories of 'unsuccessful' succession. He has categorized the unsuccessful succession in three baskets. First category is 'reluctant heir', second 'incompetent heirs and third 'loyalists'.

According to experts (2017)<sup>iv</sup> the succession planning in banking, finance and insurance sector is comparably similar with organizations globally.

Devasia Joseph expressed that (2017)<sup>v</sup> having the succession planning system is very much necessary to companies and it do exist in the many of Indian companies but many new and large Indian companies are not comfortable in the implementation of the system in their company. Still many Indian companies thing succession planning is very complex concept and not easy to implement.



Further experts pointed out that Indian company are very poor and not advanced in the implementation of the system when it is compared to international companies. The main reason for this is the companies are not proactive to the replacement of human resource.

The survey conducted by International Finance Corporation and Institutional Investor Advisory Services (2017)<sup>vi</sup> revealed that the family owned companies are stressed out with the succession matters and many family managed business are preferring to move to professionally managed companies. Survey further highlights that this is not a good move for the business environment.

### III. STATEMENT OF THE PROBLEM

Prior to implementation of succession planning program every organization should spend considerable time on framing the activities of succession planning program and prepare an action plan of the program. This action plan should guide the organization to implement the program effectively and efficiently. Organizations must also setup the team to lay down the premeditated way to carry out the succession planning activities. This team should also take up the responsibility of supporting succession planning and management efforts. Succession planning of any organization is a systematic team activity. Identifying the various present and future competencies required for key

positions in the organizations, the pool of potential successor candidates and designing the various training and development program are the major responsibilities of this team. Executives are the members of this team and their perception plays a major role in the execution of succession planning and management. Hence this study focuses to know the perception of the executives towards some of the aspects of succession planning and management.

### IV. OBJECTIVES OF THE STUDY

1. To study the perception of executives towards the duration of development period for potential successors.
2. To study the perception of executives towards the effectiveness of various methods in identifying potential successors.

### V. DATA ANALYSIS

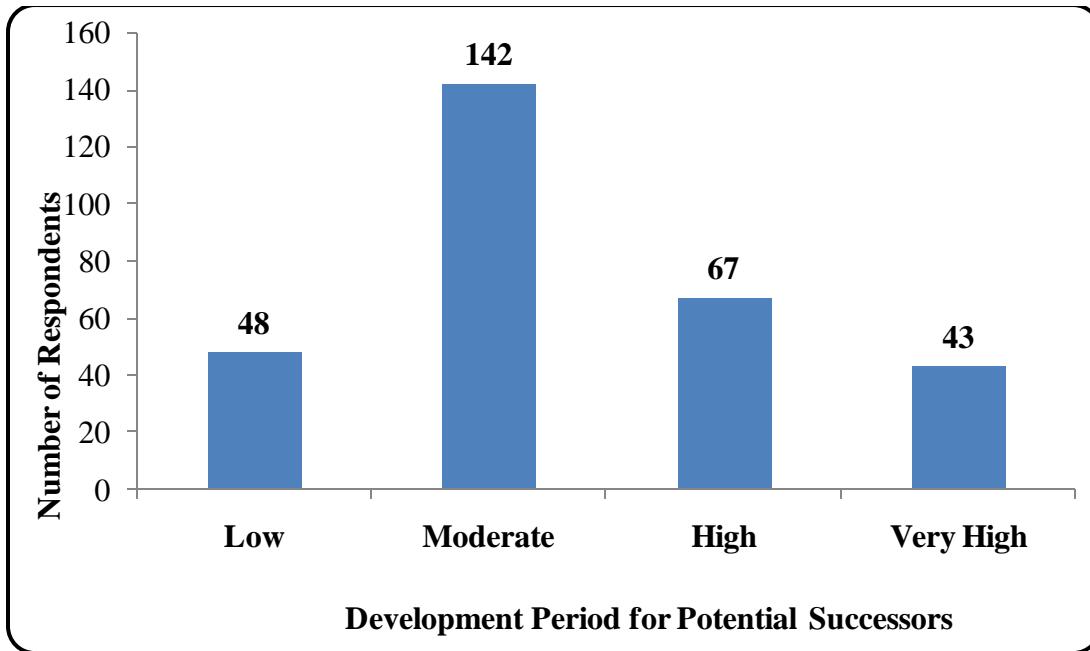
#### 1. Opinion about the duration of development period for potential successors

Out of 300 respondents 44% think that the development period for potential successors is 2-3 years whereas 9.7%, 34% and 12.3% of respondents think the development period for potential successors is less than 1 year, 1-2 years and 3 years and more respectively.

**Table - 1:**  
**Duration of development period for potential successors**

<b>Duration of Development period</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
< 1 year	29	9.7	9.7
1-2 years	102	34.0	43.7
2-3 years	132	44.0	87.7
>3 years	37	12.3	100.0
<b>Total</b>	<b>300</b>	<b>100.0</b>	

*Source: Field survey*



**Figure 1: Duration of development period for potential successors**

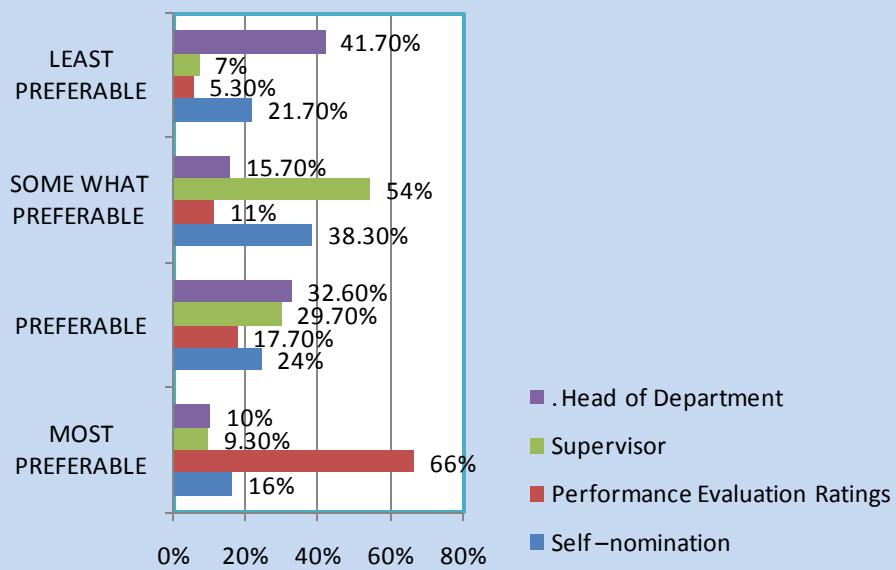
*Inferences:*

Majority of the respondents opined that the development period for potential successors requires two to three years. It significantly evidences that at least two years are required to develop the potential successors.

*2. Opinion about the effectiveness of various methods in identifying potential successors.*

Out of 300 respondents 66% believe that the most preferable method in terms of effectiveness in identifying potential successor is performance evaluation rating and least preferred method is head of department which is 41.7%.

## Rating the methods in terms of effectiveness in identifying potential successors



	MOST PREFERABLE	PREFERABLE	SOME WHAT PREFERABLE	LEAST PREFERABLE
Head of Department	10%	32.60%	15.70%	41.70%
Supervisor	9.30%	29.70%	54%	7%
Performance Evaluation Ratings	66%	17.70%	11%	5.30%
Self-nomination	16%	24%	38.30%	21.70%

*Source: Field survey*

**Figure 2: Methods in terms of their effectiveness in identifying potential Successors.**

### Inferences:

Majority of the respondents opined that the most preferable method in terms of effectiveness in identifying potential successor is performance evaluation rating. It significantly evidences that performance evaluation rating is the most preferable and effective method in identifying potential successor.

### Major Findings:

*Opinion about the duration of development period for potential successors:* It significantly evidences that at least two years are required to develop the potential successors.

*Opinion about the effectiveness of various methods in identifying potential successors:* It significantly evidences that performance evaluation rating is the most preferable and effective method in identifying potential successor.

*Suggestions:*

- The skills and capabilities being assessed must map to the required competencies and be consistent with the organizations' culture and with legal and professional guidelines.
- Every company should prepare their own succession plan chart that suits for their organization.
- Potential successors are the products of years of planning and development. Hence leadership transition period should not be short. It must depend upon the competencies requirement of each key position.
- Organizations must develop the practice of training the potential successor by the outgoing employees before they leave the organization by sharing their knowledge and work experiences.
- There must be a positive association between the development period and the level of the position because employees need to be developed according to their position.

## VI. CONCLUSION

Hence it can conclude that the succession planning is an important tool for retaining the talented employees for longer period. As the talent employees can be retained, it will contribute for the organizational growth and survival.

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<sup>i</sup> Wilson Teala, '8 Steps for Effective Succession planning', SABA Blog, Nov 23 2015.

<sup>ii</sup> Gabrielle Schroder, 'CEO Succession planning: The Boards Role', Australian Institute of Company Director, 28-Nov-2017.

<sup>iii</sup> Karanth Kamal, 'Dynasties and Dynamics of succession', Business Line, Nov-22-2017.

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<sup>v</sup> Ib.id,

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