

Identifying the Important Factors Influencing the Implementation of Succession Planning

Shadi Ebrahimi Mehrabani¹⁺, Noor Azmi Mohamad²

¹ Department of Computer, Islamic Azad University of Iran, Dehaghan branch

² Department of Management and Human Resource Development, University Technology of Malaysia

Abstract. There are many factors which cause instability in an organization's workforce. Some of these factors are illness, retirement, attrition or finding better jobs. Considering this unstable environment and in order to create stability for the future of the organization, they need to hire capable people for key positions. One of the important tools for attracting, developing, and retaining the talent in the workforce is succession planning. There are many factors influencing the implementation of an effective succession planning system in organizations. The main purpose of this qualitative study is to find the most important ones in Iran's private Banks. The result of interviews with five key executives in five private banks in Esfahan – the second largest city in Iran- which all have the succession planning system in their organizations, indicate the factors as: training, management supports, clarifying the career path, creating a positive vision, strong organizational culture, technology advancement, flat structure and the financial conditions. While the lack of considering these factors is a threat to the system, the result of this study may help other organizations to consider implementing the succession planning system for better outcomes.

Keywords: Succession planning, Effectiveness of Succession Planning, Iran's Private Banks.

1. Introduction

Most organizations found that they must rely on their employees as the only way to become stable in this competitive age. Organizations need to develop their employees' knowledge, skills, talents and capabilities. Many organizations use succession planning to develop and maintain powerful leadership and other key employees to make sure that they address all the skills and competencies required for the economic environment [1].

One of the human resource tools which can help the current and future needs of organizations, is succession planning. Succession planning is a helpful approach to find the appropriate people who are needed for leadership positions or other key positions in the organizations [2].

Haraf (2005) states that, the need for effective succession plans is increasing in the organizations, but many companies and organizations do not pay enough attention to such plans and many of them are facing many challenges and barriers in the process of these programs [3].

2. Succession Planning

In an overall definition, succession planning is a vital structure that takes into account the organization's resources for the maintenance and development of high potential employees [4]. Over the years, many studies conducted in the field of succession planning. However, some researchers believe that beginning research in succession planning issues is related to the early 20th century with the writings of Henri Fayol about the fourteen points of management [5] but succession planning and management as we know it nowadays arrived of age in the late 1960's and early 1970's, when formal succession planning methods were adopted by

⁺ Corresponding author. Tel.: + 60147353868
E-mail address: ebrahimish@yahoo.com

organizations. Some methods which were used in succession planning were estimating the performance and potential of the group of talented employees, planning their movement through the organization, and establishing detailed developmental plans [6].

Historically, organizations only paid attention to replace the employees exactly before they were to leave the organization and the decision about the people who would replace them usually was made by the chief executives or board of directors [7]. The focus was on replacing the employees, not to develop them and in many cases it did cost a lot for the organizations [8].

In fact, in today's dynamic world where competition is high, work is fluid, environment is unpredictable, organizations are flatter, and the organizational configuration frequently changes, the old view of succession planning by defining specific people for the specific job does not work [9]. Nowadays, organizations found the alternative way. They discovered that in order to be certain of having proper talents for the future needs, they must train leaders and key employees [10].

Succession planning is used as an essential and strategic tool for the organizations to attract, develop, and retain talent in the workforce [11]. As a comprehensive definition, succession planning can be defined as an attempt to have a plan for the right number and quality of key position employees, including managers to cover retirements, promotions, serious illnesses, death or any new job, which may be created in the future of the organization's plans [12].

3. Effectiveness of Succession Planning

An effective succession planning and management effort must consider the individual's development needs for all job categories [13]. One of the most important aims of succession-planning program is to maintain talent by keeping employees motivated and engaged. Fulmer and Conger asserted that an effective succession planning system can help talented people to move their tracks faster and more appropriate [14].

There are many factors which help succession planning system to be successful and effective, even though each organization will be quite unique in its specific features. Some of these factors explain as follows.

At first the executives and top managers should be committed to the concept of succession planning and must support implementation of the system. Staff also, have to support the activities of the plan. In addition, a link between succession planning systems with other human resource systems and activities is needed. Adequate human resources information system is also needed. Moreover, an appropriate organizational structure and job engineering to protect experiential learning is required. Furthermore, organizational commitment for promotion from within is needed as well as training in coaching, mentoring, and giving feedback and other methods in training. Additionally, accountability for implementation of developmental plans should be obviously stated. Evaluation of the system and plan also must be considered in the human resources duties [15].

A main factor which influences the succession planning is the role of human resource development, which includes organizational development, career development and the learning and development of potential successors [12]. Rothwell (2002) explains some practices which can help the success of succession planning efforts. These factors include: clarifying the aim and the desired results of the effort, determining the requirement of the current performance, measuring the performance, determining the performance which is needed for the future, assessing the potential, establishing a way to narrow the gaps, following up, documenting competence, making and maintaining rewards for developing people, evaluating results and leading from the front [6].

4. Benefits and Barriers of Succession Planning

Some of the main objectives of succession planning are: developing people to increase their managerial power; recognizing high potential employees and providing them with a developmental opportunity; reducing the time needed to fill management positions; attracting and maintaining individuals who are highly competent. When managers know that organization is committed to develop them using succession planning system, they will work with high morals. Such a system makes it also clear that there are career paths available in the organization [16].

Organizations lose workforce all the time. The workforce might be replaced in a short time, but what they are actually losing is a large quantity of company memory and essential skills. They are not always managers of the company. They might be key employees such as delivery, design, research and production operatives. They are the people with the significant knowledge of problem solving. They are the ones who may know all the faults of the process and may know the operating manuals. They are your critical talent. Therefore, having the succession planning system can help the organization to scramble to fill positions, earn the cost of head-hunters and attitude the financial burden of lower productivity [17].

Planning and applying the succession planning is not an easy process. There might be many barriers and difficulties, which would delay the process and slow it down. These barriers and obstacles to succession planning are different and depend on organizational culture, strategy, and economical conditions.

According to Charan “In succession, it takes a ton of ore to produce an ounce of gold, very few of your company’s leaders will ever be qualified to run the firm” [18]. There are many companies, which do not allocate enough time to succession planning. Some of them do not understand the value of it and many organizations are busy with current issues in their business and do not think about the future [19]. Realising the importance of succession planning to classify, select, and develop the future leader would be another barrier when it is not fully to take over as their successor [9].

Sometimes, it is hard to think about the replacement for current managers who spend many years in their position. There are also those who would like to keep their job and not to leave. Some leaders and managers want to keep their position so badly that they only focus on their own needs instead of the organization’s [20]. Recognize the barriers which may exist for implementation of a strategic succession planning process will provide a basis for discovering the main concern of resource, notifying the decision making and finding the training needs to implement the strategic plan for the employees [13].

5. Method

The purpose of this study was to find the factors which influence on implementation of succession planning. By clarifying the aims, this study intended to inform and help other organizations to notify these factors when they want to establish a succession planning system.

A qualitative method was performed to get the result. A series of five interviews were used to gather data. The process of data gathering was done in five private Banks in Islamic Republic of Iran. The chosen organizations all explained that they have succession planning system in their organizations. One key executive from each organization answered the interview questions. The main question in these interviews was:

Which factors do you believe influence the implementation of the succession planning system in Iran’s private Banks?

6. Results and Discussion

The purpose of the question was to determine the factors which have more influence on the implementation of succession planning system in Iran’s private Banks. Figure 1, shows an abbreviated version of factors with most data frequently. The explanation of factors is as follows.

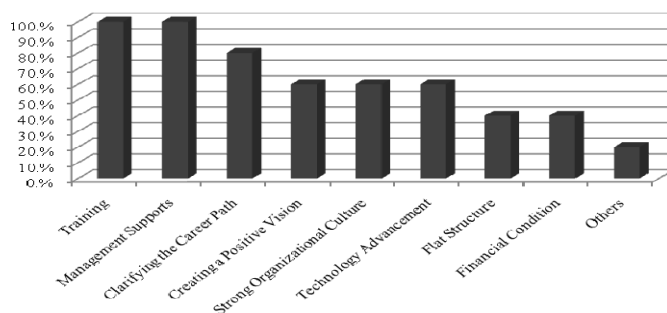


Fig.1: The percentage of agreement by factors which influence implementation of succession planning system

6.1. Factors Explanations

Training: All participants explained that organizational training plans help the employees to learn new skills and knowledge and therefore, give them new abilities. Trained people are more empowered. Therefore, they are available for any succession.

Management Supports: All respondents stated that for implementing a successful succession planning system, there is a need for a lot of support from the managers.

Clarifying the career path: Four of five participants believed that when an organization clarifies the career path, it would help employees to better understand the career objectives and also would help them towards a better implementation of succession planning.

Creating a positive vision: Three respondents stated that while many people in the organization, do not have a positive insight towards succession planning programs and in many cases, they think of these plans as a threat to their position in the organization, it is very important for the organization to give an exact image of these plans to the employees and create a positive vision of the implementation of succession planning system.

Strong Organizational Culture: Three respondents asserted that having a strong organizational culture which provides values, beliefs, standards and paradigms for all employees also affect the effective succession planning. They believed that employees can consider these values, beliefs, standards and paradigms as a guideline for their everyday performance. Therefore, if these values and standards support the succession planning system, employees would follow the system too.

Technology advancement: Three of five participants believed that technology impacts the way of preparing workforce for new jobs. In addition, they stated that technology advancement makes it easier for employees to find opportunities elsewhere.

Flat Structure: Two participants explained that flat structure will result in better communication and easier knowledge sharing in the organization, which are parameters that would greatly help in implementation of succession planning.

Financial condition: Two of five participants also stated that financial conditions affect implementation of effective succession plans. For example, having enough budgets for human resources is one of the most important conditions for training people.

7. Conclusion

According to responses from the participants, the main factors which influence the implementation of effective succession planning in Iran's private Banks are: training, management supports, clarifying the career path, creating a positive vision, strong organizational culture, technology advancement, flat structure, financial condition. Figure 2 illustrates these factors. In addition, the participants were on this belief that lack of each mentioned factors can act as a barrier to implementation of succession planning system. Doing a quantitative approach to find out the importance of each factor for implementation of succession planning would be useful for other researchers.

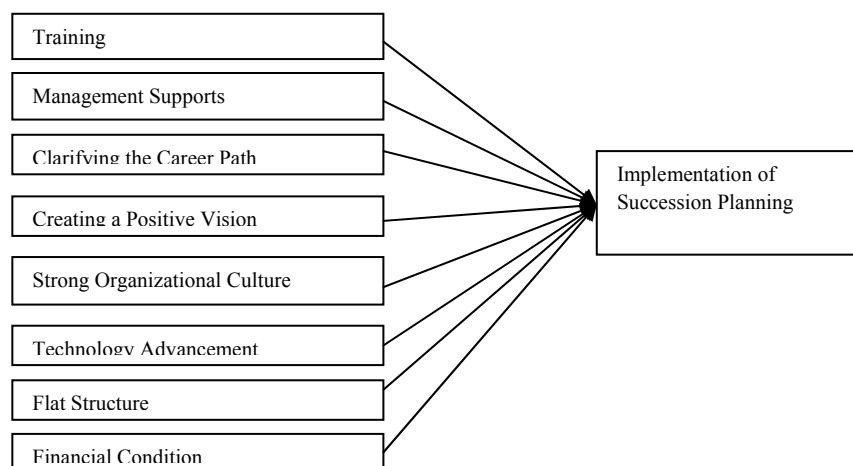


Fig. 2: Important factors which influence the implementation of succession planning system in Iran's banking

8. References

- [1] K. Butler, and D. E. Roche-Tarry. Succession Planning: Putting an Organization's Knowledge to Work. *Nature Biotechnology*. 2002, 20: 201-202. <http://www.nature.com>.
- [2] J. Collins. *Good to Great*. New York : Harper Business, 2001.
- [3] A. Haraf. *Successful Succession Planning*. Tehran : Petrochemical National Company, 2005.
- [4] J. E. Johnson et al. Succession Management: A Model for Developing Nursing Leaders. *Nursing Management*. 1994, 25 (6).
- [5] H. Fayol. *General and Industrial Management*. London : Pitman, 1949.
- [6] W. J. Rothwell. Putting Success into your Succession Planning. *Journal of Business Strategy*. 2002, (May/June): 32-37.
- [7] S. Greengard. Why Succession Planning Can't Wait. *Workforce*. 2001, 80 (12): 34-36.
- [8] J.W. Walker, *Do We Need Succession Planning anyMore?* [Online] 1998. [Cited: 10 11, 2010] <http://www.allbusiness.com/management/730293-1.html>.
- [9] A. Mamprin. *Next in Line: Five Steps for Successful Succession Planning*. Washington, DC : The Center for Association Leadership, 2002.
- [10] W.C. Byham, A.B. Smith, M.J. Paese. *Grow Your Own Leaders, Acceleration Pools: A New Method of Succession Management*. Bridgeville : DDI Press, 2000.
- [11] D.A. Ready, and J.A. Conger. Make Your Company a Talent Factory. *Harvard Business Review*. 2007, 85(6): 68-77.
- [12] S. Sambrook. Exploring Succession Planning in Small, Growing Firms. *Journal of Small Business and Enterprise Development*. 2005, 12 (4): 579-594.
- [13] W.J. Rothwell. *Effective Succession Planning: Ensuring Leadership Continuity and Building Talent from Within*. New York : AMACOM, 2005.
- [14] R. M. Fulmer, and J.A. Conger. *Growing Your Company's Leaders: How Great Organizations Use Succession Management to Sustain Competitive Advantage*. New York : AMACOM, 2004.
- [15] R. Hernandez, et al. Management Development and Succession Planning: Lessons for Health Service Organizations. *Journal of Management Development*. 1991, 10 (4): 19-30.
- [16] W.R. Mahler. Management Succession Planning: New Approaches for the 80s. *Human Resource Planning*. 1981, 4 (4): 17-22.
- [17] L. Dalgaard. Taking care of your organisation's future. *Human Capital Management*. [Online] 2008. [Cited: 11 19, 2010] www.humancapitalmanagement.org/pdf.
- [18] R. Charan. Ending the CEO Succession Crisis. *Harvard Business Review*. 2004, 72.
- [19] A. Blyth. Who Will be Next in the Hot seat. *Printweek*. 2005.
- [20] J. A. Conger, and A. Nadler David. When CEOs Step to Fail. *MITSloan Management Review*. 2004, 45(3).