

A Study of Applicability of Succession Planning As a Retention Tool in Middle Level Management

R.K.N.D.Darshani

Lecturer, Department of Human Resource Management, Faculty of Commerce & Management
Studies, University of Kelaniya

Email: niroshidarshani@gmail.com

T.A.D. Wijeyerathne

Department of Human Resource Management, Faculty of Commerce & Management Studies,
University of Kelaniya

Email: amandaw@lineaqua.com

Abstract

Organizational survival has been argued to be a primary goal in every organization and organizations have been wrestling with ways to identify, develop and retain their talent from decades. Every CEO and HR professional in today's competitive economy faces two harsh realities in securing a high performing workforce: So succession planning is suddenly popping up as an important strategy to keep the most talent within for the headway. Purpose of this study is to find the impotency of succession planning as a retention tool. This paper proposes a conceptual framework of succession planning as the independent variable consists of three variables (Training Programs, Development Centers and Supervisor Support) and as the dependent variable Retention. The sample consists of middle level management in MAS Linea Aqua (Pvt) Ltd – Hanwalle Plant. To justify the hypotheses that succession Planning is impacting as retention tool data were collected by a questionnaire distributing to executive and senior executive category and data was analyzed using the regression and correlation.

Analysis proves all the independent variables are impacting on retention through coefficients it is worthwhile to concern on factors, training programs, development centers and supervisor support that enhance and affect Succession Planning.

The generalizability of the dimensions of Succession Planning (Training Programs, Development Centers and Supervisor support) with the retention is high and validate according to the significance of the independent variables with a confidence level of 95%. According to the analysis supervisor support is the most impacting variable the retention compared with the other two independent variables. Same supervisor support is the highest correlated variable with the retention.

Limitations of the study were that data collecting method was limited to questionnaire and the whole sample didn't respond to the questionnaire.

Key words; Succession Planning, Training Programs, Development, Retention, Job satisfaction

Introduction

In an organization human resource department's efforts are put on to manage the employees effectively and efficiently through various policies and procedures. With all these HR professional tries what is to generate and retain an appropriate and contended employee force which gives the maximum contribution to the organization success. For that every organization should plan its success. Even though organization planned it always has to face Staff turnover in the changing and highly competitive business environment is on the increase in most organizations in the world today (Sullivan, 2009). There are changes in workforce demographics, global competition, mergers, acquisition volumes, and technology that call for the act of developing a pool of talent to take up leadership responsibilities and push the businesses to the next level.

Here retention of the most effective employees or the highest performers within the organization is a vital thing. A distinction between the low performers and best performers should be identified within the company and effort should be put to retain the most dedicated best performers. Any Manager, Executive or HR professional is afraid to see that their best performers are decide to walk away from the organization and the next worst thing is to get to know that there are no internal candidates in the talent pool to replace that position which lead to headhunting and timely and costly search. Best solution for this is to be preparing for such situations by implementing Succession Planning programs. (Taylor 2002) identifies three types of planning that aim at achieving practical goals and objectives of organization. (1) Micro planning deals with forecasting supply and demand for specific groups. (2) Contingency planning covers the situation where possible scenarios are examined and the implications assessed before major decisions are taken.(3) Succession planning is a third type that focuses on manpower planning activity such as recruitment and development of employees in order to fill managerial and top positions.

According to Peter Drucker (1946, Concept of the Corporation) say that a company's very survival depends on the ability to develop independent leaders below the top who are capable of taking top command themselves. It is not just about managers but about all the executives in an organization following a process that ensures the continuation of a business in future.

Theoretical Finding

Multiple definitions of Succession Planning are found in literature. According to David Clutterbuck (2005) in essence succession planning is about:

- making sure that there are enough suitable people to step into any significant role as it becomes vacant or is created;
- motivating and developing them to adapt to the new role as fast as possible, with the minimum damage; and
- ensuring that every role is a learning resource, in which the incumbent can develop not only skills relevant to that job, but the capability to embrace different and/or larger jobs.

(Noe et al., 2000) define succession planning as a process of identifying and preparing suitable high potential employees to replace key players within the organization as their terms expire. (Rothwell 2005) examined succession planning as a staffing responsibility that relates to promotions, terminations and retirement. In addition, succession planning has a direct impact on reducing staff turnover. (Aberdeen 2006) states that “every CEO and HR professional in today’s competitive economy faces two harsh realities in securing a high performing workforce: “the retirement of the Baby Boomers” and the tightening of the labor market.”.(Charan, et al., 2001) argue that it is essential for organizations to train successors before the vacancies are created.

A sudden vacancy can lead to confusion and loss of efficiency as the search for a replacement is conducted. The absence or loss of an employee could cause an inconvenience that could be avoided with some anticipation to serious succession development. Therefore, planning on how one’s shoe is going to be filled when he is no longer there and even planning for knowledge coverage when one is ill or vacationing simply makes good business sense. For professionally run corporations, the single most important reason for having a sound succession plan is usually better retention because of growth opportunities and job satisfaction among employees. Therefore, for a company that wishes to enhance its performance, to allow its high potential employees turnover is not an option, but to rather arrange them in systematic successions, by enabling them to effectively perform roles.

Training Programs, Development Programs & Supervisor Support

To enhance the performance of organizational high potential employees for succession planning can be identified via, Training Programs, (Stephen, Okaka, Samuel 2013), Development Centers (Osibanjo ,Abiodun and Obamiro2011), Supervisor support (Eisenberger et al., 2002).

(Stephen, Okaka, Samuel 2013) states that succession planning programs emerged as a strong factor influencing staff retention. The influence was mainly through provision of employee growth opportunities and job satisfaction. This was enabled through programs such as job rotation, mentoring, coaching, development centers and other formal training programs. The

process provides some guidelines to assist managers understand how to reduce employee turnover, increase job satisfaction and employees professional and personal growth. Thus, organizations investment in their staff and improvement contributes to a pool of talent, which benefits the whole organization through retention.

According to (Bonnie 2013), baby boomers are retiring at a rate of one every eight seconds according to statistics. This demographic shift in the workforce is forcing companies to evaluate the strength of current leadership and focus on developing bench strength from within. The bigger issue is that the majorities of next generation leaders are just not ready and do not have the skills necessary to lead. This emphasizes the strong need for clear succession plans and a proactive emphasis on the development of high potentials and emerging leaders.

However, research evidence suggests that many highly successful companies overcome these and other challenges by marrying the leadership development and succession planning processes for optimal identification, development, and placement of leadership talent (Conger and Fulmer, 2003).

Supervisor support is defined as the degree to which employees form impressions that their superiors care about their well-being, value their contributions, and are generally supportive (Eisenberger et al., 2002). Supervisors who are deemed to be supportive have been found to be effective in managing subordinate emotions. Managing subordinate emotions is a critical component in managing organizational commitment. Because supervisors act as agents of the organization, they have direct responsibility for directing, evaluating and supporting their subordinates. For example, (Kalliath and Beck 2001) found that strong supervisor support helped reduce burnout and intentions to quit. (Munnet all.1996) found that supervisor support was the best predictor of job satisfaction and intention to quit.

Employee Retention

Studies have indicated that retention driven by several key factors, which ought to be managed congruently: organizational culture, strategy, pay and benefits philosophy, and career development systems (Fitzenz1990).

Retention of talented employees can be a source of advantage for an organization. But there are challenges in attempting to retain these employees (Barney 1991). In a perfect world the productive employees are encouraged to stay within the organization and the non-productive poor performers are encouraged to leave. In fact, if it were measurable a company would keep each employee whose contribution produces a positive risk adjusted profit for the firm and who will also have a more positive influence on the firm than any employee hired to replace him or her taking into account the cost of hiring the new employee.

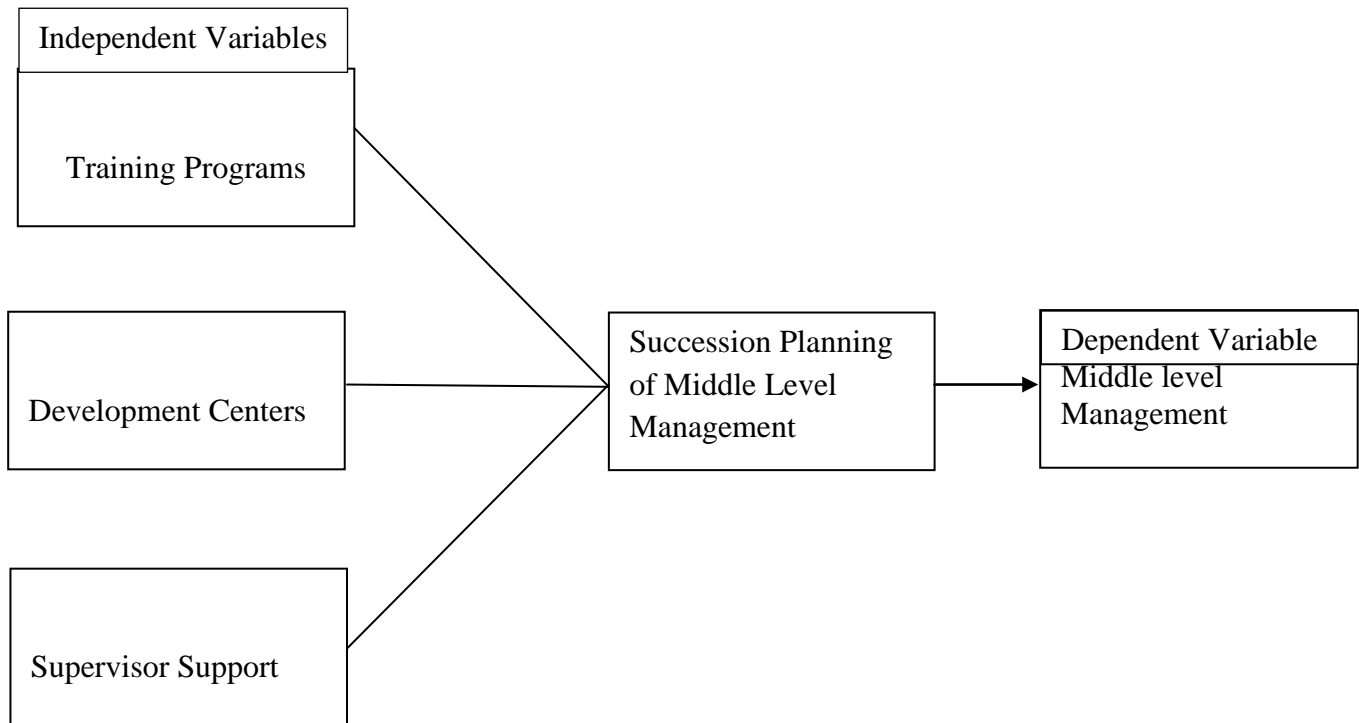
The problem of attempting to keep talented members of the work force is further complicated because of bounded rationality (Simon 1976). It is another result of a symmetric information where both the manager does not know the information for which to ask from the employee and the employee does not know what to provide. Therefore, productive workers cannot distinguish themselves from non productive co-workers. Pay incentives will help align the employees' interests with those of the organization's owners and efforts to improve job satisfaction through employee autonomy, training, and pleasant working conditions will help retain talented employees.

Employees that are satisfied and happy in with their jobs are more dedicated to doing a good job and taking care of customers that sustain the operation (Hammer, Marini, Denton2000). Job satisfaction is something that working people seek which employee retain within the job. Studies show that employees who are satisfied with their jobs are more productive, creative and be more likely to be retained by company(Eskildsenand&Dahlgaard ,2000).

Retaining top talent remains a primary concern for many organizations today. Critical analysis of workforce trends points to an impending shortage of highly-skilled employees who possess the requisite knowledge and ability to perform at high levels, meaning that organizations failing to retain high performers will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappaport, Bancroft &Okum2003). Despite the vast literature on employee turnover, which is aimed at identifying factors that cause employees to quit (Griffeth, Homand&Gaertner 2000) much less is known about the factors that compel employees to stay.

People need to be recognized for their accomplishments in the workplace. In most organizations the feeling of under-recognition is the most pervasive feeling in the workplace (Mendonsa 1998) provide a great deal of personal and team recognition. Recognize achievements with memos, mentions in staff meetings or articles in the newspapers (Lynn 1997). According to Taylor (1997) to retain employees, departments must offer career advancement opportunities. Departments fail to offer employees career opportunities, room for advancement and enhancement of skills and knowledge may find it difficult to retain qualified employees. (Marx 1995) concludes this by pointing out that promoting from within is one of the proven methods of employee retention, promoting from within shows that there is truly room for advancement and growth within the department. Employee involvement, recognition, importance of work, and career advancement opportunities are all important, when dealing with employee retention.

Conceptual Framework



Source: Authors

Analysis & Discussion

The analysis discloses that all considered dimensions of the Succession Planning are impacting the Retention considering the selected sample from the population.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	.732	.257		2.845	.005
1 Training Programs	.141	.113	.160	1.241	.217
Development Centers	.143	.107	.173	1.334	.185
Supervisor Support	.499	.084	.502	5.939	.000

a. Dependent Variable: Retention

According to the coefficient of Supervisory Support (0.499) it contributes for a highest change in Retention when considering other independent variables are held fixed compared to the coefficient of other independent variables. Confirming the third objective of the study; to determine whether Supervisory Support affects on Retention of the middle level management employees, the analysis reveals that there is a relationship between Supervisory Support and Retention and it impact to the Retention. The second objective of the study; to determine whether the Development Center impact as employee retention tool in middle level management. The second contributor Development Centers with 0.143 coefficient to change in Retention when other variables are held fixed by confirming second objective. The analysis reveals that there is no relationship between Development Centers and Retention is not impact to the retention.

Next the Training programs with 0.141 coefficient to confirm the first objective of the study; To determine whether the Training Programs impact as employee retention tool in middle level management, the analysis reveals that there is no relationship between training programs and retention and it is not impact to the retention.

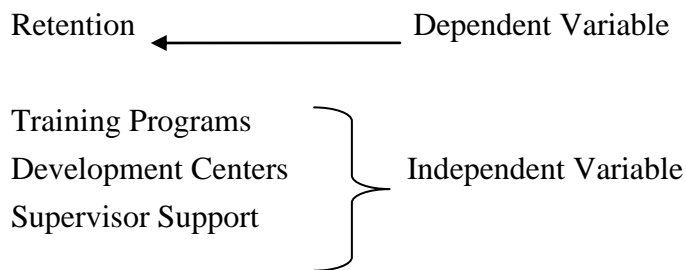
According to the correlation table it is apparent that all the independent variables are highly correlated with the dependent variable and the significant value is 0.000 which is less than the maximum level of significant value of 0.05. Hence found correlation coefficient is significant at the confidence level of 95%.

Correlations

		Training Programs	Development Centers	Supervisor Support	Retention
Training Programs	Pearson Correlation	1	.865**	.640**	.630**
	Sig. (2-tailed)		.000	.000	.000
	N	112	112	112	112
Development Centers	Pearson Correlation	.865**	1	.645**	.635**
	Sig. (2-tailed)	.000		.000	.000
	N	112	112	112	112
Supervisor Support	Pearson Correlation	.640**	.645**	1	.716**
	Sig. (2-tailed)	.000	.000		.000
	N	112	112	112	112

Retention	Pearson Correlation	.630**	.635**	.716**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	112	112	112	112

** . Correlation is significant at the 0.01 level (2-tailed).



According to the correlation table it is apparent that all the independent variables are highly correlated with the dependent variable and the significant value is 0.000 which is less than the maximum level of significant value of 0.05. Hence found correlation coefficient is significant at the confidence level of 95%.

This shows that supervisor support is the highest correlated independent variable with the Retention in a 71.6% correlation. Secondly development centers 63.5% correlation with retention and training programs 63% correlation with retention.

Conclusion

Analysis proves all the independent variables are impacting on retention through coefficients it is worthwhile to concern on factors, training programs, development centers and supervisor support that enhance and affect Succession Planning.

The generalizability of the dimensions of Succession Planning (Training Programs, Development Centers and Supervisor support) with the retention is high and validate according to the significance of the independent variables with a confidence level of 95%. According to the analysis supervisor support is the most impacting variable the retention compared with the other two independent variables. As the researcher tests this via third hypotheses HA3; Supervisor Support is impact as an employee retention tool in middle level management, the researcher could able to clarify that supervisor support is impact to the retention and there is relationship between them. Similarly, second hypotheses HA2; Development Centers are impact as an employee retention tool in middle level management, and identified development centers are not impact to the retention and there is no relationship between them. And the other variable training programs also not impact to the retention and doesn't have a relationship with retention.

According to the correlation the highest correlated independent variable with the dependent variable is supervisory support with a 71.6% correlation. Secondly the Development Center 63.5 % and thirdly training programs 63% correlated with the retention.

The researcher could conclude that among the dimensions of the succession planning Training programs and Development Centers not impact to the retention and only the Supervisor support is impact to the retention as it proves through the statistical analysis in the chapter four.

Theoretical Implications

There are multiple definitions for Succession Planning which many researchers and Gurus have presented to the subject. But in Sri Lankan context there are few researches done about Succession Planning.

Here what researcher tries to recognize what are the exact factors which directly link with Retention which coming under Succession Planning and findings shows that in an organization Supervisor support is the most impacting factor when comparing to the Development centers and Training Programs.

Managerial Implications

According to the findings it shows that in an organization to prepare the next level for any significant position when it is created or vacant Managers should have the potential and skilled employees with them appoint immediately. To build such a pool most important practice is Supervisor Support. Immediate supervisor should be able to guide the employee to the exact track. Development Centers and Training Programs also should include in the process.

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