



# Succession Planning for Organizational Sustainability

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## Abstract

**Purpose of research:** To achieve sustainability in the Volatile, Uncertain, Complex and Ambiguous (VUCA) environmental condition, an organization needs to grow continually without compromising the needs of the future generation. They must be ready with their future leaders, especially for key leadership positions, to face emerging situations. Succession planning is a challenge for Indian Public Sector Units (PSUs). Various Management Practices are adopted to identify and develop future leaders within an organization. Studies in the past have established the relationship between Succession Planning and Talent Management. More or less, every organization enforces Performance Management System (PMS) as basis for Succession Planning. There is still a need to identify the gap and develop an improved system to identify talent, develop and retain them for the future. There is a need to find answers to these questions– What are the Talent Management practices that support Succession Planning? What is the significance of PM Sover Talent Management? What is the relevance in integrating these two and how does it contribute to achieve organizational sustainability?

**Methodology:** Prevailing management practices in Indian PSUs were studied and analyzed with a mixed method approach. Policy/guidelines, procedures and reports related to Human Resource Development (HRD) were reviewed. Feedback on perception of employees was collected through interactions with key stakeholders and analyzed using thematic analysis to connect Talent Management and Succession Planning.

**Implications and key results:** The study suggests an inclusive approach of Talent Management for successful Succession Planning. It recommends identifying and developing an in-house talent pool for critical and key leadership roles withholding trust and loyalty among employees thus achieving organizational sustainability.

**Keywords:** Talent Management, Succession Planning, Organizational Sustainability

## **Introduction:**

Sustainability is defined as continual growth without compromising the needs of future generations. In the organizational context, it is survival of organization in the Volatile, Uncertain, Complex and Ambiguous (VUCA) environmental condition, maintaining a sustainable growth. To achieve sustainability, an organization must have a succession plan. This succession plan includes developing and positioning of present and the future leaders, who takes the key and critical leadership roles as and when required. The right person is to be identified and placed for the key leadership and critical roles at the right time.

In the current economic environment, Indian Public Sector Units (PSUs) are in a quandary state while positioning the top leaders. Many a time, two or more roles with additional responsibilities are held by a single person or the position is kept vacant for a long period for want of the right person for the role. An ad hoc arrangement is made to keep the functions moving for the time being. This has a major impact on organizational growth and sustainability. There are basically two ways to fill these positions – either by developing people within the organization from the identified talent pool or by recruiting them from outside. The latter has pros and cons related to availability, cost involvement, acceptability, impact on loyalty and culture of the organization, etc. Identifying the in-house talent through various Talent Management Processes and developing them for the critical and key leadership roles is preferable and well accepted by the team. This is a win-win situation, where the organization finds the right person for the leadership roles and deserving employee gets job satisfaction with their career growth.

There are several studies and research work done earlier in different sectors and different areas, both internationally and within the country, which elaborate the relationship between Talent Management Practices and Succession Planning. The importance of successful Succession Planning over organizational sustainability and Organizational development is also discussed at various forums. Yet, there is a need to develop and implement the best Talent Management Practices for a successful Succession Planning to achieve organizational sustainability. The prevailing Talent Management Practices in Indian PSUs needs to be critically analyzed and studied in detail to develop, align with the organizational goal keeping in view with organizational sustainability.

There is a need to find answers to these basic questions – what are the Talent Management practices that support Succession Planning? What is the significance of Performance Management System over Talent Management? What is the relevance in integrating these two and how does it contribute to achieve organizational sustainability?

The purpose of this study is to identify the significance of Succession Planning on Organizational Sustainability and to explore the best Succession Planning methods in the current scenario.

## **Methodology:**

The study is done with a method using mixed approach of Qualitative and Quantitative analysis of data collected from various Indian PSUs of different sectors. Prevailing management practices in Indian PSUs related to Succession Planning and Talent Management Practices were reviewed through study of Policy/guidelines, Procedures and Reports related to Human Resource Development (HRD). Feedback on perception of employees was collected through interactions with key stakeholders including Functional Managers, Human Resource Managers and leaders at Middle, Senior and Top Management levels from various PSUs. The inputs collected were analyzed using

thematic analysis to connect Talent Management, Succession Planning and Organizational Sustainability.

The data is collected from sample of 10 from Middle, Senior & Top Management bands and HR Managers based on above methodology from Indian PSUs under different Sectors (Steel, Coal, Mining, Avionics, Oil and Power) –SAIL, Coal India Limited, NMDC, BEL, HAL, BPCL, HPCL, ONGC, OIL, BHEL, NTPC, Power Grid Corporation of India Ltd.

### **Prediction and Results:**

This study would provide an insight on importance of Succession Planning and explore its best practices with improved methodology to achieve organizational sustainability. It would elaborate on the impact of several Talent Management practices on Succession Planning and would also recommend the best practices for continual organizational growth. The study would thus provide a big picture by integrating Talent Management, Succession Planning and Organizational Sustainability.

### **Observations and discussion:**

Following points emerged out with the interactions at various levels:

- The employees who have been rated consistently high in their Performance Appraisals are provided with the opportunity for the Key and Top Leadership roles.
- In most of the Indian PSUs, promotion policies are not made available to every employee. However, these policies are available with HRD for a specific management grade.
- Indian PSUs follow the path of selecting and developing people for the key leadership roles from the available talent pool based on Seniority in grades and their ratings through Performance Management System (PMS).
- Seniority of employee is considered for various opportunities primarily from the date of joining of an employee in a specific grade rather than their joining in the organization.
- Competency Mapping exercise is not done in most of the Indian PSUs. The frequency of such exercise is too low (once in 10 years or so), if at all done.
- The results of Competency Mapping are not shared with the Functional Heads or the Authority for deciding the final rating. It is with HRD only, and only the scores are disclosed to the concerned employee.
- The current year Appraisal Rating of an employee is affected significantly by the previous year's ratings as it is almost impossible to improve the current year's ratings if an employee is rated low in the past due to some unfavorable condition.
- The ratings in the past also impact on Bell Curve, which is still existing in most of the Indian PSUs.
- The information about ratings on Competence, Values and Potential is vague amongst the people working in the field. There is no plan or action to improve on these parameters.
- Most of the Indian PSUs did not implement 360-degree feed-back technique. Even if it is done, the results are not disclosed or discussed with the concerned employees.
- Talent Development Programs are designed in such a way that the people of high PMS rating are getting maximum and best exposures in flagship Management Development Programs

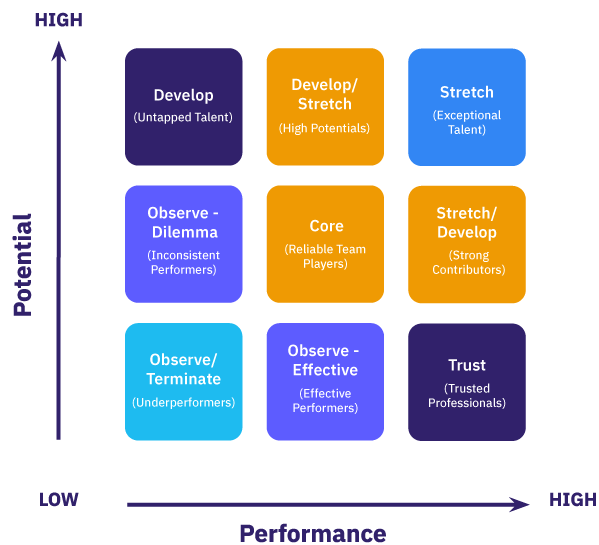
such as Senior Management Programme, Advance Management Programme, Company Sponsored/paid Management programs from the best Management Schools.

- Foreign training and exposures are taken as reward and recognition rather than development opportunities.
- A variety of experience (geographical as well as inter-departmental) attracts no positive impact on career, rather it is having a negative effect due to time and energy spent for tuning with a new set of people in line with Appraisal Ratings.
- Once developed within the organization, it is difficult to retain the best Talent due to limitations in Compensation and Benefits by Indian PSUs. People at Senior and Top Management level leave PSUs and join competing companies for their own benefits in their career growth and other opportunities. Sometimes, it is also due to the pressure by changing the political environment.
- The selection for the Top leadership roles is influenced by lobbying and political influence on a large extent in most of the Indian PSUs irrespective of their exposures in the subject field.
- The core value of an organization is affected by the top leadership. If the person from outside is placed on the Top (example: Head of HR or Chairperson), it has a significant impact on Core Value of an organization thus impacting the organizational culture.
- There is a significant impact on loyalty and Organizational Culture, when a Top Leader from outside an organization is placed and retained for a significant period.
- Organizational Performance and Sustainability is also affected by the positioning of Top leaders in the organization.

#### **Literature review&Discussions:**

A 9-box grid model is widely adopted by most of the Indian PSUs, which explains the Succession Planning methodology for identifying and developing the in-house Talent for the Key Leadership positions. (Erik van Velpen, n.d.)

## 9 Box Grid



(Erik van Vulpen, n.d.)

The decision is taken about identifying Talent Pool and Talent Management strategies in the process of Succession Planning involving three major steps, i.e., Evaluating Performance, Evaluating Potential and then bringing these two dimensions together. (Erik van Vulpen, n.d.)

Performance goals are kept SMART (Specific, Measurable, Achievable, and Relevant) by every PSU and the ratings on performance against KRA/KPI is very objective. But the identification and measurement of Potential is a subjective matter. The perception is vague and varies from person to person. However, Erik van Vulpen has explained the guideline for rating the potential of an employee on the following basis:

**Low potential:** The employee is working at full potential and is not expected to improve, either because they are at maximum capacity or because of a lack of motivation.

**Moderate potential:** The employee has the potential to further develop within their current role. This can be in terms of performance but also in terms of expertise.

**High potential:** The employee performs well beyond the expectations of their current position and responsibilities. They are likely ready to take on roles and responsibilities with more complexity. (Erik van Vulpen, n.d.)

The interpretation on the above is subjective in nature depending on working condition, the line managers, organizational policy, market condition and many more other factors. The true potential is not identified without adopting a strategic tool like Competency Mapping, 360-degree feedback or Assessment Centers. There is a big gap in final rating and ratings against performance, which keeps on increasing with higher management bands in the hierarchy. Filling this gap is a challenge to achieve successful Succession Planning.

Once the Talent is identified, there is a need to develop them for the present and future need. Different Talent Development practices are adopted for developing the in-house talent viz. exposure to different functions for better understanding of interdepartmental

dealings, geographical orientation for exposure to various challenges and exposing them to various developmental programs (both functional and behavioral).

Finally, it is important to retain the developed talent by keeping them motivated to avoid career plateau situation. Experienced employees need to be engaged and given responsibilities according to their competence and potential.

### **Recommendations:**

- It is better to develop in-house talent than recruiting them from outside to avoid deviation in organizational core values and culture, which has a long-term impact on organizational sustainability.
- Talent Management practices need to be inclusive of Talent Identification, Talent Development, and Talent Retention with the help of various tools in addition to Performance Management System/Appraisal Ratings, Competency & Potential Mapping, 360-degree feedback, Assessment Centers, variety of exposures to different roles and responsibilities.
- Performance Management System needs to be aligned with organizational goal rather than Appraiser's demand for continual improvement.
- 360-degree feedback evaluation should be shared and discussed with employees by the functional heads/authority for final Appraisal Ratings.
- Frequency of Competency Mapping is to be increased (once in every Performance Appraisal Year)
- The Score on Competency Mapping should be shared with the Departmental Heads also for further development. Currently it is disclosed to employees and kept with HRD only.
- Exposure to versatile roles and responsibilities and variety of experience should be given proper weightage during identifying and developing talent pool for Top Leadership roles.
- Bell Curve categorizes employees in different segments, which is de-motivating foremployee's professional growth and in turn on organizational performance. Recommended to be removed.
- Subjectivity of Rating on Competence, Values and Potential needs to be minimized, which is having increasing effect on Talent Management and development at Middle, Senior and Top Management level.
- Distribution Ratio of Performance Ratings based on KRAs/KPIs and Competence, Values and Potential needs to be reviewed.
- Cumulative effect of grades should be reviewed and minimized while identifying Talent for the critical and key leadership roles.

**Conclusion:** While exploring the best practices for Succession Planning to achieve organizational sustainability, there is a need to take a holistic approach rather than just picking the best performers for the Talent Pool. Talent Management Practices, Succession Planning and Organizational Sustainability cannot be dealt with separately. Organizational sustainability can be achieved by a continual growth in organizational performance without

compromising employees' professional/career growth within the organization. Talent Management is an ongoing process, which starts from beginning till end and it continues even when employees leave the organization.

### **Limitations and Future Studies**

This study is done with limited PSUs under various sectors in India. There is a scope for further study with International PSUs and Private Sector Organizations and Government Organizations too. The geographical area can also be extended for further studies.

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