

## EFFECTIVE SUCCESSION PLANNING: A ROADMAP TO EMPLOYEE RETENTION

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### ABSTRACT

Retaining top performing talent is a major concern to organization today, thus prompting organizations to seek for talent management practices such as succession planning to help them achieve this goal. This paper is a theoretical review of literature on succession planning and employee retention in organizations. The main objectives of the paper are: to do an expository review on the concept of succession planning and employee retention; to uncover what benefits organizations stand to gain by implementing a succession plan; to ascertain the impact of not having an effective succession plan on employee retention metrics; and to establish how organizations can use succession planning programs to retain and sustain talented and competent employees. From reviewed literature, the paper established that succession planning has a great influence on employee retention. It thus, concluded that organizations require an effective succession planning program to retain its valuable talents in this era of talent hunt. It further recommended a ten point roadmap to effective succession planning; amongst which is, that organizations need to maintain a culture of communicating to their employees, prospects of their career advancement right from the moment of joining the organization as this would motivate the employees to stay, thus minimizing turnover rate and boosting retention.

**KEYWORDS:** Succession planning, employee retention, talent management, succession management, HR analytics.

### 1. INTRODUCTION

Planning on how to shape the future leadership structure of an organization in order to ensure the right people with the right skill are within the structure has become critical for every organization today. This talent management objective serves as a bedrock for long term organizational success. Apart from forming the bedrock of organizational success, plans on how leadership roles can be succeeded in an organization forms part of its human resource planning process that heralds organizational justice, organizational trust, job security and the ultimate cut down on employees' intentions to leave. A good succession planning system increases the chances for an employee to desire to remain in an organization for a longer period of time (Sinha and Sinha, 2012). Interestingly, there is an increased attention given to the need for employees to stay with an organization, and this, has become not only evident but necessary (Moncarz, Zhao and Kay, 2009). The selection and preparation of employees for leadership roles internally is however not by any means a new paradigm. Avenesh (2011) confirmed a certain projection that by 2010, a lot of global organizations will lose about 40 percent of their top level managers, and there will be subsequent vacancies for those positions to be filled by top performers within the company. Avenesh (2011) further emphasized that in this period of obvious and stiff hunt for seasoned professionals, it

is essential for organizations to have a systematic plan that will help them identify and develop leaders from within, and equally allow them take up additional responsibility in order to boost their leadership capabilities.

Although not on record, the need for succession planning emerged right from when business ventures were in the form of sole proprietorship. During this era, businesses died mostly as a result of the death of the owner of the business who had monopoly of key information and knowledge about the business. Nevertheless, the origin of succession planning formerly dates back as far as two thousand years ago when the Roman Armies relied on a systematic plan to replace killed or incapacitated officers during combats (Druckman, Singer and Cott, 1997). Although the origin of succession planning can be traced back to those early times, it however, became a management concept only in the 1950's with credit given to Grusky (1960) for its progression and advancement as a concept. He suggested two reasons why attention should be given to succession planning. These reasons are that; the act of succession can lead to instability, and that succession is inevitable for all organizations. The implication of this, is that every organizations is bound to experience the need for succession due to the absence of top executives either as a result of death, retirement and vacation or even disciplinary issues or gross misconduct of top executives; and as such is required to have plans in place for replacements in the face of such eventualities or face process shock that can lead to grave consequences such as business closure.

Despite the buzz and the established impact of a succession plan on organizational bottom line, a whole lot of organizations do not have or implement succession plan. It is estimated that approximately 70% of all succession planning programmes flop in the long run as a result of hitches in implementation (Prabhakar and Gowthami, 2013). Also, Khumalo and Harris (2008) revealed that 67% of global organization have no succession plan in place while 45% do not have any developmental plans for their executives. This indicates that moving from theory to practice of succession planning appears to be a great challenge for organizations (Ryan, 2015). Could this be responsible for the poor level at which organizations get engaged in succession planning as shown by these studies? Another issue with the practice of succession planning is the lack of clarity in the link between talent management practices like succession planning and human resource outcome such as employee retention, this particularly, has become of great concern to organizations today (Katou, 2008).

To address these concerns and in analyzing the view of Armstrong (2006) and Rollins (2003) that succession planning is a tool for employee retention, this paper intends to do a critical and systematic theoretical review on the succession planning concept and how it can lead to a favorable employee retention strategy. The paper also intends to address the question of whether effective succession planning have been able to enhance retention of employees in organizations. It will also examine the prevalent issues facing Human Resource Managers in the development of a winning succession plan today, this will include ways needed to prepare a succession plan and how to drive the plan to ensure employees with the right talent are retained. This is particularly important in the sense that it helps to bridge the gap and clarify the confusion on the issue of moving from theory to practice. To achieve these objectives, the paper intends to look at the concept of succession planning, its components and characteristics, what makes an effective succession plan; the concept of employee retention and the reviewed alignment of succession planning process to that of employee retention. This alignment will not only ascertain their relatedness, but will help in providing an explanation as to why the paper asserts that effective succession planning is a roadmap to employee retention.

## 2. SUCCESSION PLANNING

The concept of succession planning originates from human resource planning (HRP), which is the process adopted by an organization to ensure it has the right number of people with the right skill to deliver a particular level of output or service (Gomez- Mejia, Balkin and Cardy, 2009). The need for succession planning in business is as old as the human race, when man operated at the level of subsistence and family owned businesses. Further evidence showing that succession planning concept is not new in the management arena, is the early work of Barnard (1945) in which he forecasted the impact of an overnight replacement of the entire management team of his company with executives from other divisions of the conglomerate and also prepared for the subsequent chaos that could erupt from his decision.

Empirical studies on succession planning and management however, started formally and intensely in the 1950s with credit given to the work of Grusky (1960). The Grusky's study focused mainly on succession for the position of CEOs, and this remained the case up until the 1980, when the work of Zaich (1986), which, due to the growing interest in HRP, took a broader focus covering succession beyond the positions of the CEOs as seen in the Rothwell and Kazanas(2003) study. Simply put, succession planning is said to be the plan an organization adopts to fill its most critical leadership and

professional positions (Huang, 2001). Subsequently, several scholars have made attempts to define the concept of succession planning with each definitions having its own focus and paradigm.

From a process point of view, Armstrong (2012) opines that succession planning is the process of identifying employees who should fill or replace key positions in the future. Avanesh (2011) also defines succession management as a cautious and planned effort to predict and prepare for the organization's leadership need in the future by identifying potential candidates, developing the management skills and competencies of the identified candidates through a planned learning process, and the eventual selection of the most suitable from among the pool of potential candidates to fill the predicted leadership need. In corroboration with this view, Tropiano (2004) posits that succession planning is a strategic, systematic and deliberate effort devoid of bias that is targeted at developing competencies in identified potential leaders through planned learning experiences in form of job rotations and educational training, in order to fill top management positions. Again, Kim (2003) and McDonald (2006) see succession planning as the continuous and systematic identification of best fit and suitable replacements for leadership roles.

Another definition of succession planning from this perspective is that it is a dynamic ongoing process that systematically identifies, assesses and develops leadership capabilities while evaluating, developing and distinguishing key contributors to handle imminent strategic and operational needs of the organization (Gronn, 1996). Also, Collins (2009) defines succession planning as a process that offers organizations a seamless transition of its employees from non-leadership role to leadership roles. Hirsh (2000) also defines succession planning as a process by which one or more successors are identified for key roles, and career moves and development activities are planned for these successors. Still from the process view, succession planning is seen as the process of grooming staff for specific job roles (Guinn, 2000). In addition to this view, Garman and Glawe (2004) suggest that succession planning is an organized process that involves the identification and preparation of potential successor to assume new role within the organization. This definition is however criticized on grounds that it lacks futuristic insight. One brilliant definition of succession planning is that of Wolfe (1996), he defines it as a program peculiar to an organization that helps in ensuring the continuity of leadership for all its key positions through planned developmental activities to build employees' talents for the purpose.

In another view, succession planning is seen as a vehicle or means to an end (organizational outcome). In this view, Charan, Drotter and Noel (2001) posit that succession planning is a means of achieving organizational objectives by filling the system with high performing individuals to ensure that every top management position has enough performers to draw from whenever vacancies occur for those positions both now and in the future. Still on this perspective, succession planning is seen as a channel used by management to speed up organizational performance over time. This definition stimulates the view of Scharmer (2007) who sees succession planning as means of co-creating a transformational phase in which management predicts and prepares for the future. Succession planning is also said to be a means that focuses on manpower planning activities such as the recruitment, training and development of employees to fill managerial and top positions (Taylor 2002).

From an illustrative position, Michelson (2006) posits that succession planning means getting the right people into the bus, taking the wrong people off the bus, and positioning the right people in the right seats. In line with this illustrative definition comes the views of (Conger & Fulmer, 2003) that succession planning is simply having the right people in the right place at the right time. Rothwell (2001) further emphasizes that succession planning is any effort geared towards ensuring sustained effective performance of a team, department, division or an organization through the strategic development and replacement of key people over time (Rothwell, 2001). This paper however, sees a loop hole in Rothwell (2001) definition of succession planning which is, its unclear assertion concerning who is to be developed and who is to be replaced. From another perspective, Baldwin (2000) however tries to address and clarify a major definitional misperception of the scope of succession planning by asserting that it is not only for CEOs but also for all key positions in an organization.

### 3. A CASE FOR SUCCESSION PLANNING

In order to understand why succession planning is important to organizations and scholars alike, it is necessary to understand the essence of succession planning. Now given that today, organizations face increasing changes due to globalization, technological advancement, talent war and the continual competitive advantage tussle, Prabhakar and Gowthami (2013) assert that succession planning has become a must-do for organizations to nurture the right talent in order to meet these overwhelming challenges. Govender (2010) also asserts that succession planning aids organizations to retain their valued employees, increase employee morale and confidence, create diverse internal talent pool, save

associated external sourcing cost and also reduce the impact of re-organization. This point is supported by the findings of Ostrowski (1968) that succession planning provides an enduring stream of well-trained, extensively experienced, well-motivated, prepared and able employees to step into positions whenever the organization need them. He also asserts that it increases leadership and employees' satisfaction in the organization by posing as a positive goal for them. He says it helps to define career paths, which helps the organization to recruit and retain best fit.

Succession planning is generally believed to help organizations with internal placements, the reduction of workforce attrition caused by job-hopping high-fliers, and the preparation of qualified candidates for promotion to senior management positions (Huang, 2001). The main advantage of succession planning in an organization is the active development of a strong talent pool for the future, which is equally necessary for attracting and retaining the best and key people for the present and more for the future growth of the organization (Dauda, 2013). These assertions lead us to make a case for the necessity of having and implementing effective succession plan in organizations.

### 4. THE NATURE OF SUCCESSION PLANNING

Although each of these theoretical positions make an important contribution to our understanding of the concept of succession planning, a further point to be considered in ensuring the effectiveness of succession planning, however, is that succession planning centers on a whole range of career development programs. These involve; 1. Early career path identification, a systematic training need analysis and subsequent training to prepare potential successors (Avanesh, 2011); 2. A commitment to evaluating, developing, and investing in organizational leadership to enhance performance, development, and preparedness (Kim, 2003; McDonald, 2006); 3. Identification of prospective employee as back up candidates; 4. Monitoring attrition and ensuring back up candidates are ready for their new role; and 5. The internal sourcing and selection of potential candidates.

An equally significant aspect of succession planning that needs to be addressed is what components make up the succession planning process. This aspect of succession planning is particularly important because it provides employers and managers with a roadmap on how to effectively develop and manage a succession plan. Ostrowski (1968) identifies four major components of succession planning which are; 1. It is dynamic (can be changed and modified in line with changing business needs), 2. It is futuristic (concentrates on the organization's leadership need in the future), 3. It is organic (every member and units of the organization is involved in it), and 4. It is continuous (it is carried out nonstop throughout the existence of the organization). Ostrowski (1968), is however of the opinion that certain conditions within an organization facilitate the possibility of having an effective succession planning process. These conditions according to him are; 1. The complete involvement of management in the entire process, 2. The synergy of both manpower forecasting and business planning; and 3. A periodic evaluation and assessment of the entire process by management.

Based on the various definitions of succession planning and its components offered by several scholars as reviewed earlier, this paper identifies four key components of succession planning which are; 1. It is a systematic process (follows a step by step prescription), 2. It is strategic (works towards solving a problem in the future), 3. It involves training and development (requires an enhancement of requisite skills through diverse learning experiences), 4. It aligns job task with skill (ensures that the skills and competence of potential job holder matches the task requirement of the job role), and 5. It is internal (it is a program that occurs and takes resources from within the organization).

### 5. THE SUCCESSION PLANNING STEPS

Having considered the nature and key components of the succession planning process, it is important to note however, that any remarkable succession planning program will need to follow an organized roadmap that integrates all its components in relation to the internal development of existing employees within the organization (Rothwell, 2005). In corroboration with the identified conditions for a successful succession planning program as suggested by Ostrowski (1968), Rothwell (2005) suggested a seven step roadmap for effective succession planning which are; 1. Getting management and employees involved and committed to the plan by making them understand the compelling need for succession planning, 2. Analyzing the current work and the people – to achieve this, managers must know the job to be done now, how it will be done and the people that will rightly do it at the moment, 3. Evaluate performance by having a feasible performance management system that appraises people by what is expected of them with regards to the result, job task, competence and attitude, 4. Analyze the work and people needed in the future, just like step two, managers must know the job to be done in the future, how it will be done and the people that will do it right then - for this stage, the organization's strategic objectives are aligned with the work to be done alongside the competencies needed to realize set

objectives, 5. Evaluate potential – managers must seek for objective ways to ascertain individual employee's capabilities and functionality at a higher level of responsibility in the future, 6. Develop people by ensuring that the gap that may exist between step 4 and 5 are bridged via an individual development plan (IDP) for the employees, and 7. Evaluate program results by measuring the results against the objectives established at the initial stage.

In addition, Govender (2010) recommended three steps to effective succession planning; Firstly, an overall assessment of the succession initiative such that potential problems and opportunities that may arise can be identified. Secondly, the development of a well-coordinated plan and a commitment to its implementation. Thirdly a re-evaluation and continuous updating of the entire process, for this step, he advocates for organizations not to see succession planning as a project with an end date but a process that has no end date. Govender (2010) further suggested that for organizations to be able to develop a satisfactory succession plan, managers and business owners should develop a strategy that fits its own specific business needs. To this regard, he recommended four basic principles organizations must adhere to in order to have an effective succession plan; 1. Organizations must cling to succession management as part of the initiative to develop managers at all levels; 2. Organizations must ensure its management is highly commitment to the entire process; 3. Aligning individual employee performance, skills development and future talent capacity must be such that is cued from the overall organizational strategy; and 4. A clear definition of both current and future needed leadership skills and values for the survival of the organization must be constantly communicated across the entire organization.

Still on the recommendations for effective roadmap to succession planning, the Chief Executive Magazine (April, 2004) prescribed four steps to succession planning which are; 1. Identifying high potential candidates within the organization objectively; 2. Diagnosing gap in potential candidate's strengths and weaknesses with regards to organizational requirements; 3. Prescribing the appropriate development strategy to bridge any identified gap in step two; and 4. Monitoring and evaluating the process to ensure it helps in building leaders over time.

Furthermore, Dauda (2013) suggested three steps in having an effective succession plan, these steps are: Firstly, the assessment of key positions with regards to their required competencies and experiences, then the identification of potential individuals capable of advancement through the assessment of their performance. Secondly, the assessment of the main developmental needs of potential talents and preparing them through training, leadership and management training, coaching or mentoring as well as job enrichment. Thirdly, monitoring the employee development plans through annual reviews and an implementation of the conversion plan to select leaders to fill the vacancies. In conclusion to this, Rothwell (2001) advices that succession planning will be effective only when it is consciously planned, organized and backed up by a policy and an organization-wide written statement of purpose (Rothwell, 2001).

## 6. EMPLOYEE RETENTION

Employee retention has been of great concern to organization today, particularly in the face of globalization and technological advancement as organizations strive to keep their most valuable talents. The employee retention concept has generated lots of discussions in Human Resource Management (HRM) literature for some time now and has increasingly become important to organizations as a result of the growth of knowledge as a key corporate asset (Horn & Griffeth, 1995; Bairi, Manohar and Kundu, 2011). Each of these studies made attempts to throw light on the true definition and nature of employee retention. Huang, Lin, and Chuang (2006) observe that despite its emerging importance, only a few studies have been able to extensively examine the topic of retention.

It is definite from literature that the attraction and retention of key employees should be of top priority to any organization (Holland, Sheehan and De Cieri, 2007). Many organizations, particularly small and medium enterprises (SMEs) however, do not see this issue as deserving of any special attention despite the fact that it should be of more importance to them because they often have the concentration of critical knowledge more in fewer employees (Alberta Human Services, 2012). Whether ascribed to inexperience or negligence, or any other reason, the failure or refusal of organizations to pay attention to employee retention strategies can negatively affect even the most accomplished organization (Rappaport, Bancroft and Okum, 2003). Right from the mid-1990s, research have focused not only on determining the factors causing employees or workers to leave but have also examined those factors which positively influence employees to stay, as well as the benefits associated with retaining workers (Moncarz, Zhao & Kay, 2009).

Each of these theoretical positions and studies make an important contribution to the understanding of the concept of employee retention. Hence, a review of some definitions of employee retention as offered by some scholars is necessary. Starting with the work of Abbasi and Hollman (2000), employee retention is seen as the ability of organizations to make their employees remain with them or in another way, the means of reducing employee turnover. Frank and Taylor (2004)

define employee retention as the efforts of any employer to keep its desirable employees and thus achieve set objectives. Again, Nzuve (2010) posit that employee retention relates to all management efforts geared towards ensuring employees do not leave the organization. In addition, Griffeth and Hom (2001) are of the view that employee retention involves taking deliberate measures to encourage employees to remain in the organization for a maximum period of time. The views of Sandhya and Kumar (2011) see employee retention as the policies and practices organizations put in place to enable them make their employees to stick to the organization for a longer period of time. Still viewed as policies and practices, employee retention are seen as policies and practices adopted by organizations to keep valuable employees from quitting their jobs (UKEssays 2017).

Managing employee retention is said to be a deliberate and clearly defined cut out process that examines the reasons why employees join and leave an organization (Davies, 2001). This implies that the reasons why employees leave the organization is of utmost importance to organizations just as the reasons why they join. As a matter of fact, it is the latter part of the definition that prompted organizations to adopt the tool of organizational exit interview today. Supporting these definitions of employee retention/management, Armstrong (2012) suggested that selection and promotion procedures should remain the core focus of retention processes in order to continually bridge the capacity-work demand gap for individual employees at the workplace. A good retention management entails much more than this, it entails paying attention to efficiency and equity (Milkovich and Boundreau, 1988). In the same light, it is believed that an organization's inability to retain its employees, leads to inability of taking advantage of the unique human capital developed and nurtured (Fey, Bjorkman and Pavlovskaya, 2000). The benefits of retention management to business is noteworthy because retaining employees reduces costs spent in hiring and training new employees to substitute lost ones (Nzuve, 2010).

### 7. SUCCESSION PLANNING, A TOOL FOR EMPLOYEE RETENTION

Many organizations seldom give much thought or consideration to succession planning until an apparent need arises (Govender, 2010). This risky approach can result in two demoralizing outcomes: the loss of talented, skilled employees and the rushed inappropriate promotion of unprepared and sometimes unqualified individuals not yet ready to move up the corporate ladder (Ali and Hamid Reza, 2014). Succession planning is a dynamic process which involves training, hiring and internal development and therefore requires continuous updating. To this end, Govender (2010) is of the opinion that it is necessary that succession plans must remain relevantly current through periodic evaluations and updates to address current and future changes in the market place. Relating succession planning to employee retention, Govender (2010) suggest that succession planning is a key component of an organization's employee retention strategy. According to Govender (2010), employees leave the organization because they perceive lack of opportunity for further advancement within the organization. In all fairness, many of such employees become easily frustrated or demotivated when they perceive the absence of a proper plan in place by their immediate superiors to enhance their professional development within the organization. According to Kwam, Neveras, Schwartz, Pelster, Ericson and Szpaichler (2013), employers should also shift their retention strategies to focus on specific employees who present high turnover risks. Employees who possess skills critical to organizational goals are often in high demand and short supply even in a turbulent economy.

Though few studies look at the influence of succession planning on employee retention, available ones points to the fact that the presence of succession planning programs in organizations have a significant impact on employee retention (Eshiteti et al., 2013; Jiang & Klein, 2002; Steel, 1993; Tetteh, 2015; Ali and HamiReza, 2014). In the same reasoning, Walsh and Taylor (2007) revealed that even though compensation and work-life balance are important sources of employee retention, it is the absence of opportunity for professional growth and development that affects management retention. Also, succession planning is said to be much more than the filling of vacancies from within the organizations, it is an effective talent management strategy that can aid the retention of talents to help the organization respond to environmental changes (Hills, 2008).

In fact, Huselid (1995) found that succession planning is among the HR policies that play a strategic role in employee retention through stimulating skilled labour. The study carried out by Tetteh (2015) also found succession planning to have a significant positive effect on employee retention. He further suggested that succession planning is a key tool used to equip potential internal talents, and subsequently use them to fill in gaps that may arise from timely or untimely departure of an employee in an organization. This view is supported by a very recent study conducted by Tunje (2014) in which he investigated the influence of succession planning practices on employee retention. The study established that effective succession planning improves the organization's chances of retaining key employee. As shown by most literature reviewed

on the importance of succession planning for organizations, one of the key components of an organization's employee retention strategy is succession planning.

### 8. TOOLS FOR EFFECTIVE SUCCESSION PLANNING

Given the established arguments for the positive impact of succession planning on employee retention, it is quite surprising that not much literature has suggested effective succession planning tool that can be adopted by HR Managers and business owners to ensure their employee retention objectives are met. In this regard, Frioux (2016) suggested the use of HR analytics to eliminate staffing error. He further established that having an effective succession planning with a few basic data analytics driven changes, bench depth analysis can help managers know precisely where their biggest staffing risks lie. In continuation, he argues that data analytics can look at every possible combination of job, role, skill, position, geography and anything else that can be thought of and look for aspects of the organization where the average tenure of employees is dangerously high and help figure out where to focus training and recruiting expense (Frioux, 2013).

In another similar study by Collins (2013), predictive analytics is a key tool for effective succession planning. Its focus is beyond who will leave, it is about why they are leaving, it considers key drivers that show the employee attributes (for the group of employees being considered) that most relate to resignations (on the right) and retention (on the left). In many ways, this sort of prediction is more valuable than naming individuals, as it allows HR to develop thoughtful, refined, long-term programs to reduce resignation rates by targeting root causes (Weisbeck, 2015). Analytics can also be used to gain insight into how talent flows in and out of the organization, the specific changes in management practices that affect these flows, and the steps needed to address workforce planning gaps (Grillo, 2015).

According to Harris, Craig and Light (2010) there are five categories of human capital analytics applicable to succession planning which this paper adopts as a road map to attaining employee retention. These are: 1. Identifying and managing critical talent (e.g., high performers, high potentials, pivotal workers); 2. Managing critical workforce segments accordingly (e.g., underperforming units are identified and helped to improve); 3. Predicting employee preferences and behaviors and tailoring HRM practices to attract and retain talent; 4. Forecast business requirements and staffing requirements (e.g., workforce skills needed in different business scenarios) and;5. Promptly adapting and scaling manpower supply channels and targets to make use of best talent sources available to meet changing business conditions, objectives, and competitive threats.

### 9. CONCLUSION

The paper has been able to establish that succession planning can be used by organizations to ensure the retention of potential and talented employees. The purpose of the paper was achieved through a progressive analysis and review of the concept of succession planning and that of employee retention. The paper progressed from looking at the concept of succession planning and reviewed suggested roadmaps to having a good succession plan on one part, and reviewing various views on the concept of employee retention on the other part. It finally aligned succession planning with employee retention by the review of literature that supported such alignment. Most reviewed literature on the impact of succession planning on employee retention see succession planning emerging as a strong factor influencing staff retention.

The paper therefore corroborates the assertions that a formal and effective succession planning program will help organizations to retain valuable workers and also attract other potential employees to the organization. In addition, it finds out that succession planning actually differs from succession management which focuses on daily development of talents and also goes beyond mere replacement planning which focuses only on identifying backups. Succession planning is said to focus on building internal bench strength like as we see in football matches.

Noting the compelling evidences from literature, and supporting the fact that a good succession planning program leads to the retention of employees in an organization, this paper suggest that organizations committed to succession planning, will record high success rate in keeping their employees loyal and committed to the organizations, and subsequently, increase their retention rate.

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