CHAPTER I

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“Good succession planning is not just looking at who is next in the pipeline, but looking at people early in their careers and determining what kind of training they need to become leaders.”

It is highly competitive environment, where talented human resource is an important asset for the organization; this differentiates a highly successful business from those that are struggling for survival. Many IT companies in India hire right talent and impart training as an ongoing effort to develop a strong and capable workforce. Succession planning is important ingredient in building organization’s capability for achieving its strategic goals, but is often neglected. Succession planning is an important strategic management tool that aids organizations to identify and develop potential candidates for leadership and management positions within an organization.

In this era of liberalization and globalization where leadership change is unavoidable in the way business is done. Systematic succession planning helps organization to collect and identify the resources and to establish continuity in leadership and other key positions within the organization during times of change. Businesses that are not proactive will face certain commotion and even disasters, when key employees resign are lured away by competitors, if they do not take steps to plan for future talent needs at all levels. Succession planning should be a comprehensive plan to replace personnel at every level of the firm from top executives to key support staff. Once a organization has a succession plan, it is in a commanding position to promote and to hire without having to recruit less talented people, where managers desperately rush to fill gap which don’t take long to unplug the gap again (Lambert, 2005). According to Roberts (2002), the ultimate goal of succession planning is to promote the best and brightest employees across the organization by having the right personnel in the right place at the right time for the right job. Succession planning and management need not be limited exclusively to top management positions or management employees but it should also be cascaded through all levels of staff. An effective succession planning and management effort
should also address the needs for critical backups and individual development in IT companies. Succession policy is to groom and ensure that an adequate number of candidates are available for every existing position, for smooth transition. The staffing needs at higher level from a medium to long-term perspective should be considered through succession planning. The lack of leadership skills is a major issue in IT companies.

Succession planning is a long-term process and not a short-term process. It involves the understanding of the organizations’ long-term goals and objectives, identifying the workforce’s developmental needs and determining workforce’s trends and predictions. Succession planning is more proactive and is concerned with development of a pool of high-potential people to assume the leadership positions that will be needed to support the future growth and development of the organization. It also ensures that there are highly qualified and potential candidates in all positions are available, not just today, but tomorrow, next year, and five years from now. Dodd & Simons (2005) stress that succession planning is not just for what if-scenarios: It is a thorough process designed to ensure the continued and effective performance of an organization by planning for the growth, development and replacement of key people when the need arises.

Succession planning is a complex area where investment and careful consideration of time and resources is mapped to skills and competencies so that the right potential can be hired and trained to achieve a clear competitive edge. For any unforeseen events and potential loss of key talents, best-practice organizations should be prepared to overcome the crisis. Ultimately, a comprehensive succession planning strategy aids an organization or business to leverage the full value of its human capital. Developing or building leaders from within the organization is more advantageous than recruiting from outside the organization. This is because the internal candidates from within the organization already know the history and background of the organization, its value and culture as opposed to candidate from outside who would need to spend ages adjusting to a new environment and whose values might not be aligned with the organization’s values. Developing a leader somehow or rather, within the organizational talent pool for the next level of leadership is a great challenge for business organization today. Implementation of succession planning in an
organization has been an arduous task. At times, key people who were identified as successors had a tendency to resign unexpectedly, or did not live up to expectations, so the plan became invalid.

A survey by ASSOCHAM Business Barometer has revealed that India Inc. has miles to go for putting in place its succession plan at top level. A survey was conducted by ABB, which included 275 leading management consultants, corporate, academicians and professionals on ‘Missing Link in Succession Plan’ confirmed that 75 percent of companies in India formulate and effectively implement succession plan for the key and strategic positions in their organization structure. Indian companies were rated 4 on a scale of 10 in terms of long term planning and grooming of the successor to the head of an organization. Almost half of the Indian top 100 organizations are family run businesses. Though shrewd in business, when it comes to sorting out matters of succession some of India's oldest business families have long way to go before they do their homework. Be it the Ambanis of Reliance Industries, the Bajajs of Bajaj Auto, the Nandas of Escorts, or the Modis of Modi Rubber, each family has, in the recent past, faced succession and ownership issues and found them difficult to resolve. As far as blue-chip companies are concerned, CEO’s like K.V. Kamath, Deepak Parekh and Shiv Nadar, among others, near retirement, the biggest test their companies face is to groom successors. At the Tata group, the challenge is even scarier. In 2002, retirement age for group executives was increased to 65 from 60 and at Tata Sons to 75 for non-executive chairman in 2005. Chairman Ratan Tata, who retires in 2012, but also the CEOs of two biggest companies by revenue, Tata Steel and Tata Motors, B.Muthuraman and Ravi Kant are 62 years old and due for retirement. At HCL Technologies, Shiv Nadar wants to quit by 2010-11 and at Wipro, Chairman Azim Premji, 61 needs to get a successor in place too, although Wipro has no retirement age for the chairman. Except for a handful of IT companies like Infosys, where the passing of baton from N.R. Narayana Murthy to Nandan Nilekani to Kris Gopalakrishnan to Shibulal happened without a snag, the issue of corporate governance isn't addressed with the seriousness it deserves. While concerns about succession are as old as the human race, professional research on succession planning and management began in earnest in the 1950s (Zaich, 1986). The chief focus of that research was on CEO succession until the 1980’s (Kesner & Sebora, 1994). At that time, due to the growing interest in human resource planning, still a topic of interest
today (Rothwell and Kazanas, 2003) research began to take on a broader focus that encompassed more than CEO’s. The National Academy of Public Administration (NAPA) defines succession management as a deliberate and systematic effort to project leadership requirements, identify a pool of high potential candidates, and develop leadership competencies in those candidates through intentional learning experiences, and select leaders from among the pool of potential leaders.

1.1 CONCEPT OF SUCCESSION PLANNING

The basic concept of succession planning is nothing new. Succession is as old as the human race, throughout history, every organization in the world has engaged in some type of planning for future talent needs, either actively or passively. Every entity that needs people to operate must replace people when they are gone. We see this in our daily lives and in the media, it was well known that Kris Gopalakrishnan was to be the successor for Nandan Nilekani and now Shibulal will fill Kris Gopalakrishnan’s shoes. Whether a company pays attention to it or not, the succession of people is often the difference in an organization’s sustainable success.

Succession Planning is a crucial part of an organization’s human resource strategy. It has to do with the upward movement of the staff in the hierarchy of organizations (Saiyadain, M. S., 2006). It is actually a proactive strategy on the part of an organization to mitigate the loss of any key personnel for any reason whatsoever. It is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions. It is mainly concerned with identifying, developing and making people ready to occupy higher level / key jobs as and when they fall vacant (Pattanayak, B., 2009).

According to VSP Rao (2010), Succession Planning is, “the process of ensuring a suitable supply of successors for current and future senior or key jobs arising from business strategy, so that the careers of individuals can be planned and managed to optimize the organization’s needs and the individuals’ aspirations.” The prime purpose of this process is to identify particular individuals and develop them as possible successors to replace current jobholders at least in key positions. Through this, companies can assure a steady flow of internal talent to fill important vacancies, and thereby it is assured of continuity of operations and better-qualified incumbents. Succession Planning is a process of development of future leaders with the help of
present leaders for the profitable survival and growth of an organization. It is a process, which helps the organizations to develop structured career development programme for the most talented individuals and align this with the needs of the organization.

Succession Planning in an organization actually takes place through Succession Plan. A Succession Plan is a plan for identifying who is currently in post and who is available and qualified to take over in the event of planned or unplanned, anticipated or unanticipated dissociation of those particular personnel. A typical succession plan shows the details of key personnel and brief references to their possible successors (Rao, VSP, 2010).

It will be much more than an organization chart, which merely shows the reporting relationships among the personnel’s at different levels. It is a perfect representation of “who succeed whom”. A Succession Plan can also be termed as Replacement Chart, as it is a visual representation of who will replace whom if there is a job opening. The Replacement Chart indicates likely replacements for each key job and shows their relative strengths and weaknesses. It reveals the status of likely candidates who could be considered on the basis of performance and potential, and the opinions by immediate superiors of future success in a new job.

Here, it is very much necessary to associate the succession plan with the annual appraisal process, both performance and potential, then only it can at least ensure that it is given a serious detailed attention at such time of the year when management is more predisposed to long term thinking. Again, a succession plan should not be rigid and fixed at a point of time. It should cope with the changes in business plans.

Succession Planning vs. Replacement Planning

Most HR professionals will say, “yes”, when asked if their organization has a succession plan. However, most of the organizations are engaged in replacement planning than true succession planning. The goal of Replacement Planning is to fill the gaps as and when the job is vacant. The focus is on past performance and demonstrating skills to fill a particular role. By contrast, the goal of Succession Planning is to identify a “talent pool” that can be developed in preparation for future
responsibilities and takes into account not only past performance but also the future potential of the individual. Additionally succession planning anticipates changing business needs and prepares the talent pool to meet these future needs rather than replicating what the organization has right now. Simply stated succession planning is proactive and “future focused.”

**Succession planning** is a process of identifying and developing internal candidate with the potential to fill key leadership positions in the company. Succession planning increases the availability of, pool of experienced and capable employees that are prepared to assume these roles as and when they become available. Taken narrowly, "replacement planning" for key roles is the heart of succession planning. Effective succession or talent-pool management concerns itself with building a series of feeder groups up and down the entire leadership pipeline or progression (Charan, Drotter, Noel, 2001). In contrast, replacement planning is focused narrowly on identifying specific back-up candidates for given senior management positions.

Succession-management process is an underlying philosophy that argues that top talent in the corporation must be managed and given due importance for the greater good of the enterprise. Merck and other companies argue that a "talent mindset" must be part of the leadership culture for these practices to be effective.

Research indicates many succession-planning initiatives fall short of their intent (Corporate Leadership Council, 1998). "Bench strength," as it is commonly called, remains a stubborn problem in many if not most companies. Studies have indicated that companies that report the greatest gains from succession planning feature high ownership by the CEO and high degrees of engagement among the larger leadership team.

Companies that are well known for their succession planning practices include: GE, Honeywell, IBM, Marriott, Microsoft, Pepsi and Proctor and Gamble.

Research indicates that clear objectives are critical to establishing effective succession planning. These objectives tend to be core to many or most companies that have well-established practices:
• Identify candidates those with the potential to assume greater responsibility in the organization
• Provide critical development experiences to those that can move into key and pivotal roles
• Engage the leadership in supporting the development of high-potential leaders
• Build a database that can be used to make better staffing decisions for key jobs.

These additional objectives, in other companies may be embedded in the succession planning process:

• Improve employee commitment and retention program
• Meet the career development expectations of existing employees
• Counter the increasing difficulty and costs of recruiting employees externally

1.2 REASONS FOR SUCCESSION PLANNING

Reason 1: To support implementation of a Strategic Business Plan

Succession planning and management hereafter will be referred to as (SP&M) should not be conducted in a vacuum; rather it should be linked to organizational strategic plans, human resource plans, human resource development plans, and other organizational planning activities. Organizations choose to survive and compete by process of strategic planning. Strategic planning involves formulating and implementing a long-term plan by which the organization can take maximum advantage of its present internal organizational strengths and future external environmental opportunities. Strategic plan can be implemented when organizations as the right people doing the right things in the right places and at the right times. Without them, strategic plans cannot be realized. Hence, leadership identification and succession are critical to the successful implementation of organizational strategy. Particularly at top management levels, as Thomas Gilmore explains, "performance criteria are rarely cut and dried. They often flow from a strategic plan, which the chief executive is responsible for developing and carrying out. At least five different approaches may be used to integrate strategic plans and succession plans:
1. The Top-Down Approach: Corporate strategy drives SP&M. Leaders identified through a systematic SP&M process support the successful implementation of strategy.

2. The Market-Driven Approach: Succession planning and management is ruled by marketplace needs and requirements.

3. The Career Planning Approach: Succession planning and management is attached to strategic plans through individual career planning processes. Candidates consult their superiors and other candidates, to examine their own career goals so that they can contribute to emerging organizational needs while also improving their own chances for eventual advancement.

4. The Futuring Approach: Succession planning and management becomes a anticipating tool so that it can scan external environmental conditions and match the organization’s internal talent to the demands created by those conditions.

5. The Rifle Approach: Succession planning and management is focused on solving specific problems, such as higher-than-expected turnover in some organizational levels or job categories.

**Reason 2:** To identify replacement needs

SP&M becomes a driving force to identify and provide justifiable employee training, education, and development needs. Training helps employees to meet their current job responsibilities; employee education prepares them to advance to future responsibilities; and employee development can be a tool for individual enlightenment or organizational learning.

**Reason 3:** To increase pool of Promotable Employees

Succession planning and management formalizes the process of preparing talent pool of people to fill key positions in the future. The term talent pool may mean a group of individuals rather than one identifiable successor from which possible successors for key positions may be selected.
**Reason 4:** To provide opportunities for high potential workers

SP&M is to provide increased prospects to High Potentials (HiPos). High Potentials (HiPos) are usually regarded as those employees who have the potential for future advancement. Hence, a very important reason for SP&M is to identify appropriate ways to accelerate HiPo development and improve the retention of talented people with potential.

**Reason 5:** Tap the Potential for Intellectual Capital in the Organization

Intellectual capital refers to the value of the human talents in an organization. SP&M is important in making and realizing investments in intellectual capital in the organization.

**Reason 6:** To guide Individuals in their Career Plans

Organizations make a considerable investment in the training of their employees. Employee performance may improve with experience as individuals advance along a learning curve in which they master organization-specific and job-specific knowledge. When individuals leave an organization, their loss can be measured. If they remain with one employer to realize their career plans, then the employer benefits from their experiences. SP&M can serve as a tool by which individuals can be prepared for realizing their career plans within the organization.

**Reason 7:** To Encourage the Advancement of Diverse Groups

The workforce in the India is only becoming more diverse, reflecting the nation’s increasingly diverse population. Unfortunately, not all workers have historically been treated equally or equitably. Prejudice, while prohibited by Govt and state laws, still occurs. There is increasing gratitude of a need to promote multiculturalism, which involves increasing the consciousness and appreciation of differences associated with the heritage, characteristics, and values of many different groups, as well as respecting the uniqueness of each candidate. Perhaps as an indication of increasing recognition those organizations have a responsibility to
pursue diversity at all levels. Many organizations build in to their SP&M programs special ways to accelerate the development of protected labor classes and diverse groups.

**Reason 8: To improve Employee morale**

Succession planning and management helps in improvement of employee confidence by encouraging promotion from within. Promotions help an organization to utilize skills and abilities of individuals and also serve as an incentive. Once that goal is achieved, the promoted employee’s example encourages others. Especially during times of forced layoffs, promotions from within and “inplacement” (movements from within of individuals otherwise slated for layoff) can boost morale and can help offset the negative effects of “survivor’s syndrome.”

**Reason 9: To Improve Ability to Respond to Changing environmental Demands**

SP&M is to improve employees’ ability to respond to changing environmental demands. The role of the leader writes Gilmore, “is to shield the organization from vagueness and uncertainty so that people can do their work.” People groomed for key positions transform the vagueness and uncertainty of changing external environmental demands into vision and direction.

**Reason 10: Cope with the Effects of Voluntary Separation Programs**

Voluntary separation is closely related to forced layoffs and is often a preliminary step to it. In a voluntary separation, employees are offered incentives to leave the organization such as prorated pay by years of service or years added to retirement. Like a forced layoff, a voluntary separation requires work to be reallocated as productive employees leave the organization. That requires some effort to identify “successors.” Hence, SP&M can be valuable in identifying how and to whom work should be reallocated after workforce restructuring.
Reason 11: Coping with the Effects of Downsizing

Downsizing has been and continues to be a fact of life in corporate world. Middle managers and professionals are particularly affected. While jobs may be eliminated, work does not go away. As a consequence, there is often a need to identify those who can perform activities even when nobody is assigned special responsibility for them. Succession planning and management is a tool for that purpose.

Reason 12: Decide Which Workers Can Be Terminated Without Damage to the Organization

When making hiring decisions, employers have long considered an individual’s potential for long-term advancement, as well as his or her suitability for filling an immediate job vacancy. Perhaps for this reason, workers can be terminated without damage to the organization.

Reason 13: Reduce Headcount to Essential Workers Only

Companies need people who can figure out what the job takes and do it, people who can create the slot that fits them. In such environments, companies don’t need people to fill a slot, because the slot will only be roughly defined. In the era of severe competition, processes are reengineered to decrease cost, reduce cycle time, and increase quality and output. Processes are reexamined in light of results required, not activities that have traditionally been performed. Moreover, the slot will keep changing.

1.3 SUCCESSION PLANNING – TRADITIONAL AND MODERN PERSPECTIVE

Traditional approach

In 1968, Haire noted that people can make only six types of job movements in any organization: in (entry), out (termination), up (promotion), down (demotion), across (lateral transfer), or progress in place (development in the current position).
Any one or these entire traditional approaches is used, as a means to meet succession needs for key positions.

Moving people into an organization (entry) is associated with recruitment and selection. In short, “hiring off the street” is one way to find successors for key positions. However, people hired from outside represent a gamble. They have little stake in the organization’s status quo, though they may have valuable knowledge in which the organization is otherwise deficient. They may generate conflict trying to put new ideas into action. That conflict may be destructive or constructive. Top managers may be reluctant to hire more than a certain percentage of outsiders for key positions because they do represent a gamble. Their track records are difficult to verify, and their ability to work harmoniously in a new corporate culture may be difficult to assess. If they fail, outsiders may be difficult to terminate both because managers can be reluctant to “fire” people and because wrongful discharge litigation is an issue of growing concern.

Yet, if properly used, termination can be an effective tool for removing less-than-effective performers from their positions, thereby opening up opportunities for promising high-potential employees with proven track records. It is generally viewed negatively, continuing to carry a social stigma for those “let go” and to be a public relations concern for organizations that regularly terminate individuals with or without cause. Moving people out of an organization (termination) is associated with layoffs, downsizings, and reductions in force, firings, and employee buyouts.

Promotion from within does have distinct advantages: it sustains (or improves) employee morale, and it smooths transitions by ensuring that key positions are filled by those whose personalities, philosophies, and skills are already known to others in the organization. Job-posting programs can also be paired with replacement charting or career maps so as to communicate vacancies and provide a means of allowing movement across functions, departments, and locations. Career maps show the competency requirements necessary for advancement and are often substituted now
for replacement charts. There are other problems with strict promotion-from-within
approaches to succession planning and management. Moving people up in an
organization (promotion) is associated with upward mobility, advancement, and
increased responsibility. Succession planning and management has long been linked
with this approach more than any other. However, experts advise limiting the
percentage of positions filled through internal promotion. Another reason is that it can
end up perpetuating the racial, sexual, and ethnic composition already present in the
leadership ranks. First, exemplary job performance in one position is no guarantee of
success in a higher-level position. Requirements at different organizational levels are
not identical and that is particularly true in management. Effective promotion from
within requires planning and rarely occurs by luck. Indeed, replacement charts while
increasingly outdated remain tools of SP&M in many organizations. They usually
imply an upward progression from within the organization and often within the same
division, department, or work unit. One reason is that it tends to reinforce the existing
culture.

Moving people down in an organization (demotion), like terminating them, is
commonly viewed negatively. Yet it, too, can be an effective source of leadership
talent on some occasions. Individuals may even accept demotions voluntarily if they
believe that such moves will increase their job security or improve their long-term
career prospects. For instance, when an organizational unit is being disbanded,
effective performers from that unit may fill vacancies in other parts of the
organization.

Moving people across an organization (lateral transfer) is becoming more
common in the wake of downsizing. (It is sometimes linked to what has come to be
called inplacement.) That, too, can be a valuable means by which to cross-fertilize the
organization, giving new perspectives to old functions or activities.

Finally, progress in place (development in the current position) represents a
middle ground between lateral transfer and upward mobility. Progress in place is
based on the central premise that no jobs no matter how broad or complex fully taps individual potential. It has become more common as opportunities for advancement have diminished in the wake of fierce global competition. As a result, individuals can be developed for the future while remaining where they are, doing what they have always done, and gradually shouldering new duties or assignments. Stagnation is thus avoided by "loading" the job horizontally or vertically. *(Horizontal loading* means adding job responsibilities similar to what the individual has already done; *vertical loading* means offering new job responsibilities that challenge the individual to learn more). Related to progress in place is the notion of dual career ladders in which individuals may advance along two different career tracks: a management track (in which advancement is linked to increasing responsibility for people) and a technical track (in which advancement is linked to increasingly sophisticated responsibility within a given function or area of expertise).

**Alternative approach**

It also develops the remaining key people by giving them exposure to a new function, activity, or responsibility. Alternative approaches are probably being increasingly used as managers in cost-sensitive organizations struggle to meet SP&M challenges while finding themselves restricted in the external hiring and internal promoting that they may do. When a vacancy occurs in a key position, decision-makers do not automatically "move someone into that place"; rather, they break up the work duties and reallocate them across the remaining key positions or people. Job movements, described in the previous section, represent a traditional approach, commonly associated with SP&M. One alternative approach might be called organizational redesign. However, if rewards do not match the growing workload, exemplary performers who have been asked to do more may grow disillusioned. There is also a limit to how much can be loaded on people before they are incapable of performing effectively. The desired effect is to reduce headcount while holding results constant. Experienced managers know that there is more than one way to fill a critical position.
A second alternative approach is **process redesign**. Decision-makers do not automatically assume that a key position needs to be replaced when it becomes vacant; rather, they review that function from top to bottom, determining whether it is necessary at all and if it can be done in new ways that require fewer people.

A third alternative approach is **outsourcing**. Rather than assume that all key positions need to be performed internally, decision-makers periodically reassess whether activities can be more cost-effectively handled externally.

A fourth alternative approach involves **trading personnel temporarily with other organizations**. This approach builds on the idea that organizations can temporarily trade resources for their mutual benefit. An advantage of this approach is that others, who usually offset their salaries and benefits, can pool high performers or high potentials that are not immediately needed by one organization for use. Others thus tap excess capacity in one organization temporarily.

A fifth alternative approach involves **establishing talent pools**. While that sounds fine in theory, there are practical difficulties with using this approach. Instead of identifying one likely successor for each critical position, the organization sets out to develop many people for many positions. That is accomplished by mandated job rotations so that high potentials gain exposure to many organizational areas and are capable of making multifaceted contributions.

A sixth alternative approach is to establish two-in-the-box arrangements. Motorola has been known to use this approach. "Since most Motorola businesses are run by a general manager and an assistant general manager, the assistant slot is used to move executives from one business to another for a few years so they can gain a variety of experiences." A form of overstaffing that would not be appealing to some organizations; this approach permits individual development through job rotations while preserving leadership continuity.
Rather than develop organizational talent over time, an organization identifies predictable sources of high-potential workers and recruits them on short notice as needed. This seventh alternative approach is to establish competitive skill inventories of high-potential workers outside the organization.

There are other alternative ways to meet successor needs in key positions:

- **Temping**- The organization makes it a practice to hire individuals from outside on a short-term basis to fill in during a search for a successor. These “temps” become candidates for consideration.

- **Job Sharing**- An experienced employee in a key position temporarily shares the job with another as a means of on-the-job training, or assessing how well the candidate can perform.

- **Part-Time Employment**- Prospective candidates for key positions are brought in on a part-time basis.

- **Consulting**- Prospective candidates for key positions are brought in as consultants on projects related to the position duties.

- **Overtime**- Prospective candidates from within the organization are asked to work in other capacities in addition to their current jobs. This represents overtime work.

- **Job Rotation**- Prospective candidates for key positions are developed from within by rotating, for an extended time span, into another job or series of jobs in preparation for the future.

- **Retirees**- The organization looks to individuals with proven track records to return to critical positions temporarily or permanently.

### 1.4 TYPES OF SUCCESSION PLANNING

#### 1.4.1 Planned Succession Plan

A Planned Succession Plan involves the steps an organization will take when a critical person departs with notice (e.g., contracts expiring or retirement).
1.4.2 Emerging Succession

Successor identified based on familiarity with the organization and development of leadership and experience.

- Successor not necessarily identified in advance

1.4.3 Spontaneous Succession

- No formal plan
- Successor identified after vacancy occurs

1.4.4 Short-term or Emergency Succession Plan

An Emergency Succession Plan details the steps an organization will take if a critical person departs unexpectedly (e.g., due to illness or accident). A critical feature of the Emergency Succession Plan is setting out guidelines detailing the circumstances under which it must be activated. It is important to recognize that in emergency departures especially, people will likely feel sad about the event and also concerned about the future of the organization. In addition to all of the components of a Planned Succession Plan, it includes a detailed Communication Strategy including who will notify employees, stakeholders, and the media, and how the message will be delivered. It is also necessary to detail that will be responsible for what within the organization so chaos is minimized. These feelings must be acknowledged, and steps should be taken to help them grieve and to abate their fears. In this case, the tone of the message will be critical.

1.4.5 Long-term planning or managing talent

Talent management focuses on the future needs of the organization. Some organizations invite all employees to take part in an assessment process, while others have managers identify leadership candidates. Working within the strategic framework for the company’s future goals, senior management identifies the positions necessary for growth and the best candidates to fill those roles.
1.4.6 Combination of both the plans

This model allows senior management to plan for the long-term growth of both the organization and employees within the organization and prepare for emergency replacements to ensure that business is not affected by knowledge loss or lack of skilled employees.

1.4.7 Role Based

Role-based succession planning focuses on finding potential replacements for each middle-level and upper-level manager in an organization. This is especially helpful for positions that are critical to the organization’s success or positions that the organization might run into trouble filling. Planners start with replacement planning for the CEO, then for each manager who reports to the CEO and finally for each manager who reports to those managers. That allows them to follow several paths. They can identify the qualities they want in replacements for those positions, or they can identify individuals within the organization and begin grooming them for those positions. In addition, they might begin recruiting people with those qualities to come to work for the organization ahead of when they think they will need them for that particular position.

1.4.8 Individual Based

Individual-based succession planning involves first identifying people already working for the organization who have a high potential for advancement. Part of that involves allowing him to take on tasks that help him to gain experience in using new and more complex skills.

1.4.9 Pool Based

A third type of succession planning organizations use is pool based. It focuses on a large number of people, or groups of people, with the potential to move into several or all of the management positions.

Different organizations have different cultures. There are several reasons that many organizations favor developing the internal talent pool of candidates. One is that it avoids the problem of employee resentment that often comes from not considering
people already inside an organization for advancement. Another is because of corporate culture.

External pools can also bring in people with skills and knowledge that the organization lacks. Examples of sources of external pools of potential candidates include an organization's competitors, distributors, suppliers, or other people the organization can bring in with short notice because it has already identified who they are instead of having to advertise a position and wait for applicant.

1.4.10 Simple Replacement planning - a process that indicates possible internal replacements for critical positions.

1.4.11 Developmental succession planning – a process that indicates not only possible internal replacements for critical positions but also provides for developing individuals to meet the challenge of future organizational change by grooming them for advancement possibilities and for exercising increasing technical proficiency.

1.4.12 Talent pool planning – a process that indicates a group of possible internal replacements for critical positions and also for developing groups of people to meet the challenges of future organizational change.

1.5 MODELS IN SUCCESSION PLANNING

1.5.1 Traditional model

Traditional model involves CEOs and other top executives identifying their own replacements. The traditional model is often the beginning of most succession planning programs; however, many organizations quickly recognize that such a model does not meet long-term business objectives. Manual systems and replacement table formats are used to chart their selections. It is typically a secret process to the degree that top management will not openly talk about candidates selected. This approach focuses on targeted positions and doesn't emphasize personal career development or team development (Orellano, 1997). Human Resources departments may or may not be involved, and HR processes such as performance appraisal
systems and management development are not typically included. Assessments from peers, customers or subordinates are also not part of the selection criteria.

1.5.2 Integrative Approach model

It is future-oriented and consistent with the strategic planning process. It is also flexible and responsive to change and linked to other human resources planning activities (Orellano, 1997). It incorporates systematic processes and automated tracking systems to assure objectivity and consistency.

1.5.3 Succession Planning “pools” model

Most organizations that use competencies have “core” competencies that apply to all employees, i.e., honesty and integrity, and specific competencies that apply to particular positions or position levels, i.e., managers, supervisors (Green, 1999). Hi-potentials are usually selected by a task force of senior managers, often with the assistance of Human Resources, who set aside a day or more to go through a list of all employees above a certain level and to assess which individuals should be identified as high potential. Senior managers may select candidates for assignment to special projects or task forces in order to aid decision-making skills, development and understanding of broader needs of the business. High potentials are defined as exceptional performers identified as having the ability to be promoted into increasingly higher levels of leadership such as senior management. This approach recognizes the value of providing a broad background for the high potential employees, rather than a single functional stream of experience. They may provide some group training and they may institute a mentoring program, and identify certain training programs these people should attend. How much attention candidates receive depends on the organization’s willingness to make a financial commitment to the program. To facilitate decision-making, they will often agree on some criteria by which to select the individuals, and may have the person’s most recent performance appraisal as an additional resource. In some cases, candidates may be further narrowed down through an assessment center process or through an
interview/evaluation process. Often the HR department puts together a “fast track” program through which they assist the person to develop an individual development plan (IDP). However, the process is only effective if the committee or task force is diverse and open to organizational diversity (EOWA, 2003). Competencies refer to the skills, experience and behaviors necessary to perform a job. These characteristics are often lumped into a broader category called “competencies” (Wolfe, 1993). Once the pool has been identified, those who make the list will generally receive some special attention. They possess the personal and leadership characteristics required of leaders in the organization. Succession planning “pools” model is very similar to the integrative approach. However, it stresses the identification of high potential candidate pools.

1.5.4 Generic Succession Systems model

Friedman suggests that succession is a process that starts with organizations recognizing that they need formalized succession plans. Friedman suggests that organizations need sufficient resources and development programmes as well as a system of checks and balances to ensure that only those with the best fit are selected. Generic succession systems model is proposed by Friedman (1986) who looks at how contextual conditions affect succession and how they then influence the outcome of the company in terms of reputation, financial performance, turnover rates and effectiveness of the succession system. Once this has been established, these organizations could determine and setup the appropriate criteria required for the selection of candidates for training and development.

These two factors the contextual conditions and the succession system characteristics ultimately affect the outcomes of the succession process. For example, the degree of formalization of a particular succession model or process is lower in a small company than in a large firm. Friedman (1986) suggests that contextual conditions like the size and the age of the company affect the characteristics of the company’s succession system. The General Electric Company (GE) has been cited as
an example of an organization that uses formalized succession procedures to ensure there is a pool of potential candidates ready to fill various leadership positions including that of the CEO (Friedman & LeVino, 1984). Friedman (1986) asserts that highly successful companies tend to have formalized procedures for leadership succession.

Another example of a company that uses formalized succession procedures is Intel (Zachary, 2004). Using its own formalized succession system, Intel has been able to affect four insider CEO successions consecutively. One of the factors that have motivated Intel's succession planning and implementation is the fact that Intel's board mandates that all CEOs step down upon reaching 65 years of age and that each new CEO has to begin the process of preparing a new set of possible candidates early on in his or her tenure. For example, CEO Paul Otellini was announced as heir apparent two and a half years before his actual appointment to the position. Intel has a history of developing its own pool of senior managers and leaders and eventual CEOs (Crum, 2004).

Chung-Herrera, Enz and Lankau (2003) recommend the inclusion of a competency model in the leadership succession process, arguing that such a model would help the organization identify the skills, abilities, attitudes and demeanors that would be needed to help it perform more effectively. They contend that such as inclusion keeps the leadership slate filled with potential bellwethers. Similarly, Conger and Benjamin (1999) suggest that companies need to include three processes in succession orchestrating. The first of these is that companies need to initiate the development of individual skills. This is done to build a pool of well-rounded high-potential individuals; that is, employees who demonstrate high aptitude and capability and who are trained to surmount greater levels of responsibilities when required. The goal here is to make companies, ready for both orchestrated and sudden or extemporaneous successions. The second process involves the socialization of corporate leadership values through the process of mentoring. The third process suggested by Conger and Benjamin is that companies need to design initiatives to help bellwethers think and plan critically and strategically so as to meet the
authoritatively mandates of operating in an increasingly turbulent market environment. This is envisaged to help organizations build greater sources of critical dimensions for the organization’s competitive strategy and ability.

The suggestions offered above by Friedman (1986), Chung-Herrera, Enz and Lankau (2003) and Conger and Benjamin (1999) appear to be more 'sound' advice that every company should observe rather than actual succession models.

1.5.5 Three-track Leadership model

Three track leadership model proposed by Kur and Bunning (1996). The three-track leadership model endeavors to integrate three elements of leadership development. The first element is that of developing potential bellwethers to understand the various business units, functions and geographical markets in which the organization operates. The objective of this is to enable future bellwethers to develop a holistic and detailed perspective of the organization and its operations and be able to handle incrementing business intricacy. The second element requires developing these selected candidates in areas such as managing change, people and structures. The aim of this developmental track is to offer potential bellwethers the opportunity to become change bellwethers within the day-to-day functioning of the firm. The third component of the Three Track leadership model calls for the inculcation of perpetual personal development, enabling potential bellwethers to better understand and subsequently rectify their own impuissances and limitations.

While the three-track leadership model plays an important role in leadership succession planning, it has a number of limitations in terms of succession implementation. The three-track leadership model assumes that succession events would proceed as planned and appears not to have mechanisms to deal with the possibility of entrenchment tendency especially when applied to CEO succession. Another limitation is that the Three Track Leadership model, like the other generic systems, is more suited to developing middle managers that those at the highest levels of an organization. Leaders at the top of the organization understandably require more skills (conceptual, technical and human) than those at lower levels (Katz, 1974; Boyatzis, 1982). The Three Track Leadership model approach does not appear to handle this requirement specifically. The advantage of these generic systems is that
they are easy to implement and thus offer organizations a simple, user-friendly approach to succession planning. Their simplicity may even encourage more organizations to be involved in the formalization of succession planning and implementation. However, these systems tend to adopt a 'one-size-fits-all' approach. This simplistic approach will be unlikely to be of much use of larger organizations, which have greater levels of variations in organizational complexities, culture, and management practices. For this reasons, modifications and refinements have to be made to these generic systems to achieve better organizational fit. Another shortcoming of these models is that they tend to be more appropriate for the development of mid-level leaders and are questionable for leadership succession in the case of CEO and those in the upper-echelons. Even if these models are applicable to CEO successions, the question of how to overcome problems of leadership entrenchment is not addressed. The broad approach of these generic models limits of potential leaders, exit strategies and smooth leadership transitions will need to be considered.

1.5.6 The Leadership Pipeline Model

The Leadership Pipeline model proposed by Charan, Drotter and Noel (2001) is more sophisticated than the generic models as it examines the development of bellwethers at every level. Charan, Drotter and Noel (2001) argue for a 'leadership pipeline' that should be kept 'fully primed' at all times, to avoid any possible shortage of managerial aptitude in the event of management positions becoming vacant. Keeping the leadership pipeline primed is only one aspect of the model; the model professes a system that sanctions aspiring executives the means of climbing the corporate ladder. The core principle of the leadership pipeline model is that executives must successfully pass through a number of stages of development and be continually developed and trained to peregrinate from one level to the next and, in so doing, postulate higher positions and greater responsibilities along the way.

The Leadership pipeline model creates opportunities for employees to manage themselves and sanctions them to progress through various stages where they learn to manage others, manage managers, manage businesses and finally to manage the corporation as CEO.
Charan and his colleagues envisioned that completing each component of the pipeline would take an employee approximately three years. By this reckoning, it would take between 15 and 18 years for someone starting off at the bottom to become CEO of the company. This might appear to be a long time for an ambitious person to wait but the model does not suggest that a person was obliged to commence at the bottom. It is often the case that managers are recruited into high-level positions and, depending on where they entered the Leadership Pipeline model, they might only take, for example, six years before becoming a member of the upper-echelons or even the CEO. Charan, Drotter and Noel (2001) are not in favor of accelerating potential candidates through the Leadership Pipeline model for fear that doing so might result in the deficiency of certain fundamental skills that require the rigors of time of inculcation. The sophistication of the Leadership Pipeline model lies in the fact that it lays out the diagnostic tools needed to identify the gaps in the skills of the executives selected and suggests strategies such as employee role clarification, performance standards development and assessment, coaching and mentoring. The Leadership Pipeline model therefore suggests that there is a high element of internal training and preparation required for leadership succession. The model calls for the development of suitably qualified managers at every level of the pipeline and model envisages that, eventually, one of these managers could become CEO. The maintenance of this model ascertains that the company always has candidates of CEO and senior management potential in the pipeline ready to step up as and when required. The ideal of this model is alluring to organizations as it provides a utilizer-amicable basis for a succession plan. In New Zealand, for example, the ANZ Bank’s leadership succession development plan for their junior, middle and senior is predicated on Charan, Drotter and Noel’s (2001) Leadership Pipeline model although CEO succession decisions would liable to be made in its parent company in Australia.

General Electric or GE is a well-known example of a company that has acclimated and employed the leadership pipeline model for its own leadership succession programme (Charan, 2005). Indeed, Tichy (1989) suggests that the Leadership Pipeline model is actually predicated on GE’s own work on leadership succession in the 1970’s. In GE’s case development commences with junior managers and the company provides the compulsory development and training tools to help candidates progress. Tichy (1989) asserts that the one of the key success factors of
GE’s programme is the full engagement and commitment of the CEO of the development process.

While the Leadership pipeline model is presented as a sophisticated use-amicable model, it has its limitations. A flamboyantly discernable characteristic of the Leadership Pipeline model is that it is a model suited for companies with deep financial and human resource pockets and its applicability to more diminutively minuscule companies is controvertible. Nevertheless, Charan, Drotter and Noel (2001) have suggested that the Leadership Pipeline model could be employed by diminutively minuscule companies as well by simply minimizing the pipelines or by removing some of the stages in the model altogether, but it is postulated that any minimizing of the passages could compromise the rigor needed to ascertain that the managers nurtured through the pipeline model have all the skills compulsory to eventually lead the company. The Leadership pipeline model does not address the problem of entrenchment tendency as no strategies are provided to facilitate the CEO passage out of the system since incidence of CEO entrenchment is well documented. The Leadership Pipeline model appears to advocate that anyone in the company, even those at entry level, can potentially become a CEO if they have the drive and determination to preserve through all the stages. Charan and his colleagues to substantiate this offered no evidence. Another shortcoming of the model is the lengthy time that it would take for someone to move up all the six career passages if that person was obliged to commence right at the bottom. The 15 and 18 years that it could potentially take to go through the entire pipeline could wear down the determination of someone who commenced at the very bottom. Besides, successful passage through the various stages of the pipeline is not itself a guarantee for consideration for the CEO’s position.

1.5.7 The Acceleration Pools model

The Acceleration Pools model under consideration here is propounded by Byham (2002). Essentially, the Acceleration Pools model calls for the identification of a pool of high-calibre candidates who are selected and assigned into ‘stretch jobs’ by what Byham calls the ‘Executive Resource Board’, which is composed of the CEO and other senior managers. Stretch jobs are defined as jobs that elongate the candidate beyond his or her conventional level of capabilities and responsibilities so that he or
she can acquire higher levels of skills. The objective of the Acceleration pools model is to enable selected candidates to acquire cross-functional training in an accelerated manner. Candidates selected for inclusion into the acceleration pools are coached, mentored and trained more rigorously than the average candidate. The progress of these candidates is carefully monitored and tracked by senior management and those who display promise for further development are stretched even further with more challenging jobs while those who do not are dropped out of the pool. Theoretically, the Acceleration pools model would ascertain that the Executive Resource Board has a pool of people to choose from rather than being limited to one or two possible candidates. The Acceleration pools model is geared towards obtaining an accurate diagnosis of the training and developmental needs of the candidates and then placing them in an environment that motivates, or in some cases, coerces them to change.

According to Byham (2002), while not formally called acceleration pools, programmes commenced by Hewlett-Packard (called the HP Accelerated Development Programmes), Shell’s Leadership and Performance (LEAP) programme and even GE’s Change Acceleration Process (CAP) are examples of the Acceleration Pools model. GE appears to have incorporated elements of both the Acceleration Pools and the Leadership Pipeline models. Like Charan, Drotter and Noel’s (2001) Leadership Pipeline model, the Acceleration Pools model is about keeping the leadership pool at optimal levels. The acceleration pools model, like the leadership Pipeline model, does not take into consideration entrenchment tendencies. The model works best in large companies that have vast financial and human resources and will require a leadership paradigm that visually perceives the perpetual development of new bellwethers as an important business priority. A shortcoming of the Acceleration Pools model is that it does not outline any developmental time frames for potential heirs ostensible. The utilization of the word ‘accelerated’ might give potential heirs ostensible the impression that the process would be relatively short when, in reality, it can be lengthy, especially instances where the incumbent CEO displays entrenchment tendencies.

1.5.8 Life Cycle Model

Churchill and Hatten (1987) have developed a life cycle approach to describe the succession process between father and son in a family firm. They distinguish four
stages: (1) a stage of owner-management, (2) a stage of training and development, (3) a partnership stage between father and son; and (4) a stage of power transfer.

First stage of owner management is the stage where the owner is the only member of the family directly involved in the business and successor is not directly involved in the business. Second stage is known as training and development stage and it is the stage where the offspring learns the business. In the third stage the partnership develops between the predecessor and successor. In the last stage actual power transfer takes place where responsibilities shift to the successor.

Looking at these stages in relation to the individual factors, owner management is the stage where founder is the person running the complete business and using his/her leadership capabilities is trying to build the organizational culture which on the one hand is necessary to run the day to day working of the business and in the long run it is useful for the successful succession of the company leadership.

In the second stage, the successor is brought into the organization and starts taking part in day-to-day activities of the business. Successor learns and develops the ability to run the business while it is the stage for the predecessor where his/her ability to delegate power comes into play.

The third stage is the extension of the second stage where more authority rests with the successor and more strengthened relationship between the two develops. Through all the above three stages the ability to disassociate from the business for the
predecessor comes into play however this ability is dominated in the last stage when power is being transferred to the successor.

These individual factors are focused here due to the scope of the study, however it should be taken into consideration that these are not the only factors, which ensure the successful succession of the family business, but other group related factors and organizational related factors are of equal importance.

1.5.9 Mutual Role Adjustment Model

The mutual role adjustment model was presented by Handler (1989). The fundamental conjecture of this model is that the predecessor and successor both should have the ability to adjust to the changing nature of their role in the business.

![Mutual Role Adjustment Model](image)


**Figure-2: Mutual Role Adjustment Model**

The longer the time they will take to adjust to the newer role the delayed would be succession process. In relation to the individual factors related to the predecessors, if they have got better leadership qualities, are used to delegate the responsibility in the organization and have developed a culture of independence they will be able to make the succession process a success.

The other factor in relation to role adjustment model presented by Handler (1989), is that if the leaders are able to disassociate themselves from the business or finds new opportunities to reflect themselves then the succession process would be a success otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will be only able to work as
a helper. In this case the individual factor of health conditions of the founder will decide for the next move of the successor.

The individual factors can influence the role adjustment model both in negative or positive lines. Along with group level factors and organizational level factors these individual level factors play a central role in the successful succession in the family business.

Organizational life cycle models are based on the assumption that the organization develops the managerial capabilities of the predecessor, and organization develops in such a manner that ownership and management become separated (Morris, Williams, Allen & Avila, 1997). These models typically ignore issues of succession and fail to consider the distinct nuances inherent in family-owned and managed firms.

1.5.10 Succession Planning by position - management driven

This is the simplest model; based on the assumption that the best person to identify who would be able to do the job is the person who is currently doing it. The most common reason why organizations use this model is that it is often the approach the CEO is most comfortable with. He/she is able to scan the list and see if there are any positions, which have no identified successors, and is able to look at which names tend to arise most frequently; providing a snapshot of those who are generally perceived to be the "stars".

This approach is the least costly and the quickest; and does not require a high level of organizational commitment. It serves the purpose of ensuring at a minimum that managers are thinking about succession issues; and are aware that succession planning is partly their responsibility.

1.5.11 Top-down/Bottom-up Succession Planning

This model is based on the current and expected future needs of the organization, as well as on ongoing two-way communication with employees. It has the greatest potential to be able to deliver improved outcomes for women. This process involves:
Senior management as a group determines what competencies are required to enable a person to take on the key roles, for example, at a middle or senior management level, considering organizational requirements for "the manager/employee of the future". Certain criteria for progression are determined as across-the-board requirements for development, for example, education levels, organizational cross training, participation in management training;

All employees at a pre-determined level are provided with the information developed by Senior Management via a session about succession planning and career development. This session outlines clearly the requirements for progression in the organization.

Employees who signal their interest in progression then participate in a workshop in which they are given guidance and led through such processes as: a) using 360 degree feedback to determine their strengths and weaknesses particularly relating to management skills, b) developing their own individual development plan and reviewing it with other appropriate people, c) learning how to take responsibility for their own career growth, and d) considering what would be good "next moves" for them to make in their careers. Assessment centers could also be used as part of the workshops;

The results of the 360 degree feedback, as well as the individual development plans, and possible "next moves" would be maintained by a manager on a human resource information system. Each person's file would be updated annually or more frequently.

A report on each of the people participating in the development program would be generated annually. This report would provide input for any senior level succession planning taking place.

1.5.12 Public Sector model

Public sector organizations are working at identifying pools of leadership talent that organizations can draw from the benefit is that individuals are preselected for the leadership qualities. The downside is that the individuals may not have specific content knowledge or domain knowledge.
1.5.13 Military Model

The military has embraced succession and embedded it in their culture. They have a formal approach to succession for example; they routinely train individuals for two levels above their current level. They manage ambition, assess leadership potential, and will be brutally honest with individuals.

1.5.14 Private Sector model.

The private sector model focuses on the long-term health of the enterprise. Knowledge transfer through shadowing, training and mentoring are common approaches to succession planning in the private sector. Successors can be either internal or external candidates.

1.5.15 Family Business model

Succession planning in family business not only deals with leadership, but also covers ownership and wealth management issues within family holdings. Family business can be 70-90% of private sector organizations and as such there is much written on this model that we all can learn from. The challenge in family business succession is selecting the successor from within the next family generation, and recognizing that succession is never complete until the previous generation dies.

1.5.16 Independent model

Many organizations are not planning for succession and do not acknowledge the coming crisis in leadership transition. This has left individuals who are committed to their teams to develop their own succession plans. This model is called the "independent model". The most common approach to succession planning in this model is dedicated, attentive and caring mentoring. This commitment to mentoring new leaders enables the current one to move on to other personal endeavors, with integrity.

1.5.17 Replacement Planning Model

Replacement planning is another familiar concept related to succession processes. It is understood as any effort that "focuses on the identification of replacements of the key positions, usually at the top two or three levels of an organization" (Berke, 2005, p. 1). Often, replacement planning does not deliberately develop and prepare candidates for the earmarked positions. Sporadic coaching may
happen during replacement planning; but, such action will rely on the individual leader's goodwill (Berke, 2005).

1.5.18 Succession Planning Model

This is the most common concept in the body of literature. Succession planning involves an "elaborate, integrated, and systematic approach" for identifying and developing high potentials or talent pools intended for enabling the organizations to have a list of adequately prepared candidates to fill key positions of the top two or three management levels whenever vacancies occur (Berke, 2005).

The key feature of succession planning is that it should not be viewed as a one-shot event, but rather a continuous process. Kimball (2005) defines succession planning as "a dynamic, ongoing process of systematically identifying, assessing and developing leadership talent; and assessing, developing and recognizing key contributors to meet future organizational strategic and operational needs" (Nink et al., 2006, p. 34). Even though succession planning targets two or three top leadership levels like replacement planning does, the former strategy entails a constant identification and development of suitable candidates for the target leadership positions (Berke, 2005).

It is apparent that several authors associate succession planning with words like "proactive" and "systematic". For example, Harrison et al., (2006) describe succession planning as a systematic process of developing individuals to fill key organizational key roles. Schmalzried and Fallon (2007) emphasize the pro-activeness of succession planning when they state "succession planning is a proactive attempt to ensure that leadership in an organization will be continuous by identifying how these positions will be filled as both planned and unplanned departures occur" (p. 169). According to Berke (2005), however, succession planning is less proactive and less complex than succession management, since the former focuses only on the top two or three leadership levels. As mentioned earlier, in the continuum of the succession processes, succession planning is located between replacement planning and succession management (Berke, 2005).
1.5.19 Succession Management Model

Succession management is another major concept related to succession processes. This is a more proactive and complex process than replacement planning or succession planning (Berke, 2005). Succession management entails a more comprehensive approach for identifying and developing a talent pool that enables an organization to have a list of adequately prepared candidates for filling all leadership positions in an organization (Berke, 2005). As mentioned earlier, succession management is on the upper end of the succession processes continuum.

1.5.20 Talent Management Model

Another notable concept discussed in the literature is talent management. Sometimes, this concept is confused with succession planning or succession management (Berke, 2005; Krauss, 2007). It seems that the notion of talent management overlaps between succession planning and succession management. Often, the term 'talent management' is used to denote strategies for “recruiting, on-boarding, and developing” talents who are viewed as strategically important for the future of an organization (Rothwell, 2005, p. 16). Also, Berke (2005) posits that when “recruitment, selection, and retention strategies” are added to succession management, the resulting process can look like talent management (p. 1).

Lewis and Heckman (2006) assert that talent management “focuses on sourcing, developing, and rewarding an employee talent” (Hughes & Rog, 2008, p. 744). According to a survey by Deloitte (2005), human resource officials of numerous companies consider the ability to attract and retain new talent as critical challenges of today’s organizations (Hughes & Rog, 2008). Especially in this age of talent competition that is known as a “war for talent”, talent management is becoming an increasingly important human resource management philosophy and practice (Hughes & Rog, 2008). However, it is necessary to clarify that the notion of talent is intertwined with the concept of high potential employees. Hughes and Rog (2008) uphold that high potentials are those considered to possess exceptional talent; in other words, they are individuals with ability to make a difference in organizational performance. Whether talent management focuses more on internal grooming, external recruiting, or both, is a matter of debate. For instance, a description of talent management by certain authors (e.g., Hughes & Rog, 2008; Rothwell, 2005) indicates
that the strategy also focuses on attracting competent people from outside and retaining them. However, there are authors who perceive talent management as more of an inward looking strategy. Gay and Sims (2006), for example, describe talent management as an effort for identifying, developing, and moving employees and leaders upward to increase retention of the key talent. Likewise, Krauss (2007) indicates that, unlike succession planning that combines both the harnessing of the internal talent and sourcing it externally, talent management is mainly concerned with maintaining the internal competencies.

Despite these debatable differences, it is obvious that talent management is an important component of succession planning or vice versa; and sometimes, the two concepts are used interchangeably (Krauss, 2007), although they may technically differ.

1.5.2.1 Relay Succession Planning Model

The first model promoted by Santorin (2004) is called Relay Succession Planning. In this model, Santorin (2004) advocates involving the current CEO passing the baton to a successor over a long period of time. This approach is tantamount to Scharmer’s co-creating phase during which prototyping of an envisioned future role is practiced by the incumbent (Scharmer, 2007). Santorin’s research focused on evaluating the impact of companies with CEO relay succession programs as opposed to those that do not have such plans. Over time, the results revealed that companies with relay succession plans have better performance because CEO candidates start dealing with corporate challenges in the pre-succession phase. In essence, the current CEO passes the baton in real time and allows a candidate to test the reins of leadership and receive coaching at the same time. Further, companies that implemented CEO relay succession plans performed better in the post-succession phase as a result of tried and tested new CEOs. However, not all companies hold to the view that hiring internally is better. Some think that an outsider brings fresh vision and change. While some of this is true, Santorin’s research of 750 publicly traded companies found that those companies that had an internal relay succession plan had a higher return on investment over time (Santorin, 2004).
Amir & Khaliq (2007) conducted a survey of top level executives over a period of time in order to assess the effectiveness of relay succession. The focus of this exercise was to help incoming CEOs in the Health industry to be prepared for their new tasks and to enable outgoing executives to pass on their knowledge before they left office. Current top level managers were asked to compile suggestions in order to help the organization on succession planning topics. The first set of suggestions from current executives was for assisting departing top level managers. The second set of suggestions were for assisting the Hospital board during CEO turnover and the last set of suggestions were for assisting incoming CEOs from outgoing executives.

General Electric is an example of a company that implemented a Relay Succession Plan in order to fill the shoes of Jack Welch. The selection process started in 1994 before Jack Welch retirement (Rothwell, 2005). His relay method involved a thorough evaluation of 24 candidates that were categorized into three groups. The seven candidates were managers of GE's largest businesses. The next groups were called four senior executives and the remaining thirteen were selected by Jack Welch himself because he saw potential in them. In the end, three finalists were selected and the journey of relay succession began (Rothwell, 2005). After six long years, Jeffrey Immelt was selected as the final successor to Jack Welch. Some attributed his selection to his broad thinking, young age and sharp business acumen (Rothwell, 2005). The selection process at General Electric is mentioned below:

First, the three candidates were tested in the area of growth and leadership skills. Even in relay contests the runners have to prove themselves before the final competition. The ones that run the fastest win the race. Next, the board of directors spent thousands of hours discussing these candidates. The advantage of Relay Succession is that enough time is taken ensuring that the candidates are fit for the leadership challenge.

General Electric emulated the Relay Succession Model in several ways. To begin with, it was a relay. Jack Welch spotted a potential candidate to pass the baton before retirement. The process to test and select a finalist took 6 years and five months.
The General Electric succession model ensures an effective leadership transition. The selection process was rigorous and it involved screening for the best candidate based on experience and skill. Jack Welch had observed some of the candidates under a close eye and had reviewed their performance.

This is in contrast to some companies that only pick candidates from newspapers without any prior relationship and evaluation. In the end the TMT and board members get disappointed when a successor fails. Effective transition works best when the selection process is thorough and all stakeholders are involved.

1.5.22 Scharmer's Theory U Model of Transformative Change

According to Scharmer (2007), in order for succession planning to be enacted, the Top Management Team must not only embrace change, they must act in order to make it happen. First, Scharmer's Theory U views succession planning as leading from the immediate future and supports a premise of a U process of five movements that can make change possible (Scharmer, 2007). These movements; co-initiating, co-sensing, presencing, co-creating and co-evolving can help an organization to embrace change and implement succession planning strategies in the context of an emerging future.

According to Scharmer, at the co-initiating stage, an organization establishes a common purpose with all stakeholders about a future event. Second, at the co-sensing stage an organization sees together concerning the need at hand collectively across boundaries. Third, at the presencing stage the future vision for change emerges as a possible reality. During this time, leaders begin to operate from a future that they feel wants to emerge (Scharmer, 2007). This future pull lays a foundation for change and forges an organization forward to a realistic end. Leaders let go of what has not worked in the past and access a new sense of an emerging future is one of the reasons why most organizations do not reflect on the impact of not having a succession plan. They are lulled into a false sense of security that ignores the reality of a leadership gap that exists after a CEO leaves without grooming a successor. According to Scharmer, it is possible for two leaders in the same circumstance to bring out different results because of their inner orientation. A "presencing" driven leader views business from the future and engages an organization in that direction.
Fourth, in Scharmer's Theory "U" process is "co-creating" during which leaders explore the future by doing as opposed to thinking and reflecting. Scharmer suggests prototyping what the future will look like. During this stage the TMT can groom potential candidates for executive leadership before a seating CEO retires. At the co-creating stage a group of change agents make the future possible (Scharmer, 2007) and allow the top management team to prepare for succession planning long-term instead of theorizing on corporate requirements and deliverables with no action. Kartz (2006) adds that a dynamic succession plan includes an assessment of a company's future strategy that in turn outlines the qualifications required for a new CEO. The board can then come up with prototypes for exploration during the grooming process. Scharmer's fifth Theory U stage, "co-evolving" is when leadership evaluates which prototypes are practical and beneficial. This is also a time when true innovation takes place. Scharmer (2007, p.8) adds: The co-evolving movement results in an innovation ecosystem that connects high-leverage prototype initiatives with the institutions and players that can help take it to the next level of piloting and scaling. Scharmer's principles are applicable to the succession planning process. Companies that have adopted Scharmer's U process have scaled to the next level and have seen lasting results. Hewlett Packard, a large computer company, applied the Theory U Process to roll out training tracks: (a) Executive Leadership Development program to enhance leadership skills; (b) A Decision Model to equip leaders for governance and sound decision making; (c) Experience Design Program that focuses on meeting company goals and (d) an Organization Development program that supports organizational agility. Hewlett Packard had positive results from its pilot of Theory U principles and is now rolling this program to all of its business units (Scharmer, 2007).

The premise of applying Scharmer's Theory U Model is that a company cannot put these principles in practice without thinking about an emerging future that includes succession planning. In this regard, any company can use Scharmer's "U" process to jumpstart a succession planning program and use these principles as guidelines and evaluation instruments. Scharmer's Theory U approach can help the TMT to prepare any company for strong future leadership.
1.5.23 Proposed Model

Based on the analysis of several models described above that are practiced in different IT companies and data collected from 5 target companies through survey, this study proposes a model framework which will cater to all sectors in general and IT sector in particular. The Figure 3, consists of three main components: (1) component A, leadership commitment and involvement in SP&M, is at the core of this framework; (2) component B entails six basic SP&M practices, which are numbered 1-6 according to this model; and (3) component C, the organizational culture or strategy, depicts the context within which succession planning processes can be continually promoted. These components are obvious, but they are not necessarily separable because some elements under different components tend to superimpose, which also indicates the interactive nature of the succession processes. In fact, even the six practices outlined under component B are, to certain degree, interactive. According to this framework, while component A expresses the role of leadership in SP&M, component B exhibits the mechanism and technicalities of the SP&M process. Component C, on the other hand, underscores the significance of SP&M processes to be a part of the organizational culture. The outcome of succession planning model is organizational performance. The next section describes the model in detail.
Succession planning Organizational Performance

Figure-3: Proposed Succession planning and Organizational Performance Model

The first component (A) of the framework represents the need for commitment and involvement of the top organizational leadership in succession processes. This component is considered as the heart of any succession planning and management effort, which is why it is placed at the center of the model. Top organizational leadership has to play a vital role in succession matters (Gandossy & Verma, 2006; Rothwell, 2005). In fact, top leaders should support managers who promote internal leadership growing, promote behaviors that encourage attracting and retaining talent, devise and foster succession planning policies, and create a position or a section that will administer succession management matters (Rothwell, 2005).

- Assess current problems and practices.
- Assess and demonstrate the need for the program.
- Determine the organization’s exact SP&M program requirements.
• Link the SP&M program directly to organizational and human resource strategic plans.
• Benchmark SP&M practices in other organizations.
• Clarify the roles of different groups in the program.
• Formulate a program mission statement
• Write a policy and procedures to guide the program.
• Identify target groups to be served by the program.
• Establish program priorities.
• Prepare an action plan to guide the program.
• Communicate the action plan.
• Conduct SP&M meetings as necessary to unveil the program and review progress continually.
• Train those involved in the program as necessary.
• Counsel managers about SP&M problems in their areas of responsibility.

To underline the significance of the leadership role, component A is connected to the six practices comprising component B. Calabrese (2002) underscores the importance of leadership in creating and managing change. Succession planning and management is a significant and continuous organizational change issue. Similarly, Kouzes and Posner (2007) stress the value of exemplary leadership in causing extraordinary things to happen in organizations; and indeed, effective management of succession processes requires exemplary leadership.

Component B comprises six different SP&M practices. The first practice is the assessment of current and future organizational leadership requirements. This practice entails the assessment of both the current and the future requirements of work and competency of the key positions of an entity (Grigoryev, 2006; Rothwell, 2005; Rubin, Powers, & Illia, 2007). The aim of this practice is to identify existing gaps between the actual situation and the desired work and competency needs for leadership positions (Rothwell, 2005). Actually, in order to know how to prepare future leaders, skills and competencies for each leadership level and position need to be identified (Rubin et al., 2007).
The second practice under component B, establish or improve talent management procedures for key positions, is about the identification of the talent from within or outside, talent which is vital for different important positions in the organization (Gay & Sims, 2006; Hughes & Rog, 2008; Loftus, 2007; Rothwell, 2005). Moreover, this practice depicts the need for an organization to have continuous and explicit procedures for assessing individuals' talent for different future applications with the aim of executing retention schemes and developing each talent (Gay & Sims, 2006; Rothwell, 2005). Eventually the organization has to create talent pools, groups of workers who are prepared for horizontal or vertical career advancement (Rothwell, 2005; Sobol et al., 2007).

The third practice comprises the actual exercise of establishing or reviewing succession plan charts based on the available key positions and the available talent to be groomed into future candidates. These charts consist of the name of the leadership position and the names of possible candidates who can replace the incumbent (Sobol et al., 2007). The succession charts guide responsible administrators in monitoring progresses made by the identified high potentials who are being groomed for the anticipated leadership positions (Rothwell, 2005; Sobol et al., 2007). It should be noted that two different terms are used to mean the same thing. Whereas Rothwell (2005) calls them replacement charts, Sobol, Harkins, and Conley (2007) use a term succession plan charts. Management meetings of an organization can be used for reviewing succession charts and discussing the progress of the high potentials being groomed according to the charts (Sobol et al., 2007).

The next practice entails the process of identifying and developing groups or pools of high potentials in the organization. High potentials are individuals identified as capable of becoming leaders for specific key positions (Rothwell, 2005). Identification and development of high potentials or future leaders is the heart of succession planning (Berke, 2005; Rothwell, 2005). Due to variation of competency needs that each individual high potential might have, capacity building should be customized to individual development plans (Krauss, 2007; Rothwell, 2005). Krauss asserts that a combination of leadership development strategies can be used. In fact, as a part of development strategy, incumbent leaders have to take part in mentoring or coaching those who appear to be potential candidates (Groves, 2007; Rothwell, 2005;
Identification and development of future leaders has to be guided by the philosophy of promoting internal leadership growth (Rothwell, 2005).

However, potential candidates have to be adequately motivated through adequate rewards and incentives so as to mitigate attrition (Krauss, 2007; Towers & Perrin, 2005). Selection, evaluation, and adequate rewarding of groomed candidates constitute the fifth practice of this component. Workers are more interested in instant rewards for job well done (Rothwell, 2005). Eventually, a few capable candidates have to be selected from the pool for further preparation that will enable them take key positions when opportunities arise. Thus, it is vital to conduct proper assessments of performance and leadership readiness of the high potentials (Rothwell, 2005; Sobol et al. Not all people in a pool of high potentials might be considered for leadership candidacy.

For the best interest of an organization and its stakeholders, the leadership transition should be void of unnecessary friction (Conger & Nadler) and take a relatively short period. Another issue to consider in this component is the nature of the leadership transition. This practice helps the incoming leader to become familiar with the new internal and external leadership environments of his/her organization. Second, once a successor is carefully recruited out of a group of groomed candidates, an organization has to consider providing ample time for the outgoing leader to mentor the new successor (Khumalo & Harris, 2008; Vancil, 1987). In leadership transition times, a management team or a governing board has to support a new successor so as to mitigate any political disruptiveness that might affect the image or operations of an organization (Berke, 2005; Cannella & Shen, 2002). The sixth practice is labeled as prudent recruitment of a new successor and replacement of the outgoing leader. A number of points should be considered here. First, the successor’s appointment process must be adequate enough to bring in a capable leader and minimize unnecessary friction between the groomed candidates (Conger & Nadler, 2004).

This kind of integration is critical since it provides the context within which succession processes will remain continuous (Cantor, 2005; Hunte-Cox, 2004; Stephen, 2006). The final and third component of this model, component C, is the integration of succession planning and management processes in the overall
organizational culture or strategy (Rothwell, 2005; Stephens, 2006). If an organization wants to maintain a lasting improvement and organizational vitality, the practices of attracting, grooming internally, retaining talent, and growing leaders from within should be embedded in its organizational policies and strategies (Rothwell, 2005).

The succession-planning model is linked to organizational performance model (Figure 3). If an organization meticulously follows the above-mentioned succession model then its performance will be higher in following aspects:

- Employee retention.
- Employee satisfaction.
- Corporate image
- Quality of Service
- Market share
- Repeat business
- New business expansion
- Return on investment

In concluding this section, it is important to note that the proposed model (Figure 3) is fairly different from others because it has incorporated elements from a variety of sources. Besides these vital notions, this model attempts to merge succession planning and talent management aspects, the two major concepts, which are related to succession processes and subsequently linked to organizational performance. Also, the model accentuates two notions: (1) the role of the leadership that is placed at the core of the model, and (2) the integration of succession processes into the organizational culture, which is displayed as the surrounding or enabling context of the continual succession processes.

1.6 SUCCESSION PLANNING IMPACT

The ultimate goal of succession planning is to improve organizational performance. Studies of succession outcomes typically seek to evaluate the survey conducted by Friedman (1986) on executive succession in 235 American firms and have concluded that effective succession planning is clearly linked to corporate performance. According to Fizel & D’Itri (1997), there are many conflicting findings in terms of succession planning and firms’ performance over the years. As such, the
relationship between succession planning and firms' performance is dependent on the characteristics of the organizations under study. The way leadership transition and succession processes are handled can exert a significant influence on shareholders' confidence and thus the firm's financial performance in the marketplace. Well-managed successions instill confidence in heir owners and this correlates well with overall business financial performance. Practices such as the smooth promotion of the designated heir, can lead to positive investor sentiment while surprise elevations of unknown candidates are poorly received by shareholders (Shen & Cannella, 2003). Huang (2001) concludes in his study on Taiwanese firms that there is no empirical evidence to support that firms with succession management system have better HR outcomes than those who do not. The data collected for Huang's (2001) study also suggests that the mere implementation of a succession management plan does not make a significant difference to reported business outcomes.

The Instep Learning Resources, UK (2005) indicates that an effective succession planning provides a balanced impact to both the organization and individuals.

Table - 1: Benefits of Succession Planning For Organization and Individuals

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Organization</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Controlled costs for recruitment and development.</td>
<td>Clarity of role.</td>
</tr>
<tr>
<td>2</td>
<td>Anticipated changes.</td>
<td>Opportunity to develop or multi-skill.</td>
</tr>
<tr>
<td>3</td>
<td>Back-up resources in place.</td>
<td>Strong Supportive relationships.</td>
</tr>
<tr>
<td>4</td>
<td>Development of a talent pool of flexible people.</td>
<td>Valued and rewarded.</td>
</tr>
<tr>
<td>5</td>
<td>Leaders for the future.</td>
<td>Aspirations met.</td>
</tr>
<tr>
<td>6</td>
<td>Increased knowledge and skills bank.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Instep Learning Resources, UK (2005)

Several studies (Kilian et al., 2005; Charan, 2005; Yukl, 2006) have discovered that the incorporation of leadership development and succession planning responsibilities into managerial job expectation (Key Performance Indicators / Key Result Areas) and performance appraisal criteria would be an effective means of
ensuring that succession planning is a top priority among managers at all levels. Busine & Watt (2005) recommend seven measures to measure the impact of succession planning and management activities in an organization. They are:

- The number of jobs ready for employees to fill senior jobs when they open.
- The percentage of jobs filled by internal candidates measured against company objectives.
- Cost of acceleration pools against the cost of finding outside hires.
- Cost of turnover and de-motivation inside the organization when an outside hire is made.
- Time it takes for an outside hire to get up to speed and the lack of productivity during that time.
- The attrition rate of outside hires coming into organization.
- Measuring the reduced turnover of identified pool members.

1.7 Origin and growth of Indian IT industry

India's software exporting industry is one of the world's successful information technology industries. Begun in 1974, it employed 345,000 persons in 2004 and earned revenue of $12.2 billion, equal to 3.3% of global software services spending. As we shall show, the industry originated under untypical conditions. Local markets were absent and government policy toward private enterprise was hostile. These conditions influenced the industry's origins. The industry was begun by Mumbai-based conglomerates, which entered the business by supplying global IT firms located overseas with programmers. Their success owed to the innovative exploitation of a new global market opportunity and protection from transnational corporations and start-ups by policy. The explanation on origins is the same as used to explain industry origin in countries such as Korea and Japan. The difference is that government policy favored large domestic firms and discouraged TNCs (Transnational Corporations) and small firms in those countries, in India, government policy disfavored all types but was least hostile to large, domestic firms. In economic terms, the effect was the same as the more typical protectionist policy.

The protected environment restricted the growth of project management and domain skills so that, despite access to a large pool of programmers, the industry could not grow in value-addition.
A decade later, mainframe-based programming and manufacturer-specific operating systems and languages gave way to workstation-based programming and standard operating systems and high-level languages. This, along with policy reforms that reduced costs of imported hardware and software, caused the Indian software industry to shift from supplying programmers to supplying software programs. As work moved to India, infrastructural costs increased as a proportion of total costs. These changes modularized the programming function, i.e., programming could henceforth be done independently of the hardware platform and from the other functions of creating software, such as system design.

During the early years of the industry’s third decade, beginning in the mid-1990s, the establishment of the Internet facilitated the separation of services, such as software maintenance and email management, from the site where the software was located. Following telecommunications policy reforms in 1999, this opened new opportunities for domestic firms.

In 2000, reforms in foreign ownership rules, intellectual property protection and venture capital policy induced TNC, diaspora and foreign venture capital entry. The traditional software services industry, dominated by large local firms, has subsequently competed with firms with superior domain skills and access to finance.

1.7.1 Evolution of software industry in India

The growth of the Indian software industry has been a phenomenal success when measured against standard indicators such as growth in sales, employment and exports, and especially when contrasted with the performance of other industrial sectors in India.

This model was based around an outsourced service offering, and different variants of it were developed by Indian firms as new economic opportunities arose. Over time, one variant of this outsourcing model commonly known as offshoring, has come to be applied to other domains and areas: call centers, financial services and other forms of content management services of large firms that can be done remotely. The particular strength of Indian firms was their ability to assemble teams of talented engineers and deliver a technical, outsourced service to exacting and different customers anywhere in the world. As a result, India now enjoys a ‘created’
comparative advantage in outsourced services and off shoring. An interesting aspect of the history of outsourcing is that the factors that were crucial to the emergence of outsourced software exports from India were quite distinct from those that sustained the competitive edge of Indian software firms, and hence the growth of the industry overtime. For example, while abundant (and cheap) human capital was the basis of India’s early software exports, the growth in software exports was based on improved productivity of the industry. They also leveraged their capabilities for maximum economic value through the adaptation and perfection of a new business model. The largely untold story of the Indian software industry centers on the abilities of the pioneer firms in the industry who learnt how to transform the programming skills of their labour force into firm-specific capabilities, and to become credible rivals of firms such as Accenture, EDS and IBM Services in the outsourced-software market.

Characterizing any growth process by phases is an arbitrary imposition since growth is an ever-unfolding process, with each new stage building upon the previous one in many and complex ways. Changes in the external environment came from two directions. First, there were policy-induced changes as the Indian economy moved from regulation, to de-regulation and liberalization. In this case the strategies of individual firms as they responded to changing opportunities offered by the external economic environment. It is useful to think in terms of the following four periods in the evolution of the industry:

- Pre-1984, when the major thrust of government policy was towards achieving self reliance in hardware capability and the most significant event for fledgling software firms was the dramatic exit of IBM, in protest at the Foreign Exchange Regulation Act (FERA) rules;

- 1985-1991, when the worldwide crash in hardware prices and de-regulation of import licensing policy in India coincided with acceleration in demand for software programming services as large multinational firms moved from mainframe to client-server systems;

- 1992-1999, this saw full financial liberalization in India, large-scale entry by multinational firms and a phenomenal growth in demand for software services;
• 2000 onwards, which saw a slowdown in the demand for software services, 
(but an expansion in the demand for outsourcing more generally), forcing 
some consolidation in the industry.

1.7.2 Indian Information Technology Sector

The Indian Information Technology sector can be classified into the following 
broad categories - IT Services, Engineering Services, ITES-BPO Services and E-
Business.

IT Services can further be categorized into Information Services (IS) 
outsourcing, packaged software support and installation, systems integration, 
processing services, hardware support and installation and IT training and education.

Engineering Services include Industrial Design, Mechanical Design, 
Electronic System Design (including Chip/Board and Embedded Software Design), 
Design Validation Testing, Industrialization and Prototyping.

IT sector is attracting considerable interest not only as a vast market but also 
as potential production base by international companies. For example, Remote 
Maintenance, Back Office Operations, Data Processing, Call Centers, Business 
Process Outsourcing, etc. IT Enabled Services are services that use telecom networks 
or the Internet.

Companies operating from India are able to leverage the advantage of the 
Indian time zone to offer 24 x 7 services to their global customers. The rapid growth 
in the sector is a consequence of access to trained English speaking professionals, cost 
competitiveness and quality telecommunications infrastructure.

E-Business (electronic business) is carrying out business on the Internet; it 
includes buying and selling, serving customers and collaborating with business 
partners.

The following are some of the strengths of the Indian IT sector:

• Highly skilled human resource;
• Low wage structure;
• Quality of work;
• Initiatives taken by the Government (setting up Hi-Tech Parks and implementation of e-governance projects);
• Many global players have set-up operations in India like Microsoft, Oracle, Adobe, etc.
• Following Quality Standards such as ISO 9000, SEI CMM etc.
• English-speaking professionals;
• Cost competitiveness;
• Quality telecommunications infrastructure.

The following are some of the weaknesses of the sector:
• Absence of practical knowledge;
• Dearth of suitable candidates;
• Less Research and Development;
• Contribution of IT sector to India’s GDP is still rather small;
• IT development concentrated in a few cities only.

Regulatory Regime and Laws relating to the IT sector:

Department of Information Technology (DIT):

This department, which is under the Ministry of Communications and Information Technology, is responsible for the formulation, implementation and review of national policies in the field of Information Technology including hardware and software, standardization of procedures, Internet, e-commerce and information technology education and development of electronics.

Initiatives for development of Hardware/Software industry including knowledge based enterprises; measures for promoting IT exports and competitiveness of the industry are looked after by the Electronics Export and Computer Software Promotion Council (ESC) and National Informatics Center (NIC) along with DIT.

The Department of Information Technology undertakes the following functions:
• Policy matters relating to Information Technology; Electronics; and Internet (all matters other than licensing of Internet Service Provider).
• Promotion of Internet, IT and IT enabled services.
• Assistance to other departments in the promotion of E-Governance, E-Commerce, E-Medicine, E-Infrastructure, etc.
• Promotion of Information Technology education and Information Technology-based education.
• Matters relating to promotion and manufacturing of Semiconductor Devices in the country; The Semiconductor Integrated Circuits Layout Design Act, 2000 (37 of 2000).
• Interaction in IT related matters with International agencies and bodies e.g. Internet for Business Limited (IFB), Institute for Education in Information Society (IBI) and International Code Council - on line (ICC).
• Initiative on bridging the Digital Divide: Matters relating to Media Lab Asia.
• Promotion of Standardization, Testing and Quality in IT and standardization of procedure for IT application and Tasks.
• Electronics Export and Computer Software Promotion Council (ESC).
• National Informatics Centre (NIC).
• Initiatives for development of Hardware / Software industry including knowledge-based enterprises, measures for promoting IT exports and competitiveness of the industry.
• All matters relating to personnel under the control of the Department.

National Association of Software and Services Company (NASSCOM):

NASSCOM acts as an advisor, consultant and coordinating body for the IT-BPO industry in India, and has played a key role in enabling the government in India to develop industry friendly policies. NASSCOM was set up in 1988 to facilitate business and trade in software and services and to encourage advancement of research in software technology.

NASSCOM has been proactive in pushing this cause for ensuring that the Indian Information Security environment benchmarks with the best across the globe. As part of its Trusted Sourcing initiative, NASSCOM is in the process of setting up the Data Security Council of India (DSCI) as a Self Regulatory Organization (SRO)
to establish, popularize, monitor and enforce privacy and data protection standards for India's ITeS-BPO industry.

**Government Initiatives:**

The Foreign Trade Policy 2004 - 2009 permits import of all kinds of computers (except second hand computers) in India without any licenses.

In order to promote domestic investment, foreign direct investment, transfer of technology / process know-how, technical collaboration, joint venture etc in India and export IT software products and services from India to the global market, both Government of India and State Governments in India have been offering a series of policy packages including tax breaks, import duty concessions etc under various schemes which include:

- **Export Oriented Units (EOUs) Scheme:** The purpose of the scheme was basically to boost exports by creating additional production capacity.

- **Electronics Hardware Technology Parks (EHTPs):** Electronics Hardware Technology Park (EHTP) complexes have been set up by the Central Government, State Government, Public or Private Sector Undertakings or any combination thereof, duly approved by the Inter-Ministerial Standing Committee (IMSC) in the Ministry of Communication and Information Technology (Department of Information Technology).

- **Software Technology Parks (STPs):** The Software Technology Parks of India (STPI) have been set up by the Ministry of Information Technology, Government of India and the International Technology Park in a joint project by the State Government.

- **Special Economic Zone (SEZ) Scheme:** SEZs are being set up to enable hassle free manufacturing and trading for export purposes Sales from Domestic Tariff Area (DTA) to SEZs are being treated as physical export. This entitles domestic suppliers to Drawback/ DEPB benefits, CST exemption and Service Tax exemption

- **Export Promotion Capital Goods (EPCG) Scheme:** The EPCG Scheme allows import of capital goods for pre-production, production and postproduction (including CKD/SKD thereof) at 5% customs duty subject to export obligations.
Units undertaking to export their entire production of goods and services may be set up under the Export Oriented Unit (EOU) Scheme, Electronic Hardware Technology Park (EHTP) Scheme or Software Technology Park (STP) Scheme.

The Export Promotion Industrial Park, built near International Technology Park, gives an exclusive 288 acres of area for export-oriented business.

An industrial park, known as Electronic City was set up in 1991 taking more than a hundred electronic industries including Motorola, Infosys, Siemens, ITI, and Wipro, in an area of around 330 acres.

The IT Corridor project, conceptualized by Singapore’s Jurong Town Corporation Private Ltd, was initiated by the Department of IT and the Bangalore Development Authority in order to develop state of the art facilities for the development of knowledge based industries.

**Government initiatives for the ITes Sector:**

In addition to the central government incentives, respective state governments have also developed attractive incentive packages to target investors. The government is also actively trying to reduce international communication cost. The government of India has already set up a single-window facility for attracting foreign direct investments in this sector. Financial institutions and venture capitalists in the country are willing to provide funds at competitive rates for expansion in ITes businesses. Recognizing the potential of this sector, the government has provided many incentives including a tax holiday up to 2010 and competitive duty structures. The telecommunications ministry has already started phased liberalization programme. In order to support IT-related services, the government is providing some special incentives and is also providing infrastructure support through organizations such as the Software Technology Parks (STP).

**Information Technology:**

The Information Technology (IT) sector in India is amongst the fastest growing in the country and the world. It is expected that by the year 2008, IT software and services industry will account for 7 per cent of India’s GDP and 35 per cent of total exports. The Indian domestic IT market grew by 29% in the financial year 2007-
08 to report revenues of Rs 288,810 crore. The revenue of the information technology sector has grown from 1.2 percent of the gross domestic product (GDP) in FY 1998 to an estimated 5.5 percent in FY 2008. The net value added by this sector, to the economy, is estimated to be 3.3 to 3.9 percent for FY 2008. The Indian IT-BPO sector grew by 33 percent in FY 2008 to reach US$ 64 billion in aggregate revenue (including hardware). Of this, the software and services segment accounted for US$ 52 billion, growing by 28 percent over FY 2007. Software and services exports (including exports of IT services, BPO, engineering services and R&D and software products) reached US$ 40.4 billion, contributing nearly 63 percent to the overall IT-BPO revenue aggregate. IT-BPO exports (including hardware exports) grew by 28 percent from US$ 31.8 billion in FY 2007 to US$ 40.9 billion in FY 2008. Domestic IT market (including hardware) reached US$ 23.1 billion in FY 2008 as against US$ 16.2 billion in FY 2007, a growth of 43 percent. Hardware remained the largest segment of the domestic market with a growth rate of 44 percent in FY 2008. Software and services spending grew by over 41 percent during the year. The Indian IT services market is estimated to remain the fastest growing in the Asia-Pacific region with a CAGR of 18.6 percent.

**IT enabled Services (ITeS):**

Of this, the ITeS/BPO sector contributed US$ 5 billion as against US$ 5 billion in FY 2007, an increase of 31 percent. The IT / ITeS industry's contribution to the country's gross domestic product (GDP) has grown from 2 percent in FY 1998 to an estimated 5 percent in FY 2008. The net value-added by this sector, to the economy, is estimated at 3-9 percent for FY 2008. The Indian IT-ITeS sector (including hardware) grew by 33 percent in FY 2008 to reach US$ 64 billion in aggregate revenue.

**IT/ITes Export Trends:**

The Software exports are projected to grow by $9 billion to $50 billion in fiscal 2008-09 from $41 billion in fiscal 2007-08 and $32 billion in fiscal 2006-07. Exports contribute nearly 65% of the Indian IT sector revenue. The United States and Britain are the biggest markets for India's booming software exports, accounting for about 80 percent of the country's $12-billion exports per year. ITeS/BPO exports grew by over 30 percent from the previous year collecting revenues of US$ 10.9 billion in
FY 2008. Although for exports, the US (61 per cent) and UK (18 per cent) continue to be the largest markets for IT-ITES exports, the share of Europe has been increasing steadily. Exports to Continental Europe have grown at a compound annual growth rate (CAGR) of more than 55 per cent over FY 2004-07. The ITeS sector is also working towards reducing its dependence on the US market and is exploring new and emerging markets such as those in Australia and the Middle East. India’s export of IT software and services to EU countries during 2007-08 touched a level of US $ 11.518 billion i.e. 26.50 per cent of India’s total IT software / services exports to the world market.

1.7.3 Succession planning in Indian IT sector

The robust growth of the Indian economy can be attributed to the meteoritic success of 'Indian IT Industry'.

It is estimated that by the year 2011, most global organizations will lose 40 percent of their top executives, leaving a vacuum that has to be filled by the rising stars in the company. Hence the need to develop succession planning and leadership development strategies for low level executives and middle level managers is critical. In an era of stiff competition for seasoned professionals, it has become necessary to identify and develop leaders from within the organization (from succession lists) and empower them with additional responsibility to assume increasing levels of leadership. Currently, there seems to be more emphasis on succession planning and leadership development of the Senior Executive rather than middle level managers and low level executives.

Global human resources consulting firm Hewitt Associates had conducted a leadership study earlier this year, which revealed that 91 percent of the top 20 companies have a process for early identification of leaders compared with 61 percent of the rest; also, 82 percent of the top organizations have formal mentoring programs in comparison to half of the others. Potential leaders from within the organization are assessed on the basis of these competencies and are included in the succession planning process. According to a report by US based business research firm Cutting Edge; while many companies have succession plans, very few follow through with the thorough implementation required. In most global organizations, leadership
development initiatives are considered an integral part of the corporate strategy. Microsoft, which ranked second, is known to attract rare talent, and it is right at the hiring stage that the potential stars are identified to be aggressively groomed later. The leading Indian IT companies like Infosys, TCS and Wipro have leadership strategies in place, with the top management focused on creating the next line of successors. Shiv Nadar of HCL has quietly completed his succession planning by elevating his daughter Roshni Nadar as the executive director and CEO of HCL Corporation, the holding company of HCL Tech and HCL Info. IBM, which led the list, has 11 leadership competencies for all management levels.

1.7.4 Succession planning in different sectors

1.7.4.1 The Reliance Group: The Reliance Group, founded by Dhirubhai Ambani in 1959 is a $23 billion group that not only owns the third-largest oil refinery in the world but is also the largest producer of polyester yarn in the world, and India’s largest mobile telephone services and Power Company.

In this manner, they minimize tax incidence, but make succession planning more difficult. Traditionally, in Indian family businesses, the first-born son inherits the business. They control their businesses by a maze of cross-holdings between different companies. As a result, it diminishes the chances of a fight between heirs of a business family. The Reliance Group too, has a complex ownership structure wherein the Ambani family has the controlling interest through a network of over 200 investment companies rather than directly through family holdings. But often, families use a complex network of investment companies with no direct control in each to control their empires.

Source: Google

Figure -4: Ambani Family
Dhirubhai Ambani made Mukesh Managing Director and Vice-Chairman, and Anil Managing Director, in the group's flagship company Reliance Industries Limited (RIL). It was thought that Dhirubhai groomed both his sons as per their backgrounds and personality. When the founder of the Reliance group of companies, Dhirubhai Ambani suffered a stroke in 1986, he decided to deal with the issue of succession by clearly defining management roles for both his sons, Mukesh and Anil. Mukesh had completed an engineering degree from Stanford University and hence was meant to deal with manufacturing, engineering, and issues related to implementation of projects. At the dawn of the new millennium, he began delegating more responsibilities to his elder son, Mukesh by giving him the post of chairman of the Indian Petrochemicals Corporation Ltd.

Investors expected operations to be split into two major divisions upon succession, with Mukesh controlling the flagship company Reliance Industries, and Anil controlling Reliance Petroleum. Towards his last few years, Dhirubhai merely supervised policy directions for the board and laid down broad guidelines for major decisions while his sons handled most of the day-to-day operations.

Infact, both Dhirubhai's sons were able to grow the empire from a turnover of Rs. 744 crore and profits of Rs. 71 crore in 1985 (the last year it was managed by Dhirubhai on a day-to-day basis) to a turnover of Rs. 60,000 crore and profits of Rs. 4,604 crore in 2002. The market capitalization grew 50 times from Rs. 906 crore to Rs. 45,840 during the same period.

As a result, shares of Reliance Energy, which was managed by Anil dropped 13%, and shares of Mukesh-led Reliance Industries dropped 8%. The market waited and watched to see if there would be a feud between the brothers. The elder son, Mukesh took over as chairman of the group. The SENSEX, the benchmark index of the Bombay Stock Exchange, dropped 64 points in response to these rumors. The first indication that succession in Reliance was not as smooth as it seemed, only came to light on December 28th, 2002 when Anil did not attend the launch of Reliance Infocomm, which was headed by Mukesh. With the demise of Dhirubhai Ambani on July 6th 2002, speculation on the issue of succession became a hot topic. Because of the growth and improved performance brought about by the sons in years just prior to Dhirubhai's death, the market believed that succession planning in Reliance had been
successful. However, the brothers denied the rumor until late 2003, when half of Reliance Energy's directors resigned from its board and made the feud obvious. But at least initially, succession seemed smooth.

Under this settlement, Mukesh would head Reliance Industries, the group's flagship petrochemicals and Oil Company as well as Indian Petro Chemicals Ltd. When the dispute between the brothers became public, Reliance shares could not keep up with the SENSEX destroying value for Reliance's 3 million shareholders. Their mother, the wife of Dhirubhai Ambani in early 2005, finally announced a settlement between the brothers. The markets rose more than 1% on this news. Anil would head the utilities company, Reliance Energy, the mobile telephone company, Reliance Infocomm and the financing company, Reliance Capital.

This dispute calls to attention the need for appropriate succession planning in family businesses, to prevent any destruction of value. It has been said that in the long run, the fight between the Ambani brothers has been one of the most successful fights, in terms of creating value for its shareholders. However, not all fights increase shareholder value, and keeping this in mind, the following section gives examples of companies that have put into place certain mechanisms to prevent fights among their scions. Issues with corporate governance were brought to light. The brothers' dispute had a great impact on the markets as a whole and on the SENSEX, which moved along with the dispute. However, in some instances, if feuds trigger much-needed corporate governance reforms, they could turn out to be success stories.

1.7.4.2 Jindal Group: The Jindal Group, a US $4 billion conglomerate, comprises four major companies: Jindal Stainless, Jindal Saw Ltd., Jindal Steel & Power Ltd., and JSW Steel Ltd. The steel giant is the sixth largest business house in India in terms of assets and was set up in 1970 by Mr. O.P. Jindal, who was later joined by his four sons P.R. Jindal, Sajjan Jindal, Ratan Jindal and Naveen Jindal.
During his lifetime, O P. Jindal allotted each of his four companies to one of his four sons, who ran them independently as their own businesses, with him as the head. P.R. had Jindal Saw, Sajjan had JSW Steel, Rattan had Jindal Stainless, and Naveen had Jindal Steel & Power. However, all the brothers had shares in all four companies. Mr. O.P. Jindal later stepped down as Chairperson of Jindal Saw and was succeeded by his eldest son P.R. Jindal, but remained chairperson of the other three companies. The younger three sons were vice-chairpersons of the companies they ran. When Mr. O.P. Jindal suddenly passed away in a helicopter crash on 31st March 2005, Jindal Group was left without a head. Shareholders wondered who the next chairperson would be. The ownership in the group is divided in the same format as operations or the sons would manage to run the companies under one umbrella without fighting for power. When the decision was announced, shareholders realized that the four sons wanted to remain united and refrain from fighting against each other. They had appointed their mother, Savitri Jindal, as chairperson of all four companies in the group. The eldest son P.R. Jindal, even stepped down from his position of chairperson in Jindal Saw for his mother, and became vice-chairman.

However, Savitri Jindal has never been associated with the business, and remains a nominal head. The group still continues to function under the structure that was prevalent before Mr. O. P. Jindal passed away, wherein the four companies are run as independent businesses by his four sons, but all the four sons own parts of all four companies. Indian firms to keep their companies united commonly adopt this strategy of making the mother the nominal head.
1.7.4.3 Tata Group: The Tata Group with a market capitalization of about $52 billion comprises nearly 100 companies in business sectors ranging from information systems and communications to engineering, materials, services, energy, consumer products and chemicals. Of these, 28 companies are publicly traded, the largest of which are Tata Steel, Tata Consultancy Services, Tata Motors and Tata Tea. The group was founded by Jamsedji Tata in the mid-nineteenth century and is now one of the largest business conglomerates in India.

His sons Sir Dorab Tata and Sir Ratan Tata, who were responsible for the creation of the Dorabji Tata Trust and the Sir Ratan Tata Trust, succeeded Jamsedji Tata. Realizing that succession would be a crucial issue in the life of the Tata Group, its founders bestowed a large part of their wealth to the Dorabji Tata, Sir Ratan Tata and other similar trusts created to serve Indian society. These Trusts control 65.8% of the shares in Tata Sons, the holding company for the Group. In July 2000, Tata Sons also formed a governance council to search for a successor to its present head Ratan Tata once he retires. Tata Sons has a majority shareholding in most of the companies under the Tata Group umbrella. The Chairman of Tata Sons acts as the chairman of the Tata Group. This trust structure and governance council serves to protect the Tata family from fights between brothers for control of the company by placing most of the ownership of the group in the hands of charitable trusts. The sons of the Tata family act first as administrators of the trust, to secure wealth for the trust, which has the majority holding in the group. In one of the much-awaited succession plans in corporate India, salt-to-software conglomerate Tata group has named 43-year-old Cyrus Mistry as successor to chairman Ratan Tata, who will hang his boots in December, 2012 on reaching the age of 75.

Source: Google

Figure-6: Cyrus Mistry and Ratan Tata
The figure 7 below represents the structure of the Tata group of companies

Source: Talreja, 2007, p. 14

Figure-7: Tata group of Companies

1.7.4.4 Dabur Group: Dabur India Ltd. is an Indian consumer goods company founded in 1884 by Dr. S.K. Burman. It offers a wide range of health care, personal care, food and ayurvedic (medicinal) products and has a market capitalization of over $2 billion. For more than a century after it was formed, the company was run as a family business with the CEO being a member of the Burman family. In 1986, the company went public, and soon after, in 1998, the Burman family appointed professionals to manage the company to adhere to stronger corporate governance standards. However, the Burman family still has control over the operations of the company and the positions of chairman and vice-chairman of the board of directors.
Since Dabur has now passed down to the fifth generation of the Burman family, the family realized that it needs to put into place some mechanisms to prevent fights within the family.

The family council acts as an intermediary between the Burman family and the Board of Directors, and encourages the Burman sons to develop their own ventures, which they then present to the family council for approval. If approved, their proposals are funded by the company. This enables Dabur to pick a successor from amongst the brightest and most talented family members.

1.7.4.5 Ispat Group: Ispat Industries Limited is one of the largest steel companies in India. Mr. M. L. Mittal, who was later, joined by his three sons Lakshmi Mittal, Pramod Mittal, and Vinod Mittal, set up the Ispat Group in 1952. Lakshmi Mittal helped take the company international in 1974. As the company grew bigger, Mr. M. L. Mittal realized he needs to take steps to prevent fights between his sons over succession issues. In 1994, he split the ownership of the company into two parts. One part was given to his eldest son, Mr. Lakshmi Mittal, which comprised of the group’s international operations, and has now become Arcelor-Mittal. The other part of the company, which was left in the hands of the younger sons Pramod and Vinod Mittal comprised of the group’s operations in India.
In this manner, by splitting the company’s ownership as well as operations between his sons during his lifetime, Mr. M. L. Mittal was able to prevent fights between his sons.

1.7.4.6 Godrej group: appointed a facilitator last year to work out a succession plan for the group as more family members join the business.

1.7.4.7 The GMR Group: has in place a family constitution that details the role of each member in the business. The constitution also deals with the issue of succession. The candidates to succeed Mr. G. M. Rao will be decided on the basis of performance. From amongst them, the family board, which comprises his two sons and one daughter and their spouses, will elect the successor through a majority vote.
1.7.4.8 RPG Enterprises: Almost three decades after the original takeover tycoon, Rama Prasad Goenka, began to build his business empire, RPG Enterprises is segregating ownership of various group companies between his two sons Harsh and Sanjiv to smoothen the passage of control to the next generation in one of India’s oldest business families.

Source: Google

Figure-12: R P Goenka and Family

1.7.4.9 Leela Group: Captain CP Krishnan Nair, who started Leela Group, has decided to retire soon. After Captain Nair retires, Mr Vivek Nair, eldest son of Captain Nair, will take over as chairman and his younger brother Mr Dinesh Nair will be the vice chairman.

Source: Google

Figure-13: Captain CP Krishnan Nair and Family

Source: Google
1.7.4.10 Ranbaxy: In 1952, an entrepreneur Bhai Mohan Singh founded Ranbaxy as a manufacturer of pharmaceuticals in Mohali in Haryana. Like most other small pharmaceutical companies, Ranbaxy too was mainly engaged in producing drugs by reverse engineering the molecules of established drug brands. In 1967, Dr Parvinder Singh (Dr Singh), Bhai Mohan Singh's son, joined the company after completing his doctorate in pharmacy at the University of Michigan (USA). Dr Singh was a very ambitious person and worked hard to take the company to greater heights. In 1982, he became the company's Managing Director.

Brar had joined Ranbaxy in 1977 as a business development manager. A thorough professional and hard worker, he soon rose through the company's ranks to become one of Dr Singh's most important and trusted men. In 1993, Brar became the President (Pharmaceuticals) and a whole time Director.

The professional relationship between the duo was even compared with that of Intel's Andy Grove and Craig Barret. While Dr Singh had the overreaching vision for his company, he reportedly relied on Brar's knowledge and professionalism to implement it.

Brar supported Dr Singh's vision of internationalizing the company by setting up operations in various countries like China, US, Ireland, and others in Europe.
Company watchers felt that it was 'Parvinder's vision and Brar's execution which helped Ranbaxy turn into a group with many manufacturing facilities outside India with more than 2,000 overseas employees. In the early 1990s, differences cropped up between Dr Singh and Bhai Mohan Singh over the growth route the former was charting for the company. Dr Singh wanted to take the risk of investing huge amounts into basic R&D and in expanding operations to other countries.

The disagreements over Ranbaxy’s international expansion strategy between Brar and the family were common knowledge by now. It was truly a company managed by professionals. According to the media, Bhai Mohan Singh had been pressing the company board to elevate Malvinder Singh to the board of directors. Sources within the company denied that there were any disputes, stating that Brar’s decision to leave was an independent one. When Brar took over as Ranbaxy’s MD & CEO, the company did not have any family representation on the board. However, by the beginning of the 2000s, the Singh family reportedly decided to take control of the firm.

Reportedly, he had revealed his retirement plans in 1997 itself. Brar had said that he would retire in 2002, after completing 25 years with Ranbaxy. However, analysts felt that he could have easily renewed his term (due to expire in July 2004), as he had seven more years to go before he would have to officially retire from the company. That he chose not to do so was seen as an indication of something being amiss.

However, Brar maintained that he wished to leave the company as he had fulfilled his responsibilities successfully. He added that he now wanted to look at other opportunities. He said, "Having fulfilled my role in the company, I would like to devote my time to other pursuits in the next 10-15 years of my working life. I would therefore not like to renew my appointment as the CEO and Managing Director upon expiry of my current term. In the meanwhile, I would do my best to ensure a smooth transition in favor of a successor in the best interest of the company."

Company watchers believed that the real effect of the top management changes at Ranbaxy would be felt only when Tempest's tenure came into effect from July 5 2004. An analyst commented, "Brar is expected to continue for the next six
months. I think he would do his best to ensure a smooth transition in favor of his successor. The changes will be seen only when Tempest takes over.

Tempest is expected to continue till Malvinder Singh is groomed to done the mantle. Speaking about the immediate steps he would take during his tenure, Tempest said, "We and I in particular, am going to spend a lot of time in the HR activities and that is the area we want to get better and better and we need good products with good people. Brar has already put in place a robust team and set the vision of making Ranbaxy a $2 billion company by 2007". Under the leadership of Tempest, Ranbaxy planned to focus on HR planning and put in place-improved motivation, hiring and training programs.

The problems associated with succession planning are particularly acute in India, where family managed businesses proliferate. Such companies throw discretion to the winds and spend time on dividing the family silver among the next generation rather than in grooming the right person to take over the top job. Family managed companies would do well to remember that the chosen successor should have the necessary education and skills and be made to work his or her way up the management to gain the maturity needed to appreciate the privileges and responsibilities involved. Alternatively, they should be bold enough to appoint a professional manager, when there is no suitable candidate within the family. Some of the more progressive Indian business houses like Ranbaxy (as mentioned above), the Murugappa group, and ITC and the Tata group in the past have demonstrated a high degree of professionalism in this regard. Many Indian companies are now beginning to appreciate the importance of planning successions carefully.

Other Indian organization which were successful in making a smooth succession planning are the Birlas, the Goenkas, Godrej group, TVS, WIPRO, HCL, BAJAJ, Thermax and so on. But some of these organizations have faced initial problems. At L&T, one of India's leading engineering companies, CEO A M Naik has been attempting to deal with the situation, naming the top 10 percent of his executives as stars and chalking out a fast track career path for them.

In public sector organizations, succession planning has been a challenging task. With the exception of few companies (such as the Maruti Udyog Ltd) CEOs have
changed frequently and not been allowed to settle down into their jobs. Many of the appointments have been guided by political considerations. The fact that quite a few of the top jobs at PSUs are either unfilled or manned by acting CEOs is a clear indication of the lack of importance attached to succession planning. In many Indian companies, CEOs spend more time protecting their turfs than in developing the next line of leadership. Unless this attitude changes, many Indian companies may see themselves facing crises from time to time. In India both businesses and politics faced issues with succession planning. It was clear with the Reliance Empire and the bitter rivalry we saw and are still seeing.

1.7.4.11 Apollo Hospitals Group: Group chairman Prathap Reddy said on Wednesday his eldest daughter Preetha will take charge of the group once he retires. Apollo group has a succession plan in place and all of Reddy's four daughters have well-defined roles.

![Figure-15: Apollo family](source: Google)

1.7.4.12 NTPC: has constituted a high level Succession Planning Committee (SPC) comprising of the Chairman and the Functional Directors to own the process of succession planning. NTPC has identified 28 unique leadership positions for succession planning. Most of the positions fall under the two top executive levels, General Managers and Executive Directors. Against each position at least three potential successors are identified for grooming. This is done to ensure that sufficient depth is maintained in the leadership pipeline at all times. Succession planning is a shared responsibility of the HR function and the organization’s leadership.
1.7.4.13 Larsen & Toubro (L&T): Well before two years of current Chairman A. M. Naik’s retirement, the organization has systematically and strategically put in place a succession planning process and will announce the name of the new Chairman six months before Naik retires so that he/she is able to get proper handholding.

Source: Google

Figure-16: A.M. Naik

1.7.4.14 Infotech Enterprises: Infotech Enterprises has put in a succession plan with a view to ensuring smooth transition of leadership. The second-rung leadership team has already taken over important tasks, with Mr B.V.R. Mohan Reddy, Chairman and Managing Director, intending to focus on strengthening the organisation, while guiding on broad aspects of the company.

Source: Google

Figure-17: B.V.R. Mohan Reddy

1.7.4.15 Dr Reddy’s Laboratories: Giving up control can often be difficult for company founders, but one Indian family business head is currently in the process of ensuring succession at his firm goes well.

Anji Reddy, founder and chairman of Dr Reddy’s Laboratories, transferred the shares he personally holds in the Indian pharmaceutical company to the Reddy
family's holding company late last year. This was in a bid to ensure “smooth succession” for the Hyderabad-based firm. In total, Reddy transferred a 0.35% stake in Dr Reddy’s Laboratories, India’s second-biggest generic drugs firm, to the holding company, which controls 23.4% of the pharmaceutical business. The figures may seem small, the transfer was important because it showed Reddy trusted the next generation to run the business and control the family fortune.

Reddy effectively left the management of the company to his son, Satish Reddy, and son-in-law, GV Prasad, a few years ago. Since then, the second generation has focused on developing operations and the business’s strategy, while the patriarch has worked on research.

Satish Reddy is the company’s managing director and chief operating officer, while GV Prasad serves as vice-chairman and chief executive. Both are possible candidates to take over the chairmanship of the family business, which Reddy founded in 1984 with just 25 million rupees (€38,360). He is often credited with turning around India’s drug sector, which in the 1980s was heavily dependent on imports but is now an export-oriented industry.

In the financial year 2010-2011, the company reported revenues of 74,693 million rupees (€1.3 billion), a 6% increase on the previous year.

1.7.5 Problems with succession planning

Problem 1: Lack of support

One of the major drawbacks HR managers face in establishing a company succession plan is the lack of support from top company executives. If top managers
lack a sense of urgency, no SP&M program can be effective. If top managers are unwilling to support a systematic approach to succession planning, it cannot succeed. If that is the case, the best strategy is to try to win over one or more credible idea champions. Especially promising for those roles are well-respected top managers who have recently and, if possible, personally experienced the work-related problems that stem from having no successor prepared to assume a critically important position when a vacancy occurs.

Problem 2: Corporate politics

A second problem with succession planning is that it can be affected by corporate politics. Instead of promoting employees with the most potential or the best track record, top managers or, indeed, any level of management employee may "use the corporate ladder to promote friends and allies, while punishing enemies, regardless of talent or qualifications."

Problem 3: Quick Fix attitudes

A third problem with the traditional approach to succession planning is that it can encourage quick-fix attitudes. Effectiveness is sacrificed to expediency. That can have far-ranging consequences because ill-chosen leaders can prompt higher-than-normal turnover among their followers, create employee morale problems, and even bankrupt an otherwise sound business. Leadership does matter, and leaders cannot be cultivated quickly or easily. Excellent leaders can only be cultivated over time.

Problem 4: Low visibility

Top-level executives do not always see the fast, direct benefits of SP&M. The further they are removed from daily operations and numerous direct reports, the less valuable SP&M can seem to be to them. HR managers will propose and install various SP&M efforts, but they will often be replaced when top-level executives see no immediate benefits stemming from them. To solve this problem, succession must be made a high-visibility issue. Further, it must enjoy the active support and direct participation of workers at all levels. Without showing active support and participating directly, top managers will have no ownership stake in succession efforts.
Problem 5: Rapid pace of organizational change

Traditional replacement planning once worked well enough in stable environments and organizations. In those settings, vacancies could be predicted, candidates could be trained for targeted jobs, and a homogeneous workforce led to easy transitions and assured continuity. But the rapid pace of organizational change has raised serious questions about the value of the traditional, fill-in-the-box-on-the-organization-chart approach to replacement-oriented succession planning. Predicting succession (over, say, a three-to-five-year time frame) in an era of constant change is fast becoming impossibility. To solve this problem, decision-makers should make use of succession planning software for personal computers designed to accelerate the organization’s ability to keep pace with staffing needs and changes. That can help, but more dramatic solutions are also needed. Possible examples are to focus on work requirements, competencies, and success factors so as to maximize the value of developmental activities; use full-circle, multirater assessments; increase the use of job rotations to prompt management employees to become more flexible; use action learning and real-time education to equip management employees with the flexibility they need to cope with rapid change; establish team-based management so that key work requirements develop, and are spread across, different individuals; and move beyond a focus on “filling boxes on an organization chart” to “meeting work requirements through innovative means.”

Problem 6: Too much paper work

Top managers in most organizations have a low patience for paperwork. One reason for this is that top managers are often overburdened with paperwork, since they receive it from so many quarters. Technology, which was once seen as a blessed solution to information overload, now appears to be a major cause of it, as stressed-out managers cope with burgeoning messages by electronic mail, cell phones, faxes, and other sources. Hence, one problem with the traditional approach to succession planning is that it may require substantial paperwork to:

- Assess present work requirements or competencies.
- Appraise current individual performance.
- Assess future work requirements or competencies.
• Assess individual potential for advancement.
• Prepare replacement charts.
• Identify future career paths or career maps.
• Identify key positions requiring replacements.
• Establish individual development plans (IDPs) to help individuals narrow the
gap between their present work requirements/performance and Future work
requirements/potential.
• Follow up on IDPs.

While full-time specialists or part-time HR generalists can provide assistance
in recordkeeping, they can seldom supply the details for every person, position, and
requirement in the organization. Whenever possible, however, succession planning
coordinators, management development professionals, or human resource
professionals should supply information that is readily available from sources other
than the immediate organizational superiors of employees participating in succession
planning efforts. That way, the superiors can focus their attention on identifying the
talent to implement business strategy, identifying critical positions and high-potential
talent, and formulating and following through on developmental planning.

Problem 7: Too many meetings

The traditional approach to succession planning can create resistance owing to
the massive paperwork it can generate, also it can lead to resistance because it can
require numerous and time-consuming meetings. For instance, to carry out SP&M,
management employees may need to participate in the following:

• Kickoff Meetings: Management employees may be required to attend kickoff
meetings, conducted by the CEO, that are intended to reinforce the importance
of the effort.

• Organizational, Divisional, Functional, or Other Meetings: These meetings
may focus on SP&M for each job category, organizational level, function, or
location.

• Work Requirements Meetings: If the organization makes it a policy to base
succession on identifiable work requirements, competencies, success factors,
or other "objective criteria," then management employees will usually be involved in meetings to identify these criteria.

- Employee Performance Appraisal Meetings: Management employees appraise the performance of their immediate subordinates as a part of the SP&M program.

- Career Path Meetings: If the organization attempts to identify predictable, desirable, or historical relationships between jobs, then management employees may be asked to participate in that effort by attending meetings or training.

- Career Planning Meetings: If the organization makes an effort to discover individual career goals and interests as a means to do a "reality check" on possible successors, then management employees may have to take time to meet with each employee covered in the succession plan.

- Potential Assessment Meetings: Assessing individual potential is future oriented and may require meetings different from those required for performance appraisal.

- Development Meetings: Planning for individual development, as a means of narrowing the gap between what individuals know or do presently and what they must know or do to qualify for advancement, may require time-consuming individual meetings.

- Training, Education, and Developmental Meetings: As one means by which succession plans may be realized, meetings centered on training, education, and development may demand considerable time. While meetings can be consolidated to save some time, each meeting listed above serves an important purpose. Attending meetings can require a significant time commitment from employees at all levels.

**Problem 8: Family business**

Part of this tendency can be explained through a general lack or unwillingness to plan for succession. As research has shown, over 70 percent of family businesses fail to successfully transition to the next generation. Unfortunately, there are many reasons why the succession planning process is still neglected. Obviously, it's a
sensitive issue that can easily escalate into sibling rivalries, political power plays and tax hurdles. That, however, is exactly why it needs to be well planned and well communicated.

1. A “Good Times High” – When things are going well, most people have a tendency to pay no attention to difficult and pressing issues. Clearly, it’s more enjoyable to think about maintaining success while one is still in control than trying to ensure it after one is gone.

2. More urgent Issues – Businesses firefight every day: the plant is broken, employees have been thieving, and the accountants found mistakes. While these short-term issues must be sorted, the long-term implications of ignoring succession planning will most definitely cripple the company’s chances of success.

3. Immortality Complex – An immortality complex is an often-documented downside to successful entrepreneurs. It is difficult to face the reality of sickness or death; most people just ignore it.

4. Employee and Family Feud Fears – Succession can easily become emotional and overly political, a veritable land-grab if the situation is mismanaged. Because of these dangers, many incumbents choose to ignore the process all together instead of managing for eventualities.

5. Trouble Leaving the Business – Entrepreneurs should be proud of what they’ve built. Those years of sweat and hard work, however, also make it difficult to even think about leaving it all behind.

6. Tax Hurdles – Tax issues are complex and confusing when it comes to handing over or selling a family business to the next generation. Therefore, they’re often swept under the rug to deal with more “urgent” problems.

7. Faith in the Successor – While the successor may be able to take the business to new heights, there is always in air of uncertainty in such transitions. This disagreeable realization causes many incumbents to merely ignore the succession planning process.

As its failure rate highlights, family business succession planning is an often-ignored subject. While that may be more comfortable for the short-term, the long-term ramifications of ignoring the process are great.
Problem 9: Communicating

Communicating about an SP&M (succession planning and management) program presents unique problems that are rarely encountered in other areas of organizational operations. The reason: many top managers are hesitant to share information about their programs widely inside or outside their organizations. They are reluctant to share information outside the organization for fear that succession plans will reveal too much about the organization’s strategy.

They are reluctant to share information inside the organization for fear that it will lead to negative consequences such as “greenmail” or the “crown prince dilemma”. High-performing or high-potential employees who are aware that they are designated successors for key positions may:

- **Greenmail** occurs when designated successors attract lucrative offers from other employers and then leverage them to achieve counteroffers from their current employers.
- Become complacent because they think advancement is guaranteed. This is called the crown prince phenomenon.
- Grow disenchanted if organizational conditions change and their status as successors is no longer assured.
- “Hold themselves for ransom” by threatening to leave unless they receive escalating raises or advancement opportunities.

Of course, the opposite can also happen. If high potentials are kept unaware of their status, they may seek advancement opportunities elsewhere. Equally bad, good performers who are not presently identified as successors for key positions may grow disenchanted and demotivated, even though they may already be demonstrating that they have that potential. A poorly handled communication strategy can lead to increases in avoidable or critical turnover, thereby costing the organization precious talent and driving up training costs.
1.8 SUCCESSION PLANNING STRATEGIES

Organizations with effective succession planning efforts have many common characteristics. One of those characteristics is the use of a variety of strategies that help build the continuity of talent needed for future success.

These strategies fit into four categories, including:

- **Development and Learning** – strategies that promote the development of competencies, the exposure to more complex and challenging experiences, and the broadening of horizons outside the immediate organization.
- **Feedback** – strategies that facilitate self-examination and assessment and promote continuous growth through ongoing feedback and exposure to role models.
- **Retention** – strategies that enhance workforce motivation, commitment, and performance around mission accomplishment.
- **Recruitment** – strategies that strengthen the ability of the organization to acquire the best-qualified leadership talent.

1.8.1 DEVELOPMENT AND LEARNING STRATEGIES

Development and learning strategies that promote effective succession planning include:

- Job experiences.
- Change in scope of job.
- Job that requires “fix it”.
- Build from scratch assignment
- Projects and task forces that require new skill or learning
- Line to staff and vice versa; headquarters to field and vice versa
- Placement in “high stakes” situation
- Dealing with significant change event
- Action learning team projects
- Rotational, temporary assignments managed by senior leaders
- Full-time job rotations managed by senior leaders
- Formal leadership training
• Formal education courses and programs
• Internal training courses
• Observation of senior leaders
• Shadow assignments
• Exposure to strategic issues in senior-level meetings
• Learning through action and involvement with senior leaders
• “Storytelling” by senior leaders (giving specific examples of their learning)
• Communities of Practice (CoP)
• Self-development
• Community, volunteer activities
• Readings and individualized study.

1.8.2 FEEDBACK STRATEGIES
Feedback strategies that promote effective succession planning include:
• Readings and individualized study
• 360° (multi-rater) assessments
• Senior coaches
• Mentors outside the person’s organization unit
• A performance management system that provides ongoing feedback and appraisal for growth.

1.8.3 RETENTION STRATEGIES
Retention strategies that promote effective succession planning include:
• Quality of work life programs
• Telecommuting
• Alternative work schedules
• Child and elder care
• Fitness and wellness programs
• Retention bonuses
• Retention incentives
• Recognition systems
• Creating “best place to work” strategies.

1.8.4 RECRUITMENT STRATEGIES:
Recruitment strategies that promote effective succession planning include:
1.9 TRENDS IN SUCCESSION PLANNING AND MANAGEMENT

Trend 1: The Need for Pace

Time has emerged as a key strategic resource. Slashing the time it takes to get results is seen as a goal in its own right. Finding faster ways to create new products or services and thereby beat competitors to production or service delivery. Entering new markets faster. Reducing redundant steps in the production process through process improvement. Improving, through just-in-time inventory methods, the time match between the need for raw materials and their use in production so as to reduce inventory-holding costs. Reducing the time it takes to fill an order or ship a product from producer to consumer.

Speed is only likely to become more important in the future. That sensitivity to speed is affecting human resources (HR) practices as well. Many companies keep statistics to see how long it takes to do the following:

- Justify a position.
- Recruit for and fill a vacancy.
- Find talent to meet immediate needs or synchronize efforts.
- Train people.

In a more stable era, it might have been acceptable to permit a long lead-time between the justification and filling of a position, or the selection of a qualified person and the realization of full productivity from that worker following training. Time is a resource easily wasted, and people must be found and oriented so that they can become productive as quickly as possible.

Trend 2: A Seller's Market for Expertise

Employers in the India, as in many other parts of the world, have traditionally taken workers for granted. Many managers still assume that, if their organizations will
only pay enough, they can always find the people they need to fill any position. But that assumption is not always valid anymore. There are several reasons:

First fewer workers are entering at the bottom of organizational pyramids because there are fewer workers of traditional entry-level age. Those new workers have a work ethic and values different from those of previous generations. Many prize a balance of work and personal life that does not match the frenetic pace of many organizations today, where number of work hours for the average manager are on the rise.

Second, more people are reaching traditional retirement ages. Some authorities contend that this will lead to a leadership shortage as senior managers, traditionally the oldest age group, take advantage of generous retirement plans. Other authorities, however, caution against assuming that people will retire at traditional ages in the future, since retirement plans and other benefits are less secure than they once were.

Third, until recently the Indian economy sustained a broad expansion for the longest period in history. Many groups have benefited from this expansion. While there may be evidence that the rich are getting richer and the poor are getting poorer, it is also true that virtually anyone in India who wants a job can find one somewhere. This means that workers can afford to be more selective about where they work, which creates a seller's market for skills.

In response, many Indian organizations have instituted retention programs to hold down turnover. That is ironic, considering that many organizations in the 1990s implemented staff reduction plans through downsizings, layoffs, employee buyouts, and early retirement programs in order to slash payroll and benefit costs. But, while downsizings continue in the wake of rapid market changes and corporate mergers, acquisitions, and takeovers, many decision-makers in organizations are now looking for ways to attract and retain talent. That is particularly true in information technology jobs, where a much publicized labor shortage is thought to be a driver for future mergers and acquisitions. The change in attitude has spawned interest in ways to give people hope for the future. An SP&M program is one such way and reinvented career planning and development program is another, related way.
Trend 3: Reduced Faithfulness among Employers and Workers

There was a time when employees believed that they would get a job with one company and stay with that company until retirement. A stable employment record was considered an advantage during job interviews. Likewise, employers often assumed that, when they extended a job offer, they were establishing a long-term relationship with the worker. Even poor performers were tolerated, and sometimes moved out of the way and into harmless positions to preserve workers' feelings of trust and security with their employers. This, of course, is no longer the case. One result of the downsizing of the 1990s was that employers changed the employment contract. As competitive conditions became more fierce, organizational conditions became less stable. No longer were employers making a long-term commitment to their employees. A legacy of this change is that employees have become more interested in short-term gains, especially in salaries, titles, development opportunities and benefits. They want immediate rewards for good performance, since they distrust their employers' abilities to reward them in the future for hard work performed in the present. They have changed from showing a tolerance for delayed gratification to demanding immediate gratification. This change in the employment contract has profound implications for traditional SP&M practices. Employees can no longer trust their employers to make good on promises of future advancement. And, given that attitude, employers can no longer count on high potentials or exemplary performers patiently performing for long periods before receiving rewards, advancement, or professional development. Speed is now as important in managing succession issues as it is in managing other aspects of organizational practice. Managers must manage against a backdrop with the possibility of losing valuable talent if they do not identify it quickly and offer prompt rewards and development opportunities.

Trend 4: The Importance of Intellectual Assets and Knowledge

Management Intellectual capital can be understood, at least in one sense, as the collective economic value of an organization’s workforce. The effective use of intellectual capital is knowledge management. It is important to emphasize that, as the speed of decision making increases in organizational environments and operations, intellectual capital increases in value because it is essential for customers to deal with workers who know how to serve them quickly and effectively. This demands improved knowledge management of the workforce. While land, capital, and
information can be readily obtained from other sources and on occasion, leased, outsourced, or purchased the organization’s workforce represents a key asset. Without people who know what the organization does to serve its customers and how it does that, no organization could continue to function. Without the people, there would be no way to achieve the mission of the university by teaching, research, and service. The same principle applies to business organizations. While traditional managers may view people as a cost of doing business, thought leaders realize that people represent the only asset that really matters in a competitive environment. People dream up new products and services. People make the leap from the results of basic research to the commercialization of applied research. People come up with technological advancements and use those advancements to achieve improved productivity and quality. People serve the customers, make the products, ship them to consumers, bill them, deposit the proceeds, and manage the organization’s resources. Without people, the competitive game is lost. That is a lesson that is, unfortunately, too easy to forget at a time when many people are awed by rapid technological advancement.

Of course, those impressive technological advancements are pointless unless people make use of them. The implications of intellectual capital and knowledge management are important for SP&M. In a sense, succession planning and management is a means to an end. It is a tool of knowledge management, a means of ensuring that intellectual capital is properly serviced, retained, cultivated, and protected.

**Trend 5: The Importance of Principles and Competencies**

People in organizations have high expectations of their leaders. These expectations are unlikely to diminish in the future. People want leaders who can get results and can, at the same time, model appropriate ethics. For these reasons, principles and competencies have emerged as crucial to success in organizations. In the wake of high-profile scandals in the U.S. government, in other governments such as those of Japan and China, and in many businesses, principles have emerged as a key issue of importance in organizational settings. Many multinational companies, for instance, have tried to address cultural differences by establishing core principles honored internationally under one corporate umbrella. Competencies, while having different definitions, have also emerged as key to management decision-making,
human resource practice and SP&M programs. Values represent a moral dimension to the way leadership is exercised and work is performed. Competencies can represent the distinguishing features between high performers and average or below-average performers. More flexible than work activities or tasks, competency models are the glue that holds together a succession planning effort. The use of competency models is a distinguishing characteristic between traditional and cutting-edge SP&M programs. As work becomes more dynamic and divorced from the traditional "boxes" found on organization charts, there must still be a way to describe what performance is expected. Competency models have the advantage of providing that flexibility.

**Trend 6: More Software to Support Succession**

There is more software available to support SP&M, which is and that is both a blessing and a curse. It is a blessing because, when well formulated and implemented, software permits individuals and groups that are dispersed geographically to participate. Software can facilitate decision making on competency identification, values clarification, 360-degree assessment, individual development planning, identification of developmental resources to help build competencies (and thereby close developmental gaps), track individual progress (and thus encourage accountability), and even measure individuals' progress and the support provided by immediate supervisors. But it can be a curse because some people believe that, when they buy a technology solution, they are also buying the solutions to their succession problems. They think that the software will give them ready-made, off-the shelf, one-size-fits-all competency models, 360-degree assessments; individual development plans, tracking systems, and developmental methods. Of course, that is not true. Technology is like an empty glass. HR practitioners and senior managers cannot avoid the responsibility of filling the glass with corporate culture specific competencies, overseeing individual progress, providing realtime mentoring and coaching, and offering much more than is embedded in the technology. In short, technology can ease the work, but it will not remove it.

**Trend 7: The Growing Activism of the Board of Directors**

Boards of directors are beginning to take a more active role in SP&M. The evidence clearly points in that direction. One reason has been the Sarbanes-Oxley Act
of 2002. A key effect of that act is to increase board accountability in business operations. And, of course, finding qualified successors for CEOs on down is an important issue that corporate boards must perennially address.

**Trend 8: Growing Awareness of Similarities and Differences in Succession Issues Globally**

An all-too-common scenario is that the corporate headquarters in Europe, the United States, or Japan will establish succession planning guidelines and then roll them out worldwide, forgetting that the world is a big place and national cultural differences do play a role in effective succession planning practices. Unfortunately, it is a lesson that some multinational corporations (MNCs) have never learned. As Hickey notes in writing of SP&M in China, “a continued negligence of a systemic succession plan is seemingly retarding the growth and career development of domestic employees to localize the organization”. One size does not fit all and that is as true of succession planning as it is of anything else. An English language only literature search uncovered articles about SP&M in Europe, the United States, Asia, the Middle East, and New Zealand. The result is that, whatever the approach, it is only partly effective. Here is a list of some typical problems and their causes:

- **U.S. firms will generally prize individualists who can claim credit for what they have done on their own.** In short, allowances may have to be made for cultural differences in which individual efforts are prized in those cultures where individualism is prized, while an individual’s willingness and skill to influence groups may have to be identified and rewarded in more collectivistic cultures where team efforts are prized.

- **Some European firms and some firms in developing nations will prize “family heritage.”** Ultimately, coming from the European tradition of aristocracy, this principle means that “not all people are created equal.” Some people, as George Orwell once noted in *Animal Farm*, are “more equal than others” by virtue of birth family, socioeconomic status, schools attended, and social networks developed from school and family connections. In short, it means that one’s family may mean that one is destined to be a senior executive no matter what corporate leaders in other nations may want because that is just the way things are done locally.
Goals may be established at corporate headquarters. But, if the approach is to be effective, corporate leaders should launch facilitated sessions that bring together leaders to have input on the goals, hear about best practices and discover what results are to be achieved by those practices. Then the leaders should engage in facilitated discussions where they can “invent” local approaches that will “work” in their home cultures, and will comply with the employment laws of each nation. It is true that such an approach takes time, resources, patience, and hard work. But in the long run, that approach has the advantage of leading to “global goals” but using “local approaches to achieve those goals.”

The alternative is to do as many companies do and just “roll out something” from corporate headquarters. Local people will shake their heads in wonderment, amazed that global corporate leaders know so little about the broad differences in local cultures, local realities, and even local labor laws. It just undermines the credibility of corporate leaders. As globalization exerts increasing influence, these “one size fits all” approaches will be increasingly out of step with good business practice. That is especially true when rapidly advancing technology makes it possible to have video conferenced and realtime online discussions cross-culturally to facilitate ideas and approaches.

Trend 9: Growing perception of Similarities and Differences of Succession Programs in Special Venues: Government, Nonprofit, Education, and Small or Family Business

Just as one size of SP&M program may not fit all internationally, one approach to SP&M will not work in all venues. While there are many similarities in effective SP&M programs across business, government, and nonprofit sectors, there are some important differences as well. The same is true in settings such as educational institutions, small business, and family business.

Government

There are two key differences in succession planning programs between business and in governmental settings.

One difference is that some governmental entities have civil service systems that prohibit (by law) the naming of individuals to fill positions without competitive
job searches. In some jurisdictions, all jobs must be posted. Individuals are then ranked according to their qualifications compared to the requirements listed on job descriptions. That approach means, in practical terms that a government entity can commit to develop anyone who wishes to be developed, a method sometimes called a talent-pool approach. But identifying individual successors in advance may not be possible.

A second difference has to do with who may be regarded as the key customers of the effort. In business, the CEO plays the single most important role as customer. But in some governmental entities, the agency director is a political appointee who carries out the will of an elected official. In practical terms, that means that the most important owners of the SP&M process will be those government civil servants who do not change with the winds of every political election. They possess the collective institutional wisdom of the organization in their heads, and they must be appealed to on the grounds of a legacy if a government-agency SP&M program is to work. In many cases, government succession programs bear different titles and are called workforce planning or human capital management initiatives.

Nonprofit

Nonprofit entities share characteristics with business and government. For that reason, an effective SP&M program in a nonprofit organization will most likely be a hybrid of what works in the private and public sectors. The senior-most leader must back the effort if it is to succeed, and the nonprofit SP&M program is like the private sector. But dedicated leaders who have made their careers in the organization, and are committed to its worthwhile mission, must also back the effort. And in that respect, the SP&M program in a nonprofit organization is akin to that of a governmental entity.

Education

Educational institutions vary widely in type, just as governmental entities do. One size SP&M program will not fit all. What works in a local school system may not work at a world-famous research university. But it is clear that large universities are unique for the simple reason that many people must move to other higher educational institutions if they are to be promoted from department head to dean, dean to provost or chancellor, or chancellor or provost to president. That makes it difficult for one institution to justify expenditures on identifying and grooming talent for the future,
since the beneficiaries of such efforts would most likely be other institutions. Having said this, however, some higher-educational institutions have committed to leadership development programs to groom talent, and it is likely to be seen more in the future, for the simple reason that so many college professors and university administrators are at, or near, retirement age.

Small or Family Business

Succession is a significant part of life, it signals the transition from old to new. Succession indicates a continuum and turns a life into a legacy. Succession has been a focus of people's attention as it encompasses many different aspects of life, especially in family succession. The conflict between siblings or candidates, the process of the incumbent stepping aside, the chosen candidate rising to power and the unsuccessful candidates acceptance or denial of the situation.

Source: The University of Texas at Austin

Figure-19: Godfather

A prime example of this focus and the aspects that engross people's attention can easily be depicted in the film "The Godfather". The Godfather, a 1972 multi Oscar winning film starring Marlon Brando, Al Pacino and James Caan, where an ageing patriarch must transfer his business to his son, the most unwilling of his siblings (IMDB, 2010). This film summarizes succession planning as it illustrates sibling rivalry, the importance of business and family, conflicting goals between the business, the family and the individual. The film also shows great emotional attachment of the founder to the business, their role after the succession has occurred

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and the secrecy held by family towards the business. The film also shows that no formal succession plan was used, a common element in family business today.

It should be noted that not all family businesses are small businesses and not all small businesses are family businesses. Some large, well-known companies like Tata were originally family businesses. In Europe or Asia, many large companies began and some still are essentially family dynasties. That is also true in some companies in the United States. And small businesses may be initiated by individuals without families or in partnerships of otherwise talented but unrelated entrepreneurs.

Family businesses exert an enormously powerful authority on the Indian economy. It has been estimated that family businesses generate approximately nine out of 10 new jobs. But despite the significant role they play in supporting the nation’s economy, only about one in three survives to the second generation. The estimate of successful transfers to the third generation ranges from only 10 to 20%.

Family businesses represent a special succession challenge for the simple reason that many factors come into play. A founding entrepreneur, who is usually a parent and spouse, establishes a business. But what happens when he or she passes from the scene. Primogeniture is the view that the eldest son should be the primary inheritor. Based on the way that aristocratic titles have been passed down historically, it poses special problems in family succession, for the simple reason that the eldest son of a founding entrepreneur may (or may not) be the best equipped by skills, vision, or motivation to run the business.

Family succession has several issues associated with it.

- One issue centers on management.
- A second issue centers on tax and inheritance issues.
- A third issue centers on legal issues.
- A fourth issue centers on what might be called family psychology.

While founders may feel inclined to leave the business to a spouse or to an eldest son, that person may in fact not be the best choice. The real issue has to do with a conflict between obligation to family and obligation to the business. Savvy founders will not necessarily let the obligation to the family prevail. If they do, they may
destroy the business. What happens if, upon the founding entrepreneur's sudden death or disability, the spouse or eldest child is ill equipped to manage the business. The answer is likely to be bankruptcy or a sell-off. That may not be best for the business, the employees, or the communities in which that business functions. The second and third issues have to do with accounting and legal issues. If the business is handed over before the founder's demise, in which case it is handed over legally. That requires competent legal advice to write a will that cannot be easily "broken" or a handoff agreement that makes the founder's relationship to the business clear.

The fourth and final issue has to do with family psychology. If the founder decides to hand over a controlling share of the business to one child in preference to others, for instance, then the reasons for that should be clear before his or her demise and the issue of financial fairness and equity addressed at that time. If the founder decides to hand over a controlling share of the business to a child and ignore the living spouse's claim on the assets that is also a problem. The point to be made here is that conflicts should be worked through while all parties are alive. At times that may require the help of a skilled family psychologist. To ignore the problem is to beg trouble and perhaps beg the dissolution of the business upon the founder's death or disability as family members squabble bitterly and ceaselessly over money.

Trend 10: Managing CEO Succession

CEO succession has emerged as a special theme and research topic within the succession literature. In that respect it is like other unique succession issues, such as the impact of cultural differences in making succession decisions, small business succession, and family business succession. The special interest in CEO succession should come as no big surprise. It has been a prominent topic for research, discussion, and investor interest. In fact, it has been a focus of attention in much the same way that succession to the throne has preoccupied citizens in those nations where a monarch is the titular head of state. That analogy between monarch in a nation and CEO of a company is particularly apt when thinking about the successors of founding entrepreneurs in small businesses, where a CEO's unexpected and sudden loss can have particularly devastating effects on the business. CEO succession has also become a particular center point for concern recently as CEO turnover globally has
increased. The findings of a study of CEO turnover, reported in *The Financial Executive*, revealed that:

- Involuntary CEO successions increased by more than 70 percent from 2001 to 2002.
- Of all CEO departures globally in 2002, 39 percent were forced and that compared to 35 percent in 2001.
- CEO turnover increased 192 percent in Europe and 140 percent in the Asia/Pacific region but only 2 percent in North America since 1995.
- The Asia/Pacific region accounted for the largest change (19 percent), nearly 1 in 5 CEO departures.
- North America accounted for only 48 percent of all successions worldwide in 2002 but accounted for a significantly higher 64 percent in 2001.
- Corporate boards have toughened their stance on CEO performance, since the board dismissed CEOs in 2002 when shareholder returns were only 6.2 percent below median regionally adjusted averages but at 11.9 percent below median regionally adjusted averages in 2001.

One important conclusion that can be drawn from these results is that organizations must pay more attention to ways to select CEOs and assimilate them. Indeed, CEO succession is likely to continue to be a focus of attention. Most experts predict that the pace and magnitude of change in the world will continue to increase. As that happens, corporate boards are likely to be more demanding and less forgiving of CEO performance. That, in turn, will probably continue the trend of dropping job tenure for CEOs.

### 1.10 GROWTH OF THE SUCCESSION PLANNING AS A FIELD

The practices of succession planning have been in place in different cultures and in different forms since the beginning of known history (Garman & Glawe, 2004). Royal families have been identifying and grooming candidates who will inherit leadership positions, although without using the term succession planning. In recent decades, however, there has been an increasing move towards succession planning processes especially in larger corporate organizations. CEO succession was the initial focus of the succession planning efforts (Kesner & Sebora, 1994). It was in the 1980s
when a shift occurred from the initially preferred CEO replacement planning to a more expanded notion of succession planning (Berke, 2005). As the leadership needs increased, the concept of succession planning was extended to include other leadership levels of an organization.

A body of literature before 1995 attempted to devise the best practices applied in succession planning. For instance, Eastman (1995) reports eleven practices accompanying effective succession planning as expressed by 56 different sources, stating that an effective succession plan: (1) receives a vivid support from top management, (2) is owned by departmental leadership and supported by workers, (3) is straightforward and customized to organizational needs, (4) connected to strategic plan of an organization but flexible, and (5) emerges from staff evaluation processes. Moreover, an effective succession planning: (6) is founded on the finely tuned competencies and purposeful assessment of potential candidates, (7) integrates ideas from workers, (8) is a component of a wider attempt for management development, (9) comprises job assignment plans for capacity building, (10) is intertwined with other human resources systems, and (11) focuses on accountability and monitoring of plans (See Eastman, 1995, pp. 50-66). Moreover, Berke (2005) posits that from 1995 up to 2005, there were few changes in the body of literature regarding the overall understanding of succession processes. For instance, one outstanding aspect in that decade was the prominence on succession management as a concept, which is more systematic and comprehensive than a mere succession planning process. Also, the notion of development of the high potentials, which was viewed as the heart of succession processes, was expanded to include “action learning and cross application of assignments” (Berke, 2005, p. 3). Moreover, this period was characterized by an increase in research on high potentials and the role of high potentials’ learning agility.

According to Berke (2005), other modern topics in succession discipline include: the role of the board members in the succession process, different kinds of succession processes, internal versus external successors, political processes involved in succession processes, development of the talent or high potentials and succession management systems and their design.
1.11 THE CONSEQUENCE AND OCCURRENCE OF SUCCESSION PLANNING

Several authors have echoed the importance of succession planning and management. In 2004, Rothwell (2005) conducted a study that involved over 500 Human Resources Management (HRM) professionals of different organizations. All respondents (100%) agreed that succession planning is important to their organizations. In another study, it was found that organizations with formal succession planning were 80% prepared or extremely prepared to immediately fill leadership positions (Fegley, 2006). Many authors affirm the worth of the succession planning (see Garman & Glawe, 2004; Giambatista et al., 2006; Rothwell, 2005).

One reason why succession planning and management is very important is that it addresses the imminent leadership shortage. Several authors believe that succession planning is an answer to the impending leadership crisis (Binard Carlson, 2007; Heuer, 2003; Hull, 2005, Mackey, 2008, Rothwell, 2002). Berke (2005) states that “the purpose of succession-related practices is to ensure that there are ready replacements for key positions in an organization so that turnover will not negatively affect the organization’s performance”. But succession planning is not only for immediate replacement of departing leaders, as it is also a very important strategy for the long-term sustainability and viability of the organizations (Mandi, 2008).

Another reason why succession planning and management is important is that resignation of key personnel drains the technical and cultural knowledge of the organization, because whenever senior leaders retire, a loss of experience, expertise, cultural insights, and organizational history occur (Merrill Lynch, 2006). Hence succession planning and management is the strategy that can prevent loss of the organizational knowledge and culture.

Moreover, as mentioned earlier, there exists a link between succession planning and organizational performance (Rowe et al., 2005). In the business world, for instance, investors tend to value firms that have a known successor when a CEO leaves (Behn, Riley, & Yang, 2005). Despite the difficulty of measuring the return-on-investment for a succession planning and management program in business, common sense indicates that the cost of the absence of a succession program might be
higher than the cost of putting one in place (Rothwell, 2005). In addition to improved performance, companies with succession planning experience better leadership transition than firms that do not have any (Khumalo & Harris, 2008).

One important benefit of succession planning and management is related to the competitiveness of the organizations. The today's world is so competitive that it is vital for organizations to find a means of attracting, developing, and retaining the workforce with required abilities (Krauss, 2007). Those organizations that successfully use succession planning and talent management for attracting and developing future leaders will be able to remain competitive (Mackey, 2008). In order to attain a competitive edge in the dynamic market-driven world, organizations must adopt well-designed succession plans (Krauss, 2007). Actually, organizations can confidently face the future if they create their own talent factories (Krauss, 2007). But, it is vital to stress here that it is the formal succession planning, not the informal, that enables entities to develop and monitor the performance of the high potentials (Fegley, 2006).

Additionally, succession planning and management is significant for several other reasons. In brief, succession planning and management: is the basis for continued survival of the organizations; ensures the pipeline of the future talent and candidates for key positions of the organizations; encourages diversity and multiculturalism in workplaces; and augments career paths, staff development plans, and other human resource mobility activities (Rothwell, 2005).

Despite the importance, however, succession-planning practices have not yet permeated all organizations. Studies on the prevalence of succession planning indicate an estimation of 40% to 65% of companies have adopted formal succession planning practices (Garman & Glawe, 2004). Other experts estimate that 85% of the Indian organizations have inadequate succession planning or do not have it at all (Nink et al., 2006). What is not clear though is that despite its benefits, some IT organizations have not yet paid adequate attention to succession planning and management strategies, even when faced with the impact of losing key personnel.
1.12 THE RESIGNATIONS, RETIREMENTS, AND SUCCESSION PLANNING

The significance of succession planning today is exacerbated by the impending massive resignations of the IT workforce. The issue of an aging population is a critical one and has been mentioned by several authors. It is predicted that about 20% of famous Indian companies might lose 40% of their key executives due to age-related retirements in a span of five years. Hull (2005) predicted that about a quarter of the top officials of the IT companies would retire between 2005 and 2010. In another study, 35% of the organizations’ leaders indicated that their organizations will face a “leadership void” as the existing stock of leaders retires (Criswell & Martin, 2007). Also, projections indicate that by year 2010 the population size of workers aged 55 years and over will swell by 47% (Britt, 2003). Moreover, there is a growing concern that a large number of CEOs will retire in the near future. For instance, between 1995 and 2003 the turnover of CEOs increased by 170% (Lucier, Schuyt, & Handa, 2004);

The effect of massive retirements of the senior officials is enormous. Organizations experience great loss in experience, knowledge, and organizational culture (Merril Lunch, 2006). The situation is exacerbated by the fact that the size of the generation Y group, who were born between 1979 and 2000, is almost the same as that of the baby boomer generation; but the former does not have sufficient experiences required to replace the latter (Campbell & Eggers, 2006; Tucker, Kao, & Verma, 2005). Loss of industrial skills, institutional knowledge, history, and culture is a major concern for most organizations (Sauer & Cicero, 2007). Besides demographic trends, the current workforce is notably changing due to economic, socio-political and technological factors; hence the size of the workforce is decreasing and becoming less skilled, but more global, highly virtual, increasingly diverse, as well as self-directed and empowered (Tucker et al., 2005). Thus, employers need to rethink how they manage their talent.

1.13 SUCCESSION PLANNING AND MANAGEMENT VERSUS ORGANIZATIONAL CULTURE

Culture is a complex phenomenon and there remain many competing views of the construct of organizational culture (Martin, 2002). Smircich (1983) suggests the
problem may lie within the attempt to combine the construct of culture with the construct of organization. Mead (1949) describes culture as the ethos of an organization, much as personality is the ethos of an individual. Culture, as representative of ethos and personality, suggests a complex and dynamic system rather than static, organized one.

Although there remains a lack of agreement among anthropological, sociological and organizational researchers as to a singular definition of culture, arguably the most widely cited in organization research is that of Edgar Schein (1992). Schein posits that organizational culture is:

“A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” (p. 13)

One important aspect of succession planning and management is that it must be an integral part of the organizational culture (Rothwell, 2005). Effective succession planning cannot occur in seclusion; it has to be linked to organizational behaviors and be integrated into the overall organizational strategic planning (Cantor, 2005; Lockwood, 2006; Rothwell, 2005; Stephens, 2006). Accordingly, some suggest that planning for retirement of the CEO and his/her subsequent replacement in a private and family business should start at least ten years before the anticipated retirement date (Harmon, 2007). This long-term planning of succession is only possible when succession planning is treated as a part of organizational culture. According to Fulmer (2004), “Best-practice organizations make succession planning an integral corporate process by exhibiting a link between succession planning and overall business strategy” (cited in Rothwell, 2005, p. 31).

Once integrated into the organization, succession planning will continuously guide the assessment of candidates’ competencies and guide the process of developing each individual candidate. Actually, succession planning ought to be an ongoing process linked to organizational learning capacity (Hunte-Cox, 2004). Since succession-related responsibilities are enormous, there is a need for organizations to have a unit that can coordinate all succession activities. This unit can be a committee,
a section under a human resources department, or a competent official (Huang, 1999; Rothwell, 2005). For small firms, however, leadership succession can be guided by competent consultants so as to avoid the cost of establishing a unit in the firm. Nonetheless, some tips can help small private firms achieve successful leadership succession, such as: (1) starting succession process early, (2) hiring regularly, (3) sharing information, (4) assigning and delegating carefully, (5) providing feedback and establishing accountability, (6) communicating interests and intentions frequently, and (7) constant mentoring (Harmon, 2007). All these behaviors require the full commitment of the top leadership.

1.14 TOP LEADERSHIP COMMITMENT TO SUCCESSION PROCESSES

Leadership is the heart of any organization (Kouzes & Posner, 2007). It is important to mention that some studies have depicted some relationship between the leadership capacity and succession planning. Similarly, Thompsen and Smith (2006) observe a relationship between development, deployment, and retaining of crucial talent and organizational capacity, which is highly influenced by the leadership capacity of an organization.

On the other hand, the implementation of succession planning and management programs is competent when it is activated and supported by the top leadership (Harrison et al., 2006; Krauss, 2007, Roddy, 2004; Rothwell, 2005). In fact, succession programs require the commitment and involvement of both the top executives and heads of human resource departments (Krauss, 2007; Lockwood, 2006; Rothwell, 2005). The bottom line is: since succession planning and talent management are strategic approaches, they need to be handled by the strategic level of the organizational leadership.

1.15 ASSESSMENT OF ORGANIZATIONAL LEADERSHIP NEEDS

According to Rothwell (2005), in order to implement a succession planning process, organizations must assess both the present and future work, staff, and leadership requirements. Since the aim is to align people with the organizational roles, both the appraisal of the current performance and assessment of the future individual potential must take place in relation to the organizational requirements (Rothwell, 2005). A careful assessment of individual employees helps not only to identify those who are able and desiring to advance upwards, but also helps to demarcate their
developmental gaps (Rothwell, 2005). The assessment procedure must be based on a set of competencies that the organization has specified. For this purpose, some organizations use core competence modeling as an approach for selection and development of new talents to keep an organization competitive (Grigoryev, 2006). A competency model is a set of competencies needed for excellent job performance within the framework of job roles and responsibilities (Rothwell, 2005). Grigoryev (2006) provides several steps for core competence modeling. Also, in order to have a fair assessment, it is recommended to utilize a qualified expert from outside the organization (Krauss, 2007; Rothwell, 2001, 2005).

Furthermore, individuals' abilities for job change or upward movement have to be evaluated through a systematic process of individual potential assessment (Rothwell, 2005). It is through these kinds of evaluation processes that workers' skills, values, strengths, interests, behaviors, education, goals, and weaknesses can be uncovered (Gaffney, 2005). Moreover, an appropriate evaluation of employees includes an assessment tool that benchmarks workers against organizational requirements, expectations, and culture; this is crucial for the detection and selection of the talent (Gay & Sims, 2006). Eventually, the identified talent and high potentials have to be developed and retained in order to fill the future key/leadership positions as vacancies are created. This is why a talent management strategy is an important component of any succession planning and management process.

1.16 TALENT MANAGEMENT STRATEGY IN SUCCESSION PROCESSES

Talent management entails efforts made by organizations to identify, develop, and move employees and leaders upward to increase retention of the key talent (Gay & Sims, 2006; Lockwood, 2006). Talent management is a key component in succession planning and management. The study conducted by the Society for Human Resource Management revealed that 76% of the study participants considered talent management as a top priority of today's organizational strategies (Fegley, 2006).

Since employers will increasingly face shortages of talent and will find it hard to retain the existing stock, they will need to adopt policies and procedures for earlier identification and retention of high-potential talent (Rothwell, 2005). Massive retirements of the baby boomers, potential workforce turnover due to various reasons, and competitive retention schemes by different organizations will exacerbate talent
shortage, and hence compel employers to consider ways of effectively retaining their own talent (Krauss, 2007). In addition, talent management is driven by a desire to gain competitive advantage and as a strategy to address the alarming global skills shortage (Lockwood, 2006). The Mercer Snapshot Survey (2005) concluded that cultivating talent from within should be a primary focus of organizations; and in fact most firms are increasingly becoming engaged in this matter (Lockwood, 2006).

However, attracting and retaining the appropriate talent constitutes a big challenge for most organizations (Krauss, 2007). According to Loftus (2007), successful talent management strategies require four critical organizational capabilities: (1) aligning the workforce with the organizational strategy, (2) attracting, developing, and retaining key talent, (3) minimizing the loss of vital skills, and (4) challenging the process of the organization to augment its flexibility. Moreover, talent pools have to be organized for each key job position as each has specific requirements (Rothwell, 2005), which underscores the fact that each leadership level or position actually needs its own succession plan chart (Sobol et al., 2007).

1.17 APPLICATION OF SUCCESSION PLAN CHARTS

One of the central features of succession planning and management is that it targets every leadership level of the organization (Berke, 2005, Rothwell, 2005). Thus, for each leadership position, a succession plan chart has to be developed (Sobol et al., 2007; Rothwell, 2005). Whereas Sobol et al. (2007) use the term succession plan chart, Rothwell (2005) calls it a replacement chart. The bottom line, though, is that while succession planning is the process, a succession plan chart is a kind of a blueprint or a map that guides different tasks associated with the process of identifying, assessing, developing, and selecting potential candidates for a given key position (Sobol et al., 2007; Rothwell, 2005).

1.18 IDENTIFICATION AND DEVELOPMENT OF HIGH POTENTIALS

Development of high potentials is the heart of any succession planning and management strategy (Berke, 2005, Rothwell, 2005); but development cannot take place without adequate identification of high potentials. A high potential is a current excellent performer who is capable of advancing some levels beyond the current position; and is highly rated for current and future performance (Rothwell, 2005). Identifying and systematizing leadership high potentials as well as enhancing their
visibility comprise an integral part of leadership development and succession planning (Groves, 2007). Identification and development of high potentials is the basis for internal growth of leadership successors (Rothwell, 2005). Unfortunately, as the study conducted by the Center for Creative Leadership (CCL) in 2007 reveals, most organizations suffer not only from an absence of explicit succession plans, but also from talent shortage and lack of talent development strategies. Grooming leadership talents enables entities to obtain high potentials that can be prepared to assume leadership responsibilities.

As mentioned earlier, a competency model is often used to identify the high potentials. However, identifying a high potential is not an easy task, because IQ and past performance are not always sufficient criteria (Berke, 2005). Besides the other criteria, the key distinction between those who are high potentials and who are not lies in their learning dexterity (Lombardo & Eichinger, 2000). Learning dexterity is the ability of a worker to learn from experience, exhibited by individual's capacity to gain new skills in new situations (Lombardo & Eichinger, 2000).

As discussed earlier, assessment processes will reveal developmental gaps of each identified talent or high potential. These gaps must be bridged through different types of development programs that are adequately designed for equipping each selected potential with mandatory leadership and behavioral skills (Krauss, 2007, Rothwell, 2005). Since development of the high potentials is the heart of the succession planning and management system (Berke, 2005), organizations have to establish well-designed leadership development programs.

Besides specific programs, potential leaders can be groomed using a combination of different strategies such as action learning, special training, mentoring, coaching, job rotation and application of a 360-degree staff appraisal system (Krauss, 2007; Rothwell, 2005). Especially important is the role-played by leaders in mentoring their direct subordinates (Groves, 2007). The caution, however, is that regardless of the grooming strategy utilized, it is vital for an organization to develop and carry out an individual development plan (IDP) for each identified high potential (Rothwell (2005). An IDP is a result of a comparative assessment of “individual strengths and weaknesses on the current job and individual potential for advancement” to future specific leadership positions (Rothwell, 2005, p. 235).
Moreover, some of these leadership training strategies can be carried out within the workplace site as well as away from it. For example, mentoring and coaching offer the workforce on-the-job training opportunities leading to professional and personal development (Rothwell, 2001). These training methods are also effective for retention of employees, because they are designed to focus on individuals (Krauss, 2007). Actually, organizations gain benefits when they take care of their workers. One of the benefits is that workers tend to stay longer in organizations if they obtain professional and personal development (Gaffney, 2005).

Yet, some companies avoid training their employees; instead, these companies rely on sourcing workers from outside with a belief that it is easier to do so (Krauss, 2007). Depending on out-sourcing might be problematic, because the pool of qualified workers outside organizations is dwindling and may not be available in the near future as a result of the fight for talent (Hughes & Rog, 2008). Therefore, organizations are advised to consider instituting a formal succession planning and management effort not as an unplanned event, but rather, as a well informed long-term strategy (Le Breton-Miller, Miller, & Steier, 2004). According to Rothwell (2005), a succession planning and management program is the best strategy to promote the development and retention of organizational knowledge and talent from within. Organizations have to learn that acquiring talent from outside is merely a short term strategy, it is a kind of a quick fix; but what can pay off in long run is to grow talent from within (Cunningham, 2007).

1.19 PRUDENT REPLACEMENT OF THE OUTGOING LEADERS

Replacement of departing leaders is not always easy. One of the reasons for this problem is the lack of leader training from within, while the pool of external quality applicants has shrunk. Through succession planning and management programs, organizations can identify and prepare a group of high potential candidates for each leadership position of an institution.

To attain a smooth transition, some experts recommend that the successor have ample time to work with the incumbent leader before the successor takes the office (Vancil, 1987). This kind of practice is especially seen in a relay succession approach, which requires the incumbent, before his/her departure, to work together with the incoming, internally groomed successor for a while to enable the latter to
build his/her corporate knowledge base and forthcoming working team (Khumalo & Harris, 2008; Vancil, 1987). In some cases of the relay succession approach, as soon as the new successor assumes office, a new successor is identified and a new process of development begins (Berke, 2005; Vancil, 1987). Zhang and Rajagopalan (2004) found that relay successions triggered better company performance than non-relay inside succession and outside succession. This relatively better performance by a relay successor is mainly due enough time the outgoing leader works with the successor. In brief, an entity practicing succession planning tends to have more successful leadership transition than entities without succession planning (Khumalo & Harris, 2008).

Moreover, Wiersema (2002) cautions governing boards to be careful with dismissing CEOs without due preparations. Firing leaders without due preparation of the heirs is hasty and exhibits a lack of understanding of organizational strategic matters. Organizations’ boards have to ensure that: (1) the leadership transition is smooth and void of sabotage or unhealthy power struggles between the CEO and other senior executives, (2) the right successor is selected to match the actual needs of the organization, and (3) the new CEO’s ability to handle the organization’s content and context is well monitored (Conger & Nadler, 2004).

1.20 INTERNAL GROOMING VERSUS EXTERNAL SOURCING

According to Zhang and Rajagopalan (2004), a well-prepared internal candidate, that is a relay successor, tends to have a more positive impact on the company’s performance than an external one or the internal non-relay successor. This finding seems to favor the relay succession rather than the horse race approach. A relay successor is an internally selected replacement who has been an apparent-heir for at least two years (Giambatista et al., 2006); and a horse race is based on a competition that yields one winner (Vancil, 1987).

Generally, most authors believe that grooming successors internally is more beneficial for organizations than relying on externally grown successors (Hargreaves, 2005; Gandossy & Verma, 2006; Harrison et al., 2006). Several reasons are provided for this position. First, it has been demonstrated that homegrown CEOs generate 1.9% points higher of the annual shareholder returns (Gandossy & Verma, 2006). Second, sourcing from within is considered cheaper than recruiting from outside, in addition to
the fact that 65% of leaders recruited externally tend to fail within the first two years of their new positions (Berchelman, 2005). Third, external sourcing of leaders makes internal talents become dormant, which might lead to attrition, hence watering down any effort to retain employees (Gandossy & Verma, 2006). Fourth, although fear exists that grooming internal talents may also qualify them for external markets, the benefit of internal succession is greater than that fear, because internal succession minimizes distraction associated with leadership change, conserves institutional memory, and utilizes talents within the institution (Wallin, 2007). Harrison et al., (2006) say, “…growing talent from within organizations yields leaders who, through their historical knowledge and experience in the organization, have earned the trust of the organization and are more likely to be accepted as knowledgeable, capable leaders” (p. 22).

On the other hand, there are arguments that externally bred leaders may generate and manage change better than the internally groomed. This is true, when a major change is required and especially where the organization is faced by inadequate organizational capacity and culture (Zhang & Rajagopalan, 2004). However, leaders from outside are likely to lack organization-specific knowledge and might have difficulty in gaining internal support from executives (Zhang & Rajagopalan, 2004). Moreover, external successors tend to need more time for studying and understanding their new organizations and are likely to come with unwanted foreign cultures (Berke, 2005; Rothwell, 2005). In fact, an external successor might need a period of six months to two years to learn a new organization and create a needed network (Berke, 2005).

1.21 CEO SUCCESSION AND THE ROLE OF BOARDS

Besides other things, selection of the CEO is an opportunity for the boards to identify and address critical core organizational needs (Khurana, 2001). In order to decide prudently, boards must have insight of the firms’ businesses and their contexts, be more interested in the replacements’ suitability, and exercise adequate oversight over new CEOs (Wiersema, 2002). Also, boards have to take responsibility for the succession processes, manage the exiting leaders to ensure that they do not sabotage the new successors, ensure that the in-house talent pipeline is being developed, use search firms adequately, carry out proper selections of either internal or external
successors who match the job requirements, and provide necessary support to the new successors to do their jobs (Berke, 2005). Moreover, selection of CEOs should consider the situation of the organizational context versus content. Conger and Nadler (2004) describe the content as the core operations of the firm and the context as the firm’s environment and the associated decisions. It is suggested that the context-oriented CEO is a better choice, except when the company is undergoing a business crisis, in which case the content-oriented CEO may be recruited (Conger & Nadler 2004).

1.22 SUCCESSION PROCESSES VERSUS INTERNAL ORGANIZATIONAL POLITICS

Succession processes can be blemished by internal organizational politics. Nevertheless, in a well-designed model, a succession process will be a smooth undertaking, which will enable the incumbent leader to step down and allow the well-groomed successor to take over the office (Berke, 2005). According to Conger and Nadler (2004), organizations’ boards should ensure succession processes are working properly and internal candidates are adequately developed in order to avoid possible failures of the newly selected CEOs. However, the succession of leaders can sometimes become political. For example, Cannella and Shen (2002) point out that it is not necessarily true that the successor will always support the predecessor’s practices. Sometimes a poor firm’s performance leads top executives to band together in order to defend themselves; also, power struggle may arise between the top and senior executives (Shen & Cannella, 2002).

Moreover, being identified as an apparent candidate does not necessarily guarantee obtaining the CEO’s position. The tendency is that when the firm is doing well and the CEO is powerful, the named heirs are likely to leave, as the CEO tends to adhere to power; but when the CEO is powerful while the firm is doing badly, candidates tend to remain (Cannella & Shen, 2002). Furthermore, it was found that when a company is doing badly, board members tend to view internal candidates critically; and when a company is doing well, external directors tend to encourage apparent candidates to stay with the company and push for candidate’s promotion against the incumbent leader (Cannella & Shen, 2002).
1.23 SUCCESSION MANAGEMENT APPROACHES

Some authors have written about succession management system’s design. There are some efforts in a body of literature that attempt to outline the best way of running succession processes. For instance, the idea of succession processes has been shifting from a simple concept of replacement planning to a more systematic and proactive strategy of succession planning that focuses on future organizational leadership needs (Charan, Drotter, & Noel, 2000; Conger & Fulmer, 2003; Guenther, 2004). Also, there have been some attempts to identify best practices applicable in the field of succession planning (see Eastman, 1995; Gandossy & Verma, 2006; Karaevli & Hall, 2003; Rothwell, 2005).

Moreover, while Kesler (2002) broadens the notion of succession planning by outlining strategic and operational tips for designing and managing succession systems, Leibman, Bruer, and Maki (1996) focus more on the organizational context, thus shifting the discussion towards a more comprehensive concept of succession management instead of a narrow notion of succession planning. Alarmed by the possible fight for talent, some authors promote the idea of talent management in the succession processes (Pfeffer, 2002; The Corporate Leadership Council, 2003). Furthermore, Rothwell (2005) provides comprehensive guidelines on various aspects of succession planning and management efforts or programs. He does not only highlight the outlines of best practices in the field of succession planning and management, but also offers a checklist against which an organization can measure its succession planning efforts. Besides internal growing of leaders, alternative succession approaches exist as well; these include: outsourcing the work, reorganizing the organizational structure, sourcing the services from within, using consultants, collaborating with similar organizations, and recruiting globally (Rothwell, 2005).

1.24 SUCCESSION PLANNING AND DISCRIMINATION

In some organizations, women, who are a significant portion of the workforce, are still facing career advancement limitations due to stereotyping, lack of mentors, personal networks and other challenges (Kilian, Hukai, & McCarty, 2005). These discriminative practices are unfounded since there is no significant difference between female and male leadership capacity (Harris, 2007). In fact, some studies show that
women leaders are doing better in some leadership behaviors (Chow, 2005; Spurgeon & Cross; 2006; Waring, 2003).

Moreover, Dawley, Hoffman, and Smith (2004) did not find any difference between the leadership performance of female and male successors. Although the study focused on a population that was female-dominated by a ratio of 2:1, it was found that (1) female successors do not perform worse than male successors in the short-term; (2) there is no significant difference in long-term organizational performance between entities that hire female successors and those that hire male successors; (3) the successor origin moderates the relationship between gender and performance in such that a female successor benefits more, in terms of short-term performance, by being an insider than a male leader; and (4) there is no difference in long-term organizational performance between organizations that hire internally female successors and those organizations that hire external female successors (Dawley, Hoffman, & Smith, 2004).

A good strategy to counter discrimination in leadership promotion is to implement a succession planning and management program (Rothwell, 2005). Drawing from the responses of study participants, Rothwell (2005) posits that succession planning and management “encourages the advancement of diverse groups” because different employee groups at the workplace will be given equal opportunity to develop, and the best successors will be groomed irrespective of their identity. It is apparent that discriminative practices do not tally with the philosophy behind the systematic succession planning and management approach.

1.25 STATUS OF SUCCESSION PLANNING

With some really amazing success stories and a strong body of evidence in favour of succession planning, there should be no surprise that organizations are taking a serious look at succession planning and more and more companies are making an effort to establish succession plans. But, only taking interest in succession planning is not enough.

The National Association of Corporate Directors found that forty-five per cent of companies worth over 500 million US dollars still did not have a clear succession plan. In the year 2000, a Retention Practices Survey conducted by the Society for
Human Resource Management reported that the highest rate of resignations occurred within professional ranks. As well, the 2001 Russell Reynolds survey, CEO Turnover in a Global Economy, interviewed three hundred institutional investors in Australia, Canada, France, Japan, the UK and the US. Fifteen per cent had called for a CEO's termination in the past year, and as much as twentyseven per cent of the UK investors and thirty-seven per cent of Australian investors had "contributed" to a CEO's departure with an overall eighty-one per cent indicating that succession planning was a major concern.

Top 20 Companies for Leaders, a 2002 Hewitt Associates Study of 240 major U.S. companies, revealed that 73% of responding organizations had a defined succession planning process in place. However, only 13% said that their organizations always use succession plan well when making selection decisions. According to Marc Effron, Hewitt’s Leadership Consulting Practice Leader, “This statistic really highlights the implementation challenge. Organizations need to focus on what will enable their plans to actually work.”

There are also issues regarding the retiring baby boomer generation as the baby boomers continue to depart the workforce in increasing numbers, and the decreasing population of younger talent to replace them. By 2005, one in five executives will be eligible for retirement and according to Development Dimensions International, a significant number of companies will see forty to fifty per cent of their executives leave in the next five years. Occurring immediately after the economic conditions that caused the delay of previous retirement plans and the downsizing of talent pools that could have been developed, the mass exodus of a huge retirement population has many companies preparing for a talent war.

Investigating best business practices in this area, Beverly Kaye and Sharon Jordan-Evans studied twenty-five global talent leaders and found that the engagement and retention of talent has become a mission-critical priority for sustaining leadership in the marketplace. In addition, the 2002 Hackett Best Practices Survey of two thousand global companies cited succession management and planning as the single most successful strategy for reducing voluntary turnover. According to the Hackett survey, companies that practiced this approach reduced turnover by an average of sixty-five per cent.
According to a report by US-based business research firm Cutting Edge, while many companies have succession plans, very few follow through with the rigorous implementation required. In fact, 70 percent of succession plans fail due to bad execution. Despite the growing awareness that succession planning is an essential process with numerous benefits, a recent study titled Effective Succession Management found that only one per cent of surveyed organizations rated their succession-management plans as "excellent" and as much as two-thirds described them as "fair or worse".

Now, as per the 2002 Hewitt Associates Study of 240 major U.S. companies and the report by US-based business research firm Cutting Edge, almost 70 percent of succession plans fail due to bad execution. Thus, organizations need to focus more on what will enable their plans to actually work, because ultimately, you can win by execution, not by having artful design only.

1.25.1 STATUS IN IT COMPANIES

1.25.1.1 THE CHALLENGES

The challenges ahead of IT companies in terms of succession processes are enormous due to several reasons. One of them is the impending leadership crisis, the phenomenon that is commonly mentioned in the body of succession literature. This is an anticipated shortage of the leaders and resignation of key employees due to lack of retention programmes, especially those of the key personnel, accompanied with the diminishing stock of qualified workers. IT companies pay little attention to the grooming of the mid-level and low-level leaders.

1.25.1.2 IT COMPANIES CALLED TO DO SOMETHING

In order to cope with the looming leadership crisis IT companies must adequately prepare their own future leaders. In fact, a number of studies have recommended that IT companies grow their own leaders. The emphasis should be internal grooming and selection of leaders, because internal selection tends to produce successful leaders.

Consequently, IT companies have to find a suitable way of incorporating succession planning and management processes in their organizations. Conversely, without formal succession strategies, filling the leadership positions with the right
candidates will increasingly become a onerous issue to recruit, retain, and fill vacant leadership positions due to the absence of internal leadership development programs (Moser, 2008).

On the other hand, although IT companies is currently facing leadership challenges due to a shortage of succession strategies, some IT companies are doing relatively better as they have started to work on the problem.

1.26 OBSTACLES TO SUCCESSION PLANNING

Succession planning suffers from a plethora of obstacles. These barriers include burdensome hiring processes, lack of resources for talent management, external regulation and increased competition of talent globally and unfavorable organizational culture.

Many more obstacles to succession planning are observable in other sectors too. These include the following: lack of clear organizational vision; lack of support from senior or top executives; unsupportive organizational culture; ignorance about the importance of succession planning; lack of knowledge, skills and personnel; and fear about the succession planning implications, such as adverse effects in finances, interpersonal frictions among workers, or loss of identity. Other barriers are related to employee motivation or attitude such as uncontrolled employee mobility; lack of interest in the leadership positions due to high workloads, inadequate rewards, lack of confidence, competences and talents; and lack of work morale or motivation. Moreover, succession planning is vulnerable by pitiable organizational practices such as being used to quick fix practices; absence of formalized leadership development programs; distorted image of some leadership positions; a deep sense that assets and resources belong to the firm founders alone; and personal egocentric attitudes (Hargreaves, 2005; Huang, 1999; Hutcheson, 2007; Hutcheson & Zimmerman, 2007; Murphy, 2006).

1.26.1 REAL TIME OBSTACLES IN SUCCESSION PLANNING

(1) Managers' Insecurity: The managerial level staff is not comfortable when it comes to delegation of power and authority to a lower ranking subordinate. And this has been the prime obstacle in succession planning which requires a manager to substantially share his/her powerbase with the identified successors and groom
him/her. So, they have a deep rooted apathy and aversion towards creating second line leadership the potential threats for their own status and power. In absence of inner urge on the part of higher ranking managers to wholeheartedly strive for developing the future leaders through succession planning, the succession planning remains on paper only.

(2) **Stand-alone and Ad-hoc Activity:** The succession planning function should be an integrated HR function having close links with Manpower Planning, Performance Appraisal, Potential Appraisal, Career Planning & Development, Assessment & Development Centre and such other HR functions. But, ironically, in most of the organizations, it is carried out as a Stand-alone function leading to failure. Further, the whole process of succession planning is not a one-shot affair. It’s an ongoing process. Further, it should not be carried out only with “as and when needed” attitude. It should be an integral part of top management’s strategic plans itself.

(3) **Lack of commitment on the part of top management:** Every HR initiative requires continued blessings from the top management and Succession Planning is not an exception to this general rule. On the contrary, in order to nurture the philosophy of cultivating future leaders with the help of present leaders and create non-threatening professional culture; the top management should go beyond “leap service”. They should openly support it as such leadership identification and development initiatives would be fruitless if it does not enjoy consistent support, backing and blessings from the top.

1.27 **IMPLICATIONS**

The topic of succession planning and management is timely because organizations are bound to lose their key officials due to the looming unprecedented resignations. As key employees resign, they drain organizational experiences and skills. At the same time there is a general shortage of talent within and outside organizations. The answer lies in implementing well-designed succession planning and management programs. Yet, succession planning seems to be a neglected subject especially in IT companies.

First, IT organizations have to reckon with impending leadership shortage situation and consider effective succession planning as the adequate answer to the
problem (Krauss, 2007; Rothwell, 2002; 2005). Second, succession planning as a field of study needs further improvement in terms of theorization and research methodology (Giambatista et al., 2006). For instance, new studies could aim at exploring the relationship between various succession variables and replicating some previous studies that were conducted in the IT sector.

Finally, many authors suggest the need to address the impediments that hamper succession planning in IT companies (Betts et al., 2009; Heuer, 2003; Hull, 2005; Mackey, 2008). Indeed, it is disturbing to note that succession planning and management in IT companies has not received adequate attention. Thus, the implication of this literature review for IT companies is twofold. First, it is paramount for IT companies to improve succession planning policies and practices. Since the stakes are high, it is important for IT companies to establish systematic succession planning and management strategies to cope with the looming shortage of talent needed for replacing the key personnel. Second, it is imperative to increase research activities on the topic of succession planning and management in IT companies. Since much is not yet known in this field, researchers and scholars should consider using different forms of research, such as explorative, explanatory, evaluative and action research.

1.28 ORGANIZATION DEVELOPMENT & SUCCESSION PLANNING

Organization Development (OD) is a planned, organization-wide effort to increase an organization’s effectiveness and viability. Warren Bennie, has referred to OD as a response to change, a complex educational strategy intended to change the beliefs, attitudes, values and structure of organization so that they can better adapt to new technologies, marketing and challenges and the dizzying rate of change itself.

Organization development simple may be described as a methodology or technique use to effect change in organization or section of this organization with a view of improving the organization effectiveness it has following attributes.

- A planned process of change
- Apply behavioral science approach
- Aims at the change of organization culture
- Aims at reinforcement of organization culture
• Apply to an entire system of an organization
• Target long term institutional activity
• A process managed by top

Organization development (OD), a critical task facing every organization is planning for succession in key roles, e.g. the CEO. Approach to Organization Development & Succession Planning includes:
• Assessing the organization, it’s business strategy and culture
• Identifying gaps in talent, skills, performance
• Developing a strategy and process for attracting, developing and retaining top talent
• Developing, motivating and growing the leadership team
• Measuring, managing and adjusting as a dynamic process of optimization.

1.29 SME (SMALL AND MEDIUM ENTERPRISES) & SUCCESSION PLANNING

1.29.1 NEED FOR SUCCESSION PLANNING IN SMEs

Not a single day goes by without newspapers carrying reports on the succession plan or absence of such a plan in some corporate or the other. Recent news in this context is about the Tatas and Larsen & Turbo. There has been speculation on who is expected to succeed the legendary Mr Warren Buffett.

One may wonder if this hype about succession is warranted. The more appropriate question is, is the requirement restricted to large listed corporates or should it be applicable to lesser mortals in the SME sector too.

SMES – STAKES ARE HIGHER

The need for a well-defined succession planning process is equally critical, if not more, in the context of SMEs. The reason is, the organization hierarchy is relatively flat and the personal stakes of the entrepreneur significantly more; not so much in absolute terms but relative to the total wealth of the family. This could additionally be compounded by the fact that invariably the promoter would have extended personal guarantees in respect of corporate borrowings.
Succession planning is not to be equated to a will. It is not restricted only to the context of a death or retirement but needs to be made in the context of any emergency or temporary unavailability to permanent vacancy, for whatever reason. A well-defined succession plan will boost confidence levels for all stakeholders and be an enormous source of reassurance.

INSIDER OR OUTSIDER

A well-orchestrated succession plan should exhibit a lot of thought, planning, and like all good ideas, execution. There are definitive principles enunciated for the process. Foremost is establishing the basis for identifying the attributes of the successor. The manner and medium of communication of the successor should be well-strategised. A company could potentially risk losing key employees if the same is not articulated properly.

Even large organizations run this risk but they have a reasonable pool of second-rung leaders who could be elevated. A discussion on succession is definitely bound to evoke passionate debate on whether the successor needs to be an insider or a lateral selection from outside.

An insider would definitely be the choice if the organization is already on the growth path and just requires good management. On the other hand, if the organization requires a transformation or a dramatic shift in strategy, an outsider would be a more appropriate choice.

MENTORING THE SUCCESSOR

An effective succession plan would necessarily have to address the need for grooming the identified successor. Mentoring can be one of the most effective means to bridge the current and future. It does not always require outside facilitators or trainers as it builds on internal strengths. It gives a new sense of purpose to the older generation, as it lets them know that they are valued. As far as the successor goes, it gives him a great opportunity to use an old horse as a sounding board and take decisions under controlled conditions.
PERIODICAL REVIEWS

Succession planning is a dynamic process. The plan should be reviewed periodically to reflect the current business requirements and the team.

It should also address issues such as identification of other potential internal candidates and above all, an interim transition plan, particularly where there is no clear internal successor and a separate emergency crisis management plan. The responsibilities of the team should be defined with appropriate accountability.

Family-run organizations sometime need it more as the seniors find it hard to cut the proverbial umbilical cord. Viewed in the context of these requirements, many succession plans are driven by adhocism, crisis management of the poorest quality driven by events that could have easily been identified and addressed with great ease.

There have been cases of capable successors unable to step into their new shoes for want of clarity and the damage done before decisions are taken. Succession planning can be ignored only if one is willing to risk the peril of postponing the inevitable.

1.29.2 CHALLENGES

The recent appointment of Mr Cyrus Mistry as successor for the Tata Group, after a search that lasted almost two years, highlights the importance placed on succession planning by well-run corporates. Small and Medium Enterprises (SMEs) also deserve the same degree of importance in succession planning and business continuity, but many entrepreneurs don't take serious note of it. Progressive entrepreneurs who take up succession planning face several challenges in this endeavor, many of which are unique to SMEs in India. The most common ones are highlighted below:

GENERATION GAP

Businesses that are exciting for the first-generation entrepreneur may actually not be attractive enough for the next generation. For instance, an auto ancillary unit supplying to a reputed auto major may be a prestigious SME business 30 years ago, but it may not excite the current generation. Though equally enterprising, the next generation may want to try its hand at developing mobile application software or
become a green energy company. Inducting natural heirs into the business early could provide entrepreneurs with necessary lead-time to plan succession, either from within the family or through outside professional managers.

PROFESSIONAL TALENT

SME entrepreneurs are almost always involved hands-on in the day-to-day running of their business, resulting in attention of decision-making powers. Attracting professional talent at senior management positions becomes a challenge in such a stifling environment, leaving little choice outside the family in the matter of succession planning. Concepts such as clear separation of ownership and management, delegation of decision-making powers, etc., that are still alien to many SME entrepreneurs, are important to attract professional talent, which can be helpful in business continuity, in the absence or unwillingness of the natural heir.

BUSINESS EXIT

Selling the business, either as a remunerative exit strategy or in the absence of a clear successor, is an acceptable evolution of a business in many developed markets. However, it is not even considered an acceptable solution among several older generation entrepreneurs in India. Social disgrace in the business community, fear of getting branded as a failure, emotional attachment to the business and genuine concern for the employees are the most common reasons for SME entrepreneurs not pursuing business exit as an acceptable proposition. Absence of an active platform or exchange for such transactions, and hence long time taken to conclude an exit adds to the reluctance.

Succession planning is a long-term exercise is it inducting the next generation early, identifying strong professional talent to run or scouting for exit opportunities that deserve the serious attention of any entrepreneur who has aspirations of leaving a legacy of the business that he has built with passion.