CHAPTER III

REVIEW OF LITERATURE, NEED, SCOPE AND OBJECTIVES OF THE RESEARCH
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3.1 REVIEW OF LITERATURE

The Topic

This chapter presents a review of the literature related to succession planning and management in IT companies. IT sector is an important sector and sunrise industry of India. The lasting success of IT companies can be possible if they engage competent and effective leaders at all levels. The future of IT companies, however, depends on the ability of the current executives to ensure adequate leadership continuity through constant identification and building of talent from within (Rothwell, 2005). The need for IT companies to seek and acquire high quality leaders cannot be overemphasized. In fact, the future sustainability and feasibility of any organization will depend on how it implements an effective succession planning and management program (Mandi, 2008; Rothwell, 2005). This is why the topic of succession planning and management is a vital one in IT sector as well.

The Importance of the Topic

The topic of succession planning and management is timely because organizations are facing challenges on how to replace the talented employees. Today’s demographic challenges and the looming scarcity of talent will contribute to a leadership crisis in IT companies. If no strategy is devised, it will soon become more difficulty for IT companies to get new talent from outside the companies; will entail difficulty for these organizations to find effective replacements for outgoing leaders in the next few years.

In addition, Rothwell (2004) mentions terrorist attacks as another reason for an intensified interest in succession planning. The collapse of the World Trade Center in New York in 2001 unexpectedly took the lives of 172 Corporate Vice-Presidents (Rothwell, 2004). Thus the importance of succession planning and management for the survival of organizations is paramount.
In view of the above, succession planning is an important subject that deserves attention, especially in IT sector. Certainly, several authors for IT companies have echoed the imperativeness of succession planning and management. Succession planning and management does not only facilitate an orderly turnover of the executives, but also fosters the internal evaluation of human resource needs, reduces workforce attrition, and enables the development of good performers to take future leadership positions (Behn, Riley, & Yang, 2005). Since there is a scarcity of research that focuses on this topic in IT sector, this literature review will also draw from what is written for the business world.

3.1.1 INTRODUCTION

Rothwell (2005) published a book on Effective Succession Planning in which he explains numerous models and steps and includes 25 worksheets and questionnaires for everything from a Worksheet for Environmental Scanning to a Worksheet to Structure Your Thinking About Predictions for Succession Planning and Management (SP&M) in the Future. Rothwell emphasizes that the effective way to succession plan is by using a systematic process.

Similarly, Rebecca Luhn Wolfe (2004) published a book Systematic Succession Planning. The book focuses on the corporate world vs. non-profits. It is difficult and inappropriate to implement in smaller organizations. It focuses on longer-term, ongoing planning rather than emergency succession planning or leadership transition management.

Ram Charan (2009) published a book on Leaders at All Levels: Deepening Your Talent Pool to Solve the Succession Crisis. Charan reveals exactly what's wrong with corporate leadership development and tells how to make it right. He explains the concept of a leadership "gene pool" and shows how companies can discover just what "DNA" they need to succeed. He also details how to uncover the hidden leaders in a company, when and where to bring in fresh talent, how to coach, measure, and reward leadership, and much more. For CEOs, directors, and anyone involved in leadership development, Leaders at All Levels is an eye-opening guide on how to get succession right.
M. Dami Baldwin (2005), in his article “The Strategy of Succession Planning” states that succession planning plays a major role in the companies’ strategic planning. Succession planning is not only for CEOs but also for all key positions. It further illustrates the advantages and disadvantages associated with succession planning. The process of developing succession planning requires a long-term strategy for the company involving the key area that requires continuity and development and the key people that the organization wishes to develop.

Jeff Weekley (2005), in his study “Succession Planning: Issues and Answers”, states that the HR professionals develop the succession planning with a mandate received from the CEO. However, the application of the process is not sure. To put the plan in the process, the organizations should follow a few techniques. That is the CEO must be an avid supporter and an active participant, the line management must own the process with HR playing a supportive role, gaps between the current and future skill requirements are to be identified, succession planning must be consistent with other programs, employees are to be held accountable for their own planning and should focus on the selection process, the planning process has to be reviewed quite often.

Steven Jones (2004), in his study on “Leadership Succession Planning: A Focus on Midlevel Managers” highlights the following issues:

- Many organizations have indicated that they have a formal succession plan. However the depth of these plans has yet to be determined.
- Organizations continue to select the leaders through crisis management.
- Many organizations are reluctant to have formal succession planning and do not have resources to invest in succession planning implementation.
- Succession planning and leadership development has inadequate focus on midlevel managers. Therefore, there is an urgent need for succession planning and leadership development strategies in many of the organizations with specific emphasis on midlevel managers.

There is a substantial body of literature on the subject of succession planning. The first book that addressed the topic fully was "Executive Continuity" by Walter Mahler. Mahler was responsible in the 1970s for helping to shape the General Electric
succession process which became the golden standard of corporate practice. Mahler, who was heavily influenced by Peter Drucker, wrote three other books on the subject of succession. His colleagues, Steve Drotter and Greg Kesler, as well as others, expanded on Mahler’s work in their writings. "The Leadership Pipeline: How to Build the Leadership Powered Company," by Charan, Drotter and Noel is noteworthy. A new edited collection of materials, edited by Marshall Goldsmith, describes many contemporary examples in large companies.

Most large corporations assign a process owner for talent and succession management. Resourcing of the work varies widely from numbers of highly dedicated internal consultants to limited professional support embedded in the roles of human resources generalists. Often these staff resources are separate from external staffing or recruiting functions. Some companies today seek to integrate internal and external staffing. Others are more inclined to integrate succession management with the performance management process in order simplify the work for line managers.

Large consultancies, such as McKinsey, have recently focused on the broader talent issue, but most consulting support to executive succession and development practices probably comes from numerous boutique firms and retired executives in the field.

The leading professional affiliation for succession-planning professionals is, arguably, The Human Resources Planning Society (publishers of People and Strategy Journal at http://www.hrps.org/), an international association with academic and practitioner membership from around the world.

Although it might be possible to retrace the existence of succession planning (SP) to earlier stages in history, the first conceptualized and institutionalized form of SP appeared both in Europe and the US in the 1600s within the “craft” system of Human Resources Management where apprentices who joined a shop would expect to remain in that trade for life. Their career path flowed from apprentice to journeyman to master craftsman. The system proved successful and harmonious for around 200 years because laws and traditions protected it. The results of that system were a balanced relationship between employers and employees, rare strikes and lay-offs as
well as a low turnover rate (Lawrence 1985), mainly due to the fact that both parties knew what to expect from each other in the process of producing goods and services.

With the appearance of mechanization during the industrial revolution in the 1800's, the increased production led to a different structure of work organization characterized by the division of labor and the hierarchy of authority which in turn resulted in lower pay but longer working hours (Dalzell, 1987).

At that time, succession planning was still present but as the size of organizations increased, the typical career path exemplified in the craft system evolved into a different concept where not only outstanding craftsmanship and years of service were recognized but also where commercial concepts such as productivity and lower costs impacted on SP. Basically, the division of labor allowed workers to become virtually interchangeable with little training time, which allowed workers to be dismissed with little impact on the company's production (Butler, Ferris and Napier 1991).

In the early twentieth century, the French industrialist and writer Henri Fayol argued that management consists of a set of activities that are common to all organizations. In 1916, he published his experience in the book Administration Industrielle et Générale, where he developed his fourteen principles of administration. Fayol claimed that management has the responsibility to ensure the long-term stability of tenured personnel and that if that stability were ignored, then key positions in an organization would be filled with ill-prepared workers. That claim is as true today as it was in 1916: The strength of an organization lies within its people, and when people become more skilled and prepared, the organization benefits (Fayol, 1918).

Research indicates that the first phase (1950s to 1960s) is best described as the emergence of the field. The 2nd phase (1970s) reflects a period of theory building and empirical investigation and the final phase (1980s to the present) is characterized by review and explosive growth of the concept (Kesner, Sebora, 1994). It is intriguing to note that earlier research versions of succession planning studied the organization as a whole whereas in the 1950's it was conceptualized as a researchable field, the focus was mainly on executive succession targeting CEOs and other positions at the very top of the organization. There was no word anymore on studying middle and lower
levels of management. However, the implementation of the concept was already well developed as in 1984, Credit Suisse, at the time Europe's largest issuing bank, used a dedicated computer software called Madis to keep track of the SP process for more than 500 of its directors and senior executives (Wolgemuth, 1984).

In 1954, Chapman evaluated the "state-of-the-art," and determined the five common elements in executive development programs. These elements are: "a defined organization plan, performance appraisal, established replacement tables, development of high potentials, job rotation and training programs." Additionally, before Chapman, in 1947, Asbury investigated business and industry practices that had to do with personnel administration at the executive level. His research included 53 organizations and he also identified five common elements in their formal plan for executive development, including "organization analysis, selection, evaluation, development of executive level talent, and inventory control." The findings from these two studies seem to be applicable in today's organizations.

Grusky (1960) put forth the vicious-circle theory that described the event of succession as disruptive to the organization and the relationships among the members of the organizations. The incidence of turmoil through changes in policies and practices put forth by the new leader is a part of the vicious circle. The most relevant study in succession planning and management in the 1970's were accomplished by Trow (1961). He researched the proportion of succession into top positions in 108 small companies. He concluded that companies that prepared for succession were less likely to experience financial difficulty during executive turnover. In addition, a strong connection between planning for succession and profitability of an organization was another finding of his research.

Colman in 1970 demonstrated the typical approach, which discovered in manpower planning, showing similar elements with the Asbury and Chapman. The common elements among these three studies are: "the definition of organization objectives and plans, determination of gross manpower, requirements for the planning period, assessment of in-house capabilities, determination of net human resource requirements to meet organizational goals, and development of an action plan and program to meet the objectives".
The other study in this period was Mahler's study (1983). He reviewed succession planning in sixty firms. He was among the first to recommend the need for succession planning and advantages of improving succession planning. In 1984, Rhodes and Walker reported a survey research that involved 30 large corporations. The purpose of the research was to examine and analyse the management succession and development planning practices at that time. They recognized four different approaches to management succession and development planning. These are: informal, decentralized, centralized, and integrated. According to Rhodes and Walker (1984), organization structure and management style, size and wealth of the organization, and the company's growth rate, are factors that affecting the selection of the approach. They also, identified the six techniques that were used in implementing the programs. These techniques are "senior management involvement, information requirements, assessment, management review, developmental techniques, educational training".

Friedman's research (1984) was the first research done on succession planning, which considered succession planning as a system and investigated its relationship with an organization performance. He concluded, "there is not any relationship between formalization scale items and outcomes". Although the main hypothesis of his study was not confirmed, Friedman suggested the following implications based on the detailed results of the study. "First, for an effective succession system, CEO involvement is essential. Second, human resource review is a crucial process in the succession system. Third, the internal staff's role in the management of the succession system is necessary. The staff must do the background work facilitating, coordinating, but not leading. Fourth, a well-developed cadre of management talent is essential for an effective succession system. Fifth, human resource strategy and business strategy should be integrated".

From 1990's most organizations figured out the necessity of succession planning and implementation of effective succession planning that fit their own organizations. Zajac in 1990 researched on CEO selection, succession, compensation and firm performance. He concluded that firms in which CEOs had a specific successor in mind tended to be significantly more profitable than firms in which CEOs did not have a specific successor in mind.
In 1995, Eastman proposed the following list of commonly effective practices. “A succession management program should: Receive visible support from the CEO and top management; Be owned by line management and be supported by staff; Be simple and tailored to unique organizational needs; Be flexible and linked with the strategic business plan; Evolve from a thorough human resources review process; Be based upon well-developed competencies and objective of candidates; Incorporate employee input; Be part of the broader management development effort; Include plans for development job assignments; Be integrated with other human resource systems; and Emphasize accountability and follow-up”.

Davis and Harveston (1998) used Christensen's elements (1953) as variables and developed a model, which explored the relationships between individual-level characteristics, group-level variables, organizational-level characteristics, and resources on the succession planning process. The individual level of Davis and Harveston's model contained demographic characteristics of the managers that controlled predictive validity regarding critical organizational processes. The group level looked at the family member's involvement and influence over the organizational processes. The organizational level of the model analyzed the organizational attributes such as size and formality, which could influence the organization's succession planning processes. Resources or capital was the final level of the model. Capital providers might demand succession plans before extending credit or lending money to the organization. The outcome of Davis and Harveston's model showed succession was not an event but a process, which was influenced by many variables within and external to the organization.

Another popular theory in this age was “Agency Theory”. This theory explains organizational behaviour and succession planning. “Agency theory dealt with the cooperative relationship which developed when one individual in an economic exchange (the principal) granted authority to another (the agent) to act on his or her behalf, and the welfare of the principal became affected by the decisions of the agent”. The main concern of this theory was that the welfare of the principal might not be maximized because the principal, and the agent tended to have different aims as well as contradictory predispositions toward risk.
Baruch and Peiperl (2000) in their survey of 194 UK-based companies explained that succession management is an important characteristic of effective career management. Baruch and Peiperl categorized Succession management as “active planning” along with performance reviews, counseling by managers and human resource. In their analysis, they observed that these active planning processes “were strongly associated with dynamic, open and proactive climates” and were especially associated with organizations that relied heavily on internal labor markets.

In 2001, Huang studied about succession management systems and human resource outcomes. The purpose of the study was to find out whether local firms with a more sophisticated succession plan achieved more favorable human resource outcomes than those with fewer sophisticated plans. He found, in conclusion, that there was no significant difference in human resource outcomes between companies who adopted succession planning and those who did not. However, in detailed results, he argued that there was an important relationship between the level of sophistication with which succession plans were carried out and human resource outcomes. In addition, he fined that line-manager involvement, non-political succession criteria, the credibility of succession planning staff, review and feedbacks, effective information systems, were some characteristics, which affected the performance of human resources.

Lynn (2001) focused on four elements as the key elements of the succession event. These elements are as follows: succession contingencies (industry issues, organizational characteristics, and selector variables, including incumbent and board power); Succession Antecedents (initiating forces for CEO departure, CEO roles, and candidate issues); the succession event (process, candidate, and choice issues); Succession consequences (organizational effectiveness, stakeholder issues, and evaluation outcomes).

Leadership Pipeline is a concept in a model created by Mahler, who contributed a lot to human resource planning and succession planning. The focus of Leadership Pipeline Model is on leadership development rather than succession planning and management. His approach laid the basis for the modern succession planning approach. The pipeline is not a straight cylinder but rather one that is bent in six places. Each passage shows a change in organizational situation a different level
and complexity of leadership where a major turn has to be made. The main concerns of these turns are changes in job requirements, demanding new skills, time applications, and work value.

Based on leadership pipeline model, Charan et al. (2001) suggested an alternative definition for succession planning from the Leadership Pipeline Model. In their definition, “succession planning is perpetuating the enterprise by filling the pipeline with high-performing people to assure that every leadership level has an abundance of these performers to draw from, both now and in the future”.

The Seven-Pointed Star Model is a famous model developed by Rothwell (2001, 2005) to achieve the systematic succession planning and management. Seven steps in this model are: Make the commitment, assess the present work/people requirements, appraise individual performance, assess the future work/people requirements, assess individual potential, close the development gap and evaluate the succession planning and management program.

Byham et al. (2002) suggested a different approach to grooming executive talents. Rather than targeting one or two hand-picked people for each executive position, an Accelerate Pool emphasizes the development of a group of high-potential candidates for executive positions in general. The model highlights the accelerate development of pool members during stretch jobs and task-force assignments that offer the best learning, including mentoring, coaching, training and special developmental activities such as university executive programs and in-company action learning sessions, and highest visibility opportunities. Byham explained the process of the Acceleration Pool in five phases. The five phases of the Acceleration Pool are: Identifying high potentials; diagnosing development opportunities; prescribing solutions to development opportunities; ensuring that development takes place/ documenting development; reviewing the progress and new assignments.

In 2003, Kim concluded “succession management practices should emphasize employee self-improvement by promoting cross-functional and cross-sector job assignments, executive coaching and mentoring”. In addition in this year, Conger and Fulmer illustrated five rules for succession management. At first, Succession management must be a flexible system oriented toward developmental activities. This
is the fundamental rule that other rules are based on. The focus of second rule is on linchpin positions, jobs that are essential to the long-term health of the organization. Making succession management transparent, not a mystery is third rule. Rule four is the usual measurement of progress, moving away from the alternative mind-set of succession planning. Keep it flexible is the final rule.

Hunte-cox (2004) examined the relationship between executive succession planning and the collective learning capacity. The result of this quantitative research showed “organization that scored high in executive succession planning scored high in organizational learning. Specifically, executive succession plans have significant and positive correlation with the organizational learning capacity”.

In 2006, Dingman did a case study on the servant leadership role in the succession planning process. A positive relationship between servant leadership principles and the succession process was shown through the examination of the succession process in a servant-led organization.

Krauss (2007), studied in succession planning and talent management, to having recommendations to reduce workforce attrition and prepare for an aging population. As a result of this study, the recommendations to his targeting organization were implementing a structured succession plan, which distinguished the importance of establishing ownership of the succession plan and aligning the internal culture with external branding. These recommendations were included identifying, assessing and developing high potential in the organization. “Once high potentials are selected, their development plan needs to include a job rotation program, a formal mentoring/coaching program, utilizing 360 feedback tools and receiving the appropriate reward for performance”. In addition, Fancher (2007) pointed out that an organizer has powerful influence on organizational processes (i.e., succession planning) through the culture, which he or she created early on.

Moreover, Groves (2007) did a research with the aim of present a best practice model for optimal development of the leadership pipeline and a series of practical recommendations for organizations. He concluded that “best practice organizations effectively integrate leadership development and succession planning systems by fully utilizing managerial personnel in developing the organization’s mentor network,
identifying and codifying high potential employees, developing high potentials via project-based learning experiences and manager-facilitated workshops, establishing a flexible and fluid succession planning process, creating organization-wide forums for exposing high potential employees to multiple stakeholders, and establishing a supportive organizational culture.” He also, introduced six factors as the best practice leadership development methods. These factors are: 360-degree feedback; Executive coaching; Mentoring; Networking; Job assignments; and Action learning.

In 2008, Mandy did a case study and showed some indicator for that succession planning includes: identifying new leaders; developing new leaders; delivering financial success; fostering a positive organizational culture; maintaining long-term viability; sustaining core competencies; initiating change management. Levitz in 2008 studied about succession planning and leadership development. He argued that leadership development and succession planning must be at the core of strategic planning. Kasper in 2008 examined the impact of organizational communication in the administration of the succession planning program. As a major result, he suggested, “organizations need to perform critical internal examinations of their current methods and strategies for the communication of their succession planning program”.

In 2009, Cheryl recommended some strategies for implementing deliberate and systemic succession plans in the academic environment via a research in higher education institutes. These strategies include: “securing executive champions; aligning the succession plan to institutional culture, mission, vision and goals; taking an approach not unlike strategic planning; carefully constructing communication plans to embrace talent development without inferring entitlement and a continuous evaluation of both the people and processes involved in succession planning”.

In addition, Succession Planning can also be integrated in other concepts such as Organizational Career Management which involves not only career planning, development of career paths, training and development activities, target development programs, promotion from within, formal staffing policies, standard promotion criteria, assessment centers, job postings but also job matching, career counseling, outplacement counseling and mentor-protégé relationships (Stumpf, 1988)
As organizations and companies expand in overseas markets on a global basis, the term succession planning takes on another dimension and so are its processes and procedures. Originally succession planning was mainly designed as a tool to plan for replacement of very senior management positions such as Chief Executive Officer, Chairman, President, Chief Financial Officer, Chief Operating Officer or Chief Information Officer. Progressively its use was extended to include middle management positions and some organizations, even very large ones employing more than 350,000 people, have successfully implemented SP across all functions, effectively covering all positions (Johnson 1992 and Rothwell, 1994).

While the identification of high-potential (also called HIPO) individuals and corporate-critical positions still remains a priority in SP, the development of those individuals through training or stretch assignments are becoming increasingly instrumental to ensure the success of succession planning (Beeson, 2000). However, most studies on Executive Succession have centered on the CEO and other top management positions and little is known about middle to lower management levels succession planning and its impact on performance and other organizational outcomes.

Definitions

Leadership crisis - An anticipated phenomenon characterized by an acute shortage of leaders in an organization mainly due to massive retirements of baby-boomers and the lack of an adequate supply of candidates prepared to replace the retirees (Mackey, 2008).

Best Practice (BP) – is a method, procedure or activity that contributes to the highest, most resources-effective performance of a discipline.

High Potentials (HiPo) – Exemplary performers perceived to have high potential for future advancement into higher levels of leadership. Key source of replacement for critical positions.

Workforce Planning – connotes comprehensive planning for the organization’s entire workforce.

Talent Management – is the process of recruiting, on-boarding and developing, as well as the strategies associated with those activities in organization.
**Succession planning and management (SP&M)** - "Any effort designed to ensure the continued effective performance of an organization, division, department, or workgroup by making provision for the development, replacement and strategic application of key people over time" (Rothwell, 2005, p. 10). SP&M is, in essence, a combination of succession planning and succession management. According to Rothwell (2005), the succession planning and management effort can be a formal or an informal process.

**Human capital management** - is all about individuals and their economic value.

**Succession plan chart** - A tangible document, chart, or schedule that shows when leaders are expected to retire and which, when, and how groups of candidates should be developed for filling different key leadership positions (Sobol et al., 2007).

**Crown Prince**: The successor is identified informally or formally and prepared for the position.

**Slate**: Identifies and develops existing employees who are qualified candidates available for a current or future vacancy.

**Pool**: A large group of employees who are qualified or in the process of being developed and would be capable of performing any number of jobs.

**Wave**: Selects a single successor from a small reservoir of cohorts, each of whom has been developed and nurtured over a number of years.

**Succession planning definitions**

Succession Planning (SP) - is the systematic effort by an organization to ensure continuity of prepared leaders to fill key positions in the near and long term.

Carter (1986, pp. 13-14) defines succession planning as “a means of identifying critical management positions, starting at the levels of project manager and supervisor and extending up to the highest position in the organization”.

Succession planning and management can also be defined as “a deliberate and systematic effort by an organization to ensure leadership continuity in key positions,
retain and develop intellectual and knowledge capital for the future and encourage individual advancement" (Rothwell, 2001, p.6).

“A defined program that an organization systemizes to ensure leadership continuity for all key positions by developing activities that will build personnel talent from within” (Wolfe, 2009, p.5).

According to Dessler (2000), succession planning is the process of ensuring a suitable supply for current and future successors for key jobs, so that career of individuals can be managed to optimize the organization’s needs and the individuals’ aspirations. Another definition of succession planning as defined by Kim is “the ongoing process of systematically identifying, assessing, and developing organizational leadership to enhance performance (Kim, 2003, p. 533).

Whereas, Hirsh (2000, p.609) has defined succession planning as “a process by which one or more successors are identified for key posts (or groups of similar key posts), and career moves and/or development activities are planned for these successors. Successors may be fairly ready to do the job (short-term successors) or seen as having longer-term potential (long-term successors)”.

According to Falmer (2002), in recent years many organizations have moved away from the traditional term of succession planning to “talent management”, a term that is more inclusive of the many activities that are necessary in identifying, developing, and retaining talent. This broader understanding of succession planning allowed the organization to look beyond the issue of knowing who would replace someone, and to look at the supportive factors needed to develop and retain talent throughout the organization.

McCauley & Wakefield (2006) defined succession planning as a process that leads management to define and address talent management strategies as they prepare the organization and people, for the future. He suggested succession planning is about managing talent in order to meet current and future organizational requirements. It is people process that organizations implement to ensure their people are properly value, nurtured, and developed.
3.1.2 Succession Planning is indispensable

The topic of "succession" only become popular in the last 15 to 20 years due to highly public and disastrous leadership transition at successful companies like General Motors (Robert Stempel), AT&T (Robert Allen) and Eastman Kodak (Kay Ehitman), as reported by Charan (2001). He further emphasizes that corporate leaders must pay serious attention to develop and train their existing executives who will face the future organizational challenges. Otherwise, survival of the organization is at stake when the existing key personnel leave the organization due to retirement, resignation, sudden death, etc. Organizational leadership is in crisis when the transfer of "how to get work done" process is being lost with aging and retirement of senior management and the mobility of the younger workforce (Rothwell, 2001). Thus, the potential for leadership disasters appears to be inevitable for those who are unprepared. There are a number of factors that have and will continue to shape the business environment and role of company executive in the future including globalization, hypercompetition, technology, the expectation of board and financial markets, an emphasis on customer relationships, changing employee expectations and workforce demographic (Barrett & Beeson, 2002). All these factors stressed that succession planning must thrive in an organization for business continuity and to sustain competitive advantage. Rothwell (2005) and Swanston (2007) indicate that challenges associated with growing aging global workforce would be another reason why succession planning is important. The retirement of baby boomers generation (those who were born from 1946 through 1964) may have greater impact on occupations with functions not easily replaced by technology-driven productivity innovations, such as many of the jobs in the financial services sector: customer service representatives, branch managers and executive officer. Therefore, effective succession planning helps to retain the loss of valuable institutional memory when experienced employees leave the organization. Also, organizations are often faced with the need to replace key management staff on a very short notice due to rapid change of merger, acquisitions, downsizing, rightsizing, and reengineering. These increase the competitive market for skilled and talented individuals (Orelliano, 1997). Corporate leaders are not only responsible for the acquisition and retention of customers, but they must also form strategy to acquire and retain new organizational talent from the declining pool of people (Barrett & Beeson, 2002).
An organization's intellectual capital has increasingly become a key source of competitive advantage in the 21st century, according to Kotter (1996). Organizations are fighting a war for talent (Tulgan, 2001). Therefore, without development of leadership throughout a company, not just at its helm, the implementation of strategy for survival and advantage is threatened.

Changes around the world also have greater impact as to why succession planning is important for organization in India. The 9/11 attacks on World Trade Centre in U.S, indicates that life is fragile and talent at all levels is increasingly at risk in a world where disaster can strike unexpectedly (Rothwell, 2005). Thus, a need for effective succession planning is vital to address business continuity at times of uncertainty.

The corporate scandals that took place in Enron, WorldCom, Tyco, Global Crossing and many other corporations and the incredible departure of Arthur Anderson from the business world resulted in growing concern for the ethics, morality and values of future corporate leaders (Rothwell, 2005). In view of that, the Sarbanes Oxley Act (which was in force since 2002), requires all corporate boards to be adequately involved in succession planning and leadership development to ensure talented individuals with exemplary leadership behavior are readily available to lead the company during critical time.

Charan (2007) indicates that lack of succession planning in the financial services firms destroys credibility in the capital markets, erodes shareholder value, and stirs anxiety inside the companies involved; making it difficult for people to stay focused and maintains momentum. Thus, boards that failed to have such plan were being judged negligent in the court of public opinion. The multiple needs served by succession planning can be summarized as follows:
Ensuring Leadership Continuity

Imagine the disastrous consequences when there is a sudden vacuum at the top level and the organization remains headless and consequently directionless for a while. The impact of a shaken leadership structure on an organization is tremendous. Too often organizations address the succession challenge through the rearview mirror. They wait for some one to step down or even worse, be removed. Then and only then do they entertain thoughts of who or what should happen next. If leadership transition is managed in this way and not as a planned process, it will be done reactively, which almost always is inadequate and can create complications. An effective succession plan provides a healthy pipeline to ensure that leadership continuity in the organization will not be hindered at any cost. Aggressive succession planning is one of the best ways to ensure the long term success of the organization and help to build a steady, reliable leadership talent. Good succession planning builds a long “talent runaway” on that extends deep into the organization.

Recruit and Retain Star Performers

Attracting and retaining star performers one of the biggest challenges that today’s HR managers face, can be done with succession planning. At times, we need to keep in mind the 80-20 rule. If only 20% of the employees are the Star Performers
in any organization then it would minimize the adverse impact of the remaining 80%
not-so-good performers. And for this reason, it makes complete business sense to
focus 80% management efforts in attracting and retaining such 20% key performers.
But, being cosmopolitan in their outlook, these professionalized employees are known
for organizational rootlessness and job hoping. So, an organization always runs the
risk of losing these key people, as their ability to find greener pastures by virtue of
their service offering is undoubted. These fast trackers' development as potential
leaders (successors) through succession planning initiative is complimentary it’s all
about getting the right skills at the right place at the right time. Companies, which fail
to prioritize succession planning and subsequent leadership development, end up
either experiencing a steady attrition in talent or retaining people with outdated skills
(the remaining 80%). Such organizations become extremely vulnerable when they
have to cop with inevitable organizational upheavals.

Knowledge Management

In this competitive era, the significance of knowledge management can hardly
be underestimated. It is becoming a key differentiator and a source of competitive
dge in many cases. Succession Planning can be effectively utilized as a tool to
identify and tap the underlying intellectual capital in the organization. This certainly
refers to the intellectual talent that an organization holds to funnel its growth
opportunities and provide a niche for itself in the market.

Strategic Imperative

Succession planning is becoming a distinct strategic imperative deserving the
same attention as other strategic programmes, such as brand building; and an
increasingly important factor in an ever-changing economy. Now, any initiative in the
direction of succession planning in an organization can definitely act as a strong
catalyst in the process of strategic planning at two ends. At the beginning of strategic
planning, succession planning incorporated as an integral part of Human Resource
Planning, provides a set of inputs into the strategy formulation process in terms of
deciding whether the types and numbers of people are available to pursue a given
strategy. At the end of the process, succession planning is relevant in terms of
implementation concerns. To successfully implement and roll the growth strategy, the
human resource pool plays a critical role and demand-supply gap in this pool can be
efficiently addressed by succession planning to support the overall growth strategy. So, it is necessary to figure out the talent required to implement the business strategy and constantly strengthen the talent pool. In a sense, as HR is inching its way to claim a seat at the strategic table, the responsibility of making a proper succession plan to facilitate the formulation of the best-fit strategy for an organization and finally its successful implementation falls in their lap.

**Right Sizing the Organization**

A constant challenge that the HR manager faces in any organization is to manage the headcount to an extent that the organization is neither understaffed nor overstaffed, but at any point is rightly staffed. Succession Planning ensures that there is neither the need for downsizing the organization nor the need for extensive and emergency recruitment. This ensures that there are no surprises in staffing and at any point of time, the organization has adequate buffer in the employee pool. Effective implementation of succession planning promises that the management will have the right person with the right skills at the right time in the right place to do the right things; and the headcount is managed.

**Risk Combating Mechanism**

As pointed out earlier an organization always runs the risk of losing its key personnel for many different reasons, ranging from retirement, and pursuit of new challenges, illness, death, decision to relocate to a new geographic region or position, head hunting by your competitor etc. It is not an easy task dealing with the ever-changing equations of the key people pipeline. In this era, the costs of hiring, training, and developing the employs can at times constitute to as much as 20-40% of an organization’s operating costs. Again, one needs to consider the Time Lapsed Data (TLD) for filling up the key positions with suitable people at the right time. A key factor to combating this sort of crisis lies in identifying and developing internal talent. So, succession planning can act as a proactive approach to human resource staffing solutions than reactive. It is a risk combating mechanism to mitigate the business risks associated with the loss of key human resources. It can certainly act as a panacea of corporate risk or key man insurance. After all it is more than just the passing of power and responsibility it is about survival and continuity of the organization.
Removing the Succession Taboo

Succession Planning should drive future leadership development in an organization with the help of present leaders. This sounds reasonable enough but is hard for many managers to accept and digest the logic of planning for their own exit. Psychologically, no body prefers to think about their mortality. Executives/Leaders are no exception to this rule. Even when NR Narayana Murthy stepped down as the Chief Mentor and Executive Chairman of Infosys in August 2006, at the age of 60, he said, “It is not easy to let go. I will be less than honest if I say it was easy even for me. The reason why most people don’t give up is that we all become victims of power, fame and it is not easy to give all that up.”

So, it’s no secret that senior executives, especially those new to the position, see themselves as bulletproof. In their minds, talk of succession is analogous to talk about potential failure they will be there forever so they have little appetite for developing their successors. This is because many people, from the CEO on down, consider the word “succession” a taboo. Planning your own exit is like scheduling your own funeral; it evokes fears and motions long hidden under the layers of defense mechanisms and imperceptible habits. Perversely, the desire to avoid this issue is strongest in the most successful CEOs. Their Standard Operating Procedure (SOP) is to always look for the next mountain to climb, not to step down from the mountain and look for a replacement. They have a deep rooted apathy and aversion towards creating second line leadership, the potential threats for their own status and power. But, systematic efforts in the direction of succession planning involving the key people and ensuring their fullest commitment will definitely help to remove this succession taboo.

Keeping them on their toes

Out of the many risks facing companies; on major risk is what is known as key people survival dependence. This is particularly the case with some key personnel whose association with the organization is pivotal in the securing of deal flow and ongoing revenue stream. But, one needs to understand that while strong leadership provides energy, drive, trust, credibility, personality and passion, reliance to the point of survival is risky and unhealthy. Added to this, due to a feeling of indispensability, the key personnel can become complacent and gradually non-responsive to the needs
and demands of the organization in the changed scenario. This can be a killer for any organization. Succession Planning can be used to key people on their toes to ensure the best performance under a bit of pressure of read-to-serve second line leaders. This ensures that while executives within the organizations are building on their confidence to perform their roles better, they are at the same time not getting complacent in their roles. Being conscious that the organization has a plan to build and support a position by strengthening and enabling more than one person to occupy a position will provide the required challenge within the organization for the executives to ensure that they are continuously making efforts to improve and deliver. This will definitely keep the required heat on.

3.1.3 Succession planning process

Succession planning recognizes that some jobs are the lifeblood of the organization and too critical to be left vacant or filled by any but the best qualified persons. Effectively done, succession planning is critical to mission success and creates an effective process for recognizing, developing, and retaining top leadership talent.

3.1.3.1 Six-step process for Effective succession planning

The following information includes:

• A graphic representation of a six-step process for effective succession planning

![Six-step process for effective succession planning](source.png)

*Source: Succession planning process, Sept 2005*

**Figure-26: Six-step process for effective succession planning**
Step 1: Link Strategic and Workforce Planning Decisions
This step involves:
- Identifying the long-term vision and direction
- Analyzing future requirements for products and services
- Using data already collected
- Connecting succession planning to the values of the organization
- Connecting succession planning to the needs and interests of senior leaders.

Step 2: Analyze Gaps
This step involves:
- Identifying core competencies and technical competency requirements
- Determining current supply and anticipated demand
- Determining talents needed for the long term
- Identifying "real" continuity issues
- Developing a business plan based on long-term talent needs, not on position replacement.

Step 3: Identify Talent Pools
This step involves:
- Using pools of candidates vs. development of positions
- Identifying talent with critical competencies from multiple levels early in careers and often
- Assessing competency and skill levels of current workforce, using assessment instrument(s)
- Using 360° feedback for development purposes
- Analyzing external sources of talent

Step 4: Develop Succession Strategies
This step involves:
Identifying recruitment strategies:
- Recruitment and relocation bonuses
- Special programs

Identifying retention strategies:
- Retention bonuses
- Quality of work life programs
- Identifying development/learning strategies:
  - Planned job assignments
  - Formal development
  - Coaching and mentoring
  - Assessment and feedback
  - Action learning projects
  - Communities of practice
  - Shadowing.

**Step 5: Implement Succession Strategies**

This step involves:
- Implementing recruitment strategies (e.g., recruitment and relocation bonuses)
- Implementing retention strategies (e.g., retention bonuses, quality of work life programs)
- Implementing development/learning strategies (e.g., planned job assignments, formal development, Communities of Practice)
- Communication planning
- Determining and applying measures of success

Linking succession planning to HR processes
- Performance management
- Compensation
- Recognition
- Recruitment and retention

**Step 6: Monitor and Evaluate**

This step involves:
- Tracking selections from talent pools
- Listening to leader feedback on success of internal talent and internal hires
- Analyzing satisfaction surveys from customers, employees, and stakeholders
- Assessing response to changing requirements and needs.
3.1.4 Characteristics of Effective Succession Planning and Management

According to Rothwell (2005, p.304), the characteristics of effective succession planning and management program are such:

- Tied the succession planning program to organizational strategic plans.
- Tied the succession planning program to the employees' career plans.
- Tied the succession planning program to the training programs.
- Established measurable objectives for program operation.
- Identified what groups are to be served by the program in priority order.
- Established a written policy statement to guide.
- Articulated a written philosophy.
- Established action plan.
- Established schedule of events based on action plan.
- Fixed responsibility for organizational oversight of the program.
- Fixed responsibility of each participant in the program.
- Established incentives/rewards for identified successors.
- Established incentives/rewards for managers with identified successors.
- Developed a means to budget.
- Devised means to keep records for individuals who are designated as successors.
- Created workshops to train management employees about the program.
- Created workshops to train individuals about career planning.
- Established a means to clarify present position responsibilities.
- Established a means to clarify future position responsibilities.
- Established a means to appraise individual performance.
- Established a means to compare individual skills to the requirements of future positions.
- Established a way to review organizational talent at least annually.
- Established a way to forecast future talent needs.
- Established a way to plan for meeting succession-planning needs through individual development plans.
- Established a means to track development activities and prepare successors for eventual advancement.
• Established a means to evaluate the results.

The characteristics of an effective succession planning, according to Ostrowski (1986) are:

• Futuristic – focused on future needs of the organizational leadership instead of immediate placement need.
• Dynamic – the succession planning capable of change and modification that can be adjusted to changing business needs.
• Organic – total organizational participation.
• Continuous – must be carried out throughout the life of a corporation.

Ostrowski (1986) also argues that the following conditions must exist in a firm if effective succession planning is to become possible.

• Total Management involvement.
• Integration of manpower forecasting and business planning.
• Periodic management assessment.

Several studies (Friedman, 1986; Pattan, 1986; McElwain, 1991; and Huang, 2001) indicate that the characteristics of effective succession planning rely on the:

• Extent to which the prescribed rules and procedures of succession and executive development are formalized.
• Extent to which departments and staff are assigned specific responsibility for succession planning.
• Extent to which auditing and follow-up are pursued in the executive or HR review process.
• Extent to which higher-level management becomes involved in the succession process.
• Extent to which department heads are evaluated and compensated for their effort to develop subordinates.
• Extent to which a firm compiles data on employees and job positions for the purposes of succession and development.
• Extent to which selection for promotion is based on personal relationships and network ties.
• Extent to which selection for promotion is based on past performance, range of experience and ability.
• Extent to which members of the succession planning staffs are viewed as credible and competent in performing their job.
• Amount of time that the CEO devotes to managing succession issues.

3.1.5 Barriers in implementation of Succession Planning and Management

According to Huang (2001), the success of succession planning depends on the careful implementation process, well-planned design, commitment of top-level management, credibility of staff, and resource allocation. In many organizations, there are a huge gap between the desire for effective succession planning and its actual practice (Hall, 1986). In 1986, Hall conducted a research on two large US based companies and identified the following organizational barriers in implementation of effective succession planning:

• Reluctance of managers to give up talented people for developmental job moves.
• Lack of perceived strong candidates at middle and senior levels.
• Uneven implementation of formal systems, such as the profiling system.
• Evaluating and integrating management talent in newly acquired companies.
• High organizational diversity of operations, with strong independent business units.
• Weak corporate organization.
• Organizational technology and related mindset.
• Weak, understaffed, under-budgeted human resource staffs in most areas.
• A high-pressure, task-oriented management style which rewards success strongly and punish for mistakes.
• Strong barriers to lateral movement (between function and between businesses).
• A complex, turbulent environment, which reduces the organization’s ability to control its own destiny.

3.1.6 Best Practices of Succession Planning

According to the Chief Executive Magazine (April 2004, pp. 1&4), the best practices of Succession planning encompasses four key elements. They are:
• Identify - find high potential candidates in the organization by using consistent, objective criteria.
• Diagnose - assess individual candidates’ strengths and weaknesses compared to the organizations’ needs.
• Prescribe - provide the right development to build competencies in the organization.
• Monitor - ensure that the succession process works to build leaders over time.

Carey, Ogden, & Roland (2000), recommend the following 10 core principles to describe corporations that are serious about implementing and maintaining best practices in executive succession planning.

• They have strong, involved boards.
• They continually expose their top management team to the board.
• They encourage “next generation CEO’s” to gain exposure to outside board service, to the media and to the investment community.
• They form executive committees or operating committees to facilitate the development of several executives who are aware of the challenges, business plans and strategies across the entire organization.
• They view succession planning as an ongoing and “real time” process.
• They take as much of the human drama out of the succession process as possible.
• They link the CEO’s compensation to the development of succession plans.
• They pay their directors increasingly in stock and require the directors to make a personal investment in the company.
• They periodically calibrate likely internal candidates for CEO against comparable outside leaders.
• They develop a “succession culture”.

Aquila (2007) states that succession planning is now more complex than 15 years back and has recommended 7 key best practices for succession planning implementation:

• Deployment of a process that links succession planning and firm’s overall business strategy.
• Continuous identification of future leaders.
Best Practices according to Robert M. Fulmer

Deploying a Succession Management Process: Best-practice organizations make succession planning an integral corporate process by exhibiting a link between succession planning and overall business strategy. This link gives succession planning the opportunity to affect the corporation’s long-term goals and objectives.

Human resources are typically responsible for the tools and processes associated with successful succession planning. Business or line units are generally responsible for the “deliverables” i.e., they use the system to manage their own staffing needs. Together, these two groups produce a comprehensive process.

Technology plays an essential role in the succession planning process. Ideally, technology serves to facilitate the process rather than becoming the focus of the process or inhibiting it in any way.

Identifying the Talent Pool: Best-practice organizations use a cyclical, continuous identification process to focus on future leaders. Best-practice organizations use a core set of leadership and succession management competencies.

Engaging Future Leaders: Best-practice organizations emphasize the importance of specific, individualized development plans for each employee.

Individual development plans identify which developmental activities are needed, and the “best practice” firms typically have a mechanism in place to make it simple for the employee to conduct the developmental activities. Typically, divisional human resource leaders will monitor employee follow-up in developmental activities.
Best-practice partners rely on the fundamental developmental activities of coaching, training and development. Most frequently utilizes all developmental activities to a much greater extent than the sponsor organizations.

In addition to traditional executive education programs, best-practice partners increasingly use special assignments, action learning and Web-based development activities.

**Key Best Practices according to William Rothwell**
- Use a "big picture roadmap or model" to guide the effort.
- Ensure hands-on involvement by the CEO and other senior leaders.
- Use competency models to clarify what type of talent the organization’s leaders wants to build.
- Develop and implement an effective performance management system.
- Lead the target by clarifying what competencies will be needed for the future if the organization is to achieve its strategic objectives.
- Use individual development plans to narrow developmental gaps.
- Develop descriptions of the values and ethical standards required and assess people relative to those as well as competencies.
- Build a viewpoint that high-potential talent is a shared resource rather than owned by specific managers.
- Use leadership development efforts to build shared competencies needed for the future.

**Four Key Best Practices According to Chief Executive Magazine**
- Identify- Find HiPo candidates in the organization by using consistent, objective criteria.
- Diagnose- Assess individual candidates’ strengths and weaknesses compared to the organization’s needs.
- Prescribe- Provide the right development to build competencies in the organization.
- Monitor- Make sure that the succession process works to build leaders over time.
3.1.7 Succession factors

There are several factors typically found in successful succession planning initiatives. For example:

- Senior leaders are personally involved.
- Senior leaders hold themselves accountable for growing leaders.
- Employees are committed to their own self-development.
- Success is based on a business case for long-term needs.
- Succession is linked to strategic planning and investment in the future.
- Workforce data and analysis inform the process.
- Leadership competencies are identified and used for selection and development.
- A pool of talent is identified and developed early for long-term needs.
- Development is based on challenging and varied job-based experiences.
- Senior leaders form a partnership with human resources.
- Succession planning addresses challenges such as diversity, recruitment, and retention.

3.1.8 COMPANIES WITH BEST PRACTICES OF SUCCESSION PLANNING

3.1.8.1 GENERAL ELECTRIC

The former CEO of General Electrics Co., Jack Welch, wrote in his 2001 book about choosing of his successor: “Making the pick was not only the most important
decision of my career, it was the most difficult and agonizing one I ever had to make. For at least a year, it was often the first thing I thought about each morning and the last thing on my mind at night”. Jack Welch approached the selection process with four criteria. He wanted his successor: to be GE’s unquestioned leader; to take the politics out of the process: to be young enough to be in the job for at least a decade; and he wanted the board involved in the decision. His succession and leadership strategy worked very well, it is evident from the remarkable success and progress brought by his successor Jeffery Immelt who was twice named as “World’s Best CEO” by Baron’s polls. For example, four days after Jeffery Immelt became CEO in September 2001, 9/11 occurred. That alone left GE with a US$600 million hit to insurance business and huge uncertainty in a weak economy. However, Immelt managed to turn around the GE business to profitability in the same year. GE is now one of the most successful companies in the world with a good track record of returns to shareholders. Davis (2008) has stressed that proper succession planning involves strategic and long term “talent mapping” that is, integrating the skill sets and competencies needed to fill current and future leadership roles into high-potential employee development efforts and tracking individual results as these efforts go forward. Davis also argues that talent is a precious resource, not just because it is scarce but also because it is valuable for organizational success. By mapping existing talent against key business needs, smart companies can create real competitive advantage.

3.1.8.2 APPLE INC

Source: Knowledge@Wharton & Google

Figure-28: Tim Cook and Steve Jobs
Apple has been grooming Tim Cook for several years. Not only has he already experienced the CEO role, he has been working directly with Jobs on the company's supply chain so he has a deep understanding of the internal operations of the company.

Behind the scenes, there has been a project at Apple for several years to "capture the essence of Steve Jobs management philosophies" for generations ahead. Under the title of Dean of Apple University, Joel Podolny (former Dean of Yale Business School) has been building a leadership curriculum around Jobs behind the scenes. Several ex-Apple employees mentioned that this is a very strategic project designed to help Apple continue under Steve's leadership model even after Steve leaves the company.

This is an example of Apple "thinking different." While most companies would look at competency models and hire executive recruiters to assess leadership candidates for succession, Apple is taking a page from our High Impact Learning Organization playbook. They are capturing the essence of Apple's executive performance and philosophy in digital form for leaders on into the future.

Apple is studying corporate universities for many years and most highly revered programs (McDonald's Hamburger University, GE Crotonville, Accenture Q Center) are true learning institutions that bring together management philosophies, technical skills, and leaders to help all employees understand the organization and its principles and practices. In the case of fairly secretive Apple University has spent a lot of time and money capturing the experiences and principles of Steve Jobs for others to use in the future.

According to Apple, the company founded Apple University in 2008 "to teach Apple employees how to think like Steve Jobs and make decisions he would make." In many ways it was built to solve the problem of "running Apple after Steve Jobs" and setting in place the tools and information, which helps Apple, learn from his collective 30 years of wisdom.
How Apple University is Structured*

*According to reports. Actual structure may vary as little is known about Apple University.

Apple University was created in 2008 to teach Apple employees how to think like Steve Jobs and make decisions he would make.

Learn more about it:

Apple University has been called the solution to Apple after Steve Jobs.

The goal is to teach the executive team's thought process to future leaders.

According to Forbes, "Jobs is ensuring that his teachings are being collected, curated, and preserved so that future generations of Apple's leaders can consult and interpret them."

Toni Cook
CSO and Apple CEO
Apple University Teacher

Bob Johnson
Senior Vice President
Apple University Teacher

As of Nov 1, 2011, Ron Johnson will become the chief executive of J. C. Penny

Source: Apple University Strategy

Figure-29: Apple University

Today Apple University is still a well-kept secret. But from what we have learned, it is one of the most innovative and exciting forms of succession management yet to be seen. Think different about your own leadership and how you can transfer skills and culture forward when your leaders leave. Apple once again is likely to show us the way.

For example, the impact of Steve Jobs was recently summed up in a Washington Post article with the quote "maybe no American chief executive is perceived as being more crucial to his company's future than Jobs is to Apple's" (Ahrens, 2009).

3.1.8.3 MICROSOFT

Source: Google

Figure-30: Bill Gates & Steve Ballmer
Bill Gates is different. He will leave the saddle in one of the smoothest transitions of power in corporate history. Every founder, CEO, and board should be required to have Microsoft engineer its CEO's succession. Few could execute a plan as well as Microsoft.

Few would dispute Microsoft's persistent and evolving success. The surprise is that founder Gates has not only reinvented the success model multiple times himself, but has then included his commitment to killing the company's dependence on him. Steve Ballmer and a young COO, Kevin Turner, are there and most recently, Ray Ozzie, formerly of Groove Networks. Ozzie is not only a technology visionary, but also a man with a strong personal identity who understands Gates.

In January 2000, Bill Gates signaled the beginning of a transition of power at Microsoft. He named Steve Ballmer, who became president of the company in July 1998, as CEO. Gates said he was stepping down to focus on long-term strategy, but he remained chairman and added a new title "chief software architect". At the time, Gates said making Ballmer CEO was a "very good transition" for Microsoft. Over the next eight years, Microsoft gradually put other executives in the spotlight. In June 2006, Microsoft announced that Gates would transition out of his day-to-day role to focus on the Bill & Melinda Gates Foundation. The biggest change for Microsoft was appointing Ray Ozzie, then chief technology officer, to be the chief software architect working side-by-side with Gates. Gates' last day as an executive was June 27. He remains chairman and advises Microsoft on "key development projects."

"Microsoft had been about Gates for so long. But he scheduled a long, phased wind down. You can see the way that the succession was comfortable for the company, customers and shareholders," Whitehouse notes.
At IBM, Sam Palmisano has guided the company for about the same amount of time, pushing the tech giant into such areas as cloud computing and analytics and driving its Smarter Planet initiative. Under Palmisano's leadership, IBM has pursued high-margin technologies shedding such commoditized businesses as PCs while weathering some difficult economic times. Virginia Rometty, IBM's senior vice president and global sales leader, will take over at Big Blue Jan. 1, 2012. IBM's selection of Rometty and the positive feedback it received in the industry is an example of IBM's historically strong succession planning, according to analysts.

IBM has one of the strongest institutionalized succession plans of any company in the world, Rob Enderle, principal analyst at The Enderle Group, said in an email to eWEEK. This is largely why it is one of the few firms that has lasted a century. It got off plan in the 90s, but Sam put it back on plan and Rometty's selection was consistent with this century long program.

IBM is now most likely in better shape, thanks to a corporate culture that seeks out potential CEO candidates from within the ranks and spends years preparing them for the moment that they are appointed to the top slot, according to the analysts. Enderle, who has participated in IBM's succession process, said the company looks for executives who can manage the breadth of IBM's businesses, are successful in the jobs they are given and can build consensus.
It is a rigorous process and it includes detailed training from recognized leaders in various disciplines in a variety of industries. The combination of experience and very unique training builds an executive with the capabilities and tested skills to run a company like IBM. While this does not assure success, since the CEO job is unique it makes it very likely and over a century IBM has generally proven the process works.

Rometty worked in roles and business units across the company and has deep insight and responsibilities related to virtually every major IBM strategic effort of the past decade or more. Along with being a terrific choice to replace Sam Palmisano, Rometty is a great example of IBMs managerial excellence and the company’s deep executive bench strength.

According to Roger Kay, principal analyst with Endpoint Technologies Associates, the fact that the announcement of Rometty’s ascension surprised few people in the industry is a testament to IBMs executive practices. Palmisano knew the trajectory of his reign at IBM almost from the time he started. This is what you call an orderly transition. IBM likes predictability, as do its customers, and this transition has been envisioned for a long time. Palmisano spotted Rometty early and has groomed her for eons.

3.1.8.5 CISCO

Cisco has a succession plan but it has not been publicly disclosed. Cisco’s 12-member board has remained loyal to Chambers and his strategy. As long as Chambers
has the support of the board, it is difficult to predict when he might step down, but potential CEO candidates are trying to position themselves for a move in the next 12 to 18 months. Several external candidates have reached out directly to some of Cisco's shareholders, a majority of which are top U.S. institutional investors.

Mark Hurd is not one of the candidates lobbying for the support of Cisco's investors, but a source familiar with the third parties have made preliminary efforts to gauge Hurd's interest in becoming Cisco's CEO. Hurd was credited with reviving HP by slashing costs and diversifying the technology giant through a string of high-profile acquisitions. He could bring that same tenacity and operational excellence to Cisco.

But others questioned whether Hurd had the strategic vision to lead Cisco on its next phase of growth and noted that he already had a good job working for Larry Ellison at Oracle Corp. Hurd has little interest in charting out an exit strategy from Oracle, but an opportunity to lead tech bellwether Cisco would be worth considering for any executive, even if Chambers would remain as chairman.

3.1.8.6 HONEYWELL

The Management Development and Compensation Committee of the Board of Directors of Honeywell International Inc. (the "Company" or "Honeywell") recognizes that retention of highly qualified management talent is critical to the
Company's continued performance and to successful succession planning. Since January 2004, executives promoted from within Honeywell have filled all of the Company's open executive officer positions. Based on the Committee's annual review of potential succession candidates for senior leadership positions, its evaluation of the likely impact of unplanned attrition, its desire to protect the Company from competitive harm by strengthening restrictive covenants (e.g., non-compete, non-solicitation), and its careful consideration of the retention circumstances for each individual executive, the Committee took the following action with respect to Mr. Roger Fradin. Roger Fradin, who will report to Honeywell Chairman and Chief Executive Officer Dave Cote, succeeds Kevin Gilligan as president and CEO of the ACS division, which is designed to (i) provide value to him only if he remains employed by the Company for the period of time deemed optimal for succession planning purposes and (ii) guard against competitive harm to the Company through the strengthening of restrictive covenants.

3.1.8.7 ORACLE

![Larry Ellison](https://source.google.com)

**Figure 34 Larry Ellison**

Former Hewlett-Packard CEO Mark Hurd is reportedly in talks to join Oracle. According to the Wall Street Journal, Hurd may join Oracle. The Journal cited people familiar with the matter. In a nutshell, Oracle CEO Larry Ellison would have an instant succession plan.
• Ellison publicly defended Hurd after the HP ouster
• Oracle would have a dream team of managers.
• Hurd to teach Oracle how to run its hardware business more efficiently.
• Ellison and Hurd would love to stick it to IBM as well as HP.
• Hurd and Ellison also have a penchant for acquisitions.

Meanwhile, Hurd also knows the data warehousing business. Before Hurd went to HP, he was in charge of NCR, which at the time had Teradata as one of its key units. That experience could come in handy as Oracle seeks to build out its Exadata line.

3.1.8.8 GOOGLE

Figure-35: Larry Page, Eric Schmidt and Sergey Brin

Eric Schmidt, a technology veteran brought in as Google Inc.’s "adult supervision" a decade ago, is relinquishing the CEO job to Larry Page, one of the prodigies who co-founded the company behind the Internet's dominant gateway. Schmidt, will still be available to advise Page and Google's other founder, Sergey Brin, as the company's executive chairman.

Under the new pecking order effective April 4, Page will reclaim the CEO job that he held for three years before Google's investors insisted that a more mature leader be brought aboard.
That led to the 2001 hiring of Schmidt, a professorial engineer who had previously held top executive jobs at Sun Microsystems Inc. and Novell Inc. After initially resisting Google's overtures, Schmidt bonded with Page and Brin to form a brain trust that proceeded to build the Internet's most powerful company.

Google now boasts a market value of more than $200 billion, a success story that has minted Page, Brin and Schmidt among the world's wealthiest people. The three men are Google's largest individual shareholders, stakes that turned them all into multibillionaires.

The management reshuffling appears to be amicable. Both Page and Schmidt had high praise for each other during a Thursday conference call with analysts, with Schmidt describing Google's co-founders as his "best friends."

In his new role, Schmidt indicated he will focus on meeting with Google's business partners and government regulators who have been taking a harder look at whether Google has been abusing its dominance in Internet search to thwart competition.

Brin intend to concentrate on a few high-priority products. Although Brin wouldn't discuss what he is working on, one of his pet projects is believed to be the development of social media tools to counter a looming threat posed by Facebook's increasing popularity. Facebook is selling more Internet ads and collecting an immense amount of information about its nearly 600 million users within the confines of a social network that Google hasn't been able to crack.

3.1.9 Advantages of Succession planning

- Provides an ongoing supply of well-trained, broadly experienced, well-motivated people, ready and able to step into positions as needed by the organization.
- Ensures alignment of the future needs of the organization with the availability of appropriate resources within the organization.
- Serves as positive goals for leadership personnel, which helps keep them in the organization and assures the continuing supply of capable successors for each of the important positions included in the Succession Plan.
• Leave a legacy behind as good employer
• Provide a Development Plan for Top Critical Positions
• Increased Leadership/Employee/Student Satisfaction
• Defines career paths, which helps the organization to recruit and retain best people.
• Identifies people who can move into crucial positions without unnecessary operational disruptions.
• Conducting assessments of talents within the organization assists the organization in strengthening partnership with local universities/colleges that offer programs that are beneficial in providing future leaders.
• Internal enthusiasm for a succession program is generated with candidates feeling “honored” to be selected for the program; appreciation that the organization is interested in their career and personal development; and they learn a lot during the process.
• In addition, Succession planning helps an organization to remain competitive.
• Succession Planning increases the confidence of both customers and shareholders, particularly in the area of share dividends and product supply of an organization.
• Improved morale;
• Improved effectiveness;
• An opportunity for skills development and directed training;
• Challenging and rewarding career opportunities;
• Growth in personal and professional self-confidence;
• Improved working relationships; and
• Enhancing the organizational “brand” and reputation as a desirable place to work.
• A cadre of desirable candidates who are being integrated into the company with positive goals established for them individually.
• A flow of these capable people through various departments with the goals of educating them into the culture and processes of the company.
• The continuous input of ideas to improve the internal processes and procedures of the company, as well as the opportunities to improve the offerings and services of the company in the marketplace.
• Alignment of the future needs of the company with the availability of appropriate resources within the company.

• An increasing reputation as a good, challenging, stimulating place to work, which could result in your ability to hire ever better people.

• Positive goals for key personnel, which will keep them with the company and will help assure the continuing supply of capable successors for each of the important positions included in the plan.

• Defined career paths, which will help the company recruit and retain better people.

3.1.10 Succession planning not implemented

• Company’s image is affected
• Bring down the stock prices
• Lose revenue
• Lose market share
• Lost precious human capital
• Lose leaders to accomplish its vision and mission.

• Steady attrition of talented members
• Retain people with outdated skills
• Create promotion apathy
• Create a passive-aggressive culture
• Apt for wrong organizational decisions
• Promote untested, unqualified officers
• Recruit outside of the organization
• Difficult to adjust
• Unfamiliar with the culture
• Disruption in services, production or productivity
• Stalled critical projects
• Decreased employee morale,
• Unclear organizational direction,
• Loss of critical knowledge
• Competing interests or ideas stalling the replacement process and putting further strain on the organization.
• Loss of continuity of business
• Lost productivity
• Potential loss of customers/business
• Time/expense to find replacement
• Negative impact on revenue
• Possible band aid replacements results in longer-term issues
• Shareholder concerns and potentially lower stock price (if CEO or key senior leader)
• Possible acquisition target (if CEO with no replacement)
• Consider the possible impact of an unexpected, immediate departure of a senior manager yet there is no-one readily available to succeed him/her.

3.1.11 Disadvantages of succession planning:

• Appointing the wrong person can lead to a variety of problems that result in poorer company performance and turnover
• Pulling the trigger too quickly to appoint someone only to have a better candidate appear later on
• Engaging in succession planning when the business is immature may lead to erroneous conclusions about leadership needs
• A poorly conducted succession planning process will lead to poor decisions, disharmony and ultimately poor company performance as well
• Focusing only on the 'technical competencies' and failing to consider the team-building and leadership development requirements
• Underestimating people within the organization or overlooking employees that don't appear to fit your standard 'company template'
• Implementing a program that is designed for upward mobility only, lateral succession moves should also be included in the plan
• Failing to offer the appropriate training and developmental opportunities
• Creating a development program that only offers generic 'leadership' training programs
• Not holding managers & leaders accountable for succession planning
• Not sharing the data with employees, you run the risk of losing promising employees if they don't feel the company has a plan for their development
• Lack of a formal written plan for each key person or position.
• A rigid, inflexible plan NOT tailored to the needs and abilities of the personnel involved.
• Too long a wait for real movement/promotion, potentially resulting in the best people leaving due to apparent inertia in the system

3.2 STATEMENT OF THE PROBLEM

The present study is to assess succession planning and management (SP&M) practices and its impact on organizational performance in IT companies. A questionnaire designed by the researcher, known as *A Questionnaire on Succession Planning and its impact on Organizational performance* is used to examine the succession planning practices in IT companies. The researcher administered the instrument to a target sample of 495 participants, a sample that was composed of the following sub-groups: Software Engineers, Senior Software Engineers, Project Leaders and Project Managers.

3.3 NEED FOR THE STUDY

IT companies are on the verge of losing a critical number of its key officials because of lack proper succession planning processes. For example, most IT companies do not have written succession plans, even when their CEOs are nearing departure. In the IT companies, many firms do not have adequate succession plans that can cope with the large attrition rate. These few examples depict how the business world is also confronted with succession issues. Yet, it is known that the success of an organization is connected to the adequacy of its leadership progression that stems from succession strategies such as talent identification and internal leadership development (Sobol, Harkins, & Conley, 2007).

Returning to the IT companies, studies indicate an impending leadership crisis that will affect organizations; and yet succession planning processes are not given due attention. For example, leadership succession predicaments exist in the IT companies. Also, a few studies conducted on IT companies portray shortages of sound succession planning processes as a major issue that needs adequate attention.

Surprisingly, despite the looming massive attrition rate in IT companies, organization pays little attention in studying and addressing this problem. As it stands
now, the precise impact of the looming talent and leadership shortage in IT companies is not clearly known due to the scarcity of research. However, since IT companies are the sunshine industry, it is vital to address the question of leadership succession, because deficient succession planning efforts may subtly weaken the IT companies. Therefore, efforts should be increased in studying and investigating succession planning and management processes in IT companies.

Software company hierarchy

Source: Shivprasad Koirala

Figure-36: IT Company hierarchy
3.4 SIGNIFICANCE OF THE STUDY

Several authors suggest the existence of a certain relationship between leadership capacity and succession planning (Fink & Brayman, 2006; Hargreaves, 2005; Lambert, 2003, 2006). Also, studies indicate that effective succession planning and management requires the commitment and the involvement of the top leadership of the organization (Rothwell, 2005). Thus, this study will inform the IT company leaders about the employees’ perception about the company’s succession policy and practices.

Eventually, the company leaders could choose to use this information to adjust their leadership styles with regard to succession planning and management practices. Moreover, this study may specifically help the company to move toward the creation or adoption of appropriate strategies for timely identification, development, and placement of leadership talents at various levels. Since it is important for any organization to have its succession planning and management efforts integrated into the organizational strategy (Rothwell, 2005; Sobol et al., 2007; Stephens, 2006), the company can take advantage of this study to adjust its policies, current strategic plan, and human resource development initiatives. Furthermore, the findings of this study can trigger the company to seek and implement best succession planning and management approaches for the purpose of improving the organization’s performance.

In addition, the findings of this study, although focused on IT companies in Bangalore, might shed some light on the succession planning condition of other states in India. The results of this study may trigger similar studies that can eventually lead to some improvement in IT companies. But, it must be noted that the improvement of the performance of IT companies cannot be divorced from the imperatives of improving institutional leadership capacities through adequate succession practices. In brief, this study is considered to be significant due to the following reasons:

1) Succession challenges in corporate and public organizations are too critical to be ignored;

2) The body of literature indicates that succession planning as a discipline has a fragmented theoretical framework; hence more research is encouraged;
3) There is a deficiency of research activity devoted to succession issues in IT companies, hence this study will contribute to scholarly literature and provoke more similar studies;

4) A leadership succession crisis is looming in IT companies, but very few company policy makers seem to be aware of the situation, this study is thus expected to inform and generate interest among policy makers in IT companies; and

5) Especially at the IT companies, this study may trigger strategies for introducing or improving succession planning and management policy and practices.

3.5 SCOPE OF THE STUDY

The scope of the study includes one of the major metros in South India, i.e., Bangalore. Because Bangalore is considered as IT capital of India and most of the top IT companies are housed in Bangalore. Five top performing companies in IT sector in Bangalore were selected as the study’s scope based on the rating provided by ASSOCHAM and their export sales values. The study is pertained to the four vital categories of the payroll professionals, i.e., Project Managers, Project Leaders, Senior Software Engineers and Software Engineers level in the organizations whose contribution is much needed for the development of the business. In the context of succession planning different models were reviewed as mentioned below:

a. Traditional model
b. Integrative Approach model
c. Succession planning “pools” model
d. Generic succession systems model
e. Three track leadership model
f. The Leadership Pipeline Model
g. The Acceleration Pools model
h. Life Cycle Model
i. Mutual Role Adjustment Model
j. Succession planning by position-management driven
k. Top-down/bottom-up succession planning
l. Public sector model
m. Military Model
n. Private sector model
o. Family business model
p. Independent model
q. Replacement Planning Model
r. Succession Planning Model
s. Succession Management Model
t. Talent Management Model
u. Relay Succession Planning Model
v. Scharmer's Theory U Model of Transformative Change

Based on the analysis of several models, this study proposes a model for evaluating the practices of succession planning in IT companies. The study focuses on succession planning policy adopted in top IT companies and also on demographic characteristics of the employees employed in selected top IT companies.

3.6 OBJECTIVES OF THE RESEARCH
1. To critically analyze present policy on succession planning in the sample organizations
2. To evaluate the practice of Succession Planning in the respondent organizations
3. To identify the suitability and applicability of theoretical models of succession planning in sample organizations
4. To evaluate organizational performance through application of models of succession planning
5. To suggest appropriate changes in succession models practiced with data analysis.

3.7 RESEARCH HYPOTHESIS
1. Succession policy has no significant impact on the organizational performance in sample organizations
2. Succession policy has significant impact on the organizational performance in sample organizations
3. Succession planning practice has no significant impact on employees and respondent organizations.
4. Succession planning practice has significant impact on employees and respondent organizations.
5. The theoretical models of succession planning in sample organizations are neither suitable nor applicable.
6. The theoretical models of succession planning in sample organizations are suitable and applicable
7. The Organizational performance of select IT companies is low through application of models of succession planning.
8. The Organizational performance of select IT companies is high through application of models of succession planning.