

Effects of succession planning on employee retention



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Proper succession planning helps an employee to get their work done as well as to sustain the employees in the most effective and efficient manner. This study also highlighted that for any particular job what are the organizational commitment, job security, job content which leads to self-esteem, leadership and staying in the organization for a longer time period. The study is intended to answer the question of whether proper succession planning could mitigate the expected negative effects of retentions on employees.

The basic purpose of this research is to find out that whether the way information regarding Succession Planning taking place is well defined or not and what are the impacts of employees' behavioral towards retention through proper communicated and well-defined work on succession planning. And up to what level are they emotionally and expressively affected.

1. 3 Implications of the Study

The findings of this study will have important implications from the perspective of employees and top management associated with employee retention & succession planning. The HR department in order to develop a proper job content for every job to develop an organizational commitment & security in which employees are most comfortable with the tenure, leadership & self-esteem.

This research will extend our knowledge on how differences the employee retention and succession planning of the company will impact the performance of employees both internal and external. And would also allow more detailed prescriptions for practitioners faced with such issues.

1. 4 Variables

Independent Variable

Succession Planning

Tenure

Leadership

Self Esteem

Dependent Variables

Employee Retention

Organizational Commitment

Job Security

Job Content

1. 5 Hypothesis

Hypothesis 1: There is a positive relationship between succession planning and employee retention.

Chapter 2

Literature Review

In an organization, every employee tends to rise to his level of ineffectiveness (Jr., 2003). Succession planning is the power to developing the strengths and performance of their people and maximizes production capacity. We provide businesses with a broad range of highly effective tools,

methodology and processes, proven to dramatically improve the contribution made by individuals and organizations at all levels (Jr., 2003).

These are the role of Succession Planning in an Organization

Prepares current employees to undertake key positions

Develops ability and long-term development

Improves employees abilities and performance

Improves workforce loyalty and as a result retention

Assemble the career improvement requirements of existing employees

Improves support to workforce throughout their tenure

Counters the increasing complexity of hiring employees externally

Focuses on leadership stability and better knowledge distribution

Provides further effective monitoring and tracking of employee ability levels and skills (Jr., 2003).

As Succession planning is a core part of an organization's ability to decrease risk, create a verified leadership model, smooth organization continuity and improve staff self-confidence (White, 1987). Succession planning has become really important for managers and executives in the current business world because, now they have begun to understand the importance of securing their companies eventually by selecting future leaders (White, 1987).

Succession planning considered to the higher concern to make the right decisions. They must put their self into strategic and planning form to choose the best leader (Jr., 2003). When it comes down to the decision about the succession plan an executive should recognize the needs and requirements of the company that what would be the strengths and weaknesses so an executive will know what kind of person they would need on the considerable situation which will lead the company on the succession path (White, 1987).

The basic element in transition is well transparency as it applies on every company the employer should take step to communicate the employees to decrease the gap between the company and the employee which effects better with the reflection of succession (Jr., 2003)

To develop an effective succession plan there are four stages

Recognizing jobs for succession;

Developing a obvious understanding of the capabilities required to carry out those roles;

Identifying workforces who could potentially fill and do highly in such roles;

Preparing workforces to be ready for development into each identified role.

Without the execution of a succession plan, there can be significant impacts on a business including;

Lack of expertise and business knowledge

Lack of business stability

Damaged customer associations (Jr., 2003).

Organization succession planning is highly dependent on the competent employee the company highly depends on its employee which can make the path and accelerate the company's business which will play a major role for an organization to become profitable or reciprocal. One major concern which often makes difference for succession if the leader key person leaves the organization- either by choice or other circumstances (Jr., 2003). What will happen when an important key player purged without succession planning? There are few things to look forward. Such as either there will be no skilled successor or there will be who might not ready to manage the business the way it has to be managing with the abilities. Whatsoever the case might came out to be, the situation can be terrible for the company. Business can become unsustainable to carry on (Jr., 2003).

The only answer that is left in an unexpected situation is just unproductive quick-fixed solutions the successor is left with temporary substitute if the set up is not been fix yet., and the important result can still be the breakdown of the business. Key factors that affect the success of business are skill and experience. And without it no one can run a business. They significant traits in an entrepreneur not only run the business but also sustain the success (Jr., 2003).

Without succession planning, a company that has become successful can just as easily fail. The company grows because there is a leader with experience, drive and ability. Without suitable succession planning, the future growth of the business is left to chance once that leader is gone.

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Under such a situation, if it succeeds at all, it is by default rather than intended. That is not all. The passing of the crop from one generation to the next is often fogged up by the stakeholders' differing views and agendas. Without proper planning, the clashes of views and agendas can pull the company in several directions and this may wreck an otherwise feasible business (Jr., 2003).

Succession planning enables your business to identify brilliant employees and provide education to develop them for future higher level and broader tasks. Succession planning helps to build worktable strength. Succession planning helps to decide where public belong to (Jr., 2003).

Through your succession planning procedure, you also save superior employees because they value the time, attention, and development that you are investing in them. To efficiently do succession planning in your business, you must identify the organization's long term goals. They must hire better staff (White, 1987).

You need to spot and recognize the developmental needs of your employees. You must guarantee that all key employees understand their career paths and the roles they are being developed to fill. You need to spotlight resources on key employee retention. You need to be alert of employment trends in your area to be familiar with the roles you will have a difficult time filling externally (White, 1987).

It is a complex process and a successful plan is based on management formation, regular evaluation through evaluations and integrated management development system. Only one tenth of the know-how of <https://assignbuster.com/effects-of-succession-planning-on-employee-retention/>

professional managers consists of formal education and training and the result is attained through on the job development. Management structure has to be clearly understood by all and frequently reviewed for future planning. One of the reasons for the gradual and slow abolition of business groups of yesterday is that they failed in managing the change. The plan does not mean recognition of an individual to replace his/her ancestor. It means identifying a group of individuals to be trained and groomed for the place of CEO (Zajac, 1987).

The organizations offer employee development opportunities through: on the job learning, better training and counseling, formal training programmers and job orientation. All these facilities not only help in employees' development but also help in preparing the incumbents probable to fill key positions (Jr., 2003).

The companies have to decide today for tomorrow through a complex assessment system for the human development, which is most uncertain. Business environment is getting increasingly vibrant, corporate growth, rate and size is critical, and values are changing which offer superior business opportunities for head hunters (Zajac, 1987).

To achieve the aim the process begins from staffing needs periodic appraisal and an elastic plan. Promotions are common and job rotation is a must to expose the incumbents to a diversity of experience, i. e. marketing, sales, finance and even manufacturing. The basic criteria remains performance but potential also play a very key role (White, 1987).

To commence such a complex process it is necessary to understand the challenge well in advance and act with obligation. Focus should be on performance as well as potential keeping in view the convenient challenges. The organizations must differentiate between spending on personnel and investment in employees' development. It is a fact that a number of the corporate look after their senior executive very well but hardly invests in budding leaders (Zajac, 1987).

One of the factors which have been a major obstacle in succession planning is hardly any division of management from ownership. Some of the leading groups vanished because they failed to interpret the change and to educate professional managers. People often presume that a manager by profession and a professional manager are one and the same. To face the emerging challenges corporate need more flexible managers (White, 1987).

Imagine for a moment a workplace in which the employees eagerly estimated their performance reviews. Picture your staff telling each other how much they look forward to meeting with their manager and bragging about what an empowering experience these meetings are (Jr., 2003).

The length of time an employee has worked for his or her current employer (Rosemary Batt, 2002).

Leadership is the skill of getting someone else to do something you want done because he wants to do it (Brown, 2003).

Leadership is a process by which a human being influences others to accomplish an objective and directs the business in a way that makes it

more unified and logical. Leadership is a process whereby a person influences a group of individuals to achieve a common goal (Brown, 2003).

Employee retention is a process in which the employees are encouraged to remain with the group for the maximum period of time or until the conclusion of the project. Employee retention is useful for the organization as well as the employee (Sheridan, 1992).

Employees nowadays are different. They are not the ones who don't have better opportunities in hand. As soon as they feel dissatisfied with the present employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their greatest employees. If they don't, they would be left with no superior employees. A good employer should know how to attract and keep its employees. Retention involves five key things (Sheridan, 1992).

Compensation

Environment

Growth

Relationship

Support

One of the most vital and key part is to retain the employee of the organization it's as important as you understand you need you have got to

intact and retain your potential employee because your employee is your asset which will highway the organization on success(Sheridan, 1992).

Why employee retention so important? Is it just to cut the turnover costs? It's not only the cost incurred by a organization that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached (Sheridan, 1992). The process of employee retention will advantage an organization in the following ways (Sheridan, 1992).

The cost of employee turnover adds hundreds of thousands of money to an organization's expenses. While it is hard to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conventional estimate. (Sheridan, 1992).

When an employee leaves, he takes with him valuable facts about the company, customers, current projects and past history sometimes to competitors. Often much time and money has been spent on the employee in anticipation of a future return. After the employee leaves, the investment is not realized. (Sheridan, 1992).

Customers and clients do business with an organization in part because of the people. Relationships are developed that support continued sponsorship of the business. When an employee leaves, the relationships that employee built for the companies are disengaged, which could lead to probable customer loss (Sheridan, 1992).

When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff (Sheridan, 1992).

The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization (Sheridan, 1992).

If an employee resigns, then good amount of time is lost in hiring a new employee and then training him/her and this goes to the loss of the company directly which many a times goes unnoticed. And even after this you cannot assure us of the same efficiency from the new employee (Sheridan, 1992).

Employee retention refers to policies and practices companies use to avoid valuable employees from leaving their jobs. How to retain important employees is one of the biggest problems that plague companies in the competitive marketplace. Not too long ago, companies accepted the revolving door policy as part of doing business and were quick to fill a vacant job with an additional eager candidate. Nowadays, companies often find that they spend substantial time, effort, and money to train an employee only to have them build up into a valuable commodity and leave the company for greener pastures. In order to generate a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a need to leave in the future (Sheridan, 1992).

Many people love their job, and there are a huge number of reasons such as they like the company environment, their boss, and their co-workers. A <https://assignbuster.com/effects-of-succession-planning-on-employee-retention/>

thrilling position, with plenty of opportunity for growth, learning, and advancement, is always desirable, as is a meaningful job that has the possible to make a difference in the lives of others. Dissatisfaction with one or more of these things could force the employee to think about leaving (Sheridan, 1992).

A rather obvious way for a company to better retain their employees is by offering competitive salaries and bonuses. Everyone likes to be recognized for a job well done, and nothing makes someone feel more appreciated than cold hard cash. It also shows the employee that the company has some degree of loyalty towards them, which could in turn influence them to repay their employers with some loyalty of their own. Increased benefits, stock options, more vacation time, company cars, child care, and other perks don't hurt either. Financial support for employees who wish to continue their education would also most likely be appreciated and rewarded with employee loyalty (Sheridan, 1992).

In many instances, employee retention starts just as soon as an employee is hired. If a company sees an unusual amount of potential in a new hire, management could make them feel appreciated right off the bat. Interest free loans to help pay off their college bills or other debts is one way for an employer to do this. In order to keep the employee from jumping ship before the loan is paid off, the employer can do several things, including staggering payments or making the loan contingent on certain performance goals. In a way, this practice can be considered a combination of recruitment and retention tools. Similar programs could also be implemented for employees that already have tenure built up with the company (Sheridan, 1992).
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There are times when an employee wants to leave a company not for a better job opportunity, but for the chance to relocate. Usually if this is a case, the employee's needs are strictly personal ones. If possible, a business can offer a relocation allowance to the employee and still try to keep them in the company in the same or a different capacity. Again, the details would have to be worked out on an individual basis so that the employee does not abuse this privilege (Sheridan, 1992).

The implementation of company policies like flextime, job-sharing, and part-time work may also prove useful in retaining an employee who wishes to leave their job for personal reasons. By doing so, a company could gain a reputation as a family-friendly environment and therefore make it more attractive to future potential employees (Sheridan, 1992).

Another thing that employees seem to enjoy is casual days or even a company casual dress policy. This allows employees the chance to better express themselves and creates a more comfortable work environment. In most cases, the dress code should be clearly defined so that the employees do not abuse the privilege and promote an unprofessional image about the company (Sheridan, 1992).

A company may also want to spend some time to get to know their employees better. A thorough understanding of an employee's goals, concerns, skill level, values, health, and job satisfaction are just a few of the areas that can be addressed. By doing so, the employee could be made to feel more like a prized individual and less like a cog in a corporate machine.

At the same time the company will educate itself as to which employees are the most valuable in both a business and personal sense. (Sheridan, 1992).

When a valued employee leaves, the company can use information gathered in an exit-interview to find out the reasons for the employee's decision and the changes that can be made within the company to keep others from following suit. This data can be gathered into a formal report and distributed to management, members of the human resource team, and other pertinent employees to be used for this purpose (Sheridan, 1992).

Finally, upper-level employees can be trained as retention managers to help in the seemingly never-ending battle to keep talent. A successful retention manager must be aware of their strengths and weaknesses and have a talent for listening, respecting, and understanding their employees' concerns. Retention managers should be individuals who have already proven their loyalty to the company. Honesty, creativity, and patience are other virtues that can help in this type of position (Sheridan, 1992).

Every company should understand that people are their best commodity. Without qualified people who are good at what they do, any company would be in serious trouble. In the long run, the retention of existing employees saves companies money. There are advertising and recruiting expenses, orientation and training of the new employee, decreased productivity until the new employee is up to speed, and loss of customers who were loyal to the departing employee. Finding, recruiting, and training the best employees represents a major investment. Once a company has captured talented

people, the return-on-investment requires closing the back door to prevent them from walking out (Robert P. Steel, 2002)

When an employee leaves a company for a direct competitor, there is always a chance that they will take important business strategies and secrets with them to be exploited by the competition. This is yet another reason why the retention of employees is so crucial to some businesses. While this practice seems a bit unscrupulous, it stills happens quite frequently. As Bill Leonard stated in HR Magazine: because employers know that the best-qualified applicants will come directly from competitors, recruiting and hiring employees away from the competition becomes a necessity in an ultra-tight labor market. And necessity is the mother of inventive and sometimes controversial business practices. Recruiting and hiring from your competitors is probably as old as business itself. But what is new and a hot topic among employers is how to attract and retain qualified candidates in a highly competitive labor market while also preventing their own intellectual capital from winding up in the hands of competitors (Robert P. Steel, 2002).

One way for a company to prevent employees from giving valuable information to competitors is to make it a policy to enforce strict noncompeting and confidentiality agreements amongst its employees. The existence of such agreements could in fact deter a competitor from hiring a valuable employ because they might not want to risk possible legal entanglements with the other company. Of course, all this could possibly lead to animosity with the employee who could feel that his or her options are being limited. Many employees don't always remember signing such a document, so a copy of it should always be kept on file for the employee to <https://assignbuster.com/effects-of-succession-planning-on-employee-retention/>

refer to. This area could prove to be a highly sensitive one between employer and employee, so extreme caution is suggested in all instances (Robert P. Steel, 2002).

Employee retention is an issue in just about every business sector. The technology field seems to see the most movement amongst employees, but other markets like education and sales also see more than their fair share of turnover (Sheridan, 1992).

The effects of this trend are somewhat different for small businesses. Since the employee base at a small business is fairly low, a stronger sense of loyalty may be a bit more prevalent. One possible reason for this trend would be the generally low number of layoffs that occur in the small business sector. Many small businesses even have no-layoff policies that can be used as a valuable recruiting and retention tool to secure employees. These types of policies are not for all small businesses, especially those with erratic sales trends or those that employ a large number of non skilled workers who are often easy to replace (Sheridan, 1992).

In any event, just about every business will have to live with the fact that valued employees will leave at some point. While certain strategies can be practiced to slow this trend, it most likely can never be stopped completely. Successful businesses that are built on a strong foundation should have less trouble dealing with this situation than their weaker counterparts. At the same time, the company's strengths will enable them to promote an image to help recruit and ultimately retain the best employees out there (Robert P. Steel, 2002).

When the companies were consulted, the subject of identifying and retaining top talent is always one of the critical items executives tell me they'd like to improve upon. However, when asked what their strategy is in that regard they either mention that they've found this great recruiting firm that is going to do nothing but send them top-level talent, or they look at me and tell me the people that have left were no good to begin with, basically rationalizing the cause of the turnover (Rosemary Batt, 2002).

It is recommended that job analysis audits should be conducted to provide realistic job previews. Job analysis audits should be done with behavioral assessments, cognitive reasoning assessments, job simulations, and hard skills assessments (e. g., computer skills, etc.) to objectively define the core competencies required for success in each role competency modeling. This helps in providing a realistic job preview for candidates and managers. Oftentimes what managers think they need for a certain role is different from that they actually need (Robert P. Steel, 2002).

A well-designed assessment and selection process must be implemented. Behavioral assessments and structured behavioral interviewing techniques should be used to increase the likelihood of hiring people who can, and will, do the job at a high level in your environment and for your managers' job fit assessment (Sheridan, 1992).

Effective employee orientation must be provided. The people who are hired today are potentially the greatest resource for corporate success in the years ahead. A senior leader's participation in new employee orientation sends a vital cultural and leadership message: everyone is involved in the drive

toward the future. Everyone even the newest employee has value (Robert P. Steel, 2002).

Programs for employee training and development are to be implemented. Ongoing professional development is required to show willingness as an organization to develop the greatest assets which are the people. (Sheridan, 1992).

Manager and employee relationships must be improved. Concentration should be on the people who stay with the organization to learn what makes them happy; then give them more of it. It is said that people leave managers, not companies. If there is a turnover problem, assess the managers (Robert P. Steel, 2002).

An equitable and fair pay system is also important (Sheridan, 1992). Encourage succession planning. Identify roles for which employees may be suited in the future and work with them on designing their succession plan within the organization. Invest in cross-training, job shadowing, coaching, mentoring, and cross-experience (Robert P. Steel, 2002).

Job security is dependent on economy, prevailing business conditions, and the individual's personal skills. It has been found that people have more job security in times of economic expansion and less in times of a recession (Postel-Vinay, 2005).

Chapter 3

Research Methodology

3. 1 Sources of Information

The information used in this study is basically primary data collected from respondents who are employees of Banking Sector in Pakistan. Employees at various levels working in four recently banks have been surveyed for this study to identify two responses i. e. organizations involved in succession planning would have employees who are more intend to stay in the same organization. For this research, four banks, RBS (Royal Bank of Scotland), SCB (Standard Chartered Bank), UBL (United Bank Limited) and MCB (Muslim Commercial Bank) have been selected to carry out the survey.

3. 2 Sampling Technique & Procedure

The researcher has used the “ Convenience Sampling” technique in which the sample has been selected in such a way that all individuals in the target population had an equal probability of being selected in the sample. Various departments within each bank were approached and employees working at various levels were used as correspondents for this research.

3. 3 Sample Size

The total sample size was 100 respondents, taking 25 employees from each of the chosen bank which includes

Male / Female

Graduate / Masters

Employee/Supervisor/Manager / Senior Manager or Others

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3. 4 Method of Data Collection & Procedure

The private sector Banking Industry of Pakistan is the targeted segment for the collection of primary data through questionnaires which is designed on the basis of research articles and questionnaires related to the topic. All employees from managerial level would be the participants. The survey would be self administered.

3. 4. 1 Data Collection

Basically there are two types of data available for the researchers, Primary and Secondary. In this research primary data has been used collected through questionnaires. Since and its effect is a study which needs to be carried out from employees who actually went through this, therefore the researcher had to rely on questionnaire survey results (primary data) for empirical data.

The researcher carried out the research through Survey method i. e. personal survey from employees' working within four chosen banks in Pakistan.

The survey was carried out by getting questionnaires filled from employees working at different levels within the organization and their perceptions were studied regarding the retention and what factors can come if succession effect created among them.

3. 4. 2 Research Testing & Instruments

The instruments used for collecting data for this research consisted of questionnaire for surveys and SPSS as testing tool. For the purpose of data

collection a questionnaire was devised based on two sections that consisted questions pertaining to Employee Retention (Dependent Variable), Succession Planning (Independent Variables). The respondents have been asked if they had been properly brief about the effects of succession planning & employee retention that had on their behavioral outcomes.

The tool used in this research is SPSS. Pearson's Correlation is used in this research and analysis is carried out keeping in view the nature of the hypothesis and the data. During the analysis of data in SPSS, researcher has used technique of Pearson's Correlation, because Pearson's correlation coefficient is a measure of linear association. Two variables can be perfectly related.

3. 4. 3 Method

The questionnaire was mailed and e-mailed to the employees of a random sample of 100 from four chosen banks.

3. 4. 4 Questionnaire

Questions were asked from employees based on their experience. Section A consisted of 15 questions related to Employee Retention which includes organizational commitment, job security and job content. All parts were divided among 5 each questions. The scale for recording responses was 1 to 5 representing Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree. The questions were designed in a way to judge the psychological effect of retention on employees mind.

Section B consisted of 11 questions related to the Succession Planning of employees which includes tenure, leadership and self-esteem. The scale for recording responses was 1 to 5 representing Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree. The questions were designed in a way to judge the psychological effect of succession on employees mind.

All the questions of both the sections A & B were designed in a way to judge the employees motivation level towards work and whether or not they are planning to leave the organization upon getting an opportunity elsewhere.

3. 4. 5 Questionnaire Testing

A questi