

An analysis of succession planning as a strategy for organizational continuity



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Built on the idea of change, the roots of succession planning (SP) lie within anthropology and the study of kinship (Fox, 1967, pp. 16-7, 1993; Fortes, 1970, p. 305; Parkin, 1997, pp. 22-3, 127). Early work into business succession by authors such as Christensen (1953), Gouldner (1954), Trow (1961), and Guest (1962) helped to fuel its dissemination into a wider management context, which in the present day encompasses leadership planning, change management, human resources, and indeed almost any area of business involving change.

While it may not have received as much attention in the general management literature as one might expect, it is unarguably a critical issue for any corporation, team, or individual, to consider how it plans for the future. One definition of succession planning is: The transfer of a business that results from the owner's wish to retire or to leave the business for some other reason. The succession can involve a transfer to members of the owner's family, employees, or external buyers. Successful succession results in a continuation of the business, at least in the short term (Martinet al. , 2002, p. ; SBS, 2004, p. 7).

Thus, in broad terms, it is a process through which companies plan for the future transfer of ownership and/or top management. However, care should be exercised so as to not confuse succession planning with replacement planning. While replacement planning is often referred to as a means of risk/crisis management aimed at reducing the likelihood of catastrophe from the unplanned loss of key personnel (Rothwell, 2001, p. 7), succession planning entails a longer term and more extensive approach towards the training and replacement of key individuals (Wolfe, 1996; Rothwell, 2001, <https://assignbuster.com/an-analysis-of-succession-planning-as-a-strategy-for-organizational-continuity/>)

p.). Consequently, a more expansive definition is: A deliberate and systematic effort by an organisation 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).

In this context, succession planning encompasses not only top-level management, but also a breadth of other factors. It can cover issues such as the procedures necessary for a successful transfer, legal and financial considerations, psychological factors, leadership development, and exit strategies. As mentioned above, early work on family succession was based on the study of kinship, and as we shall see, this is still often intertwined with succession planning. The bulk of research associated with succession planning concerns small- to medium-sized businesses (SMEs (companies with up to 250 employees)) but there is also a body of work-related larger companies, including multinationals. Succession issues are generally applicable to organisations regardless of size, sector, and geographic location.

Statistical data compiled by the Small Business Service (SBS) in the UK reveals that SMEs accounted for over 50 per cent of employment in 2003 (SBS, 2003a, b). In Wales and Northern Ireland, this figure is even greater at over 70 per cent of all employment, while a similar trend can also be observed in many other areas in the UK (SBS, 2003a, b). Manifestly, we are talking here of a substantial proportion of the British economy, and as will be shown in the examination of existing research presented here, there is a serious threat to the future prosperity of existing SMEs in terms of the lack of adequate succession planning.

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Among the variety of notable work relating to succession planning in the UK, the SBS (2004) has recently compiled a report in conjunction with the Department of Trade and Industry (DTi) which identifies the problems associated with business succession, thus highlighting the Government's concerns in this area. Similar concerns can be found in Europe, as encapsulated in documents produced by The European Federation of Accountants - FEE - (FEE, 2000); and in the USA, via the Small Business Administration (SBA), and succession planning issues in Australia, Finland, Canada, and China have also been reported in the literature.

The clear message that can be gleaned from all this is that succession planning is a global issue, yet it is an area where comparatively little rigorous research has been carried out, particularly with respect to methods of application. The aim of this paper is to synthesize the available evidence in order to provide a broad reflection of how succession planning affects various types of businesses, to report on approaches towards the use of succession planning including barriers against it and financial and legal matters, to identify evidence relating to best practice, and to highlight gaps where further work might justifiably be carried out. .

2. 1. Concept of Manpower Planning As obtained in the literature, several studies have argued asserting that the function of personnel in contemporary organizations is undergoing a radical transformation; departing from the era of personnel administration to a concept of comprehensive and integrative approach that focuses on the adequate utilization and development of human resources (Burack, & Gutteridge, 1978; Fitzgerald, 1992; Bjornberg, 2002; Alphander, 1980). This new concept <https://assignbuster.com/an-analysis-of-succession-planning-as-a-strategy-for-organizational-continuity/>

is referred to by several names such as human resource planning, manpower planning, human resource management, etc.

This concept has been defined by different authors in various ways and the only conclusion is that manpower planning is referred to as the total package of the personnel-related activities (Burack, & 232 O. O. Adewale / SJM 6 (2) (2011) 231 - 246 Gutteridge, 1978). Essentially, considerable misunderstanding and disagreement exists regarding the components of manpower planning and in addition, it is important to note that diversity also exists in organizations regarding the content of “manpower planning” programmes.

There are a number of external pressures that motivate organizations to adopt a new model for manpower planning (Stybel, 1982). Enforcement of Equal Employment Opportunity (EEO) legislation has made many organizations to modify their employee management in areas such as recruitment, selection, compensation, performance appraisal and other related practices (Risher, & Stopper, 2002; Pynes, 2004).

It is evident that EEO legislation and manpower planning has made the bad situation worse, whereby newly hired and old employees are more concerned about work life quality and departing from the concept of employee who subordinates his personal life to the demands of the organization he works for. In the same direction, employees are becoming insistent that employers should have laudable career programmes, establish improved work climates, and above all their personal needs and aspirations should be factor into management decisions (Helton, & Soubik, 2004).

Similarly, Pension Reform Law also has significant implications on organization personnel policies and procedures. Distribution of age of the workforce and the educational level attainment of the population should also be taken into consideration by organizations regarding manpower planning (Fleischmann, 2000). However, it is often said that insufficient or unqualified workforce in organization is as serious as scarcity of raw materials in production.

Similarly, it has been argued that investment in manpower is as equally important as in acquisition of plants, equipment and materials for organizational growth and continuity (Walker, 1974; Butterfield, 2008). Some organizations were forced to reschedule their plans for expansion due to their inability to procure the needed human resources; while some companies experienced high manpower planning errors, poor product, lower level of efficiency and poor service quality simply because they failed to anticipate the basic manpower requirement for their organizations (Lengnick-hall, & Lengnickhall, 1988). . 2. Manpower Planning Defined

Manpower planning projects the human resources required by the management of an organization in order to achieve its strategic goals. In the word of Stybel (1982) Manpower planning is refers as “ the identification of current and future job requirements, assessment of internal human resource capability in relation to those requirements, and institutionalization of management development/management succession framework”.

Bulla and Scott (1994) define manpower planning as “ the process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements”. Generally, <https://assignbuster.com/an-analysis-of-succession-planning-as-a-strategy-for-organizational-continuity/>

the major purpose of manpower planning is to match (human) resources to organizational needs in the shorter and longer terms requirements. It is also concerned with quantitative, qualitative and issues regarding the ways and manners in which persons are engaged and developed so as to meet or improve organizational efficiency and effectiveness. 233 O. O. Adewale / SJM 6 (2) (2011) 231 - 246 Sparrow (1992) argues further that " Human Resource Planning picks up the issues that are at the heart of the business, such as acquisition, decentralisation, empowerment, internationalisation or technology, and investigates their human resource management implications. HRP therefore requires a strategic approach to the recruitment, development, management and motivation of the people in the organisation, in the context of a pressing business issue. It is a systematic process of linking human resource practices with business demands in order to improve an organisation's abilities.

It establishes the plans, courses of action and targets for the range of policies needed to enable the organisation to influence the management of its human resources". 2. 3. Succession planning Defined Taylor (2002) identifies three types of planning that aim at achieving practical goals and objectives of organization. (1) Micro planning deals with forecasting supply and demand for specific groups. (2) Contingency planning covers the situation where possible scenarios are examined and the implications assessed before major decisions are taken. 3) Succession planning is a third type that focuses on manpower planning activity such as recruitment and development of employees in order to fill managerial and top positions.

Collins (2009) defines succession planning as " a process that can provide

seamless leadership transition across the organization". Strategic, systematic and deliberate effort to develop competencies in potential leaders through proposed learning experiences such as targeted rotations and educational training in order to fill high-level positions without favoritism (Tropiano, M. , 2004).

In the words of Charan et al (2001) 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. From this perspective, succession planning is seen as management pipeline that accelerates management performance over a period of time. Charan' definition looks into the future and this probably influences Scharmer (2007) assertion that succession planning is co-creating, a transformational stage during which management explores the future.

Succession planning is organized process comprising the identification and preparation of potential successor to assume new role (Garman & Glawe, 2004). However, this definition is short and compact, but it is not futuristic and lack strength when compared with Charan's definition. The Journal for Quality and Participation (2005) reported that 67% of companies do not have a succession plan and 45% have no executive development plan in place and it was argued that the crisis could be alleviated by implementing succession training programmes (Khumalo, & Harris, 2008). . 4. Succession Models 2. 4.

1. Relay Succession Planning Model Santorin (2004) came up with the first succession model, which is referred to as " Relay Succession Planning". In

this model, He advocates that current CEO of an organization should pass <https://assignbuster.com/an-analysis-of-succession-planning-as-a-strategy-for-organizational-continuity/>

the baton to a successor over a long period of time. The impact of companies practicing this model is being evaluated in Santorin's research compared with organizations do not have 234 O. O. Adewale / SJM 6 (2) (2011) 231 - 246 such plans in place.

However, it was recorded that organizations that practice relay succession plans performed better because the successors were exposed to corporate challenges and were able to deal with such challenges in the pre-succession phase. Obviously, current CEO was able to pass the baton in real time and this would give the successor the opportunity to test the reins of leadership and at the time receive training. In similar direction, organizations that implemented relay succession model should perform better in the post-succession phase, because he been tried and tested, which implies that experience would be speaking for him.

However, it is essential to note that not all organizations would hold the view that hiring internally is better, some organizations may prefer outsider in order to inject fresh ideas and vision thereby bringing positive change into the organization. It is evidence in Santorin's research that those organizations that had internal relay succession model had a higher return on investment over time (Santorin, 2004). 2. 4. 2. Scharmer's Theory U Model Scharmer (2007) came up with the second succession model which is referred to as " Scharmer's Theory U Model".

Scharmer argues that the Top Management Team should embrace and act in order to implement succession planning. In the first instance, this model views succession planning as beginning from the immediate future and

supports a concept of a U process of five movements that can make change possible (Scharmer, 2007). These movements are; (1) Co-initiating - in the words of Scharmer, at this stage, organization establishes a common purpose with all stakeholders about a future event. (2) Co-sensing - is the second movement stage in which an organization sees the need at hand collectively across boundaries.

Also, at the stage, new ideas and innovation occur through collective input.

(3) The third stage is Presencing, whereby the leadership of organization begins to see the future they envisage (Scharmer, 2007). This futuristic plan establishes a foundation for change, thereby spurs an organization to an expected end. Further, at this stage, it is observed that the leadership let go off unresolved past issues and forges ahead to a more realistic future. (4) The fourth in this model is ' cocreating' - Scharmer (2007) argues that at this stage, leadership of organization explores the future and prototypes what the future might look like.

He goes further to suggest that leadership should make succession planning a long-term concept rather than working on organizational immediate requirements. Kartz (2006) argues further that there is need to assess company' strategy and policy that highlight the required qualifications of the successor in order to have a sustainable and dynamic succession plan in place. (5) The Scharmer's fifth movement in Theory U stage ' coevolving' can help an organization to embrace change and implement succession planning strategies in the context of an emerging future (Scharmer, 2007).