

The effects of succession planning



“ The Effect of Succession Planning on Employee Retention”

1. 2 Objectives

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

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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 the processes, established to dramatically develop the part played by entities and businesses 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 build up an effective succession plan there are four phases

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.

Succession plan not executed, can give 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 corporation that is successful in the market can just simply be unsuccessful. The corporation develops because experienced leader is present, with ability and skills. Without suitable succession planning, the future growth of the company is in danger when the leader has departed. In this situation, if it doesn't fail at all, it is by default to a certain extent than proposed. The overtaking of the company from one age bracket to the next is usually seen in confusion by the stakeholders' because of different observations and plans. With no appropriate planning, the clashes of observations and plans can draw the corporation in several tracks and this may destroy a viable organization (Jr., 2003).

Succession planning enables your business to identify brilliant employees and provide education to enlarge them for future upper level and extensive 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 development, attention, and time that you are investing in them. For doing succession planning efficiently in your business, you must recognize the company's long term goals. They must hire better staff (White, 1987).

You need to spot and recognize the improvement needs of your staff. You should guarantee that all important staff understands their future career paths and the job description they are being developed to fill up. You require to spotlight the resources on important employee retention. You require

being attentive of employment drifts in your area to be familiar with the tasks you will have a hard time filling externally (White, 1987).

It is a difficult procedure and a flourishing plan is based on management structure, standard evaluation through evaluations and managed integrated development system. Management composition has to be undoubtedly understood by every single one and frequently evaluated for future planning. The reasons for the continuing and slow obliteration of business groups previously is that they failed in managing the alteration. The arrangement does not mean acknowledgment of an individual to substitute his/her ancestor. It means identifying a faction of people to be groomed and trained for the place vacated (Zajac, 1987).

The organizations propose employee growth opportunities through, on the better training, job learning and formal training programmers, counseling and job orientation. All these conveniences not only assist in employee's growth but also assist in preparing the current probable to fill key positions (Jr., 2003).

The corporations have to make a decision today for tomorrow through a difficult assessment method for the individual growth, which is mainly uncertain. Business surroundings are getting corporate growth, rate, increasingly vibrant and size is critical, and importances are changing which present better business opportunities for head seekers (Zajac, 1987).

To achieve the aim the process begins from staffing needs periodic appraisal and an elastic program. Promotions are regular and job revolution is a must to picture the current to a variety of experience, therefore sales, marketing,
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finance and yet manufacturing. The fundamental criteria remains performance but impending also plays a very key function (White, 1987).

To commence such a difficult procedure it is essential to understand the dispute well in advance and take steps with compulsion. Spotlight ought to be on potential keeping as well as performance in sight of the expedient challenges. The businesses must distinguish between spending on staff and investment in recruits' development. It is a truth that a figure of the company looks after their older executive very well but hardly invests in building leaders (Zajac, 1987).

Some of the issues which have been a key obstruction in succession planning are hardly any division of ownership and management. Some of the leading businesses disappeared because they futile to interpret the transformation and to educate qualified managers. People frequently assume that an executive by profession and a professional executive are same. To look for the rising challenges groups need more flexible executives (White, 1987).

Think for an instant an organization in which the workers eagerly estimated their performance analysis. Portray your employees telling one another how much they look ahead to meet their department heads and talking about what an empowering practice these gatherings are (Jr., 2003).

The length of time an employee has worked for his or her current employer is called tenure. (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 by more unified and logical. Leadership is a process whereby a person influences a group of individuals to achieve a common goal (Brown, 2003).

A procedure in which the work force is promoted to remain with the cluster for the maximum time or until the wrapping up of the venture is called employee retention. Retention is useful for the business as well as the worker (Sheridan, 1992).

Workers nowadays are diverse. They have chances to switch. As they feel displeased with the present company or with the job description, they change over to the next other job. It is the duty of the employer to retain their supreme employees. Else, they would be left with no superior staff. A high rate director ought to be familiar with how to attract and retain its staff. 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 its 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).

Employee retention is very important because it is not just to decrease the costs incurred due to turnover. The cost incurred by a business that highlights the need of retaining workers but they also need to retain talented staff from getting stolen (Sheridan, 1992).

The process of employee retention will advantage an organization in the following ways (Sheridan, 1992).

The cost of incurred in employee turnover adds thousands of wealth to an businesses expenses. While it is hard to completely calculate the cost incurred in turnover (training costs, including hiring costs, and productivity loss), industry specialists often estimate 25% of the average worker salary as a predictable estimate. (Sheridan, 1992).

When a worker quits, valuable facts about the company are taken by the employee with him, clients, recent projects and past record sometimes to opponents. So much effort and money has been used up on the worker in hope of a future return. After the worker quits, the spending is not realized (Sheridan, 1992).

Clients and customers do work with a organization because of the people. Affiliations are increased that carry continued support of the business. When a worker quits, the affiliations that he built with the companies are disengaged, which lead to probable client loss (Sheridan, 1992).

When a worker is terminated, the result is felt all over the organization. Co-workers are often entailed to pick up the burden. Remaining staff feels the unspoken negativity (Sheridan, 1992).

The generosity of an organization is sustained when the erosion rates are low. Superior retention rates stimulate potential staff to join the company (Sheridan, 1992).

If an employee quits, then a fair amount of time is gone astray in hiring a new worker and then training him/her and this means a loss to the organization directly which usually goes undetected. And still you cannot guarantee us the same efficiency from the new recruitment (Sheridan, 1992).

Employee retention are policies and practices organizations use to stay away from valuable staff from quitting their jobs. How to retain main employees is one of the important problems that effect organizations in the competitive marketplace. Not a long ago, organizations agreed to the revolving door strategy as element of doing work and which made the empty seat to be filled quickly with an enthusiastic applicant. These days, organizations regularly find that they use and spend substantial money, effort, and time to train a worker only to make then a valuable commodity and depart from the organization in greener pastures. In order to engender a successful organization, managers should think as many options as feasible when it comes to retaining its workforce, in the mean instance protecting their loyalty and belief so they have fewer of a need to depart in the near future (Sheridan, 1992).

People admire their job, and there are a many reasons such as they like the organizations atmosphere, environment, their head, and their co-workers. A rousing position, with enormous amount of opportunities for learning, growth, and advancement, which is always desirable, and is a meaningful position that has the possible outcomes to make a variation in the lives of others. Employee start to think about leaving the job when employee starts feeling dissatisfaction about things (Sheridan, 1992).

A reasonably obvious way for an organization to better retain their workers is by presenting competitive bonuses and salaries. People like to be appreciated for a job fine done, and nobody makes somebody feel more realized than cold hard money. Moreover it shows the worker that the organization has loyalty towards them, which could in turn persuade them to repay their organizations with some loyalty they hold. Increased benefits, increased child care, company vehicles, more holidays, stock options, and other additional benefits don't harm either. Financial support for their workers who desire to carry on their education would furthermore likely be valued and rewarded with employee loyalty and satisfaction (Sheridan, 1992).

In many cases, employee retention starts immediately as soon as an employee is appointed. If an organization sees an enormous amount of potential in a new appointed employee, management could make them feel appreciated from the start. Employer can offer interest free debts to help them give off their debts, and college bills to get rewarded with employee loyalty. To regulate the employee from leaving the job before the debt is compensated; the employer can do many things, including payments which

are staggering or making the loan dependent on certain performance milestones. This policy can be regarded as a mixture of withholding and recruitment tools. Alike curriculums could also be executed on individuals who have already built up tenure with the organization (Sheridan, 1992).

Sometimes when a worker desires to leave an organizations not for a enhanced job opportunity, but for the chance to shuffle. If this is a situation, then employee's needs are rigorously personal ones. A business can offer a transfer allowance to the worker and still strive to stay them in the organization in a different or a same capacity. The policy should be tried out on a single individual basis thus that the worker does not abuse this opportunity (Sheridan, 1992).

The implementation of business policies like elastic time, part time employment, and employment sharing may also prove helpful in retaining a worker who desires to quit their job for personal grounds. By this, an organization could gain a standing as a family-friendly surroundings and therefore make it more eye-catching to future prospective employees (Sheridan, 1992).

Sometimes employees seem to take pleasure in organizations casual dress policy or casual days. This allows workers the ability to better articulate themselves and make a more comfortable job environment. The dress code policy should be noticeably defined so that the workers do not misuse the benefit and promote an unprofessional image about the organization (Sheridan, 1992).

An organization might also want to expend some time to get acquainted with their workforce better. A thorough perceptive of apprehensions, health, member of staff's goals, job satisfaction, values and skill levels are a few of the parts that can be dealt. By this, the worker could be made to experience more like a prized entity and less like a component in a corporate instrument. On the same time the organization will educate itself as to which workers are the most precious in both a personal and business sense. (Sheridan, 1992).

When an important employee quits, the organization can use information collected in an exit interview to uncover the basis for the employee's choice and the changes that can be made inside the organization to keep others away from following suit. This information can be gathered into a proper report and distributed to management, associates of the human resource team, and other relevant employees to be used for this principle (Sheridan, 1992).

Finally, upper-level workers can be trained as retention executives to assist in the apparently by no means ending conflict to maintain the talent. A successful retention supervisor must be alert of their powers and fragileness and include a ability for regarding, listening, and realizing their employees' concerns. Retention managers should be persons those have already demonstrated their loyalty toward the organization. Honesty, patience, and creativity are other high calibers that can assist in this type of position (Sheridan, 1992).

Every organization should understand that individuals are their greatest commodity. Without qualified individuals who are not good at what they do, any organization would be in serious problem. The retention of existing employees saves organizations money. There are hiring and marketing expenses, as well as training and orientation expenses of the new worker, less productivity until the new worker is up to mark, and loss of clients who were loyal to the departing worker. Locating, teaching, and hiring the best individuals correspond to a major spending. Once an organization has detained talented individuals, the ROI requires closing the back door to stop them from walking out (Robert P. Steel, 2002)

When a worker leaves an organization for a rival, there is a possibility that they will take critical business policies and secrets among them to be take advantage of by the competition. This is one of the other motives why the retention of individuals is so critical to some businesses. While this practice seems a bit unprincipled, it stills happens rather frequently. Employers know that the best-possible qualified applicants will come straight from competitors, hiring and recruiting employees away from the competition becomes an obligation in an ultra-tight labor marketplace. And necessity is the mother of creativity and sometimes controversial business rules. Hiring and recruiting from your competitors is possibly as old as business itself. But what is new-fangled and a hot topic among employers is how to draw and retain qualified individuals in a highly competitive labor marketplace while also avoiding their own intellectual resources from winding up towards the competitors (Robert P. Steel, 2002).

Only way for an organization to avoid employees from giving important information to competitors is to make it a principle to impose strict confidentiality and noncompeting contracts amongst its employees. The survival of such contracts could in fact discourage the competitors from hiring a important employ because they might not want to risk probable legal entanglements with the other organization. All this could perhaps lead to hostility with the employee who could experience that his or her alternatives are being limited. Many employees don't always keep in mind signing such a deed, so a copy of it should always be held in reserve on file for the worker to refer to. This area could attest to be a highly responsive for both employer and employee, so intense caution is proposed in all instances (Robert P. Steel, 2002).

Employee retention is a problem in just about all business sectors. The expertise field seems to see most movements among employees, but other markets like sales and education also see other than their fair share of turnover (Sheridan, 1992).

The effects of this movement are somewhat diverse for small businesses. As the employee base at a small business is rather low, a stronger intellect of loyalty may be a bit more common. One potential motive for this trend would be the normally low number of layoffs that take place in the small businesses. Many small organizations even have no-layoff policies that can be used as a important retention and recruiting tool to lock employees. These kinds of policies are not for all small scale businesses, particularly those with inconsistent sales trends or those that take up a large number of non skilled employees who are often easy to substitute (Sheridan, 1992).

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In any case, just about all the businesses will have to survive with the truth that important employees will quit at some point. While some strategies can be adopted to slow this development, for the most part likely can in no way be stopped totally. Successful organizations that are built on a firm foundation must have less problem dealing with these circumstances than their weaker corresponding firms. The organization's strengths will facilitate them to uphold an image to help employ and ultimately retain the finest 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. People put down managers, not organizations. 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

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

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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 de