Holistic approach of Talent Management for a successful Succession Planning

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Abstract

Preparing ourselves for future volatile economic environment is a challenge. Every Organization needs to develop a succession plan for taking up the roles and responsibility by the next generation leaders. Indian Public Sectors Units (PSUs) often find themselves in a challenging situation while positioning suitable manpower for the key leadership positions in the changing market situation. They adopt several Management Practices to develop future leaders within the organization, as it is more preferable to develop a Talent Pool in-house, rather than acquiring it from outside. Based on various studies in the past, relationship between Succession planning and Talent Management is well established. Yet, the impact of Performance Management in particular, needs to be specifically addressed, critically analyzed and reviewed in depth in line with acquiring, developing and retaining the talent for a successful Succession Planning.

Problem statement - how does Performance Management System impact on Succession Planning? what is the relevance in integrating these two and how does it contribute to organizational sustainability? what are the Talent Management processes that support successful Succession Planning?

The study involves a sample of Indian PSUs from various sectors. A mixed method approach for data analysis is preferred. Document analysis involves review of Policy/guidelines, Procedures and Reports related to Human Resource Development (HRD); whereas feedback on perception of employees were collected through interactions with key stakeholders and analyzed using thematic analysis to identify linkage between Performance Management and Succession Planning.

The study suggests the holistic approach towards Talent Management and its best practices for a successful Succession Planning. It recommends to identify and develop individuals in-house, for the critical and key leadership roles thus achieving organizational sustainability.

Keywords: Performance Management, Talent Management, Succession Planning.

Highlights:

- Need for organizational sustainability and continual gowth
- Importance of Succession Planning for organizational sustainability
- Inhouse Talent Pool vs hiring Talent from outside
- Various stages of Talent Management
- Performance Management and its impact on Talent Identification
- Need for integration – a holistic approach
- Literature Review
- Research Methodology
- Observations & Data Analysis
- Discussion and Results
- Suggestions/recommendations
- Conclusion
- Limitations and Future Studies

Introduction

For sustainability of an organisation, there is a need to grow continually in present without compromising the need of the future generation. Organizations have to prepare themselves to survive in the upcomimg economic environmemnt, which is quite volatile. We need to review the practices and policies from time to time to achieve sustainability.

There are many challenges before an organization to prepare themselves for the future economic environment and achieve Sustainability. Every Organization (Government, Semi Government, Private and Social), have to have a succession plan for present and future roles and responsibility. The next generation is to be ready for taking up the leadership roles. Indian Public Sector organizations often find it challenging to position suitable manpower to fulfill the gap due to Volatile, Uncertain, Complex and Ambiguous (VUCA) market situation with changing environmental condition. The role of Human Recourses (HR) is to manage optimal utilization of manpower, developing their talent and preparing them for the future roles. While managing the manpower, HR has to ensure Productivity Growth, Capability Building, developing a Performance Culture, Talent Management, Succession Planning (for Key Leadership and Critical Roles) and finally transforming HR as a developmental function in line with organizational goal. In other words, HR has to align its activities to achieve its goal with that of the organizational.

We can define Succession Planning as a process of identifying and developing individuals, who have potential to hold the Key Leadership Positions in an Organization. There are several Management Practices, which are adopted widely in Industry to make a successful Succession Planning. Talent Management is one of them. Identifying the suitable person for the key leadership positions from outside the organization and recruiting them as and when required is a costly and risky affair. Organizational health is at stake in this situation, which affects significantly on its sustainability. The Key Result Area of succession planning is to ensure that a right person is placed at a right place in right time. Succession Planning in a Public Sector Unit (PSU) has become a challenging task these days. Several key leadership positions are either kept vacant for a substantial period of time or more than one role is assigned to a single person. The placement of key leadership positions can either be executed by inviting the available talent from outside or develop the in-house talent pool. It is preferred to develop the in-house talent pool to reduce dependency on recruitment of experienced people from outside for the critical roles. It brings the talent acquisition cost low and contributes as a motivating factor for the team as well. The acceptability by the people for a person placed at Top / Key Leadership Positions is high, when these are occupied by in-house talent. Thus, developing talent in-house is always in demand as it keeps the core values of the organization intact. In a long run, it also has a minimal impact on loyalty and organizational culture.

Talent Acquisition, Talent Development and Talent Retention are the three major stages in Talent Management process. The best available Talent is identified, recruited and developed further for the present and future roles and responsibilities. Performance Management practices plays the most important role in making a successful Succession Plan by way of proper Talent Identification, Talent Development and Talent Retention. A holistic approach for a Talent Management exercise leads to a successful Succession Planning.

Organizations have to last longer than people. Role of organization continues even when the people move out. Employee has to superannuate after attaining a certain age. Organizations have to have a contingency plan against sudden vacancy arises out of attrition, health hazards and death of employee. Succession planning is the strategy to ensure that suitable person is made available to take the responsibility during exigencies. Employees are developed in a way that they are ready for the new roles that may emerge in future and can take the higher responsibilities too.

Talent Management is the back-bone of organization. It has a significant impact on performance of an employee, it helps them grow in their professional career, develop and it strives for organizational excellence too. Organization needs to develop a Talent Management System to ensures that Human Capital is utilized optimally, they are developed for the future need of the organization, and they also achieve their professional goals to remain within an organization. It encourages achieving desired business-results. Talent Management needs supports from the Performance Management System (PMS), which is a tool to ensure that individual actions are aligned with organizational goals. Organizations are making efforts to make PMS as

scientific, objective and realistic. Many organizations are practicing participative appraisal processes. The idea is to identify the potential, evaluate performance, map & develop competencies and align employees' values with that of the organization. Problem statement - how does Performance Management System impact on Succession Planning? what is the relevance in integrating these two and how does it contribute to organizational sustainability? what are the Talent Management processes that support successful Succession Planning?

Literature Review

Plenty of studies have already been done in the past to establish a relationship between Talent Management and Succession Planning in line with of several HR practices in various countries. *(Ahmad, 2018a; By & Sivakumar, n.d.; Diab et al., 2023; Okhawere & Felix Isibor, 2016; Pila et al., 2016)*. Most of the studies recommend to develop Talent Management processes as a tool for a successful Succession planning. Talent Management starts right at the recruitment stage, where best available Talent is identified to be acquired. Then comes the Talent Development and finally, Retention plays the vital role under Talent Management. Most of the TM practices are largely depending on Talent identification at the beginning and in mid of the career. Best identified Talent is developed for the future roles. But the holistic approach yet to be discussed and studied in details to develop a Talent Pool in various industries. TM and Succession Planning practices are dealt separately in Indian PSUs. Performance Management has the major impact on Succession Planning; which need to be reviewed at different stages in the organization to take a holistic approach. It helps to achieve a continual growth by preparing the Human Resources for the present and future need.

Research Methodology

A mixed approach, consisting a method with both Qualitative and Quantitative data analysis is preferred. The study involves a sample of Indian Public Sector Units (PSUs) from different industries. Inputs on perceptions and interpretations collected through discussions, interviews and document analysis. The interviews of Key Stakeholders, including HR Managers, Executives, and Functional Managers are conducted to gather information on the perception of employees about current Performance Management Practices and Succession Planning in the participating organizations. The document analysis involves review of HR Policies, Procedures, and Reports related to PMS and Promotion Policies. Feedback collected through interactions are analyzed using thematic analysis to identify patterns and themes related to the linkage between PMS and Succession Planning.

Information gathered from various PSUs viz. BPCL, HPCL, IOCL, ONGC, SAIL, BHEL, HAL, BEL, NTPC, Power Grid Corporation of India Ltd., NMDC, Coal India Ltd.

Perception of employees of the sample organizations were assessed with the Questionnaires designed after detailed discussion with employees, functional heads and HR team. A sample size of 10 at Middle, Senior and Top Management were intended from PSUs of various industries form different sectors (Oil, Steel, Avionics, Power, Mines and Coal).

Also, the documents were reviewed in details related to the promotion policies & guidelines in addition to the discussions on succession planning methods & procedures adopted by various PSUs.

Data Analysis

Based on the feedback and interactions with the stake holders, various points emerged out. The perceptions about Talent Management of employees enumerate the following:

Most of the corporates, especially the Indian PSUs adopt the Performance Appraisal Rating as a basis for Talent Identification. Higher the ratings, more is the opportunity. Flagship Talent Development programme, such as Management Development Program, Senior Management Program, Advance Management Programme are designed for and made exclusive to the people, who are rated high by their appraisers. Nominations in all these flagship programs and in company sponsored Management Development Programs are directly connected to PMS only. Foreign Training & Tours are considered more as a reward than the requirement.

In most of the PSUs in India, Appraisal System is the only method to identify the talents within an organization. Assessment Centers, Competency Mapping, 360-degree feedback, etc. are neither implemented nor given significant weightage while identification of talent.

Even if the budget allocation and investment in Learning & Development is very high in PSUs these days, the outcome is not aligned to the growth of employee in the organization. Still, the importance of these developmental programs is not taken into the real sense.

PSUs have many limitations in Compensation and Benefits. But the scope is open for employer's brand value. Most of the PSUs are following the similar recruitment processes. Induction processes are also more or less similar, except variation in number of days for classroom sessions and On the Job Training (OJT) for the new recruits.

Job orientation is as per the requirement of the organization, while the selection criteria are same for every managerial role. Employees' competence and potential are identified mainly based on their appraisal ratings by their controlling bosses at the beginning of the career.

Competencies mapping is either missing or not well planned in PSUs. The frequencies of such exercise, if at all done, is too low (say once in a decade) in most of the PSUs. Competency Mapping is regularly done in only few PSUs and Talent Development is yet to be connected to it for the present and future need of the organization with the changing economic environment.

Performance rating remains the most effective parameter, even at middle and senior management level. However, Performance targets are Specific, Measurable, Achievable and Relevant (SMART) in most of the cases. The final ratings are having very low weightage as compared to the performance, and this weightage keeps on decreasing with hierarchy in management bands. In other words, the rating becomes more on subjective matters like Competence, Values and Potential for the top. The general perception about the appraisal rating in PSU is pick and choose rather than done professionally.

In most of the PSUs, the promotion policies are either not transparent or not available with employees other than HRD. Field force have a vague idea on Talent Management. They are unaware of the basis for their evaluation on Competency, Values and Potential. They are focused only on performance rating in line with the KRAs/KPIs marked to them. Bi-annual reviews are also focused on performance against targets.

The categorization of employees in line with bell curve does exist in almost all the PSUs in India. An employee, once placed in a specific category in the bell curve, it is almost impossible for him/her to change it. Bell curve segregates employees on the basis of their past PMS ratings, which may not be relevant to employee's development and future growth in the changing market scenario.

Results

The findings of this study would provide insights into the significance of holistic approach of Talent Management for a successful Succession Planning. The study identifies and suggests the best practices in PMS that support effective Succession Planning. The study also helps in linking various Talent Management Practices with Succession Planning to recognize the impact of integrating these two. Thus, the study recommends how to identify and develop individuals in-house, to take critical and key leadership roles as and when required by the organization.

Discussions

While deputing the right person at the right place, especially for the key leadership positions, people are identified and developed with the help of various HR processes. It is important to note that the identification of right talent is the most crucial stage, where talent pool is identified and then exposed to different roles and responsibilities along with various developmental activities.

Talent Identification starts at recruitment stage, when the best available talent is attracted based on employer branding and compensation and benefits.

The following table enumerates the items covered under the head Talent Identification (TID), Talent Development (TD), Talent Retention (TR) and Succession Planning.*(Jindal & Shaikh, 2021a)* (Pila et al., 2016)

Table 1 Constructs and sources of items*(Jindal & Shaikh, 2021b, 2021a)*

Construct	Items	Source
TID	1. Leadership abilities 2. Systematic process 3. Performance rating 4. Career planning chart 5. Mentoring and coaching 6. Experience in company 7. Overall experience in industry 8. Critical nature of job 9. Performance in critical incidents 10. Assessment centers 11. Competency mapping 12. Replacement chart	● Hirsh, W. (2000). Succession Planning demystified. Brighton: Institute for Employment Studies. ● Rothwell, W. (2010). Effective succession planning: Ensuring leadership continuity and building Talent from within. New York: Amacom
TD	1. Continuous feedback 2. Assessment development centers 3. Individual development plan 4. GAP in learning needs 5. Competency development 6. Higher education 7. Cross functional assignments 8. Job Rotation	● Garavan, T. N., Carbery, R., & Rock, A. (2012). Mapping talent development: Definition, Scope and architecture. European Journal of Ttraining and Development, 36(1), 5−24. ● Hirsh, W. (2000). Succession Planning demystified. Brighton: Institute for Employment Studies. ● Rothwell, W. (2010). Effective succession planning: Ensuring leadership continuity and building Talent from within. New York: Amacom
TR	1. Current compensation 2. The reward system 3. Work life balance facilities 4. Employee engagement plans 5. Transparent promotion policy 6. Mentoring Facility 7. Employer brand of my company 8. Competency management	● Phillips, J. J., & Edwards, L. (2008). Managing talent retention: An ROI approach. San Francisco: John Wiley & Sons. ● Hirsh, W. (2000). Succession Planning demystified. Brighton: Institute for Employment Studies

	9. Top level management 10. The culture of organization	
Succession planning	1. Identification of successors 2. Development of successors	● Cannon, J. A., & McGee, R. (2010). Talent management and succession planning (vol. 151). London: Chartered Institute of Personnel and Development.

Organizations need versatility of exposure (cross functional, cross country and international) of an employee to understand and experience the broader perspective. But it has an adverse effect on managing an excellent/outstanding rating due to settling time and tuning with the boss.

Succession Planning and career growth are very much interdependent when we talk about in-house Talent Pool. With the shift in hierarchy level in pyramid, many talents are left behind just because of different promotion policy at different level, say Junior, Middle, Senior and Top Management. A leader is supposed to display different behavioral and functional competencies at different level, which cannot be assessed right at the beginning or mid of the career.

The available Talent Pool at senior level may sometimes lack behind with versatile experience to manage the boundaries and inter departmental dealings. With limited exposure, the successor is difficult to be identified. In most of the PSUs in India, majority of employees are being promoted faster, who are in the same function for years together, as it was easier for them to manage the bosses and the other stake holders in the same function. The growth has a cumulative effect based on promotions. Hence, the available Talent Pool for succession planning is very limited.

Retaining the best Talent Pool, many a times becomes difficult with lack of motivation at Middle, Senior and Top Level. People leave organizations to find a better opportunity in other competitive companies, crossing the border of ethics & loyalty.

The above limitations lead to shift the organizational culture from the organizational values towards the boss management. Employees are developed in such a way that their focus is on current objectives rather than future goals.

Hence, a continual modification in PMS is required to align the employee's career growth with the Succession Planning of organization. This will have a direct impact on Talent Identification and in turn indirectly on the Talent Development and Talent Retention for the future need.

The impact of PMS with respect to other Talent Management practices is much more than what it looks apparently.

Recommendations

Following modifications are recommended based on the feedback to improve upon prevailing PMS:

- Talent Management practices needs to be inclusive of proper identification of Talent for the key leadership positions with the help of various evaluation methods such as PMS, Competency Mapping, Feedback for improvement, variety of experience and exposures, educational and professional background, exposure to Talent Development Programs, etc.
- Distribution Ratio of Performance Ratings based on KRAs/KPIs and Competence, Values and Potential needs to be reviewed.
- Rating on Competence, Values and Potential needs to be minimized for subjectivity, which is having maximum effect on PMS at Middle and Senior Management level.
- Cumulative effect of grades should be reviewed and minimized for identifying a Talent for the key leadership role.

- PMS should be designed and developed in a way so that it is aligned towards the organizational goal rather than the appraiser's demand.
- Previous Year Performance Rating needs to be kept confidential from the current appraiser to avoid a biased approach.
- Bell Curve has a de-motivating impact in professional growth of an employee. Should be removed.
- Exposure to versatile roles and responsibilities and variety of experience should be given proper weightage while developing a talent pool for top leadership positions.
- Competency Mapping to be done more frequently (at least once in a year) and results should be shared with the line managers and the functional heads. Currently, it is with HR function only in most of the PSUs.
- Evaluation on various parameters on 360-degree feedback should be shared with the employees. Only score does not provide any idea about strength or area of improvement.
- Leadership Circle used during selection for promotion should be guiding device rather than testing method. The scores on Competency Mapping needs to be shared with the candidates. There is also a need to develop competency by adopting several Leadership Programs for improvement.

Conclusion

To identify and develop the people for effective Succession Planning is the need of hour. Holistic approach of Talent Management in identifying, developing and retaining the in-house talent plays a vital role in preparing and positioning people for the critical and key leadership roles. Talent Management is an ongoing process starting from beginning till end and even after the employee superannuates/leaves the organization. Management Practices cannot be dealt separately for Talent Management and Succession Planning. Performance Management has a significant impact on Talent Management and thus on Succession Planning. Various other parameters must be introduced and implemented at various stages while identifying Talent. Talent Developmental Programme must identify and fulfill the gap related to competence, exposures, versatility etc., rather than randomly selecting the top performers to hold a position. There is a need for continual improvement in Performance Management System with holistic approach of Talent Management for a successful Succession Planning. Finding and positioning an appropriate Talent with change of roles and uncertainty of changing economic environment is the need of hour to achieve sustainability for an organization.

Limitations and Future Studies

The study is done with ony few Indian PSU under Oil, Steel, Avionics, Mines, Coal and Power Sector units. There is a scope for extending the study for various other sectors and Private Sector units as well, so that a holistic approach of Talent Management towards successful Succession Planning can be understood and developped further.

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