

**To which extent does  
Succession Planning affect  
employees' effectiveness?**

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## **Abstract:**

**Succession planning is the process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. The succession planning process involves developing current employees' skills, knowledge and abilities and preparing them for a career advancement or promotion.**

**Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role in the organization as the organization expands, loses key employees, and provides promotional job opportunities. Succession planning guarantees the organization well-prepared employees waiting to fill the new roles.**

**Succession planning is a strategy that ensures that organizations will continue to operate smoothly even after the organization's key positions move on to new opportunities, retire or pass away.**

## المخلص عربي

### أهمية تخطيط التعاقب و مدى تأثيره على أداء الموظفين

يهدف هذا البحث للتعرف على أهمية التخطيط لتعاقب الموظفين للمنظمات، وكيف يؤثر ذلك في جعل الموظفين والمنظمات أكثر كفاءة وفعالية. تخطيط التعاقب هو عملية تنطوي على تحديد وتطوير الخلفاء المحتملين للمناصب الرئيسية في المنظمة، من خلال عملية تقييم منهجية وتدريب مكثف.

الفرضية الرئيسية للبحث هي أن المنظمات التي تعتمد على نظم إدارة المواهب **Talent Management System** وتنفذ التخطيط للتعاقب تعد أكثر فعالية من حيث الأداء والانتاجية مقارنة بالمنظمات التي لاتفع لذلك.

ويضمن التخطيط لتعاقب الموظفين أيضا أن يكونوا على دراية بمهام المنظمة وقيمها وثقافتها. تنفيذ التخطيط لتعاقب الموظفين يضمن الكفاءة من خلال توفير الشركة الوقت والمال اللازم للتوظيف وملء الوظائف الأساسية الشاغرة في وقت أقصر.

يعتمد هذا البحث على بيانات 4 شركات فردية (**Sole Proprietorships**) ليقارن بين أداء المنظمات التي تهتم بتخطيط التعاقب و المنظمات التي تهمل تخطيط التعاقب.

من أجل تحليل العلاقة بين تخطيط التعاقب وأداء المنظمات قمنا بإجراء تحليل احصائي (**Statistical Analysis**). والطريقة المستخدمة في هذه الدراسة لتقييم وتحديد أهمية التخطيط لتعاقب الموظفين على أداء الموظفين والفاعلية التنظيمية هي قياس وتحليل العلاقة بين هذين المتغيرين. وسيتم ذلك عن طريق إجراء اختبار **Pearson Correlation Coefficient Test**.

وتشير نتائج البحث بوضوح إلى وجود علاقة قوية بين التخطيط الفعال لتعاقب الموظفين و تحسن أداء المنظمات. كما ان المنظمات التي تهتم بتخطيط التعاقب و تدريب الموظفين للمناصب المستقبلية كانت أكثر فعالية من المنظمات التي لا تكثر بتخطيط التعاقب و تفضل ملء هذه المناصب من خارج المنظمة .

### **Introduction:**

**This research attempts to identify the significance of succession planning to organizations, and how it has led to employees and organizations becoming more efficient and effective. Succession planning is a process that involves the identification and development of potential successors for key positions in an organization, through a systematic evaluation process and training.**

**In addition, succession planning also ensures that the replacement is familiar with the tasks, values, and culture of the organization.**

**Succession planning involves assessing job requirements and skills of existing employees and then seeking to fill the gaps between needs and skills with targeted training and development activities.**

**Organizations which implement succession planning don't have to train new employees from the scratch, which actually saves them time. These organizations cross-train their employees and delegate to them managerial tasks in order to prepare them for future key roles & positions.**

### **Hypothesis:**

**The research's main hypotheses are that organizations which rely on well-structured talent management systems and implement effective succession planning perform much better than organizations which don't. In addition, organizations that establish and implement well-structured strategies for succession planning experience more employee effectiveness & higher employee satisfaction with their new positions.**

**Implementing succession planning ensures efficiency by saving the firm the time & money required for recruitment. It is also**

associated with lower turnover rates and better employee & organizational performance.

This study attempts to clarify the importance of succession planning and its effect on organizations. The performance of various firms will be analyzed within this study in order to identify the significance of succession planning and its impact on organizational performance.

### Literature review:

Succession planning is a process by which successors are identified and placed in key positions throughout an organization. The main goal or objective of succession planning is to construct a pool of employees who are "job ready" whenever a position vacancy occurs within the organization.

Succession planning identifies future staffing needs and the people with the skills and potential to perform in these future roles. It is the process of identifying the critical positions within the organization and developing action plans for individuals to assume those positions.

In the long term, succession planning strengthens the overall capability of the organization by selecting key competencies and skills necessary for business continuity in addition to focusing on the development of individuals to meet future business needs.

Formal succession planning is an examination of organization's long range plans and strategies and HR forecasts. It provides a logical approach for succession of top management positions by the next lower-level employee. It reduces the randomness in organization's processes and managerial development movements and establishes formal steps and actions, policies and procedures to support the process of selecting the CEO and other top management executives.

**Succession planning also assists HR professionals to anticipate problems in the process before they get started. This is very significant in order to avoid negative and dysfunctional situations.**

### **Research Methodology & Data Collection:**

**The main objective of this research's data collection is to identify whether succession planning improves employee performance or not.**

**This study's data collection includes data obtained from 4 firms (Sole- Proprietorships). The data includes factors such as: percentage of vacancies filled from within (succession planning), percentage of employees trained for managerial tasks & duties, average time for employees under probation period in their new positions and percentage of employees passing their probation period and becoming permanent in their new positions.**

**The method used within this study to assess and identify the importance of succession planning on organizational performance and effectiveness is measuring and analyzing the association between these two variables. This will be done by conducting a Pearson correlation coefficient test.**

**A Pearson Correlation Coefficient test is a measure of the strength of a linear association between two variables, and is denoted by  $r$ . The two variables in this study are succession planning and organizational effectiveness. The correlation test will identify whether there is an association between the two variables or not.**

**In order to be able to conduct the correlation test, two variables must be selected. Variable X will represent succession planning (percentage of employees trained for managerial duties), and Variable Y will represent percentage of employees passing**

probation period and succeeding in their new managerial positions (one of the factors used to measure and evaluate employee performance & effectiveness).

The following table represents the data obtained from the 4 firms:

<b>Organization/ activities &amp; performance</b>	<b>Firm 1</b>	<b>Firm 2</b>	<b>Firm 3</b>	<b>Firm 4</b>
<b>Has talent management system?</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>No</b>
<b>Percentage of hiring from within (managerial positions)</b>	<b>74.8%</b>	<b>87%</b>	<b>33.4%</b>	<b>52.6%</b>
<b>Percentage of employees trained for managerial duties (cross-training)</b>	<b>79%</b>	<b>92.7%</b>	<b>27%</b>	<b>35.3%</b>
<b>Percentage of employees passing probation period and becoming permanent in their new managerial positions</b>	<b>88%</b>	<b>93%</b>	<b>42%</b>	<b>47%</b>
<b>Average time under probation period (for promoted managers)</b>	<b>29 days</b>	<b>24 days</b>	<b>53 days</b>	<b>41 days</b>
<b>Percentage of employees failing probation and demoted to their previous positions</b>	<b>12%</b>	<b>7%</b>	<b>58%</b>	<b>43%</b>

The previous table indicates that organizations and firms that actually have talent management systems and prepare their potential employees for managerial positions experience less lag time or less time for their employees under probation.

This means that employees who are previously prepared and cross-trained for managerial duties & positions need less time to prove their success & become permanent in their new positions therefore they are considered more efficient & effective.

Organizations that implement well-structured succession planning and focus on developing their potential employees also have better chances and higher rates of employees passing and succeeding in their probation periods (as in the case of firm 1 and firm 2); in addition to handling their new duties & operations effectively with no disruptions. This can also be translated to organization effectiveness.

### Data Analysis & Research findings:

After analyzing the data obtained from the four firms and conducting the Pearson Correlation Coefficient test, the following results were observed:

**Pearson Correlation Formula:**

$$r = \frac{\sum XY - \frac{(\sum X)(\sum Y)}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right) \left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$

<b>Variable X</b> <b>Succession planning</b> <b>(percentage of employees</b> <b>trained for managerial duties</b> <b>(cross-training)</b>	<b>Variable Y</b> <b>Percentage of employees</b> <b>passing probation period and</b> <b>succeeding in their new</b> <b>managerial positions</b>
<b>0.79</b>	<b>0.88</b>
<b>0.927</b>	<b>0.93</b>
<b>0.27</b>	<b>0.42</b>
<b>0.353</b>	<b>0.47</b>

### **Linear Regression**

$$y = ax + b$$

$$a = 0.1929587102$$

$$b = 0.8240022049$$

$$r^2 = 0.9895723817$$

$$r = 0.9947725276$$

The results above indicate a very strong positive correlation between the two variables succession planning and percentage of employees succeeding in their new positions.

In order to back up & support the research's hypothesis with more statistical evidence, the coefficient of determination  $r^2$  was also considered.

**Coefficient of Determination value interpretation ( $r^2$ ):**

<b>Value</b>	<b>Strength of association</b>
$r^2 = 0$	<b>No correlation</b>
$0 < r^2 < 0.25$	<b>Very weak correlation</b>
$0.25 \leq r^2 < 0.50$	<b>Weak correlation</b>
$0.50 \leq r^2 < 0.75$	<b>Moderate correlation</b>
$0.75 \leq r^2 < 0.90$	<b>Strong correlation</b>
$0.90 \leq r^2 < 1$	<b>Very strong correlation</b>
$r^2 = 1$	<b>Perfect correlation</b>

According to the table above, the Coefficient of Determination also supports this research's hypotheses and indicates a very strong positive correlation between the two variables.

Even though correlation between two variables doesn't necessarily mean causation, it is obvious that more training and development of employees for managerial positions ensures organizations that daily business operations precede without any major disruptions.

Higher percentage of employees trained for managerial duties (cross-training) also ensures that there is a large-pool of employees who are prepared to fill a potential vacancy and also ensures less or no lag time to fill a position.

## **Conclusion:**

**The data analysis and research findings support the study's main hypotheses; organizations which rely on well-structured talent management systems and implement effective succession planning perform much better than organizations which don't.**

**In addition, organizations that implement well-structured strategies for succession planning and focus on developing and preparing potential employees for key positions experience more employee effectiveness & higher employee satisfaction with their new positions.**

**Like any other study, this study has its limitations including the scale on which it was conducted on. The study was conducted on a small scale and it analyzed data obtained from 4 firms only. Research findings may vary if the study is to be conducted on a larger scale. The firms discussed within this study are sole-proprietorships, which means that research findings may also vary if the study is conducted on for instance; limited liability companies or partnerships.**

**Eventually, this study clearly highlights the importance of succession planning and its effects on employee performance. It also proves that organizations which develops and prepares more employees for potential vacancies are less likely to encounter disruptions to their operations or lag time affecting the profitability of the business.**

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