

# Importance of Succession Planning in Indian Information Technology Industry

K. Praveen Kumar, *Research Scholar & Retd GM HR, School of Management Studies, JNTU, Hyderabad,*

Dr Ch.S. Durga Prasad, *Director, Vignan Jyothi Institute of Management, Bachupally, Hyderabad.*

Dr Varanasi Madhusudhan Prasad, *Professor of Management, College of Business Administration, Al Yamamah University, Riyadh-11512, Saudi Arabia.*

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## **ABSTRACT:**

The changes in business scenario globally pose a concern to top management of enterprises forcing them to think, revisit and redesign a strategy ensuring leadership continuity & building talent from within an organization for achieving success. At the same time, products, markets, and management activities have grown more complex. For these reasons, organizations must take proactive steps to plan for future talent needs at all levels and implement programs designed to ensure the right people are available for the right jobs in the right places and at the right time in order to meet organizational requirements.

The rationale for writing this paper is that, Indian Information Technology Industry is currently employing over 10 million employees (NASSCOM Strategic Review 2022). It is a highest revenue earning sector in the services and BPM industry of the Indian economy. The current revenue is targeted to reach \$227 billion FY 2022 (15.5% year-on-year growth). Information Technology industry contributes 9% relative to India's GDP (including e-commerce). In this sector, people are the key drivers of the industry and success of the organization largely depends on the attraction and retention of people. The continued growth and sustainability of this sector depends on the top management's ability and commitment to deliver cost effective services adhering to the international quality standards and ensuring customer satisfaction. In the fast pace of industry's growth, its major challenges are to sustain business, profitability, attract the best people, retain and groom them to leadership roles so as to support the critical requirements of an enterprise.

The IT companies in India need to maintain the leadership pipeline on a continuous basis to support the growth of the organization. Thus, succession planning is the key in the current scenario of tight talent market and competitive times. At the same time, strengthening talent management has a direct impact on the bottom line results and contributes to organizational growth. Hence, the development of leadership talent is a must for overall organizational development and sustenance of an enterprise. This paper is a conceptual framework for research on succession planning practices.

**Keywords:** Succession Planning (SP), Critical Positions (CP), Leadership Development (LD), Strategic Planning and Talent Management (SPTM).

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## **I. INTRODUCTION**

For a successful management of business and sustainability popularly known as 5Ms of management i.e. money (finance/capital), manpower (human resources), machinery (equipment/technology), material (production) and method (operations performed by using certain systems & processes), management plays a vital role. More importantly, human resources management and strategy is an essential function, that requires a succession of people to fill key positions and retain them. There are important social implications as well, as management guru Peter Drucker explained in his words which are true today as when they were written:

“The question of tomorrow's management is, above all, a concern of our society. Let me put it bluntly- we have reached a point where we simply will not be able to tolerate as a country, as a society, as government, the danger that any one of our major companies will decline or collapse because it has not made adequate provisions for management succession”. (Williams J Rothwell 2008)

### **1.0 Review of the literature:**

#### **1.1 History of Succession Planning**

Succession planning refers to any effort that is made to ensure the performance of the organization, division or department remains effective through the implementation of development, succession, and strategic

planning of key positions over time (Rothwell, 2005: p. 10). In addition, succession planning is also defined as actions taken to ensure that the appropriate successor is ready at a time when needed to effectively manage the organization and to meet the future challenges of the organization (Abdulla, 2008). Succession planning was actually introduced by Henri (1918) who believed that if the succession plans were interrupted, an organization would not be ready for the necessary transition (Rothwell, 1994). In 1916 Henri published the book 'Administration Industrielle et Generale', in which he developed 14 principles related to administration. In the book Henri states that the management of an organization has a responsibility to ensure the long-term stability of the workforce and if that stability is threatened, then important positions in the organization will be filled by unprepared workers. Furthermore Henri (1918) states that the strength of an organization depends on its employees and that when workers become more skilled and ready, the organization will reap the benefits.

Next, the most popular scholar in the field of succession planning was Rothwell. Rothwell (2015) states that organizations that do not have formal succession planning face issues such as important positions are not filled in the required time, these positions remain vacant, key positions are filled with leaders outside the organization, there is always a turnaround for key positions, there is no provision of a replacement for potential leaders, a lack of skills among the successors in the organization and no retention of talent in the organization. According to Rothwell these problems are faced by organizations due to the absence of a succession planning.

In addition, human resource succession planning is a systematic effort by the organization to ensure continuation of workforce which is critical and to promote individual progress (Rothwell, 1994, p. 28). Of course, succession planning allows an organization to be prepared in the event of a vacancy, death, if a worker is retiring or laid off. Consequently, succession planning actually provides a cultural continuation and evolution of the skills required of an organization (Blaskey, 2002; Husting & Alderman, 2001; Carey & Ogden, 2000; Arnott, 2000; Schein, 1999; Swanson, 1994). According to David (2005), essentially, succession planning ensures that there is a suitable workforce, sufficient to replace it in the event of any significant vacancy or absence, and develops the successor with new responsibilities as quickly as possible with minimal deficiencies. David also points out that succession planning is a holistic process in which it involves the development of individual careers.

## **1.2 Components of Succession Planning**

Accordingly, Fulmer and Conger (2004), and Rothwell (2005) have identified ten key components for success of an organization's succession planning. The ten components are organizational commitment, transparent process, assessment of organizational needs, retention of organizational knowledge, skills and abilities, assessment of individual talent, development of individual planning, individual feedback, accountability, evaluation process and integration process in the organization. It can therefore be concluded that the ten components mentioned above can help an organization implement succession planning effectively.

Additionally, one of the critical elements of the succession planning noted is the identification of key positions in the organization (Fulmer & Conger, 2004; Rothwell, 2005). In addition, Rothwell identified six strategies that can be used to associate key positions in the organization: job vacancy analysis, organizational committee charts, discussions with senior leaders, experience when job vacancies arise, network charts (identifying communication pathways), or a combination of one or two approaches. The conclusion is clear that succession planning can be of great benefit to an organization if they consider the essential components and critical elements of the implementation strategies of the succession plan as mentioned above.

## **1.3 Definition of Succession Planning**

Among the first writers to recognize universal organizational need was Henri Fayol (1841-1925). Fayol's classic fourteen points of management, first enunciated early in the twentieth century and still widely regarded important today, indicate that management has a responsibility to ensure the "stability of tenure of personnel". If that need is ignored, Fayol believed, key positions would end up being filled by ill-prepared people.

Succession Planning and Management (SP&M) is a process that helps ensure the stability of the tenure of personnel. It is perhaps best understood as any effort designed to ensure the continued effective performance of an organization, division, department, or work group by making provision for development, replacement and strategic application of key personnel over time (Rothwell (2008).

Succession planning has been defined as a means of identifying critical management positions, starting at the levels of project manager and supervisor and extending up to the highest positions to provide maximum flexibility in lateral management moves and to ensure that as individuals achieve greater seniority, their management skills will broaden and become more generalized in relation to total organizational objectives rather than to align with purely departmental objectives (Rothwell (2008).

Succession planning should not stand alone. It should be paired with succession management, which assumes a more dynamic business environment. It recognizes the ramifications of the new employment contract,

whereby corporations no longer (implicitly) assure anyone continued employment, even if he or she is doing a good job.

Therefore succession planning is “a process by which one or more potential successors are identified for key posts, and career moves and development activities are planned for these successors” (Hirsh, 2000). But, succession planning need not be limited to management position alone; in fact, an effective succession planning must address need for critical backups and individual development of key people in the professional, technical, sales, human resources and production ranks and any other critical job category. Therefore, the need to extend the definition of succession planning in business enterprises is becoming imminent as organisations are increasingly focussing on high performance and following contemporary management practices such as decentralised decision making, leadership through empowered work force and so on. (Rothwell, 2010). Further, organization is undergoing strategic transformations owing to expansion-reorganizations, mergers, acquisitions, addition of new products or product lines that demand new types of managers and skills.

Therefore, in effect, succession planning is concerned with; 1) Identifying posts that are critical to success and choosing the best way to satisfy future requirements; 2) Developing strategies to determine the optimum mix up of internal and external recruitment (Cannon and Mc Gee, 2011). Thus it requires accomplishing dual objectives 1) To match available talent with the needed talent. 2) To fulfil operational and strategic challenges of having the right people at the right time and right place (Rothwell 2010). With increasing demand in leadership requirement amidst competitive and dynamic environment, organizations ought to have a well-crafted succession planning process in shape.

Succession planning is supported by strong leadership development. Both succession planning and leadership development enhance leadership. However, these processes are not the same. Succession planning is about preparing someone to assume the future/expected role.

- Anand Adhikari(2006) in his article “who is next?” conveys that succession planning is the biggest challenge several companies in India are facing. Further, at the TATA group, the challenge is even more daunting. Not only does the Board need to find and groom a successor to Chairman Ratan Tata, who retired in 2012, but also the CEO of TATA steel and TATA motors, the two biggest companies by revenue. At WIPRO, Chairman Azim Premji, 61 needs to get a successor in place, although Wipro has no retirement age for the Chairman. It would be unfortunate if India's CEOs needed to stay on their jobs not because they wanted to, but because they were forced to. At this point, that is the sort of leadership crisis India Inc seems to be staring at.

- M. Dami Baldwin(2005), in his article “The Strategy of Succession Planning” states that succession planning plays a major role in the company’s strategic planning. Succession planning is not only for CEOs but also for all key positions. It further illustrates the advantages and disadvantages associated with succession planning. The process of developing succession planning requires a long-term strategy for the company involving the key posts that require continuity and key people that organization wishes to develop.

- Jeff Weekley(2005), in his study “Succession planning; Issues and Answers,” states that HR professionals develop succession planning with mandates received from the CEO. However, the application of the process is not sure. To put the plan in to process, the organization should follow a few techniques. That is, the CEO must be an avid supporter and an active participant, the line management must own the process with HR playing a supportive role, gaps between the current and future skill requirements are to be identified, succession planning must be consistent with other programs, employees are to be held accountable for their own planning and should focus on the selection process, the planning process has to be reviewed quite often.

- Neetha Mary Avaneesh(2010), “A study on succession planning and its impact on organizational performance in the IT sector” The study found that mean percentage of succession planning and organizational performance in IT consultancy firms is found to be higher than that of IT Product/Research Firms and the relationship between Succession Planning and Organizational Performance is found to be positive. It recommended the practice of succession planning culture, more meaningful and effective thereby enhance organizational effectiveness viz. Top management participation and support, need-driven assessment, training and leadership development.

- Shahadhab Shaik(2013), Succession Planning in Business Enterprises; Implication and strategies of emerging India, Vishakhapatnam India Gitam University. He states that, the enterprises play a pivotal role in steering the economy of the nation and precisely what the world has witnessed in the past century. India is no exception to that. The economic reforms introduced in India during early 1990 propelled the evolution and growth of several enterprises both domestic and international, which have clearly paved the way for India’s entry into the globalised world. Two decades later, a serious issue facing many of these enterprises is their leadership succession. To be competitive in this globalised world Indian business enterprises need to understand and adapt to the constantly changing business environment. Hence, identifying and nurturing talent for leadership role is an essential part of succession planning. For larger interest of the enterprises as well as of the economy, it becomes extremely crucial and inevitable to have effective succession planning in place. The growth and development attained so far can be sustained and taken forward only if these enterprises are placed

in capable hands. The process of succession planning involves not merely the business interest of the enterprises; it has an important bearing on the development of the nation and its people. In the light of this, this paper examines the perspectives and significance of succession planning, its challenges in the Indian corporate scenario, and strategies of effective implementation.

#### **1.4 Benefits of Succession Planning**

- Rajan Gahlot, Department of Commerce, Delhi School of Economics, University of Delhi(2015), *Succession Planning in Corporate; Practice or just Policy*. It is clear from the study that most organisations talk about succession planning, and its benefit, yet most organisations do nothing about it when it comes to implementation. Succession planning is one way of bringing that “Right Person” through the company instilling the core values and culture and providing stability for both staff and clients alike. There are risks associated with a key person within the succession plan. The death or permanent disablement of any of these people will put the plan at great risk for all parties. The report also reveals that India has a long way to go for putting in place its succession plan at managerial level, until now it is more of a policy rather than a practice. If these plans are not actually implemented, the organisation is bound to face following issues:

- Key positions will not be filled in a timely manner
- Key positions can only be filled by external candidate due to the lack of development of internal candidates
- The most qualified talent continues to leave and look elsewhere for career advancement

- Suruchi Pandey(2014), *Succession Planning Practices and Challenges; Study of Indian Organizations*, the study states that succession planning is one such process which cannot be ignored keeping in mind the competitive industries. Strengthening this process directly impacts the organization as it is the nourishment of talent. This activity cannot be carried out as an adhoc exercise but needs to be a systematic approach. It can be further fine tuned varying from organization to organization and different industries, but the major structure remains same.

We need to ensure that key positions in an organization are always filled with capable talent and this pipeline keeps some churning out seamlessly. The landscape has totally changed, if we compare to what it was a decade ago and hence the approach has to evolve, rather than being reactive and shedding flab later, pro-active approach needs to be followed where we are capable enough to chalk out plan of an individual in an organization keeping in mind the macro picture. Succession planning is not to be considered just as an exercise, but focussed upon so much that succession planning can be converted into succession development, hence developing the talent pipeline then achieving organisational growth.

#### **1.5 Succession Planning Process**

- Aberdeen Group(2006), USA, *Succession planning benchmark report*; The key findings are that 74% companies are investing in a formalised succession planning process, companies still struggle to fill talent pipeline. In an ideal world, companies are looking to “grow leaders” within their own organisation, and ensuring that there is continuity for the future of their leadership and reducing turnover.

This study reveals that most critical drivers for implementing succession planning include;

- Improve the company’s bench strength in key positions
- Identify high potential early and devise strategies to retain talent
- Difficulty finding candidates outside the organisation.
- Unexpected loss of key leaders

Best in class companies are responding to these pressures by first strengthening their process and then investing in the following succession planning technology:

- Career profiling tools
- Performance management
- Development tools
- Assessment tools

They recommended that companies should also evaluate their process to ensure they effectively accomplish the following:

- Educate your company on the new trends in succession planning and instil a strong process to build succession bench strength.
- Ensure that succession planning is integrated with other process of talent management including performance management, training and development, compensation and assessment;

- Link succession planning to competency management and includereporting and analytics components.
- Integrate with career development tools.
- Automate the succession planning process for greater efficiency and less operational risk; and
- Develop both a top-to-bottom approach and also bottom-up approach for succession planning.

### **Report on Senior Executive Succession Planning and Talent Development (2014 Institute of Executive Development of Stanford University)**

Best Practice example recommends Six Key Elements of Successful Succession Planning:

**Strategic Planning** – Determine what capabilities, roles, and talent are needed to execute the business strategy today and in the future

**Talent Assessment** – Gauge the Executive team’s bench strength – Do we have who we need (now and in future) and if not, how do we get there?

**Recruiting** – Develop a talent pipeline for key roles/jobs.

**Performance Assessment** – Let people know they are valued contributors and provide them opportunities for development, exposure to executives, networking across divisions, etc. (get them on the corporate radar screen.)

**Development** – Create development plans for individuals (e.g., leadership workshops, classes, on-the-job learning, assignments, special projects, 360s, external classes, etc.)

**Retention and Engagement** – Rewards and recognition, work environment, opportunities for development, job autonomy and scope of responsibilities, etc.

### **1.6 Synthesis of Review of Literature**

On reviewing of the literature, it is found that majority of the studies on Succession Planning were carried out in the western countries mainly on the succession planing of CEOs and Board level positions and lesser number of studies on the senior level positions of the organization. However, the scenairo in India for succession planning in the late seventies to nineties was focussed by family owned business groups like Tatas, Birla, Godrej etc for CEO succession from the family members, but gradually changed to get successors from outside talent. Indian IT industry started growing from early 1990s, wherein India played an important role in nurturing talented professionals to work in the industry. This sector, gradually has seen a phenomenal growth internationally where in people are its biggest asset. Though, there have been anumber of studies related to successionplanning, covering manufacturing, finance and banking industry sectors, but the proposed research study would be exclusive to focuson IT industrysuccession planning. The current research study findings on succession planning will contribute immensely to better IT industry talent management and retention. It is also important to emphasize that, **as per Times Ascent 31 January 2018, India has jumped 11 ranks from 92 to 81 in the Global Talent Competitive Index (GTCI) for the year 2018 which covered 119 counteries and 90 cities – on the back of its strengths like talent growth and global knowledge of the talent pool. As per GTCI Ranking report of 2020 India ranked 72 out of 132 countries, which is a favourable trend of labour market and economy.**

It is also important to quote that, according to GTCI (Global Talent Competitive Index) report 2020, the conceptual framework underlines that, countries are competing globally to grow better talent; attract the talent they need; and retain those workers who contribute to competitiveness, innovation, and growth. Countries seek to put economic and social policies in place that will facilitate this. In such a context, governments, businesses, and various other stakeholders need quantitative instruments that can inform their decisions (as investors, employers, employees, or jobseekers) and can help them design and implement better policies in areas such as education, employment, and immigration, to name a few.

## **II. CONCLUSION**

There is a scope for research on succession planning, so it is proposed to study succession planning practices pertaining to certain middle and senior level executive roles/positions working in IT companies in India which excludes CEOs. The objectives of the study are:

1. To assess the prevailing practices and processes of succession planning for critical and key positions in the organization.
2. To find out the effectiveness of Performance Management System/ Career development plans for retention of executives.
3. To find out the executives’ satisfaction on succession management plans in the organization.

4. To analyze top level management role and commitment in mentoring, coaching senior/ key executives for leadership roles to achieve succession in the organization.

5. To assess the impact of rewards management process and practices on executives in the organization.

Based on the research study, data analysis and key findings, suitable and appropriate practices of succession planning would be recommended in the IT industry by sharing it with companies' CEOs/HR Heads, as they are major stakeholders to facilitate for implementation in the organization. For a successful deployment, these companies may customize planning strategies based on their business type, employee strength, prevailing market, location, future growth plans and its strategic requirements. This process of deployment would result in organizational culture change and help in formulating best talent management practices for retaining key personnel of the companies. HR heads of the company with the support of top management should monitor and review its effectiveness on a periodic basis, so as to make suitable changes in order to keep up the pace with industry trends and business sustainability.

As per media reports, IT industry average attrition rate is 20% per year and it has increased to 25-30% in the last few years. It is very important for these companies to control and reduce the attrition rate of employees by devising suitable human resource strategies to attract and retain employees for long term success of the organization.

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