



Succession Management Practices Across Corporate Firms in Developed and Emerging Economies

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ABSTRACT

Succession Management and Business continuity is one of the relevant issues often discussed among corporate executives and other stakeholders. Succession management practices are important to ensure who will lead the next generations of business leadership. In this research, our aim is to explore key factors, issues and important concepts of succession practices across the world. Through the review process of existing literature mainly focussing on current context and emerging issues, we intend to set underlying dimensions of succession management. The exploratory study undertaken in the paper tries to capture and highlight the ongoing trends and nuances in succession management followed by family affiliated and standalone business firms operating in diverse cultural and geographical territories. It will be useful in understanding the relevant issues of succession management as an evolving field of study under strategic Human Resource Management as practised in the developed and emerging economies. The outcomes of the paper can help business organizations develop insights for enhancing their readiness for succession planning and also develop the leadership pipeline timely to cope up with the future business uncertainties and steer the organization towards its mission in a more prominent way.

Keywords: Succession Management, Succession Planning, Strategic human resource management, Family affiliated Firms, Standalone Firms, Developed, Emerging economies

1. Introduction

Succession management practices can be defined as set of rules, procedures, written plan and other actions in case there is a vacant at top level positions in the organization. Organizations may do it in advance or proactively and many go for it proactively. Rothwell (1994) defines that “*It is a deliberate and systematic effort by which an organisation can ensure leadership continuity in key positions and encourage individual advancement*” (Ali Salih & Alnaji, 2014, p.409).

He has also suggested that three key dimensions, first one is replacement planning, second one is succession planning and third is leadership development. There are five main phases in succession planning process these are 1) Identification of high potential managers within the organization 2) Talent development rather replacement 3) Alignment of organizational goals with succession 4) Involvement of top executives in succession management process and 5) Review process of succession plan in place (Russell & Sabina, 2014).

1.1 Brief Overview of Succession Management Models and their Characteristics

Rothwell (2010) has proposed a Seven-Pointed Star Model for Systematic Succession Planning and Management which is capturing the steps / variables to be adopted by businesses. In first step, he has suggested to work on highlighting the importance of succession planning among senior leaders. There are other important aspects at this stage which are human resource partnership development, setting deadline for proper implementation etc. In second stage, proper assessment of exiting workforce and requisite number of people to be required at top positions should be performed. In third step, it is necessary to adopt self assessment and manager based assessment of employees. It is important to check engagement & ability to learn of employees in context to succession planning. In fourth stage, it is important to have a look on competencies strengths and future divisional work scope. There should be a scheme for growth of potential employees in fifth stage. In sixth step, it is necessary to fill leadership and performance gaps through leadership succession engagement and coaching activities. In last step, it is required to comparing the planned succession policies, programs etc. Refer, Fig-1

It was conceptualized that intention to pursue succession has positive association with succession planning activities. In this, Researchers framed conceptual model based on planned behavior model for How Family Firm Characteristics Influence the Engagement in Succession-Planning Activities. In this model, they tested that whether the planning for management succession is a function of the incumbent’s desire to keep the business in the family, family level commitment to run the business and propensity of a trusted successor to join the family business. In an outcome of intentions for succession, there are prominent activities which are adopted by family business group; these are selection and training of the successor, development of post

succession business strategies, defining the post succession role for the outgoing incumbent and communicating the succession decision with key stakeholders of family business (Sharma et al., 2003).

2. Review of Literature

Succession management practices focus to identify, develop and select high potential individuals so that to fill top level positions in a company. In this main role will be played by skills, competencies and other leadership qualities of individuals (Sharma & Sengupta, 2018). It is important to understand the interrelated meaning of talent management, succession management, human resource planning and talent strategy which are being utilized interchangeably (Lewis & Heckman, 2006). In United States, it was revealed that majority of family businesses lack an effective succession plan (Succession Planning for a Long-Lasting Business, 2020). Even, there is a confusion among organizations with the term succession planning and replacement planning. It is important to note that succession is a proactive step than replacement planning. It is a proactive process to achieve business continuity by identifying and review the strategic goals of the organization (Spina & Spina, 2021).

In European context, succession plan is exist in nearly half of family business but many of them are not sure about how to prepared the next generation of leaders (Global Family Office Report 2021, n.d.). In a survey (Spotlight on Succession Planning in Africa, n.d.), It was observed that board composition, board level efficiency, CEO succession planning and CEO/Chairman Backgrounds are important topics. Almost half of boards have identified well in advance their potential successors for CEO profile. In case of emergency situation, replacement plan was exist with only a third of surveyed board. In a study (Spotlight on Succession Planning in Africa, n.d.), it was revealed that almost two thirds of CEOs hired in European family business are insider.

In the study (Why You Need a Documented Succession Plan, n.d.), It was highlighted that small, medium sized enterprises are not adopting proactive approach in succession planning in Australia. Even, nearly half of companies don't have readymade succession plan in place. In another study (Taylor & McGraw, 2004), It has been found that organization size and multi-nationality are major influencing factors for promptness in succession management programs in Australia.

Japanese firms have exceptionally managed the succession issues in their family enterprises. There is Japanese firm named Hoshi Ryokan (Est.718) which spanned successfully to 46 generations of family leaders. It shows long term survival of Japanese businesses in terms of risk management and successful transfer of business to next generations of members ('Strategy and Succession in Family Business - Charting the Future', 2021). It was observed that Japanese businesses prefer succession based on merit, management skills and leadership focused aptitude (Japan's Oldest Company Defies Time with Merit-Based Succession, n.d.). Further in a study, it was highlighted that nearly half of publicly traded companies fail to have a written or established plan for replacing their top leaders (Corporate Japan Lags in Succession Planning, n.d.).

In a study on succession management in Russian Context, it was revealed that Russian organizations need to frame talent management process so as to become competitive in domestic and international marketplace. Russian organizations are lacking in effective system of succession management (Oparina*, 2019). It is highlighted that governance system of Russia always fail to adopt a strong succession policies both historically as well as from cultural point of view (Shekshnia & Kets De Vries, 2008).

African countries are still follows rooted customs, social norms and values. At a time when, growth, prosperity is on full swing, there is an obvious question of succession planning and wealth preservation in African family entrepreneurs (How Technology Could Underpin Growth in Africa, n.d.). Majority of African organizations are family business entities and these entities usually do not consider the idea of succession planning in advance (Hub, n.d.).

In a case based study, it was observed that succession planning process may be influenced by Institutional environment in China. The unique Chinese culture influence the issues related to choice of a successor and their development (Man et al., 2016). Without a willing or ready family heir, many Chinese business owners who founded their companies during the economic liberalisation of the late 1970s and early 1980s are approaching retirement age. It serves as a timely reminder for family companies everywhere to make future plans (Darbellay, 2021).

Reliance, a leading family business in India is looking for an exact model of succession like Walton family, a US based leading family business group. This may be a sign of proactiveness in Succession (Sanjai, 2021). In a study (Pandey & Sharma, 2014), it was observed that there is a lack of formal structured process in identifying, nurturing and retaining the high potential people within Indian organizations. This process takes sufficient time to plan and develop. In this, HR managers, Line People and Senior management need to participate with commitment.

2.1 Objectives of the Study

- 1) Exploring latest characteristics in succession management practices across Developed and Emerging Countries
- 2) To review the existing models and theories of succession management in the light of current practices

3. Research Method

In this research secondary data sources regarding companies' profiles, common business practices prevailing in a country and specific industry norms have been analyzed to arrive at various findings and existing trends in succession management practices. Common trends, practices, policies and strategies for SM have been reviewed and studied to frame relevant points regarding succession planning in business organizations operating across the globe.

4. Findings and Discussion

4.1 Organizations in Asian countries, generally give importance to family ties over available talent in marketplace. Majority of cases, Owner /Promoter appoints family heirs in advance so as to provide them exposure of family group thinking and understanding of internal philosophies. It contradicts the values enshrines and practices adopted by western organizations in relation to succession planning.

4.2 We have analyzed that SMP differ from country to country as well as it get influence from a no. of factors. There are many differences in terms of characteristics like readiness, role of board of directors, preference for a successor appointment, status and orientation of legal framework in different countries, social, cultural norms, generation value transition and corporate governance when we compare developed versus developing countries. Please refer below Table to see the main points classifying SMP characteristics : **Table:1**

DIFFERENCES OF SUCCESSION MANAGEMENT PRACTICES (SMP) IN DEVELOPED VERSUS DEVELOPING COUNTRIES			
Sr. No	SMP Characteristics	DEVELOPED COUNTRIES	DEVELOPING COUNTRIES
1	Preference for Successor	Outsider ⁽ⁱⁱ⁾	Insider/ Family members ⁽ⁱ⁾
2	Readiness	Proactive ⁽ⁱⁱⁱ⁾	Reactive ^(iv)
3	Role of BOD	Substantial role ^(v)	Consultative ^(vi)
4	Legal/Regulatory Framework	Less interference ^(vii)	Legal system Override ^(viii)
5	Peculiarity of social and cultural ethos	Less prominent ^(ix)	Customary ^(x)
6	Inclination towards Professional Management	Significant Role ^(xi)	Secondary Role ^(xii)
7	Generational Value Transfer	Moderate ^(xiii)	Family Orientation ^(xiv)
8	Corporate Governance	Nascent stage of Development ^(xv)	More steeped into Corporate Decisions ^(xvi)
9	Inter-linkage between Corporate Identity and Succession Decision	Less pronounced ^(xvii)	Highly Valued and sought ^(xviii)

List of in- text Citations for above table

- (i) ('India Inc Prefers an Internal Candidate as Successor Rather than an Outsider', 2012)
- (ii) (Bloom, na)
- (iii) (Lenkov, n.d.)
- (iv) (CoachHub, 2022)
- (v) (Snowdon, na)
- (vi) (Dhanjal, 2018)
- (vii) (Decrevel, 2018)
- (viii) (*How Does Succession Work in China?* - China Justice Observer, n.d.)
- (ix) (*Recent Developments in Europe* - Kpmg Global, 2021)
- (x) ('Succession Planning', n.d.)
- (xi) (*Succession Planning*, n.d.)
- (xii) (Harikrishnan, 2022)
- (xiii) (*Covid-19, Great Transfer and Bridging Generational Gap*, n.d.)
- (xiv) (*Transgenerational Wealth – Estate & Succession Planning - Wills/ Intestacy/ Estate Planning - India*, n.d.)
- (xv) (Dibra, 2016) (xvi) (Dhanjal, 2023)

(xvii) (Welsh, n.d.) (xviii) (Tata Cyrus, 2016)

4.3 Succession Planning studies are more relevant when we analyse, talk and investigate individual cases of business organization including family and standalone firms. Cross cultural adoption and development of standard set of tools may be beneficial for industry practioners and start-ups when there is a challenging question of how to devise a succession plan document. Our review explores that businesses have utilized different approaches and system to develop succession plan as per their needs and cultural framework.

Illustration

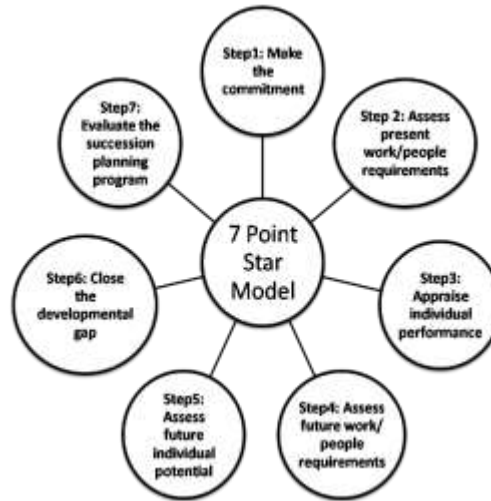


Fig. 1. Source: www.semanticscholar.org/

5. CONCLUSION

Succession planning and management is one of the critical aspects for ensuring business continuity. If, next generation of leadership will be ready to take key positions then business survival can be achieved. Globally, organizations have adopted different frameworks, models and customized practices of succession management activities. But, there are common practices too involved like Family member based succession, professional managers to be appointed to lead the business groups or adopting legal rules prescribed by government authorities. In true sense, there is a need of empirical testing for various relationships among different variables affecting choice, procedures and overall succession management trends in business organizations. Business researchers can adopt this issue for in-depth analysis which is directly and indirectly involved to firm performance and their long term survival. In brief, this study highlights the latest trends and insights on this important issue of talent management and strategic HRM. It offers many variables and ideas to researchers who are interested in succession management in corporate firms across the globe.

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