CORPORATE SUCCESSION PRACTICES: A PUBLIC SECTOR PERSPECTIVE

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Abstract

In today’s globally competitive and modern environments, organisational future plans often fail due to the lack of succession planning. Literature has shown that in most public services, very little is done to transfer employee skills before they leave the organisation, which largely is attributed to the lack of proper corporate succession planning. This study examined the association between corporate succession planning practices, internal succession barriers and intentions to leave within a public service in South Africa. The study was inspired by the absence of documented evidence of corporate succession planning initiatives, the barriers to succession planning and turnover intentions of employees in the public sector in the South African context. The study is located within a quantitative research paradigm in which a three-section structured questionnaire was administered to a sample of 243 public service employees. Two factors; namely, replacement planning and employee development/grooming were extracted using exploratory factor analysis. The Pearson correlation coefficient showed that corporate succession planning practices and internal succession barriers are negatively related to intentions to leave in the public service. Regression analysis showed that replacement planning and employee grooming are predictors of intention to quit. The results of the study are significant in that they facilitate the development as well as the effective implementation of succession planning initiatives that enable public services to improve human resource practices and counter any existing barriers to internal succession.

Keywords: Succession Planning, Internal Succession Barriers, Turnover and Intention to Leave

1. INTRODUCTION

Very few organisations survive without proper corporate succession planning (Chima, 2013). This view notwithstanding, in most public sectors, very little is done to transfer employee skills before they leave the organisation, and this is largely attributed to the lack of proper corporate succession planning (Perlman, 2010). Currently, organisations of various types and sizes face a range of leadership challenges one of which is the lack of adequate corporate succession planning (Groves, 2007). The prevalence of high levels of management attrition at different levels and turnover makes corporate succession planning an important area of research (Garg & Weele, 2012). Froelich, McKee and Rathge (2011) posit that the retirement of the vast number of the baby boomers (those born after WWII) has approached, which creates a huge skills gap that needs to be filled in strategic positions within organisations. As mentioned by Reeves (2010) the brain drain of key employees cannot be replaced easily, unless there is a pool of replacements ready to execute duties upon employee retirement.

The aim of this study was to investigate the association between corporate succession planning; current practices, internal succession barriers, and intentions of employees to leave the public service in South Africa. As observed by Garg and Weele (2012), until recently, the literature on corporate succession planning in the public sector has been limited, especially for positions lower than those of executives. Still, there appears to be no documented evidence of corporate succession planning initiatives, the barriers and turnover intentions of employees in the public sector in South Africa, which makes this research important. Most research on corporate succession planning focuses on the relationship with performance and organisational commitment, leaving a gap in research that investigates the relationship of corporate succession planning with turnover intentions as an independent variable, especially in public service (Lee & Jimenez, 2011). Given the importance of the public sector to economic development in emerging economies such as South Africa, it is important that critical issues such as corporate succession planning be given emphasis, in order to stimulate smoother human resource practices.

2. THEORETICAL REVIEW

Corporate succession planning

In today’s globally-competitive and modern environments, organisational future plans often fail due to the lack of corporate succession planning (Mehrabani & Mohamad, 2011). Numerous organisations often fail to prepare for the inevitable departure of employees, especially in strategically high-level positions (Garg & Weele, 2012). According to Olmstead (2012), corporate succession planning is a means of identifying critical management positions starting at lower level management and
extending up to the highest position in an organisation. Reeves (2010) is of a view that unlike workforce planning, corporate succession planning focuses more on advancing the employees’ skills in order to achieve the organisational objectives. Pennell (2010) adds that corporate succession planning is not about predetermining who will be promoted into a particular position but a technique of ensuring that organisations have personnel in place when leadership vacancies occur. Jarrell and Pewitt (2007) further advances that in corporate succession planning, apart from putting the right people in the correct seats, the wrong ones are put aside. Thus, organisations need corporate succession planning in order to identify a pool of imminent candidates when a leadership position becomes vacant (Zepeda, Bengtson & Parylo, 2012).

**Barriers to Corporate Succession Planning in the Public Sector**

Corporate succession planning is needed as much in the public sector as it is in the private sector because every organisation requires leaders who can initiate and drive change (Lussier & Sonfield, 2012). Grooming successors is of utmost importance in the public sector because it serves as a tool to fulfil the public’s mandate of improved service delivery (Goodman, French & Battaglio, 2013). Zepeda et al. (2012) state that public sector performance in the area of corporate succession planning lags behind, compared to the private sector because of the organisational culture, uncommitted leaders, lack of implementation resources, lack of role models and restricted promotions. Similarly, Goodman et al. (2013) affirm the perception that succession in the public sector is hindered by the focus on short-term activities and limited prioritisation by executives. Reeves (2010) identifies financial shortages and budgetary cuts due to tough economic times as important constraints to corporate succession planning in the public sector. Perlman (2010) points out that changing political administration is one of the obstacles in the implementation of successful corporate succession planning in the public sector. Therefore, public service is no exception to the dilemma of the brain drain faced by most organisations, and one of the evident solutions to preserve the intellectual capital would be to introduce and enhance effective policies and mechanisms for corporate succession planning (Kang, 2011).

**Corporate succession planning and Turnover**

The lack of corporate succession planning may lead to the turnover of employees, thereby causing strain and unstable situations within an organisation, which often results in decreased productivity (Cao, Maruping & Takeuchi, 2006). Turnover is described as the parting of an employee from the organisation (Noor & Maad, 2008). Employee turnover is attributed to various demographic factors such as age, gender, marital status and duration in a position (Parker & Stinkmore, 2005). Other causes of employee turnover include skills mismatches, the lack of employee development and clear career paths (Boateng & Ganu, 2012). Intention to leave refers to deliberate and conscious willingness to leave the organisation (Craig et al, 2012 Adalwani, Bhanugopan and Fish (2013) suggest that intention to leave is regarded as one of the best predictors of employee turnover. Turnover intentions are further explained as antecedents of three factors, namely intention to search for a different job elsewhere, thoughts of quitting one’s job and to actually quit (Chima, 2013; Rahman & Nas, 2013). Subramanian and Shin (2013) view turnover intentions as an independent variable of the actual turnover. Hence, actual turnover itself is an outcome of an individual’s intentions to quit.

Corporate succession planning decisions are in most cases influenced by the type of turnover, whether it is forced or voluntary (Rahman et al, 2008). According to Garg and Weele (2012), a lack of corporate succession planning leads to high turnover. Craig et al. (2012:7) note that the turnover of public service employees, amongst other things, is influenced by political inclination and lack of corporate succession planning and employee empowerment. Since corporate succession planning has a training component, employees who receive training seem to express lower intentions of leaving an organisation (Cho & Lewis, 2012). The results of a study conducted by Zepeda et al. (2012) on school principal succession show that rapid turnover has a stimulus effect on the need for succession events. Therefore, there are various forms of relationships between corporate succession planning and turnover that are in existence.

### 3. METHODOLOGY

#### Sample and Participants

The sample consisted of 243 directors, managers and officers serving in the South African public sector. Probability sampling using the simple random technique was used to select participants in the study. Employees were randomly selected from a list of staff payroll numbers.

#### Instrumentation and Data Collection

Data were collected using a questionnaire partitioned into three sections, namely a section on demographic information, another one focusing on corporate succession planning practices and the final one focusing on internal barriers to corporate succession planning. Questions for corporate succession planning practices and internal barriers to corporate succession planning were developed from a review of the literature since no previously developed and validated questionnaires could be found. Questions on intention to leave were adapted from Sager, Griffeth and Hom (1998) and Lambert and Hogan (2009). For the section on corporate succession planning, internal barriers to corporate succession planning and intention to leave respondents were asked to indicate the degree to which they agree or disagree with each item based on a five Likert scale ranging from 1=strongly disagree to 5=strongly agree.

#### Reliability and Validity

The reliability results are provided in Table 1. The Cronbach alpha coefficient test provided a
satisfactory indication of reliability of the instrument except for internal succession barriers, which had a marginally acceptable Cronbach alpha of 0.691. The other two constructs, namely, corporate succession planning and intentions to leave reported Cronbach alpha values of 0.895 and 0.899 respectively which reflects acceptable levels of reliability since they are above the benchmark level of 0.70 (Malhotra & Peterson, 2006).

<table>
<thead>
<tr>
<th>Sections of the questionnaire (scale)</th>
<th>Cronbach alpha (α)</th>
<th>Number of items</th>
</tr>
</thead>
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<tr>
<td>Section B: Succession planning current practices</td>
<td>0.895</td>
<td>10</td>
</tr>
<tr>
<td>Section C: Internal succession barriers</td>
<td>0.691</td>
<td>4</td>
</tr>
<tr>
<td>Section D: Intentions to leave</td>
<td>0.899</td>
<td>4</td>
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</tbody>
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Content validity was ascertained through pre-testing of the questionnaire prior to the main survey. The questionnaire was pre-tested and reviewed by a panel of experts, including experts in human resources management, to check for suitability of questions, and whether the questions measure the relevant constructs in the study. In addition, the pilot-testing stage was undertaken with 84 respondents to establish where changes had to be made to the questionnaire concerning the removal of items, addition of items, rewording and rephrasing of questions through the computation of the Cronbach alpha reliability. Construct validity was ensured by performing a factor analysis procedure to establish a suitable factor structure with no cross-loading of variables among the factors. The factor correlation showed a positive correlation between corporate succession planning and intentions to leave (r= 0.372; p<0.000), thus providing evidence of predictive validity. Replacement planning and grooming showed high linear regression analysis of the constructs. These factors accounted for 71.9% of the total variance explained as depicted in Table 2. This procedure resulted in the extraction of two factors that explained corporate succession planning implementation. The factors were labelled as replacement planning and employee development/grooming. These factors accounted for 71.9 % of the total variance explained as depicted in Table 3.

<table>
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<tr>
<th>Component</th>
<th>Total</th>
<th>% of variance</th>
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<th>Total</th>
<th>% of variance</th>
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<tr>
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<td>18.078</td>
<td>71.921</td>
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4. RESULTS

Sample Composition

Female employees constituted a larger part of the sample (n= 191; 78.6%) compared to male employees (n=52; 21.4%). Most participants held the officer position (n=157; 64.6%), followed by those who held the manager positions (n=48; 19.8%) and the least number of participants were those holding the position of a director (n=38; 15.6%). This variation is due to few director positions that are in the public service establishments. The highest percentage of participants was in the age category 30-39 years (n=87; 35.8%). Those between the ages of 40-49 years made up n=72; 29.6 percent of the sample, while n=51 (21%) were between the ages of 20-39 years, followed by those who were over 49 years (n=33; 13.6%). Salary grade in the public service differs from position to position, the lower positions are given the first alphabets for instance, the salary grade for assistant officers is F, for officers is G, for managers is H and I and for directors is K and J depending on the department that the position held. Most participants in this study were those paid on grade G (n=160; 65.8%). This was followed by grade I (n=33; 13.6%), grade K (n=31; 12.8%), grade J (n=18; 7.4%) and grade H (n=1; 0.4%). The length of service ranged between 6 to 30 years. The majority of participants have between 6-10 years of service (n=99; 40.7%).

Exploratory factor analysis was conducted in which cross loading of variables were examined. Pearson correlation coefficient was used to measure the degree of linear association between constructs. The strength of the relationship between corporate succession planning practices, internal barriers to corporate succession planning and intention to leave (ITL) was examined. The results are shown in Table 3.
corporate succession planning displayed a negative relationship (r= -0.123; p=0.055) indicating that when internal barriers are present they prevent the grooming of candidates for positions. Durst and Wilhelm (2012) affirm that if barriers to corporate succession planning are inherent they make it very difficult to groom candidates.

Grooming is associated negatively with intention to leave the organisation (r= -0.372; p=0.000) meaning that employees who are groomed in the public service are more likely not to leave the public sector. An organisation that provides grooming opportunities values its employees, therefore, it prompts them to remain in the organisation (Veloso, Cunha da Silva, Dutra, Fischer & Trevison, 2014). Negative correlations were found between internal barriers to corporate succession planning and intention to leave (r= -0.147; p=0.022) indicating that presence of barriers to corporate succession planning increase employees' intention to leave. An organisation that fails to provide career development for its employees is at risk of losing its employees as a result of discontent (Kibui, Gachunga & Namusonge, 2014).

Having established the strength of correlations between the variables, a regression analysis was also done as correlation analysis only measures the strength of a relationship but does not determine predictive relationships between variables. Hewitt (2009) posits that regression analysis is also used to understand which amongst the independent variables are related to the dependent variable, and to explore the forms of these relationships.

Regression analysis was performed to test whether the independent variables, namely propensity for employees to leave the organisation. This is concurrent with the findings of a study by Dahiya, Samalkha, Mann, Gupta and Israna (2014) in which it was observed that the lack training and development opportunities in organisations increases employees' intentions to leave, thus making it very difficult to replace high performers. The correlation between grooming and internal barriers to corporate succession planning displayed a negative relationship (r= -0.123; p=0.055) indicating that when internal barriers are present they prevent the grooming of candidates for positions. Durst and Wilhelm (2012) affirm that if barriers to corporate succession planning are inherent they make it very difficult to groom candidates.

5. DISCUSSION

In order to achieve empirical objectives of the study, the Pearson correlation coefficient was used to measure the degree of linear association between constructs. The strength of the relationship between current practices to corporate succession planning current practices, internal barriers to corporate succession planning and intention to leave (ITL) was examined. Table 5 reflects that the marked correlations are either significant at p<0.01, or p=0.05. Positive correlations were found between replacement planning and grooming of employees (r= 0.427; p=0.000). This indicates that if replacement planning takes place in the public service grooming becomes a natural programme in the implementation of corporate succession planning. Suresh (2014) posit that grooming future leaders to replace old ones is very crucial today because leaders drive productivity, thus if there are gaps in their ability the organisational performance suffers. However, as noted by (Perlman, 2010), governments are doing very little to ensure the knowledge that the older and experienced workers have is tapped before they leave. This lack of grooming denotes that leaders in the public service are not taking corporate succession planning seriously. The reasons for this lacklustre attitude could be the ambiguity of duties in the public sector as well as a myriad of political reasons (Jarrell & Pewitt, 2007). Nevertheless, the fact remains that the nurturing of future leaders is an important practice that should be expedited for the future benefit of the organisation.

Weak positive correlations were found between replacement planning and internal barriers to corporate succession planning (r=0.153; p=0.017). These barriers were cited as too many things to do, already overloaded with work, focus on crisis management and restrictive rules on hiring. Replacement planning correlates negatively with intentions to leave (r=-0.364; p=0.000) indicating that if replacements are not prepared there is a greater
corporate succession planning current practice and succession internal barriers predict the dependent variable (intention to leave). It was found that two factors (replacement planning and grooming) explained approximately 19 percent ($R^2=0.190$) of the variance in employees overall intention to leave the public service. In terms of the beta weights lack of grooming is a stronger prediction of intention to leave the public service, followed by replacement planning. Thus, the absence of replacement planning and grooming may cause employees to leave the organisation.

6. LIMITATIONS AND IMPLICATIONS FOR FURTHER RESEARCH

This paper contributes to the literature on corporate succession planning, especially to the current understanding of what corporate succession planning practices are being used by the public service of a developing country. However, as with every study of this nature, the study was subject to certain limitations that may pave the way for further research opportunities. The sample was drawn from officers, managers and directors stationed in one district (in the capital city). A broader national sample would have offered additional insights not only limited to the capital city. For instance, responses from junior employees would have potentially offered an additional perspective. The sample in future studies could also include such important groups. Additionally, results of the study must be treated with caution when drawing conclusions since the final sample was relatively small (N=243). This presents the need to conduct similar studies using amplified sample sizes. Still, since the study was purely quantitative in nature, more interesting results inclusive of a broader scope of information could be revealed if future studies adopt the mixed method approach. The study is further limited in that respondents, in their own accord, completed the questionnaire and the researcher had no control over the responses. Therefore, barriers to corporate succession planning, specifically in the public service, could be explored further in order to devise new strategies and/or approaches to corporate succession planning. Future studies could also embark on investigating the succession relationship with other attributes that influence employees’ perceptions such as motivation, commitment, job satisfaction, career development and working conditions.

CONCLUSION

The literature reveals that no single practice of corporate succession planning can fit all organisations (Gothard & Austin, 2013). Yet, there are a number of factors that may enhance the effectiveness of the corporate succession planning process, depending on the uniqueness of the organisation’s succession planning on specific features (Mehrabani & Mohamad, 2011). Corporate succession planning ensures that the organisation has sufficient and appropriate quality of capable employees in key and/or leadership positions to cater for any loss of key employees in future. Corporate succession planning also provides public service employees with new knowledge, new competencies and new insights that can transform and complement what has come before, thereby enabling the public sector to provide a service that is beyond predictability (Omisore, 2013). Akin to other human resource management changes and initiatives, corporate succession planning requires long-term and significant commitment from top management and other stakeholders.

This study revealed that for corporate succession planning to be successful in the public service, there are a number of obstacles that should either be dealt with or avoided. These barriers include budgetary constraints, not making corporate succession planning a priority, and managers who are always busy and sometimes overloaded with work. Organisations that do not have succession plans or do not appropriately implement such plans are likely to fail to retain their valued employees. The findings of this study further revealed that employees view such organisations as lacking recognition for their employees; hence most of the employees decide to leave. The major factors influencing the effective implementation of corporate succession planning in the public service include preparing employees through training, management support, clarifying the career path and creating a positive vision. Additionally, the absence of the above-mentioned factors could act as a barrier to the implementation of corporate succession planning. The results of this study indicate that managers who are too busy and focus on crisis management are major barriers hindering corporate succession planning in public service.

Two corporate succession planning elements, namely grooming of employees and replacement planning, which play a vital role in influencing employees’ perceptions of either staying or leaving the organisation, were identified through factor analysis. Finally, it is essential that decision makers use corporate succession planning to identify the type of manpower that the organisation has in order to develop mechanisms to transfer critical organisational knowledge and mentoring programmes to shepherd the right talent into the right positions at the right time. Research on corporate succession planning is still limited, especially in the public service in developing countries such as South Africa, and this presents countless research opportunities for both academics and practitioners.

REFERENCES