

A Study on Talent Management Practices for Succession Planning with Reference to Selected IT/ ITES Organizations in Coimbatore, Tamil Nadu

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Abstract

The main objective of this study was to find out the current talent management practices on succession planning of IT/ITES organizations in Coimbatore, Tamil Nadu. A descriptive study was carried out, and original and factual data from the employees of IT/ITES organizations located in Coimbatore were collected through closed ended and open ended question types using a 5 point Likert scale questionnaire. The data were collected on various dimensions of talent management practices including hiring the best talents, training and development of employees, compensation and rewards to the performers, and talent retention and succession planning. The study was based on primary data collected from employees of 10 IT and ITES organizations, most of which are global players, with the help of a pre-tested and structured questionnaire. Out of the 414 responses, 363 responses were screened out for error free data analysis. The collected data were analyzed using statistical tools to bring out talent management practices and the opinions of employees on the important factors to be considered to maintain talent retention and proper succession planning. It was found that there was a strong correlation between talent management practices (compensation plan, performance appraisal, learning and development, and rewards and recognition) and talent retention & succession planning among the IT/ITES organizations in Coimbatore, Tamil Nadu.

Keywords: employer branding, leadership, retention, succession planning, talent management, training and development

JEL Classification : J53, M10, M12, M14, M15

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In many service-oriented business models, human resources are the key to success, therefore, companies should try to better understand the preferences, needs, values, and expectations of their employees. Hence, considering the diversities in respect of age, gender, and culture are just a few means of interpretation, one could also extend the term to diverse employment conditions (contingent vs. full-time) or the country of origin of employees (local employees, expatriates, and in-patriots). As a result, bearing in mind the diverse pool of employees available nowadays, a one-size-fits-all talent management (TM) approach seems inappropriate.

Problem Statement

There is considerable evidence that shows organizations worldwide are having difficulty in finding the right talent

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(Deloitte, 2011; Kavanagh, 2010; Kazmin, 2011; Meisinger, 2008). The recent studies by the World Economic Forum, the Boston Consulting Group (2011), and the Manpower Group (2011) showed that the shortage of the talent problem is truly global. It affects a wide variety of positions in many regions and countries of the world. In the Manpower Group study (2011), it was reported that 34% of the employers faced difficulty in finding suitable talent to fill positions. Japan, India, and Brazil are the top three countries in terms of having difficulty in filling jobs. This study found that organizations are using several strategies to manage talent shortages, including employee training and development and aggressive recruiting strategies.

Research Objectives

- To find out the relationship among the employees on talent management practices (talent sourcing, compensation plan, performance appraisal, career development, rewards and recognition, work life balance), talent retention, and succession planning.
- To identify the gaps in practices and the outcomes between the employee perception towards talent retention and succession planning practices among the selected IT/ITES organizations in Coimbatore.

A Review on Succession Planning

Succession planning is finding key talents within the organization. It involves finding upto 5% of key talents within the organization from different areas of expertise. Training these talents is the investment in developing high performance talents. This includes developing talented employees by improving their competencies in leadership roles. This is a difficult task in the talent management process.

Succession planning was defined by Hirsch (2000) as a process by which one or more successors are identified for key posts (or groups of similar posts), with career moves and/or development activities planned for these successors.

R. Suresh, Managing Director of RGF Executive Search (2014), said that his team recently found a candidate for the post of a CEO for a Mumbai - based financial services firm after a 4 month search. “The search team has 40 open positions right now and because of counter-offers, what should have taken 4 months each to close will take 9 months,” added R.Suresh of RGF Executive Search.

Literature Review : Talent Management Practices

Talent management must not just coexist with many other organizational programs and systems but also support and coordinate with them. It must be driven by business strategies and in turn help drive business results. Business results should then in turn influence setting new business strategies and talent strategies. The business results in many organizations are used as a broad outcome measure of whether the talent management effort is effective.

The PwC's 15th Annual CEO's Survey relieves the following facts:

Talent constraint where as cost impact : - 43% said that their talent-related expenses rose more than expected ; 31% said that they were not able to innovate effectively ; 29% said that they were unable to pursue a market opportunity ; 24% said that they have cancelled or delayed a key strategic initiative ; 24% said that they could not achieve growth forecasts in overseas markets ; 24% said that they could not achieve growth forecasts in the country where they are based ; 21% said that their production and/or service delivery quality standards fell (Base: All respondents (1,258) , Source: PwC 15th Annual Global CEO Survey 2012 and confirmed by Dash & Mohapatra, 2016).

Talent in an organization refers to the core employees and leaders who drive the business forward (Hansen, 2007). Talents are the high achievers who inspire others to enhance their performance. Talents are the core competencies of an organization and represent a small percentage of employees (Berger & Berger, 2004).

Business sourcing leaders micro-manage their business. The major ignorance of leaders is how to direct their talents towards corporate goals. Many Human Resource (HR) managers are more effective in technical or operational aspects of HR than they are in strategic aspects, even though strategic aspects have a much larger effect on the company's success (Carpenter, Bauer, Erdogan, & Short, 2010).

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Development is about transforming the lives of people, not just transforming economies (Joseph Stiglitz, 2007). Most organizations today narrow down their focus to the companies' development only, and ignore focus on developing people. The following framework is designed to integrate business transformation and talent management in organizations.

Succession planning is taking risk to invest on future leaders of organizations. It requires serious of assessment to find key talents in each area of expertise and to plan for their training and development. Succession training and development should focus on future organizational expectations based on organization's future strategic plan.

Methodology

Multi-stage sampling was chosen for this study. At the first level the companies with selection criteria of above 300 employees were selected based on judgement sampling technique. It is observed from discussions with HR departments of IT/ITES organizations that where the strength of employees is above 300, the company is presumed to be practicing talent management. Applying the above criteria, the eligible organizations were only 12. Out of 12 organizations, 2 of them did not permit the researcher to do the research in their premises. Therefore the sample size of the organizations is 10. This study was carried out between 2014 and 2017.

At the second level the employees of the selected IT / ITES organizations were selected. This minimum recommended size is 382 for the study using Raosoft software with the confidential level of 95%. The confidence level is the amount of uncertainty within the tolerance limit. Suppose the number of questions is 20, in the survey with 95% confident level will have a chance of that 1 question would expect that for one of the questions (1 in 20), the percentage of people who answer yes would be more than the margin of error away from the true answer. There were 600 questionnaires randomly distributed to the selected 10 IT/ITES organizations located in Coimbatore, out of which 414 responses were received. It was screened and 363 responses were found error free from the first line response out of 29150 research population of this study. 363 responses were used for further analysis and interpretations in this study.

Analysis and Results

Table 1 shows the succession planning practices of organizations. 'The best performers are made to perform the most important jobs' scored the highest mean score (4.33) among the constructs under succession planning. 'Pipelines of ready successors' has the next highest mean score (4.17), 'developing employees with right skills' has the mean score of 4.15, 'hiring the best talents' has the mean score of 4.14, feeling part of the company has the mean score of 4.10, can try new things in order to be innovate has the mean score of 4.09, and retaining the top performers has the mean score of 4.06 respectively. Succession planning is an essential component of talent

Table 1. Retention and Succession Planning

Succession Planning	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
The best people are made to perform the most important jobs.	5	26	2	143	187	4.33	0.91
Hiring the best talents.	2	28	3	214	116	4.14	0.82
Retaining the top performers.	2	28	3	214	116	4.06	0.91
Can try new things in order to be innovative.	4	23	3	240	93	4.09	0.78
Developing employees with right skills.	5	25	3	207	123	4.15	0.85
Pipeline of ready successors.	8	28	3	179	145	4.17	0.94
Feeling part of the company.	9	38	3	170	143	4.10	1.02
Overall Mean Score						4.11	

Table 2. ANOVA (Age Group and Retention and Succession Planning)

		Sum of Squares	Df	Mean Square	F	Sig.
Retention and Succession Planning	Between Groups	3.018	2	1.509	3.376	.035
	Within Groups	160.930	360	.447		
	Total	163.948	362			

management which can further help to retain talents for tomorrow (Clutterbuck, 2005). Therefore, succession planning as a source to prepare companies' future talents, which can help to get right people in right job and to run the business operations smoothly in the future (FE, 2008).

✎ **H01:** There is no significant difference between age groups and employees' opinion on retention and succession planning.

✎ **Ha1:** There is a significant difference between age groups and employees' opinion on retention and succession planning.

Table 2 shows the result of variance analysis between age groups and employees' opinion on Retention and Succession Planning. Since the significance value is less than 0.05 (5%) the alternate hypothesis Ha1 is accepted, i.e., there is significant difference between age classifications and respondents' opinion on retention and succession planning. The result shows that at least two age groups and their opinion significantly differ, hence the IT/ITES organizations in Coimbatore need to prioritize the employees' inputs and opinion in order for them to continue with commitment with their current workplace.

Table 3 and Figure 1 show that the post hoc analysis and mean difference between age group of the respondents and retention and succession planning variables. It is found from the analysis that there is a significant difference between the age group below 25 years old and 26 to 35 years old employees, hence, the organizations need to give much attention in this age group for their career planning and retention efforts in order to retain talents from this age group.

✎ **H02:** There is no significant difference between age groups and the employees' opinion on talent retention focus.

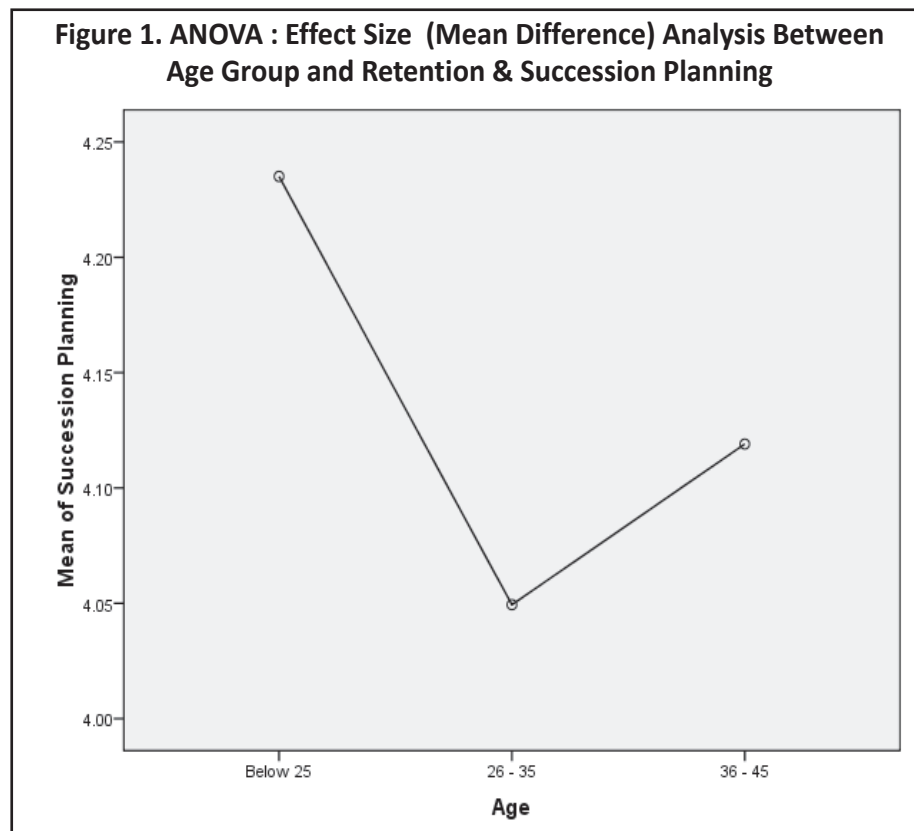
✎ **Ha2:** There is a significant difference between age groups and the employees' opinion on talent retention focus.

Table 3 shows the result of variance analysis between the age groups and employees' opinion on talent retention

Table 3. ANOVA: Post Hoc Test Analysis Between Age Group and Retention & Succession Planning

Multiple Comparisons							
Tukey HSD							
Dependent Variable	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
Succession planning	Below 25	26 - 35	0.18569*	0.07159	0.027	0.0172	0.3542
		36 - 45	0.11602	0.19904	0.829	-0.3524	.05845
	26 - 35	Below 25	-0.18569*	0.07159	0.027	-0.3542	-0.0172
		36 - 45	-0.06966	0.20003	0.935	-0.5404	0.4011
	36 - 45	Below 25	-0.11602	0.19904	0.829	-0.5845	0.3524
		26 - 35	0.06966	0.20003	0.935	-0.4011	0.5404

Note : *. The mean difference is significant at the 0.05 level

**Table 4. T - Statistics - Talent Retention and Succession Planning**

Retention and Succession Planning	Entire Sample Estimate	Mean of Sub samples	Standard error	t-Statistic
The best people are made to perform the most important jobs.	0.7373	0.7200	0.0461	15.9938
Hiring the best talents.	0.7159	0.6938	0.0450	15.9213
Retaining the top performers.	0.7683	0.7501	0.0559	13.7375
Can try new things in order to be innovative.	0.7122	0.7141	0.0604	11.7929
Developing employees with right skills.	0.8266	0.8368	0.0640	12.9239
Pipelines of ready successors.	0.7910	0.3552	0.2465	3.2090

and succession planning. Since the significant value is less than 0.05 (5%) the alternate hypothesis Ha2 is accepted, i.e., there is significant difference between age classifications and respondent's opinion on talent retention and succession planning. The result revealed that at least two age groups and their opinion significantly differ.

Table 4 shows the t - statistics values, since the t - statistic value for the indicator variables is greater than 2, there is significant relationship between the indicator variable and construct variable retention and succession planning.

🔗 **Visual PLS Report : Correlation Analysis :** Table 5 shows that the Talent Management Practice (Compensation Plan) and Retention and Succession Planning have strong (0.612) correlation. Talent Management Practice of Compensation Plan has a strong positive relationship with retention and succession planning. The talent management practice of compensation plan factors such as 'periodical review of salary structure', 'competency pay', 'performance based pay', 'incentive practices', 'equity pay practices', and 'fringe benefits (insurance, medical claims and etc.,)' are among the IT/ITES companies in Coimbatore have a direct impact on their organizations' retention and succession planning.

Talent Management Practice (Performance Appraisal) and Retention and Succession Planning has a strong (0.709) correlation. A talent management practice of performance appraisal has a strong positive relationship with organizations' retention and succession planning. The performance appraisal construct variables among the IT/ITES companies in Coimbatore have a strong direct impact in their companies' retention and succession planning.

Talent Management Practice (Learning and Development) and Retention and Succession Planning has strong (0.743) correlation. A talent management practice of learning and development has a strong positive relationship with organizations' retention and succession planning. The talent management practices of rewards and recognition factors are among the IT/ITES companies in Coimbatore have a strong direct impact in their companies' retention and succession planning.

Talent Management Practice (Rewards and Recognition) and Retention and Succession Planning has strong (0.751) correlation. A talent management practice of rewards and recognitions has a strong positive relationship with their organizations' retention and succession planning. The talent management practices of rewards and recognition factors are among the IT/ITES companies in Coimbatore have a strong direct impact in their companies' retention and succession planning.

Table 5. Correlation Analysis

Correlation of Latent Variables								
	Sourcing	WL Balance	TM- Compensation Plan	TM- Performance Appraisal	Learning and Development	Rewards and Recognition	Succession Planning	Retention Plan
Retention and Succession Planning	0.418	0.128	0.612	0.709	0.743	0.751	1.000	

Suggestions and Conclusion

The research findings emphasize the need and importance of talent management including talent retention and focusing on succession planning to retain the key performers for their future key positions in their organizations. The research therefore recommends that strategic talent management strategy must be strategized along with business strategy of the IT/ITES organizations in Coimbatore. These efforts are continuously required to be taken in order to keep the talent strategy to move along with the organization's business strategy.

The aim of employees of IT/ITES companies is to give attention to the factors which could better their companies, talent management practices which influence their talents to stay in their organization, how to retain their top performing talents, and to find out key talents for future positions and to train them to be ready for the company's rising future talent needs. In order to maximize talent retention and to find key talents in their organizations, companies need to prioritize the important factors such as 'Developing great leaders' (352 responses), 'Building pipeline of ready successors' (348 responses), 'Work life balance' (347 responses), 'Planning future talent needs' (347 responses), 'Developing employees with right skills and knowledge' (347 responses), and 'Building career paths' (346 responses) have the highest response rate of 346 and above respondents felt these factors need to be prioritized to improve Talent Management Practices in their company.

➤ **Retention and Succession Planning** : The best performers are made to perform the most important jobs scored the highest mean score (4.33) among the constructs under succession planning. Pipelines of ready successors mean score is 4.17 and developing employees with right skills with the mean score of 4.15. Succession planning is as a source to prepare the companies' future talents, which can help to get right people in right job and to run business operations smoothly in the future (FE, 2008).

Managerial Implications

Talent management practices (performance appraisal) and learning & development have a strong correlation. A talent management practice of performance appraisal has a strong positive relationship with learning and development. It is also found that there is a strong correlation between talent management practices (compensation plan, performance appraisal, learning and development, and rewards & recognition) and talent retention and succession planning. The IT/ITES organizations should constantly focus on these variables in order to keep the employees retained within their organizations.

Limitations of the Study

- (1) The study was limited to IT/ITES companies in Coimbatore only, and hence, the study findings may only help in understanding talent management and talent retention & succession planning in those companies.
- (2) Initially, the study also experienced slow response from the respondents due to confidentiality reasons and the respondents were busy in their work, but this was mitigated by having constant follow up through physical visits to the respondents' offices, that is, the IT/ITES companies personally and by the use of research assistants.
- (3) Some of the respondents, especially the junior level managers and managers failed to respond to a number of item details in the questionnaire and left blank spaces. We, however, followed up with them and got verbal responses ; the non-responsive respondents' responses were screened out prior to data analysis.

Suggestions for Further Research

This study was carried out for the IT/ITES organizations in Coimbatore. Similar studies should be carried out in other areas including manufacturing and service sectors to confirm the results and their applicability of moving forward human resource trends in this region. In Western countries, the practice of outsourcing is becoming common, focusing on the possibilities of grouping of different sector professionals, and the feasibilities of running small/medium outsourcing will help the businesses save human resource costs including recruitment, selection, training, and development, and other relevant areas to have better competency and competitive human

resource costs will help better business sustainability. This is another area the researchers could focus on to find out the feasibilities.

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