# ST. MARY'S UNIVERSITY

# SCHOOL OF GRADUATE STUDIES

# MBA PROGRAM

**AN ASSESSMENT OF SUCCESSION PLANNING PROGRAM: THE CASE OF COMMERCIAL BANK OF ETHIOPIA IN ADDIS ABABA**

**BY**

**MELAT ZEMENU MOLLA**

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# AN ASSESSMENT OF SUCCESSION PLANNING PROGRAM: THE CASE OF COMMERCIAL BANK OF ETHIOPIA

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## MELAT ZEMENU MOLLA

## THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (GENERAL MBA)

### JUNE, 2018
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## APPROVED BY BOARD OF EXAMINERS

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# DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance Terefe Feyera (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

_____          _____

Name                                        Signature

**St, Mary's University, Addis Ababa          June, 2018**

# ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

 

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Advisor                                 Signature

**St, Mary's University, Addis Ababa**        **June, 2018**

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Secondly, I would also like to thank my parents and friends who helped me a lot in finalizing this project within the limited time frame.

# ABBREVIATIONS AND ACRONYMS

CBE: Commercial Bank of Ethiopia

NBE: National Bank of Ethiopia

SP: Succession Planning

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# Abstract

*Succession planning program is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future. The objective of this research was to identifying if succession planning program implemented at CBE fulfilled the characters of an effective succession planning program, identify its outcomes and identify the major challenges to implement SP in CBE. Using a descriptive research design, the research undertook a survey of managers involved in its implementation at Branches in Addis Ababa. The survey instrument was developed based on Ley (2002) framework was used to develop seven of the elements of an effective succession planning program as well as Rothwell (2010) guideline to identify outcomes of succession planning program. Descriptive and inferential statistics was used to analyze the data gathered from 138 responses. The research has found that, in terms of mean values, 'top management participation & support', 'part of strategic and work force planning', 'dedicated responsibility' and 'formal professional development opportunities' had means 3.86, 3.76, 3.74 and 3.71 suggesting that participants tend to agree with the presence of these attributes in CBE's SP program. Concerning the outcomes of SP program, 'satisfaction of program participants' was 3.65 slightly suggesting that participants agree with the satisfaction of SP participants while 'effective placement' had a mean of 3.07 indicating participants neutral opinion on this point. The correlation analysis showed a positive correlation with the participants opinion of presence of elements (attributes) of an effective SP program and their opinion of the outcome of SP at CBE. The multiple regression model also indicated that only four of the seven predictors (Extends to all levels of organization, Part of strategic and work force planning, Focused on individual attention and Dedicated responsibility) were able to statistically significant predictors of outcomes of an SP program. The two major challenges to SP program at CBE were identified as 'inability to create pool of candidates' and 'lack of formal process' while participants didn't think 'lack of focus and follow-up' was a challenge to SP program at CBE. It was therefore recommended that CBE should continuously assess positions and capabilities required for them so that the SP program assures available resources to fill future requirements. Assuring individual's carrier aspirations are realized through the SP program creating satisfaction and commitment between the bank and its employees should be considered. the type and quality of development opportunities provided should also assure the participants capabilities are acceptable so that effective placement can be improved.*

***Key words:*** *Succession Planning, Outcomes of Succession Planning, Effective Succession Planning*

# CHAPTER ONE: INTRODUCTION

## 1.1. Introduction

It is a fact of today's reality that social and economic phenomenon like globalization and economic development offer opportunities to all types of businesses while at the same time putting competitive pressures on them. The business and managerial acumens of leaders in the optimized identification, education, and use of people, therefore, determine the success of those businesses. Mahfoozi, Salajegheh, Ghorbani, and Sheikhi, (2017) point out that it is of utmost importance to retain essential capabilities and competencies in the manpower in order to build and maintain business competitiveness. Not only the company's competitiveness but its basic survival could be in question if the continuity of leaders' succession is interrupted which could result in loss of knowledge that is critical to its success. Henri Fayol (1841–1925) who was among the first writers to recognize this fact wrote, on his classic 14 points of management, 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 (Rothwell, 2010).

Succession planning is part of human resource planning, which is about preparing a successor to assume a key role within the business. However, the survival of an organization tends to be in question if the continuity of the leader succession interrupted due to planned or unplanned loss of knowledge that is critical to the success of the organization. Succession planning is defined as an organization-wide effort to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement (Rothewell, 2010). On the other hand, a succession planning program is defined as a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement. Systematic succession planning occurs when an organization adapts specific procedures to ensure the identification, development, and long-term retention of talented individuals (Rothwell, 2010, p.10).

Succession planning as a practice has moved from replacement planning practice to include succession planning management as well. It has made progress from replacement planning to a more proactive process that encompasses leadership development throughout all levels within an organization (Bleakley, 2006). To this point, a research study by Bersin and Associates (2007) pointed out, while more than half of research respondents said their companies implement succession management processes at the most senior executive levels, fewer than 40% said they included mid-level managers and skilled professionals in succession planning initiatives.

Many studies have been undertaken to relate succession planning with desirable organizational outcomes. For instance, Baba and Amah (2016) showed that a careful and predetermined leadership succession planning is imperative to the maintenance of high-performance standards for fast food companies in Nigeria. Conger and Fulmer (2003) cited on Ali and Babu (2015) also concluded that highly successful companies married leadership development and succession planning processes for optimal identification, development, and placement of leadership talent. Garg and Weele (2012) in their study of South African Small, Micro and Medium Enterprises (SMMEs) have also shown that SMEs believe that good succession planning can add value and assure their sustainability.

Organizations ensure the continuity of talent pool through internal resourcing as well as external hiring. A research study by Right Management (2010) found out that more than 50 percent of companies cannot immediately name a successor to their CEO should the need arise. Though these strategies have their own pros and cons, succession plans must integrate both internal and external recruitment with internal development for their effectiveness (Hills, 2009).

The effectiveness of succession programs and what constitutes an effective program has also been a subject of research. HR Magazine (2008) identifies criteria that adhere to the organization's definition of critical leadership capability; a consistent and specific readiness assessment process; a guide for individual development; well-defined roles and responsibilities for those responsible and regular reviews as of the plan and its effectiveness as important elements of an effective program. Another study suggests that

effective succession planning programs align talent with the organization's strategic objectives and ensure leadership commitment from the top (Gandossy and Verma, 2006).

Rothwell (2010) identifies 15 characteristics of an effective succession planning program. The top ten characteristics include top management participation and support, needs-driven with external benchmarking, focused attention, dedicated responsibility, covers all levels, a systematic approach, a comparison of present performance and future potential, clarification of high-level replacement needs, an obligation to identify and prepare successors, as well as specific developmental programs being established and conducted. Ley (2002), further framed characters of an effective succession planning into what he calls 'the practical ideal type'. His framework includes top management support, need driven assessment, formal professional development opportunities, focused on individual attention, dedicated responsibility, extends to all levels of the organization, part of the strategic plan, and unique public-sector issues.

In terms of outcome, an effective succession planning program should enable a smooth implementation, satisfied participants in the program and an effective talent pool that enables quick filling of openings with performing employees readily available internally.

## 1.2. Background of the Organization

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942.CBE was legally established as a share company in 1963.In 1974, CBE merged with the privately-owned Addis Ababa Bank. Commercial Bank of Ethiopia is the largest and major player in the banking system with a total capital share of 32.21% and over 1,200 branches across the country. In general, the capital accumulation and outreach of banks in Ethiopia are increasing from time to time. According to National Bank's quarterly bulletin (2017), the overall total numbers of branches across the country have reached over 3,800 of which 198 newly opened ones; while the total capital accumulation of the banking system has reached 49.4 billion birr with annual growth of 20.1%. The vision of CBE is to become a world-class commercial bank by the year 2025while its mission states "We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting

national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state of the art technology. We strongly believe that winning the public confidence is the basis of our success."

The main purpose of this paper was to assess the practice of succession planning at CBE to that of an effective succession planning program. Moreover, this study aimed at comparing the current succession planning practices taking place at CBE to global best practices in order to make recommendations for improvement.

## 1.3. Statement of the Problem

Succession planning has a significant positive role in the success of the organization. Succession planning helps build the bench strength of an organization to ensure the long-term health, growth and stability. Succession planning is a tool to realize the mission and to create an effective process for recognizing, developing, and retaining top leadership talent (Winn, 2006). Succession planning is a systematic effort and a proactive practice. Aberdeen (2007) cited on Odhiambo, Njanja, and Zakayo (2014) also point out that effective succession planning focuses on consistency and a systematic approach to growing leaders within the company. Hence, organizations design and implement succession planning programs.

Research has indicated that succession management efforts are most likely to be successful if they are embedded in management operations, involve HR and other managers throughout the organization and are concerned with implications for other career planning practices such as formal education training or secondment (Caldwell, 2007). These items are supported by other studies that have found highly effective succession management systems are characterized by CEO involvement, support of senior management, line management identification of candidates, use of developmental assignments, and succession management processes linked to business strategies (Rioux and Bernthal, 1999 cited on Taylor and McGraw, 2004).

An effective succession planning program can vary as much as its scope of application however research has identified several critical elements. Eastman (1995) cited on

Taylor and McGraw (2004) offered character such as visible CEO and Top Management support, owned by line management, tailored to unique organizational needs, linked with the strategic business plan, involves a thorough human resources review process, includes plans for development, integrated with other human resource systems as well as emphasizes accountability and follow-up. Ley (2002) put together characters of an effective succession planning program termed 'the practical ideal type'. His framework includes top management support, need driven assessment, formal professional development opportunities, focused on individual attention, dedicated responsibility, extends to all levels of the organization, part of the strategic plan, and unique public-sector issues.

CBE, understanding the need to setup a proactive successon panning approch, had designed a succession planning system for implementation since 2013/14. Despite that, SWOT analysis done by Wiki Wealth Capital, an American based Management institute, among other things pointed out high staff turnover as CBE's weaknesses. Further, a study by Hussen (2017) also indicated that branch managers, HR specialists as well as career and succession manager at CBE branches who were supposed to be active in the succession planning program did not have knowledge on the concept of human resource succession planning. The study also showed that those managers had a lack of information about employees (subordinates) whose competencies they were supposed to objectively evaluate for succession planning considerations.

The above predicaments all point to the need to evaluate the design of the succession planning program being practiced at CBE. Hence, evaluation of succession planning program at CBE should help identify what is lacking. Particularly, this study examined to what extent CBE's succession planning program have the attributes or elements of an effective succession planning program as well as what its outcomes are so far.

## 1.4. Basic Research Questions

To examine the practice of succession planning program in CBE the research will raise the following questions:

- Does the succession planning program at CBE fulfill the characters of an effective succession planning program?
- What are the outcomes of the succession planning program at CBE so far?
- What are the major challenges to implement succession planning in CBE?

## 1.5. Objectives of the Study

From the onset this has commenced the objectives outlined below as general and specific.

### 1.5.1.  General Objective

The main objective of the research is to assess the practice of succession planning at CBE.

### 1.5.2.  Specific Objective

The following objective will be proposed to help the main objective of the study.

- To assess if the current succession planning practice at CBE fulfills the characters of an effective succession planning program.
- To assess the outcomes of the succession planning program at CBE so far
- To identify major challenges in implementing succession planning

## 1.6. Definition of Terms

**"Succession planning** is the process of pinpointing the key need for intellectual talent and leadership throughout the organization over time and preparing individuals for present and future work responsibilities needed by the organization" (Rothwell, 2005, p.8).

**"Succession planning program:** a succession planning program is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement" (Rothwell, 2005, p.34).

## 1.7. Significance of the Study

A good research increases understanding of a past experience and existing phenomenon, inquire new knowledge, and put a way forward for better future. Organizations implement succession planning programs at a high cost and expect results. In this regard, evaluating the succession planning program at CBE have shaded light into the program and helped identify areas of improvement that could assure optimum value to CBE from its implementation. Further, this research provided an empirical input to any organization or individual looking to undertake a research on succession planning program. Anyone that is implementing a succession planning program in the future can also use it as a reference. The outcome of this research could be used for other studies on similar topic or organization for the further study on the discipline.

## 1.8. Scope of the Study

Research in to succession planning covers the design of a succession planning program, the practice of succession planning, leadership development program, and outcomes of the development program in terms of successful assignments of new employees coming out of the development program (Rothwell, 2010). The scope of this research was limited to the review of the succession planning program in terms of effective attributes as well as it outcomes and hence it did not look at other areas. Specifically, this research looked at the practical ideal type of succession planning program elements (Ley, 2002) such as top management support, dedicated responsibility, needs driven assessment, professional development opportunities, focused individual attention, extension to all levels of an organization, and inclusion in the strategic plan. The outcomes assessed were also limited to the ability to quickly fill vacancies from within, a ready succession plan for key positions and performance of employees passing through the succession plan.

## 1.9. Limitation of the study

The research has raised an important issue of practical use. For this reason, treating the research at more question using various techniques could have benefited the outcome. Further, due to limitations of time and financial resources, the research only used

respondents who are working in Addis Ababa. In addition, out of the three levels of managerial and administrative categories, namely senior management groups (Process Council members), middle level managers (Directors and District Managers), and lower level managers (Managers at Head office and Branch Managers), only lower-level managers (Managers at Head office and Branch Managers) were included in the study due to availability and access to those two other groups.

## 1.10.    Organization of the Research

This research report contains five chapters.  The first chapter presents the introductory part where the background, the problem, the research question, and objectives as well as the scope are discussed. The second chapter deals with the review of related literature covering both theoretical and empirical literature. Chapter three is concerned with the research design and methodology. Chapter four presents address the main body of the research where the findings are presented and discussed. Chapter five includes the summary of findings, conclusions, and recommendations based on the findings.

# CHAPTER TWO: REVIEW OF RELATED LITERATURE

This chapter presents a review of literature covering the theoretical literature as well as a review of empirical work in the area of succession planning in general and succession planning programs in particular. The first section presents the theoretical literature where succession planning is defined, succession planning programs are discussed, characters of an effective succession planning program are presented and evaluation of succession planning programs in terms of outcomes raised. The second section discusses some prominent empirical works in succession planning research and concludes with a conceptual framework.

## 2.1    Theoretical Review

The theoretical review presents an introduction to the concept of succession planning and its benefits. Further, succession planning program is defined and characteristics of an effective program discussed.  This section is aimed at building a base for understanding of the concept which will further be strengthened in the subsequent empirical review.

### 2.1.1  Succession Planning

Organizations benefit from stability for their human resources. Succession planning represents organization's attempt to prepare for transition of all management positions (Rothwell, 2010). Sambrook (2005) defined succession planning as the attempt to plan for the right number and quality of managers and key-skilled employees to cover retirement, death, serious illness or promotion and any new positions which may be created in future organization plans. In line with this, Collins (2009) defines succession planning as a process that can provide seamless leadership transition across the organization. Succession planning therefore can be thought of as a means to successful deal with staffing surprises. Traditionally, the term succession planning has referred to planning for leadership continuity at the CEO level, but today succession planning provides for leadership continuity at all levels. In fact, a proper succession planning should address the need for critical backups and individual development in any job

category, including key people in the professional, technical, sales, clerical, and production ranks (Rothwell, 2010).

Succession planning has been used to describe a wide variety of activities that involve planning for key transitions in leadership within organizations (Garman & Glawe, 2004). The purpose of succession planning is to provide an organized approach to the process. Succession planning is the process of pinpointing the key need for intellectual talent and leadership throughout the organization over time and preparing individuals for present and future work responsibilities needed by the organization (Rothwell, 2005). It is therefore a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement. Systematic ''succession planning occurs when an organization adapts specific procedures to insure the identification, development, and long-term retention of talented individuals.'' (Rothwell, 2010, p.10). Tropiano (2004) also agrees that succession planning needs to be strategic, systematic and deliberate effort as well as suggests that competencies of potential leaders be developed through proposed learning experiences such as targeted rotations and educational training in order to fill high-level positions without favoritism.

The benefits of succession planning lie on two main points, namely; business continuity and sustaining competitive advantage (Winn, 2006). The benefits of succession planning can be explained in terms of its impact on organization and individuals. Perrenoud (2012) indicates that an effective succession planning provides a balanced impact to both the organization and individuals. The benefits for each are shown in the following table.

*Table 2.1: The Benefits of Succession Planning for Organization and Individuals*

| For Organizations | For Individuals |
|---|---|
| Controlled costs of recruitment and development | Clarity of role |
| Anticipated changes | Opportunity to develop or multiple skills |
| Back-up resources in place | Strong supportive relationships |
| Development of a talent pool of flexible people | Valued and rewarded |
| Leaders for the future | Aspirations met |
| Increased knowledge and skills bank | |

Source: Perrenoud (2012)

### 2.1.2 Replacement Planning

Succession planning should not be confused with replacement planning, though they are compatible and often overlap (Rothwell, 2005). Traditionally, succession planning equates with replacement planning (Charan, Drotter, and Noel, 2001). In the simplest form, replacement planning is a form of risk management focusing on the actions that ideally should take place in the event that a key executive quits or retires (Rothwell, 2005). The chief aim of replacement planning is to reduce the chance of catastrophe stemming from the immediate and unplanned loss of key job incumbents (Rothwell, 2010). For decades, replacement planning has concentrated on pre-selecting backup people for key positions and then charting a series of job assignments to prepare them to fill the positions (Byham, Smith, and Paese, 2002).

This was an appropriate system when organizations were stable, large, and hierarchical: few changes occurred in job titles, job responsibilities, or organizational direction. Organizations employed many middle managers, most of whom had time for assignments outside their regular job duties. Technical and competitive changes occurred much more slowly. Human resources staffs were large, and control of the personnel system was more centralized. Succession planning was largely an HR-managed means for knowing who

would replace departing leaders. People changed jobs and moved to new towns when asked to do so. In such an environment, managers could tolerate forms driven system that consumed days or even weeks of their time each year (Byham etal., 2002).

Today, conceiving of devoting even a fraction of that much management time to replenishing managerial talent or other related HR activities is impossible. In today's business world, organizations are flatter, with horizontal career paths taking on increasing importance in addition to vertical paths. With fewer middle managers, those who remain have multiple demands that compete for the time required to develop themselves or coach and mentor their direct reports (Byham et al., 2002). In addition, mergers, acquisitions, downsizing, delayering, globalization, and the Internet have profoundly impacted organizations, causing previously important jobs to become less so or even unnecessary. In this environment, replacement planning makes little sense (Charan et al., 2001).

In short, while replacement planning sets in motion action that limits damage from unpredictable events, succession planning is proactive and attempts to ensure the continuity of leadership by cultivating talent from within the organization through planned activities. In addition, succession planning should be seen in a broad sense as preparing individuals for future roles, not just for replacing positions within the organization.

### 2.1.3  Succession Planning Programs

An informal process occurs in an unplanned and ad hoc manner. Some organizations fall in to the risk of informal, ad-hoc development approaches that place the entire burden for development onto the individual employees and events. Without a formal process that links experiences with expected developmental outcomes, there is no oversight in terms of what is being developed and when. A succession planning program is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement (Rothwell, 2005). Succession planning programs focus on developmental processes, creating a clear picture of existing human resource strengths, relating these to anticipated needs and isolating areas requiring action (Taylor and McGraw, 2004). To this end, succession planning programs are expected to systematize

the process of developing individuals. Indeed, an effective succession planning programs should address the needs for critical backups and individual development in any job category; including key people in the professional, technical, sales, clerical, and production ranks (Rothwell, 2005).

The aim of a succession planning program is to match the organization's available (present) talent to its needed (future) talent. Another is to help the organization meet the strategic and operational challenges facing it by having the right person at the right places at the right times to do the right things. Day (2007) also believe succession planning programs help the development approach to be systematic. The most effective succession planning and leadership development initiatives are connected across levels into a coherent whole. There is a roadmap for development such that the skills, competencies, attitudes and perspectives that are developed at one level are built upon at a higher level.

In the above senses, succession planning programs can be regarded as a fundamental tool for organizational learning because the program will ensure transmittal of corporate memory and important relationships gathered organizational experience to new leaders (Caldwell, 2007).

### 2.1.4 Major Models in Succession Planning and Management

Since succession planning is a process and system, like other HR activities, no single model or approach can fit all organizations and situations. Many models are used by different organizations and practitioners. Among others, five of the models widely used in practice are given. The models include 'Relay Succession Planning Model' by Santorin (2004), 'Scharmer's Theory U Model' by Scharmer (2007), 'Seven-Pointed Star Model' by Rothwell (2003, 2005), 'Leadership Pipeline Model' by Charan et al. (2001), and 'Acceleration Pool Model' by Byham et al. (2002).

*Relay Succession Planning Model.* Santorin (2004) came up with the first succession model, which is referred to as "Relay Succession Planning". In this model, He advocates that current Chief Executive Officer (CEO) of an organization should pass the baton to a successor over a long period of time. The impact of companies practicing this model was evaluated in Santorin's research compared with organizations that do not have

such plans in place. He found that organizations that practice relay succession plans performed better because the successors were exposed to corporate challenges and were able to deal with such challenges in the pre-succession phase.

***Scharmer's Theory U Model.*** Scharmer (2007) came up with the succession model which is referred to as "Scharmer's Theory U Model". Scharmer argues that the top management team should embrace and act in order to implement succession planning. In the first instance, this model views succession planning as beginning from the immediate future and supports a concept of a 'U' process of five movements that can make change possible (Scharmer, 2007). These movements are; (1) Co-initiating – in the words of Scharmer, at this stage, organization establishes a common purpose with all stakeholders about a future event. (2) Co-sensing – is the second movement stage in which an organization sees the need at hand collectively across boundaries. Also, at this stage, new ideas and innovations occur through collective input. (3) The third stage is Presencing, whereby the leadership of organization begins to see the future they envisage (Scharmer, 2007). This futuristic plan establishes a foundation for change, thereby spurs an organization to an expected end. Further, at this stage, it is observed that the leadership let go off unresolved past issues and forges ahead to a more realistic future. (4) The fourth in this model is "co-creating" which Scharmer (2007) explain as a stage where leadership of organization explores the future and prototypes what the future might look like. He goes further to suggest that leadership should make succession planning a long-term concept rather than working on organizational immediate requirements. (5) The Scharmer's fifth movement in Theory U stage "co-evolving" can help an organization to embrace change and implement succession planning strategies in the context of an emerging future (Scharmer, 2007).

***The Seven-Pointed Star Model.*** Rothwell (2010) metaphorically explained that to leap from no succession planning program to a state-of-the-art program is like trying to accelerate an automobile from a standing stop to 100 miles per hour in a second. He suggests a phased-in roll-out approach. Based on this roll-out approach, organizations go through a life cycle of development in their succession planning and management programs. At each generation, organizations gain sophistication about what to do and

how to do it (Rothwell, 2005). The model involves the following steps: (1) making commitment towards succession planning and management; (2) assessing present work and people requirements; (3) appraising individual performance; (4) assessing future work and people requirements; (5) assessing Individual Potential; (6) closing the development gap; and (7) evaluating the succession development program. The model is depicted below (*see Figure 2.1*).

*Figure 2.3: The Seven-Pointed Star Model for Systematic*

*Succession Planning and Management*
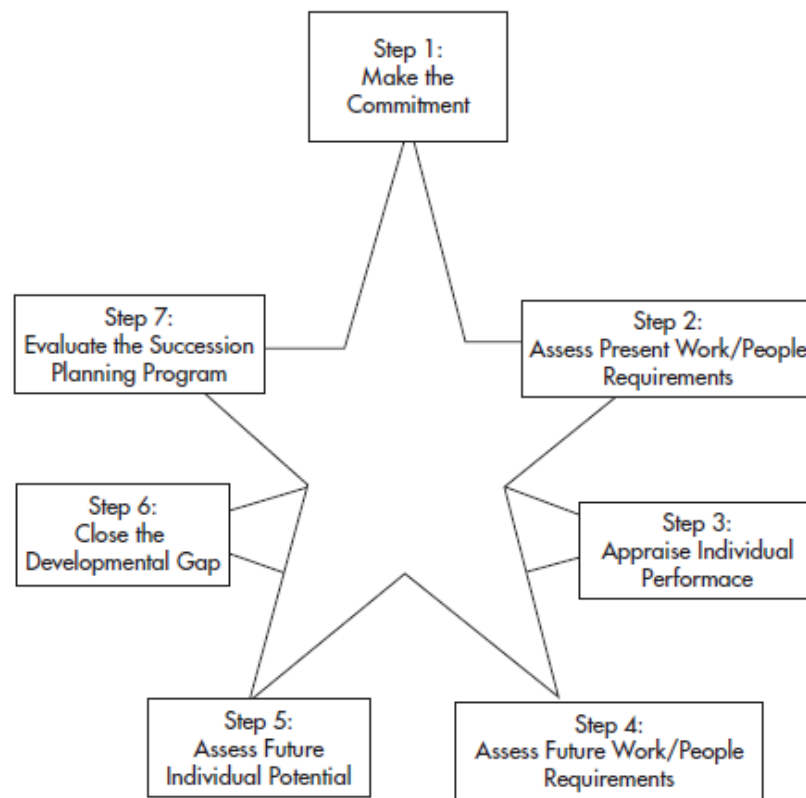


*Source: (Rothwell, 2001, p. 83)*

***Acceleration Pools Model.*** Pointing out that replacement planning is far behind the times, Byham et al. (2002) suggested a different approach to grooming executive talent. Rather than targeting one or two hand-picked people for each executive position, an Accelerate Pool emphasizes the development of a group of high-potential candidates for executive positions in general. The model highlights the accelerated development of pool members through stretch jobs and task-force assignments that offer the best

learning, including mentoring, coaching, training, and special developmental activities such as university executive programs and in-company action learning sessions, and highest visibility opportunities.

   *Leadership Pipeline Model.* The Leadership Pipeline Model focuses on leadership development rather than succession planning and management. Leadership Pipeline is a concept in a model created by Mahler, who contributed a great deal to human resource planning and succession planning. His approach laid the foundation for the modern succession planning approach (Mahler, 1983). Charan et al. (2001) explained that in a large, decentralized business organization, this hierarchy takes the form of six career passage or pipeline turns. Figure 2.2 illustrates the six-career pipeline turns. The pipeline is not a straight cylinder but rather one that is bent in six places. Each of these passages represents a change in organizational position—a different level and complexity of leadership—where a significant turn has to be made. Theses turns involve a major change in job requirements, demanding new skills, time applications, and work value.

*Figure 2.4: Critical Career Pipeline Turns*
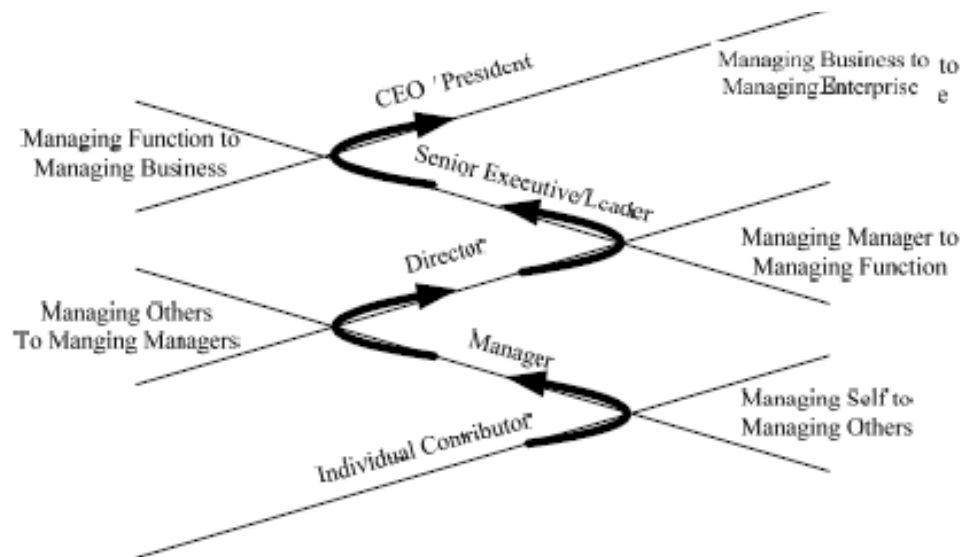


Source: Charan et al. (2001, p.7)

### 2.1.5 Elements of an Effective Succession Planning Program

Characteristic that contributed to their effectiveness have been an interest of various authors. HR Magazine (2008), have indicated characters like adherence to the organization's definition of critical leadership capability, a consistent and specific readiness assessment process based on those criteria, a guide for individual development, a well-defined roles and responsibilities for those in charge of succession planning, as well as regular reviews of the plan and its effectiveness. Gandossy and Verma (2006) on the other hand, suggested that effective succession planning programs effectively align talent with the organization's strategic objectives, ensure leadership commitment from the top, and ascertain which positions are crucial to the organization. They also recommend that development of successors be considered a strategic goal hence measuring effectiveness of the program is essential.

Below some of the most frequent characters are discussed.

*Top management participation & support.* Before succession planning can be implemented in any agency, it must obtain the full support of the organization's executive and management staff. Without this support, even if a succession plan is identified, the plan will never take flight within the culture of any organization. Nothing sends a stronger message about the importance of the succession planning program than executive involvement and support (Caruso, Groehler, and Perry, 2005). When top managers devote time and energy to succession planning and the development of leaders, they set expectations for organizational management and are exposed to the resource requirements of effective succession planning program. Ley (2006, p.48) claimed "a lack of senior management support… hindered open access to the organization's leaders" and thus limited interest in succession planning in an organization. It is the responsibility of the organization's leaders to set the standard for implementation of the program by leading through example, thus instilling the importance of their involvement and support.

*Management is responsible for determining the criteria of succession plan.* "A good succession planning program allows existing senior executives to observe people over time… and train them to be of use to the company, its needs, and its culture"

(Diamond, 2006, p.36). Furthermore, "executives must communicate with current employees to ensure that" fear or insecurity of losing their positions "sabotage the plan" (Diamond, 2006, p.37). Hence, senior management need to provide overall direction and oversight of the succession planning process; managers at all levels are expected to ensure succession planning objectives are reflected in branch/region work plans.

In addition to specifying the conditions under which a succession planning program will be initiated, executive and management staff are responsible for ensuring that the plan is carried out once in place. Succession planning should be incorporated into employee performance evaluations, and it is the responsibility of management to see to it that employees are aware of the concepts and processes involved.

*Needs-Driven with External Benchmarking assessment.* To create an effective succession planning model, an assessment of current employees' skills and interests must be completed (Waymon, 2005). One way to determine which positions are a key or critical is to perform an assessment of the competency levels of current employees. Through needs driven assessment, an organization can identify what positions are mission critical and what skill sets are necessary for performing the duties required of those positions. Mission critical, or key positions in an organization, are those that have a significant impact on the work that needs to be performed (SAO, 2006). Mkama (2013) also agrees that initial assessments are ways of determining the number of those available and capable of fulfilling future functional requirements as well as what recruitment, training, and other strategies need to be deployed to address workforce gaps and surpluses.

In assessing the needs of an organization, it is often also appropriate to perform external benchmarking through referencing external recruitment markets. Through assessing what positions are in high demand for other organizations, programs can better understand their potential or risk of retaining critical positions in the future. In this assessment, the agency can draw on a demographic analysis flowing from the broader workforce planning framework and analyze the gap between current capability for key roles and future requirements to identify strategies for closing the gap (Australian Public Service Commission, 2003). Organizations can also make external bench marking to compare

best practices in other organizations to the organization where leaders feel the need to act on succession issues (Rothwell, 2010).

*Provide Formal Professional Development Opportunities.* Formal process is one in which the key pieces are standardized throughout an organization (Day, 2007). It is crucial that a succession plan provide a method or plan for providing employees the opportunity for professional development. In other words, since experience and job knowledge are highly valued for succession, it is necessary that organizations provide employees with the opportunity to develop and advance these skills. Some opportunities for professional development can include training, conducting 'lessons learned' meetings, developing job aids, allowing employees to work closely with key staff members, allowing employees to 'shadow' other employees who are leaving, and establishing a formal mentoring program (SAO, 2006).

Day (2007) suggests that potential leaders find learning from work-related experience to be a more powerful force for their development as compared with classroom-based learning. Training and development methods vital for succession planning, among others include mentoring, cross-training, job sharing, job rotation and professional development which is among the most effective means of developing an employee's understanding of specific organization's functions (Goodman, French, and Battaglio, 2013). The aforementioned programs, among others improve the candidates' supervisory skills, which enable them to execute new challenging roles (McCallin and Frankson, 2009).

In order to avoid knowledge voids in succession process, disseminating responsibility for job functions among multiple employees is critical (Waymon, 2005). Waymon (2005) also notes while formalized training can be useful for developing an employee's knowledge and skill base, organizational knowledge is gained primarily through experience.

*Focused on Individual Attention.* In a performance-based selection system, individual employees can be put in a leadership track by being given a special assignment that allows them the opportunity to grow (Larson, 2005). Often, leadership tracks are guided by career paths, which provide employees with a road map or stepping stones allowing them to move from their current position to their desired promotion. In

providing employees with career paths and listening to their career goals and desires, an organization places a personal responsibility on the employee to ensure that their career goals are achieved (Diamond, 2006). Ultimately, individuals are responsible for their career and accountable for meeting developmental objectives and gaining and demonstrating new capabilities.

Day (2007) points out that people differ in the extent that they are ready for developmental "stretch" assignments that are at the core of many of the most effective development initiatives. According to Caruso et al. (2005) best practices organizations provide individualized, experience-based development opportunities for high potentials. Employees should therefore be enabled to choose training that suits their individual competency, capability and fitting their career goals.

In order to make employees accountable for this developmental responsibility, advancements in the career path should be explicitly outlined in the employee performance evaluation (SAO, 2006). In the performance evaluation, employees can be credited for their individual competencies, which are those competencies that each employee brings to his or her function (Washington State Department of Personnel, 2006). During the performance evaluation, individuals and managers should discuss performance, potential and development and contribute constructively to the implementation of development plans. Dovetailing the career development plan with the succession plan provides exponential value to the company as well as to its employees (Diamond, 2006).

   *Dedicated Responsibility.* As with any program, a succession plan should have a project planner assigned to oversee it and ensure that the plan stays current. Without an employee dedicated to ensuring that the program is being utilized, there will be no accountability for the plan's success. Ley (2006), found that without a designated program coordinator responsible for training needs identification and tracking of the participants in succession planning program, succession planning programs performed poorly and with difficulty. Succession planning is an on-going activity that must be monitored once in place. Thus, having point of responsibility in place to monitor

succession planning fosters a systematic approach in which the agency can implement the process.

*Extends to all Levels of Organization.* Most often, in implementing a succession planning program, organizations focus on upper level management positions. But in actuality, there are many positions throughout an organization that are critical to its success, thus in implementing a succession planning program, organizations should identify talent at all levels. As Rothwell (2005) pointed out an effective succession planning program should address the needs for critical backups and individual development in any job category, including key people in the professional, technical, sales, clerical, and production ranks.

Hence a succession culture should be developed at all levels, not just at the top, with shared responsibility for succession management across the organization (Australian Public Service Commission, 2003). In doing so, an organization will also be giving opportunity to the career aspirations, values and preferences of [all] employees, and allow them an opportunity to express interest in pursuing leadership roles (Australian Public Service Commission, 2003).

Succession planning should be openly communicated throughout an organization, as management trends are increasingly focusing on "sharing knowledge, helping others learn, and building commitment and motivation with an emphasis on identifying competencies that are most critical for organizational success (Australian Public Service Commission, 2003).

*Part of Strategic and Workforce Plan.* In the ongoing rush of activities, competing demands for attention, and the press of day-to-day decisions, focusing on a viable and responsive strategic agenda such as succession planning as the central source of direction, initiatives, and priorities is of fundamental importance (Poister and Streib, 1999). The strategic plan provides a description and analysis of where the organization is at the moment and where it is heading. This sets helps set measurable program objectives for the succession planning program.

The strategic plan also pinpoint gaps and surpluses in positions throughout the organization as well as identify what positions are most critical. Those in HR and in charge of the succession planning program are therefore responsible to ensure that the organization has the necessary workforce capacity to meet its strategic goals (Christie, 2005). This requires understanding the current setup of the organization, the expected setup in one or two years; and the setup that will be necessary in five years (Diamond, 2006).

### 2.1.6 The Need to Evaluate Succession Planning Programs

Evaluation is an approach to ascertain that the said aim is achieved (Bunce, 2013). Evaluation is important in succession planning as it determines the effectiveness of the practice and its outcomes (Ali and Babu, 2013). Pennell (2010) insists that a succession planning program be frequently evaluated. Santora and Sarros (2012) add that programs such as succession planning should be evaluated on an annual basis or as and when the situation demands. Continually monitoring the program minimizes surprises that may hamper the progress of the program because a small change or divergence by stakeholders from the succession planning process may cause its implementation of succession to stall (Hyttiet al.,2011).

But when considering the complexity of current succession planning programs, measuring the value of a specific succession planning program should include more detail about its process and elements.  Unfortunately, empirical research that shows how the value of succession planning programs measured in organizations is lacking (Kim, 2006). The question of effective succession planning programs evaluation could look at the 'how to evaluate?' as well as the 'what to evaluate?' concerns (Kim, 2006, Rothwell, 2010).

Rothwell (2010) indicates that there are three ways of evaluating a succession planning program; namely: anecdotally, periodically, or programmatically. Anecdotal evaluation focuses on using testimonials in evaluating training. It examines the operation of the succession planning program on a case-by-case basis. It draws attention individual events highlighting the impetus for change while it suffers from a lack of research rigor. Periodic evaluation, on the other hand, examines components of the succession planning program at different times, focusing on program operations at present or in the recent

past. It looks at program components such as 'the program mission statement', 'program objectives, policy, and philosophy' with an aim of revision. Programmatic evaluation, however, examines the succession planning program comprehensively against its stated mission, objectives, and activities. It is an in-depth program review. The starting point of such evaluation is the design of a succession planning program.

In-terms of evaluation of outcomes, by modifying Kirkpatrick's hierarchy of training evaluation, Rothwell (2010) suggests a four-part approach to succession planning evaluation: customer satisfaction, program progress, effective placement and organizational results. Although no empirical research using this model directly exists, it is the only model suggested to date (Kim, 2006).

The first level is customer satisfaction, which corresponds to the first level, reaction, of Kirkpatrick's model. The purpose of this level of evaluation is to measure client feelings about the program and its results. The main question to measure at this level is, "How much did members of the organization like the succession planning and management program?" The second level is program progress, which measures the learning in Kirkpatrick's model. The purpose here is to measure the results of each component of the succession planning program. The main question to measure in this level is, "How much did participants in the succession planning and management program learn from participating in it?" It can be measured, for instance, by examining individual movements through the organization. The third level is effective placements, which corresponds to Kirkpatrick's behavior level. The purpose of this level is to measure the results of the succession decision made. The main question posed here is, "How quickly is the organization able to fill vacancies in key positions and how are they able to perform at the level required? The fourth level is organizational results. The purpose here is to measure the impact of a succession planning and management program on the organization. The question posed in this level is, "How much did the organization gain in terms of increased revenue or decreased cost, as a direct consequence of training, organizational analysis, speed of replacement, cost of replacements, cost of non-replacements, and turnover?" (Rothwell, 2010).

*Table 2.2: Guidelines for Evaluating the Succession Planning Program*

| Type/Level | Purpose | Questions to raise |
|---|---|---|
| Customer Satisfaction | To measure the participants feelings about the program and its results | • How well does succession planning match up to individual career plans? |
| Program progress | To measure results of each components of the succession planning program | • How well is each part of the succession planning program working compared to its stated objectives? |
| Effective Placements | To measure the results of the succession decisions made | • How quickly is the organization able to fill vacancies in key positions?<br>• How quickly are internal replacements for key positions able to perform at the level required for the organization? |
| Organizational Results | To measure impact of the succession planning program on the organization | • How is succession planning contributing to documentable and measurable organization results?<br>• What organizational successes and failures, if any, can be attributed solely to succession planning? |

Source: Rothwell (2010, p. 332-335)

### 2.1.7  Succession planning at public enterprises

The public and private sectors alike, demand for change is the one constant. Succession planning is rarely undertaken by public agencies, for a myriad of political reasons. Elected or appointed government officials and their leadership may have tenure limitations given political ties to a particular administration. They are reluctant to take on additional tasks and assume succession issues are beyond their scope of work. Additionally, they lack the information to proceed and are confused about how the task should be framed (Schall, 1997). The goals and guidelines of the civil service system, coupled with human resource professionals' reluctance to challenge the system, impede public sector aspirations of workforce planning (Green, 2000).

The successful public organization has a strategic plan that identifies who it is, what it is about, and how all its subunits fit together (Gaffney, 2005). In fact, strategic planning is a necessity for an effective succession plan (Giacchi, 2003). An effective succession planning policy ought to be developed alongside the organization's strategic planning process, the reason for this being that both succession planning and strategic planning deal with anticipating future changes.

### 2.1.8  Challenges to Succession Planning

There are plenty of challenges that must be addressed in proper succession planning. Some of the most important to work through with your attorney include the following:

- The size of your organization determines your ability to provide opportunities for advancement, along with employees with the potential and the drive to advance their careers to move the organizations forward;
- Issues with your financial resources, so that your employees remain content with adequate salaries and benefits;
- The nature of funding may be an issue as more organizations rely on project funding as opposed to core funding;
- Looking at temporary staff and consultants as part of the talent pool available to your company;
- Senior managers who stay in their positions for too long or have expectation rights that are unrealistic;
- Management that no longer has the skills needed for the top job;
- The requirements of your company's executive leadership have changed;
- Your company's leader is no longer making a meaningful and productive contributions to the company;
- Failing to strategically include promising employees in the succession plan, rather than including those who are disinterested, unmotivated, or lack the capacity to advance;
- Inadequate training and development will mean employees who are not ready for a promotion;

- Your succession plan doesn't promote people regularly, resulting in potential successors leaving the organization for other opportunities; and
- Poor communication, which creates confusion and unrest within the company with staff speculation about the true details of the succession plan.

These and other challenges must be addressed so that your company has a successful transition of leadership. Failing to do so may mean the failure of your business.

## 2.2 Empirical Review

While some debate exists on the origins of succession as a research topic, the bulk of empirically based studies of succession occurred during the mid-1950s to the mid-1960s (Kim, 2006). The early stage of succession planning research the main focus of research was on CEO succession and management development followed by the need to cover the entire organization rather than focusing solely on the senior management group. The later stages of succession planning research however cover succession planning practices outside the traditional type businesses and in to non-profits, governments, health services and higher institutions. Kim (2006) classifies these three phases in time as 'before 1980', 'the 1980s' and 'the 1990s to the present'.

Kim (2006) describes the phase 'before 1980' as the rise of succession research. The main theme of research and practices in this period of time was on Chief Executive Officer (CEO) succession as an event and an executive development. Other topics included the identification of variables in succession equations and common elements across large companies.

The second phase labelled as the 'the 1980s' was considered as the emergence and development of succession planning (Kim, 2006). Succession planning is the area that received greater attention, during this period of research than the previous phase (Kim, 2006). A number of researchers began to consider the impact of both the degree and nature of the planning. The first study from this period was Mahler and Graines's (1983) study which reviewed succession planning in 60 firms. He was among the first to suggest the need for, and advantages of, improving succession planning. Research in this phase concentrated on the approaches and stages of succession planning, learning and the

development of management incumbents in preparation for succession, matching managers with strategies (Kim, 2006).

The third phase encompasses the period 'the 1990s to the present' where the question regarding importance of succession planning was put to rest. According to Kim (2006) in this era, not just business organizations, but all types of organizations, including educational institutions, non-profits, healthcare and government offices, realized the necessity of succession planning and implementation of effective succession planning that fit their own organizations. Therefore, research in this period expanded to other than business organizations.  The topics contained within the overall umbrella of succession planning have become diverse. For example, Hunt-Cox (2004) researched the relationship between succession planning and organization all earning capacity, Palmer (2001) and Sekarbumi (2001) investigated succession planning and career development while (Brunero, Kerr And Jastrzab, 2009) and (Lopez, 2012) explored the development and evaluation of succession planning in nursing in Australia and leadership succession planning in hospitals and health systems in the US.

Other researchers in this era concentrated on the effectiveness of succession planning programs (HR Magazine 2008; Gandossy and Verma, 2006, Ley, 2002). Day (2007) after conducting a case study of SmithKline Beechum (SKB) identified linking the succession planning program to the needs and vision of the CEO and senior management team as well as making sure the process is "line owned" and "line driven" by line management as critical characters for a success of succession planning program.

Below some relevant empirical researches related to the evaluation and outcomes of succession planning programs:

Taylor and McGraw (2004) studied succession management practices in Australian organizations based on a data collected from 420 human resource management professionals from a range of organizations across the country. Their study identified that succession management programs were only present in less than half of the respondent's organizations and programs were generally less than 5 years old. Characteristics of effective succession management programs agreed on by participants include high level

involvement by the CEO; senior management support; line management involvement in identifying candidates; developmental assignments as part of the process; and succession management linked to business strategies.

Whitmore (2006) also attempted to assess succession planning at Texas Department of Insurance (TDI) using Ley (2002) characters of an effective succession planning program. Document analysis and focused interviews was used in their study. The study found that while TDI already has many elements of an ideal type succession plan in place, it lacked a formalized program. The study recommended that for a full implementation of successful succession planning, TDI should focus on creating a formalized and standardized approach to succession.

Jalalabad and Mu'izzi (2016) attempted to conduct a performance evaluation of succession management considering Melli Bank as a case. Designing a descriptive survey involving 72 managers at the Melli bank of Isfahan in Iran and hypothesis testing as a method of analysis, they have concluded that succession management planning was done desirably. Their research also indicated that candidate evaluation, candidate development and evaluation of succession management planning were done properly.

Mkama (2013) conducted a case study of assessing results of succession planning at Mkombozi Commercial Bank. Using a sample size was 45 participants the study evaluated the implementation of succession planning program which concluded that participants are highly satisfied with the way succession planning is implemented in their organization. The study relates the success of the program to considerations of the objectives, top management participation and support, needs-driven assessment provision of mentoring programs, focus on individual attention and extension to all levels of the organization.

Brunero et al. (2009) used Rothwell (2001) suggestions to use a four-part approach to succession planning evaluation (customer satisfaction, program progress, effective placement and organizational results) to evaluate local model of succession planning in nursing, in Australia. Their study further deployed a checklist of 28 items recommended by Rothwell (2001) for conducting a program evaluation of the succession planning and management program. Using a sample of 30 participants and descriptive statistics, their

study reported that 25 of the recommended characters were present in the succession planning program implemented. They also reported a positive outcome from the program such as benefits of the program in filling vacant positions quickly, increased participants' sense of career planning and gave them a greater understanding of their career pathway.

Avanesh (2011) conducted a study on succession planning and its impact on organizational performance in the IT sector in India. The study hypothesized that succession planning and organizational performance were significantly related and used a descriptive design (computation of mean and standard deviation). 50 participants were selected from 10 IT companies and questionnaires were filled by them. The result showed that the relationship between succession planning and organizational performance was positive.

After going through the above sample of empirical works, one can make three observations. First, in their evaluation of succession planning, most authors implemented part or all of the charters recommended as characters of effective succession planning performance such as top management participation and support, needs driven assessment, development opportunities, focused on individual attention, dedicated responsibility, as well as extending to all levels of organization.

Second, except the study by Avanesh (2011), the consideration of recommended succession planning characters in implementation was taken as an indication of acceptable succession planning without looking at the results. Third, except Taylor and McGraw (2004), the design of these studies as a case looking at a particular organization of just few, limits their generalizability.

The above points indicate to the need that a study in to effective succession planning program should relate the characteristics of effective succession planning program to desired outcomes. Further, it can also be observed that similar research empirically testing those relationships in various different contexts (both in socioeconomic and across industries) are necessary to arrive at generalizations. This research paper will contribute theoretically in confirming the relationship between effective characteristics of succession planning and their results as well as empirically testing them.

## 2.3 Theoretical Framework of Succession Planning

The review of related literature above has indicated effective characters of a succession planning program. The list of characters of an effective succession planning program include top management participation and support, needs driven assessment, development opportunities, focused on individual attention, dedicated responsibility, as well as extending to all levels of organization (Ley, 2002). On the other hand, evaluation of outcomes of succession planning recommended by Rothwell (2010) include participants' satisfaction with the program and effective placements (quickly filling vacancies from talent pool and performance of employees passing through the succession plan) among others. Accordingly, this study will follow the below framework to assess the succession planning program of Commercial Bank of Ethiopia.

*Figure 2.3: Conceptual Framework*

**Characteristics of Effective Succession Planning Program**

**Outcomes of Effective Succession Planning Program**

- Top management participation & support
- Needs Driven Assessment
- Formal Development Opportunities
- Focused on Individual Attention
- Dedicated Responsibility
- Extends to all Levels of Organization
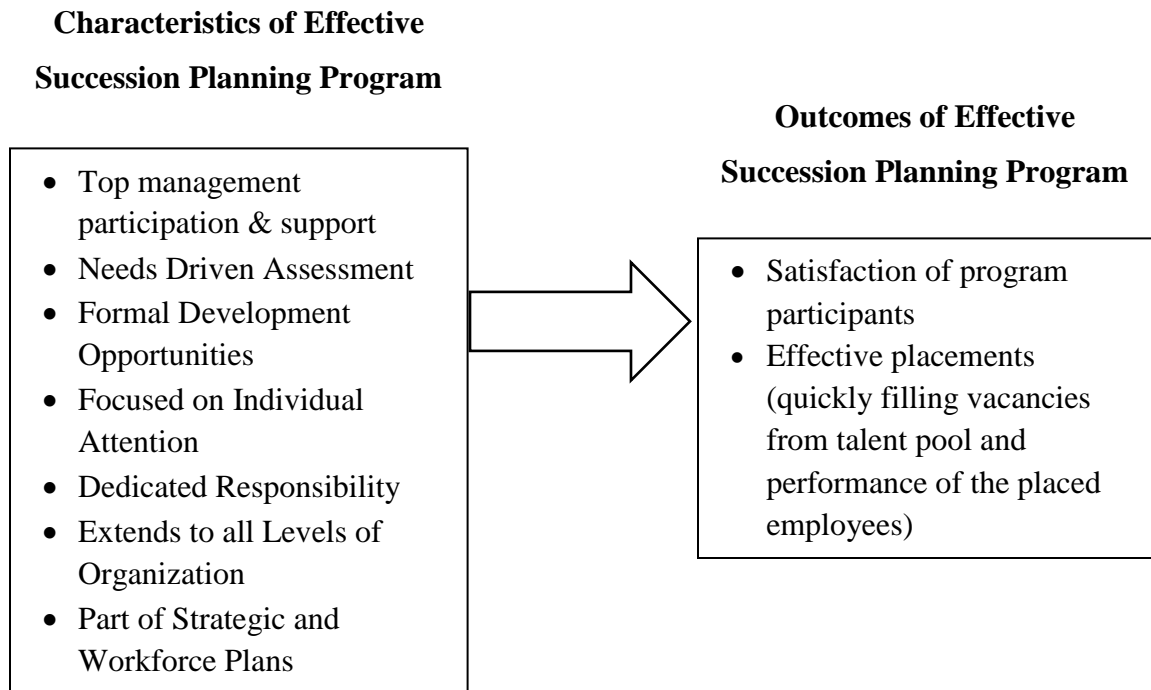- Part of Strategic and Workforce Plans

- Satisfaction of program participants
- Effective placements (quickly filling vacancies from talent pool and performance of the placed employees)

Source: Developed based on theoretical and empirical review

# CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

In this chapter, the research design and methodology which was used in conducting this research is discussed. Specifically, the research design, sample size and sampling techniques**,** source and instrument of data collection as well as the methods of data analysis that was used are presented.

## 3.1 Research Design and Approach

Research design is the plan and structure of investigation so conceived as to obtain answers to research questions (Cooper and Schindler, 2014). Research design constitutes the blueprint for the collection, measurement, and analysis of data. This research intended to examine the succession planning program at CBE and tried to see if it incorporated features of effective succession planning program. To this end, the research followed a quantitative approach with a descriptive research design. Descriptive research is best suited for describing phenomena as it is at present without the researcher having no control over variables. Fox and Bayat (2007) defined descriptive research as a research aimed at casting light on current issues or problems through a process of data collection could enable a description of the situation more completely than was possible without employing this method. This design was, therefore, suitable for this research as it was trying to characterize the succession planning program at CBE. The research was also a cross-sectional research as data was collected at one point using a survey instrument.

## 3.2 Population and Sampling Technique

The target population of this research were CBE employees with managerial positions who are in charge of implementing the succession planning program within their units in Addis Ababa. HR managers and experts with different responsibilities in relation to the succession planning program were also included. The total numbers of those managers in Addis Ababa was slightly less than 300.

In conducting a research, however, Cooper and Schindler (2014) point out that it is not possible, practical and sometimes expensive to gather data by considering entire population. Therefore, small portion of the population that is assumed to be representative is considered.

Using a 95% confidence level and a 5% acceptable margin of error (common in management studies), Krejcie and Morgan Table suggests a sample of 169 is appropriate (Krejcie and Morgan, 1970). Hence, this research used a sample size of 169.

A contact list of 261 branch managers and CSA managers across four districts was obtained from HR that was used as a sampling frame. Using simple a random sampling 169 of them were selected and survey questionnaire was emailed to all. Out of the 169 questionnaires distributed 138 were returned with complete responses. This gives us a response rate of 81.65%. Lindemann (2018) suggests that mail surveys usually come back with 50% implying a good response rate for this research. However, others also argue that, unless the response rate is considered as an indicator of survey quality, what matters is the ability to make the desired analysis or decision based on the information collected in the survey.

Green′s (1991) cited on VanVoorhis and Betsy L. Morgan (2007) recommended the use of n > 104 + m for testing individual predictors (where m is the number of predictor). In this research the number of predictors is seven suggesting a sample size of n > 104 +7 = 111 is sufficient for the regression analysis.

## 3.3   Source and Instruments of Data Collection

The research used primary data collected from managers responsible for implementing succession planning program in their units. Data was collected using a five point-Likert scale questionnaire developed based on the practical ideal type framework (Ley, 2002). The questionnaire also included certain demographic variables.

The use of such questionnaire developed by a researcher raises the issue of validity and reliability. One form of validity is face validity which is a superficial and subjective assessment of whether or not your study or test measures what it is supposed to measure

(Parsian and Dunning, 2009). One way of assuring face validity is discussing the collection instrument with experts and lay man (possibly participants) following a pilot testing. Hence, pilot test was conducted with the aim of assuring face validity by discussing clarity and comprehension with pilot participants. On the other hand, criterion validity reflects to the extent to which a measure is related to an outcome being measured (Parsian and Dunning, 2009). The use of an established instrument or strong theoretical base help assure criterion validity. Here, the use of a questionnaire instrument supported by the theoretical literature and the fact that it was based on the practical ideal type framework (Ley, 2002) as well as Rothwell (2010) guideline assured its validity.

On the other hand, reliability is the degree to which an instrument consistently measures a construct, both across items (internal consistency) and time points (test-retest reliability). One of the most common assessments of reliability is Cronbach's Alpha. In this research the survey instrument had two sections relate to succession planning. the first part consisting of 26 questions was comprised of items related to elements of an effective succession planning. The Cronbach's alpha for this set of questions was 0.933. The second set of questions measured participants' opinion of outcomes of succession planning using four questions. The Cronbach's alpha for the second set of questions was 0.760. The Cronbach's alpha for both confirmed reliability of the questionnaire used. The survey questionnaire was emailed to 169 participants selected from the contact list of the managers. The availability of access to internal emails of the managers have helped in the data collection as it allowed sending reminders to those that didn't submit their surveys.

## 3.4   Methods of Data Analysis

The data collected from participants was analyzed by using both descriptive and inferential statistics. Descriptive statistics was used to characterize the participants demography and summarize the scores of potential determinants. Inferential statistics, on the other hand, was used to measure the relationship between the attributes of an effective succession planning program and the outcomes of the succession planning program. SPSS 23.0 was utilized to calculate both the descriptive and inferential statistics.

# CHAPTER FOUR: ANALYSIS AND INTERPRETATION

## 4.1 Introduction

This chapter presents the data analysis and discussions. To examine if SP at CBE had elements of an effective SP program, see the outcomes and major challenges, data was collected from managers and supervisors involved in the implementation of SP program at CBE. Out the 169 questionnaires distributed 138 completely filled were returned resulting in a response rate of 81.65%. The findings of the data analysis and discussions made are therefore presented here.

## 4.2 Data Presentation and Analysis

In this section the background information of the participants is presented. This is followed by a summary of the participants' response with regard to elements of an effective succession planning and outcomes of succession planning using descriptive statistics. The relationship between the elements of succession planning and participants' opinion of the outcomes of succession planning is then presented using inferential statistics. The findings are discussed at the end.

### 4.1.1. Demographic Variables

The survey questionnaire contained four questions dealing with the participant's demography. The results of the questions are presented below:

*Table 4.1 Summary of participants Demography*

| S. No. | Item | | Frequency | Percent | Remark |
|--------|------|--------|-----------|---------|--------|
| 1 | Gender | Male | 108 | 78.3 | |
| | | Female | 30 | 21.7 | |
| 2 | Age | 18-25 | 3 | 2.2 | |
| | | 26-30 | 60 | 43.5 | |
| | | 31-35 | 34 | 24.6 | |
| | | 36-40 | 22 | 15.9 | |
| | | >40 | 19 | 13.8 | |

| | | | | | |
|---|---|---|---|---|---|
| 3 | Education | Degree | 82 | 59.4% | |
| | | Post Graduate | 51 | 37.0% | |
| | | other | 5 | 3.6% | |
| 4 | Experience | 2-5 | 31 | 22.5 | |
| | | 6-9 | 58 | 42.0 | |
| | | 10-13 | 33 | 23.9 | |
| | | >14 | 16 | 11.6 | |
| | | **Total** | **138** | **100%** | |

Source: Own Survey (2018)

Regarding the gender category of the respondents, 108 (78.3%) were males while the remaining 30 (21.7%) were female. This indicates that the majority of managers and supervisors in charge are males. Regarding their age distribution, the data showed that out of the 138 participants, 60 (43.5%) were age between 26-30, 34 (24.6%) were between 31-35 years old, 22 (15.9%) were between 36-40, and 19 (13.8%) were above 40 years old. 3 (2.2%) participants were between 18-25 years old. This shows that the majority, 135 (97.5%) of the respondents were mature enough to provide accurate response to the study question. Looking at educational background of the participants 82(59.4%) hold a bachelor's degree and 51 (37.0%) had a post graduate level education. From this data one can understand that the majority 133 (96.4%) of the respondents obtained sufficient education to analyze and respond to the survey questions.

To the experience of the participants with CBE, the response showed that 58(42.0%) have stayed with CBE from 6-9 years, 33(23.9%) stayed at CBE from 10-13 years, 31 (22.5%) stayed at CBE 2-5 years and 16 (11.6%) served for more than 14 years. Therefore, it is possible to conclude that the participants have better knowledge of the core values and experience to ensure proper reflection on the survey questionnaire.

### 4.1.2. Descriptive Statistics

The section two of the survey questionnaire contained 26 items grouped under the seven elements of an effective succession planning program, namely top management participation and support, part of strategic and work force planning, needs driven assessment, provide formal professional development opportunities, dedicated

responsibility, focused on individual attention, as well as extends to all levels of organization. Participants were asked to rate their agreement with the given statements in a five point-Likert scale questionnaire with options ranging from 'strongly disagree' to a 'strongly agree' with a neutral point at the center. Here a brief summary of each of the element with its sub-items is presented.

*Table 4.2 Summary of top management participation and support items*

| S. No. | Sub-Items | Mean | Std. Deviation |
|--------|-----------|------|----------------|
| 1 | CBE Board recognizes need for SP program | 3.97 | 1.060 |
| 2 | SP program in CBE enjoys top management participation and support | 3.88 | 0.978 |
| 3 | CEO displays verbal and written support of program | 3.69 | 1.045 |
| 4 | Top management gives direction and follows up of SP efforts in the organization | 3.88 | 0.990 |
| | **Mean (Top management participation & support)** | **3.86** | |

*Top Management participation and support.* There were four sub-items with the element 'Top management participation & support''. Out of the four items, 'board's recognition of the succession planning (SP) program had the highest mean with 3.97 and standard deviation (sd) of 1.06. 'SP enjoys top management participation and support' and 'top management gives direction' was rated the same with a mean of 3.88. 'CEO displays verbal and written support of the program' was given the lowest rating at 3.69 and sd = 1.045. Overall the mean score calculated for the element 'top management participation and support' had a mean of 3.86.

This suggests that CBE's SP program is well positioned with 'Top management participation and support' available. Other research has showed this is one of the important elements of an SP program. Day (2007) in his review of SP program at Dow

Chemical Company showed that its success is not only the support of top management but a close review of the implementation process and its outcome. Whitmore (2006) also showed at Texas Department of Insurance (TDI) the SP was being championed by the agency's Commissioner and Director of Human Resources. This is therefore a good sign for CBE's SP plan.

*Table 4.3 Summary of SP place in strategic and workforce planning*

| S. No. | Sub-Items | Mean | Std. Deviation |
|---|---|---|---|
| 1 | SP program of CBE has a clear mission statement and goals that connects it with the strategic plan | 3.88 | 1.108 |
| 2 | CBE strategic plan determines which positions will be included in succession planning | 3.83 | 1.100 |
| 3 | The SP program have written purpose statement and measurable goals | 3.68 | 1.133 |
| 4 | The SP program in CBE is integrated with the organization culture | 3.63 | 1.172 |
| | **Mean (Part of strategic and work force planning)** | **3.76** | |

***Part of strategic and work force planning***. Being part of strategic and work force planning allows an SP program to be included in the activities of staffing with goal setting and timelines. This dimension included four sub-items of which 'succession planning of CBE has clear mission and goals connecting it strategic plan' and 'strategic plan determines positions included in succession planning' had the two highest mean with 3.88 and 3.83. The other two items 'SP program have written purpose statement and measurable goals' and 'SP program in CBE is integrated with the organization culture' scored slightly lower means with 3.68 and 3.63. All four items had a standard deviation more than 1.10 which suggests variability of opinion by participants.

This is positive sign that CBE's SP program have considered a key attribute in its SP program. This is also supported by research elsewhere. Fegley (2006) for example, after a survey of HR professionals in the US, have found that integrate succession planning with

the organization's strategic planning process was the reason for successful SP for companies with formal SP program in place.

*Table 4.4 The level of need driven assessment*

| S. No. | Sub-Items | Mean | Std. Deviation |
|---|---|---|---|
| 1 | SP program in CBE identified positions in need of a succession plan before implementation. | 3.86 | 1.036 |
| 2 | CBE undertook benchmarking, studies of other organization's succession planning programs before implementation. | 3.38 | 1.115 |
| 3 | The present work and competency requirements of different leadership positions are regularly assessed. | 3.24 | 1.091 |
| | **Mean (Need Driven Assessment)** | **3.49** | |

*Need Driven Assessment*. An aspect of SP effort to identify which positions in the agency are mission critical through an agency assessment or external benchmarking is referred to as needs assessment. Out of the three sub-items 'CBE identified positions in need of succession planning' had a mean of 3.86 while the other two items regarding 'benchmarking others' and 'regular assessment of competency required' had a much lower mean values 3.38 and 3.24.

Need driven assessment, overall received a relatively lower rating suggesting a need for improvement. Day (2007) have also highlighted this in his findings at Dow Chemical Company where a review of each business function and strategic area focusing on what new capabilities will be needed to deliver this strategy and any new corporate-critical roles that will be needed. This implies that without a continuous need assessment, even the strategic nature of the SP program could be questioned.

| S. No. | Sub-Items | Mean | Std. Deviation |
|---|---|---|---|
| 1 | CBE provides employees with the opportunity to develop and advance their skills | 3.91 | 1.029 |
| 2 | Participants in SP have a mentor from within the organization. | 3.70 | 0.909 |

| | | Mean | Std. Deviation |
|---|---|---|---|
| 3 | Development Opportunities in CBE helps individuals realize their career plans within and across divisions. | 3.69 | 1.059 |
| 4 | CBE puts clear timeframes and periodic evaluation to monitor the effectiveness of the development program | 3.56 | 1.039 |
| | **Mean (Formal Professional Development Opportunities)** | **3.71** | |

*Table 4.5 Availability of professional development opportunities*

***Formal Professional Development Opportunities.*** Provide Formal Professional Development Opportunities is another key element of an SP activity. These activities include formal development opportunities such as training, conducting 'lessons learned' meetings, developing job aids, and formal mentoring program. Four items intended to measure if CBE provides such opportunities. 'CBE provides opportunity to develop and advance one's skill' had a mean of 3.91 and sd of 1.029. While 'availability of mentors' and 'opportunities help realize career plans' had a mean of 3.7 and 3.69, 'clear time frames and periodic evaluations' had a mean of 3.56. The standard deviations for all is more than one.

Formal professional development opportunities also received a fairly positive rating by participants suggesting a possibility that CBE could take advantage of the SP program. Like the other elements, development opportunities are very important in developing a capable talent pool. Day (2007) have shown the importance of development opportunities in his reviver of SP program at Dow Chemical as well. He indicated that development opportunities receive due attention and SP participants get opportunity for accelerated development at the company's academy followed by action-learning projects. Whitmore (2006) also indicated that development opportunities like training, rotation and shadowing are implemented at TDI.

*Table 4.6 Level of focus on individual*

| S. No. | Sub-Items | Mean | Std. Deviation |
|---|---|---|---|
| 1 | Program participants discuss training needs with supervisor and program coordinator. | 3.39 | 1.143 |
| 2 | Participants submit their own career goals in writing | 2.96 | 1.225 |

| | | | |
|---|---|---|---|
| | to program coordinator/succession planning department or their unit heads. | | |
| 3 | Employees are encouraged to develop skills that will take them beyond current position. | 3.63 | 1.178 |
| 4 | CBE places a personal responsibility on the employee to ensure that their career goals are achieved | 3.41 | 1.118 |
| | **Mean (Focused on individual attention)** | **3.35** | |

*Focused on individual attention.* SP programs are expected to match the organization's expectation with that of the employee's. Consideration of individual needs in SP program is here termed as 'Focused on individual attention'. Compared to the previous other attributed discussed above, all four items had a lower mean value. 'Employees are encouraged to develop skills that will take them beyond current position' scored a mean of 3.63. Discussion of training needs by participants' and 'CBE places a personal responsibility on the employee to ensure that their career goals are achieved' had means 3.39 and 3.40 respectively. The fourth 'Participants submit their own career goals' however had a mean of 2.96 being the only item so far with mean below the neutral value three. The standard deviations for all four items are also the highest indicating the participants' opinion on this issue is highly dispersed.

As the findings indicate, focus on individuals is one of the elements that received a low rating by participants. An SP program that do not guarantee participants to achieve their individual career goals could fail to get the desired results. This is a weak element of SP program at CBE particularly as compared to findings of other research. Taylor and McGraw (2004) have in contrast have shown that one strong element of an SP program is its ability to meet candidates career goals in their assessment of Australian Organizations. Similarly, Whitmore (2006) have also found out that individual attention received priority in SP program at TDI that employees are able to express their career goals to the extent of making their own training choices. CBE's SP program should therefore improve its SP program to make sure individual attention is given to participants in the SP program.

**Dedicated Responsibility**. Dedicated Responsibility that will assure the program's success an important aspect of an effective succession planning program. There were three items looking at the presence of dedicated responsibility for CBE's succession planning program. The first, 'there is a recognized program coordinator assigned to keeps plan current' had a mean of 3.78 with sd of 0.957. The second item 'Adequate funds are allotted in the budget for program' also had a mean of 3.79 and sd = 0.985. The third item 'CBE relies on a computerized system to plan/track progress of SP effort' also had a mean of 3.64 with sd = 1.01.

*Table 4.7 Availability of dedicated responsibility*

| S. No. | Sub-Items | Mean | Std. Deviation |
|---|---|---|---|
| 1 | There is a recognized program coordinator assigned to keep plans current. | 3.78 | 0.957 |
| 2 | Adequate funds are allotted in the budget for program. | 3.79 | 0.985 |
| 3 | CBE relies on a computerized system to plan/track progress of SP effort | 3.64 | 1.010 |
| | **Mean (Dedicated Responsibility)** | **3.74** | |

The findings showed that participants have a fairly positive rating to the availability of dedicated responsibility for the SP program at CBE. This is similar to other research findings that showed a dedicated project manager leading this work would be beneficial (Brunero Kerr, and Jastrzab, 2009). Whitmore (2006) have also showed that SP programs are poorly performed without a dedicated responsibility. Day (2017) however have a mixed result in this regard and recommended that over-embedding the initiative in a single champion especially at top levels is an important driver for success however, failing to engage line management could be fatal.

*Extends to all levels of organization*. An SP program should not remain only at the top level of the organization. There were four questions measuring the extent at which SP program at SP 'Extends to all levels of organization'. All the four items had a mean slightly higher than the neutral value three. 'open communication and knowledge of SP' is better than the three with mean 3.45 followed by 'seeking talent at every level' and 'feeling of shared ownership of SP process' with means 3.36 and 3.17 respectively. 'SP Program extends to all levels rather than being restricted to top positions only' however had a mean of 2.95 which is lower than the neutral value three. The standard deviation for all four items is between 1.183 and 1.314 showing that participants have greatly differing opinion about the extent SP program covers at CBE.

*Table 4.8 Extent of organizational coverage*

| S. No. | Sub-Items | Mean | Std. Deviation |
|---|---|---|---|
| 1 | SP Program seeks talent from every level in the organization. | 3.36 | 1.183 |
| 2 | There is open communication and knowledge of SP initiatives. | 3.45 | 1.233 |
| 3 | SP Program extends to all levels rather than being restricted to top positions only. | 2.95 | 1.314 |
| 4 | CBE created a feeling of shared ownership of SP process before it is implemented | 3.17 | 1.236 |
| | **Mean (Extends to all levels of organization)** | **3.23** | |

The is finding is concerning to the success of SP at CBE. The rating from participants are much lower than the other elements indicating a need for a significant improvement in the SP programs scope and cover all level of that organization. As the findings of Pawlak (2018) indicated that succession planning should cover all key to succeed. To Success. The extend covered by an SP of an organization is important, but it doesn't really provide a roadmap of success for a whole company.

*Outcome of SP program.* The survey questionnaire also looked at the outcomes of the SP program in two dimensions. The first was to see the satisfaction of participants in the SP

program. Out of the two questions asked to look at the participants satisfaction 'SP matches individual career plans' was given a mean of 3.53 while 'positive perception of SP' was given a mean of 3.76. The second dimension looked at 'effective placement' of participants of the SP program. Participants indicated almost a neutral opinion about both items 'vacancies in key positions at CBE are quickly being filled from talent pool resulting from SP' with mean 3.03 while 'employees placed from talent pool of SP perform at the level required' had a mean of 3.12. Like the items above, the standard deviation of all four items measuring outcome of SP were more than one once again showing dispersed participant opinion.

| S.No. | Items | Mean | Std. Deviation |
|---|---|---|---|
| | **Satisfaction of program participants** | | |
| 1 | Succession planning match up to individual career plans of participants | 3.53 | 1.135 |
| 2 | Participants perceive SP positively | 3.76 | 1.218 |
| | **Mean (Satisfaction of participants)** | **3.65** | |
| | **Effective placements** | | |
| 3 | Vacancies in key positions at CBE are quickly being filled from talent pool resulting from SP | 3.03 | 1.295 |
| 4 | At CBE employees placed from talent pool of SP perform at the level required. | 3.12 | 1.149 |
| | **Mean (Effective Placement)** | **3.07** | |

*Table 4.9 Extent of organizational coverage*

### 4.1.3. Correlation and Regression Analysis

Correlation analysis was dome to see the relationship between the outcome pf SP program at CBE and elements of an effective SP program. Table 4.10 shows the results.

| | Top management participation & support | Part of strategic and work force planning | Need Driven Assessment | Formal Professional Development Opportunities | Focused on individual attention | Dedicated Responsibility | Extends to all levels of organization |
|---|---|---|---|---|---|---|---|
| Outcomes of SP program | .494** | .629** | .566** | .635** | .615** | .497** | .710** |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | | |

*Table 4.10 Correlation between Outcomes and elements of an effective SP program*

***Correlation Analysis.*** The correlation matrix table below shows that all the independent variables (elements pd an effective SP program) are strongly correlated to the dependent variable (succession planning). In fact, all the correlation coefficients between the independent variables and succession planning are strongly significant at p< 0.1. 'Extends to all level of the organization' is strongest with a correlation coefficient of 0.710 followed by 'formal professional development opportunity' and 'part of strategic and workforce panning' with correlation coefficient 0.635 and 0.629. the least corelated item was 'top management participation and support' with correlation coefficient of 0.494.

To see the participants opinion on the outcomes of SP program at CBE, two sub-items 'satisfaction of SP participants' and 'effective placement' of SP participants were used. The mean of 'satisfaction of program participants' was 3.65 slightly suggesting that participants agree with the satisfaction of SP participants. 'Effective placement' however had a mean of 3.07 indicating participants neutral opinion on this point.

The correlation analysis showed a positive correlation with the participants opinion of presence of elements (attributes) of an effective SP program and their opinion of the outcome of SP at CBE. While the attributes 'Part of strategic and work force planning', 'Provide Formal Professional Development Opportunities', 'Focused on individual attention', and 'Extends to all levels of organization' have strong positive relation with the dependent variable (outcomes of succession planning at CBE) ranging between 0.615 -0.710 at p< 0.01 others (Top Management participation & Support, Needs Driven

Assessment and Dedicated Responsibility) are related to the dependent variable with correlation coefficients ranging from 0.49-0.56 at $p< 0.01$.

In general, the result of the correlation analysis indicated that the variables employed as practical ideal types of succession planning were practical to examine the succession planning efforts in the bank.

*Multiple Regression.* Multiple regression is used to predict the value of a variable based on the value of two or more other variables. Multiple regression also enables the determination of the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained. To this end, multiple regression was used to develop a model for measuring to what extent are elements of an effective succession planning program (predictors) are determining the outcomes of the SP program.

| | **Dependent variable** | | | | |
|---|---|---|---|---|---|
| | | Outcomes of SP program | | | |
| | **Independent Variable** | Unstandardized | Standardized | t | Sig. |
| | (Constant) | -.061 | | -.222 | .824 |
| 1 | Extends to all levels of organization | .342** | .373** | 5.014 | .000 |
| 2 | Part of strategic and work force planning | .259** | .264** | 3.924 | .000 |
| 3 | Focused on individual attention | .229** | .215** | 3.089 | .002 |
| 4 | Dedicated Responsibility | .154* | .126* | 2.016 | .046 |
| | R square | 0.626 | | | |
| | Adjusted R square | 0.614 | | | |
| | Notes     n = 137 | | | | |
| | **significance at p < 0.01 | | | | |
| | *significance at p < 0.05 | | | | |

*Table 4.11 Regression Coefficients*

In regression model the relationship between the dependent variable and the independent variables is expressed as a linear combination of the independent variables plus an error term. The multiple linear regression model is specified as follows:

$$Y= \beta_0 + \beta_1 x_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 x_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Where: Y= Outcomes of SP program

$\beta_0$ = Constant term

As can be seen from the Table 4.11 above, the regression model showed that the although there is a strong positive correlation with elements of effective succession planning and outcome of SP, only four of the elements were able to significantly predict the outcome. The model contained only four of the seven predictors and was reached in four steps. The model was statistically significant, $F(4, 133)= 55.546, p<.001$, and accounted for approximately 61% of the variance on outcomes of SP ($R^2 = 0.626$, Adjusted$R^2 = 0.614$). Participants' opinion of 'the outcome of SP' was primarily predicted by 'the extent SP covers the whole organization' (Beta= 0.373, $p < .01$) followed by 'its integration to strategic and work force planning' (Beta= 0.264, $p < .01$) and 'its focus on individual attention' (Beta= 0.215, $p < .01$). To lesser extent participants' opinion of 'the outcome of SP' was also predicted by the availability of 'dedicated responsibility' (Beta= 0.154, $p < .05$).

The result implied that even though participants think 'top management participation and support' and availability of 'formal professional development opportunities' are good at CBE, their opinion the outcomes of SP program are impacted/influenced/ by the less performed attributes like 'extends to all levels of organization' and 'Focused on individual attention' while better attributes 'part of strategic and work force planning' and 'dedicated responsibility' also contributed.

Test of regression assumptions was done for the model. First, **linear relationship** between the outcome variable and the independent variables was done. Multiple regression assumes that the relationship between dependent and independent variables is a linear relationship. A plot of the standardized residuals verses the predicted Y' values plotted showed a roughly linear relationship (See Annex B). Scatter-plot was

also used to check the homogeneity of variance which showed the trend is centered around zero but also that the variance around zero is scattered uniformly and randomly. We conclude that the linearity assumption is satisfied and the **homoscedasticity** assumption was satisfied.

The assumption **multivariate normality** assumes that variables are normally distributed. The P-P plot (histogram of the residuals with a normal curve) showed that there were no problems with the assumption that the variables are normally distributed. And lastly, the **multi-collinearity** assumption which assumes that the independent variables are not highly correlated with each other was examined. For the predictors in the model, none of the VIF values were observed to have a value more than 10. Hence, multi-collinearity was not violated (See Annex B).

### 4.1.4. Major challenges to SP at CBE

Of the list of challenges included in the survey, 'inability to create pool of candidates' with mean 4.06 and 'lack of formal process' with mean 3.84 were items with the highest mean showing majority of the participants agree the two items are challenges to the SP program at CBE. 'Lack of assessment tool' had a mean of 2.93 showing that participants do not have a distinct opinion about this factor. Similarly, 'inability to identify future needs' had a mean of 3.13 showing distinct opinion towards this factor either. 'Lack of formal process' however had a mean of 2.55 suggesting participants tend to disagree that this is a major challenge to the SP program at SP.

| S. No. | Items | Mean | Std. Deviation |
|--------|-------|------|----------------|
| 1 | Inability to create pool of candidates | 4.06 | 0.864 |
| 2 | Lack of assessment tool | 2.93 | 1.105 |
| 3 | Inability to identify future needs | 3.13 | 1.145 |
| 4 | Lack of formal process | 3.84 | 0.945 |
| 5 | Lack of focus and follow-up | 2.55 | 1.121 |

*Table 4.12 Major challenges to SP program*

Types of challenges observed are slightly different from other research. Day (2007) identified event-based or episodic thinking, under-emphasizing personal accountability, and lack of fit with organizational culture.

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Summary of the key findings

- The findings have showed that of the seven attributes of an effective succession planning program, participants agree that four of the elements 'top management participation & support', 'part of strategic and work force planning', 'dedicated responsibility' and 'formal professional development opportunities' are present in CBE's SP program with mean close to four. The participants have also indicated their marginal agreement of the presence of the other three attributes (need driven assessment', 'focused on individual attention', 'extends to all levels of organization') with mean values slightly higher than three.

- On the other hand, participants were asked for their opinion about the two dimensions of outcomes of SP at CBE; 'satisfaction of participants of SP' and 'effective placement' of those who took part in SP. The mean of 'satisfaction of program participants' was 3.65 slightly suggesting that participants agree with the satisfaction of SP participants. 'Effective placement' however had a mean of 3.07 indicating participants neutral opinion on this point. This can lead to the conclusion that even though participants of the survey believe that SP at CBE displays the attributes of an effective SP program, the outcomes of SP are not yet good.

- This is also reflected in the regression model developed to predict 'outcomes of an SP' using attributes of an effective SP program. The regression model showed that 61.4% of the variation on the dependent variable (participants opinion of outcomes of SP) by two of the independent variables not thought to be well practices (extends to all levels of organization and Focused on individual attention) and two of the better performed attributes (part of strategic and work force planning' and 'dedicated responsibility').

- Participants agree that the major challenges to SP program at CBE are 'inability to create pool of candidates' and 'lack of formal process' while participants didn't think 'lack of focus and follow-up' was a challenge to SP program at CBE.

## 5.2 Conclusions

This research intended to examine the presence of effective elements of SP program at CBE, see the outcomes achieved and identify the major challenges. Accordingly, the following conclusions are given:

- The findings have showed that of the seven attributes of an effective succession planning program, participants agree that four of the elements 'top management participation & support', 'part of strategic and work force planning', 'dedicated responsibility' and 'formal professional development opportunities' are present in CBE's SP program. As indicated by other research the observed attributes give CBE a chance to succeed at SP program. A glaring fact however it that the other three attributes whose importance have been confirmed by other research (need driven assessment', 'focused on individual attention', 'extends to all levels of organization' are lacking. Once can conclude from this that, the SP program at CBE is only concentrated at the top with no attention to individuals' carrier goals and lacks prior assessment.
- Looking at the results of the two potential outcomes of an SP program 'satisfaction of participants of SP' and 'effective placement' once can conclude that 'satisfaction of participants of SP' was slightly acceptable while 'effective placement' was merely positive. Although both elements of the outcome need significant improvement, a poor 'effective placement' could signal a poor development program that does not satisfy the necessary capabilities for positions to be held by participants of the SP program.
- The common challenges to CBE's SP program were identified as 'inability to create pool of candidates' which implies that CBE's SP program is not developing enough candidates that fill immediate openings rather than future positions. The other challenge observed was 'lack of formal process' implying that those in

charge are acting on a reactive and opportunistic manner which fails to address strategic considerations in designing an SP program.

## 5.3 Recommendations

Here recommendations are given based on the analysis presented and conclusions made.

**Practical Implications**

- Out of the seven attributes of an effective SP program, it was observed that participants merely agreed with the presence of three of attributes need driven assessment, focused on individual attention, extends to all levels of organization. Those responsible for SP at CBE need to improve and make sure that need driven assessment is continuously done and understood by all participants. Further, making sure SP is also meeting expectations of individual carrier aspirations is important. Those responsible should also expand the scope of the SP program to the entire workforce to make use of it at the organization level.

- Regarding the outcomes of SP program, the management should make sure that those participating in the SP program are satisfied. This can be assured by making sure that the opportunities given for development are in line with the interest of participants.

- Effectiveness of those placed based on the SP program needs a continuous follow up and improvement.

- Inability to create pool of candidates for future deployment or assignment is currently considered as a challenge to SP program at CBE that needs the management's attention to think of planning and implementation to fill the gap.

- Developing formal processes that are routinely utilized in the SP program should also be considered to help the process become easy and second nature to all.

**Limitations and implications for further Research**

Although branches in outskirt areas were considered to diversify the scope of participants, the research had limitations in geographic coverage. Further, the data gathered was from participating managers and supervisors but did not include all in the

entire process and implementation. A comprehensive study is recommended to address untouched issues.

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# ANNEX

**Annex A. Survey Questionnaire for Supervisors and Managers**



**Questionnaire to be filled-in by Supervisors and Managers participating in Succession planning program**

Dear Participant,

This survey questionnaire is designed for gathering data for a research in title **"An Assessment of Succession Planning Program: The Case of Commercial Bank of Ethiopia (CBE)."**

The research is required as partial fulfillment to the completion of the Masters of Business Administration (MBA) at St. Mary's University. In this regard, I kindly request you to provide me with reliable information to the best of your knowledge so that the findings from the study would meet the intended purpose. Your prompt attention to this study will support me to achieve my MBA and will also support me to contribute to the practice of succession planning program at CBE. Please note that your responses will be used for my research purpose only. Consequently, rest assured that any information you provide will be kept confidential. I also would like to express my gratitude for taking time and filling this questionnaire.

**General Direction:**

Please do not write your name on the questionnaire. The questionnaire has four parts. The first part includes four questions covering the participant's profile while the remaining will cover items related to effective succession planning program, its outcome ad

challenges. For any questions or concerns you might have about this study, please do not hesitate to contact me through my mobile number xxxxxxxxx.

**Section I: Demographic Information**

Please indicate your choice with a '✓' mark.

1. What is your Gender?

    Male         ☐

    Female       ☐

2. Age (in years)

    ☐18 – 25          ☐31 – 35 ☐Above 40

    ☐26 – 30          ☐36 – 40

3. Indicate your Level of Education

    ☐High school      ☐   Degree

    ☐Certificate      ☐Post Graduate

    ☐Diploma          ☐   Other

4. For how long have you worked at CBE (approximate in years)?

    ☐Less than 2 yrs☐   10 – 13 yrs

    ☐2 – 5 yrs☐   14 yrs and above

    ☐   6 – 9 yrs

**Section II: Effective Succession Planning**

**INSTRUCTIONS:** The statements given below identify main components of an effective succession planning (SP)program. Considering the succession planning program at CBE, please rate your agreement with each statement by putting '✓ 'mark in the right place. Please put your response under the rating scale (number) which could reflect your feeling as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 = *Strongly Disagree* | 2 = *Disagree* | 3 = *Neither agree nor disagree* | 4 = *Agree* | 5 = *Strongly Agree* | | |

| S/No | Items meant to assess the effectiveness of CBE's SP | 1 | 2 | *3* | 4 | 5 |
|---|---|---|---|---|---|---|
| **Top management participation & support:** This is explained in terms of any managerial efforts in giving direction and follow up of SP efforts in the organization. | | | | | | |
| 1 | CBE Board recognizes need for SP program | | | | | |
| 2 | SP program in CBE enjoys top management participation and support. | | | | | |
| 3 | CEO displays verbal and written support of program. | | | | | |
| 4 | Top management gives direction and follows up of SP efforts in the organization. | | | | | |
| **Part of strategic and work force planning:** this is to indicate SP is included in workforce and strategic plans as a means of addressing staffing gaps and setting measurable goals and timeframes. | | | | | | |
| 5 | SP program of CBE has a clear mission statement and goals that connects the succession plan to the strategic plan | | | | | |
| 6 | CBE strategic plan determines which positions will be included in succession planning | | | | | |
| 7 | The SP program have written purpose statement and measurable goals | | | | | |
| 8 | The SP program in CBE is integrated with the organization culture | | | | | |
| **Needs Driven Assessment:** is one aspects of SP effort to identify which positions in the agency are mission critical through an agency assessment or external benchmarking. | | | | | | |
| 9 | SP program in CBE identified positions in need of a succession plan before implementation. | | | | | |
| 10 | CBE undertook benchmarking, studies of other organization's succession planning programs before implementation. | | | | | |
| 11 | The present work and competency requirements of different leadership positions are regularly assessed. | | | | | |

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| **Provide Formal Professional Development Opportunities:** this is in terms of formal development opportunities such as training, conducting 'lessons learned' meetings, developing job aids, and formal mentoring program. | | | | | | |
| 12 | CBE provides employees with the opportunity to develop and advance their skills | | | | | |
| 13 | Participants in SP have a mentor from within the organization. | | | | | |
| 14 | Development Opportunities in CBE helps individuals realize their career plans within and across divisions. | | | | | |
| 15 | CBE puts clear timeframes and periodic evaluation to monitor the effectiveness of the development program | | | | | |
| **Focused on individual attention:** this refers to the consideration of individual needs in SP program | | | | | | |
| 16 | Program participants discuss training needs with supervisor and program coordinator. | | | | | |
| 17 | Participants submit their own career goals in writing to program coordinator/succession planning department or their unit heads. | | | | | |
| 18 | Employees are encouraged to develop skills that will take them beyond current position. | | | | | |
| 19 | CBE places a personal responsibility on the employee to ensure that their career goals are achieved | | | | | |
| **Dedicated Responsibility:** dedication that is required to ensure the program | | | | | | |
| 20 | There is a recognized program coordinator assigned to keeps plan current. | | | | | |
| 21 | Adequate funds are allotted in the budget for program. | | | | | |
| 22 | CBE relies on a computerized system to plan/track progress of SP effort | | | | | |
| **Extends to all levels of organization:** This is to refer to the extent to which SP program involve and covers various levels in the organization | | | | | | |
| 23 | SP Program seeks talent from every level in the organization. | | | | | |
| 24 | There is open communication and knowledge of SP initiatives. | | | | | |
| 25 | SP Program extends to all levels rather than being restricted to top positions only. | | | | | |
| 26 | CBE created a feeling of shared ownership of SP process before it is implemented | | | | | |

**Section III: Selected Outcomes of Succession Planning Program at CBE**

| S. No. | Items… | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | **Satisfaction of program participants** | | | | | |
| 1 | Succession planning match up to individual career plans of participants | | | | | |
| 2 | Participants perceive SP positively | | | | | |
| | **Effective placements** | | | | | |
| 3 | Vacancies in key positions at CBE are quickly being filled from talent pool resulting from SP | | | | | |
| 4 | At CBE employees placed from talent pool of SP perform at the level required. | | | | | |

**Section IV: Succession Planning Program Challenges at CBE**

| S. No. | Items meant to assess challenges faced with respect to implementing SP at CBE | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | Implementation of SP at CBE faces inability to create pool of candidates | | | | | |
| 2 | SP program lack of assessment tool | | | | | |
| 3 | Inability to identify future needs is a challenge | | | | | |
| 4 | SP at CBE lacks formal processes | | | | | |
| 5 | SP at CBE lacks focus and follow-up | | | | | |

## Annex B. Outputs of SPSS

**Model Summary[e]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .710[a] | .504 | .501 | .64701 |
| 2 | .758[b] | .574 | .568 | .60211 |
| 3 | .784[c] | .614 | .605 | .57518 |
| 4 | .791[d] | .626 | .614 | .56871 |

a. Predictors: (Constant), MeanAL

b. Predictors: (Constant), MeanAL, MeanSP

c. Predictors: (Constant), MeanAL, MeanSP, MeanIA

d. Predictors: (Constant), MeanAL, MeanSP, MeanIA, MeanDR

e. Dependent Variable: MeanOutcome

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 57.945 | 1 | 57.945 | 138.417 | .000[b] |
| | Residual | 56.933 | 136 | .419 | | |
| | Total | 114.877 | 137 | | | |
| 2 | Regression | 65.934 | 2 | 32.967 | 90.933 | .000[c] |
| | Residual | 48.943 | 135 | .363 | | |
| | Total | 114.877 | 137 | | | |
| 3 | Regression | 70.546 | 3 | 23.515 | 71.081 | .000[d] |
| | Residual | 44.331 | 134 | .331 | | |
| | Total | 114.877 | 137 | | | |
| 4 | Regression | 71.861 | 4 | 17.965 | 55.546 | .000[e] |
| | Residual | 43.016 | 133 | .323 | | |
| | Total | 114.877 | 137 | | | |

a. Dependent Variable: MeanOutcome

b. Predictors: (Constant), MeanAL

c. Predictors: (Constant), MeanAL, MeanSP

d. Predictors: (Constant), MeanAL, MeanSP, MeanIA

e. Predictors: (Constant), MeanAL, MeanSP, MeanIA, MeanDR

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 1.253 | .187 | | 6.682 | .000 | | |
| | MeanAL | .652 | .055 | .710 | 11.765 | .000 | 1.000 | 1.000 |
| 2 | (Constant) | .616 | .221 | | 2.791 | .006 | | |
| | MeanAL | .477 | .064 | .520 | 7.503 | .000 | .657 | 1.521 |
| | MeanSP | .320 | .068 | .325 | 4.694 | .000 | .657 | 1.521 |
| 3 | (Constant) | .237 | .234 | | 1.014 | .313 | | |
| | MeanAL | .359 | .069 | .391 | 5.245 | .000 | .517 | 1.933 |
| | MeanSP | .282 | .066 | .287 | 4.286 | .000 | .642 | 1.557 |
| | MeanIA | .270 | .072 | .253 | 3.734 | .000 | .628 | 1.591 |
| 4 | (Constant) | -.061 | .275 | | -.222 | .824 | | |
| | MeanAL | .342 | .068 | .373 | 5.014 | .000 | .509 | 1.963 |
| | MeanSP | .259 | .066 | .264 | 3.924 | .000 | .623 | 1.605 |
| | MeanIA | .229 | .074 | .215 | 3.089 | .002 | .582 | 1.717 |
| | MeanDR | .154 | .076 | .126 | 2.016 | .046 | .719 | 1.390 |

a. Dependent Variable: MeanOutcome

**Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | (Constant) | MeanAL | MeanSP | MeanIA | MeanDR |
| 1 | 1 | 1.956 | 1.000 | .02 | .02 | | | |
| | 2 | .044 | 6.656 | .98 | .98 | | | |
| 2 | 1 | 2.931 | 1.000 | .01 | .01 | .00 | | |
| | 2 | .044 | 8.144 | .57 | .68 | .00 | | |
| | 3 | .025 | 10.780 | .42 | .32 | .99 | | |
| 3 | 1 | 3.901 | 1.000 | .00 | .00 | .00 | .00 | |
| | 2 | .044 | 9.388 | .48 | .51 | .00 | .00 | |
| | 3 | .033 | 10.921 | .00 | .01 | .51 | .63 | |
| | 4 | .022 | 13.223 | .51 | .48 | .48 | .36 | |
| 4 | 1 | 4.875 | 1.000 | .00 | .00 | .00 | .00 | .00 |
| | 2 | .050 | 9.922 | .19 | .47 | .01 | .01 | .08 |
| | 3 | .033 | 12.148 | .00 | .00 | .56 | .51 | .01 |
| | 4 | .023 | 14.407 | .04 | .47 | .39 | .48 | .18 |

| 5 | .019 | 16.176 | .76 | .06 | .05 | .00 | .73 |

a. Dependent Variable: MeanOutcome

## Histogram

### Dependent Variable: MeanOutcome



Mean = 7.76E-16
Std. Dev. = 0.985
N = 138
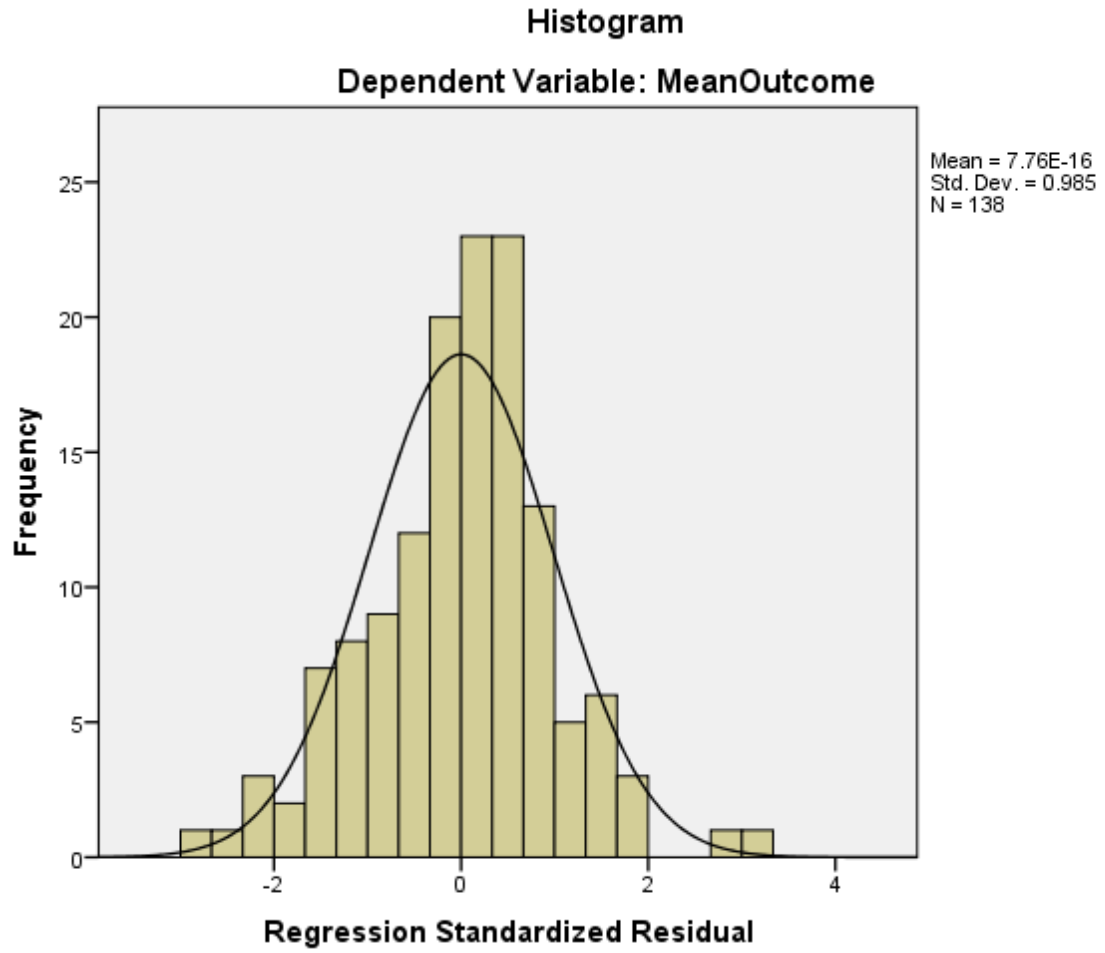
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: MeanOutcome
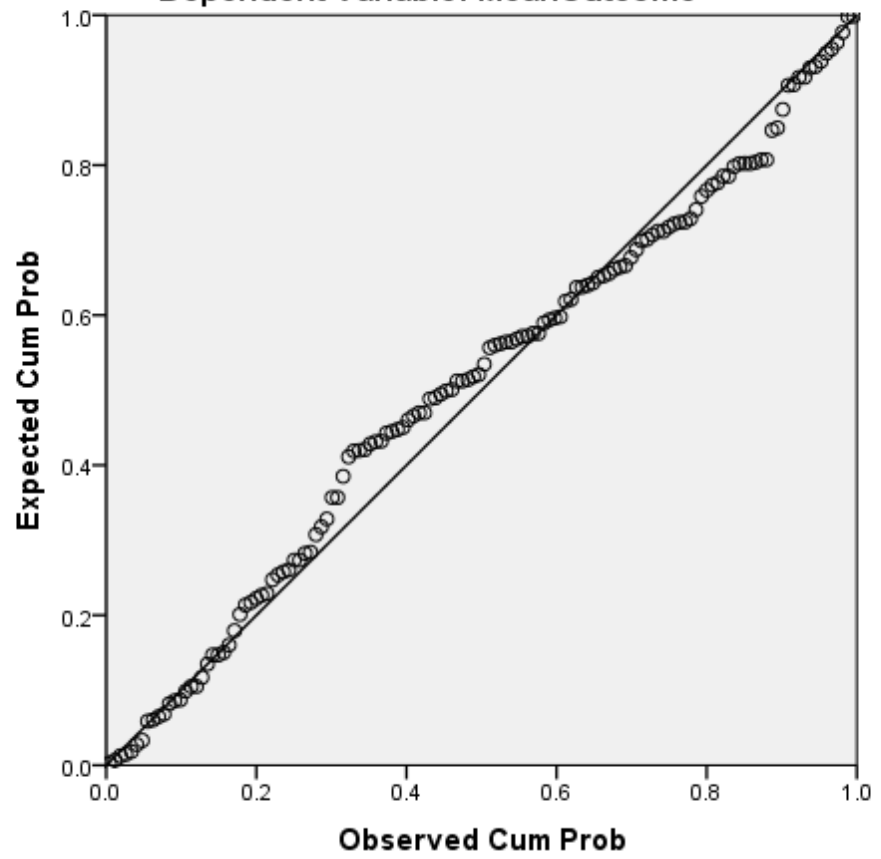
Scatterplot

Dependent Variable: MeanOutcome

X