

# THE IMPORTANCE OF WORKFORCE AND SUCCESSION MANAGEMENT TO INCREASE THE ORGANIZATIONS' COMPETITIVENESS

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**Abstract:**

*This paper aims to highlight how today organizations understand that workforce and succession management are essential to ensure continuing success. It shows what they're doing to maintain an effective workforce and assure themselves of effective leadership for the future challenges and what are organizations' current workforce and succession management challenges and practices.*

**Key words:** *succession planning, competitiveness, organization, leadership*

**JEL classification:** *M 112*

A competitive workforce and leadership development are the keys to surviving and thriving in the forthcoming economic climate. It is, therefore, incumbent upon today's organizations to institute formalized succession planning and executive coaching programs that identify those with leadership potential and nurture their talent. A solid leadership development program can ensure that organizations identify, retain and prepare their future leaders, and can reenergize employee bases that have lost momentum. Also, considering today challenges, organizations must foster a work environment that maximizes retention of high-value employees.

A success full planning is a two-step process. First, an organization must define what it expect will happen in the future, giving careful attention to anticipated changes and challenges that are different in kind or degree from those it face today. Then it must formulate and implement a plan of action that will prepare it for the future, especially the changes and new challenges.

*Succession plans* aim to ensure, if possible, an adequate number of managers to fill seats left vacant following the promotion as well as retirement, deaths, transfers or resignation. It also aims to provide a number of managers able to occupy new positions that could be created in the future. The necessary information for planning the succession management came from the supply and demand forecasts and the analysis made by the organization. Succession plans are influenced by the dynamics of organization's career development and of the performance assessments and potential of the employees. This information should be recorded (it is recommended to use a computerized human resources information system) in order to adopt decisions on promotions and replacements and to plan training activities for the potential ones or those laid down for promotion.

Succession planning is done primarily for senior management positions in the organization and focuses on two aspects: *the functional specialization of the successor and its place of origin* (inside or outside the firm).

Large companies operating in Romania are developing well structured succession plans in the human resource systems. Romanian companies are just consulting on the need to draw up such plans. Current economic dynamism impose that

succession plans should be introduced as a measure to ensure the survival of the company in the future and even to increase its competitiveness.

*Advantages* of a succession plan are:

1. protection of the organization for the very costly and risky "war for talent" and the possible resignation;
2. organizations which have developed succession plans have performed 7% better than the others;
3. is more profitable for the companies to invest in succession and the development of their employees than to recruit from outside;
4. it facilitate the replacement of employees who leave the company, avoiding the negative effects (damage employees' motivation and loyalty);
5. it increase the retention of the employees (they stay knowing there is scope for development in the company).

Duration of a succession plan (to replace the general manager) is up to 10 years (starting from the Regional Director) and approximately 15 years (starting from the team leader).

The succession plan must provide at least one possible replacement for every manager (and the general manager even three) to be able to take office at any time. When there are many possible successors has been a selection process that takes into account *four factors*:

- Stage of development organizations and the active market;
- The level at which the team is;
- Strategic need in the near future;
- Omission of the manager's personal development.

Usually, after the election of his successor, others left the organization and trying to occupy a position consistent with their training in another company.

A successful organization recognizes that leaders are needed at—and can come from—every level of a company. Good leaders are a scarce commodity and thus often are the subject of competitive bidding from multiple organizations. In other words, they are not always readily available for hire. Therefore, leaders not only can be but must be developed from within. And retention remains an ongoing challenge. Today's surveys indicated that it's not easy to find good leaders and it's not expected to get any easier. A solid majority of respondents (HRM managers worldwide) (63%) reported that it is very or somewhat difficult to hire good leaders today. And over the next decade, 49% of all respondents said, hiring good leaders will be more difficult than it already is.

The first step in establishing leadership development programs and succession plans is to *define the competencies* the organization wants in its leaders (See Table 1). Some employees desire moving into managerial positions because they have an idyllic view of what being a manager involves. They talk about how much easier it is to be a manager, and have a common perception of having more control, less stress, more pay, and others to do all of the work for you. If these employees only knew the truth, they might not desire a promotion.

**Table 1: Competencies for a leader**

<i>Competency</i>	<i>Summary</i>
✓ Communication	<i>Creates an atmosphere for open communication</i>
✓ Client Focus	<i>Effectively understands client needs and expectations</i>
✓ Networking	<i>Builds networks, alliances, and team spirit</i>
✓ Planning	<i>Successfully translates strategy into action</i>

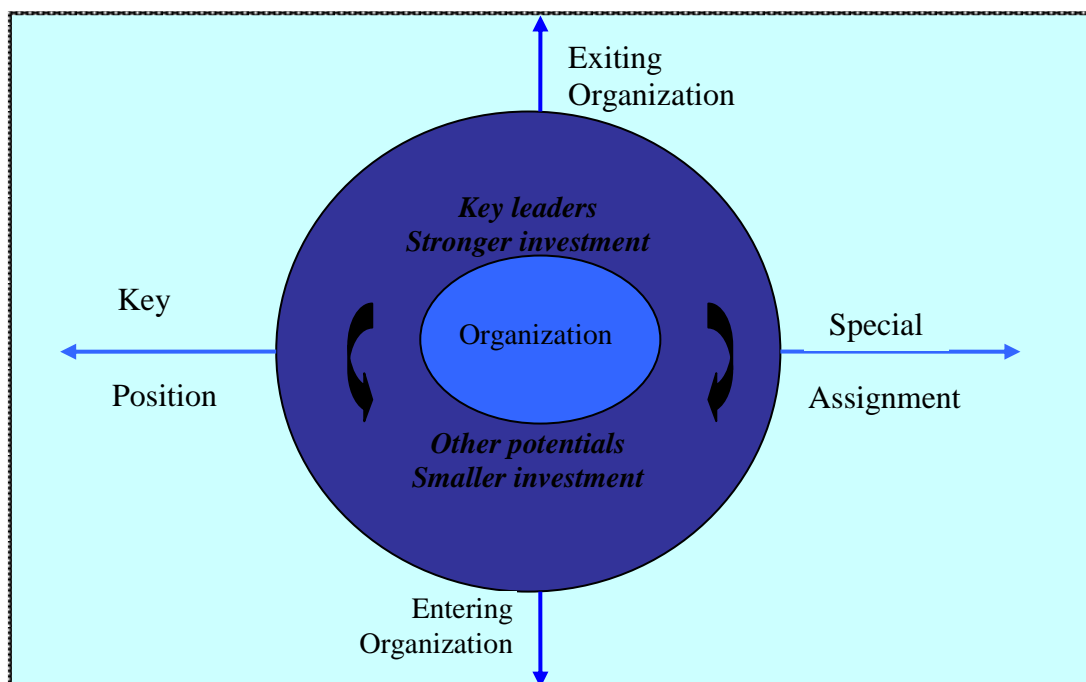
✓ Building and Developing Talent	<i>Invests appropriate time and resources into developing and hiring the right</i>
✓ Performance Leadership	<i>Acts with integrity and creates an inclusive environment</i>
✓ Conflict Management	<i>Works through challenging situations with people in a win - win manner</i>
✓ Managing Change	<i>Promotes change in a productive and positive approach</i>
✓ Leadership	<i>Helps others understand the big picture and align with the organization ' s direction</i>

After the establishment of criteria, the organizations must focus on *succession planning* and treat it as an inclusive process for the following reasons:

- *The fluid nature of employment these days.* People leave organizations only to return a few years later. If you want employees to come back, you will want them to know that you believe in investing in them.
- *Retention of your employees .* Employees stick around for a variety of reasons. They stay in organizations that help them grow. Employees want their skills to remain sharp. In fact, only 12 percent of employees leave for more money.
- *Difficulty finding people with the right skill sets.* If we exclude employees from growth opportunities, then we make it difficult to fill internal positions because we lack enough people with the appropriate skill sets.
- *You never know.* We tend to exclude certain employees because they are not the current star, and we include others because they are current stars. However, as we have just demonstrated, current status does not determine future performance.

The specialized literature recommend that organizations look at succession planning as a “ roundabout, ” a kind of street intersection at which traffic comes into a one - way flow around a middle isle (See Fig. 1).

Figure 1: **Roundabout Succession Model**



In the middle of the Figure 1 is the organization. All traffic or development revolves around the organization and the organization's needs. The traffic is moving in the same direction, which essentially means that everyone is working, growing, developing, and moving in the same direction, while at the same time each individual has a different path and a different set of needs. Each employee might be moving at a different speed or focus on a different path, but we should all be growing and available for opportunities. Some employees will choose to get off the roundabout and take a road to another organization. If this is handled well, there won't be an accident as the employee exits. Employees should have the opportunity to come back at a later time when there is a better match between their needs and the organization's.

*Identifying individuals with high leadership potential and training them* is the next step. Many organizations train employees on leadership skills prior to their being promoted into supervisory roles. Training like this should include: *assessments and feedback* related to competencies needed for leadership; *leadership development training* that focuses on the emotional and mindset shifts needed to be successful when transitioning; *job assignments* that allow leadership skills to be observed prior to any job change; *case studies* to allow employees to think more broadly and start building a network to be effective and *realistic job previews* to help employees decide whether they want to move into a supervisory role.

After employees are exposed to leadership responsibilities and have assessed their strengths and potential liabilities when it comes to taking a leadership position, they should then participate in a *selection process*. Therefore, it's necessary:

- a *realistic job preview* that helps employees determine if they are ready for supervisory roles. Each candidate for a managerial position should, at minimum, be interviewed and tested to determine whether he or she is ready for a managerial role.
- *to have a transition plan* because the transition can be a challenge for many individuals. New managers should have leadership development plans that clearly lay out at least their first ninety days.
- leaders should *receive feedback* from their peers, employees, and supervisors at the end of the transition period.

As people move into managerial roles, they may feel alone; so, a new leader needs a mentor and/or a coach. The organization can help him by providing peer groups, coaching programs, new leader mentoring programs, or using a mentoring or coaching service. The most important thing is creating a safe environment that allows new leaders to learn.

According to literature "The Leadership Readiness Matrix" is a tool that will assist the organization in determining whether its employees are ready to lead. The Leadership Readiness Matrix looks at two axes — trust and impact. These two axes have a direct correlation to self - interest and fear. The more self - interested a leader is, the less trust he will have in his relationships. The more he let fear influence his decisions and actions, the less impact he will have. The ability to develop trusted relationships with impact will land the leaders in one of the following four categories:

1. *Confidant*. A confidant is a person who can be trusted with information, but will not challenge another's thinking. This person is like a vault. You can tell them anything or vent to this person. But he or she will not necessarily help you achieve more or succeed. They provide half of the equation when it comes to leadership.
2. *Pretender*. Pretenders act as if they are ready to lead. They are often not self - aware or concerned with their own deficiencies. People at this point in their development look at events and analyze them based on how they are impacted.

Not only are such people self - interested, but they also focus on minimizing risk.

3. *Guru*. Gurus are experts. These are smart people who know their stuff. We need these people for advice, solutions, innovative ideas, and their basic technical expertise. However, we will probably get a second opinion. We know that a guru sometimes has agendas, distractions, and an ego. Their advice can be colored at times, and they do not always make us smarter. Sometimes they just want us to accept their perspectives.
4. *Engager*. An engager is ready to lead. This is an individual who is able to temper his or her self - interest. Engagers are curious about others and their needs. Engagers do not worry about how decisions will impact them. They focus on growing other people and helping others succeed. Engagers are motivated by creating opportunities for colleagues and work in an open manner. They are more than willing to challenge us, but in a professional way.

In conclusion companies must invest in the future—not only in products and equipment, but in people. Surveys shows that nearly 70% of organizations actively work to define the competencies they need in leaders. Only slightly more than half of them have a process in place either to identify employees with leadership potential or to develop that potential. And even fewer of the companies report having any kind of formal succession planning in place. The challenge is to keep people excited about where they are currently working, and development programs as retaining talent and succession planning are the keys.

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