

SUCCESSION PLANNING AND ITS EXTENT AT CALCUTTA ELECTRIC SUPPLY CORPORATION (CESC) FOR MID-LEVEL MANAGERS: A CRITICAL ANALYSIS

Bobby Basu¹, Dr. Alope Kr. Sen², Dr. Pranam Dhar³

¹Assistant Professor, Heritage Business School, Kolkata (India)

*²Former Director, Heritage Business School, Kolkata (India), Advisor,
Calcutta Business school, Kolkata (India)*

*³Associate Professor, Head- Department of Commerce & Management,
West Bengal State University, Barasat (India)*

ABSTRACT

Succession planning (SP), to the extent that it is done at all, has primarily been confined to senior-executive-level positions. The present situation of talent shortage requires expanding succession planning to other critical positions that have the biggest impact on organizational performance and must be implemented much more deeply reaching every skilled position in the organization. Despite the obvious need for succession planning at all levels, very few companies practice this for their mid-level managers.. In this article, authors through literature review have identified major components of succession planning, which include processes and change management, selection of successor and development of successor. An attempt has been made to examine the practices of succession planning adopted by Calcutta Electric Supply Corporation (CESC) on how they identify, develop and retain their potential mid-level-executives enabling it to address its human capital challenges. The basis for selecting CESC for the study is backed up by the fact that CESC was awarded the Gold Medal in the national workshop on “National Award for Best HR Practices” organized by National Institute of Personnel Management (NIPM), in August 2013. Thereafter an attempt has been made to critically examine the SP practices at CESC against the identified components.

Keywords: Career Development, Employee Assessment, Leadership, Potential Appraisal, Succession Planning.

I INTRODUCTION

Most of the studies on Succession Planning were done on CEO successor, to identify the link between attributes of

CEO successor and financial organizational performance. A number of papers show direct evidence of effect of SP on return of investment. From nonfinancial view, many researchers argue that succession planning yields a return in form of internal operational efficiency such as higher individual and departmental performance, and better retention of high-performing staff. A number of studies reveal that the strongest determinant of succession origin is past performance of a firm and have shown that firms usually replace an incumbent CEO with an outsider when the firm performed poorly in the recent past.

There seems to be more emphasis on succession planning and leadership development of the Senior Executive and its impact on organizational performance. Moreover Succession Planning for CEO or Senior-Executive -Levels is decided by Board of Directors and is practically beyond the scope of study. Moreover, there is practically no study on succession planning practices for mid-level-executives. Hence the need to develop succession planning and leadership development strategies for mid-level managers is critical. The purpose of this paper is to identify the elements to be considered in order to understand the extent of succession planning strategies adopted by the companies for its mid-level managers. This study falls under descriptive study mainly aimed at fact finding. The literature survey on succession planning and the secondary reports by Calcutta Electric Supply Corporation (CESC) on HR practices to address its Succession Planning were studied.

II WHY SUCCESSION PLANNING?

Succession Planning is one of the top focus areas for HR as it attempts to pave the way for a smooth transition of business from one personnel regime to another. It is a voyage, not an end by itself. It is the course of action to ensure that the leaders with full potentials are identified and are ready to contribute to the effective performance of the business in future. Assessment, Identification, and development of high potential in the organization is solution to succession planning and talent management [1]. And the entire process should match with the strategic vision of the company. It prevents premature incidents of promotions. In response to changing organizational and employee needs, succession planning serves as an important means of systematically identifying the potential availability of internal organization replacement of key positions. Once competencies requirements in future are assessed, individual plans are made focussing on leadership development. Four stages of an effective succession plan include: Understanding the strategic plan of the business; Developing a clear understanding of the capabilities and competencies requirement for the identified role to meet the strategic plan; Identifying employees who could potentially fill and perform highly in such roles; and Preparing employees to be ready for advancement into each identified role. Succession planning has traditionally referred to planning for leadership continuity at the CEO level, but today succession planning provides for leadership continuity at all levels [2]. It is the process of identifying and developing suitable employees with the potential, through mentoring, training and job rotation, to replace key players within an organization as their terms expire. It is rated as one of the top focus areas for HR as the biggest challenge faced by today's organization is to get the right person at the right position.

III KEY FACTORS IN SUCCESSFUL SUCCESSION PLANNING

A thorough literature survey reveals that the measures to test the success of succession planning efforts are:

- **CEO Ownership**

The organization CEO must be the ultimate owner of the Succession Planning Programme. The CEO creates a shared set of leadership values around talent management and establishes explicit guiding principles for acquiring, managing, developing and rewarding talent.

- **A Business Activity and not an Administrative HR Task**

Succession Planning is a strategic business process rather than an administrative HR practice. Thus, the process of Succession planning should be linked to business and strategic planning processes. Once the future talent needs in terms of skills, knowledge and abilities are identified, potential employees are groomed or developed to meet the business strategy.

- **Focus on Rigorous Talent Assessment**

Successful Planning has its foundation on the strong and rigorous assessment of candidates' competencies. This includes assessing candidate's current performance, his capabilities to handle the future leadership roles and also creating developmental plans to help the candidate to achieve those capabilities.

- **Balancing Organizational and Individual Needs**

Succession Planning must balance the needs of the organization with the needs of the individual. Addressing individual needs and concerns is a critical factor in the attraction and retention of key talent. Thus, Succession Planning is an integrated approach that seamlessly link an employee's career and development plan with the organization's overall succession plans.

- **Develop Multiple Talent Pools and Career Paths**

In today's uncertain and ambiguous world, emphasis is given more on developing talent pools rather than specific individuals in order to ensure that there is an adequate supply of talent from which to choose from when a vacancy occurs. Thus, by creating a pool of employees who are given developmental experiences, the organization minimizes the risk of being unprepared to fill a key vacancy and also provides opportunities for its motivated high-potential employees.

- **Conduct Regular Talent Interviews**

Regular Talent Reviews of the key people are conducted to so as to plan and coordinate developmental activities and monitor progress. These talent reviews are used to spotlight the individual and organizational capability issues.

- **Focus on Key Positions:**

Succession planning, to the extent that it is done at all, has primarily been confined to executive-level positions. The present situation of talent shortage requires expanding succession planning to other critical positions that have the biggest impact on organizational performance and must be implemented much more deeply reaching every skilled position in the organization.

- **Encourage Proactive and Actionable Development Plans:**

Effective succession management relies on organizations to provide opportunities and proactive suggestions for development that increase the readiness of candidates for future positions. By linking learning and development with succession and career planning, organizations can positively impact the availability of talent to meet future requirements.

IV COMPONENTS OF SUCCESSION PLANNING

Review of literature reveals that succession planning is measured in terms of three components, namely process and change Management, selection of successors and development of successors [3]. The first component of Succession Planning process is change management and process management, including function and sub-processes like strategic view of Succession Planning, management commitment, implementation considerations etc. It is very vital to link succession plan to business strategy to understand the kind of people that will be needed with the required set of skills for the future [4]. Elements of an effective succession plan are: visible support from the CEO and top management; owned by line management, simple and tailored to unique organizational needs; linked with the strategic business plan [5]. Management commitment like any other organizational-wide program is critical for successful implementation of SP. Without the support, SP is not executable even if design phase is done well. Awareness and communication is another issue in process management of SP. It seems that, the best state for both organization and individual is that issues are raised and discussed openly based on a transparent posted process. Continuous evaluation is important in process management. Appropriate criteria for SP program include a number of successors for a key position; percentage of vacancies filled internally, average number of successors for a key position, number of key positions that have one or two developed candidate, satisfaction of successors, and rate of change in succession pool.

The second component is selection of candidate based on previous experience and background and formation of talent pool. It should be ensured that each key position has alternative potential successors and each talent has multiple potential promotion paths. The trend in scope of SP is to cover all the positions and not just top managerial positions. In case of not including all the positions, it is very important to identify critical positions which are essential for the organization, department, division, work unit, or team to achieve the necessary work results. Strategic plan can be a guideline for this aim. Beyond identifying what skill sets and knowledge bases are required for key positions, it is crucial that, the succession plan provides a method or plan for providing employees the opportunity for professional development.

The third component of succession planning is the development of successor. Identifying development plan and follow-up is a mandatory part of process. The plan should be tailored to the individual needs and interests of successor. Best development methods include 360-degree feedback, executive coaching, mentoring, networking, job assignments and action learning [6]. Table 1 summarizes the best practices for each component of Succession Planning.

Succession Planning Process Component	Best Practices
Process & Change Management	Top management participation and support Linking SP to business strategy Having full-time responsible person for SP Budgeting of SP
Selection of successor	Extend SP to all organizational levels Identification of critical positions and prioritizing them in SP Periodical evaluation of employees Establishing performance appraisal system
Development of successor	Establishing a system for employees' competency gap analysis Establishing a system to discover employee potentials vs. current performance Developing career and personal development plans Establishing system of identification of future job competencies Linking SP to training plan Linking SP to persona interests and careers Extensive use of on the job training Career Workshop

Table 1: Best practices for each component of Succession Planning.

V SUCCESSION PLANNING PRACTICES AT CESC

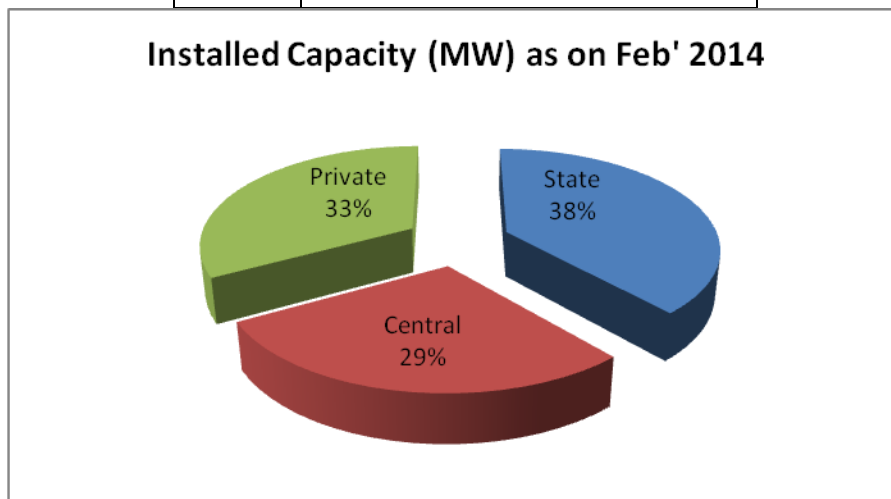
The national workshop on “National Award for Best HR Practices” was organized by National Institute of Personnel Management (NIPM), in August 2013 and Calcutta Electric Supply Corporation (CESC) was awarded the Gold medal. This has made the authors to conduct a study based on secondary sources to analyze the succession planning practices at CESC.

5.1 Human Capital Challenges faced by CESC

Talent retention in a competitive environment is a challenge in itself. The power sector has registered significant progress since the process of planned development of the economy began in 1950. Hydro -power and coal based thermal power have been the main sources of generating electricity. In spite of the overall development that has taken place, the power supply industry has been under constant pressure to bridge the gap between supply and

demand. The electricity sector in India had an installed capacity of 229.251 GW as of October 2013[7]. India currently suffers from a major shortage of electricity generation capacity, even though it is the world's fourth largest energy consumer after United States, China and Russia [8]. In order to bridge the gap between supply & demand, the power sector requires augmentation of capacity across the value chain including equipment manufacturing, fuel resources, construction, project management and operations. For this, Government has invited private players to venture in power sector. Major forces like Reliance Power Ltd. and Tata Power Company Ltd. are in play which may dramatically reshape the industry over the next 20 years. With the Electricity Act 2003, participation of private players was encouraged, leading to tough competition. The sectorwise installed capacity (MW) as on February 2014 is given below [9]:

Sector	Installed Capacity (MW) as on Feb' 2014
State	91437.7
Central	67789.94
Private	78515.3
Total	237742.94



While large scale investments have been planned and a large number of projects are being launched, the lack of high quality human resources is becoming a key constraint. CESC being a century old utility has a traditional mind set with a protected consumer base. However, it was felt by the leadership team that CESC of tomorrow cannot be run in the same way as the CESC of yesterday. Consequently, employee retention and development at the individual level is accorded the top priority at CESC.

5.2 HR Initiatives to address Succession Planning at CESC

The executive attrition shows a decreasing trend due to various HR initiatives undertaken to improve engagement among the executives [10]. To meet the Human Capital challenge, CESC has put in place sustained HR

interventions including conducting Employee Engagement survey to understand the attitude and mindset of employees towards policies and procedures of the company; building up of a robust performance management system, strong potential appraisal system to identify the potential candidates; development of potential candidates with adequate thrust on building skills and competencies so that the company can have pool of candidates who can meet the strategic requirement of the future. The identification of potential employees at CESC is done with the joint effort of line managers along with the HR managers. In the journey of organizational excellence, CESC deploys its quality strategy and the process owner is Executive Director (HR & Admin.). The following HR initiatives are taken to address Succession Planning at CESC:

5.2.1 Initiatives to Identify Potential Employees

CESC has a strong Performance Management System (PMS) which is very objective and transparent. Apart from strong PMS, which has been designed to understand the performance of the executives on their current job, CESC has taken following initiatives to identify its potential employees:

5.2.1.1 Potential Appraisal System

In order to understand the potential or capability of its executives to handle their future jobs, CESC has a strong potential appraisal system, which includes:

a. Young Executive Board (YEB)

The concept of YEB, an unique initiative was launched during the year 2009 to recognize and nurture critical talents from young professionals. This acts as a shadow management board reporting to top management and having primarily an advisory role on issues of strategic importance. They are given projects of strategic importance and following wide consultation and in-depth study, they make presentations to top management. This technique is being used by CESC as a measure to appraise the potential of its budding managers and thereby, identifying its future leaders.

b. Promotion of Innovation

CESC builds a culture of innovation by holding annual Kaizen competitions where employees are encouraged to submit their kaizen initiatives and the best kaizens are awarded formally every year. CESC has launched Innovation Portal, where officers of the company can submit their projects for introducing innovations along with budgetary requirements. The proposals are then checked for feasibility by an Innovation committee formed by Executive Directors. If approved, the proposals are financed from HR's budget for Innovation Projects. It also organizes Knowledge Fair- a forum whereby different departments showcase their technical innovations and latest technology in the area of their expertise. A panel of judges comprising of eminent academician and industry experts choose the best three stalls in recognition of their innovative excellence.

5.2.1.2 Rewards & Recognition

CESC recognizes the contributions of its people through a comprehensive scheme of rewards & recognition. Variable increment based on PMS has been introduced which has resulted in increased employee engagement scores. The company recognizes outstanding performers and provides career opportunities to them. A new Reward and Recognition scheme has been launched where different levels of executives are rewarded for significant contribution towards organizational achievements as well as for their consistent performance. The reward & recognition scheme has been categorized into the following:

- **Kishalaya** : Management Trainee
- **Udaan** : Executives upto the rank of Sr. Deputy Manager.
- **Nakshatra** : Manager to DGMS.

5.2.2 Initiatives to Develop Potential Employees

CESC encourages one-to-one coaching for both professional and personal development in order to facilitate development of skill-sets of high performing officers and to help them develop an action plan to enable them to bridge the gap between their current performance and true potential. Training and retraining is a part of organizational life. Training & Development at CESC is a planned intervention for enhancing knowledge, skills, attitude and social behaviour of employees for effective performance of tasks together with value addition to self and the organization itself. Apart from In-house training, external training programmes by National Institutes like IIMs, XLRI, FICCI etc and International Institutes like London School of Business, Kellogg's school of Management etc. for specialized courses are also organized for its potential employees. Apart from softskills and behavioral skills, technical skills are imparted by the Asia Institute of Power Management, the Training & Consultancy wing of CESC Limited with technical support from SP Global Solutions, Singapore. The focus areas of training include Transferring knowledge of senior leaders through knowledge sharing, Hands on Training to develop skills (eg. Cable Jointing, maintenance of Pumps, valves etc.), Developing multi-skilled engineers rather than recruiting engineers for different departments. In order to address the workplace communication and presentation skills of executives, CESC in association with British Council has developed a programme called "English Executive". Company invests a huge amount on training of its employees as revealed by the training expenses in 2011-12 & 2012-13 being Rs. 173 lakhs and Rs. 223 Lakhs respectively.

CESC also has a tie up with a carefully constructed and well-run Development Centre which provides a number of benefits to the organisation in terms of identification of potential "high flyers" within the organisation, identification of individual strengths, identification of individual development needs, identification of "skills gaps" within the organisation. The role of the development centre is to focus on the systematic and objective identification of behaviours of an individual for the purposes of selection, placement, promotion, development, career management, succession planning and training.

VI CRITICAL EXAMINATION OF HR PRACTICES AT CESC

The critical examination of HR practices at CESC reveals that at CESC, the focus of SP is on the job with the objective of having a replacement(s) ready to fill the job if the incumbent expired or quit. Such interventions result in a periodically updated table of potential employees who might be nominated to take over the position on due course if the need arise. However, such planning would result in replacement that would be replicas of the current jobholders. Moreover, such planning assumes that the organization operates in a stable future environment with very few new competitors and the competencies requirement of the future managers will be the same as that of the current managers. However, we cannot expect the future to be so stable, especially in the era of globalization.

Traditionally, the goal of century-old utility CESC with a protected consumer base was to provide safe and reliable energy to its consumers. For this the core competencies were reliability of distribution and maintenance of power plant. Accordingly managers were selected and trained to sustain these core competencies. Today, the scenario has changed. In order to bridge the gap between supply & demand, the power sector in India requires augmentation of capacity and for this, Government has invited private players to venture in power sector. Major forces are in play which may dramatically reshape the industry over the next 20 years. The core competencies required by the executives of CESC in the future should therefore include the ability to market the energy in addition to provide safe and reliable energy. Therefore, instead of focussing on the job, the company should focus on the strategic plan of the organization. The competency requirement of the future should be identified and potential employees should be selected and nurtured to develop competencies, which are aligned with the strategic plans.

VII CONCLUSION

Getting the right person is the toughest challenge faced by today's organizations and it is clear that organizations of all sizes and industries face incredible challenges in preparing managerial personnel to assume future leadership positions. Despite the obvious need for a succession plan, many companies don't consider succession planning a top priority. Although, CESC is one of the very few companies which have taken initiatives to address the human capital challenge by identifying and nurturing talents, the very purpose of succession planning will be lost if strategic directions of the company are not taken into consideration. An effective succession planning will be in place only when the company takes into account the most significant challenges the company and its industry are likely to face over the next four to six years, it identifies its potential executives and the skills and competencies of the executives are developed and nurtured to meet the future requirements.

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