ABSTRACT

Succession Planning is “Thinking about Tomorrow, Today itself”. It is very crucial activity for any organization that aspires to withstand the test of time. Succession planning ensures that an organization has the right people at the right time for the right jobs. The aim of this study is to determine the nature of succession planning in Union Bank of India. The banking industry is a volatile industry with cut throat competition for best talents and brains so as to gain competitive advantages. This study plans to determine whether succession in PSBs are to be planned in advance and prepared for or whether succession is emergent and only happens when a vacancy occurs. Furthermore, the study aimed at establishing the factors that influence succession planning in public sector banks. Lack of continuous succession planning by public sector banks in India has made it impossible for majority of the banks to name a suitable successor within a year. PSBs are required to change, modify & revisit their HR policies which are key to acquire & retain talents in banking industry, it is therefore imperative to take succession planning sincerely and make it a continuous process that will ensure a pool of talent is available at any particular time for selection whenever a vacancy opens up.

Keywords: Public Sector Banks (PSB); Human Resource (HR); Information Technology (IT); Succession Planning (SP); Institute of Banking Personnel Selection (IBPS); Banker’s Leadership Development Institute (BLDI)

INTRODUCTION

“The purpose of succession planning is to ensure that there are qualified and capable people in all key and critical positions not just for the present but at least for the next five years and such an assessment should be made every year. The process involves identification of all key positions and future potential candidates and developing them through appropriate training, job rotation and mentoring” (Khandelwal Committee Report on HR Issues of Public Sector Banks).

The public sector banks in particular did not recruit personnel for a fairly long time, owing to this large scale retirements have already started to happen. “On an average, about 25 per cent of officers and employees would retire by 2020 in PSBs,” Minister of State for Finance Sri Jayant Sinha said in written reply in the Rajya Sabha.

There is a serious crunch of leadership in several areas like Risk management, IT, credit appraisal etc. there are hardly any leaders in pipeline. Like many other PSBs union bank of India is witnessing crunch of matured officers to handle important portfolios of the bank.

Human resources are the most valuable and unique assets of an organization. The successful management of an organization's human resources is an exciting, dynamic and challenging task, especially at a time when the world has become a global village and economies are in a state of flux. The scarcity of talented resources and the growing expectations of the modern day worker have further increased the complexity of the human resource function. From the risk management aspect, provisions are made in case no suitable internal candidates are available to replace the loss of any key person.
“People are my most precious assets & I learn from their experience “is rightly said by Mr. Sam Watson (late founder of Walmart) about human resource.

PSBs assess and anticipate vacancies including retirements annually and take necessary action to fill the same including intimating their requirement to Institute of Banking Personnel Selection (IBPS) for making allotment well in advance. The new government has granted managerial autonomy to the PSBs in the matters related to Human Resource including recruitment; Government has also advised all PSBs to prepare a succession plan. – Minister of State for Finance Sri Jayant Sinha.

The strategic goals of the banking industry must be identified for the workable design and execution of Succession Planning. Additionally, employee development must be aligned with business development and constructively support the cultural, leadership and communication elements.

Succession Planning involves having senior executives periodically review their top executives and those in the next-lower level to determine several backups for each senior position. This is important because it often takes years of grooming to develop effective senior managers. There is a critical shortage in Banks of middle and top leaders for the next five years. Organizations will need to create pools of candidates with high leadership potential. Succession planning involves a careful balancing of the concerns and needs of top management.

A well-developed succession planning process increases the retention of superior employees because they recognize that time, attention and skill development is being invested in them for the purpose of career development. When you continue to challenge and reward talented employees, you eliminate their need to seek opportunities elsewhere.

Developing leadership talent is a long-term investment. A working succession system results in having more than one good person available for a key job. Real success requires choices between two or more qualified people. In order to have choices, you need to identify who is ready now and what it will take to make others ready when you need them.

In today’s business perspective every organization, in particular Union Bank of India, has its eye on bottom line. Today it is possible to convert human resource activity in monetary term due to emergence human resource accounting system.

The issue of succession planning has presented a pivotal opportunity for HR to demonstrate its value to the organization. Unfortunately, a large majority of HR departments are not prepared to take on the more strategic role of managing “people risk” and leveraging the company’s intellectual capital.

OBJECTIVE OF THE STUDY

1. To address the issues in Succession Planning in Union Bank looking towards dynamic changing trends in banking industry.
2. To ensure our bank has the executives and key talent with the skills and depth of experience required to meet short and long-term operational and strategic plans.
3. To touch such some important areas of concern in future in Union Bank in connection with requirement, attrition, & retention
4. To understand that succession planning is not just about replacement planning.
5. To promote the best and the brightest across the bank having the right person in the right place at the right time for the right job

SCOPE OF STUDY

Our main focus of study is succession planning in Public Sector Banks
What Is Succession Planning?

According to top succession planning specialists such as Ram Charan and William Rothwell, Succession Planning is not just an activity of going through the motions of filling vacancies with available recruits. It is a process of active engagement by boards and top executives who build a foundational strategy for the Organization and set the tone for mentoring and guiding development of managers.

Succession Planning (SP) - is the systematic effort by an organization to ensure continuity of prepared leaders to fill key positions in the near and long term.

To understand that succession planning is not just about replacement planning “The chief aim of replacement planning is to minimize injury from the immediate and unplanned loss of the key job incumbents. Succession planning goes beyond this because it focuses on proactive steps and attempts to ensure the continuity of leadership by developing internal talent through planned development activities” (Rothwell, 2002).

Many organizations have recently moved away from the traditional term of succession planning to “talent management,” a term that is more inclusive of the many activities that are necessary in identifying, developing and retaining talent (Falmer, 2002). The study of organizations and strategic behaviors is a young science and “succession” topics have only become popular in the last 15 to 20 years due to highly public and disastrous leadership transitions at successful financial institutes. Rapid changes in operations, business processes, and information based work, and portfolio diversification from mergers and acquisitions challenge the ability of top management to guide their organizations and train the visionaries that will take over in the future.

The transfer of “how to get work done” processes is being lost with the aging and retirement of senior management and the mobility of the younger workforce. Now Leadership is in crisis! Early identification of successor “candidates” or “high-potentials” (hi-po’s) that can be groomed and given experience in understanding the larger context of running the corporation is the key to succession planning.

Drivers for Succession Planning

The interest in succession planning has grown to include an understanding of “leadership” behaviors and core competencies that aspiring individuals must possess.

“Organizations are often faced with the need to replace key management staff on a very short notice due to rapid change of mergers, acquisitions, downsizing, rightsizing, and re-engineering. Also, there is an increasingly competitive market for skilled and talented individuals.”

HR is challenged with becoming a strategic business partner. Like other functional units, HR is expected to demonstrate an understanding of the business and to use this understanding to develop and leverage the company’s key source of competitive advantage- its people.

Research Suggests That Succession Planning Impacts the Bottom Line

- “Companies with above-average bench strength are four times more likely to outperform their industry peers than companies with below-average bench strength.
- Similarly, companies with below-average bench strength are four times more likely to underperform compared to their industry peers than companies with above-average bench strength”.
- A 2003 study by Hewitt Associates revealed that top companies that regularly focus on leadership development “outperform their industry peers in both financial growth and returns and consistently perform at or above the 50th percentile, relative to the industry, in total shareholder return”.

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Different Models Of Succession Planning In Different Organizations

- The “Traditional” model involves CEOs and other top executives identifying their own replacements.
- The “Integrative approach” includes both succession planning and succession development. It is future-oriented and consistent with the strategic planning process.
- The succession planning “Pools” model stresses the identification of high potential candidate [exceptional performers] pools. It can be created through an assessment center process or through an interview/evaluation process.
- “Fast Track” program: Often the HR department puts together fast track programme through which they assist the person to develop an individual development plan (IDP).
- “Best practice” organizations: Most companies identified as “best practice” organizations for succession planning. Best Practice organizations perceive Human Resources as a strategic business partner.

Key Recommendations of Khandelwal Committee

Important highlights of the report on the chapter succession planning & Leadership development:

- Although most PSBs identify succession as a major problem, very few initiatives have been taken to tackle this problem. This neglect has led to serious problems for finding successors for even critical positions, when the incumbents either retire or leave the bank. At the leadership levels too, PSBs have no reliable management succession plans to ensure continuity and progress of the organization.
- The need for succession planning is far more urgent in the immediate future, given the number of mass retirements PSBs are going to face in the coming years.
- From 2012 onwards, PSBs are likely to face top management crisis. The leadership gaps in PSBs are palpable in as much as that in the next 5 years, 80% of GMs, 65% of DGMs, 58% of AGMs and 44% of CMs would be retiring. The pool of these experienced executives cannot be replaced only through promotions. Mere promotion on accelerated basis without grooming and advance planning would not solve the problem. Apart from this, there will be huge gaps arising in the middle
- Succession planning and leadership development can help banks create a leadership pipeline to manage business Continuity risk and offer career growth to their existing employees.
- Recommendation of committee to deal with this situation: The Committee feels that succession planning should be thought of by the banks in two ways:
  - Identified critical position
  - Leadership positions.
- Crux of succession planning - Ideally each critical position should be backed up by 3 potential successors in the reserve and on whom the bank can fall back in the event of any contingency. They should be groomed sufficiently in advance to take up the vacant positions when they arise.
- There is absence of a well knit and comprehensive strategy to develop people to take up strategic positions in senior and top management.
- The quick promotion system adopted currently to tide over the problem of finding successors to retiring top management levels without exposure to leadership grooming is far from adequate in meeting the new challenges. Quick promotion without well rounded exposures
does not produce leaders for strategic roles. The tendency to ‘fill the position’ will not serve the purpose. Class room training and attending a few seminars on leadership would not be good enough to produce leaders.

- Leadership Pipeline for the Top: The Committee strongly recommends that PSBs follow processes of both individual and team development when focusing on succession planning. This will help to ensure that banks build not just one leader but key abilities are developed in a number of people and teams simultaneously.

- PSBs now require tech-savvy, customer savvy, execution driven and bold decision makers who are strongly focused on people

- As per McKinsey’s study, PSBs, as a group, will need to groom about 10,000 leaders over the next 5 years:

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<th>Cadre</th>
<th>Purpose</th>
<th>Required No of vacancies</th>
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<tr>
<td>General Managers</td>
<td>Business &amp; functional leadership</td>
<td>500-600</td>
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<tr>
<td>Regional Managers</td>
<td>Geographic business leadership</td>
<td>1500-2000</td>
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<td>Branch Managers</td>
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- The Committee is of the considered view that leadership development has to occupy a centre stage agenda for both the

- Government and the individual banks. A comprehensive leadership development strategy will have to be put in place for the banking sector and appropriate steps will have to be taken to introduce rigour into the entire process.

- Assessment Centre is a comprehensive, standardized procedure in which multiple assessment techniques such as situational exercises and job simulation (business games, discussions, reports and presentations) are used to evaluate individual employees for a variety of higher level jobs and leadership. Data from such assessments should be maintained for each candidate and used for promotion decisions along with his performance appraisal reports, experience profile and other biographic information.

- Recommends use of Assessment Centre as a reliable and valid method of assessing the extent to which a given executive has the competence to perform the new tasks. Promotions in executive cadre have to be preceded by a thorough testing of competencies and potential for holding the position to which the employee is being promoted.

- Data from such assessments should be maintained for each candidate and used for promotion decisions along with his performance appraisal reports, experience profile and other biographic information.

**Bankers’ Leadership Development Institute (BLDI)**

- In order to respond to the huge requirement for developing leaders for the banking sector, there is need for a serious strategy which can address the problem in totality. The Committee, therefore, proposes setting up of BLDI to develop world class leadership talent.

- On the tenure of Chief Executives of the banks, Narasimham Committee Report II (1998) had, interalia, made the following recommendations:

  - “The Committee is of the view that in today’s increasingly challenging business environment, a large institution can only be led effectively by a Chief Executive who has a reasonable length of tenure, which the Committee believes should not be less than five years”.

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KEY RECOMMENDATIONS

PSB is to introduce system of succession planning for key critical and leadership positions. Each critical position should be backed up by three potential successors in the reserve. Review of critical positions to engage the attention of the proposed Steering Committee of the Board on HR.

- The identified potential successors should be groomed through variety of mechanisms to prepare them for the identified positions.
- A comprehensive leadership development strategy, based on leadership competency model for each role, must be developed by each bank for executives in Scale IV and above.
- Leadership competency should be developed through a planned exposure to different jobs, tracking performance, training and development at different stages of career and grooming through management and leadership courses and through project work. Focus should be on developing high potential individuals.
- Potential identification should be done through modern HRD tools like Assessment Centre and 360° feedbacks to identify talent for various roles. Eventually this should become part of leadership development process and managed by BLDI. BLDI or any other institution which facilities this for PSBs should also help them develop mentors to guide, coach and promote internal talent.

Man Power Planning In Changing Banking Scenario

Manpower Planning also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization.

Steps in Human Resource Planning

Analyzing the current manpower inventory- Before making forecast of future manpower, the current manpower status has to be analyzed. For this the following things have to be noted-

- Nature of organization
- Number of departments /verticals
- Employees in these work units

Making future manpower forecasts- Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.

Manpower Forecasting Techniques

Expert Forecasts: This includes informal decisions, formal expert surveys and Delphi technique.

- Trend Analysis: Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).
- Work Load Analysis: It is dependent upon the nature of work load in a department, in a branch or in a division.
- Work Force Analysis: Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.
- Other methods: Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.
Developing Employment Programmes

Once the current inventory is compared with future forecasts, the employment programmes can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.

Design Training Programmes

These will be based upon extent of diversification, expansion plans, development programmes, etc. Training is be done to improve upon the skills, capabilities, knowledge of the workers and willing to work skill.

Variables Affecting Human Resource Planning

Internal Variables

- Retirement pattern in forthcoming years
- Attrition ratio
- Promotion policy
- Gap in specific skill set
- Implementation of new technology
- Role of unions & associations

External Variables

- Demand & supply of skill sets in market
- Regulatory factors affecting recruitment & promotion policies
- Peer bank ‘s policies

Importance of Manpower Planning

1. Key to managerial functions- The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, staffing becomes a key to all managerial functions.

2. Efficient utilization- Efficient management of Human Resources becomes an important function in this scenario.

3. Motivation- Staffing function not only includes putting right men on right job, but it also comprises of motivational programmes, i.e., incentive plans to be framed for further participation and employment of employees in a concern. Therefore, all types of incentive plans become an integral part of staffing function.

4. Better human relations- A concern can stabilize itself if human relations develop and are strong. Human relations become strong through effective control, clear communication, effective supervision and leadership in a concern. Staffing function also looks after training and development of the work force which leads to co-operation and better human relations.

5. Higher productivity- Productivity level increases when resources are utilized in best possible manner. Higher productivity is a result of minimum wastage of time, money, efforts and energies. This is possible through the staffing and its related activities (Performance appraisal, training and development, remuneration)
Need of Manpower Planning

Manpower Planning is a two-phased process because manpower planning not only analyses the current human resources but also makes manpower forecasts and thereby draw employment programmes.

- Shortages and surpluses can be identified so that quick action can be taken wherever required.
- All the recruitment and selection programmes are based on manpower planning.
- It also helps to reduce the labour cost as excess staff can be identified and thereby overstaffing can be avoided.
- It also helps to identify the available talents in a concern and accordingly training programmes can be chalked out to develop those talents.
- It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.
- It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.

Changing Trends in Indian Banking In Terms Of Man Power Planning

- Today’s customers: Customer profile of growing younger India is changing rapidly. Contemporary customer is having more avenues to park their money like mutual fund, pension products, insurance etc. So the banks have no choice to offer all the financial services under single umbrella or to lose the customer.
- Customer of 21st century are more demanding in terms of tech services & returns
- Cut throat competition among banks
- Challenges of getting & retaining right skill set
- Branch banking to branchless banking.

Suggestions for Succession Planning

1. Creation of a talent pool of SMART-I persons [up to scale III]: means the people who are Skilled Meticulous, Adaptive (willing to work in any environment), Responsible & Trust worthy (reliable) in terms of customer service. This pool of officers should be given special training for various challenging assignments.

2. To create a second line leadership-SMART -2 Persons- [basically Scale IV & above] LEADERS who can Strategize things, Meticulous planners, Articulate & advocate changes required, Result oriented, Tough team builder.

3. To create High Potentials (Hi-Po) – Exemplary performers perceived to have high potential for future advancement into higher levels of leadership. They can be Key source of replacement for critical positions.

4. Link succession planning outcomes to business objectives in order to ensure the right people, in the right place, at the right time. SP should complement and leverage HR strategies and programs like recruitment, training & development, and performance management.

5. Identify key critical positions and develop profiles that describe the skills, experience and competencies needed. Identify individuals with potential to go into these roles. Factors which can be considered include career aspiration, performance results and leader attributes.

6. The grooming of officers for future roles: Transfer of expertise from rich experienced existing employee to Gen Y less experienced. we should make proper study of our workforce to
identify & plug the potential knowledge drain. Creation of second line leadership is oxygen for any organization to survive & sustain.

7. Mentoring of newly joined employees: To create a self moving chain of knowledge sharing every retiring employee should adopt two employees to give them required skill knowledge experience & value of the organization. Though it is a good step taken by training system to mentor newly joined Pos. but all newly recruited should be given mentoring by Branch manager in the branch or immediate supervisor in administrative offices.

8. Performance management system: PMS is be stabilizing and employees should be sensitized toward the usage of PMS. It should not be done as a ritual. PMS also should be linked to training & career path.

9. Keeping employee motivated & effectively engaged is very important in today’s scenario when lot of tech graduates is joining in banking services.

10. Creating business mindset with ethics among employees: which in turn will change the “chalta hai (complacent) attitude” towards customer service which is backbone of any service industry like banking?

11. Manpower planning should be given to Different verticals as per their need. HR should play a role of a bridge between available resource and skill required by that vertical. Employee should have their choice of field where they can optimize their contribution.

12. Establishment of R&D department: This department will be responsible for innovative study on our own employees about their strength & developmental areas to optimize the employee resource. This study can be utilized to find out SMART -1 & SMART- 2 type (refer para 1) of officers within organization.

13. Assessing the impact of training in monetary terms: Return on learning (ROL) should be calculated by making post training evaluation in terms of performance & productivity of trained manpower. Training system already has taken a proactive step in this direction that is very good sign.

14. Technology based training : It is need of the hour when bottom line is our concern to save the employee as well as banks precious time this not only will cut the cost but also user friendly in particular Gen Y employee.

CONCLUSION

In the age of global village it is pertinent to retain & reserve a pool of talents ready to cater the need of intellectual capital to mitigate the risk of human capital. The future predictions of changing banking industry we may conclude that in future union bank may have sufficient number of working employee in quantities terms but the “skill to work & will to work” hands will be the concern of the bank.

If we visualize the Indian banking scenario we can firmly say that this decade is the decade of retirement & we are recruiting the young talents from the market trough IBPS. Today’s Gen Y has so many avenues to get employment in this global village era which poses another challenge of talent retention in the bank.

So the Succession planning is the mantra of identifying the future talent needs of bank and taking the appropriate and necessary steps to spot the talents & groom them for future challenges& assignments. This pool of talents will be intellectual capital of the bank to recoup the loss of talents in form attrition, resignation, retirement.

Those days are gone in banking, which were based on LOOK BEHIND & GO AHEAD BANKING. In this era of banking if we want to survive we must have work forces with special skills, knowledge &competency with right mind set. It is rightly said that. “One cannot solve today’s problem of with yesterday’s solution.
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