REVIEW OF SUCCESSION PLANNING IN CONSTRUCTION COMPANIES

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***Abstract*— Construction Industry in India comprises mostly businesses owned by families and importance of Succession Planning is proven as and when the businesses face the challenge in continuity of business as one generation plans for retirement. Succession Planning encompasses not only identification of suitable candidates and grooming but also replacing the key players when an organisation demands. As majority of constructions industries in India are run by families, the key objective of these organisations and Succession Planning of 'growing the most successful leaders within the organisation for sustainability over time' coincides.**

***Index Terms*—Human Resource, Succession Planning**

I. INTRODUCTION

Human resources have for all time been the most crucial factor in the construction industry, and now, with a historic generation entering the instance of retirement, the construction business needs to place greater effort in preparing for the succession of their most essential of human resource, their leaders. A significant body of research has shown that the negative effects of succession planning minimize so as to draw closer with leadership transition; however, little research has focused specifically on the construction industry. The majorities of construction companies are owned by family or have small pools of potential successors, which make them more vulnerable to the pessimistic impacts that occur with poor planning for succession. The results of literature review, the point of developing a probable methodology for increasing the efficiency of succession planning in a construction company

II. SUCCESSION PLANNING

Succession planning as defined by Sambrook (2005) "the attempt to plan for the precise number and quality of managers and key-skilled employees to cover retirement, death, serious illness or promotion, and any new positions which might be created in future organization plans". Even though today's characterization of succession planning includes the organization's attempt to prepare for transition of all management positions (Rothwell, 2010).

The typical succession plan includes four phases (Sobol, et al, 2003):

a) Comprehend the vision of the company's future and needs
b) Analyze and select the best candidate
c) Preparation of development plan for the successor
d) Transition individuals into new position

Although these four basic steps summarize succession planning, each company's plan will be unlike in various levels of complexities to diminish the impact of transition.

Hadelman et al (2005) stated "Succession Plans are like fingerprints - no two are same, and they leave their imprints on everything they touch." succession planning Research have developed a sufficient number of studies to understand the challenges that organizations have with succession planning.

III. SUCCESSION PLANNING IN THE CONSTRUCTION INDUSTRY

Past research has recognized the benefits of planning for succession however there is little research available to understand the exclusive attributes of leadership changeover in construction companies. The researcher's literature review of the best construction research journals provided little information that a construction company could apply for planning succession. Even though human resources are the most critical resources in the construction industry (Yankov & Kleiner, 2001), research for maintaining and substituting these individuals has provided little assistance for the industry.

Concept of human resource is hardly found in small family companies that make up the majority of the construction companies (Schrader, 2006). The lesser number of individuals makes it more difficult to find a qualified leader, more likely the individuals selected as a successor in a company will require training and preparation to become a strong person in charge in the construction industry (Toor & Ofori, 2008).

Another challenge found with succession planning with family owned construction companies is how to transmit ownership to the new successor. If no heir apparent is available for a family owned business, assortment of a successor will also comprise how ownership will transfer to the new successor. This transfer of ownership proves to be tricky for many construction owners. Kirschner and Ungashick (2005), state that construction owners great effort with understanding their options for selling their company, how they will receive the estimated value of the company, and when planning should begin.

IV. CRITICAL REVIEW OF RECOMMENDED PRACTICES IN SUCCESSION PLANNING

An extensive literature review of succession planning studies was conducted to find the best practices recommended for succession. A search of study related to succession planning was conducted in several highly acclaimed business publications by searching keywords connected to succession planning. Each article found was studied for best practices relating to succession. All best practices suggested in the article that related to improving a company's transition of leadership was recorded and tracked to establish the recurrence of best practices amongst researchers.

Table:1. Top Ten Recommended Practices for Succession Planning

Sl.No.	Recommended Practice	Recommendation Frequency
1	Prepare a succession plan	100%
2	Analyze and select quality candidates	73%
3	Prepare a plan to develop successor	64%
4	Prepare well defined/communicated responsibilities	50%
5	Secure senior level support	50%
6	High level of communication	50%
7	Talent management processes in company	41%
8	Capture the vision of company	36%
9	Measure performance before and/or after succession	36%
10	Agreed responsibilities of predecessor after transition	36%

V. TOP TEN RECOMMENDED PRACTICES IN SUCCESSION PLANNING

A brief summary of each of the best practices found are presented in order of highest recommended to least recommended:

1. PREPARE A SUCCESSION PLAN

Amongst all of the recommended practices found within the articles, the only practice consistently found in the articles was preparing a plan for the succession. Most plans begin informally and develop through time to be a formal written plan, which helps the transition period go smoother through the three phases of succession: before transition, during transition and after transition.

2. ANALYZE AND SELECT QUALITY CANDIDATES

Christensen (1953) recommended that potential successors should be selected and analyzed to determine the best candidate to succeed the executive position. The needs of the organization should be determined when selecting the contender to assure that the appropriate replacement is selected (Schleifer, 1999). Hadelman et al (2005) suggests for finding the appropriate candidate that fits the needs and vision of the company by allowing the candidates to present their vision and goals of the company's future, the company's future needs, and the short and long term responsibilities of the position. The idea that the successor needs to have the same skills sets as the current leader has been found to be false and can be destructive to a company (Buckingham & Vosburgh, 2001). If a candidate is not located internally within a company then the company should look externally at outside candidates (Miles & Bennett, 2007).

3. PREPARE A PLAN TO DEVELOP SUCCESSOR

Developing a formal plan for the successor to follow will help prepare them for the future, this plan should be created or agreed upon by the successor (Dyck et al, 2002) and should be easy for the successor to follow (Fulmer, 2002). Talent management and fulfilment of their goals of career development need to be assessed to ensure the identified candidates when are groomed, are retained. There are numerous deeds that can be used to put in order a successor, Bernthal and Wellins (2006) provide a list of development programs that human resource departments have utilized to organize leaders, presented below in the order of use and effectiveness:

a) Formal workshops
b) Special projects within one's own job responsibilities
c) Articles/ books
d) Tests, assessments or other measures of skills
e) Coaching with internal coaches or mentors
f) Special projects outside of one's own responsibilities

g) Computer based learning
h) Coaching with external coaches or mentors
i) Expatriate assignments

4. PREPARE WELL DEFINED/COMMUNICATED RESPONSIBILITIES

Individual roles and responsibilities should be well defined and communicated before the transition, the successors should be well aware of these expectations and be in accordance before accepting the risk involved with executive responsibilities (Sharma et al, 2003a). The forerunner or key stake holders have to also have well defined expectations of the successor's responsibilities so that the successor is not held to unattainable expectations (Morris, et al, 1997).

5. SECURE SENIOR LEVEL SUPPORT

Depending on the size of a company, senior level management can vary from one individual to a board of stake holders. Regardless, succession planning requires that all top management is on board with planning the succession of leadership, if there is no senior level support the succession plan can be ineffective (Fulmer, 2002; Carey & Ogden, 1997). Although succession planning can often begin with a push from the successor, senior leadership must buy into the importance of succession planning and add their input into the plan so there is ownership and acceptance to the succession plan (Ibrahim et al, 2001; Morris, et al, 1997; Sambrook, 2005).

6. TALENT MANAGEMENT PROCESS IN COMPANY

Hartley (2004) defines talent management as, "Talent Management is the process of recruiting, on-boarding, and developing, as well as the strategies connected with those activities in organizations". Developing a talent management process within a company creates a succession culture within the company, motivating employees to develop their abilities in the company to advance their career (Carey & Ogden, 1997; Hall, 1986). Chavez (2011) reiterates the importance of developing leaders within the company, "Companies that overlook to develop leadership at all levels not only face the risk of losing knowledge, experience, and superiority when executives retire, but they furthermore suffer lower productivity from an overall lack of employee engagement." The longer that the candidates have to get ready for the succession the more prepared they will be once time for succession occurs. Talent management within the organisation should not only focus on planning, training mentoring and knowlwdge transfer but also on competency mapping and leadership development programs. The "succession culture" within an organization that Carey & Ogden (1997) refer too will help executives focus on developing candidates continuously by giving them opportunities of growth so that they are prepared to contend for advancement.

7. HIGH LEVEL OF COMMUNICATION

Communication breakdowns are often found in the transition of leadership within small or family organizations (Ibrahim, 2001), high communication between predecessor and successor in family organizations develop better relationships, which can decrease commonly found issues with leadership transition (Morris, et al, 1997). Breakdown of communication often means that there will be a breakdown of trust with individuals involved. Ward (1987) suggests that this lack of trust or communication between a predecessor and successor may give the successor the impression that information is being withheld purposely. Hubler (1999) elaborates that true communication requires vulnerability, which some family members might not have with other members in the family businesses, this lack of communication may originate from the lack of capability, experience, confidence, or through past negative experiences.

8. MEASURE PERFORMANCE BEFORE AND AFTER

High performing organizations understand the importance that performance measurements have on the management of their organization, collecting metrics of individual performance will assist the company before and after succession (Fulmer, 2002). Before transition, progress and performance with talent management processes should be measured, this will provide performance metrics that can assist the selection of potential candidates (Groves 2006; Chavez, 2001; Bernthall & Wellins, 2006). After transition performance metrics can bring transparency to the level of success of the successor, Dalton (2006) describes that 40 percent of CEO's fail in the first 18 months after transition, the necessity of a plan with measurable metrics is crucial to evaluate the first years performance of the successor (Miles & Bennet, 2007).

9. CAPTURE THE VISION OF THE COMPANY

Capturing the company's vision and strategic goals should be in the beginning stages of the succession planning to determine what needs the organization has for its future leader (Hadelman & Spitaels-Genser, 2005). Selection of the successor should be made with how well the candidate aligns with the vision of the company and should be able to understand the vision of his predecessor (Sharma et al, 2003b). By understanding the vision of the predecessor, efforts can be made to capture the empirical knowledge from the incumbent before it's lost so the company will ontinue in its strategic plan (Sambrook, 2005).

10. AGREED RESPONSIBILITIES OF PREDECESSOR AFTER TRANSITION

The incumbent's willingness to prepare a succession plan and step down when the time is pointed, directly affects the successfulness of the transition (Sharma et al, 2003a; Sharma et al, 2003b). There are many reasons that the incumbent leader might not want to step down from the top level of management: unwillingness to lose control of the business; lack of outside interest; fear of losing their identity without the company; not prepared for retirement; or fear that death is related to retirement (Kirschner & Ungashick, 2005; Cairns, 2011). The myth that a founder of a company must let go of all control is incorrect, with proper planning responsibilities can be assigned so both the predecessor and the successor agree upon future controls (Kirschner & Ungashick, 2005). Detailed responsibilities should be lined out for the predecessor pertaining to any future contributions that they will be involved with to mitigate any conflicts of management with the predecessor and successor. A departing predecessor that does not follow this plan is in risk of offending and losing the successor to another company (Sharma et al, 2003a).

VI. CONCLUSION

In conclusion, the recommended practices found demonstrate that succession planning is not an individual activity but is an ongoing process that requires continuous planning and coordinating for development. Succession planning is essential to the legacy of a company, but numerous companies continue to fail to plan for transition which leads to crippling impacts to the company. Because of the characteristics of construction companies succession planning is highly recommended to prepare for executive transitions. The top ten recommended practices provide a foundation of the necessary steps that need to be included in succession planning. Little research specifically with the succession planning in the construction industry has been developed.

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