

Performance Evaluation of Succession Management in Banks and Financial Institutions (Case Study: Melli Bank in Isfahan City)

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ABSTRACT — Succession planning is a key in the current scenario of tight talent markets and competitive times. The present study investigates performance of succession management in banks and financial institutions in Branches of Melli bank in Isfahan city. The research method is a descriptive survey. This study was conducted in Melli bank of Isfahan in Iran, and for this purpose 72 managers were taken as sample. Questionnaire was used as data collection instrument. A questionnaire with 32 questions for measure of succession management used and the validity of the instrument was achieved through past researches and the reliability through Cronbach Alpha. Also, SPSS 18.0 software was used to analyze the data. The results indicated that succession Management planning (mean value =3/1771), candidate evaluation of succession Management (mean value =3/234), evaluation of succession Management planning (mean value =3/0716) have been done desirably on Melli bank in Isfahan city

KEY WORDS: succession management, financial institutions, Performance Evaluation,

Introduction

The rapid and aggressive expansion of global market has been a lot of pressure to identify individuals with appropriate. Competitive economic growth and changing demographics of the workforce has created intense competition for skilled workers. Organizations of all sizes and industries are currently facing a range of development problems, including decimated mid-management levels that often rob high-potential managers of main on-the-job experiences, depleted resources for staff development, and a rapidly aging workforce that may create shortfalls of experienced managerial talent for senior leadership jobs (Rothwell, 2002). Charan (2011) had stressed on need of good leaders grown out of a organization itself rather than hiring them. Carnegie (2009) suggests "succession planning as a systematic way to ensure that staffs in a special organization are competent enough to develop and then replace strategic jobs in organization hierarchy". Also, succession management planning is main to attract and develop and retain a talented workforce for important jobs of organization (Groves, 2007). On the other hand, organizations encountered with the problems of lack of knowledge and skills with increase of age, on the majority of managers and staffs (Slan, 2005). As the age of the labor force increases, a greater number of employees will leave the labor force due to disability, death or retirement. With the emergence of this challenge, namely decreasing of talent, namely depleted of talent, many specialists suggest that organizations to perform the succession management planning to identifying and developing strong employee (Dohm, 2001). Rothwell (2005) throughout his research explains that an firm which does not have a succession planning system in place i.e. they lack a formal succession plan find problem in different areas such as: important positions are not filled in an proper manner, important jobs are filled by external candidates, constant horror of turnover at key positions, potential replacements are never ready and lack main skills, most qualified talent is not retained. Today, with regard to increasing need for succession management planning, performed little effort in performance evaluation of such a system in order to establishing the optimal succession management in organizations. Actually, the measure of infrastructural performance is for accomplishing improvement Operations and development. The present research attempt to assessment of succession management planning on the existing Melli banks in the level of Isfahan city. It is expected that the results of present research used in banks and government agencies to better understand and as a guide to improve of management succession implementation.

Theoretical Foundations

Succession Management and Planning:

Leaders and top managers have long been considered a main determinant of an organization's strategies (Bertrand and Shoar, 2003) and ultimately of its corporation performance (Hambrick, 2007; Hambrick et al, 1984; Bennesen et al., 2009). And Succession planning is about the identification and development of future managers (Cameron et al, 2007). Essentially, succession planning is a main decision by a firm to promote and foster the continuous development of staffs, and ensure that important positions maintain some measure of stability, thus enabling a firm to achieve business aims. Programs of succession management is a systematic and predicted endeavor by the firm that protects leadership retention in main positions and encourages the development of knowledge Intellectual capital for the individual development and secure future. Also, the talent is required at all jobs and occupational groups. Succession planning Management has the ability to grow and develop. This planning fills the organizational certain positions at the senior levels. But, in today's changing environment, the new and changing demand there is for talented people in the organization. The emphasis of this planning is to develop a large number of able people instead of individual's development for key positions in the organizational offices (Bidokhti et al, 2013).

As Peter Drucker has indicated, identification of capable human resources and succession planning is based on the following four traits:

- 1) Managers are not born; they should be trained and developed,
- 2) There should be a major focus on the capabilities and qualifications required for the future of the organization while training and developing managers,
- 3) Succession planning and identification of capable human resources needs a systematic and organized programming,
- 4) Senior managers should take the initiative, support such efforts, and be main clients of such programs (Abdi et al, 2008).

Kim (2006) presented the model in relation to performance of succession planning management. The model includes four dimensions and present research is based on this dimensions.

1-Set policies and procedures: include measures such as: Make the commitment to systematic SP&M, and establish a succession planning program, assess work requirements, appraise individual job performance and Assess future work requirements.

2- Assess individual candidates: this phase of succession planning comprise assessment of individual potential.

3- Develop candidates: Close the developmental gap so as to meet succession planning needs

4- Evaluate the succession planning program: actually, assessment is tool that will manage the succession to the success or failure is specified.

Rothwell (2001) has reviewed the major reasons for having a succession plan (Rothwell, 2001):

- Accelerating the development and improve the retention of talented people. This argument is particularly relevant to the development and retention of talented women, a group often neglected in organizations
- To identify the ongoing needs for replacement and design appropriate training and employee development programs
- To increase the pool of talented employees to fill key positions to add value to the organization's strategic plan and contribute to ongoing business strategies
- To ensure individuals receive appropriate developmental opportunities and are successful in their career goals
- To ensure that the organization has full access to the intellectual capital of their employees to improve employee morale and commitment to the organization
- To encourage the development and advancement of the diverse group of employees.

A succession management planning should comprise the following circumstance:

- Receiving the visible support from the top management and chief executive officer,
- Be owned by line management and support by employee,
- Be simple and tailored to unique organizational needs,
- Evolve from a through human resources review process,
- Be based upon well-developed competences and objective of candidate,
- Incorporate employee input,
- Include plans for development job assignments. (Taylor et al, 2004).

Performance Evaluation

The performance evaluation is process which staff action periodically and formally reviewed and assessed. Recognition of Strong employee and rewards them and thereby creating incentives to improve their performance and other staff, are the most important main causes of performance appraisal. In the past, were assessed staff performances only for work Control; while today, the more important is the aspect of mentoring and the goals of performance evaluation is collecting the essential information about working staffs of the organization and to be made available to managers and they to take the appropriate and necessary decisions in order to increasing the quantity and quality of staff. Therefore, the ultimate goal of performance evaluation is increasing efficiency and effectiveness of the organization (saadat, 2010).

Process of Performance Evaluation

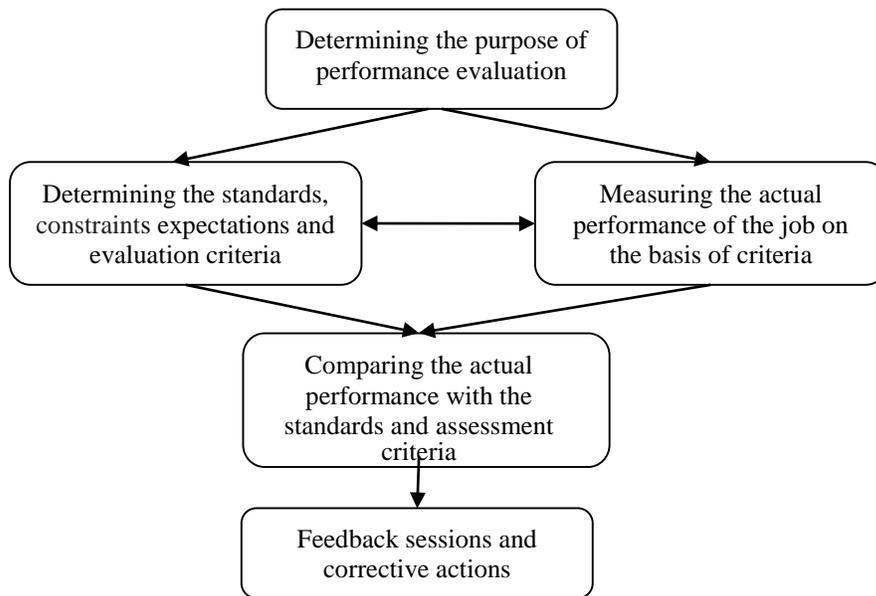


Fig 1: process of performance evaluation (Gholipour, 2012)

Purposes of Performance Evaluation

1- Administrative - Executive purposes

Decisions about compensation and reward, documentation of decisions related to staffs, determining the candidate's promotion , determining the functions and tasks, Identifying the poor performance, determination of dismissal or maintenance, validation of selection criteria, evaluation of training programs, estimates of legal regulations and personnel planning.

2- Developmental purposes

Providing the performance feedback, Identification the individual strengths and weaknesses, detection of staffs performance, Helping to identification of targets, assessing the level of objectives achievement, identifying the training needs of individual, reinforcement of the power structure, to provide a context for helping managers to staff (parsa, 2013).

3-Characteristics of the performance appraisal system

In general, for increase of the accuracy, correctness and effectiveness of the performance evaluation system must notice the following characteristics:

- Fairness
- Validity and reliability
- Distinguish high performance and low
- Exactness
- Ability to control
- Fit with corporate strategy
- Acceptability (Golipour, 2012).

Conceptual model and research hypothesis

Figure 1 shows the relationship between research variables. Based on that, the variables of policy determining, Candidate evaluation, Candidate development and evaluation of system succession are considered as the dimensions of succession management and its influencing factors.

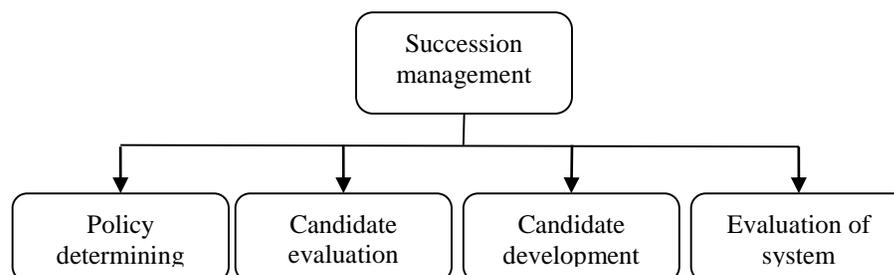


Fig 2: conceptual model

Hypothesis:

- Hypotheses 1: succession management planning has been done desirably on Melli Bank in Isfahan City
- Hypotheses 2: policies determining of succession management have been done desirably on Melli Bank in Isfahan city
- Hypotheses 3: Candidate evaluation of succession management have been done desirably on Melli Bank in Isfahan city
- Hypotheses 4: Candidate development of succession management have been done desirably on Melli Bank in Isfahan city
- Hypotheses 5: evaluation of succession management planning have been done desirably on Melli Bank in Isfahan city

Methodology

The present study investigates performance of succession management in banks and financial institutions in Branches of Melli bank in Isfahan city. This study is a Survey –descriptive research. The population of the study comprises managers of Melli bank in Isfahan city. Also, SPSS 18.0 software was used to analyze the data. In this research, standard questionnaire was used as a data collection tool. First, a group of 30 persons were selected from the subjects and the questionnaire distributed among them. Samples were also selected with method of Stratified random. After extracting the data from the responses of the intended group and the variance estimate, the volume of the sample of the study was drawn 73 persons were selected randomly as the subjects of the study. A questionnaire with 32 questions for measure of succession management used and the validity of the instrument was achieved through past researches and the reliability through Cronbach Alpha. A minimum alpha of 0.7 sufficed for stage of search. The Cronbach alpha estimated for questionnaire questions in duty was 0.81.

Descriptive data

Table 1 Descriptive statistical data shows the relation to the members of the survey managers from different branches participated to the research (n = 72). The social demographic qualifications of the participants are as follows: 66 male and 6 female participated to the research. The seniority of participants are; 16 people have less than 5 year seniority; 30 people have 5-10 year seniority; 8 people have 10-15 year seniority and 18 people have 15-30 year seniority.

Table 1: Demographic qualifications of participants

Variable Name		Frequency	percent
Gender	Male	66	91.7
	Female	6	8.3
Seniority	Less than 5	16	22.2
	5 - 10 year	30	37.5
	10 - 15 year	8	11.1
	upper than 15	18	25

Test hypotheses

To test the hypothesis used the comparison test of society (one sample t test). In this test examined the hypothesis about the population mean. This hypothesis is as follows with regard to 5 point likert scale range. If the mean value for the variable is greater than 3, Hypothesis H0 is rejected

H0: The mean of the research variable at the community level, is equal to or smaller than 3.

H1: The mean of the research variable at the community level, is equal to or larger than 3.

Table 2: Test hypotheses

Hypothesis	T-test	mean	Test Value =3		Sig	Result
			%95 Confidence interval			
			Upper limit	Lower limit		
Hypothesis 1	2/32	3/0716	-81/99	-81/85	0.000	Confirm
Hypothesis 2	1/7	2/989	-82/1	-81/99	0.000	Reject
Hypothesis 3	1/46	3/234	81/87	-81/65	0.000	Confirm
Hypothesis 4	1/55	2/885	82/21	-82/00	0.000	Reject
Hypothesis 5	1/41	3/1771	-81/93	-81/70	0.000	Confirm

Hypotheses 1: succession Management planning has been done desirably on Melli Bank in Isfahan City: As shown in table 2, since observed mean is equal to $3/0716 > 3$, so succession management planning has been done desirably on Melli bank in Isfahan city with 95% confidence.

Hypotheses 2: policies determining of succession Management have been done desirably on Melli Bank in Isfahan City: As shown in table 2, since observed mean is equal to $2/989 < 3$, so policies determining of succession Management have not been done desirably on Melli bank in Isfahan city with 95% confidence.

Hypotheses 3: Candidate evaluation of succession Management have been done desirably on Melli Bank in Isfahan City: As shown in table 2, since observed mean is equal to $3/234 > 3$, so candidate evaluation of succession management has been done desirably on Melli bank in Isfahan city with 95% confidence.

Hypotheses 4: Candidate development of succession Management have been done desirably on Melli Bank in Isfahan City: As shown in table 2, since observed mean is equal to $2/885 < 3$, candidate development of succession management have not been done desirably on Melli bank in Isfahan city with 95% confidence.

Hypotheses 5: evaluation of succession Management planning have been done desirably on Melli Bank in Isfahan City : As shown in table 2, since observed mean is equal to $3/1771 > 3$, so evaluation of succession Management planning has been done desirably on Melli bank in Isfahan city with 95% confidence.

Conclusions

The present study investigates performance of succession management in banks and financial institutions in Branches of Melli bank in Isfahan city. In the first Hypotheses succession management planning has been done desirably on Melli Bank in Isfahan City, In the second hypotheses policies determining of succession management have not been done desirably on Melli bank in Isfahan city, in the third hypotheses candidate evaluation of succession management have been done desirably on Melli Bank, in the fourth hypotheses candidate development of succession management have not been done desirably on Melli bank and finally in fifth hypotheses evaluation of succession management planning have been done desirably on Melli Bank in Isfahan City. According to the research results, the following suggestions are offered: The educational classes establishment for the managers aware of goals and benefits of succession planning, re-engineering of the organizational structure to succession management implementation, Commitment, conviction and commitment of managers to organization goals, values, strategies and guidelines, the use of various exercises and various tests to evaluate candidates, in particular psychometric tests (intelligence, personality, creativity, and social behavior); employees selection based on the information obtained from evaluation of the their performance, the use of different methods for selection of individuals to increase accuracy and personal opinion reduction, serious tendency to Meritocracy, proper selection and management support of this concept, Suitable job rotation for the trainees: for the increase of various duties and the knowledge management learning, the use of simulation training for managerial jobs (role playing), providing the appropriate feedback from performance and succession management results to managers and employees, greater attention to evaluation program during implementation of procedures related to that.

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