

The Effect of Succession Planning on the Employees' Performance based on the Balance Score Card with Regard to the Mediating Role of Commitment

Amir Hossein Amirkhani¹, Mohamad Ali Nazeryani¹, Maryam Faraz^{2*}

¹Professor Associate of Tehran PNU University, Iran

²Msc in Public Administration, Human Resources, Payame Noor University, Tehran, Iran

*Corresponding Author Email: Faraz.maryam@gmail.com

Abstract: Succession, as a sub-system of human resources management, affects the organizational learning, increased job satisfaction and employees' organizational commitment and the organizational performance. Succession has been studied from different angles and researchers have given many recommendations for effectively and successfully implementing it. Considering the need for training developed humans and developmental managers and the importance and role of organizations and service organizations such as water and sewage companies, we studied the effect of succession planning on the performance evaluation based on the balance score card in Water and Sewage Company, the southeast Tehran, by considering the organizational commitment as a mediating variable. This is a survey study and a questionnaire was used to collect the research data. The statistical population of the research includes the employees of Water and Sewage Company, the southeast Tehran. The random sampling method was used and the sample size is 217 according to Morgan table. For data analysis, SPSS and Lisrel and finally the structural equation modeling (SEM) were used. The findings show that succession directly affects the performance and the succession has also a positive and significant effect on the performance through the mediating variable of organizational commitment. According to the results of this study, succession is effective on the three dimensions of performance evaluation based on the balance score card which include: earnings, organizational improvement process and the employees' growth and innovation. This study considers that the succession is not effective on the fourth dimension of the balance score card, i.e., customers' satisfaction.

Keywords: Succession, Commitment, Performance, Balance Score Card.

Introduction

Today, the key to keep and attract customers in all organizations, especially in the service organizations, in order to improve the organizational performance relies on the quality of human resources. In fact, one of the major sources in service organizations is the competitive advantage of the human resources providing the service. Therefore, improving the quality of human resources performance can lead to the competitive advantage and the organizational performance improvement. The performance improvement of human resources depends on attracting the satisfaction and the increased commitment of employees. Therefore, first we should seek to attract and keep qualified individuals, and in this regard, the succession planning is one of the most important programs of human capital management to attract and keep individuals and identify their potential talents. In general, the succession planning is a planning in which the proper individuals are selected from qualified individuals for assuming key positions in an organization. In this process, human talents who will undertake jobs and key positions in the coming

years are identified and gradually prepared to assume these jobs and responsibilities through a variety of training programs. There is also a very limited and unknown literature on this idea in our country. There are a few studies done on the succession planning in the organizations. Most managers do not care about the long-term organizational needs for succession and subordinates are not well developed for meeting the future needs of the organization. Therefore, in the current situation, it is the best to focus on the issue of succession, since by implementing a proper succession planning, employees' commitment can be increased and consequently, the performance improvement and more success can also be expected in the organization. But how can we correctly measure the success of an organization? To answer this question, it is said that organizations need a system that not only measures all dimensions of the organization, but also measures the organization's level of success in achieving its mission and vision. In this study, the balance score card is introduced as a performance measurement system that can meet this demand of the organization. Balance score card showing the level of organizational performance, helps management improve the performance of the related unit. However, the studies on the succession and its potential effect on the organizations' performance are very limited and also there is no accepted comprehensive theoretical framework in the small existing literature. Therefore, this study first tries to examine the succession planning and then the effect of the planning on organizational performance improvement through the mediating variable of organizational commitment.

Theoretical research principles

Part I: Succession: In the late 1980s and early 1990s, the labor market caused the removal of middle managers, usually the successors of higher-level individuals, from the organizations applying downsizing structure. This resulted in the flattening of the hierarchy and left the employees with fewer opportunities for promotion. Flattening of organizations, the aging workforce and the increased downsizing were all factors involved in a shortage of qualified individuals for the succession of management positions, therefore, organizations turned to succession management system. The planning (succession) facilitates the identification of those who seem capable to assume the key positions, or those who will be able to meet this expectation after receiving specific training.

Problems and solutions for succession planning: Despite organizations' efforts, the succession planning often encounters difficulties in practice that undermine their success. Findings of several studies suggest the following issues as the reasons for the failure of succession planning.

1. Limiting individuals' development for assuming a managerial job and responsibility: Managers of most organizations select an individual as their successor and try to develop him in different ways. Such an approach prepares individuals for only one post and in many cases, the management stops developing the successor, because they see him as a potential danger for their position.

This problem can be overcome by preparing a list of the managerial talents of the organization who are developed to fill multiple positions.

2. Identifying and introducing individuals without using reliable methods: unlike the mentioned approach, sometimes the organization selects many individuals to be developed with no reliable and systematic method. Such a method results in a waste of resources and a disbelief in its fairness.

This problem can be overcome by using systematic methods and putting the individuals who achieved success in their current responsibility on the talent list.

3. Stopping the process of developing individuals after selecting talented employees and the failure in accurately and completely determining their training and developmental needs: selecting talented individuals is the starting point for succession planning. Their development should be planned, so that they can assume the expected responsibilities in the future, and also their success criteria should be developed and their level of success in developing the needed skills should be assessed at regular intervals. In addition, training programs and methods should be innovatively designed and provide a useful and varied collection of required trainings for the talented individuals.

4. Not supporting and strengthening the succession planning from the senior management: it is essential that senior managers be active in managers' developing planning and publicly supports it. More importantly, the results and achievements of this planning should be used in their appointments, so that members of the organization take this support seriously and trust its fairness.

Part II: Organizational commitment: Commitment. This is the world of organizations in which human beings are the main operators; therefore, the organization has no meaning without humans. In fact, human resources department is considered the most important asset of an organization and as long as the labor has no acceptable satisfaction, motivation and commitment to their job, other activities of the organization will not produce the necessary results. Therefore, managers should try to align individuals' goals with those of the organization and seek

to increase their commitment to the organization, and then try to keep the commitment they made, because the researchers believe that employees' work commitment is one of the most important factors affecting the efficiency of the organization.

Job performance and organizational commitment: Commitment affects an employee's level of efforts and the efforts, in return, affect the performance. It can be reasonably assumed that the employees' willingness to contribute to the effectiveness of the organization and help make it better is affected by their level of commitment. Studies of Moody et al. and Meyer et al. showed that commitment is positively related to job performance. Therefore, employees with a strong commitment to their organization, compared to those with low level of commitment, are more likely to have a better performance.

Part III: Performance evaluation. Performance evaluation is a process by which a manager evaluates the employees' working behavior through measuring and comparing them with the pre-set criteria, and records the results and sends them to the staffing agency (Haji Karimi, Rangriz, 1999).

Evaluation based on balance score card: One of the most well-known models of performance evaluation system is "balance score card" developed in 2000 by "Kaplan and Norton" and then expanded and improved. This model suggests that in order to evaluate the performance of each organization, a number of balanced indicators must be used to give the senior managers an overview of four important aspects of the organization (financial, customer, process and growth and innovation).

Balance score card (BSC) perspectives: BSC which has today attracted a lot of attention is not only a comprehensive and integrated performance measurement tool, but also a management system with a new approach to strategic management. BSC is a diverse collection of performance indicators in four groups as follows.

Financial score card: It is used to identify the organization's financial needs and performance. Financial criteria are the most important components of the balanced assessment system. All efforts done to improve the customers' satisfaction and the quality of our products and services and to reduce the time of their delivery will be futile, if they do not lead to tangible financial results.

Customer score card: In a business strategy, how to differentiate an organization from its competitors in order to attract, keep and deepen the relationships with target customers is very important. In the balance score card model, a special importance is given to the customer and this model is used to determine the level of customer's satisfaction (by using quantitative and qualitative measures for products or services).

Internal processes score card: It is used to evaluate the required processes in the organization. In this perspective, organizations should identify processes that by mastering them, they can continue to create values for their customers and finally their shareholders. Achieving each of the goals set in the customer's perspective requires a series of efficient and effective operational processes. These processes should be determined in internal processes perspective and the appropriate criteria to control their progress should be developed.

Knowledge, growth and learning score card: This aspect focuses on how the employees are trained, and how the knowledge is acquired and used in order to survive in the existing competitive market. Determining the goals and criteria related to the customer's perspective and internal processes, the gap between the skills and capabilities required for the employees and their current skills and capabilities will be immediately noticed. Therefore, the objectives and criteria of this perspective to fill these gaps and then the appropriate criteria to monitor their progress should be determined.

Research background

Despite various studies done about the importance of organizations' management succession planning, no similar research directly addressed the succession management, organizational commitment and performance evaluation, so there was no expected prediction for how the succession planning is related with organizational commitment and the dimensions of performance evaluation based on the balance score card. Therefore, to see the consistency or inconsistency of this study, studies with similar subjects were used. The following are a few of them on the succession. Bidmeshki (2011) studied the higher education readiness level for the implementation of the succession planning in Alzahra University, and concluded that the commitment dimension to the systematic succession in both current and desired statuses was recognized as the most important element. In this regard, Kim's study (2006) showed that employees' evaluation can provide useful and valuable information about changes in the workplace that succession planning needs it. Also the article Measures That Drive Performance published in the January 1992 in Harvard Business Review noted that successful companies do not only rely on the financial measures to assess their performance, but evaluate their performance from three other perspectives of customer, internal processes, learning and growth. Richard study (2007) *Determining the importance of succession planning in public organizations* showed the following are stated as indicators of succession planning importance in the

organizations: (1) succession planning can identify and develop new leaders, (2) succession planning can provide financial success, (3) succession planning can promote positive organizational culture, (4) succession planning can contribute to organizational survival, 5. the importance of succession planning in starting change management (Abbasi Harafteh, 2010). Risa Slan studies (2005) examined the effect of succession management on managers' attitudes .The results show that with the increase of management succession, the organizational commitment increases too. These findings are consistent with the findings of the present study.

Conceptual model of the research

Two models used in this research are as follows:

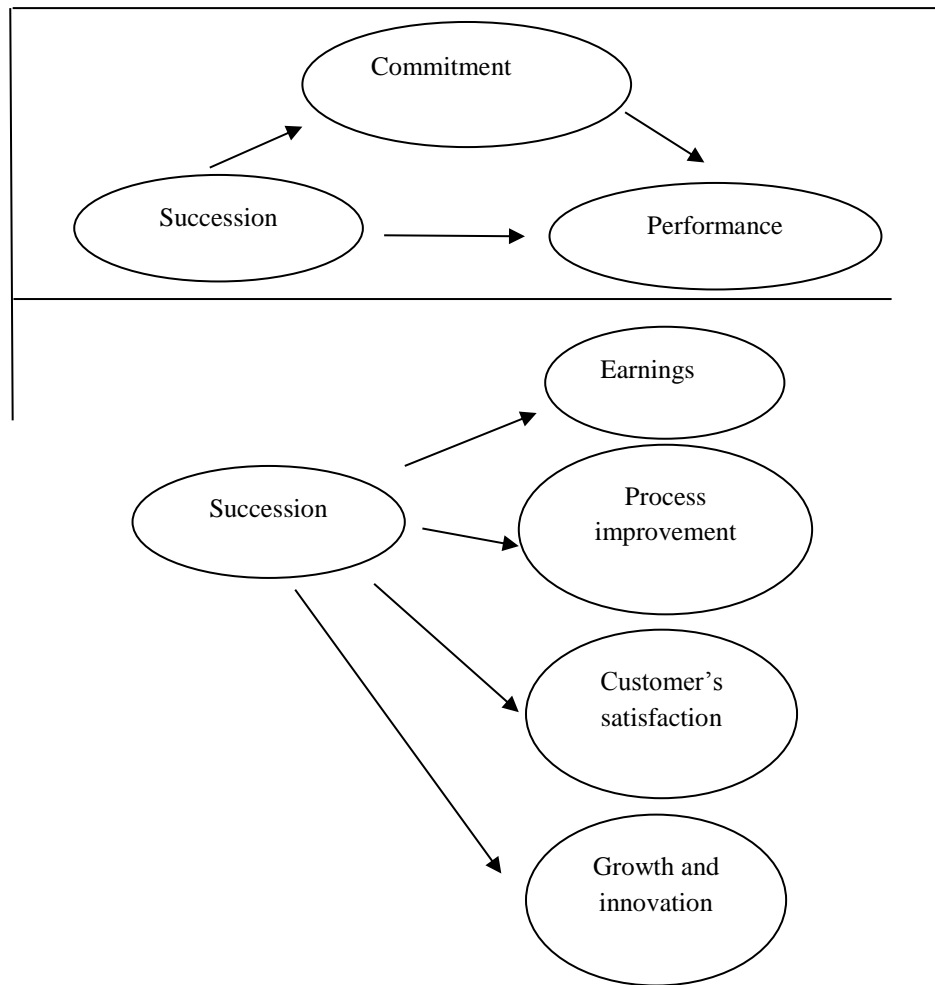


Figure 1. Conceptual model.

Research hypotheses

- 1) Succession is effective on performance.
- 2) Succession is effective on performance through commitment.
- 3) Organizational commitment is effective on performance.
- 4) Succession is effective on organizational commitment.
- 5) Succession is effective on organization's earnings.
- 6) Succession is effective on organizational process improvement.
- 7) Succession is effective on customers' satisfaction.

8) Succession is effective on the employees' growth and innovation.

Materials and Methods

Methods and tools used for data collection: The present study is applied in terms of purpose, data were collected in descriptive field and library research methods, and this is a survey research.

Since this is a descriptive research, a survey method and questionnaire were used. Data were collected and analyzed through combining the standard questionnaire and a questionnaire based on the research model and experts' opinions.

Statistical population: Employees of Water and Sewage Company, the southeast Tehran, are used as the statistical population.

Sample and sampling method: In this study, the sample is calculated by Morgan table. Accordingly, 220 questionnaires were distributed among employees of Water and Sewage Company, the southeast Tehran. This is a random sampling study.

Methods and tools used for data collection: Secondary data were also retrieved from the reference libraries and the theses available in this field and also from reputable websites. A questionnaire was also used to collect the primary data.

Reliability: Cronbach's alpha, one of the most popular measures of reliability, is a measure of internal consistency and is calculated as follows.

$$r_a = \frac{j}{j-1} \left(1 - \frac{\sum S_j^2}{S^2} \right)$$

In this study, Cronbach's alpha coefficient of the questionnaire was estimated to be 0.953 which was above 0.7 and was within the acceptable level. Cronbach's alpha coefficient was estimated for different parts of the questionnaire as presented in details in Table 3-7.

Table 1. Scoring questions.

Elements	Cronbach's alpha	
Succession	0.957	
Commitment	0.841	
Performance evaluation	Earnings	0.824
	Organizational process	
	Customer's satisfaction	
	Employees' growth and innovation	
Total	0.953	

Statistical data analysis method: In order to analyze the data obtained from the samples, both descriptive and inferential statistical methods were used. To study the respondents' profile, the descriptive statistics was used, to determine the status of each variable in the studied sample, the one-sample t-test was used and finally to test the hypotheses, the structural equation modeling was used. SPSS and LISREL were used to analyze the data.

Conceptual model fitting test: In this section, the conceptual model of the research was drawn in the form of a path diagram and was measured using different fitting methods. A complete structural equation modeling actually represents a combination of path diagram and confirmatory factor analysis. Figures 2, 3 and 4 show two researchers' models in two modes (standard coefficients and significant coefficients). Coefficients in the diagrams were divided into two groups. The first group shows the relationship between the latent variables (oval) and apparent variables (rectangles), these equations are called factor loadings. And the second group shows the relationship between the latent and latent variables known as structural equation used to test the hypotheses. All coefficients are tested using the t-test. Considering the factor loadings, it can be said which variable contributes more and which variable contributes less to measure the relevant structures.

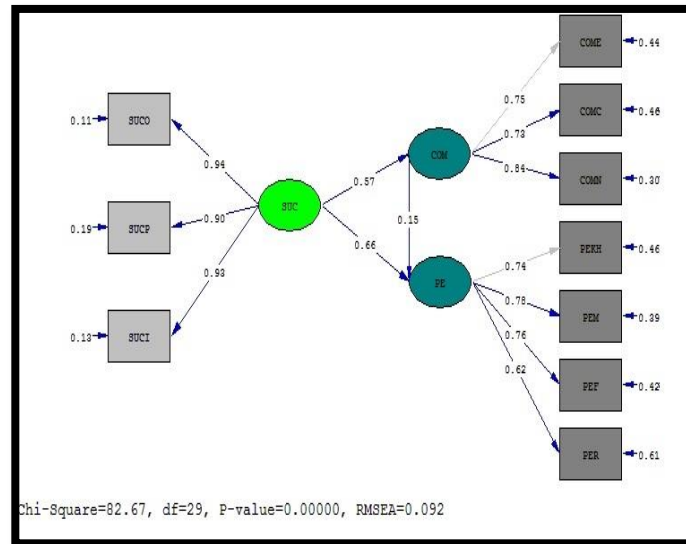


Figure 2.model 1 The significance of the coefficients.

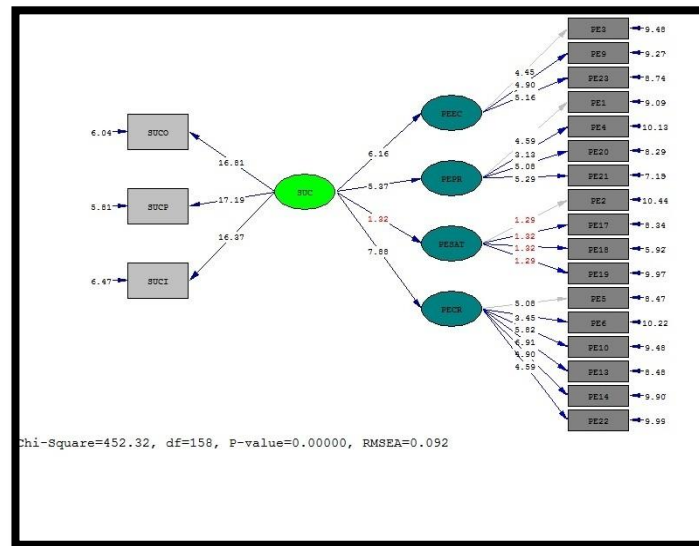


Figure 3. The significance of the coefficients(t-value).

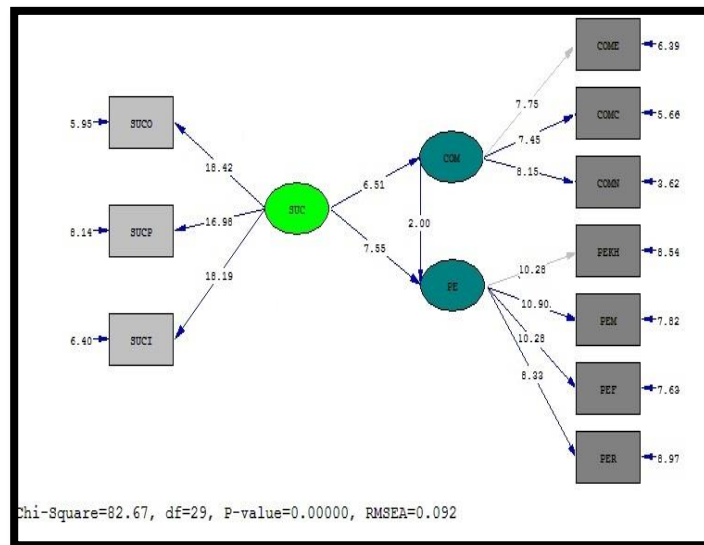


Figure 4. Model 1 in standard mode coefficients.

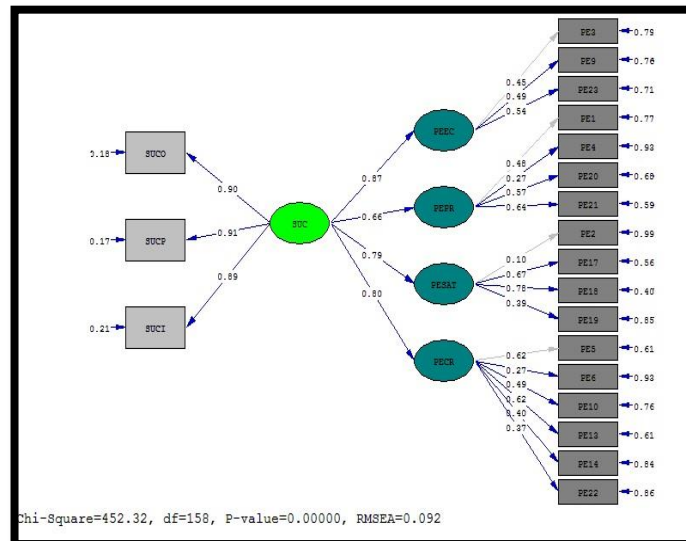


Figure 5. Model 2 in standard mode coefficients.

Results

Answering the hypotheses using SEM

Reviewing hypotheses

First hypothesis: succession is effective on performance. H_0 : Succession is not effective on performance. H_1 : Succession is effective on performance.

Table 2. First hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r^2)	Result
Succession is effective on performance	0.66	7.55	0.54	Confirmed

Regarding the first model and t-statistic (outside the range of -2.58 to +2.58) and the positive path coefficient, one can conclude that succession is effective on the performance at the confidence level 99%. Therefore, as the succession system is developed and improved, the performance improves too.

Second hypothesis: Succession is effective on performance through commitment. H₀: Succession is not effective on performance through commitment.

H₁: Succession is effective on performance through commitment.

Table 3. Second hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r ²)	Result
Succession is effective on performance through commitment.	0.085	13.02	0.56	Confirmed

Regarding the first model and t-statistic (outside the range of -2.58 to +2.58) and the positive path coefficient, one can conclude that succession is effective on the performance through commitment at the confidence level 99%.

Third hypothesis: Organizational commitment is effective on performance. H₀: Organizational commitment is not effective on performance.

H₁: Organizational commitment is effective on performance.

Table 4. Third hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r ²)	Result
Organizational commitment is effective on performance	0.15	2	0.56	Confirmed

Regarding the first model and t-statistic (outside the range of -1.96 to +1.96) and the positive path coefficient, one can conclude that Organizational commitment is effective on performance at the confidence level 95%. Therefore, as the Organizational commitment is developed and improved, the performance improves too.

Fourth hypothesis: Succession is effective on organizational commitment. H₀: Succession is not effective on organizational commitment.

H₁: Succession is effective on organizational commitment.

Table 5. Forth hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r ²)	Result
Succession is effective on organizational commitment	0.57	6.51	0.54	Confirmed

Regarding the first model and t-statistic (outside the range of -2.58 to +2.58) and the positive path coefficient, one can conclude that Succession is effective on organizational commitment at the confidence level 99%. Therefore, as the Succession is developed and improved, the organizational commitment improves too.

Fifth hypothesis: Succession is effective on organization's earnings. H₀: Succession is not effective on organization's earnings.

H₁: Succession is effective on organization's earnings.

Table 6. Fifth hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r ²)	Result
Succession is effective on organization's earnings	0.78	6.61	0.59	Confirmed

Regarding the second model and t-statistic (outside the range of -2.58 to +2.58) and the positive path coefficient, one can conclude that Succession is effective on organization's earnings at the confidence level 99%. Therefore, as the Succession is developed and improved, the organization's earnings improve too.

Sixth hypothesis: Succession is effective on organizational process improvement. H_0 : Succession is not effective on organization's process improvement.

H_1 : Succession is effective on organization's process improvement.

Table 7. Sixth hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r^2)	Result
Succession is effective on organization's process improvement	0.66	5.37	0.36	Confirmed

Regarding the second model and t-statistic (outside the range of -2.58 to +2.58) and the positive path coefficient, one can conclude that Succession is effective on organization's process improvement at the confidence level 99%. Therefore, as the Succession is developed and improved, the organization's process improvement improves too.

Seventh hypothesis: Succession is effective on customers' satisfaction. H_0 : Succession is not effective on customers' satisfaction

H_1 : Succession is effective on customers' satisfaction.

Table 8. Seventh hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r^2)	Result
Succession is effective on customers' satisfaction	0.79	1.32	0.558	Refused

By consider t-statistic (inside the range of -1.96 to +1.96), one can conclude that Succession is not effective on customers' satisfaction

Eighth hypothesis Succession is effective on the employees' growth and innovation. H_0 : Succession is not effective on the employees' growth and innovation.

H_1 : Succession is effective on the employees' growth and innovation.

Table 9. Eighth hypothesis.

Hypothesis	Path coefficient	t-statistic	The coefficient of determination (r^2)	Result
Succession is effective on the employees' growth and innovation	0.80	7.88	0.52	Confirmed

Regarding the second model and t-statistic (outside the range of -2.58 to +2.58) and the positive path coefficient, one can conclude that Succession is effective on the employees' growth and innovation at the confidence level 99%. Therefore, as the Succession is developed and improved, the employees' growth and innovation improvement improves too.

Discussion and Conclusion

As seen, although the relationship among the three categories studied in this research (succession, performance evaluation and commitment) was not examined in previous studies, as the researcher knew, they are affecting each other and 7 out of 8 hypotheses were confirmed, and the final model was also reviewed and confirmed using structural equation technique and this can guide the future researchers that a confirmed model is available for the similar studies. The aim of this study was to evaluate the effect of succession on performance based on the balance score card. Also, as mentioned in the analysis of statistical tests results, one can easily study the relationship between the succession and organizational performance and the intermediary role of commitment variable. Water

and Sewage Company's structural improvement should receive attention and be used in developing operational, executive and strategic programs.

In order to successfully implement the succession planning and improve the performance of the Company, following suggestions are given:

- ✓ Having a clear company's strategy so that the competencies and capabilities of managers who should fulfill them are extracted and cataloged.

- ✓ Giving appropriate feedback to the managers and employees for performance and the results of succession management system.

- ✓ Paving the way for winning the confidence of young contemporary and rival employees that appointments are done based on a systematic, logical, specific method in the company.

- ✓ Senior managers' positive and optimistic approach to human resources department and the decisive role it plays in the success of the company.

- ✓ Promoting organizational loyalty and paving the way for the supremacy within the organization and a dynamic career move for the available manpower.

- ✓ Senior management's future stability to make employees interested and motivated for long-term investments.

- ✓ The company's effort for the implementation of ideas and modern management techniques such as suggestion systems, problem solving teams and etc.

- ✓ Protecting organizations against political groups in case of appointments and recruitments. Helping employees to timely move in the organization.

It is hoped that by identifying obstacles and problems for succession planning, implementing it and using managers' valuable experience, organizations can take an important step to realize their objectives. In the end, given that the majority of Iranian organizations have not yet formally used the succession planning, it is hoped that by doing more research in this area, other aspects of the important indicators for implementing succession management planning will be examined to fill the current vacuum of our organizations.

Conflict of interest

The authors declare no conflict of interest

References

- Kaplan RS, Norton DP, 2000. *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in The New Business Environment* First Edition, Harvard Business School Press, Massachusetts.
- Kim Y, 2006. *Managing succession: developing tomorrow's leaders today, a future executive leadership competency framework*. Master of art in leadership and training, royal roads university.
- Abbasi Harhafteh B, 2011. *Designing a Model system for succession planning of Mapna company*, master's thesis, School of Management, Tehran University. (in Persian)
- Haji Karimi AA, Rangriz H, 1999. *Human Resource Management*. Tehran University Publishing .
- Richard B, 2007. *Predicting the organizational commitment of marketing education and health occupations education teachers be work related rewards*. *Journal of Industrial Teacher Education*. 32(1): 1-14.
- Slan R, 2005. *Leadership succession: The justice perceptions of high potential potential, identification practices*. The degree of Master of Arts. University of Guelph.
- Zeynodini Bidmeshki Z, Adli F, Vaziri M, 2011. *Higher education readiness level for the implementation of the succession planning in Alzahra University*. *Journal of Research and Planning in Higher Education*. 72: 5.