



ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF BUSINESS LEADERSHIP

OFFICE OF GRADUATE STUDIES

**ASSESSMENT OF SUCCESSION PLANNING PRACTICES IN THE
CASE OF OROMIA BANK S.C**

**A PROJECT WORK SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF ARTS IN BUSINESS
LEADERSHIP**

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JUNE, 2022

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Approval Sheet

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Statement of Certification

This is to certify that Amanuel Mekonnen Oda has undertaken his project work on the topic titled “Assessment of Succession Planning Practice in Oromia Bank S.C.” which is his original piece and thus, it is found suitable for the award of Masters of Arts Degree in Business Leadership.

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(Advisor)

June, 2022

Declaration

I hereby declare that the project work entitled “Assessment of Succession Planning Practice in the case of Oromia Bank S.C” is my own project work submitted in partial fulfillment for the requirements of Masters of Arts in Business Leadership to Addis Ababa University, School of Commerce. This study is the result of my own effort and all necessary acknowledgement is given for all the materials utilized for this study.

So far, the same study has not been submitted for any degree requirement neither for Addis Ababa University nor for other Universities elsewhere.

Name: Amanuel Mekonnen Oda

Signature: _____

Date: _____

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Acronyms

CEO: Chief Executive Officer

CS: Customer Service

CSO: Customer Service Officer

EPMS: Employee Performance Management System

HC: Human Capital

HiPer's: High Performers

HiPo's: High Potentials

HR: Human Resource

HRD: Human Resource Development

HRM: Human Resource Management

IDP's: Individual Development Plans

KSAO's: Knowledge, Skills, Abilities and Other Characteristics

NBE: National Bank of Ethiopia

PMS: Performance Management System

RBV: Resource Based View

S.C: Share Company

SD: Standard Deviation

SP&M: Succession Planning and Management

SP: Succession Planning

SPSS: Statistical Package for Social Science

USD: United States Dollar

Abstract

The study seeks to assess succession planning practice in the case of Oromia Bank S.C among branches found in Addis Ababa City. The study aimed to meet four main objectives. Firstly, it assessed SP practice in the Bank. Secondly, it examined factors hindering effective execution of SP practice. Thirdly, it determines the determinant factors for effectively executing SP practice. Finally, the sought for enabling strategies for effectively executing SP practice in the Bank. By considering the research objectives and questions into account, both quantitative and qualitative approach along with descriptive research design. Stratified and purposive sampling technique has been utilized where data was collected from 195 respondents of managerial and clerical job categories which accounts for a response rate of 85%. Qualitative data were analyzed using descriptive statistics like percentages, mean and SD; while qualitative data were analyzed qualitatively in the form of summary.

The findings of the study shows that the majority of employees of the bank knows the bank's SP practice and how it works. Above all, insufficient talent pipeline, inability to motivate and retain key employees, ineffective business practice, unfocused roles and responsibilities, limited information about employees, lack of effective company vision and failure to address future needs and inactive periodical actions are the factors hindering the bank's SP practice as per the findings of the study. Besides, the findings of the study reveals that the bank is not properly practicing the determinants factors of effectively executing SP practice. Furthermore, enabling strategies for effectively executing SP practice has not been properly implemented in the bank as per the findings of the study.

Keywords: *Succession planning, succession planning challenges, determinants of succession planning, strategies of succession planning, Oromia Bank S.C.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

In a tide of globalization where business environment is filled with high volatility, uncertainty, complexity and ambiguity, developing solid internal capability has no substitute to remain competitive. For the same reason, organizations undertake massive investment in the development of their human capital for the sake of gaining competitive edge in particular, and to ensure their sustainability in the long-run. The resource-based view theory of a firm states that an organization internal capabilities and resources i.e. its human capital gives an organization competitive advantage as the skills, knowledges, and abilities embedded in them are valuable, rare, inimitable and non-substitutable (Wang, 2014). The continuity and competitiveness of an organization is highly determined by the availability of its human capital having the required knowledge, skills, abilities and other characteristics (KSAO's). As a result, succession planning becomes the major aspect of human capital management that determines the long-term viability of an organization. The continuity, sustainability, growth and competitiveness of an organization is highly determined by how an organization effectively execute SP practice (Lambert, P., Marks, W., Elliott, V., & Johnston-Anderson, N. (2016); Motwani, J., Levenburg, N. M., Schwarz, T. V., & Blankson, C. (2006). Quality SP enhances the selection, development and retention of high performers having high potentials for future organizational roles to ensure business longevity (Chavez, 2011).

Succession has to do with continuity and thus, it's a process of ensuring the sustainability of an organization through succeeding successors (Munroe, 2011). SP is a systematic and a planned effort through which critical positions in organizations are filled with persons having the required

set of skills (Chavez, 2011). According to Rothwell (2010) SP is a planned and systematic process through which organizations ensure continuity of key leadership positions and also mechanism through which they ensure individual development. Succession planning has seven steps: making the commitment, assess present work/people requirements, appraise individual performance, assess future work/people requirements, assess future individual potential, close developmental gap, and evaluating succession planning program (Rothwell, 2004: P79)

Apart from traditional approach to SP which focuses on replacement than internal development of talent, due to the increasing understanding and importance of SP over time, development of internal talent pool becomes evident in today's organizations (Mehrabani and Mohamed, 2011, Gothard & Austin, 2013).

In spite of an increasing empirical studies related to SP practices, the attention given is poor (Rohana Ahmad, 2016; Syeda & Abida, 2014). For instance, according to Rosenthal et al., (2018) only thirty-three percent of organizations have effective internal mobility program even though its importance is highly emphasized by a larger respondent i.e. eighty-seven percent. On the other hand, organizations in which SP is lacking, it's inevitable that critical positions are not timely filled, an increase in critical positions risk, key positions are occupied by leaders recruited from external sources, skills required for current and future roles will be lacking and loss of high performers will be certain (Rothwell, 2015).

In Ethiopian private commercial banks, evidences related to SP practice are rare and under researched. Therefore, this study attempts to investigate SP practice in Oromia Bank S.C. in the selected branches found in Addis Ababa City with respect to effective practices found in literature. Besides, determinant and hindering factors of effectively implementing succession planning

practice along with strategies enabling its effective execution are investigated and subsequently, recommendation is made for further improvement.

1.2. Background of Oromia Bank S.C

Oromia Bank S.C. is one of the private commercial banks in Ethiopia established on September 18, 2008, by obtaining license from the National Bank of Ethiopia. The bank has been operating for almost the past fourteen years in the Ethiopian banking sector. As per the bank's annual report of the fiscal year ended June 2020/21, the bank's branch network reached 316, its customer base in terms of number of deposit accounts grew by 45% and reached 2.49million. Deposit resource mobilization performance showed a growth of 24% and reached birr 34.35billion as of the fiscal year ended June 30, 2020/21, comprising both conventional and interest free banking deposits. Through the bank's international banking operation activities, USD181million was generated during the fiscal year with a promising performance revival. The bank's total asset showed a growth of 23% and reached birr 41.7billion as of the fiscal year ended, while the paid up capital grew to birr 3.46billion at the end of the fiscal year.

Above all, the bank has devised the third, five-year strategic plan in a bid to realize improved operational efficiencies and high-growth results in the sector fueled by stiff market competition among the existing and new banks given green light to enter the banking sector by the NBE. As part of the newly devised strategy, HRD was given due emphasis and considered as the bank's primary endeavors. Thus, the bank has renewed its commitment to develop its staff and undertake capacity building at all levels through providing local and overseas trainings to drive the right competency which will help the bank to realize the planned transformational initiatives and thereby to withstand with the prevailing stiff competition in the banking sector which can be only beaten

through development of its internal capability, of which, development of human resource of the bank has the lion share contribution.

To this end, the bank has started building its future training and convention center for developing and capacitating its employee's skills and to attain the desired level of competency.

Overall, the bank stood 9th in rank among the existing sixteen private commercial banks found in Ethiopia by earning a net profit of birr 871.9million as of the fiscal year ended June 30, 2020/21.

1.3. Statement of the Problem

Succession planning is continuous and systematic approach through which organizations identify, develop and retain high performing individuals to ensure their competitiveness and sustainability in the long-run. In today's volatile business landscape, the war for talent is at its highest peak among organizations and at the same time, talented employees are searching for better opportunities elsewhere. Hence, organizations are operating under such tough challenges in order to keep the right balance between both individual interest and meeting organizational goals. Succession planning helps an organization to have diverse pool of readily available talents to be utilized in time of need, enhances employee satisfaction and minimizes costs for external sourcing through development of talent from within (Govender 2010).

Undoubtedly, the success of an organization at present and future times is highly determined by its internal capability and competencies to remain competitive and to ensure the lasting long-run success. Hence, continuity remains the primary concern for organizations in the prevailing turbulent environment which necessitates the need for identifying top talents, developing top talents and retaining them becomes critical which calls for implementing effective succession

planning practice. Thus, succession planning becomes a necessity for organizations to implement (Prabhakar and Gowthami, 2013).

In today's unstable and highly volatile business landscape, employee turnover has been increasing in most organizations. Some of the reasons are attributed to but not limited to: sickness, retirements, and for finding better jobs (Mehrabani and Mohamad, 2011). Hence, due to departure of key employees, organization could collapse and thus, the need for implementing effective succession planning practice becomes an imperative (Garg and Van Weele, 2012). Besides, it's very important that organizations have appropriate succession planning practice to overcome talent shortages (Nana, 2013).

Notwithstanding with the fact that there is an increasing need and significance of succession planning becomes a priority, however, the attention given is poor and different attributes are related to organizations inability to successfully implement effective succession planning practice. Over the years, organizations have realized that their present and future success is determined by the quality of talents they possess even though a smaller number of these same organization proactively implement an effective practice yielding positive outcomes (Rosenthal, J., Rouch, K., Monahan, K., & Doherty, M., 2018).

According to a study by Rosenthal et al. (2018) succession planning efforts in different organization is not well implemented. The study demonstrates that eighty-six percent of leaders of organizations believe that succession planning is their urgent and important priority; while only thirteen percent of them implement it well though. The study is a clear indication that even though organizations realize the importance of succession planning practice, they poorly implement it. Considerable attention is not given for succession planning practice in most organization and it is being undertaken when need for the same arises which is a risky approach resulting in loss of key

talents and wrong assignment of individuals not fulfilling the required competencies set for critical positions (Govender, 2010, and Ali and Hamid Reza, 2014).

A study by Lowan and Chisoro (2016) asserts that lack of support by the top management was found to be the major drawbacks in organizations inability to implement succession planning practice.

In Ethiopia, every year, more than two million graduates enter into the labor force and searching for employment. At the same time, employers are facing difficulty of finding individuals with a set of qualified skills despite the rising number of graduates every year, which is a paradox. Hence, the issue is not only the creation of new jobs but the match between education and the skill the job market demands (Netherlands Enterprise Agency, 2020). Thus, it's crystal-clear that organizations in Ethiopia needs to have effective mechanism through which they identify, develop and retain talents to ensure both the smooth functioning of their day-to-day business in particular, and their sustainability in a broader sense.

So far, even though a number of studies related to succession planning has been conducted, they were confined to Asian countries like Iran and other developed European countries (Busine and Watt, 2005). Whereas, studies conducted in the same area has been very limited in the case of developing countries including Ethiopia. Regarding the Ethiopian case, though difficult to find studies in the area, the formal succession planning programs is at an infant stage. Likewise, Oromia bank has introduced succession planning procedure since November 2018.

To the knowledge of the researcher, no such study was conducted that has investigated succession planning practices in the context of Ethiopian private commercial banks in general, and in the case of Oromia bank in particular. Besides, as the researcher approached and interviewed the Chief, Human Resource Directorate Director of Oromia Bank, there is snatching of talented and skillful

employees among banks. On the other hand, competent employees also leave the bank for getting better opportunity in the existing banks and at the new bank's joining the sector which makes the talent management practice of the bank challenging one. In addition, following the aggressive branch expansion of the bank, assignment of employees having the right skill, knowledge and abilities are required more than ever which calls for effective succession planning and management to be in place even though the practice at the bank is not satisfactory.

This study is, therefore, aims to fill this gap and as a result, seeks to investigate succession planning practice that have been implemented in Oromia Bank and thereby make recommendation based on the findings of the study.

1.4. Research Questions

This work attempts to provide answer the following research questions:

- ❖ To what extent succession planning practices has been conducted in Oromia Bank?
- ❖ What factors hindering successful execution of succession planning practice in Oromia Bank?
- ❖ What are the determinants of effectively executing SP practice in Oromia Bank?
- ❖ What strategies are required to effectively execute succession planning practice in Oromia Bank?

1.5. Objectives of the Study

1.5.1. General Objective

The main objective of this study is to investigate the succession planning practice in Oromia Bank S.C. and to recommend suggestions for future based on the findings of the study.

1.5.2. Specific Objectives

In particular, the study attempts to address the under listed specific objectives:

- ❖ To assess succession planning practice implementation in Oromia Bank S.C;
- ❖ To examine factors hindering effective execution of succession planning practice in Oromia Bank S.C;
- ❖ To determine determinant factors for effectively executing succession planning practice in Oromia Bank S.C;
- ❖ To determine enabling strategies for effective execution of succession planning practices in Oromia Bank S.C;

1.6. Significance of the Study

For leaders and stakeholders of Oromia Bank S.C, the findings of the study provides an insight by surfacing the prevailing challenges and recommending strategies for effectively implementing succession planning practice to ensure the continuity of their organization in today's highly competitive business environment. Likewise, the study might serve as an input for leaders and managers of private commercial banks in making decisions about successor development practices to ensure the continuity of their organization.

For regulatory bodies like NBE, the findings might be used an input to formulate policies guiding effective implementation of succession planning practice in private banks as the competitiveness and continuity of private banking sector has primary role in the economic development of the country.

Moreover, the findings of the study are expected to stimulate research interests among academics, researchers and students to further investigate succession planning practices in the context of Ethiopian private commercial banks.

1.7. Delimitation/Scope of the Scope

The study is delimited conceptually, geographically and methodologically as well. Thus, the study tries to examine the SP practices in Oromia Bank S.C. Practices of SP in the bank were examined in terms of the (knowledge of the concept of SP, degree level of SP, how many times the bank conducts SP, and importance of succession planning), challenges of SP (insufficient talent pipeline, inability to motivate and retaining key employees, ineffective business practice, unfocused roles and responsibilities across a career plan, limited information about employees, lack of effective company vision and failure to address future needs, and inactive periodical succession plan), determinants of effective SP (Human resource policy, committed managers, organizational culture, organizational readiness, and managers competencies), and strategies for effectively implementing SP (attracting and recruiting potential employees, rewarding and recognizing hard working employees, effective leadership and management development, staff engagement, effective management and performance, organizational learning and development, and setting adequate budget for human resource development). Methodologically, to conduct the study, descriptive research design was employed by the researcher based on the objectives of the study. Data is collected by using both structured questionnaire and interview. The study is focused on selected Oromia Bank S.C. branches found in Addis Ababa City. To collect relevant information from respondents, the researcher targeted employees working on managerial and clerical job categories as per the bank's organizational structure. Managerial position consists of respective Branch Managers, and Manager, Branch Sales and CS. Clerical job category includes

of positions job grade 9 & 10; namely: Branch Accountant, Branch Control and Compliance Officer, Branch Credit Officer, Branch Foreign Trade Services Officer, Branch Senior Control and Compliance Officer, Senior Branch Accountant, Senior Branch Credit Officer, Senior Branch Foreign Trade Services Officer, and Senior Branch Sales & CSO. These positions were selected as they have better exposure on SP and successors are also nominated for branch manager position from those job positions above and inclusive of job grade 9 and 10. Stratified and purposive sampling technique has been utilized by the researcher based on the objective of the study.

Whereas, interview was held with Head Office HRM Chief Director and Deputy Director as they have better understanding and knowledge on the subject matter. Besides, the bank's HRM policy and procedure is also devised by this Department and they have good understanding on SP practice of the bank.

1.8. Limitations of the Study

Generalizing the finding of the study on a wider scope is one of the drawbacks of the study as the study was conducted on Oromia Bank S.C. Another limitation of the study was unavailability of adequate empirical evidences related to SP practice in general, and in the context of Ethiopian private commercial banks in particular. Besides, reluctance of some respondents to fill questionnaire required for data collection was one of the drawbacks which likely limit the researchers' findings of the study.

1.9. Definition of terms

1.9.1. Conceptual Definitions

Succession Planning: is a process through which organizations identify key positions of high impact on their success and determining the best possible way of satisfying future business needs and development of strategies aiding the determination of optimal sourcing of talents (Cannon and McGee, 2011). Key positions

Key positions: Are positions that warrant attention because they represent positions strategically vital leverage points affecting organizational success. Thus, when such positions are left vacant or when the work is left undone, for whatever reason, the organization will not be able to meet or exceed customer expectations, confront competition successfully, or follow through on efforts of crucial long-term significance (Rothwell, 2010: P192).

1.9.2. Operational Definition

Managerial Job Category: According to Oromia Bank's organizational structure, managerial job categories found at branch level includes respective Branch Managers and Manager, Branch Sales and Customer Service positions.

Clerical Job Category: For the sake of this study, this job category comprised of positions of job grade 9 & 10; namely: Branch Accountant, Branch Control and Compliance Officer, Branch Credit Officer, Branch Foreign Trade Services Officer, Branch Senior Control and Compliance Officer, Senior Branch Accountant, Senior Branch Credit Officer, Senior Branch Foreign Trade Services Officer, and Senior Branch Sales & CSO.

1.10. Organization of the Study

The structure of the thesis composed of five chapters as explained hereunder;

Firstly, chapter one dealt with background of the study, Oromia Bank Profile, statement of the problem, research questions, objectives of the study, significance of the study, limitations and scope of the study are presented.

Secondly, chapter two dealt with the review of literatures to explore the concepts of the subject matter including the theoretical, empirical, and conceptual literatures with regards to the topic under the study.

Thirdly, chapter three provides information about the methods employed in the research to provide solution for the research questions. The research approach, research design, the source of data, data collection method, data collection instrument, data analysis method, validity and reliability, and ethical consideration has been illustrated in this chapter.

Fourthly, chapter four provides information on data presentation, analysis, interpretation, and discussion of the findings of the study.

Finally, chapter five deals with the summary, conclusions, and recommendations drawn from the findings thereof.

CHAPTER TWO

REVIEW OF LITERATURE

2.1. Theoretical Literature Review

2.1.1. Succession Planning Defined

Succession planning is a planned effort whereby organizations improve their departmental, division and work group performance through continual process of identifying, developing and retention of high performers through systematic development of talent from within (Rothwell, 2010). Succession planning is a process through which organizations identify key positions of high impact on their success and determining the best possible way of satisfying future business needs and development of strategies aiding the determination of optimal sourcing of talents (Cannon and McGee, 2011).

Succession planning is a process through which organizations seek to assess their talents and provides solution for the under listed three fundamental questions (Armstrong, 2012);

- Do enough potential successors are available who can take future roles?
- Available potential successors are excellent enough?
- Do the available potential successors have the right skills and competences required for the future?

The process of succession planning encompasses three major components, namely: Identification of potential successors, developing them through different learning and development interventions and finally, retention of high performers are the critical aspects of succession planning process. The success and continuity of an organization largely depends on the competency of its employees

and thus, nowadays, development of talents from within becomes the primary emphasis of organizations to remain competitive and ensure their sustainability in the long-run. Traditionally, organizations conduct succession planning for higher level leadership positions mainly the CEO, but in the contemporary world, the practice of succession planning becomes comprehensive and conducted at all levels of an organization for positions identified as critical or key positions. Besides, it is of paramount importance for organizations to proactively prepare and develop future leaders to ensure their continuity as employees may leave in search for better opportunities, due to retirement, death and other reasons (Kowalewski, Moretti & McGee, 2011).

Furthermore, according to (Chavez, 2011) the future growth of an organization can be ensured through implementing effective succession planning practice. Firstly, organizations need to identify potential successors for future leadership roles. Secondly, the development of potential successors at all levels of an organization is essential. Thirdly, retention of high-performers is very critical and as important as developing talents from within as the cost of recruiting top talent from external source is heavier. Besides, as instilling high-performance work culture is not simply realized over the night, employees acquainted and accustomed to an organizations culture are crucial for the success of an organization at the same time (Chavez, 2011).

The concept of succession planning in its modern context came into effect as an evolutionary process. For instance, it used to be considered as a function of Human Resource Development theory in the mid-1950s which was later changed its focus to technology-based employment planning during the mid- 1960s and continued to shift its focus to manpower in the subsequent decade afterwards. The move towards more holistic succession planning practice came into reality in the year of 1980 onwards (Zaich, 1986). Different foundational theories related to succession planning practice is discussed hereafter in the subsequent paragraphs which all are utilized in the

study. RBV theory is utilized for the fact that organizations HR's are critical sources of competitive advantage which really necessitates succession planning to be in place to build strong internal capability. On the other hand, HC theory is utilized for the fact that one of the processes of SP is closing the developmental gap and thus, this theory is employed in the fact that the development of organizational HC has paramount importance. Finally, the third theory i.e. Leadership Model Succession Theory has been utilized in this study as it ensures redundancy of leadership in the organization to ensure organizational leadership continuity. Thus, this theory has been utilized as one of the critical positions are higher leadership positions in an organization.

2.1.2. Resource Based View Theory

The concept of Resource Based View (RBV) theory was originated in 1984 by Birger Wernerfelt while he published an article that reads as "A Resource-Based View of the Firm". However, prior works addressing the elements of RBV theory were done by various authors like Coase in 1937, Selznick in 1957, Penrose in 1959, Stigler in 1961, Chandler in 1962 and Williamson in 1975. In their research work, they attempted to emphasize on the importance of firm's resources along with its implications on the performance of a firm (Armstrong & Taylor, 2014).

The RBV theory argues that firms should maximize their internal capability and resources to make use of and utilize any possible opportunities available in their external environment rather than attempting to achieve strategic-fit with external environment (Saqib & Rashid, 2013). The central theme of the RBV theory is that in order to gain competitive advantage, organizations need to possess and have control over resources and capabilities which are valuable, rare, inimitable and non-substitutable (Peteraf & Barney, 2003). Hence, in light of this theory, the costs incurred to develop the capabilities of people is rather considered as an investment that will yield future return and thus, employees should be highly encouraged to learn, share knowledges, generate innovative

and creative ideas, experiment and also allowed to take part in decision making process (Wright, Dunford & Snell, 2011).

The Resource Based View theory of a firm asserts that if well harnessed, the human resources of an organization gives it competitive advantage as such inherent capabilities i.e. the knowledge, skills, abilities and other characteristics (KSAO's) are difficult to be replicated by its competitors due to their uniqueness and inimitability (Saqib & Rashid, 2013). Thus, Ali et al. (2014) asserts the fact that meeting the requirement of an organizations human capital need is the main theme of the resource-based view approach to an organizations strategic human management. Furthermore, Wright et al. (2011) suggests the need to emphasize and constitute the significance of such non-imitable resource (the human resource) in the development of an organizations human resource policies and values which can be attained through ensuring:

- Availability of higher quality people over competitors/rivals,
- Conducive atmosphere for learning,
- Applicability of organization-specific guiding principles and culture which is a threadlike structure to bind the organization together and gives it focus, and
- Development and cultivation of unique intellectual capital is acquired by an organization.

In spite of the rationales provided in favor of the theory, however, the Resource Based View theory is not without critiques. For instance, one of the critique is that this theory argues that the effectiveness of the approach is closely related to the firm's external environment and thus, the more value will be provided the less predictable the external environment of the organization. Besides, according to Armstrong & Taylor (2014) the theory's proposition of valuable, rare, inimitable, and non-substitutable are neither necessary nor sufficient for a firm's sustained competitive advantage.

This being the case in favor and against the RBV theory of a firm, it was relevant to the study under emphasis as employees' competency and capability can be a valuable resource to an organization's performance and long-term continuity. Thus, succession planning practice should be an integral element of an organization's human resource management policies to ensure the sustainability of an organization.

2.1.3. Human Capital Theory

The concept of Human Capital theory was coined by Schultz back in 1961 and which was further developed by Becker in 1964 in his publication titled "Human Capital: A theoretical and Empirical Analysis to special reference to education". The foundational concept of the Human capital theory was laid on the fact that growth in physical capital takes only a tiny portion of an organizations growth in income (Tan, 2014). In his work, Theodore Schultz has introduced the concept of return-on investment by highlighting the cost-benefit analysis of staff development. Nowadays, the concepts related to general purpose human capital and firm-specific human capital are widely applicable by HRD practitioners following Becker introduction of the concepts and Schultz's preceding works on return-on-investment (Josan, 2013).

Human capital theory suggests that employees' productivity will be raised as a result of employee's knowledges and skills improvement through provision of different training and development interventions. Furthermore, the theory also uncover the fact that the costs incurred by organization on employees training and development is costly, however, it is conducted with the aim of providing an organization with return on investment in the long-term and it should be considered an investment as a result. In most cases, human capital approach is attributed with job-related variations of wage (Campbell, Coff & Kryscynski, 2012). On the other hand, in Becker's view, human capital is considered to be the same as "other factors of production", e.g., factories

and machines. This implies that investment in human capital through different education and training platforms enables to improve firm's output as a result of rate of return on investment. Therefore, human capital can be considered as a means of production which results in additional output (Armstrong & Taylor, 2014). Therefore, by investing in human capital through staff training and development, the organization is able to retain talented workforce who will feel motivated to work towards the betterment of the performance of an organizational (Rothwell, 2010).

On the contrary, Human Capital theory is also not without a critiques despite the rationales provided in favor of the theory. One of the criticism is the question posed on its assumption that education guarantees employee retention. The theorists clearly did not take into account the transfer of learning. Is the duration of education and training an assurance of retaining the employee in the organization? Even though the notion of Human Capital theory is ideal, it is questionable as highly skilled employee could leave an organization in search of much more paying job (Tan, 2014). This theory was relevant to the study under emphasis provided that an organization's sourcing decisions are determined by skill inventory available in an organization. Hence, replacement of key positions could be made through internal source given that there's available stock inside the organization. Whereas, when available skill is lacking in the organization, placement could be made through external sourcing. In this respect, the current study sought to explore the importance of developing talents from within through succession planning practice in the case of Oromia Bank S.C.

2.1.4. Leadership Model Succession Theory

The Leadership Model Succession Theory argues that there should be redundancy in the management structure of an organization. It will ensure the continuity of leadership through potential successors for any assignment need in a proactive way (Ibrahim Soufani, &lam, 2001).

Organizations should make leadership transformation at ease and without any difficulties in time of need by making arrangement for availability of talent pool through continuous process of leadership development.

According to this model, there should be a mechanism through which employees can be continually developed in order to overcome unplanned succession needs like resignation or death which might possibly affect the company's competitiveness due to lack of key employees (Burdett, 1993). Besides, leadership succession programs provides employees with a clear growth plan and thereby enhance their morale in achieving their goals.

One of the main drawbacks of the theory is transfer of leadership can be challenging as some replaced leaders tend to be not to be supportive. Smooth transition of leadership can be facilitated by many CEO's while some others may be unwilling and reluctant to step down. In some cases, distortion and misleading could happen to replacing leaders as leaving leaders could sabotage them while mentoring new comers.

This theory is relevant to the study under emphasis as one of the key positions are leadership positions which needs to be continually developed to ensure an organization's leadership continuity.

2.2. The Process of Succession Planning

The succession planning process slightly varies among organizations due to varying resources, organizational designs, and attitudes. Hence, flexibility and adaptability is required in succession planning process so as to entertain varying business needs and continuity of an organization. The effectiveness of an organization's succession planning highly depends on organizations knowledge and understanding, and its application which is considered to be where the process all starts. As a

result, in order to best practice judgement in highly volatile and uncertain business landscape, a great deal of emphasis should be given on how to learn, developing all the required skills to ask relevant and right questions, and quickly mastering new information is highly crucial. Hence, developing learning agility, leadership analytical skills, creative thinking and decision making skills are highly sought after as learning organization principle (Cross, 2009).

According to Rothwell (2016), ten steps involved in succession planning and management cycle; namely: Clarify CEO's expectation, establish competency models for critical positions, individual assessment, establishing performance management system, establish potential assessment, establish IDP, implement IDP, establish talent pool, establish organizational and individual accountabilities and evaluate results. The detail of each SP &M cycle are presented hereunder.

➤ **Senior Leader's Preference and Expectation of SP&M Program**

A great deal of attention, commitment and resource is required to effectively implement SP &M program. Hence, the expectation and preference of the program by the CEO and senior leaders of an organization is highly sought after. SP &M program requires resources and investments for development of potential successors and its implementation as well.

Therefore, any effort made to implement SP&M program would only be futile effort without the involvement, preference and commitment of top managements.

➤ **Determining Critical Position's Competency**

After critical/key positions of an organizations are identified, competencies required for each critical positions should be in placed against which potential successors are evaluated. Therefore, all the required set of (KSAO's) of critical positions should be clearly identified in the organization's competency models.

➤ **Conduct Individual Assessment**

As a continuation to the above steps, individual assessment is made based on the competencies identified for critical/key positions to identify where employees stand at present in terms of their present performance and what will be required in the future in terms of their potential.

➤ **Establish Organizational PMS**

One of the critical ingredients for implementing SP&M program is in placing effective performance management system. Individuals who will be considered for SP&M Program should be employees who are demonstrating good job performance on their current job. Thus, objective evaluation of employee performance is a critical component to implement effective SP &M program in an organization.

➤ **Establish Potential Assessment**

Organizations also need to in place a mechanism through which they evaluate the future potential of their employees beyond performance. This is very important as potential successors are nominated for higher positions demanding higher future potential.

➤ **Establish Individual Development Plan**

Once individual present and future gap is identified through performance and potential assessment, individual development plan is established to close the developmental gap.

➤ **Implement Individual Development Plans**

Developmental gaps can be closed through different interventions like leadership and management development programs, and through online platforms. Providing specific developmental suggestions for individuals might include books, different classes and online courses to attend, and challenging job assignments are some of the ways through which IDP's can be implemented.

Establishing Talent Inventory

Organization needs to establish talent inventory for selected critical position who can be assigned at any time when required. The optimal number of bench strength required for each critical position should also be determined as well.

➤ Establish Organizational and Individual Accountabilities

In order to realize the individual development plans, both individuals and their supervisors should be held accountable for its success through different mechanisms. Among others, providing incentives for employees completed their development plan and also providing bonuses for supervisors whose employees complete their plan can help.

Furthermore, regular talent review meetings should be held by the top management on how well IDP is being implemented in the organization.

➤ Evaluate the Results

Lastly, effectiveness of SP&M effort should be evaluated for its effectiveness through different key performance indicators like succession bench strength, number of positions filled internally, retention of top talents and other metrics.

In general, the succession planning and management of an organization should follow the aforementioned steps to meet the goals it intends to achieve in the long-run and thus, this process is relevant to the study under emphasis in examining the succession planning practice and process of Oromia Bank S.C.

2.3. Importance of Succession Planning Practice

If well implemented, effective succession planning practice provides significant contribution and importance to an organization and thereby ensures their sustainability. Succession planning a continuous process through which organizations identify the kind of competencies required to discharge their strategies, how to develop those competencies and finally, how can they retain top talents. For the same purpose, effective succession planning requires the support of other key HR systems like identification of key talents, development of key talents, and instilling of effective performance management system to drive key talents competence. Thus, succession planning will be successfully executed through the coherence and integration of these HR systems (Ohio, 2011). Succession planning has various objectives for organizations. Among others, it enables the development and improvement of employee's managerial power; recognizes high performing employees by providing them with developmental opportunity, minimizes time to fill key positions, and it enables organization to attract and maintain top talents. Besides, managers will work with high morals when organization is committed to develop them through succession planning program that clearly uncover available career path to them in the organization (Mehrabani& Mohammed, 2011).

Rothwell (2010) identifies twelve reasons why succession planning and management program needs to be supported by organizations. They are; it enables implementation of organization's strategic business plans, identify replacement needs as a means of targeting necessary training, employee education, and employee development, increase bench strength of employees who may take future roles, provides high-potentials with increased opportunities for growth, tap the potential for intellectual capital in the organization, help individuals realize their career plans within the organization, encourage the advancement of diverse groups, improve employee morale, improve

employee' ability to respond to changing environmental demands, cope with the effects of downsizing, decide which workers can be terminated without damage to the organization, reduce head count to essential workers only.

In general, successful implementation of succession planning provides several benefits to an organization. Some of the benefits are discussed hereunder;

➤ **Reduced amount of time and expenses to fill vacancies**

One of the benefits of effective SP implementation is that it reduces the time to fill the likely vacancies that might occur due to several reasons. Besides, when potential successors are identified and developed for future assignment, it reduces the expensive cost of hiring experienced talents from the labor market.

➤ **Readiness to deal with sudden loss of key players**

Succession planning also serves as a proactive strategy for satisfying an organizations short and long-term HR needs so to overcome the likely occurrence of vacancies on critical positions due to various sudden causes which would adversely affect organizational performance and the overall smooth running of a business.

➤ **Alignment of organizational HC needs with long-term goals/strategies**

In today's world of competitions, organizations devise a winning business strategies and goals in order to be profitable and remain competitive. Hence, effective SP enables organizations to proactively identify critical positions that are highly important to their business and develop them to meet their future HR needs alignment with their long-term goals.

➤ **Reduced turnover of HiPer's and HiPo's**

Effective SP implementation enables an organization to boost the morale of its employees with high potentials and high performers, and thereby ensures their retention through communication of clear growth plan. When HiPer's and HiPo's are communicated that they are part of their organizations future, they feel valued and thus, they have strong sense of belongingness to their organization. Therefore, the possibility of loss of such talent is reduced.

➤ **Improved acceptance by investors and prospective employees**

Effective implementation of SP practice in an organization helps to proactively identify business needs and develop potential successor for the future. This will have double portion advantage as it enables gain investors' attention that the organization has the right employees with the right competencies that will enable the achievement of its business goals and at the same time, the organization will also be preferred by prospective potential employees.

2.4. Elements of effective Succession Planning

Sharon Ley (2002) has identified the under listed elements of effective succession planning practice. The elements are discussed in detail in the subsequent paragraphs;

- Top management participation and support,
- Needs-driven assessment,
- Provision of formal development opportunities,
- Focus on individual attention, and
- Extension to all levels of organization.

Top Management Participation and Support

Top management buy-in should be there before making any attempts to implement succession planning. The reason for this is that succession planning implementation needs resource and investment without which it can be successful. Hence, green light should be given by an organizations' top managements in the first place. "A commitment by the city or county manager and alignment with organizational strategy" is a necessary element to any succession plan (Ibarra, 2005). Without the dedication, commitment and support of top management, any effort made to implement SP practice would remain at stake.

A study conducted by Ley (2006) demonstrated that, "lack of senior management support hindered open access to the organization's leaders' and thus limited interest in succession planning at the agency in her study. Executives and "managers are uniquely positioned to assess how their business will be carried out and to identify the HC capabilities needed to do so effectively" (Emmerichs, 2003).

Management is responsible for determining the criteria of an organization's succession planning. Effective succession planning enables top managements to proactively identify and develop people for their company's future needs (Diamond, 2006).

Needs-Driven Assessment

Effective SP also involves identification of critical positions available in the organization which highly impacts its strategy and smooth functioning of its operation through different identification criteria. Accordingly, the required training and development needs will be set for key positions.

Mentoring Programs

Beyond identifying what skill sets and knowledge bases are required for key positions, it is crucial that a succession plan provide a method or plan for providing employees the opportunity for professional development, as it has been determined that a background characteristic of top managers which has attracted attention in the strategic leadership literature is functional track experience” (Datta, 1994).

In other words, organization should ensure employees development of their skills and the same needs to be availed for them experience and job knowledge are highly valued for succession. The developmental opportunities can be achieved through different interventions like challenging job assignments, on-the- job trainings, and other developmental interventions. According to (Kowalewski et al., 2011) mentoring enhances sense of self-esteem; leads to fulfillment of development needs-satisfaction to the succeeding generations; improves professional, leadership and collaborative skills makes mentors better listeners; helps to reaffirm own successes, and the mere fact of being asked to be a mentor is a powerful compliment”.

Focus on Individual Attention

By implementing performance-based selection system, employees can be put in a leadership track by being given a special assignment that allows him or her opportunity to grow” (Larson, 2005). Often, leadership tracks are driven by career paths which provide employees with a sense of direction that allows them to move up higher the ladder. In providing employees with career paths and listening to their career goals, an agency places a personal responsibility on the employee to ensure that their career goals are achieved (Diamond 2006, 38). Ultimately, “individuals are responsible for their career and accountable for meeting developmental objectives and gaining and demonstrating new capabilities”. Therefore, employees should be enabled to choose training that

suits their career goals (Australian Public Service Commission, 2003). To hold accountable individual employees for future developmental responsibility, advancements in the career path should be clearly outlined (Personnel, 2006).

Extension to all Levels of the Organization

Transitions within key organizational leadership positions can be achieved through succession planning (Garman and Glawe, 2004). Traditionally, succession planning focuses on preparing individuals for CEO-Suits. However, in its contemporary practice, succession planning is meant to ensure the continuity of leadership at all levels (Cooke, 1995). As with any program, a succession plan should have a project planner assigned to oversee it and ensure that the plan stays current and covers all levels in an organization. Without full coverage to all levels, it is likely that the program will not be sustainable. In order to have a successful succession planning for any organization, the focus should be on preparing staff for assuming a higher leadership level or career path, rather than on preparing staff for a specific position.

Furthermore, Carter McNamara (2016) identified basic principles of successful SP practice as discussed below.

➤ **Plan proactively. Don't just react when employee leaves.**

Succession planning is meant to be proactively and continual process rather than reactive and sudden crisis management. Thus, the practice is meant to be practiced now.

➤ **Only Focus on working Policies, Procedures, and Practices**

Succession planning is being able to effectively and promptly re-fill a role, not replacing a certain person. Be sure all key positions are well defined, and then look to find the best person to fill the position. Do not look for someone who is just like, or a lot different than, the previous employee.

- **SP is the responsibility of top management, not just the employee.**

The best succession planning results from a working partnership between management and employees to accurately define the employee's role and current priorities, and the employee ensuring that management has the information and resources to refill the role.

- **SP should be in line with up-to-date policies.**

Hiring of new employees must be in accordance with up-to-date personnel policies to ensure fair, equitable and legally compliant employment practices.

- **Managing succession equates the quality of the new employee.**

The best way for management to promptly convey expectations of high quality to a new employee is to convey that high-quality in how the employee was hired. The more thorough and careful that management does the succession, the more likely that the organization will get a new employee who successfully fills the position for the long-term.

2.5. Factors Hindering SP Practice

Effective succession planning practice can be detracted by various factors and thus, these factors should be avoided while implementing succession planning program.

- **Not linking SP with other Processes**

Succession planning should be aligned first and foremost with the strategic business plan of the organization. Furthermore, for its effectiveness, it should also aligned with development and career planning, hiring and staffing. Succession plans should also be informed by performance appraisals, formal and informal performance feedback, employee interests, existing skills, abilities and knowledge.

➤ **Lack of Top Management Support**

Succession planning must be aligned with the overall business strategy of the organization. As such, support of the CEO and other top leaders of the organization is essential. Aligning succession planning with the business strategy means that not only will it be rolled out throughout the organization but that the positions and potential candidates identified in the plan will take into account the trends in the labour market, the competitive market, the strategic direction of the organization and drive the organization's development and growth.

➤ **Not Communicating the Succession Plan to High Potential Candidates**

High potential employees want to know that they are considered key to the future of the business. They tend to leave if they are not aware that they are considered as an integral part of the organization's business plans.

➤ **Underestimating the Potential of Existing Employees**

Many organizations rely on external hires to fill the knowledge gaps or talent gap they have identified rather than look to high potential internal talent. Companies incur unnecessary expenses and waste their time in recruiting talent from external source when they could develop their internal bench strength.

➤ **Focusing Exclusively on Technical Skills**

The technical requirements of a position will evolve with time. Focusing exclusively on the current technical skills required for a position may lead the company to identify candidates with strong technical skills but who lack the soft skills required to be successful in the position as it will be in 5 or 10 years (such as leadership skills, continuous learning, teamwork, etc.)

➤ **Lack of Adequate Training or Development Opportunities**

Employees should not be left to identify their own training programs or create their own opportunities. Companies should proactively engage employees in training or development programs and identify opportunities (courses, mentorship, job shadowing, lateral moves, etc.)

➤ **Consider only Upward Succession**

While identifying candidates for leadership positions is important, though should be given to include lateral succession plans to fill key positions.

2.6. Strategies for Effective Succession Planning Practice

Succession planning aims to proactively attract the best talent, retain those individuals, and develop them through well-designed development interventions. Effective succession planning practice enables an organization to build an organizations bench strength and thereby ensures the long-term sustainability, growth and continuity.

Due to its significance and contribution to an organization's success and continuity, SP practice should be strategized and needs to be incorporated in organization's HR policies. Among others, the following are some important points worth considering:

- Establish measurable goals to guide the SP program. Closely align the measurable goals of your succession planning program to the organization's measurable strategic goals. In other words, an organizations SP practice should be aligned with the overall organizational strategic direction and thus, ensuring vertical integration of SP practice with organizational strategy is crucial.
- Recalibrate SP program goals on an annual basis. It requires assessment of changing competitive and organizational conditions and priorities. This means that continuous

assessment should be made so as to design appropriate SP program by navigating the changes.

- Prepare up-to-date JD's clarifying the work to be performed;
- Establish competency models. Use a rigorous examination of objective performance requirements; plan for future competencies that are necessary to achieve future strategic goals; ensure all competency models are clear and measurable;
- Clarify roles and responsibility of different stakeholders in SP process. Key stakeholders include the board, CEO, senior executives, middle managers, supervisors, and even workers. Keep senior managers and other stakeholders engaged in the SP program by establishing clear, and measurable accountabilities;
- Establish talent pools by levels based on the strategic strengths of the organization.
- Conduct talent review meetings. Ensure that individual strengths and areas for improvement are recognized. Conduct talent reviews on a continuing basis to ensure that promotable individuals are being properly developed over time; and
- Evaluate SP program effectiveness on a regular (usually annual) basis. Compare processes and results against the yearly measurable SP goals at the beginning of the planning cycle.

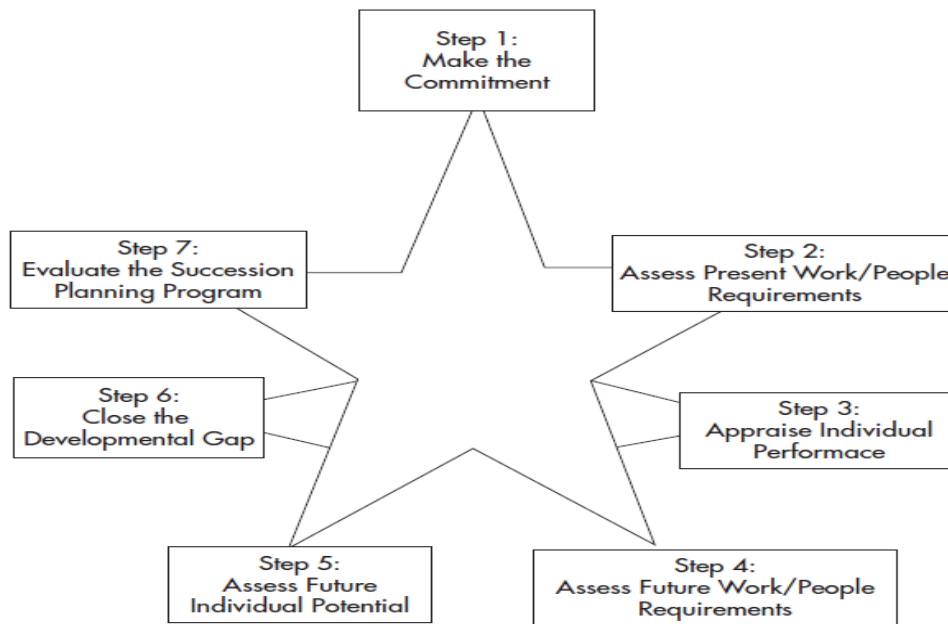
2.7. Models in Practice to Study Succession Planning and Management

In spite of the efforts many organizations undertake to adopt succession planning practice initiative due to its importance, there is no coherent and methodological approach to the field of succession planning and management (Mateso, 2010). This being the case, researchers made efforts on how succession planning and management efforts can be understood, established, and evaluated in the organizations. Since succession planning and management is a process and system, like other HR activities, no single model or approach can fit all organizations and situations. In SP and M, there

are various models and approaches like the seven-pointed star model, PACE Model, leadership pipeline model and Acceleration Model. Among them, two are models of succession planning and management widely used in practice; namely: The Seven-Pointed Star Model by Rothwell (2003, 2005), and Leadership Pipeline Model by Charan et al. (2001). In particular, the study employed Seven-pointed Star Model developed by William J. Rothwell, as it has been the most common and widely accepted and utilized model.

2.7.1. The Seven-Pointed Star Model

Rothwell (Rothwell, 2010) suggests the “Seven Pointed Star Model” for systematic succession planning and management. The details of each element is discussed here below.



The steps of this model are explained below (Rothwell, 2010):

- i. **Make the Commitment:** The organization’s decision-makers should commit to systematic SP&M to establish the program. In this step, organization’s decision-makers should:
 - Conduct current practice assessment? i.e. current problems and practices.

- Demonstrate why the program is need,
- Determine the requirements of organizational SP&M program,
- Ensure SP&M program vertical and horizontal alignment,
- Benchmarking other organizations SP&M practices,
- Clarify the roles of different stakeholders in the program.
- Formulate a program mission statement.
- Establish guiding policy and procedures for the program.
- Identify program's target groups to be included,
- Establish program priorities.
- Prepare an action plan to guide the program.
- Communicate the action plan.
- Conduct SP&M/talent review meetings and continuously monitor the program progress,
- Train those involved in the program as necessary.
- Counsel Managers about SP&M problems in their areas of responsibility.

ii. Assess Present Work/People Requirements: Decision-makers should assess the present work requirements in key positions. Only in that way can individuals be prepared for advancement in a way that is solidly grounded on work requirements. In this step, decision-makers should clarify where key leadership positions exist in the organization and should apply one or more approaches to determining work or competency requirements.

iii. Appraise Individual Performance: How well are individuals presently performing their jobs? The answer to this question is critical because most SP&M programs assume that individuals must be performing well in their present jobs in order to qualify for

advancement. As part of this step, the organization should also begin establishing an inventory of talent so that it is clear what human assets are already available.

iv. Assess Future Work/People Requirements: What will be the work or competency requirements in key leadership positions in the future? To answer this question, decision-makers should make an effort to assess future work requirements and competencies. In that way, future leaders may be prepared to cope with changing requirements and organizational strategic objectives.

v. Assess Future Individual Potential: How well are individuals prepared for advancement? What talents do they possess, and how well do those talents match up to future work requirements? To answer these questions, the organization should establish a process to assess future individual potential. That future-oriented process should not be confused with past or present oriented employee performance appraisal.

vi. Close the Developmental Gap: How can the organization meet SP&M needs by developing people internally or using other means to meet succession needs? To answer this question, the organization should establish a continuing program for leadership development to cultivate future leaders internally. Decision-makers should also explore alternatives to traditional promotion-from-within methods of meeting succession needs.

vii. Evaluate the Succession Planning Program: To improve, the SP&M program must be subjected to continual evaluation to assess how well it is working. That is the seventh and final step of the model. The results of evaluation should, in turn, be used to make continuous program improvements and to maintain a commitment to systematic SP&M.

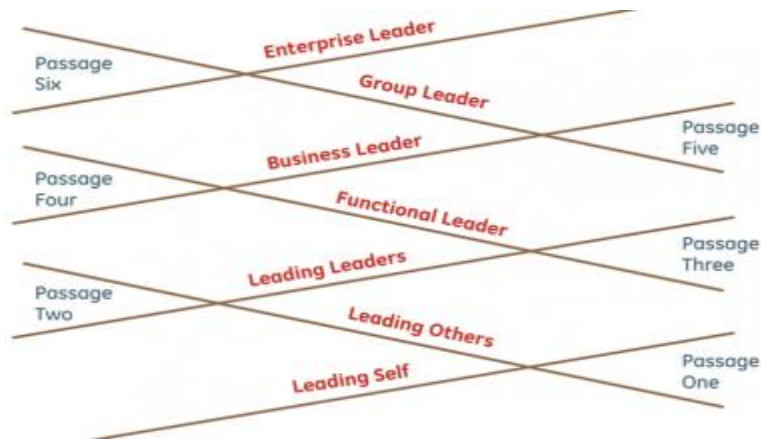
2.7.2. Leadership Pipeline Model

Leadership Pipeline is a concept in a model created by Mahler (2001) and takes the form of six career passage or pipeline turns. These carrier passages represent a change in organizational position and the turns involve a major change in job requirements, demanding new skills, time applications, and work value.

Leadership pipeline model provides framework for identifying, assessing competence, plan development and evaluation of potential leaders. Besides, it ensures the continuity of organizational leadership at all levels (Charan et al., 2012).

Each leadership stage needs different sets of skill and values. At each leadership transition, leaders have to develop these set of skills in order to lead successfully. According to this model, senior leaders in the organization should mentor more junior managers through each leadership transition, to ensure that they're using the appropriate skills for their current level.

As cited in Kim (2006) , Charan et al. (2001) suggested five-step plan for succession planning: (1) tailoring the Leadership Pipeline Model to fit into the organization; (2) translating standards for performance and potential into the organizations' own language; (3) documenting and communicating of the standards set in the previous step throughout the organization; (4) evaluating succession candidates through a combined potential-performance matrix, and (5) reviewing the plans and progress of the entire pipeline frequently and seriously.



Source: Charan et al. (2001)

2.8. Review of Empirical Studies related to SP Practice

Numerous researches have been conducted by different authors on the area of succession planning in different organizations and business contexts, i.e. banking sector, energy sectors, for profits and not-for profits organizations and family-owned businesses and different findings have been surfaced with regards to succession planning practice.

For instance, Mwemezi (2011) conducted research in a bid to assess factors that affect HR succession planning in the case of both public and private organizations in Tanzania. The study reveals that majority of the respondents lack knowledge on the concept of HR succession planning and how it works in their respective organizations. Likewise, even though few organizations under the study undertakes SP practice, however, its effectiveness and how succession planning regularly conducted in the organizations remained doubtful. In spite of all the drawbacks, however, the study demonstrated the contribution and role HR succession planning in organizational development and thus, recommended the need for organizations to understand the role HR succession planning practice played for their survival in the present and future business context.

Furthermore, the study also identified challenges faced by organization in effectively implementing SP practice; namely: lack of awareness, lack of effective company vision, lack of commitment among senior employees to conduct SP, and talent war in labor markets was among the challenges attributed to effectively implementing HR succession planning practice. The study also identified a number of strategies through which HR succession planning will be enhanced; namely: attract and recruit potential employees, leadership and management development effectiveness, and improved budget allocated for HR succession planning were among the strategies identified in the surveyed organizations (Mwemezi, 2011).

Mwemezi (2011) further asserts that it's unaffordable to organizations to attract high potentials and develop them, and then not retaining top talents in the prevailing highly competitive business environment. Thus, the business context calls for addressing such challenges through proactively in placing effective succession planning practice through which top talents are attracted, developed and retained in an organization. For this reason, organizations are required to create awareness on SP and look for organizational messages that feed and grow the desired behaviors.

Kowalewski et.al (2011) has also conducted survey in an attempt to examine SP in relation to organizations which was entitled "Best Companies to Work for in New York". The findings of study was similar with previous suggestions and strategies related to succession planning in the U.S. This study was designed to evaluate consistencies or inconsistencies regarding succession planning data as reported by "Best Companies" consisting of different companies; namely: insurance, financial services, manufacturing, health services, retail, and higher education. Kowalewski et.al (2011) discussed the role of HR professional has come a long journey from a mere activity of monitoring policies and procedures to being playing a strategic partner in the plan

of an organization. Succession planning focuses on growth through natural forces, but in times of uncertainty a reduction in the workforce is a common occurrence.

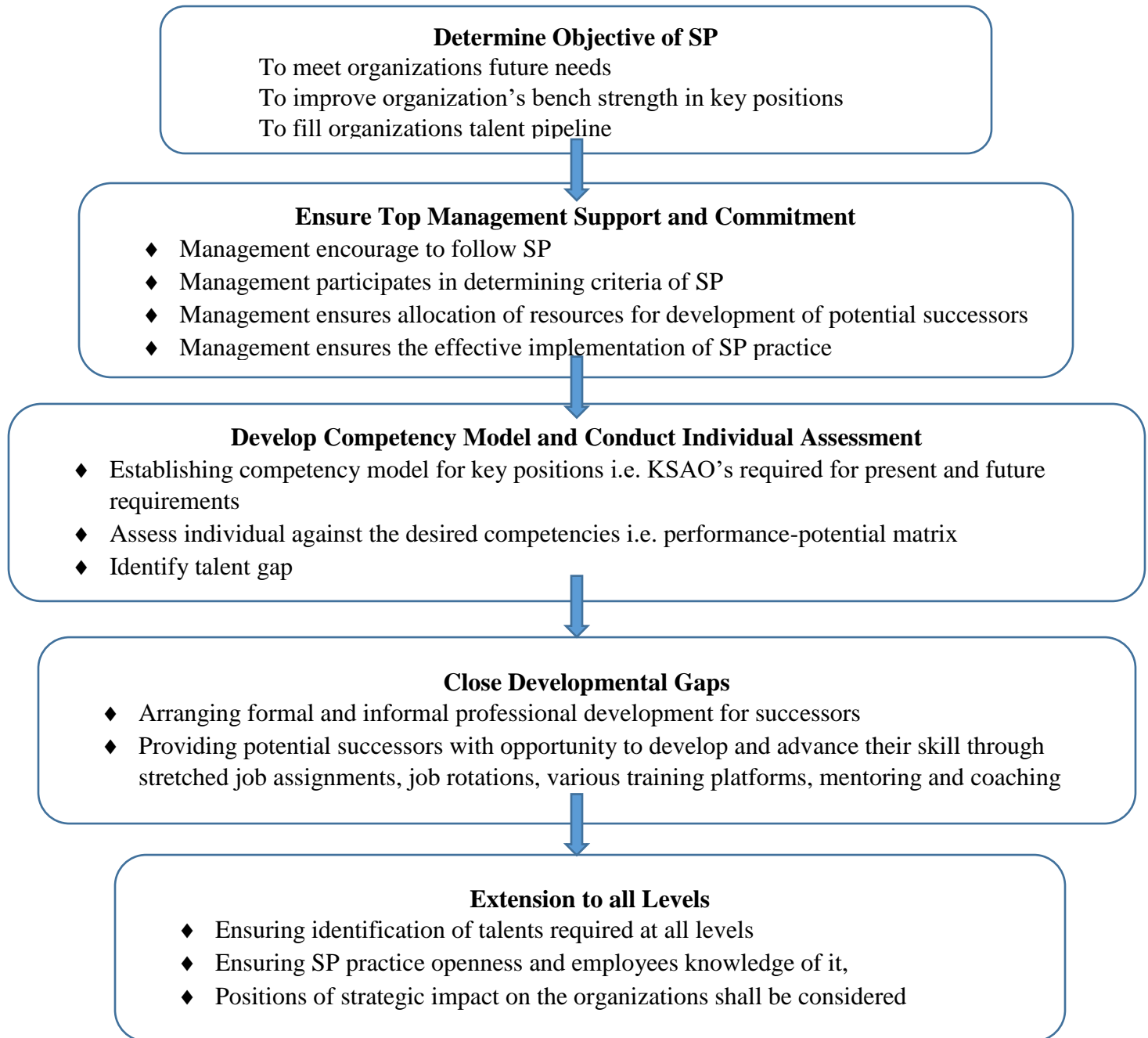
Kowalewski et.al (2011) asserts that in times when an organization is cutting back, it must ask some of the same questions when eliminating positions: Is management well equipped to carry out the procedure? Company's actions can be justifiable? What are both the short-term benefits and long-term advantages? Kowalewski et.al (2011) concludes that whether the economy is experiencing a boom or a recession, every organization needs to have a successful strategy to acquire, develop and retain top talents. Thus, as the organization talent pool shrinks, business leaders need to recognize that employees are their most important assets.

Hassan (2020), conducted a study entitled "impact of effective succession planning practice on employee retention", effective succession planning practice has positive relationship with employee retention in the private sector organizations found in Pakistan. The findings of the study was consistent with a research conducted by (Eshiteti et al., 2013) which asserts that SP programs allow employee development opportunities and job satisfaction which in turn has a great influence on staff retention. Hassan (2020) also argues that employee's decision to stay in an organization is positively influenced by availability of adequate SP program as they believe that they have a future with the organization. Similarly, Jonathan Tetteh also agrees with this argument which can result the increase in the rate of retention in the organization (Jonathan, 2015).

A study conducted by Tunje (2014) demonstrated that employee retention and SP practices have positive relationships. Besides, the study emphasized the need to in place clear career paths as lack of it was found to be the major reason why several employees left their organization. Moreover, the study suggested that the organizations are required to clearly aware their employees about the current SP program in their organization.

2.9. Conceptual Framework

The conceptual framework of this study has been developed by considering the literatures utilized in this study mainly from elements of effective SP identified by Sharon Ley (2002) and the seven-pointed star model developed by William J. Rothwell (2010).



Source: Researcher, 2022

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Overview of Research Methodology

The main purpose of the study was to examine the succession planning practice in Oromia Bank S.C where attempts were made to provide answers for the research questions; namely: the extent of succession planning practice, factors hindering successful execution of succession planning practice, determinants of effective succession planning practice and strategies required for effectively executing succession planning practice in Oromia Bank S.C.

Thus, this chapter clearly addresses the research methodology employed. It describes the research approach, research design, sampling techniques, source of data, data collection method and instrument, data analysis method, validity and reliability, and the research ethics followed.

3.2. Research Approach

Basically, there are three types of research approaches; namely: quantitative, qualitative, and mixed approaches. Quantitative research approach relies on the philosophy of post positivism world view. Furthermore, quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to population of interest, and employs strategies of inquiry such as experiments and surveys (Creswell 2003, pp. 13-15).

On the other hand, qualitative approach is of paramount importance to assess the attitudes, behaviors, experience and to gather in-depth information from respondents.

Hence, by taking the research objectives and questions into considerations, the study employed mixed approach through primary data collected by using standard questionnaire and interview.

3.3. Research Design/Type

The research design is the conceptual structure within which research is conducted which serve as a grand plan for the collection, measurement and analysis of data. There are three types of research design, namely; exploratory, descriptive, and explanatory (Kothari, 2004).

By taking the research objectives and nature of the study into consideration, descriptive research design was employed. Descriptive research studies are studies that deals with describing the characteristics of a particular individual, or of a group (Kothari, 2004). Hence, in this particular study, it was used to describe the succession planning practice in Oromia Bank S.C.

3.4. Sampling Design

A definite plan through which a sample from a given population is obtained is named as a sample design. A sample design provides a technique or a procedure followed by the researcher in order to select items for the sample. Besides, sample design is first determined before data collection and it outlines number items to be included in the sample i.e. the size of the sample (Kothari, 2004). Accordingly, the target population, sampling frame, sampling technique, sample size, and sampling procedure of the study are briefly explained in the subsequent sub-topics.

3.4.1. Target Population/Unit of Analysis

Target population of the study can be all people or items (unit of analysis) with the characteristics that one attempts to study about. The unit of analysis may be a person, individual, organization, country, object, or any other entity that the researchers wish to draw scientific inferences (Kelley et al., 2003).

As per the data gathered from HRM Department, there were 152 branches of Oromia Bank S.C providing banking service in Addis Ababa City. Among them, three of them were grade IV

branches, one was grade III branch, 10 were grade II branches and the remaining 138 branches were grade I branches as of the end of the month of April 2022. However, the target populations of the study are from the Managerial job category (Branch Managers and Manager-Branch Sales & CS), Clerical job category consisting of positions of grade 9&10 (Branch Accountant, Branch Control and Compliance Officer, Branch Credit Officer, Branch Foreign Trade Services Officer, Branch Senior Control and Compliance Officer, Senior Branch Accountant, Senior Branch Credit Officer, Senior Branch Foreign Trade Services Officer, and Senior Branch Sales & CSO). These positions are identified due to the fact that in most cases staffs on these positions are considered for branch manager successor development program in the context of Oromia Bank S.C. as per the information gathered from Chief, HRM Directorate Director.

3.4.2. Sampling Frame

A complete list of all the cases in the population from which the sample will be drawn is termed as a sampling frame (Saunders et al, 2000). In view of that, the sampling frame for this study is drawn from Managerial job category (Branch Managers and Manager-Branch Sales & Customer Service) and Clerical job positions of grade 9 &10 (Branch Accountant, Branch Control and Compliance Officer, Branch Credit Officer, Branch Foreign Trade Services Officer, Branch Senior Control and Compliance Officer, Senior Branch Accountant, Senior Branch Credit Officer, Senior Branch Foreign Trade Services Officer, and Senior Branch Sales & Customer Service Officer).

3.4.3. Sampling Technique

In this study, the stratified and purposive sampling techniques are used in combination. The researcher preferred stratified sampling technique based on Kothari (2004) statement that, “If a population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample. In this context,

population is divided into individually more homogeneous sub-populations than the total population (the different sub-populations are called strata).

Accordingly, according to the bank's organizational structure, two positions are managerial job category: (Branch Managers, and Manager, Branch Sales and CS); and the remaining are Clerical job category of positions grade 9&10 which are taken as the strata. In general, since each stratum is more homogeneous than the total population, the researcher is able to get more precise estimates of the sample for each stratum and by estimating more accurately each of the component parts and get a better estimate of the whole; in brief, stratified sampling results in more reliable and detailed information (Kothari, 2004).

Besides to the stratified sampling technique, purposive sampling technique is used to select the respondents from each stratum. This technique is needed to choose members of the population to participate in the study purposively based on researcher's own judgments to answer research questions and/or achieve research objectives.

3.4.4. Sample Size

As a rule of thumb, sample must be of an optimum size i.e., it should neither be excessively large nor too small (Kothari, 2004). Sample size can be determined using certain formula in the case of quantitative study, whereas, in qualitative study, determining sample size is entirely a matter of judgment, there are no set rules (Cohen, Manion, and Morrison, 2000).

Thus, to get a representative sample for the population, Yamane (1967) finite and large population sample size formula with 95% confidence level was employed. The formula used to obtain this sample size is presented below:

$$n = \frac{N}{1+N(e)^2}$$

Where: n represents sample size, N represents total number of population size, and e represents sampling error/level precision.

According to the information obtained from HRM Department of the bank, there were a total of 538 Managerial and Clerical job categories at Oromia Bank branches found in Addis Ababa as at the end of April 2022.

Therefore, based on the above formula the sample size of the study is 229 respondents.

$$n = \frac{538}{1 + 538 (0.05)^2} = 229$$

Following the sample size determination, the researcher was allocated the sample size of each stratum through the method of proportional allocation under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. In order to do so, proportionate stratified sampling (PSS) formula ($n_i = N_i/N * n$) was used.

Where: n_i represents sample size taken from each stratum, N_i total no. of population of each stratum, n total sample size of the study, and N total population size.

Table 1: Sample Size of respondents from each stratum

S/N	Strata by Position	Total number of staffs as at April 2022.	Sample size from each position $n_i = N_i/N * 229$
1	Managerial	191	81
2	Clerical	347	148
Total		538	229

Table 2: Sample size of respondents from each branch category from each stratum

S/N	Branch Category	Strata by position	Total number of staff as at April 2022.	Sample from each job category from each branch category $n_i = N_i/N * 229$
1	Grade IV Branch	Managerial	7	3
		Clerical	23	10
2	Grade III Branch	Managerial	3	1
		Clerical	5	2
3	Grade II Branch	Managerial	21	9
		Clerical	45	19
4	Grade I Branch	Managerial	160	68
		Clerical	274	117
Total			538	229

3.4.5. Sampling Procedure

The researcher targeted both managerial and clerical job category employees working in grade IV, III, II and I branches of Oromia Bank S.C. Accordingly, from the total population of 538 employees found in Addis Ababa City, 229 were taken as the sample size. To ensure that all the various groups in the sampling frame are surveyed, the researcher used stratified sampling technique. By using this technique, the researcher grouped them into homogenous groups (strata) i.e. managerial category and clerical category. Following the classification of the population into homogenous groups (strata), the researcher employed proportionate stratified sampling technique to allocate the sample size of each stratum through the method under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. Then, the non-probability method which is purposive sampling technique is employed to choose the respondents among the strata based on the judgments of the researcher; because this sampling technique helped to capture the opinion and judgments of the respondents related to the subject matter under study.

3.5. Data Sources and Types

Both primary and secondary source of data were employed in the study. The primary source of data is the response collected from the job categories under emphasis (Managerial and Clerical) of the four branch categories of Oromia Bank S.C. while secondary data were utilized from review of related literatures.

According to the organizational structure of Oromia Bank S.C. managerial job categories at branch level includes respective branch managers and Manager, Branch Sales and CS job positions. Whereas, Clerical positions are positions below the managerial position and above non –clerical positions. For the purpose of this study, even though there are also other clerical positions found at branch level, only positions above job grade 9&10 were considered as employees in these positions are mostly considered for succession at branch manager level. These positions are: Branch Accountant, Branch Control and Compliance Officer, Branch Credit Officer, Branch Foreign Trade Services Officer, Branch Senior Control and Compliance Officer, Senior Branch Accountant, Senior Branch Credit Officer, Senior Branch Foreign Trade Services Officer, and Senior Branch Sales & CSO.

3.6. Data Collection Instrument and Procedure

The study is depended on primary data which collected through self-administrated questionnaire and interview. A questionnaire is a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner (Sauders et.al, 2003). The questionnaire is prepared in line with the objectives of the study and organized into five sections. The first section of the questionnaire deals with demographic characteristics of the respondents. While, the second section of the questionnaire is dealt with the extent of succession

planning practice in Oromia Bank. The third part dealt with factors hindering implementation of SP practice. The fourth section dealt with determinant factors of effective succession planning. The final section dealt with strategies for succession planning practice in Oromia Bank S.C. The questions are structured in close-ended type and responses to the questions are measured by Likert scale of five rating scale where: Strongly Agree =5; Agree= 4; Neutral=3, Disagree = 2; and Strongly Disagree =1. The Likert scale is used to make the questions easier for respondents to answer in a simple way and permit an efficient use of statistics for the interpretation of data. The questionnaire designed in English language for all. Following the approval of the questionnaire by the advisor, the instrument was pilot tested. Subsequently, upon the completion of pilot testing, the questionnaire was edited based on the respondents' feedback and distributed to the sampled respondents in the respective branch categories.

3.7. Validity and Reliability

Validity and reliability of the measures need to be assessed before using the instrument of data collection (Hair et al., 2003). Validity concerns whether an instrument can accurately measure, while reliability pertains to the consistency in measurement. Therefore, in this study the reliability and validity were tested as follows;

3.7.1. Validity

The degree to which a measure exactly represents what it is intended to is termed as validity. It is concerned with how well the concept is defined by the measure(s). There are three types of validity: content validity, predictive validity, and construct validity. The correspondence between the individual items and concept is named as content validity. Validity is the criteria for how effective the design is in employing methods of measurement that will capture the data to address the research questions (Kazi, 2010).

Therefore, in this study in order to assure the validity of the research instrument, various relevant literatures and different previous research questionnaires were used. Also, the research advisor and the internal examiner were critically checked for the validity of the questionnaire. As well, the draft survey questionnaire was pilot tested to assure that the instrument is clear and unambiguous. Then, following the above-mentioned means and pilot testing, the researcher incorporated the feedback of the respondents into designing of the final survey questionnaire. Finally, the research instrument was distributed to the respondents.

3.7.2. Reliability

The stability and consistency of the instrument measuring the concept and helps to assess the goodness of a measure is reliability (Zikmund, 2003). In this study, the reliability of the items in the instrument was measured using Cronbach's alpha which is the most frequently used reliability test to measure internal consistency when using the Likert scale. According to Sekaran (2003), the closer the reliability coefficient gets to 1.0, the better it is, and those values over .80 are considered as good. Those values in the .70 are considered as acceptable.

3.8. Data Analysis Methods

The primary data collected through self-administrated questionnaire was analyzed using descriptive analyses. In order to do so, Statistical Package for Social Sciences (SPSS) software version 20 is utilized. In order to test the reliability of the instrument Cronbach's alpha tests is used.

Descriptive statistics is used for analysis purpose. Accordingly, as the data collected is both quantitative and qualitative in nature; thus, it is analyzed by using descriptive analysis techniques such as frequency (number) and percentage. At the end, the analyzed data is presented by using

tables. Besides, qualitative data collected through interview from Chief HRM and Deputy HRM Directorate Directors was analyzed qualitatively and presented across the study in the form of summary.

3.9. Ethical Considerations

In the context of research, ethics is defined as the appropriateness of the researcher's behavior in relation to the rights of the participants or subjects of the research work (Saunders, Lewis, and Thornhill, 2009). Therefore, this study was governed by the general rules of research ethics in such a way that, the respondents are requested to provide information on voluntary basis, there is prior communication about the purpose of the study, and confidentiality of the information is guaranteed.

Lastly, the questionnaires were distributed only to voluntary participants.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

The main objective of the study has been to assess the succession planning practice e in Oromia Bank S.C. In order to satisfy the objective of the study, the data that were gathered from the primary source using questionnaire and interview was analyzed, presented, and interpreted in this section of the research.

4.1. Data Editing and Coding

After data required was gathered through the methodology indicated herein this thesis, the questionnaire was thoroughly reviewed ensure if respondents appropriately filled the questionnaires. Subsequently, any incomplete or missing responses were rejected from the analysis. The steps which stated in the data analysis section such as coding, eliminating coding and data entry error, known as “clearing the data”, Rubin & Babbie (2010) was performed in this research and analysis of data has been conducted thereafter.

4.2. Questionnaire Response Rate

The questionnaires were physically distributed to Oromia Bank’s Managerial and Clerical job category staff serving in Addis Ababa City at different branches. Of the total of 229 questionnaires distributed 195 were collected and the remaining 23 (11.8%) were not responded. The nominal response rate of the collected questionnaires was (89.9%); however, out of these due to incompleteness and missing values only 195 (85%) were usable for further analyses and the remaining 11 (5.6%) were discarded. According to Rubin & Babbie (2010), a response rate of 70%

is “very good” for further assessment. Therefore, in this case, the response rate of 85% is therefore, good enough.

Table 3: Questionnaire Response Rate

Sample Size	229
Collected	206
Remain Uncollected	23
Discarded	11
Used	195
Response Rate	85%

Source: Own Survey Result, 2022

4.3. Testing of the Research Instrument

Before undertaking the analysis, the researcher undertook the validity and reliability test to assure the research instruments was valid in addition to its reliability.

4.3.1. Validity Test

The extent to which a measuring instrument provides adequate coverage of the topic under study is named as content validity. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined by using a panel of persons who shall judge how well the measuring instrument meets the standards, but there is no numerical way to express it (Kothari, 2004).

As earlier stated in chapter three, in order to assure the validity of the research instrument, all the variables of the study were adopted from previous research works. Furthermore, conducted a pilot test of the questionnaire was also conducted by the researcher among twelve Head Office HRM Experts of Oromia Bank to gather feedbacks towards enhancing the validity of the instruments in line with content validity.

Besides, the researchers acquired and incorporated the opinions of Oromia Bank’s Chief and Deputy HRM Directors and instructors in order to enhance the research instrument validity.

4.3.2. Reliability Test

Reliability is the extent to which a measurement gives results that are consistent and fundamentally concerned with issues of consistency of measures (Bryman and Bell, 2003). Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of sample items are as a group. It is considered to be a measure of scale reliability. A "high" value for alpha does not imply that the measure is one-dimensional. Technically speaking, Cronbach’s alpha is a coefficient of reliability (or consistency). According to Hair, et al., (2006), if α is greater than 0.7, it means that it has high reliability, 0.5 is sufficient, and if α is smaller than 0.3, then it implies that there is low reliability.

Accordingly, the overall Cronbach’s alpha result of the 23 items in the study (4 the extent of SP practice items, 7 Factors hindering effective execution of SP practice items, 5 determinants of SP practice, and 7 strategies for implementing SP practice items) was 0.822 which is higher than the acceptable minimum alpha value set (i.e. 0.70). The Cronbach’s alpha result of each item used in the questionnaire is shown in the following table.

Table 4: Cronbach’s Alpha Test for Reliability

Reliability Statistics		
	Cronbach’s Alpha	No of Items
The Extent of SP Practice	.774	4
Factors Hindering Effective Execution of SP Practice	.822	7
Determinants of Effective SP Practice	.819	5
Strategies for Implementing Effective SP Practice	.873	7
Overall Reliability	.822	23

Source: Own Survey Result, 2022

4.4. Findings of the Study and Discussion

4.4.1. Demographic Characteristics of the Respondents

Demographic characteristic of respondents are critical to understand the extent to which SP practice has been conducted in the bank, the prevailing challenges and enabling strategies required to effectively implement SP in the bank. Accordingly, the demographic characteristics of respondents as to their gender, age, marital status, education, experience, and job category was discussed as follows.

Table 5: Demographic Characteristics of Respondents and General Information

S/N	Variables	Categories	Outcomes	
			Frequency	Percentage
1	Gender of Respondents	Male	120	61.5
		Female	75	38.5
		Total	195	100
2	Age of Respondents	20-30 year	116	59.5
		31-40 year	69	35.4
		41-50 year	10	5.1
		Over 50 year	-	-
		Total	195	100
3	Marital Status of Respondents	Single	94	48.2
		Married	101	51.8
		Divorced	-	-
		Widow/Widower	-	-
		Total	195	100
4	Educational status	Diploma	4	2.1
		BA Degree	157	80.5
		Secondary Degree	34	17.4
		Other	-	-
		Total	195	100
5	Work Experience	≤5years	112	57.4
		6-10 years	66	33.8
		11-15 years	16	8.2
		Over 15 years	1	.5
		Total	195	100
6	Job Category	Managerial	80	41.0
		Clerical	115	59.0
		Total	195	100

Source: Own Survey Result, 2022

- **Gender of Respondents**

While conducting the study, respondents were asked for their gender. Accordingly, 61.5% of them were male and 38.5% of them were female showing that the majority of the respondents were male in Oromia Bank branches found in Addis Ababa City.

- **Age of Respondents**

Respondent's age was asked in the questionnaire. Accordingly, the findings of the study shows that majority of the respondents fall within 20-30 age bracket which accounted for 59.5%, followed by the age group of 31-40 which accounted for 35.4%. The remaining 5.1% were fall between the age brackets of 41-50 years. Whereas, there is no staff within age brackets of above 50 years. This indicates that the majority of the respondents were youngsters. Thus, from this result, the researcher infer that the young aged employees offer more skills and enables the bank to be more productive.

- **Marital Status of Respondents**

With regards to the respondent's marital status, 48.2% of them were single and the remaining 51.8% were married indicating that the majority of respondents were married employees. Whereas, there were neither divorced nor widow/widower among the respondents.

- **Educational Status of the respondents**

With respect to the educational status of the respondents, 80.5% of them were First Degree holders, 17.4% of them were second/Masters Degree, and 2.1% were Diploma holders. Whereas, there was no respondent having educational status above second/Masters Degree. Therefore, this result implies that the majority of the respondents possessed a high level of educational status and they have adequate knowledge and understanding about the subject matter under emphasis.

- **Respondent's Work Experience**

Respondents were asked to state the length of years of services in the bank. Accordingly, more than half (57.4%) of the respondents indicated that they had a working experience of ≤ 5 years in the bank. While, 33.8%, 8.2% and 0.05% of them had 6-10 years of experience, 11-15 years and >15 years of experience, respectively. This implies that the respondents have a knowledge of the bank's succession planning practice and how it works in the bank. The same will also enable the researcher to get adequate data on the study.

- **Job Category of Respondents**

Finally, with respect to the respondent's job category, 41% of the respondents accounted for managerial employees and the remaining 59% of them were Clerical job category employees of job grade 9 & 10. This implies that the majority of the respondents were Clerical job category employees.

4.4.2. Findings on the Extent of SP Practice in Oromia Bank

To assess the extent of Succession Planning Practice in Oromia Bank S.C, respondents were asked questions on four dimensions. The questions were: the knowledge on the concepts of succession planning practice and how it works in the bank, degree level of succession planning practice in the bank, how many times the bank conducts succession planning, and how important succession planning was to the bank. Accordingly, the summary of the findings is presented in the following table.

Table 6: Extent of Succession Planning Practice

Characteristics		Frequency	Percent	Valid %	Cum. %
Knowledge on the concept of SP Practice and how it works in the bank	Yes	158	81.0	81.0	81.0
	No	26	13.3	13.3	94.4
	I don't know	11	5.6	5.6	100.0
	Total	195	100.0	100.0	
Degree Level of Succession Planning Practice in the bank	Strongly well done and satisfactory by the bank	30	15.4	15.4	15.4
	Well done and Satisfactory by the bank	37	19.0	19.0	34.4
	Fairly done but not satisfactory by the bank	122	62.6	62.6	96.9
	Not done at all by the bank	6	3.1	3.1	100.0
	Total	195	100.0	100.0	
How many times the bank conduct SP?	At least once a month	28	14.4	14.4	14.4
	Quarterly	29	14.9	14.9	29.2
	After 6month	51	26.2	26.2	55.4
	At least once a year	80	41.0	41.0	96.4
	Never conducted in the bank	7	3.6	3.6	100.0
	Total	195	100.0	100.0	
How Important is SP to your work environment	Very Important	105	53.8	53.8	53.8
	Important	89	45.6	45.6	99.5
	Not important at all	1	.05	.05	100.0
	Total	195	100.0	100.0	

Source: Own Survey Result, 2022

In order to examine the extent of SP practice in Oromia Bank S.C, respondents were asked four questions. Regarding the first question i.e. Knowledge on the concepts of SP practice and how it works in the bank and 158 (81%) of the respondents replied “yes”, 26(13.3%) of respondents replied “No” and the remaining 11 (5.6%) of the respondents replied they “didn't know” the succession planning practice and how it works in the bank. As it can be inferred from the figures, most of the respondents have the knowledge of succession planning practice and how it works in the bank. Whereas, 5.6% of the respondents in the bank do not have the knowledge on the concept of succession planning practice and how it works in the bank while the remaining 5.6% do not

even understand what they have been asked for. In general terms, the majority of the respondents know the concepts of Succession Planning Practice and how it works in the bank. On the other hand, selected respondents for interview have been also asked if they let employees know the bank's succession planning practice and how it works in the bank. Accordingly, they have replied that the bank's succession planning procedure has been communicated to all employees of the bank and they thought employees know how the bank's SP practice.

Concerning the second question, i.e. degree level of succession planning practice in the bank, 30(15.4%) of the respondents replied, "strongly well done and satisfactory by the bank", 37(19%) of the respondents replied "well done and satisfactory by the bank, 122(62.6%) of the respondents replied "fairly done but not satisfactory by the bank", and the remaining 6(3.1%) of the respondents replied "not done at all by the bank". In general, the finding of the study shows that majority of the respondents do believe that the level of succession planning conducted in the bank is fairly done but not satisfactory. Besides, respondents interviewed have also asked question as to how well they have been practicing SP in the bank. Accordingly, they replied that even though the practice has been started back in the year 2018, the practice so far is unsatisfactory and as a result, they have been revisiting the existing practice in a holistic way by external consultant. This finding supports the response of the employees collected through questionnaire that the bank's succession planning practice is not satisfactory.

Thirdly, concerning the third question, i.e. how many times the bank conducts SP practice, 28(14.4%) of the respondents replied "at least once a month", 29(14.9%) of the respondents replied "quarterly", 51(26.2%) of the respondents replied "every six month", 80(41%) of respondents replied "at least once a year", and 7(3.6%) of respondents replied that succession planning is "never conducted in the organization". In totality, only 80(41%) of the respondents exactly know

how frequent the bank conducts succession planning, i.e. as the bank conducts succession planning once a year. This finding shows that the majority of the respondents didn't know how frequently the bank conducts succession planning practice and as a result, they gave different responses apart from the bank's procedure which may probably emanate from lack of detail knowledge of the bank's succession planning and management procedure. On the contrary, insignificant number of respondents i.e. 7(3.6%) replied the bank doesn't conduct succession planning practice and they didn't even know if the bank conducts succession planning practice. On the other hand, the same question has been asked through interview groups and they replied that the bank conducts succession planning once a year for grooming successors for the capacity of Branch Manager. In general, as it can be seen from the respondents reply, there is inconsistency of knowing how frequent the bank conducts succession planning.

Finally, respondents were asked how important succession planning is to their work environment and 105(53.8%) of them responded that it's very important, 89(45.6%) of them responded its important and the remaining 1(0.05%) responded it's not important. In general, the findings of the study demonstrates that succession planning practice is important to the bank even though the degree of importance is different among the respondents. In general, almost all respondents agree that succession planning practice is very important to their work environment. Similarly, the same question has been also forwarded to interviewed respondents and they have stressed the importance of succession planning practice to meet the bank's desired strategic goals. Besides, they stressed that given the war for talent in the banking industry coupled with the aggressive branch expansion strategy of the bank, the need for in placing effective succession planning is unquestionable.

4.4.3. Findings on Factors Hindering Effective Execution of SP practice

In order to interpret the descriptive data, scale interval measurement by Poonlar Btawee, 1987 as cited by Hailu Semisse (2013) was adopted by the researcher. According to Hailu Demissie (2013) mean scores ranging between 4.51 to 5.00 is considered as “excellent or very good”, from 3.51 to 4.50 is considered as “good”, from 2.51 to 3.50 is considered as “moderate or average”, from 1.51 to 2.50 is considered as “fair” and between 1.00 to 1.50 is considered as “poor”.

Table 7: Challenges of Succession Planning

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The insufficient talent pipeline does challenge the bank’s intention and effort of succession planning.	195	1.00	5.00	3.9897	.92497
The inability to motivate and retain key employees does affect the bank’s succession planning.	195	1.00	5.00	4.0718	1.10060
Succession planning practice is affected by ineffective business practices in the bank.	195	1.00	5.00	4.0359	.94364
The unfocused roles and responsibilities across a career plan challenge the bank’s succession planning.	195	1.00	5.00	3.9744	.98146
In my opinion, limited information about employees is one challenges for the bank’s succession planning.	195	1.00	5.00	4.0974	.91705
Lack of effective company vision and failure to address future needs is one challenge in succession planning.	195	1.00	5.00	4.0205	.99462
Inactive periodical actions do affect succession planning practice of the bank.	195	1.00	5.00	4.1128	.94027
Group Mean and SD	195			4.043	0.97

Source: Own Survey Result, 2022

As clearly seen from the above table 7, the overall mean and standard deviation score for factors hindering succession planning practice in the bank is 4.04 and 0.97 respectively. A mean score that ranges between 3.51 to 4.50 is “very good” (Poonlar Btawee:1987) which indicates that the

majority of respondents do agree that the predictors are affecting the banks succession planning practice. Among the predictors, inactive periodical actions takes the highest contribution with the highest mean score of 4.11 with SD of 0.94. Whereas, unfocused roles and responsibilities across career plan has a minimum score of 3.97 with SD of 0.98 which is the less contributing predictor. Overall, insufficient talent pipeline, inability to motivate and retain key employees, ineffective business practice, unfocused roles and responsibilities across career plan, limited information about employees, lack of effective company vision and failure to address future needs, and inactive periodical actions are the challenges that affecting implementation of succession planning practice in Oromia Bank. The findings of the study is also similar with the findings of the study conducted by Muhoho, J. E. (2014) in his attempt to identify challenges facing human resource succession planning in Tanzania's work organizations and identified that ineffective business practice and lack of effective company vision and failure to address future needs were the factors affecting succession planning practice.

4.4.4. Findings on Determinants of Effective SP

For the sake of examining the determinants of effectively implementing succession planning practice at Oromia Bank S.C, respondents were asked five questionnaire items about what factors determine succession planning practice in the bank. Accordingly, descriptive statistics of the questionnaire items as to the population, maximum and minimum, the mean and standard deviation of the variables is depicted in the following table 8.

Table 8: Determinants of SP

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The existence of human resource policies in the bank can determine the succession planning.	195	1.00	5.00	4.0359	.92711
Committed management in the bank has an influential part for the bank’s succession planning practice.	195	1.00	5.00	4.1897	.91938
In my opinion, succession planning is actualized according to the kind of culture the bank follows.	195	1.00	5.00	4.0359	.86973
Readiness of the bank for success especially in having experienced human resource influences succession planning in the bank.	195	1.00	5.00	4.1385	.89460
Competence of the bank management has positive influence for succession planning.	195	1.00	5.00	4.0923	.89770
Group Mean and SD	195			4.10	0.90

Source: Own Survey Result, 2022

As it can be seen from table 8 above, the overall mean and SD score of the construct of the study is 4.10 and 0.90. The aggregate mean score is between 3.51 to 4.50, which is “very good” (Poonlar Btawee:1987). This implies that the majority of the respondents do agree that the determinant factors influences the succession planning practice in the bank. Among the predictors, committed management has a maximum mean score of 4.18 and highly affecting the bank’s SP efforts as well. Whereas, existence of human resource policies in the bank and the influence of culture of the bank has a minimum score of 4.03 and lesser contributed to the aggregate mean score. Overall, the findings of the study demonstrated the predictors aggregate mean score of 4.10 with standard deviation (SD) of 0.90 indicates that the determinants of effective succession planning elements stated in the questionnaire have strong effect on implementing succession planning practices and the bank needs to give attention to those determinant factors if succession planning has to be effectively implemented. Besides, as per the interview held with the respondents, the bank’s SP

and Management procedure is not comprehensive and scientific one. As a result, comprehensive procedure has been underway through external consultants. There is competency problem of especially at branch level.

4.4.5. Strategies for Implementing Effective Succession Planning Practice

To determine the influence of strategies for effectively executing succession planning practice in Oromia Bank, a questionnaire consisting of seven items has been asked. Accordingly, descriptive statistics of the questionnaire items as to the population, maximum and minimum, the mean and standard deviation of the variables is depicted in the following table 9.

Table 9: Strategies for SP Practice

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The strategy of attracting and recruiting potential employees has determinate factor for the application of succession planning practice.	195	1.00	5.00	4.2103	.88043
Succession planning practice is influenced by rewarding and recognizing hard working employees in the bank.	195	1.00	5.00	4.0103	.92497
Effective leadership and management development has a decisive factor for the bank's succession planning practice.	195	1.00	5.00	4.1692	.90079
Staff engagement plays an improving part for the application succession planning practice in the bank.	195	1.00	5.00	4.1744	.87953
The bank's succession planning of is dependent on effective management and performance.	195	1.00	5.00	4.1231	.90544
Organizational learning and development affects succession planning of the bank.	195	1.00	5.00	4.2205	.75818
Succession planning practice in the bank is impacted by setting enough budgets for human resource development.	195	1.00	5.00	4.0154	.91650
Group Mean and SD	195			4.13	0.88

Source: Own Survey Result, 2022

As it can be clearly seen from the above table 9, the maximum mean score is 4.22 which is attributed to organizational learning and development strategy whereas, the minimum mean score of 4.01 is attributed to rewarding and recognition of top performers strategies. The overall mean and SD score of the variables of the study is 4.13 and 0.88 respectively which indicated that the respondents have agreed that the strategies identified in the questionnaire items does have effect on the bank's implementation of succession planning practice. On the other hand, interviewed respondents have also replied that in order to overcome the prevailing challenges, the bank need to in place different strategies like retention of top performers through different retention strategies, importance of management commitment as SP is critical to sustain the organization, allocation of adequate budget for developing potential successors, setting clear framework through which the bank develop its internal bench strength, and in placing effective performance management system through which potential successors are identified for further development continually.

Likewise, the findings of the study are similar with the findings of (Mwemezi, 2011) who have identified a number of strategies through which HR succession planning will be enhanced; namely: attract and recruit potential employees, leadership and management development effectiveness, and improved budget allocated for HR succession planning were among the strategies identified in the surveyed organizations.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1. Summary of Major Findings

The researcher has attempted to assess succession planning practice in Oromia Bank S.C. in this study. This section of the study explains the major findings based on thorough analysis of the data collected and SPSS output, conclusions, recommendations based on the findings of the study, and limitations and suggestions for future research works.

In general, after conducting thorough analysis of the data collected, the following major findings were identified.

- Regarding respondents demographic characteristics and general information:
 - ✓ The majority of respondents were male which accounts for 61.5% and the remaining 38.5% were females.
 - ✓ Of the total respondents, more than half of them (59.5%) falls under age bracket 20-30 years, 35.4% between age bracket 31-40 years, and the remaining 5.1% falls between age brackets 41-50 years.
 - ✓ Majority of the respondents (51.8%) were married and the remaining 48.2% were single.
 - ✓ The largest number of respondents (80.5%) have first Degree, followed by 17.4% respondents have Master's Degree and the remaining (2.1%) have Diploma level educational status.

- ✓ More than half of the respondents have work experience of less than five years which accounts for 57.4%, 33.8% have work experience between 6-10 years, 8.2% of them have work experience between 11-15 years, and the remaining 0.05% has work experience above 15years.
- ✓ Majority of the respondents were clerical job category employees (56.4%) and the remaining 43.6% were managerial job category employees.
- Regarding the extent of degree level of succession planning practice in the bank:
 - ✓ Majority of the respondents (81%) have the knowledge of concepts of SP and how it works, 18.9% of respondents do not know the concept of SP and how it has been practiced in the bank;
 - ✓ Majority of the respondents 122(62.6%) believed that SP practice is fairly done but not satisfactory, 30(15.4%) of the respondents replied that SP is strongly well done and satisfactory, 37(19%) of the respondents replied that SP is well done and at satisfactory level, and the remaining 6(3.1%) of the respondents replied that SP is not done at all by the bank. In general, the extent of degree level of SP in Oromia Bank S.C. is unsatisfactory.
 - ✓ There is inconsistency of the knowledge of the bank's SP practice among employees and only 41% of employees exactly knows how frequent the bank conducts SP. As per the interview conducted with the bank's Chief, HRM Director and Deputy HRM Director, SP is conducted in the bank once a year. The finding of the study implies that majority of employees lack knowledge of the bank's SP practice.

- ✓ The findings of the study demonstrated that SP is very important to the bank. 105(53.8%) of respondents replied that SP very important, 89(45.6%) of them replied that SP important, and the remaining 1(0.05%) responded it's not important.
- ✓ The aggregate mean score of the predictors of factors hindering SP practice in the bank was 4.043 with SD of 0.97. The findings revealed that there is insufficient talent pipeline, inability to motivate and retain top talents, ineffective business practices, unfocused roles and responsibilities across career plan, limited knowledge of information about employees, lack of effective company vision and failure to meet future needs, and inactive periodical actions.
- ✓ The aggregate descriptive statistics mean score for the determinants of SP practice in the bank was 4.10 with SD of 0.90. The findings revealed that there's lack of management commitment with a mean score of 4.18 above the other constructs of the study. There is also lack of clear HR policy, organizational culture, bank's readiness and competence of the bank's management.
- ✓ The descriptive statistics for enhancing effective implementation of SP practice in the bank has a mean score of 4.13 and SD of 0.88 on aggregate. The findings of the study shows that among the predictors, organizational learning and development highly influencing the bank's SP practice with a mean score of 4.22 followed by strategy of attracting and recruiting potential employees with a mean score of 4.21. The findings also revealed that there is limitations in strategically attracting and recruiting potential employees, lack of rewarding strategy, staff engagement problem, lack of effective PMS, and budget allocation for grooming successors.

5.2. Conclusion

Unquestionably, effective implementation of succession planning practice is of paramount importance to organization more than ever in today's highly volatile, uncertain, complex and ambiguous business landscape to ensure the continuity and sustainability. Above all, as the success and failure of an organization depends of the quality of people working in it, it's highly decisive to proactively work on capacitating and nurturing the people to get competitive advantage over other rivals in the business environment.

In a nutshell, the findings of the study shows that the succession planning practice in Oromia Bank is unsatisfactory and employees also lack clear understanding of the bank's succession planning and Management procedure. The study also revealed that insufficient talent pipeline, inability to motivate and retain key employees, ineffective business practice, unfocused roles and responsibilities, limited information about employees, lack of effective company vision and failure to address future needs and inactive periodical actions are the factors hindering effective execution of the bank's SP practice.

Besides, the findings of the study reveals that the bank is not properly practicing the determinants factors of effectively executing SP practice. Furthermore, enabling strategies for effectively executing SP practice has not been properly implemented in the bank as per the findings of the study.

5.3. Recommendations

Based on the findings of the study, the researcher made the following recommendation.

- The bank should in place effective SP and M practice to overcome the prevailing insufficient talent pipeline and to have solid bench strength as the competition for experienced and skillful employees in the sector is prevalent,
- Clear career path should be set as doing the same will boost the morale of top performers in the bank and also reduce their risk of loss. Besides, retention strategy is required for maintaining top performers;
- The bank should clearly communicate the bank's SP and M procedure to entire employees through training as employees' knowledge and understanding of SP practice of the bank has paramount importance in effectively implementing SP;
- Any successful efforts of implementing SP requires the commitment of the top and senior management. Thus, the commitment of the management should be there to overcome the prevailing drawback in this regard;
- Effective EPMS should be in placed as it's a prerequisite to identify potential successors based on their performance;
- In order to improve employee engagement, different reward management strategy whereby employees are compensated according to their contribution should be established;

5.4. Suggestion for Future Study

By using the findings herein this study as a stepping-stone, other academicians and students having interest on the area are highly recommended to conduct further study to enrich the findings.

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Appendix I: Questionnaire

Addis Ababa University

School of Commerce

Business Leadership Graduate Program

Dear Respondent,

My name is Amanuel Mekonnen. I am a graduate student in the field of Business Leadership at Addis Ababa University School of Commerce. I would like to seek your assistance in completing the questionnaire attached herewith which forms a basic part of my thesis. The purpose of this research is to study “**Assessment of Succession Planning Practice in the case of Oromia Bank S.C**”. Therefore, your genuine and honest response is very critical for the success of the research and I would like to appreciate your cooperation in advance.

Kindly be assured that all information that you provide will be kept with utmost confidentiality and used for academic purpose only. If you require any further information and unclear situation, please kindly contact me through the following address;

- Email: odaaamanuel@gmail.com
- Cell phone: +251 912 80 65 25/+251 974 097702

Thank you in advance for your time and cooperation!

General Instruction:

- No need to write your name.
- Further instruction is given at the beginning of each part of the questionnaire.

Part I: Demographic and General Information Question

Please put the tick “✓” mark under the choice.

1. **Gender:** Male Female
2. **Age:** 20-30 years 31-40 years 41-50 years Over 50 years
3. **Marital Status:**
Single Married Divorced Widow/Widower
4. **Educational Status:**
 - Diploma Secondary Degree

- BA Degree Other, please specify _____

5. Your experience in the Bank:

≤5 years 6-10 years 11-15 years Over 15Years

6. Job Category: Managerial Position Clerical positions (job grade 9&10)

Part II: The Extent of Succession Planning Practice

7. Do you have knowledge on the concept of succession planning practice and how it works in the Bank? *(Please circle the relevant answer)*

- a. Yes b. No c. I don't know

8. If your response to question no.7 is 'Yes', choose the most right statement on the degree level of succession planning in the bank.

- a. Strongly well done and satisfactory by the Bank b. Well done and satisfactory by the Bank c. Fairly done but not satisfactory by the Bank d. Not done at all by the Bank

9. How many times the Bank conduct succession planning? *(Please circle one letter that best represents your response).*

- a. At least once a month b. Quarterly c. After 6month d. At least once a year
e. Never conducted in the organization

10. How important is succession planning to your working environment? *(Please circle the correct answer).*

- a. Very important b. Important c. Not important at all

Part III: Factors hindering effective execution of Succession Planning Practice

11. Please circle your choice of response for the one that is most appropriate to the following as it can act as a challenge to the bank's intention and efforts of succession planning.

5=Strongly Agree, 4=Agree 3=Neutral 2 =Disagree 1=Strongly Disagree

S/N	Statement	Ranking				
		1	2	3	4	5
1	The insufficient talent pipeline does challenge the bank's intention and effort of succession planning.	1	2	3	4	5
2	The inability to motivate and retain key employees does affect the bank's succession planning.	1	2	3	4	5

3	Succession planning practice is affected by ineffective business practices in the bank.	1	2	3	4	5
4	The unfocused roles and responsibilities across a carrier plan challenge the bank's succession planning.	1	2	3	4	5
5	In my opinion, limited information about employees is one challenges for the bank's succession planning.	1	2	3	4	5
6	Lack of effective company vision and failure to address future needs is one challenge in succession planning practice of the bank.	1	2	3	4	5
7	Inactive periodical actions do affect succession planning practice of the bank.	1	2	3	4	5

Part IV: Determinants of Effective Succession Planning Practice

12. Rank how the availability of following factors determines implementation of the bank's Succession Planning Practice.

5=Strongly Agree, 4=Agree 3=Neutral 2 =Disagree 1=Strongly Disagree

S/N	Statement	Ranking				
1	The existence of human resource policies in the bank can determine the succession planning.	1	2	3	4	5
2	Committed management in the bank has an influential part for the bank's succession planning practice.	1	2	3	4	5
3	In my opinion, succession planning is actualized according to the kind of culture the bank follows.	1	2	3	4	5
4	Readiness of the bank for success especially in having experienced human resource influences succession planning in the bank.	1	2	3	4	5
5	Competence of the bank management has positive influence for succession planning.	1	2	3	4	5

Part V: Strategies for Implementing Effective Succession Planning Practice

13. Rank how the availability of the following strategies influences the Succession Planning Practice of the Bank.

5=Strongly Agree, 4=Agree 3=Neutral 2 =Disagree 1=Strongly Disagree

S/N	Statement	Ranking				
1	The strategy of attracting and recruiting potential employees is a determinant factor for application of succession planning practice in the bank.	1	2	3	4	5
2	Succession planning practice is influenced by rewarding and recognizing hard working employees in the bank.	1	2	3	4	5
3	Effective leadership and management development has a decisive factor for the bank's succession planning practice.	1	2	3	4	5
4	Staff engagement plays an improving part for the application succession planning practice in the bank.	1	2	3	4	5
5	The bank's succession planning is dependent on effective management and performance.	1	2	3	4	5
6	Organizational learning and development affects succession planning of the bank.	1	2	3	4	5
7	Succession planning practice in the bank is impacted by setting enough budgets for human resource development.	1	2	3	4	5

Thank You!

Appendix II: Structured Interview Questions

Addis Ababa University

School of Commerce

Business Leadership Graduate Program

1. What factors necessitate Succession Planning Practice in Oromia Bank S.C., and when it was commenced in the bank?
2. Do you think employees understand the concept of SP practice and how it works in the bank?
3. Do you think SP practice in the bank is effective and at what level do you rate the practice?
4. How important is SP practice to the bank and how frequent it's conducted in the bank?
5. What are the factors that has been challenging you to effectively implement SP practice in the bank?
6. What factors availability do you think positively influence SP practice in the bank?
7. What strategies are required to effectively implement SP in the bank?