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**SUCCESSION MANAGEMENT IN MODERN RUSSIAN**  
**CORPORATIONS**

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***Abstract***

The article is devoted to the problems of succession and talent management in modern Russian corporations. In the VUCA world the role of talents is increasing every day. Nowadays the success of organisation is determined by talents at all levels, but especially by talents among management staff. The succession becomes an integral part of effective talent management. Build the succession and talent management or die - is a slogan of modern corporation worldwide. But it is still not obvious for many Russian corporations. Few of them are ahead of the planet in management technologies but a lot of Russian corporations are only in probation period. To define the place and role of succession management in talent management process in modern Russian corporations the author realised two stage research. The research included terms definition, documents' analysis, express polls and interviews. The situation with personnel reserve and succession management in Russian corporations was analysed and recommendations were developed of the first stage. On the second stage, the status of succession and talent management in seventeen Russian corporations was identified and relationships between the systems were clarified. The results of research are studied in the Russian corporations. On their basis, pilot projects are planned to build succession and talent management in a number of corporations.

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**Keywords:** High potentials, personnel reserve, succession management, succession planning, talent management.



## **1. Introduction**

In the digital economy, the issues of succession management are becoming more relevant and affecting an increasing number of employees. If, during the succession planning phase, the emphasis was on preparing successors for managerial positions, today the succession plans include an increasing number of experts and highly qualified specialists in various fields.

The knowledge economy requires effective processes of transferring and reproducing all areas of knowledge through the systems of training, mentoring, personnel reserve and succession management. Modern corporations can not afford knowledge and talent management failures.

Moreover, it is obvious that large companies will advance only if they have effective talent management system. Today only talents can be "anti-fragile" (Taleb, 2015) and make their organizations "anti-fragile". But sometimes Russian corporations are not rapidly developing modern management technologies. As a result, they can lose their positions in country and abroad. The development of succession management in modern Russian corporations is inseparable from either the knowledge management system or the talent management system.

## **2. Problem Statement**

The traditional approach to guaranteed replacements in Russian corporations includes personnel reserve systems. Such systems were developed and effectively worked during the Soviet era, and then in a renovated form were reconstructed in all major Russian corporations. But personnel reserve system has serious limitations. It is not a strategic approach as a whole. However, continuous changes and high level of uncertainty of the external environment require a strategic approach to identifying and developing successors for higher and key positions in corporations. Many Russian corporations actively build succession management systems (Oparina, 2018). At the same time, the place and role of succession management in talent management systems of modern Russian corporations is not obvious.

## **3. Research Questions**

We can formulate a list of questions needed to find the decision about the place and role of succession management in talent management system in Russian corporations:

**3.1 Do the corporate personnel reserve systems work effectively in Russian corporations?**

**3.2 Is succession management developed in modern Russian corporations?**

**3.3. Are talent management systems in place in Russia? Do such systems have specific traits?**

**3.4 What is the role of succession management in the talent management systems of Russian corporations?**

## **4. Purpose of the Study**

Analysing the process of management systems development - from personnel reserve through succession management to talent management - the author has the intention to display that succession management is one of the essential subsystems of talent management in a modern organization. In this

case, effective talent management system in a modern Russian corporation should necessarily include succession management.

## 5. Research Methods

During the work on the article the following methods were applied:

- 5.1. Theoretical - analysis of the human resources management in Russian corporations/, comparative analysis, summarizing and formulating conclusions.
- 5.2. Empirical - formulation of the problem: the role of succession management in the talent management system, the research study of the modern Russian corporations experience in personnel reserve, succession management and talent management systems, express polls.

## 6. Findings

To find the place and role of succession management in organisations we should define the following terms: personnel reserve, replacement planning, succession planning, succession management.

The term "personnel reserve" has historical roots. The term was profoundly analysed by Russian authors. Kibanov (2007) believes that "the personnel reserve is potentially active and efficient part of the managerial staff capable to replace higher positions, as well as part of active personnel, systematically developed for higher-skilled jobs" (p. 107).

From the point of view of Vesnin (2010), reserve means "a specially selected target group of managers, specialists (and at enterprises even workers) who have achieved positive results in professional activities" (p. 234).

In the opinion of Korgova (2007), "reserve is a group of managers and specialists, possessing the ability to managerial activities, that meet the requirements of the management positions" (p. 327).

Bazarov (2002) states, that "the personnel reserve is a group of managers and specialists with the ability to management activities that meet the requirements to the management positions" (p. 201).

In the opinion of the author, "personnel reserve – a social group created as a result of careful selection of the most effective and motivated employees, developed for leading positions" (Oparina, 2018, p. 3).

The term "Replacement Planning" is a concept that features frequently in discussions about succession. The three concepts can be placed on a continuum, with Replacement Planning at one end and Succession Management at the other, with Succession Planning somewhere in between (PageUp People, 2009, p. 2).

In opinion of the HR practitioners "Replacement Planning is a reactive approach to staffing that involves identifying replacements for key positions, usually at the senior levels of the organization. Little focused development occurs for the successor and it is commonly assumed that the current manager is also a sound role model for the next manager. CEO replacement was the original focus of replacement planning given the critical role the CEO plays in any business" (PageUp People, 2009, p. 3).

Replacement Planning "then evolved into Succession Planning which differs to Replacement Planning only in that identified successors undertake focused development. The process of succession

planning is also closely intertwined with the workforce planning process. Each can only be as good as the other. Workforce planning allows the importance of job roles to be reviewed and critical training needs to be identified and prioritised (Kiyonaga, 2004, p. 357). Without such information, key roles and employees are difficult to identify and development efforts will lack focus. The negative impact on the organisation of a poor hire (or an unprepared internal successor) increases with the seniority of the role being filled” (PageUp People, 2009, p.3).

As the PageUp People (2009) research defined “Succession Management is a proactive approach to managing talent as it involves identification of high potentials for anticipated future needs and the tailored development of these people so that there is a talent pool or leadership pipeline available to meet organisational demands as they arise” (p. 3). “The HR domain of Succession Planning and Management (SPM) grew out of a recognised need to plan for CEO retirement in a tight labour market that had been caused by downsizing (particularly stripping layers of management), an increase in people reaching retirement age, as well as fewer entrants into the workforce” (PageUp People, 2009, p. 3). On the other side “succession planning and management is the process that helps stabilize the tenure of personnel” (Rothwell, 2010, p.6).

If we consider succession processes along a continuum replacement planning would be on one end, succession management would be on the other end and succession planning would be in the middle. (Berke, 2005, p. 6). In accordance with the SHRM research “At the most simplistic end of the continuum, replacement planning denotes a minimal succession approach in which successors (i.e., replacements) are identified at the top two or three managerial levels, but there is little or no development of those successors other than ad-hoc on-the-job experience. The focus is on forecasting, with no attention to development issues. Succession planning falls near the middle of this continuum of succession processes. It is more systematic and extensive than replacement planning because it is linked with intentional development initiatives targeted at successors; however, it is mainly for the top two or three management levels, like replacement planning. Succession management anchors the most comprehensive end of this continuum in that it identifies successors (replacement planning), develops them (succession planning) and is also directed at all managerial levels. The overarching goal of succession management is to have a pool or pipeline of prepared leaders—and not just a list of prospective candidates—across all organizational levels to fill vacancies in key positions when needed” (Day, 2007, p.17).

The author’s position is that “Succession Management is a proactive approach to managing talent as it involves identification of high potentials for anticipated future needs and the tailored development of these people so that there is a talent pool or leadership pipeline available to meet organisational demands as they arise” (PageUp People, 2009, p. 3).

6.1 The study explored approaches to human resource management and best practices of seventeen Russian corporations from the nuclear, oil and gas, energy, metallurgy, aircraft, telecommunications, financial, high-tech industries. The author analysed the external and internal websites of corporations, speeches of top officials and HR directors at conferences and summits, articles about the company, internal regulatory documents, documents of HR projects, results of interviews with HR specialists, feedback from recent and former employees.

As a result, at the first stage, the following components of human resource management in modern Russian corporations were identified:

- • Status and structure of the personnel reserve system;
- • Effectiveness of managerial personnel reserve;
- • System or elements of succession management.

In addition to the analysis and comparative analysis of the personnel reserve and succession management systems, the author made conclusions about the existence of really effective personnel reserve system in all corporations. In a number of corporations personnel reserve system is formal and not effective. At the same time, in practice promotions to managerial positions (especially to high level positions) were not carried out according to the principles of meritocracy. Two corporations, where the succession management has been realized, are both the flagships of their industries, both the flagships of managerial innovations and are characterized by high efficiency of all activities. In ten corporations, elements have been introduced or projects have been launched to implement succession management. In several corporations, the implementation of succession management is directly related to building a talent management system.

The analysis also made it possible to formulate the prospects for the development of succession management in each of the studied Russian corporations (Oparina, 2018).

The results of the first stage were published earlier and presented only for substantiating the problem of this article. During the analysis, some contradictions were revealed in the practice of building a succession management system:

Most corporations considered the management of continuity, as the modern stage of development of the personnel reserve system and one of the subsystems of human resources management.

Only few corporations initially considered succession management as an element of talent management.

6.2 Nevertheless, professional HR communities and professionals some time ago agreed that succession management is an integral part of talent management.

According to the HR professionals position “Succession planning focuses on identifying and growing talent to fill business-critical positions in the future. In the face of skills shortages and a lack of confidence in leadership potential, succession planning has gained popularity, and is now carried out in both large and smaller organisations” (Chartered Institute for Personnel Development, 2018, p.1).

Many Russian corporations have not decided yet who is the talent or talented employee for them, and how these concepts relate to the strategic personnel reserve system in which only employees with the greatest potential are credited. In general, this is a problem not only for the Russian corporations.

Most organizations understand the importance of their high potential employees (HIPOs). CEB research shows that they bring 91% more value to the organization than non-HIPOs and exert 21% more effort than their peers. There’s little doubt that HIPOs can help drive productivity and efficiency throughout your business, yet most organizations are not realizing this value. In fact, 73% of HIPO

programs show neither business outcomes nor ROI. Nearly 50% of companies lack a systematic process for identifying HIPOs, so it's no surprise that HIPO misidentification is a leading cause of HIPO program failure (CEB/SHL Research Report, 2015, p. 1).

In connection with the above-mentioned problems, the second stage of the research was carried out by the author. Eventually the interdependence of succession management and talent management in the same seventeen Russian corporations was revealed. The results of documents analysis and HR specialists' express interviews are presented in Table 01.

**Table 01.** The relationship between succession management and talent management in Russian corporations

Russian Corporation	Succession Management	Talent Management	Interdependence
Rosatom	The succession planning cycle was implemented	Succession management is part of talent management	Full
Sberbank	The program for the development of successors	Succession management is part of talent management	Full
Russian Railways	The elements of succession management are introduced	The elements of talent management are implemented	Part
Yandex	As a talent management element	Succession management is part of talent management	Full
Severgroup	Pilot succession planning projects are launched	Talent management projects are launched	Part
Gazprom	The project on succession planning has been launched.	The elements of talent management are implementing	Part
Rosneft	Projects of succession management are launched	Talent management projects are launched	Part
Transneft		The elements of talent management are implementing	Not obvious
Lukoil	The elements of succession management are implementing		Not obvious
MTS	Succession plan for foreign assets	The elements of talent management are implemented	Part
Beeline (VimpelCom)	Succession plans have been drawn up	Talent management system	Full
Megaphone	Elements of succession management are implementing	Transition to talent management system	Part
Severstal	Succession plans have been drawn up	Talent Management System	Full

RusHydro	The elements of succession management are implementing	The elements of talent management are implementing	Part
Uralsib	Projects for succession planning have been launched	Talent management projects are launched	Part
Norilsk Nickel	Pilot succession planning projects are launched	The elements of the talent management system	Part
United Aircraft Corporation	The elements of succession management are implemented	The elements of the talent management system are implementing	Part

## 7. Conclusion

As a result, we can come to the following conclusions:

- in a number of Russian corporations the system of succession management is not build and even the personnel reserve system does not work effectively.
- talent management systems are only started to be built, only few corporations have already built both a succession management system and a talent management system,
- in most of corporations there is only a partial relationship between succession management and talent management,
- only in a few corporations, succession management is already part of talent management, or a work is being done to integrate these processes into each other.

During the research we defined a lot of problems in personnel reserve, succession and talent management implementation. A lot of corporations do not realise strategic and systematic approach in human resources management. The corporations vary considerably in level of development. The development of succession and talent management systems depends today not only on the professionalism of the HR services but mostly on the CEO and their successors subject-object or subject-subject attitude to the personnel.

Modern Russian corporations must work hard to build the interrelated talent management processes to maintain competitiveness at both the national and international markets.

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