



## Establishing talent management for company's succession planning through analytic network process: Application to an MNC semiconductor company in Taiwan

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### ABSTRACT

This study is to design a leadership development program for a company's succession planning which will be important for its future competition. A semiconductor assembly and testing multinational corporation (MNC) in Taiwan was selected for interviews of its high level management to address the business strategy and challenge. Along with an investigation of the literature, this research works on the experiences and leadership competencies needed for those in leadership positions. The major consideration on designing leadership development program is to deal with many intangible factors, as well as dependent relationship among experiences and leadership competencies. Then ANP approach is applied to overcome both difficulties through pairwise comparisons by experts. A weight system of experiences and leadership competencies is then built for designing the leadership development program, as well as the decision basis of leadership selection. This model was approved by top management at the case company and being implemented to prove its validity.

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### 1. Introduction

Succession planning has the potential to become one of the major business disciplines in the coming decade. According to the most recent Conference Board CEO challenge – a global survey of more than 500 CEOs – talent-related issues continue to be one of the greatest concerns for business leaders [1]. Simultaneously, based on human resources and business plans, managing succession is a very critical long-term human resource (HR) management issue.

Succession planning has been defined in numerous ways over the years. In general, it is classified as the deliberate and systematic efforts to project leadership requirements, to identify a pool of high potential candidates, and to develop leadership competencies in those candidates through intentional learning experiences and selections of leaders from a pool of potential leaders [2]. Consequently, good succession planning does not just look at who is next in the line for a slot, but also targets people early in their careers and determines what kind of training and experiences they need in order to become effective leaders. The purpose of this study is to design a leadership development program for developing a company's future potentials as well as an assessment of development can be an important reference to decide or select who will be the successor of an important leadership position.

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Leadership development programs include both experiences and leadership competencies which project what the company's needs are, and they design a ranking importance of those needs. Put into practice, the main factors to measure the success of leader development is good performance of those who have been promoted or taken up a new assignment to succeed a leadership position. Collins indicates that outcomes of leadership development programs are defined in terms of organizational performance [3]. Therefore, performance is the priority to be considered for designing leadership development program.

This study has employed interviews with high level management and investigates research papers in the literature to work out the needed experiences and leadership competencies for leadership position holders. The study then implements the analytic network process (ANP) approach to evaluate the priorities as a basis for designing leadership development program. Rather than the analytic hierarchy process (AHP) approach, the ANP is applied herein to prioritize the importance of needed experiences and leadership competencies under the complex situation of interdependence and inner dependence among experiences and leadership competencies. This will be discussed further in the coming section.

## 2. Literature review

### 2.1. Succession planning: An organizational priority that touches the future

Succession planning is different from replacement planning, because it focuses on forecasting organizational needs. It is not based upon reactions to an unforeseen event, but rather it is based upon proactively securing the human resources needed to ensure the continuity and prosperity of an organization. Succession planning is about the identification and development of future leaders [1]. Therefore, an organization needs to identify, develop, and select successors who are the right candidates with the right skills at the right time for leadership positions.

Ibarra indicates there are several critical aspects necessary for effective succession planning in an organization as follows [4].

- (i) Leadership competency models that provide a blueprint for high performers.
- (ii) A functioning performance management system that measures individuals against the leadership competency models.
- (iii) An individual development planning process that helps narrow the present gap between current competencies and current performance and the future gap between future competencies and the potentials that are required.
- (iv) A measurement method that assesses how well the succession program is functioning over time – meaning that whenever there is a vacant leadership position, there are one or two suitable candidates within the organization who are prepared or qualified for a leadership position. Most people who have been promoted or have taken up a new assignment will perform well. Nevertheless, there are a few among them who are bound to fail in delivering the expected results [5].

Building leadership competency models is the key to a successful succession planning. Tropiano indicates that leadership competencies are identified, regularly reviewed, and updated. Potentials are assessed and developed against those competencies [2]. This study focuses on how to build the leadership competency model and use the ANP approach to prioritize the importance of leadership competencies. We then design the leadership development program for a high potential candidate's development. The following sections include a leadership competency model and ANP approach.

### 2.2. Leadership competency model

Many studies address what specific leadership competencies a future leader should possess. However, "what should be" the results of leadership development for a candidate? Collins analyzes 54 studies on leadership development research from 1984 to 2000 and concludes that organizational performance is the central focus of those leadership development programs [3]. The leadership competency model includes the needed experiences and leadership competencies. Experiences is considered to be an outward performance which could be visible or can easily measure the impact of organizational performance directly, while leadership competency is the intrinsic capability which drives the momentum that leads to the performance level on a daily basis. Additionally, both experiences and leadership competencies are important and needed in order to develop those future potential leaders. Simply speaking, the outcome of leadership development programs are defined in terms of organizational performance, which should be the driving force and energy behind the design and implementation of leadership development programs.

#### 2.2.1. What are the needed experiences for leaders to perform well in their organizations?

This research conducted interview questions with top management of the case company (a semiconductor assembly & testing MNC in Taiwan) so as to find the criteria for promoting a high potential employee to a leadership position. The first is to emphasize how long the candidate is in a managerial position in order to prove management capability. Management capability is imperative for a leader, as it is a kind of learning process that can be nurtured and accumulated under daily management tasks. Therefore, managerial experience is important for incubating the management capability in a leader. An organization needs highly skilled and experienced leaders at all levels, as Bernthal and Wellins note that leaders are asked to play multiple roles, including strategist, coach, global thinker, change driver, and entrepreneur [6].

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