



Impact of succession planning practices on the profitability of Nepalese commercial banks

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Abstract

This study examines the impact of succession planning practices on the return on assets (RoA) of Nepalese commercial banks. The RoA was taken from the annual report of 20 commercial banks for the year 2020. Structured questionnaires were administered to examine the opinions of the respondents regarding succession planning practices. This study has employed descriptive and causal comparative research designs to deal with the fundamental issues associated with the various influencing factors of succession planning in Nepalese commercial banks. The total number of observations for the study consists of 140 respondents mainly working in the human resource department of those banks. The regression model is estimated to test the significance and effect of succession planning practices on profitability. The study revealed that human resource planning, succession planning, training and development, job rotation and organization culture have positive impact on return on assets. It indicates that higher the human resource planning, succession planning, training and development, job rotation and organization culture higher will be the RoA. However, favoritism and nepotism have a negative impact on return on assets. It implies that increase in favoritism and nepotism in an organization leads to decrease in return on assets. The study concluded that succession planning is very important to increase the level of profitability of Nepalese commercial banks. The study identified that out of six independent variables only job rotation and organization culture have significant and positive association with RoA in Nepalese commercial banks.

Keywords:

*Favoritism and nepotism
Human resource planning
Job rotation
Organization culture
Profitability
Return on assets
Succession planning
Training and development.*

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1. Introduction

Succession planning is a strategy for identifying and developing future leaders or executives in the organization. It transfers the knowledge to the young generation from the experienced personnel who are responsible to handle the key leadership or departmental roles in the future. It saves time and cost for an organization in developing human resources. It is also critical for the sustainability and competitive advantage of any organization irrespective of its ownership structure. A well-constructed succession plan can help grow an organization and increase its profitability. According to Eshiteti, Okaka, Maragia, Odera, and Akerele (2013) a better adoption of succession planning practices enhances the sustainability of the business. Succession planning is an important element to promote sustained competitive advantage by retaining high

performing staff in the company (Gordon & Overbey, 2018). Therefore, succession planning is considered as one of the important components of sustainability of an organization.

In today's competitive world of business, organizations require a very sustainable high quality and creative workforce. This requires effective succession plan to avoid power vacuum created by transfer, promotion, death and dismissal. The succession plan helps to manage required human resources for developing and implementing strategic plan of an organization. It even signals long-term stability for the organization and helps to identify and develop the next generation of leaders (Gordon & Overbey, 2018). Therefore, without having a proper succession planning, achieving organizational growth, stability and profitability are not possible.

Succession planning is a part of talent management where we can identify, develop and mobilize employees and leaders to enhance retention of key talent within the organization (Gay & Sims, 2006). It helps to transfer knowledge and skills from outgoing staff when they left from the organization due to various reasons such as retirement, resignation or death. It is considered a very important part of the talent management process for organizations of all sizes (Diya & Mansor, 2019). The study found that succession planning has a positive relationship with the financial performance (Rotich, 2014). Similarly, Kim (2012) found that successful succession planning has positive relationship for building a solid foundation of profitability.

Das and Pati (2016) found that there is a significant positive relationship between training and development and financial success of the organization. Friday (2019) studied the association between employee training and succession planning in 10 commercial banks and found that training positively improves succession practices, which, in turn, leads to improved employee performance. Prester (2014) observed that succession planning offers a long-term commitment to workers by creating a firm's culture. Lowan and Chisoro (2016) revealed a positive relationship between job rotation and profitability of the banks. Likewise, Holbeche (2012) revealed a positive relationship between organization culture and profitability of the banks.

Sutha (2018) observed that effective integration of the leadership development and succession planning process can optimize the utilization of human resource and it can be supportive to develop organizational culture. Oduwusi (2018) revealed that the organization culture developed under strategic approach facilitates the organization for the best leadership development and can enhance its financial position. An organization can increase profitability from effective implementation of job rotation. It creates pathways to appropriate promotion and candidate selection by matching organizational needs with qualified talent. According to Hughes and Rog (2008) talent management attracts and maintains competent human resources in an organization. However, when employees perceive nepotism, their intention to leave work increases (Kerse & Babadağ, 2018). Hrab (2019) concluded that offering training and proper communication between managers and employees can help to avoid favoritism and discrimination in the workplace.

In the context of Nepal, Chataut (2018) found that there is a positive impact of training and development on employee performance in Nepalese commercial banks. In addition, Shrestha and Mishra (2011) showed that transformational leadership is a strong predictor of employees commitment to change and improved organizational performance. Moreover, Chapagai (2011) revealed that training and development is an important determinant of employee performance. Increased training and development practices have a positive impact on employee performance and productivity of Nepalese commercial banks. Hence, the literature have concluded that human resource planning, succession planning, job rotation, training and development and organization culture have a positive relationship to RoA and sustainability of an organization.

2. Statement of Problem

Succession planning is a key element to both workforce planning and strategic planning in every organization (Oduwusi, 2018). This is considered to be one of the important fields for the study of human resource management in particular and organizational management in general. Lowan and Chisoro (2016) identified a range of benefits to succession planning including increased opportunities for availing high potential workers, identification of replacement needs, training and education for employee development and increasing the talent pool of promotable employees. It helps individuals realize their career plans within the organization and improves employee morale and their ability to respond to changing environment. However, in the context of Nepal, banks are showing preference to recruit officers from other banks rather than applying succession planning and promoting executive officers internally (Ghimire, 2017). This indicates that Nepalese commercial banks are not giving priority to succession planning and human resource development. The study concluded that promoting an executive from within is evidence that the institution is strong and has a succession plan. The existing knowledge shows that succession planning practices have a positive impact on the profitability of an organization. However, there is a research gap that explores the relationship between succession planning practices and RoA in Nepalese commercial banks. Therefore, this study has been conducted to evaluate the relationship between succession planning practices and RoA.

3. Purpose of the Study

The main purpose of this study is to examine the impact of succession planning practices on profitability (RoA) in Nepalese commercial banks. In line with the objectives, the study deals with the primarily following

four questions: 1) What is the perception of firm regarding succession planning and human resource planning? 2) What is the relationship between human resource planning, training and development, succession planning, organization culture and job rotation to RoA? 3) What is the relationship between favoritism and nepotism and RoA? 4) Which is the most significant factor that affects profitability in Nepalese commercial banks?

4. Research Methods

This study has employed descriptive and causal-comparative research designs to deal with the fundamental issues associated with the various influencing factors of succession planning in Nepalese commercial banks. More specifically, the study examines the relationship between human resource planning, succession planning, favoritism and nepotism, training and development, organization culture, and job rotation on the firm's RoA.

The study is based on primary and secondary sources of data. The total population for this study is the employees of Nepalese commercial banks. Structured questionnaires were distributed to the employees of different commercial banks. The statements in the questionnaire are measured on five-point Likert scale: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree. The aggregate percentage of strongly agree and agree is calculated to assess the degree of total percentage of agreement of the respondents in the particular statement.

Structured questionnaire was converted into google form and sent to employees of all 27 commercial banks in Nepal, mostly working in human resource department. The responses were received from 140 bank employees representing 20 commercial banks. The Statistical Package for Social Sciences (SPSS) was used to analyze the data collected from 140 respondents. Annual reports of the commercial banks for the year 2019/20 had been taken to analyze RoA.

The model estimated in this study assumes that profitability depends on succession planning, human resource planning, favoritism and nepotism, training and development, organization culture, and job rotation. Therefore, the model takes the following form: $RoA = f(SP, HRP, FN, TD, OC, \text{ and } JR)$. More specifically, the given model has been segmented into following model: $RoA = \beta_0 + \beta_1SP + \beta_2HRP + \beta_3FN + \beta_4TD + \beta_5OC + \beta_6JR + \epsilon$ Where, RoA = Return on assets, SP= Succession planning, HRP = Human resource planning, FN = Favoritism and nepotism, TD = Training and development, OC= Organization culture and JR= Job rotation.

5. Literature Review

There is positive relationship between succession planning and workers' performance in the service sector (Ali, Mehmood, Ejaz, & Ashraf, 2014). The study also found that succession planning has a positive relationship to increase the talent of employees. Sukayri (2016) found that with the existence of limited number of positions and vacancies each year, organizations have to suffer with the problem of succession planning. It also concluded that to avoid such problems, job rotation can be an opportunity for those organizations.

Moghadam and Beheshtifar (2011) examined the relationship between succession planning and human resource management. The study found that succession planning helps to recruit, maintain and develop needed talent. It even showed that developing talent management program is creating a talent pool by focusing on individual skills, capabilities, and behaviors.

Akuffo and Kivipold (2018) examined the relationship between leadership and nepotism, cronyism and favoritism. The study revealed that leadership has positive impact on nepotism, cronyism, and favoritism which influences the efficient and effective distribution of resources within an organization. Similarly, Sadozai, Zaman, Marri, and Ramay (2012) analyzed the impact of favoritism and nepotism on job satisfaction. The findings revealed that favoritism and nepotism had positive impact on the working condition of employees. However, Keles, Ozkan, and Bezirci (2011) analyzed the effects of favoritism, nepotism and cronyism on the organizational trust in the auditing process in family businesses. The study found that favoritism, nepotism and cronyism are negatively related to the organizational trust. Hailu (2018) analyzed the various practices and challenges of succession planning at Ethiopian Shipping Enterprise. The study found that organizational training helps employees to learn new skills and knowledge and enhance their productivity.

Pila, Schultz, and Leigh-Anne (2016) revealed that succession planning contributes to employee satisfaction and improves the profitability and efficiency of the organization. Oduwusi (2018) analyzed the effect of succession planning as a vital element in the competitive business environment. The study found that the organization culture developed under a strategic approach facilitates the organization for the best leadership development and can enhance its financial position.

Hailu (2018) analyzed various practices and challenges of succession planning at Ethiopian enterprises. The study found that strong organization culture creates positive effect on succession planning. Murimi and Munjuri (2018) analyzed the challenges faced in succession planning in the hotel industry of Kenya. The study showed that to avoid boredom and immobility, employees need to be replaced timely from one position to another. Moreover, Rothwell (2011) analyzed the relationship between talent management and replacement

planning. The study found that there exists positive significant relationship between talent management and replacement planning.

In the context of Nepal, [Gautam and Poudyal \(2018\)](#) examined the importance of human resource planning and practices in Nepalese Pharmaceutical companies. The study found that human resource planning is an important component to make organizations more competitive. Private organizations and banks prefer providing short-term on-the-job training to develop work skills for the new recruits ([Gautam., 2012](#)).

6. Conceptual Framework

In this study, the dependent variable is profitability (RoA) and the independent variables are succession planning, human resource planning, favoritism and nepotism, training and development, organization culture, and job rotation. The conceptual frameworks that describe the dependent and independent variables are shown in [Figure 1](#).

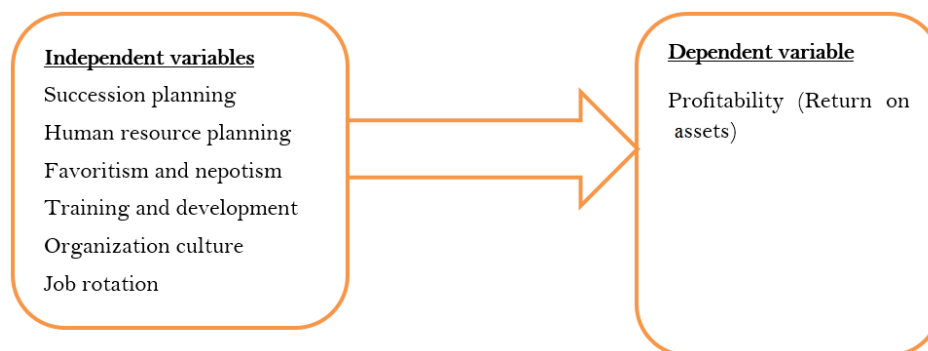


Figure 1. Conceptual framework.

The employees' perception on different independent variables of succession planning was measured by applying 5-point Likert Scale. Employees' perception on succession planning was measured by applying six variables i.e. succession planning, human resource planning, favoritism and nepotism, training and development, organization culture and job rotation.

The first variable of succession planning is human resource planning which is measured by applying five indicators related to human resource planning. It includes: the bank has HR plan to fill vacant management position, followed by bank attempts to employ high-potential employees, the bank reviews the progress of HR planning, the bank considers past performance while promoting employees and bank has career planning programs to address the succession.

The second variable is succession planning which is measured by applying five indicators related to succession planning. It includes: the board evaluates its process to manage its own leadership succession, followed by succession planning has helped in improving employee motivation and professional development in the bank, succession planning evaluates and manages employee performance of the bank, succession planning boosts talent management and develops individuals for leadership roles and succession planning helps to align with strategic goals of the bank.

The third variable is training and development which is measured by applying five indicators related to succession planning. It includes: training is considered as a part of succession planning, followed by bank offering various types of on- the-job training to develop employees as a manager, bank often conducts training programs to enable employees' productivity and efficiency, training methods applied by their bank focuses on developing teamwork and leadership skills and they are fully satisfied with the training and development methods applied at their work.

The fourth variable is job rotation which is measured by applying five indicators related to succession planning. It includes: bank applied job rotation method to increase the experience of employees, followed by the main purpose of job rotation is to develop a successor in each function of the bank, job rotation is considered as an effective tool to create a competent HR (Human resource), job rotation reduces boredom and enhances motivation of the employees and job rotation approach is applied based on the potential talent of employees.

The fifth variable is favoritism and nepotism which is measured by applying five indicators. It includes: bank prefers selecting employees considering friendship and family rather than their qualification and performance, followed by bank considers friendship and family while promoting staff rather than performance, when employees perceive favoritism and nepotism in an organization their intention to leave the work increases, bank needs friends and family in a high-level position, and high-level executives at their bank have a hard time during demoting or firing friends and family.

The sixth variable is organization culture which is measured by applying five indicators related to succession planning. It includes: their bank has distinct organization culture compared to other banks, followed by bank provides support on leadership development and succession planning process through

organization culture, bank remains concerned with its culture to attain sustainable growth and rise in profit, organization culture has helped to enhance efficiency and productivity of the employees and bank always considers organization culture as an important concern for long term survival and growth.

7. Findings and Discussions

7.1. Human Resource Planning

This study explores the perception of employees on human resource planning in commercial banks. Human resource planning is measured by applying 5-point Likert Scale (5= Strongly Agree, 4=Agree, 3=Neutral, 2= Disagree and 1=Strongly Disagree). Table 1 presents the percentage of perception of respondents on human resource planning in Nepalese commercial banks.

Table 1. Employees perception on human resource planning.

Statements	5	4	3	2	1	Mean
	Percentage of perception of respondents					
My bank has HR plan to fill vacant management positions.	32.14	54.28	11.43	1.43	0.72	4.16
My bank attempts to employ high-potential employees.	27.14	52.14	18.57	1.43	0.72	4.03
My bank reviews the progress of HR Planning.	10.00	55.71	29.29	4.28	0.72	3.70
My bank considers past performance while promoting employees.	37.86	51.42	9.28	0.72	0.72	4.25
My bank has career planning programs to address my succession.	30.00	54.28	12.14	2.86	0.72	4.10
Weighted average mean						4.05

Table 1 shows the employees' perception of five indicators measuring human resource planning. Among five indicators, most of the participants mentioned that employee past performance is the most important aspect of human resource planning with 89.28 percent (total percentage of strongly agree and agree) followed by HR plan to fill vacant management positions (86.42 percent), career planning programs to address succession (84.28 percent), and attempts to employ high potential employees (79.28 percent). Among the five indicators measuring human resource planning, review of the progress of HR Planning is the less important indicator with 65.71 percent score. This indicates that the commercial bank in Nepal gives less priority on review of the progress of HR Planning.

The table shows that the mean value of employee past performance is highest (4.25) and the mean value of review of the progress of HR is lowest (3.70). The weighted average mean of human resource planning is 4.05. Out of the total score of 5.00, the weighted average mean of 4.05 indicates that 81 percent of the respondents agree that human resource planning is an important aspect of succession planning.

7.2. Succession Planning

This study explores the perception of employees on succession planning in commercial banks by applying 5-point Likert Scale. Table 2 presents the perception of respondents on succession planning in Nepalese commercial banks.

Table 2 shows the employee perception of five indicators measuring succession planning. Among five indicators, most of the participants mentioned that succession planning helps to align with strategic goals of the bank with 86.43 percent followed by evaluation and management of employee performance of the bank (83.57 percent), the board evaluates its process to manage its own leadership succession (82.86 percent), and boosts talent management and develops individuals for leadership roles (74.29 percent). Among the five indicators measuring succession planning, improvement of employees' motivation and professional development through succession planning is the less important indicator with 70 percent score. This indicates that the succession planning of commercial bank in Nepal gives less priority to the improvement of employee motivation and professional development.

The table shows that mean value of alignment with strategic goals of the bank is highest (4.20) and the mean value of boosting talent management and developing individuals for leadership roles is lowest (3.86). The weighted average mean of succession planning is 3.98. Out of the total score of 5.00, the weighted average mean of 3.98 indicates that 79.6 percent of the respondents agree that succession planning has been an important aspect to align with the strategic goals of the bank.

Table 2. Employees perception on succession planning.

Statements	5	4	3	2	1	Mean
	Percentage of perception of respondents					
The board evaluates its process to manage its own leadership succession.	17.86	65	13.56	2.86	0.72	3.96
Succession planning has helped to improve employee motivation and professional development of the bank.	23.57	46.43	25.71	3.57	0.72	3.88
Succession planning evaluates and manages the employee performance of the bank.	22.14	61.43	15.71	0.00	0.72	4.04
Succession planning boosts talent management and develops individuals for leadership roles.	16.43	57.86	21.43	4.28	0.00	3.86
Succession planning helps to align with strategic goals of the bank.	51.43	35	12.14	1.43	0.00	4.20
Weighted average mean						3.98

7.3. Training and Development

This study explores the perception of employees on training and development of employees in commercial banks by applying 5-point Likert Scale. Table 3 presents the perception of respondents on training and development in Nepalese commercial banks.

Table 3. Employees perception on training and development.

Statements	5	4	3	2	1	Mean
	Percentage of perception of respondents					
Training is considered as a part of succession planning.	9.29	52.14	32.14	6.43	0.00	3.64
My bank offers various types of on- the- job training to develop me as a manager.	9.29	57.86	29.28	3.57	0.00	3.73
My bank often conducts training programs to enable employees' productivity and efficiency.	12.86	50.00	31.43	5.71	0.00	3.70
Training methods applied by my bank focuses on developing teamwork and leadership skills.	30.00	55.71	10.72	3.57	0.00	4.12
I am fully satisfied with the training and development methods applied at my work.	11.43	30.00	45.00	12.85	0.72	3.38
Weighted average mean						3.71

Table 3 shows the employee perception of five indicators measuring training and development. Among five indicators, most of the participants mentioned that training methods applied by bank focuses on developing teamwork and leadership skills with 85.71 percent followed by bank offers various types of on- the- job training to develop their employees as a manager (67.15 percent), bank often conducts training programs to enable employees' productivity and efficiency (62.86 percent), and training is considered as a part of succession planning (61.43 percent). Among the five indicators measuring training and development, satisfaction with available training and development methods applied at work is the less important indicator with 41.43 percent score. This indicates that commercial banks in Nepal give less priority to training and development methods applied at employees' work.

The table shows that mean value of training methods applied by bank focuses on developing teamwork and leadership skills is highest (4.12) and the mean value of satisfaction of available training and development methods applied at work is lowest (3.38). The weighted average mean of training and development is 3.71. Out of the total score of 5.00, the weighted average mean of 3.71 indicates that 74.2 percent of the respondents agree that training and development is an important aspect of succession planning.

7.4. Job Rotation

This study explores the perception of employees on job rotation in commercial banks by applying 5-point Likert Scale. Table 4 presents the perception of respondents on job rotation in Nepalese commercial banks.

Table 4 shows the employee perception of five indicators measuring job rotation. Among five indicators, most of the participants mentioned that job rotation is considered as an effective tool to create a competent HR in the bank with 87.86 percent followed by job rotation helps to develop successor in each function of the bank (84.28 percent), job rotation approach is applied based on the potential talent of employees (83.57 percent), and job rotation reduces boredom and enhances motivation (82.14 percent). Among the five indicators measuring

job rotation, the bank applying job rotation method to increase the experience of employees is the less important indicator with 68.57 percent score. This indicates that commercial banks in Nepal give less priority to job rotation method to increase experience of employees.

Table 4. Employees perception on job rotation.

Statements	5	4	3	2	1	Mean
	Percentage of perception of respondents					
My bank applies job rotation method to increase the experience of employees.	9.29	59.28	24.29	7.14	0.00	3.71
Main purpose of job rotation is to develop a successor in each function of the bank.	26.42	57.86	12.86	2.86	0.00	4.08
Job rotation is considered as an effective tool to create a competent HR in the bank.	36.43	51.43	10.00	2.14	0.00	4.22
Job rotation reduces boredom and enhances motivation.	38.57	43.57	15.00	2.86	0.00	4.18
Job rotation approach is applied based on the potential talent of employees.	25.00	58.57	15.00	1.43	0.00	4.07
Weighted average mean						4.05

The table shows that job rotation is considered as an effective tool to create a competent HR in the bank with the highest mean value of 4.22 and the mean value of job rotation method that helps to increase experience of employees is lowest (3.71). The weighted average mean of job rotation is 4.05. Out of the total score of 5.00, the weighted average mean of 4.05 indicates that 81 percent of the respondents agree that job rotation is an important aspect of succession planning.

7.5. Favoritism and Nepotism

This study explores the perception of employees on favoritism and nepotism in commercial banks by applying 5-point Likert Scale. Table 5 presents the perception of respondents on favoritism and nepotism in Nepalese commercial banks.

Table 5 shows the employee perception of five indicators measuring favoritism and nepotism. Among five indicators, most of the participants mentioned that when employees perceive favoritism and nepotism in an organization, their intention to leave the work increases by 90.00 percent followed by employees always feel that they need friends and family in a high level position for promotion (90.00 percent), bank considers friendship and family while promoting staff rather than performance (68.57 percent), and high-level executives of the bank have a hard time demoting or firing friends and family (60 percent). Among the five indicators measuring favoritism and nepotism, bank prefers selecting employees considering friendship and family rather than their qualifications and performance is the less important indicator with 30.00 percent score. This indicates that commercial banks in Nepal give less priority to select employees considering friendship and family to increase succession planning.

Table 5. Employees perception on favoritism and nepotism.

Statements	5	4	3	2	1	Mean
	Percentage of perception of respondents					
My bank prefers selecting employees considering friendship and family rather than their qualifications and performance.	0.00	30.00	68.57	1.43	0.00	3.28
My bank considers friendship and family while promoting staff rather than performance.	0.00	68.57	30.00	0.71	0.71	3.66
When employees perceive favoritism and nepotism in an organization, their intention to leave the work increases.	47.14	42.86	9.29	0.71	0.00	4.36
Employees of my bank always feel that they need friends and family in high-level positions.	4.29	85.71	9.29	0.71	0.00	3.93
High-level executives of my bank have a hard time demoting or firing friends and family.	0.00	60.00	30.71	5.00	4.29	3.46
Weighted average mean						3.74

The table shows that the mean value of “when employees perceive favoritism and nepotism in an organization, their intention to leave the work increases” is highest (4.36), and the mean value of selecting employees considering friendship and family rather than their qualification and performance is lowest (3.28). The weighted average mean of favoritism and nepotism is 3.74. Out of the total score of 5.00, the weighted average mean of 3.74 indicates that 74.8 percent of the respondents agree that favoritism and nepotism is considered as an important aspect of succession planning.

7.6. Organization Culture

This study explores the perception of employees on organization culture in commercial banks by applying 5-point Likert Scale. Table 6 presents the perception of respondents on organization culture in Nepalese commercial banks.

Table 6 shows the employee perception of five indicators measuring organization culture. Among five indicators, most of the participants mentioned that bank remains concerned with their culture to attain sustainable growth and rise in profit with 87.86 percent followed by banks perceive strong support for leadership development and succession planning process through organization culture (84.28 percent), organization culture has helped to enhance efficiency and productivity of the employees (82.85 percent), and bank always considers organization culture as an important concern for long term survival and growth (82.14 percent). Among the five indicators measuring organization culture, banks that have distinct organization culture in comparison to other banks is the less important indicator with 68.57 percent score. This indicates that commercial banks in Nepal give less priority to distinct organization culture in comparison to other banks.

Table 6. Employees perception on organization culture.

Statements	5	4	3	2	1	Mean
	Percentage of perception of respondents					
My bank has distinct organization culture in comparison to other banks.	9.29	59.28	24.29	7.14	0.00	3.70
My bank perceives strong support for leadership development and succession planning process through organization culture.	26.42	57.86	12.86	2.86	0.00	4.08
My bank remains concerned with its culture to attain sustainable growth and a rise in profit.	36.43	51.43	10.00	2.14	0.00	4.22
Organization culture has helped to enhance efficiency and productivity of the employees in my bank.	35.71	47.14	14.29	2.86	0.00	4.16
My bank always considers organization culture as an important concern for long-term survival and growth.	23.57	58.57	16.43	1.43	0.00	4.04
Weighted average mean						4.04

The table shows that the mean value of “my bank remains concern with its culture to attain sustainable growth and rise in profit” is highest (4.22) and the mean value of my bank has distinct organization culture in comparison to other banks is lowest (3.70). The weighted average mean of organization culture is 4.04. Out of the total score of 5.00, the weighted average mean of 4.04 indicates that 80.8 percent of the respondents agree that banks remain concern with its culture to attain sustainable growth and rise in profit.

In case of activities carried out for succession planning, majority of respondents prefer training as the best activity for succession planning (51.4 percent). The weighted average mean value for succession planning is 3.98. It indicates that succession planning has been an important aspect to align with the strategic goals of bank. The weighted average mean value for human resource planning is 4.05. It indicates that employees’ past performance is an important aspect while formulating human resource planning. The weighted average mean of favoritism and nepotism is 3.74. It indicates that if employees perceive favoritism and nepotism in Nepalese commercial banks, their intention to leave the work increases. The weighted average mean value for training and development is 3.71. It indicates that the application of various training and development methods has been an important aspect of Nepalese commercial banks. The weighted average mean of organization culture is 4.04. It indicates that banks remain concerned about their culture to increase profit and attain sustainable growth. The weighted average mean value for job rotation is 4.05. It indicates that job rotation is considered as an effective tool to develop the best human resource in Nepalese commercial banks.

Table 7. Kendall's Tau correlation coefficients matrix.

Variables	Mean	SD	RoA	HRP	SP	TD	JR	FN	OC
RoA	1.401	0.434	1						
HRP	4.049	0.474	0.029	1					
SP	3.991	0.477	0.015	0.237**	1				
TD	3.716	0.503	0.099	0.264**	0.139*	1			
JR	4.051	0.481	0.151*	0.261**	0.216**	0.195**	1		
FN	3.743	0.389	-0.093	-0.128	-0.049	-0.082	-0.045	1	
OC	4.041	0.470	0.139*	0.251**	0.223**	0.208**	0.986**	0.049	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

8. Correlation Analysis

Table 7 shows the computation of Kendall's Tau correlation coefficients of practices of succession planning in commercial banks of Nepal. The correlation coefficients are based on 140 observations. The dependent variable is RoA (Return on Assets). The independent variables are HRP (Human resource planning), SP (Succession planning), TD (Training and development), JR (Job rotation), FN (Favoritism and nepotism) and OC (Organization culture).

Table 7 presents Kendall's Tau correlation coefficients between dependent variable and independent variables. The correlation matrix indicates that human resource planning is positively correlated to return on assets.

The result reveals that human resource planning, succession planning and training and development are positively correlated to return on assets. It implies that focus on human resource planning, succession planning and training and development leads to increase in return on assets. The result also showed that job rotation and organization culture are positively and significantly correlated to return on assets. It suggests that improvement in job rotation and organization culture help increase return on assets. However, favoritism and nepotism is negatively correlated to return on assets. It indicated that increase in favoritism and nepotism leads to decrease in return on assets.

9. Regression Analysis

The regression analysis is applied to explain the dependent and independent variables of succession planning. Table 8 shows the regression results of human resource planning, succession planning, training and development, job rotation, favoritism and nepotism and organization culture on return on assets of Nepalese commercial banks.

Table 8. Estimated regression results.

Model	Intercept	Regression coefficients results						Adj. R _{bar} ²	SEE	F-value
		HRP	SP	TD	JR	FN	OC			
1	1.148 (3.617)**	0.063 (0.804)						0.033	0.435	0.646
2	1.283 (4.124)**		0.030 (0.382)					0.021	0.438	0.146
3	1.222 (4.444)**			0.048 (0.657)				0.024	0.435	0.432
4	0.853 (2.749)**				0.435 (2.779)**			0.115	0.431	13.166
5	0.754 (2.135)*					-0.173 (1.843)		0.037	0.431	3.398
6	0.888 (2.780)**						0.412 (2.656)**	0.112	0.432	12.744

Note: i. Figures in parentheses are t-values.
 ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
 iii. Return on assets is dependent variable.

The result of regression analysis is based on 140 observations using the linear regression model. The model is $RoA = \beta_0 + \beta_1 SP + \beta_2 HRP + \beta_3 FN + \beta_4 TD + \beta_5 OC + \beta_6 JR + e$, where the dependent variable is RoA (Return on assets). The independent variables are HRP (Human resource planning), SP (Succession planning), TD (Training and development), JR (Job rotation), FN (Favoritism and nepotism) and OC (Organization culture).

The regression results show that the beta coefficients for human resource planning is positive with return on assets. It indicates that human resource planning has a positive impact on return on assets. This finding is similar to the findings of Rotich (2014). Likewise, the beta coefficients for succession planning is positive with return on assets. It indicates that succession planning has a positive impact on return on assets. This finding is consistent with the findings of Lowan and Chisoro (2016). Similarly, the beta coefficients for training and

development is positive with return on assets. It indicates that training and development have a positive impact on return on assets. This finding is similar to the findings of Gautam. (2012) and Rajasekar and Khan (2013). Further, the beta coefficients for job rotation is positive with return on assets. It indicates that job rotation has a positive impact on return on assets. This result is consistent with the findings of Adewale, Abolaji, and Kolade (2011). In addition, the beta coefficients for organization culture is positive with return on assets. It indicates that organization culture has a positive impact on return on assets. This finding is consistent with the findings of Bennington and Minutolo (2013).

The beta coefficients for favoritism and nepotism is negative with return on assets. It indicates that favoritism and nepotism has negative but insignificant relation with return on assets. This finding is similar to the findings of Zulfiqar, Sadaf, Popp, Vveinhardt, and Máté (2019).

10. Conclusion and Implications

The study is based on survey research design and applied quantitative research approach to deal with the association of various influencing factors of succession planning and return on assets in Nepalese commercial banks. Kendall's tau correlation and regression analysis were carried out to explain the association between dependent variable (RoA) and independent variables (HRP, SP, TD, JR, FN and OC).

The study showed that succession planning, human resource planning, training and development, organization culture, and job rotation have a positive impact on return on assets. However, favoritism and nepotism have a negative impact on the return on assets of banks. The study indicated that out of six independent variables only job rotation and organization culture has significant and positive association with RoA in Nepalese commercial banks.

The study showed a positive relationship between human resource planning and return on assets. Similarly, a well-constructed succession plan helps to boost the profitability of banks. Moreover, training and development opportunities enhance employees' competency and improve profitability of the banks. Different training and capacity-building approaches such as classroom training, on-the-job training, coaching, e-learning, exposure, visits and orientation should be provided to enhance the competency and efficiency of the employees. The study also showed that strong organizational culture and job rotation help enhance profitability. Hence, banks willing to enhance organizational performance should focus on human resource planning, succession planning, training and development, job rotation and organization culture.

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