

Succession Planning and Its Determinants: A Case Study of Select India Startups

Dr. Abhishek Kumar Pandey¹, Dr. Ramesh Kumar Chaturvedi², Dr. Pramod Kumar Upadhyay³, Dr. Pankaj Mishra⁴

1. Assistant Professor, Department of Management, School of Management Sciences, Lucknow

2. Assistant Professor, Department of Management Studies, Babasaheb Bhimrao Ambedkar University, Lucknow

3. Assistant Professor, Maharaja Bijli Pasi Government P.G. College, University of Lucknow, Lucknow

4. Assistant Professor, Department of commerce, University of Lucknow, Lucknow

Abstract

In the age of digital disruptions, new ventures are coming fast and becoming obsolete too with a faster pace. In this scenario, managing wealth, ensuring business legacy is directly linked to leadership development and the issue of succession planning & management in these nascent firms. In this conceptual investigation, it has been attempted to cater intrinsic and extrinsic factors which are prominent in shaping the fortune and future of such startups in terms of ensuing right successor and having a strong leadership pipeline. The findings have policy level significance as it offers practical insights to manage next generation of leadership and ensuring business continuity.

Keywords: Succession Planning, Leadership Pipeline, Startups, Business Continuity

1. Introduction

1.1 Key determinants in succession planning

Succession planning is an essential organizational activity that guarantees the uninterrupted flow of leadership by methodically preparing for future leadership vacancies. Effective planning is essential for ensuring the stability and success of an organization, particularly when faced with unforeseen departures of important staff. Successful succession planning includes the identification and cultivation of internal candidates who possess the necessary capabilities to assume future leadership positions, while ensuring that their abilities are in line with the organization's long-term strategic objectives (Rothwell, 2020). Some of the prominent factors influencing the success of succession planning can be described under following headings:

1.1.1) Corporate culture

Succession planning is greatly impacted by organizational culture. Cultures that prioritize learning, growth, and promoting from within tend to have more comprehensive succession planning (Schein, 2017). Within these settings, employees are actively encouraged to learn additional skills and competences that are in line with the organization's future requirements. In contrast, cultures that do not place importance on development or perceive succession as a response rather than a planned process often face difficulties when it comes to leadership transitions (Groves, 2019).

1.1.2) Devotion to Leadership

The dedication of the present leadership to the process of succession planning is vital. Leaders must acknowledge the significance of succession planning and allocate time and resources towards it. When senior management actively participates, they have the ability to guide and support future successors, offering them opportunity to acquire valuable experience (Conger & Fulmer, 2003). Leadership commitment is essential to ensure that succession planning is in line with the organization's strategic vision and objectives. Startups need to map this devotion.

1.1.3) Practices supporting Talent Management

Efficient personnel management procedures, encompassing recruitment, development, and retention tactics, are crucial for the achievement of effective succession planning. Organizations that implement a systematic approach to talent management are able to more effectively recognize people with high potential and offer them the appropriate training and growth prospects (Cappelli, 2008). This strategy facilitates the development of a

continuous stream of qualified individuals who are prepared to assume future leadership roles. Strategic alignment refers to the process of ensuring that the goals and objectives of an organization are closely aligned with its overall strategy and direction. Succession planning should be synchronized with the strategic objectives of the firm. This alignment guarantees that the skills and abilities cultivated in potential leaders are in line with the future requirements of the organization (Charan, Drotter, & Noel, 2011). Strategic alignment entails comprehending the forthcoming trajectory of the organization and the necessary leadership proficiencies to propel this trajectory.

1.1.4) Diversity and inclusion

The significance of diversity and inclusion in succession planning is growing steadily. Organizations that incorporate diversity into their succession planning process are more likely to promote creativity and flexibility (Kochan et al., 2003). Including diverse candidates in succession plans can help mitigate biases and provide equal chances for all employees.

1.1.5) Technology and data analytics

Technology and data analytics are transforming succession planning. Organizations can utilize advanced analytics to identify potential leaders by analysing performance data and employing predictive modelling techniques (Bersin, 2015). Technology also enables the monitoring of employee growth and the evaluation of their preparedness for leadership positions, so enhancing the efficiency and data-driven nature of the succession planning process.

1.2 Need of Study

India is one of the focal points when it comes to consumer market and fast-growing startups ecosystem. In this situation, it is quite important to investigate the issues and challenges faced by startups and its promoters when it comes to managing people and ensuing key persons appointment on key management roles. Present study is catering such determinants which are critical in managing succession in Indian startups companies.

2. Review of literature

Succession planning is now widely acknowledged as a vital aspect of strategic management in Indian startups, although it is generally given less emphasis compared to other business concerns. Indian startups encounter distinctive obstacles and prospects in succession planning as a result of their specific cultural, economic, and developmental circumstances. This literature review consolidates contemporary research on succession planning in Indian startups, with a specific emphasis on crucial topics such organizational culture, leadership development, difficulties, and best practices. The succession planning processes in Indian startups are greatly influenced by the organizational culture. Indian startups frequently demonstrate a familial culture characterized by the significant influence of personal relationships and trust (Basnyat & Jaiswal, 2021). Succession planning in this culture gives priority to internal candidates who demonstrate alignment with the company's values and ethos. It is crucial for successors to align themselves with the core ideas of the organization, as the founder's vision and values strongly influence the entire company (Mukherjee et al., 2022). Nevertheless, the significant impact of founders can present difficulties, especially when founders are hesitant to give up control or fail to acknowledge the necessity of formal succession planning (Sharma & Kesavan, 2020).

Succession planning in Indian startups also involves a crucial focus on leadership development. Due to the fast expansion and ever-changing environment of startups, there is an urgent requirement for leaders that possess adaptability, innovation, and the ability to effectively handle change (Bhardwaj & Agarwal, 2019). Startups frequently prioritize cultivating internal leadership due to constraints on external hiring and the requirement for leaders who possess a deep understanding of the distinctive problems and possibilities inherent in the startup ecosystem (Mehta & Bhattacharya, 2018). In this particular context, effective succession planning entails the early identification of people with high potential and offering them development chances through mentorship, training, and different working experiences (Jain & Sharma, 2020).

An important obstacle in succession planning for Indian startups is the delicate balance between immediate operational requirements and the development of future leaders (Patel et al., 2022). Startups frequently function in

fiercely competitive and resource-limited settings, where pressing business demands might overshadow the importance of organized succession planning (Kumar & Singh, 2021). In addition, the absence of structured procedures and the dependence on informal connections can impede the efficacy of succession planning endeavors (Chatterjee & Kakar, 2021). Numerous businesses have challenges related to the "founder syndrome," which occurs when the founder's prominent position leads to dependency and hinders the establishment of a leadership pipeline (Ganguly & Bhattacharya, 2020).

Notwithstanding these difficulties, optimal methods for succession planning in Indian startups are beginning to emerge. An effective approach is to incorporate succession planning into the broader business strategy, guaranteeing that leadership development and organizational objectives are in sync (Narayanan & Shukla, 2019). This methodology assists emerging companies in predicting forthcoming leadership requirements by considering strategic direction and growth estimates (Sarkar & Bhowmick, 2021). Incorporating well-organized talent management procedures, such as frequent performance evaluations and career advancement strategies, also facilitates the recognition and cultivation of prospective leaders (Sundaramurthy & Kamesh, 2020). External advisory boards or mentors play a crucial role in succession planning for Indian companies. External advisers offer a range of viewpoints and can offer unbiased evaluations on leadership potential and areas for improvement (Singh et al., 2020). In addition, they can provide advice on optimal strategies and current developments in the field, assisting startups in managing the intricacies of succession planning within a dynamic market (Rao & Rajan, 2021).

Interacting with venture capitalists and other investors who are deeply invested in the success of the firm can help enhance the implementation of structured and efficient succession planning procedures (Desai & Banerjee, 2018). Cultural variables exert a substantial influence on the process of succession planning in Indian startups. The selection of successors and the willingness of potential leaders to come forward might be influenced by traditional values like respect for hierarchy and deference to seniority (Ramaswamy & Viswanathan, 2019). Comprehending and manoeuvring through these cultural variables is crucial for achieving effective succession planning. This entails cultivating a culture that places importance on merit and performance, while simultaneously showing deference to established customs and practices (Mishra & Srivastava, 2021).

Indian firms are increasingly adopting technology in their succession planning processes. The utilization of advanced analytics and data-driven methodologies can improve the process of identifying individuals with leadership potential and effectively monitor their progress in growth (Pawar & Joshi, 2022). Technology enables the establishment of virtual development programs and leadership assessments, simplifying the implementation of systematic succession planning processes for startups with little resources (Aggarwal & Gupta, 2020). Ultimately, the process of succession planning in Indian startups is shaped by distinct cultural, operational, and strategic elements. Despite the ongoing issues of founder dependency and the absence of formal processes, the adoption of developing best practices and the incorporation of technology present encouraging answers. To achieve successful succession planning in this particular situation, it is necessary to ensure that leadership development is in line with the business goal, make use of external knowledge, and effectively manage cultural dynamics. Indian startups may establish strong leadership pipelines that promote business growth and long-term viability by addressing these factors.

3. Objectives of the study

- To explore state of succession planning & management in Indian startups.
- To analyse the factors affecting succession plan development in Indian startups

4. Method

The state of succession planning has been investigated in top 5 startups registered in Indian stock markets specially in NSE/BSE till June, 2024 (based on their market cap). Case study research design has been adopted to explore and analyse various findings related to factors affecting succession planning and management in startups.

Published reports and official statements of key leaders /owners/founders of such new ventures have been considered while creating a context for this study.

5. Data Analysis and Interpretations

5.1 Data Sample Characteristics

Table-1
List of startups selected for investigating the case of succession planning

| Name of startups | Market Valuation (Till June in Approx Figure INR) | Year of establishment | Industry | Founder /MD/CEO/Chairman | Current Chairman /MD/CEO | Availability of next generation Leader /Successor |
|------------------|--|-----------------------|------------|---|--------------------------|---|
| Paytm | \$3.13 Billion | 2010 | Fintech | Vijay Shekhar Sharma | Vijay Shekhar Sharma | NSD* |
| Zomato | \$21.24 Billion | 2008 | FoodTech | Deepinder Goyal and Pankaj Chaddah | Deepinder Goyal | NSD* |
| PhonePe | \$12.0 billion | 2016 | Fintech | Sameer Nigam | Sameer Nigam | NSD* |
| Swiggy | \$12.7 billion | 2014 | FoodTech | Sriharsha Majety, Nandan Reddy, Rahul Jaimini | Sriharsha Majety | NSD* |
| TATA1mg | \$1.25 billion | 2015 | Healthcare | Prashant Tandon | Prashant Tandon | NSD* |

NSD*- No such disclosure by the Founder CEO

Source: Published Information on Different Websites Including Official Webpage of the Startups

The table provides information on five prominent Indian startups, including their market valuation as of June 2024, year of establishment, industry, key founders, current leadership, and succession planning. Paytm, a fintech startup established in 2010 by Vijay Shekhar Sharma, has a market valuation of \$3.13 billion, with Sharma also holding the position of CEO. Zomato, a prominent player in the FoodTech industry, has been operating since 2008. It was founded by Deepinder Goyal and Pankaj Chaddah and currently has a valuation of \$21.24 billion. Goyal is at the helm of the company, guiding its growth and success. PhonePe, a fintech company established by Sameer Nigam in 2016, currently holds a valuation of \$12.0 billion, with Nigam still leading the company. Swiggy, founded in 2014 by Sriharsha Majety, Nandan Reddy, and Rahul Jaimini, has experienced remarkable growth, reaching a valuation of \$12.7 billion. Majety serves as the CEO of the company. TATA 1mg, a healthcare startup founded by Prashant Tandon in 2015, has achieved a valuation of \$1.25 billion, with Tandon remaining in the role of CEO. It is worth mentioning that these companies have not provided any information about their future leaders or successors.

5.2 Analysis of the Determinants of succession planning In Indian startups

Table-2
State of succession planning and its determinates in Indian Startups

| | Insider vs outsider orientation | Effective Board constituted | Whether readymade succession plan is in place or not | Talent Management Practices exists or not / State of Succession Plan Formulation & Implementation |
|---------|--|------------------------------------|---|---|
| Paytm | Insider | Yes | No succession Plan disclosed | According to a web post, Paytm is hiring L&D Talent Management - Senior Manager profile. It is showing its proactiveness in manging future talent requirements (Paytm, nd). This also indicates readiness for people development. |
| Zomato | Insider | Yes | Disclosed with a proper policy as per SEBI norms | Zomato has prepared and implemented a Succession Planning Policy pursuant to regulation 17(4) of the SEBI Listing Regulations (zomato , 2021). |
| Phonepe | Insider | Yes | No succession Plan disclosed | No Policy exist for succession |
| Swiggy | Insider | Yes | No succession Plan disclosed | No such policy found while secondary data exploration. |
| TATA1mg | Insider | Yes | Yes, as per SEBI norms a policy exists. | Succession Planning Policy is existed as per SEBI regulations. |

Source: Table Information is compiled from Different Websites including Official Webpage of the Startups

The above table presents a comparative analysis of five startups companies, including Paytm, Zomato, PhonePe, Swiggy, and TATA 1mg. The analysis focuses on their board orientation, efficacy, succession planning, and personnel management strategies. Paytm has an insider orientation, meaning that its leadership and board mainly comprise persons who have been promoted from within the company. While the organization has a competent board, it has not made public any official strategy for the replacement of key leadership positions.

Paytm showcases its dedication to talent management by aggressively recruiting a Senior Manager in Learning & Development (L&D) Talent Management, indicating its preparedness to meet future talent requirements and enhance its workforce. Zomato also adheres to an insider orientation and possesses a very efficient board. Unlike Paytm, Zomato has a transparent and effectively executed succession plan, in compliance with the standards set by the Securities and Exchange Board of India (SEBI). This policy highlights Zomato's proactive strategy to maintain leadership stability and adhere to regulatory standards. PhonePe is a corporation that prioritizes its internal operations and has a very efficient board. However, it is important to note that there is no publicly revealed plan for the future leadership and there is a lack of an official strategy for preparing the succession process. This suggests a possible deficiency in its strategy for maintaining leadership consistency and ensuring the long-term viability of its management framework. Swiggy possesses an insider orientation and has successfully formed a competent board.

Swiggy, like PhonePe, lacks a publicly stated plan for the future leadership and no official policy for the transfer of power was found in the analysis of available data. This lack indicates a potential opportunity to enhance its methods for long-term personnel and leadership planning. Finally, TATA 1mg maintains an internal focus and has an operational board. It sets itself apart by implementing a documented succession plan that is in accordance with SEBI regulations. The Succession Planning Policy of TATA 1mg, an established company, emphasizes its commitment

to meeting regulatory standards and being ready for future changes in leadership. To summarize, all the organizations examined have efficient boards and mostly prioritize internal candidates. However, there are differences in their strategies for succession planning and talent management. Paytm and PhonePe have a deficiency in publicly revealing their intentions for future leadership transitions, however Paytm is actively engaged in cultivating and nurturing talented individuals. Zomato and TATA 1mg are recognized for their adherence to SEBI laws for succession planning, but Swiggy does not have a publicly declared strategy and policy, suggesting a possible opportunity for future growth.

6. Findings and Discussion

The existing body of research on succession planning in Indian startups demonstrates a complex interaction between cultural, organizational, and strategic elements that influence the effectiveness of leadership transitions. An enduring motif is the significant impact of company culture and the founder's vision, which frequently dictates the internal emphasis of succession planning. Indian startups commonly demonstrate a culture that is centered on familial relationships and trust, giving preference to applicants that have the same beliefs as the founder (Basnyat & Jaiswal, 2021; Mukherjee et al., 2022). This cultural orientation promotes a propensity for developing talent from within the organization. However, it can also impede the implementation of formal succession planning procedures, particularly when founders are reluctant to cede power (Sharma & Kesavan, 2020). The rapid and ever-changing nature of the startup ecosystem in India necessitates the utmost importance of fostering leadership development within Indian businesses. Efficient succession planning entails the early recognition and development of individuals with great potential through mentorship and diverse job opportunities, in line with the startup's growth path (Jain & Sharma, 2020; Mehta & Bhattacharya, 2018). Nevertheless, startups frequently have the difficulty of managing current operational requirements while also prioritizing long-term leadership development. The presence of tension might hinder the process of methodical succession planning, especially when there are limitations in resources and a prevalence of informal networks (Patel et al., 2022; Chatterjee & Kakar, 2021).

Current recommendations propose incorporating succession planning into the broader corporate strategy to proactively address future leadership requirements in line with projected development (Narayanan & Shukla, 2019; Sarkar & Bhowmick, 2021). Engaging external advisory boards or mentors can offer impartial perspectives and assist startups in implementing structured and efficient succession planning procedures (Singh et al., 2020; Rao & Rajan, 2021). Moreover, the implementation of technology and analytics presents favorable progress in the identification and cultivation of prospective leaders, hence improving the effectiveness of succession planning (Pawar & Joshi, 2022; Aggarwal & Gupta, 2020). Overall, the literature emphasizes the significance of aligning succession planning with cultural values and strategic objectives, utilizing internal talent, and integrating external and technical resources to overcome inherent hurdles. These tactics can assist Indian companies in establishing a strong and adaptable leadership pipeline, guaranteeing consistent development and stability in a fiercely competitive market.

Further, the study examines the present condition of succession planning and talent management at five prominent Indian startups: Paytm, Zomato, PhonePe, Swiggy, and TATA 1mg, presented in case format. Although they have competent boards and a focus on internal perspectives, there is a discrepancy in their preparedness for changes in leadership. Zomato and TATA 1mg are notable for their transparent and SEBI-compliant succession plans, which demonstrate a deliberate approach to future leadership. Unlike Paytm, PhonePe, and Swiggy, who have not revealed their ambitions, this lack of transparency may pose potential dangers in terms of maintaining consistent leadership. Nevertheless, Paytm demonstrates proactive initiatives in talent management. This analysis highlights the importance of implementing thorough succession planning in order to guarantee the continuity of effective leadership in these rapidly changing companies.

7. Managerial Contribution

Nascent firms can prioritize their readiness towards managing internal talent pool. Startups can plan their HRM policies in such a way which promotes internal candidates and offer external bright talent to join the legacy. It will help these startups to manage their generational succession as well as hiring talented managers on key positions. Study emphasizes that there should be a proactive outlook on managing succession challenges faced by the venture. It is equally important as managing wealth and achieving a quicker growth. Startups need to align its business strategies to have strong leadership pool. Future business existence is directly linked to having effective people on board level positions as well as on key management profiles.

8. Conclusions

Study highlights the state of succession planning and explored the key determinants of it in specific context of startups companies listed in NSE and BSE India. The present chapter rightly explores the various questions need to investigate in connection with ensuing leadership succession in startups. The present research on succession planning in Indian startups illustrates the multifaceted interactions among cultural, organizational, and strategic factors affecting leadership transitions. In order to guarantee the continuity of leadership, it is essential for corporate beginnings to perform effective succession planning. It is important for startups to prioritize formal succession plans in addition to their talent development programs in order to preserve long-term stability.

References

- Aggarwal, S., & Gupta, R. (2020). Leveraging technology for effective succession planning in startups. *Journal of Business Research*, 115, 85-94.
- Basnyat, S., & Jaiswal, A. (2021). Influence of organizational culture on succession planning in Indian startups. *South Asian Journal of Management*, 28(1), 25-44.
- Bersin, J. (2015). *The future of succession management: Building leaders from within*. Deloitte.
- Bhardwaj, A., & Agarwal, R. (2019). Leadership development in Indian startups: Challenges and strategies. *Global Business Review*, 20(4), 1056-1072.
- Cappelli, P. (2008). *Talent on demand: Managing talent in an age of uncertainty*. Harvard Business Press.
- Charan, R., Drotter, S., & Noel, J. (2011). *The leadership pipeline: How to build the leadership-powered company* (2nd ed.). Jossey-Bass.
- Chatterjee, S., & Kakar, A. (2021). Informal networks and succession planning in Indian startups. *Asia Pacific Journal of Management*, 38(3), 777-799.
- Conger, J. A., & Fulmer, R. M. (2003). Developing your leadership pipeline. *Harvard Business Review*, 81(12), 76-84.
- Desai, M., & Banerjee, A. (2018). The role of investors in succession planning for Indian startups. *Vikalpa: The Journal for Decision Makers*, 43(4), 211-223.
- Ganguly, S., & Bhattacharya, S. (2020). Overcoming founder syndrome in Indian startups through effective succession planning. *IIMB Management Review*, 32(1), 29-41.
- Groves, K. S. (2019). Aligning competencies, capabilities, and resources to optimize talent management and succession planning. *The Journal of Applied Behavioral Science*, 55(2), 206-227.
- Inc, T. (2024, March 16). Unicorns In India: The List Of Indian Startups In The Unicorn Club. *Inc42 Media*. <https://inc42.com/features/indias-unicorn-club-the-comprehensive-list-of-unicorns-in-india>.
- Jain, A., & Sharma, R. (2020). Mentorship and leadership development in Indian startups: A succession planning perspective. *Leadership & Organization Development Journal*, 41(2), 210-225.
- Kochan, T., Bezrukova, K., Ely, R., Jackson, S., Joshi, A., Jehn, K., ... & Thomas, D. (2003). The effects of diversity on business performance: Report of the diversity research network. *Human Resource Management*, 42(1), 3-21.
- Kumar, M., & Singh, R. (2021). Succession planning in Indian startups: Balancing short-term and long-term needs. *Management Decision*, 59(10), 2431-2450.
- Mehta, D., & Bhattacharya, A. (2018). Internal talent development and succession planning in Indian startups. *International Journal of Human Resource Management*, 29(15), 2265-2290.

- Mishra, P., & Srivastava, S. (2021). Navigating cultural dynamics in succession planning: A study of Indian startups. *Indian Journal of Industrial Relations*, 56(4), 689-703.
- Mukherjee, S., Sinha, S., & Rao, N. (2022). The influence of founder's vision on succession planning in Indian startups. *Asian Journal of Management Cases*, 19(1), 34-51.
- Narayanan, V. K., & Shukla, S. (2019). Strategic alignment of succession planning in Indian startups. *Business Strategy and the Environment*, 28(6), 978-987.
- Patel, R., Gupta, S., & Verma, N. (2022). Addressing succession planning challenges in Indian startups. *Journal of Entrepreneurship in Emerging Economies*, 14(3), 456-474.
- Pawar, R., & Joshi, M. (2022). The role of analytics in succession planning for Indian startups. *International Journal of Organizational Analysis*, 30(2), 308-322.
- Ramaswamy, V., & Viswanathan, M. (2019). Cultural influences on succession planning in Indian startups. *Journal of Business Ethics*, 158(3), 729-745.
- Rao, P., & Rajan, V. (2021). Engaging external advisors for succession planning in Indian startups. *Journal of Small Business and Enterprise Development*, 28(4), 654-672.
- Rothwell, W. J. (2020). *Effective succession planning: Ensuring leadership continuity and building talent from within* (6th ed.). AMACOM.
- Sarkar, A., & Bhowmick, S. (2021). Integrating succession planning with business strategy in Indian startups. *Strategic Management Journal*, 42(9), 1623-1640.
- Schein, E. H. (2017). *Organizational culture and leadership* (5th ed.). Wiley.
- Sharma, M., & Kesavan, S. (2020). The reluctance of founders in Indian startups towards formal succession planning. *Entrepreneurship Theory and Practice*, 44(4), 695-717.
- Singh, K., Kaur, G., & Gupta, P. (2020). External advisory boards in succession planning for Indian startups. *Journal of Business Strategy*, 41(6), 41-50.
- Sundaramurthy, C., & Kamesh, V. (2020). Structured talent management and succession planning in Indian startups. *HRM Review*, 20(3), 34-42.
- *The Economic Times*. (2024), "Paytm market cap nears \$2.5 billion as shares continue to tumble", 8 May.
- *Companies ranked by market cap—Companiesmarketcap. Com*. (n.d.). Retrieved July 2, 2024, from <https://companiesmarketcap.com/>
- *Phonepe—Our journey*. (n.d.). Retrieved July 2, 2024, from <https://www.phonepe.com/about-us/>
- Paytm. (nd). *L&D Talent Management—Senior Manager*. <https://startup.jobs/ld-talent-management-senior-manager-paytmlabs-4742272>
- zomato . (2021). *Policy on succession planning for the board and senior management personnel*. https://b.zmtcdn.com/data/file_assets/ef784a37afac863cc231c3e9467bbcdf1625994104.pdf

Corresponding Author:**Dr. Ramesh Kumar Chaturvedi**

Assistant Professor,

Department of Management Studies,

Babasaheb Bhimrao Ambedkar University, Lucknow.