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Introduction

Succession management has become an important talent management initiative at companies around the world. For some companies, succession management is a strategic process that minimizes leadership gaps for critical positions and provides opportunities for top talent to develop the skills necessary for future roles. With other companies, succession management is a constant struggle, viewed as an administrative exercise rather than as a competitive advantage. In strong economic times, it is easier to ignore deficiencies in the succession management process – but in the current economic downturn, the need to identify and develop top talent for critical roles has never been more important.

Following are examples of situations companies face today.

- Whether restructuring, or engaging in a merger, acquisition, divestiture or bankruptcy, companies must rethink how they structure, source, manage and develop talent. Furthermore, companies have to be selective during layoffs, retaining those with the skills to move the company forward.
- Boards of directors tend to bring in fresh leadership during times of trouble. This change in leadership (*generally in the CEO suite*) has an impact on business plans and growth initiatives.
- Given the high unemployment rate (*more than eight percent¹ at the time of this writing*), hundreds of candidates may apply for a single position, which can be costly. To avoid the expense of recruiting external talent, companies turn inward to fill vacancies. As such, building bench strength has never been more important.
- Finally, a younger workforce expects flexibility (e.g., modified work hours, work from home) and more tailored opportunities for individual development. Companies now look at succession planning for both professional and management roles – in addition to new ways of moving talent across their organizations, not just from bottom to top.

Effective succession management enables companies to react quickly to change and endure difficult times. At its best, succession management allows a company to seamlessly merge its employees' capabilities and career aspirations with the company's business strategy and talent needs.

¹ Source: <http://www.bls.gov/news.release/empst.nr0.htm>.

The industry study, *High-Impact Succession Management: Best Practices, Models and Case Studies in Organizational Talent Mobility*², describes best practices in succession management. Our hope is to help companies create and execute superior succession planning strategies. We also share what we believe is the future of succession management, to which we refer as “transparent talent mobility” and describe as “a dynamic internal process for moving talent from role to role – at the leadership, professional and operational levels.”

The following is a list of deliverables in the *High-Impact Succession Management* report, which:

- Classifies a five-stage Maturity Model, with comparisons between companies at higher and lower levels;
- Identifies critical elements of a high-impact succession management program, including the specific roles organizational leaders must play to ensure maximum effectiveness;
- Explores the differences in succession management for small companies versus large companies;
- Includes actionable information for implementing various best practices, as well as directions for how to move through the different levels of the Maturity Model;
- Describes various metrics and defines the business results of high-impact succession management;
- Includes considerations and implications for global implementation;
- Shares a glimpse into the technology vendor landscape, including latest capabilities and market analysis; and,
- Includes cases studies throughout the report.

To understand the strength of companies’ succession management programs, we analyzed the impact of various best practices and processes on six business measures. Some of the practices that are described in the industry study include:

² For more information, *High-Impact Succession Management: Best Practices, Models and Case Studies in Organizational Talent Mobility*, Bersin & Associates / Kim Lamoureux, March 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hism.

- Promote a transparent process;
- Broaden the view of talent;
- Ensure executive commitment and engagement;
- Create a culture of sharing talent; and,
- Establish a measurement strategy.

The “impact measures,” while not direct business outcomes, are widely recognized measures of business success and include:

- Driving improved business results through leadership skills and behaviors;
- Increasing the quality and bench strength of the company's leadership pipeline;
- Implementing a performance-based culture;
- Creating high levels of engagement and retention;
- Accelerating change and business growth; and,
- Improving business performance overall.

Throughout our *High-Impact Succession Management* industry report, we present you with data, and real-life examples and case studies of the true effects of this complex, yet pivotal business program.

The Bersin & Associates and CCL Partnership

Bersin & Associates and the Center for Creative Leadership (CCL) are two powerhouses in the talent management market. Bersin & Associates is an organization of senior analysts and consultants with extensive experience in corporate learning, performance management, leadership development, talent management and enterprise systems. CCL is a top-ranked³ and internationally recognized global provider of executive education, with expertise focused exclusively on solving the leadership challenges of individuals and organizations around the globe.

The two companies worked together to develop a new body of research in the area of succession management. This research focuses on trends, best practices, current issues, and executive and global perspectives, as well as actionable solutions and recommendations.

The companies collaborated on data collection, methodology and findings to gain the best possible insights from this research.

³ The Center for Creative Leadership (CCL®) ranked number eight overall in the 2008 *Financial Times* worldwide survey for executive education. The survey was released May 12, 2008.

The Research Overview

In this comprehensive industry study, we set out to determine how succession management (when done well) helps improve business performance. The following questions shaped our research and are addressed in the full report – with supportive data analysis, detailed examples, best practices and actionable steps to help you develop or enhance your organization's succession management strategy.

Key Questions Addressed in This Report

1. What is succession management? How has it evolved?
2. Do organizations recognize succession management as part of their talent management system? How do organizations integrate succession management with other HR / talent management functions, such as recruiting and performance management?
3. What are the key business drivers for succession management? How does succession management fit into an organization's strategic plan?
4. What is the level of maturity of organizations as it relates to succession management processes and strategies? What practices are the most successful companies implementing?
5. Who is the targeted audience for succession management? Are all audiences addressed with the same level of priority?
6. To what extent does a succession management program depend on those leading the effort? What roles are senior executives and HR professionals playing in succession management? How are they contributing?
7. What kinds of tools, assessments and methodologies do organizations use for succession planning?
8. What factors contribute to the success or failure of succession management initiatives? What factors influence the adoption and longevity of succession management initiatives?
9. How are organizations measuring and evaluating their succession management programs? What kind of business impact do succession management strategies and processes have on an organization?

10. What issues or challenges are businesses facing in developing relevant and effective succession management programs?
11. How do you communicate your succession management strategy, processes and outcomes to your organization?

Research Methodology

Over the last 12 months, we have conducted extensive research into this complex and rapidly evolving market. Through our *WhatWorks*® research methodology⁴, we have uncovered the best practices and trends in succession management processes. For us to understand the breadth and depth of this particular research study, the following details the approach used in gathering and analyzing key data.

- In-depth interviews with more than 25 senior business leaders and succession management program managers responsible for enterprise succession management.
- An extensive, quantitative survey of 220 talent managers for identifying best practices, process design, roles and responsibilities, business challenges, and trends in succession management.
- A quantitative survey of more than 100 business leaders, providing their perceptions on the overall effectiveness of their companies' succession management strategies.

⁴ Bersin & Associates proprietary "*WhatWorks*® research methodology" uses the concepts of "measures" (outcomes) and "dimensions" (the factors that may or may not contribute to these outcomes) to understand best practices, trends and solutions.

Key Findings

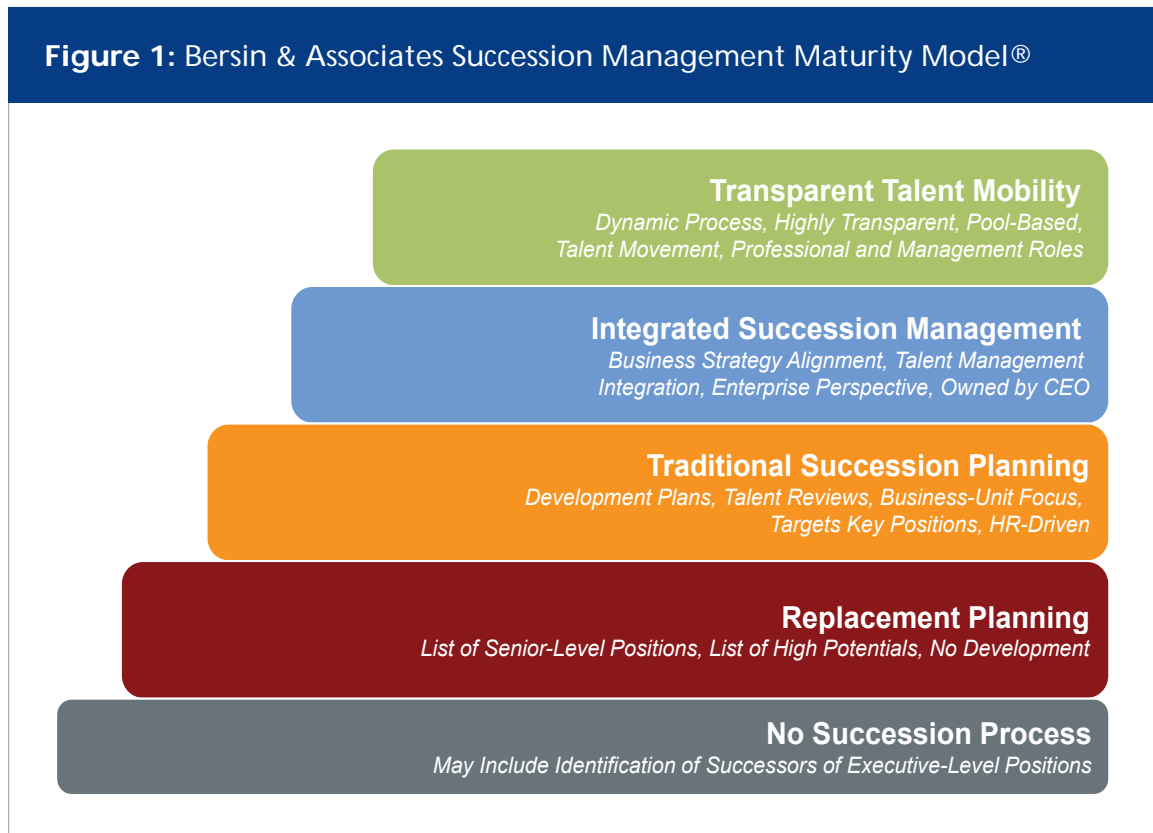
Overall, we found that many organizations are spending a lot of energy creating succession plans, but few are able to integrate succession management in all company operations and among all levels of employees. We learned that the companies struggle most with identifying employees with high potential, development planning and global implementation.

The following is a list of key findings from our research, which we explore in greater detail in the report.

1. Great Opportunity Exists for Companies to Enhance Their Succession Management Strategies.

Succession management is an immature and relatively new process for most companies. Fewer than 12 percent of companies have truly integrated succession management programs. In our research, we have developed a model that identifies five levels of maturity for succession management. The following are brief descriptions of each level of the Bersin & Associates Succession Management Maturity Model®. Each level is described in greater detail in the report and used as a yardstick for companies that wish to attain the highest level of succession management.

- **Level 0: No Succession Process** – At this level, organizations have no real succession management process. They may identify potential successors for the CEO and executive-level positions. Our research shows that 21 percent of companies operate at this level, and they typically find themselves limited in growth or business flexibility by a lack of managerial and leadership skills.
- **Level 1: Replacement Planning** – Organizations at Level 1 Maturity focus on senior-level positions. A “list” of high potentials is created, but there is no formal development process in place. Our research shows that approximately 15 percent of organizations today function at Level 1.
- **Level 2: Traditional Succession Planning** – Organizations that implement succession planning target critical senior-level positions. Talent reviews are conducted and development plans are put in place. Our research shows that 52 percent of organizations operate at this level today.



Source: Bersin & Associates, 2009.

- **Level 3: Integrated Succession Management** – Level 3 companies target all critical positions at all levels. Companywide succession is tightly aligned with the business strategy and integrated with other talent management processes. Our research indicates that fewer than 12 percent of companies have achieved this Level of Maturity.
- **Level 4: Transparent Talent Mobility** – Level 4 is the “next practice” of succession management. As far as we know, there are no companies that have achieved this Level of Maturity. At Level 4, companies completely understand the capabilities and potential of their workforces; talent decisions are made naturally, based on what is best for the business as a whole.

The industry study will describe best practices for companies at Level 3 – Integrated Succession Management (*which is the gold standard today*) and Level 4 – Transparent Talent Mobility. In the report’s section, “*Progressing through the Succession Management Maturity Model,*” we provide recommendations for how companies can achieve Level 4.

2. Best-Practice Organizations Address Succession Management Consistently across All Key Positions at All Levels.

Sixty-two percent of organizations approach succession planning for executives differently from how they plan for lower-level employees. Executives are unique in terms of their needs and responsibilities to the success of the business. Many companies believe executives require a higher level of attention in the succession management process. Another perception is that the lower-level positions are not as difficult to fill. We wondered if this differentiation was a best practice and we think you will be surprised at the answer. *(Hint: Fewer companies at Level 3 Maturity differentiate their practices for executive-level versus lower-level positions, as compared with companies at all other maturity levels.)* We discuss this in detail in the report.

3. Development Planning Is a Differentiator between Those with High-Impact Succession Management Programs and Those without Such a Program.

Companies that fail to follow through on development plans also fail at even the best-intentioned succession management strategies. Without development plans and, more importantly, without the execution of such plans, companies are unable to prepare successors for future leadership positions, the bench strength of an organization becomes weak and leadership pipelines are truncated. More than 80 percent of companies at Level 3 Maturity “create actionable development plans” versus only one-third of companies at Level 1. We discuss the three primary reasons development plans fail and what companies can do to hold leaders accountable for development.

4. For a Company to Achieve Best-Practice Succession Management, Its Executives Have to Be as Engaged in Succession Management as Its HR Leaders.

The roles leaders play at all levels are important for driving successful succession management practices – but the most critical differentiator between the “best” and the “rest” is the level of commitment and engagement displayed by top executives and next-level senior executives. According to our research, HR leaders and executives differ on how often they believe formal talent reviews and actionable development plans are occurring. Executives are also more optimistic than HR leaders regarding the effectiveness of succession management in meeting business and strategic challenges. For example, 55 percent of executives (versus 38 percent of HR leaders) rated their companies’ programs as “effective or very effective.” Why do executives and HR leaders have different views of succession management practices? We explore this topic to discover how companies can create better alignment here.

5. Global Succession Management Is an Untapped Source of Top Talent for Multinational Companies.

Most companies’ succession plans are *not* responsive to their global talent needs. In fact, our research shows that only five percent of companies felt their succession management programs currently meet all of their global talent needs. Twenty percent indicated that their processes do not meet their global talent needs at all. Examples of the issues that companies face include:

- Companies fail to identify foreign national leadership talent or local national leadership to lead in their home countries;
- Companies rarely conduct talent discovery or leadership discovery in foreign nations with the same rigor as they do in the U.S.;
- Companies do not know who really wants an expatriate assignment; and,
- Leaders lack cross-cultural competence.

Many companies’ succession management programs do not address global talent management with much energy. The succession management process may be

implemented globally – but most organizations do not take into account what is really required to enable a company to conduct business successfully abroad.

6. Companies Must Focus Their Succession Management Strategies on Both Technical / Professional and Management Roles.

For a company to reach Level 4 Maturity, it must include all key positions in its succession management strategy, some of which are highly technical, individual contributor roles. We have found the most successful companies (such as Boeing, HP and Qualcomm) have highly developed innovative and technically expert engineers. Energy companies are highly dependent on their petroleum engineers who train for seven years to reach a high level of competency. Including these highly skilled individuals in the succession management process (*even if they do not end up in a management role*) is a key best practice.

While more than 60 percent of companies indicate that they have a process for identifying key roles, we found that succession management is too narrowly focused on the development of managerial leaders versus highly skilled technical roles.

7. A Strong Talent Review Process Is Critical for Highly Effective Succession Management.

Best-practice succession management companies integrate three key attributes into their talent review process. If you do nothing else but these three things, your organization will receive a higher return from the talent reviews than most companies.

- 1) **Process Integrity** – Refers to the consistency of the process, and the quality and reliability of talent data. Slightly more than half of the companies surveyed have an enterprisewide program that is centrally managed. The way in which the program is governed and implemented can easily have an impact on the program's integrity.
- 2) **Talent Review Attendance** – Appropriate line-of-business and HR leaders must participate in talent review meetings. Only 25 percent of companies believe that the right attendees are present at all of their talent reviews.
- 3) **Business Strategy Alignment** – Discussions must continuously refer back to the positions and capabilities that are necessary for driving the business strategy.

Only 40 percent of companies align succession planning with the strategic business planning process. Without business strategy alignment, the talent review process will continue to be seen as an HR exercise, rather than a key business driver for achieving results.

Talent calibration, board of director involvement and clearly defined criteria for high potentials are other best-practice examples that we explore in more depth in the report.

8. Good Succession Management Is Clearly Correlated to Business Success.

Best-practice organizations are three times more effective at achieving key business measures. As stated earlier, we analyzed the impact of various best practices and processes on six business measures. In every instance, companies with succession management strategies at Level 3 Maturity realized vastly higher returns in a number of areas.

- Sixty-five percent of companies at Level 3 Maturity are “effective” or “very effective” at driving improved business results through leadership skills and behaviors versus six percent at Level 1;
- Seventy-three percent of companies at Level 3 Maturity are “effective” or “very effective” at increasing the quality and bench strength of the company’s leadership pipeline versus only 21 percent at Level 1; and,
- Sixty-two percent of companies at Level 3 are “effective” or “very effective” at accelerating change and business growth versus 12 percent at Level 1.

We discuss these and other business measures in the report.

About the Industry Report

Most companies have an opportunity to improve their succession management programs. The number one challenge for succession management (as identified by both HR leaders and executives) is developing a succession planning strategy. Our research is designed to help HR and talent management leaders understand solutions, best practices and high-impact strategies in this market.

In addition to providing analyses, trends and insights into the overall market for succession management, the full report is designed to provide your organization with actionable advice and support for your strategy, planning and implementation. Among other benefits, organizations will be equipped with empirical data, examples and cases, and our expert insights to:

- Define a robust process to uncover, assess and discuss talent on an ongoing basis enterprisewide;
- Understand key features of a strategic talent review process, including business alignment and follow-through on action plans;
- Assess individual leader beliefs and capabilities specific to the development of talent and the process of succession;
- Determine your organization's maturity level in the succession management matrix and the steps you can take to progress to the next level;
- Determine your organization's high-potential talent;
- Define key and critical positions for ensuring your company's long-term success and viability;
- Determine whether a pool- or position-based succession planning process is more suited to your organization;
- Understand the considerations for integrating succession management with performance management, leadership development and recruiting; and,
- Identify the vendors that offer strong solutions, and are best-suited to meet your organization's highest-priority needs and long-term succession management strategy.

Succession management is one of the most dynamic and exciting segments in talent management. It is in a state of rapid change as a result of both changing demographics and a turbulent economy.

We hope that our research helps you to establish solid footing for identifying and developing the bench strength within your company, and gain the greatest possible business benefits from your succession management strategies.

Please see our report *“High-Impact Succession Management: Best Practices, Models and Case Studies in Organizational Talent Mobility⁵,”* for complete details.

⁵ For more information, *High-Impact Succession Management: Best Practices, Models and Case Studies in Organizational Talent Mobility*, Bersin & Associates / Kim Lamoureux, March 2009.



About Bersin & Associates

Bersin & Associates is the only research and advisory consulting firm focused solely on *WhatWorks*® research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

Bersin & Associates research members gain access to a comprehensive library of best practices, case studies, benchmarks and in-depth market analyses designed to help executives and practitioners make fast, effective decisions. Member benefits include: in-depth advisory services, access to proprietary webcasts and industry user groups, strategic workshops, and strategic consulting to improve operational effectiveness and business alignment. More than 3,500 organizations in a wide range of industries benefit from Bersin & Associates research and services.

Bersin & Associates can be reached at <http://www.bersin.com> or at (510) 654-8500.

About This Research

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About Center for Creative Leadership

The Center for Creative Leadership (CCL®) is a nonprofit education and research institution that for 40 years has offered an exclusive focus on leadership education and research and unparalleled expertise in solving the leadership challenges of individuals and organizations everywhere. We equip clients around the world with the skills and insight to achieve more than they thought possible through creative leadership. Creative leadership is the capacity to think and act beyond the boundaries that limit our effectiveness. We believe leaders are made, not born, and that they (and their organizations) can adapt and change.

The Center creates new knowledge that advances our field and that positively transforms the way leaders, their organizations and their societies confront the most difficult challenges of the 21st century. These imperatives require that the Center become the preeminent global institution for leadership development and research. As part of that mission, The Center has expanded its existing work in the area of talent. Talent management has historically been focused on designing strategies, culture, systems and processes. While it is still critical to focus on talent process management, outcome based talent approaches are becoming more critical. Organizations must focus more specifically on “talent sustainability.” Talent sustainability is an organization’s ability to continuously attract, prepare, and retain people with the capabilities and commitment needed for current and future organizational success. In order to meet the demand for practical and tactical knowledge in this area and to more clearly define the role of the leader with regards to talent, the Center has formed the Global Institute for Talent Sustainability (GIFTS).

The Center for Creative Leadership can be reached a <http://www.ccl.org>. For additional information relative to CCL’s talent research or the Global Institute for Talent Sustainability (GIFTS), call **719.329.7895**.