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Succession Planning Strategies

The Right People, for the Right Jobs, at the Right Time

November 2006

— Underwritten, in Part, by –

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Executive Summary

Contrary to popular belief, succession planning is not a new phenomenon. Companies have been wrestling with ways to identify, develop, and retain their talent for decades. So, why is succession planning suddenly popping up on every company's radar screen? Today's organizations are facing higher demands in a global market with the retirement of the Baby Boomers and the widening talent gap. The home-grown and paper-based succession planning that companies relied on in the past is no longer meeting the needs of today's workforce. Companies need to upgrade and redefine their succession planning initiatives to ensure that their process will benefit both the individual and the overall strategy of the company.

Despite the numerous benefits of a formalized succession planning process, companies have failed to make it a top priority. In order to achieve results, companies need to start with the basics, create a strong process and then invest in the tools and technology to instill a talent development mindset in their organization. By strengthening the process, companies are gaining support from senior executives, ensuring a "performance culture" and establishing a company-wide program. Once these steps are in place, companies can then leverage technology solutions such as 9-box models, organizational charts, scenario planning and career profiling tools to reduce turnover, increase productivity and improve bench strength. The data included in this report is derived from a survey conducted in partnership with the Human Capital Institute and interviews with senior executives in the human capital management community.

Key Business Value Findings

While 74% of companies are investing in a formalized succession planning process, companies still struggle to fill talent pipelines. In an ideal world, companies are looking to "grow leaders" within their own organization, ensuring that there is continuity for the future of their leadership and reducing turnover.

Our study revealed that the most critical drivers for implementing succession planning include:

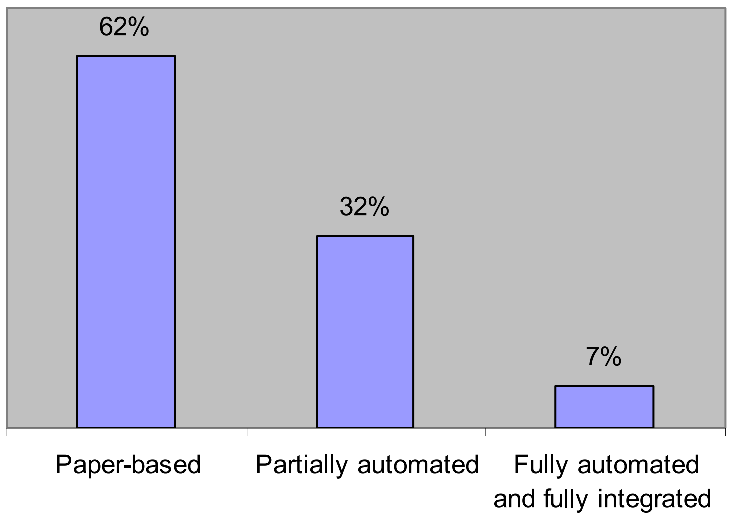
- Improve the company's bench strength in key positions
- Identify high potential early and devise strategies to retain talent
- Difficulty finding candidates outside the organization
- Unexpected loss of key leaders

Best in Class companies are responding to these pressures by first strengthening their process and then investing in the following succession planning technology:

- Career profiling tools
- Performance management
- Development tools
- Assessment tools

Although it is imperative for companies to leverage technology to drive an actionable succession planning program, 62% of companies still rely on a paper-based solution. (Figure 1) When asked why more companies were not investing in this process, a Program Director at a non-profit health organization responded: *"Our biggest barrier to automated succession planning: high turnover, resistance by managers, jealousy at development o f certain people and cost of implementation of software. Also, the speed at which decisions are made."*

Figure 1: Technology Usage for Succession Planning



Source: Aberdeen Group, September 2006

Recommendations for Action

In addition to the Best in Class actions, companies should also evaluate their processes to ensure they effectively accomplish the following:

- Educate your company on the new trends in succession planning and instill a strong process to build succession bench strength;
- Ensure that succession planning is integrated with other processes of talent management including performance management, training and development, compensation, and assessment;
- Link succession planning to competency management and include a reporting and analytics component;
- Integrate with career development tools;
- Automate the succession planning process for greater efficiency and less operational risk; and
- Develop both a top-to-bottom approach and also a bottom-up approach for succession planning.

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Chapter One: **Issue at Hand**

Key Takeaways

- 74% of companies are implementing or planning to implement a succession planning program.
- 62% of companies are still using paper based solutions.
- Companies need to start with the basics before investing in technology, such as involvement from executives, creating a performance culture, and having a bottom-up approach.
- Companies are responding to challenges *to improve bench-strength in key positions* and *create a pool of active and passive candidates by placing succession planning as a key retention strategy and by improving leadership development programs.*

Every CEO and HR professional in today's competitive economy faces two harsh realities in securing a high performing workforce: "the retirement of the Baby Boomers" and "the tightening of the labor market." The message is undeniably clear: companies need to develop their talent in order to compete in a global market. Although one would assume that every company would be a champion of succession planning—revamping their process and adopting new ways to fill talent pipelines—few companies know how to do it right. Companies still struggle with creating a formal process aimed at identifying, developing and retaining high potential people within the organization.

Despite this discrepancy between what companies want to do and what they actually do, the future is not so bleak. The majority of companies, particularly forward-looking companies, are implementing or planning to implement a formalized succession planning process. Aberdeen's research indicates that only 26% of companies do not have or do not plan to have a succession planning process (Figure 2). A formal process involves a way to identify, assess and develop leadership candidates to potentially succeed current leaders in order to ensure business continuity. Sounds like a simple concept but in reality, succession planning will not happen over night. It takes time, commitment and involvement from every employee from the CEO, to HR professionals to front line managers.

Competitive Framework Key

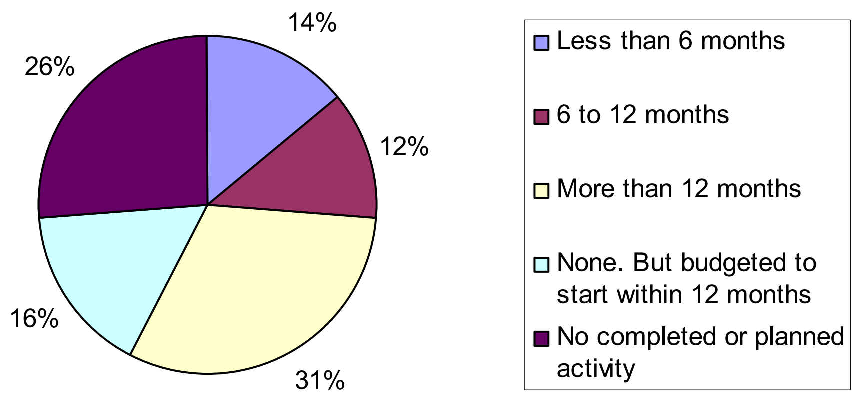
The Aberdeen Competitive Framework defines enterprises as falling into one of the three following levels of practices and performance:

Laggards (30%) —practices that are significantly behind the average of the industry

Industry Average (50%) —practices that represent the average or norm

Best in Class (20%) —practices that are the best currently being employed and significantly superior to the industry norm

Figure 2: Companies Investing in Succession Planning



Source: Aberdeen Group, September 2006

Follow-up interviews with some of these customers indicate that many of these companies are in the process of investing in technology as a way to develop their leaders and feed them into talent pipelines. For several of these companies, paper-based and internally developed solutions create an extra headache for various divisions of the organization. As a result, these initiatives end up on the back shelf. In order to save time and increase efficiency, these companies are turning to technology. Sixty percent of Best in Class companies are using an automated or partially automated succession planning system.

Teamwork: Technology and a Process go Hand-in-Hand

While many of these companies are looking to technology, they need to start with a process. Implementing talent management technology and succession planning tools can help companies overcome some of these challenges by reducing administrative tasks, cutting costs and increasing pools of talent. Although paper based and internally developed solutions require more work and create more operational risks, 62% of companies are still using a paper based solutions and 32% are only using a partially automated solution. Why are companies still unable to let go of succession plans that create more work? The answer is obvious. As a whole, companies have not yet nailed down the process nor developed a fresh perspective of succession planning. In order for the technology to work, companies need to start at the beginning. They need to start with the process.

> "Our home grown succession planning solution was just one extra thing we had to administer... We faced problems with people being ready before a position or the position being ready before the person."
>
> - Bill Jackson, HR Director Knowledgebase Marketing

These fundamentals of succession planning include:

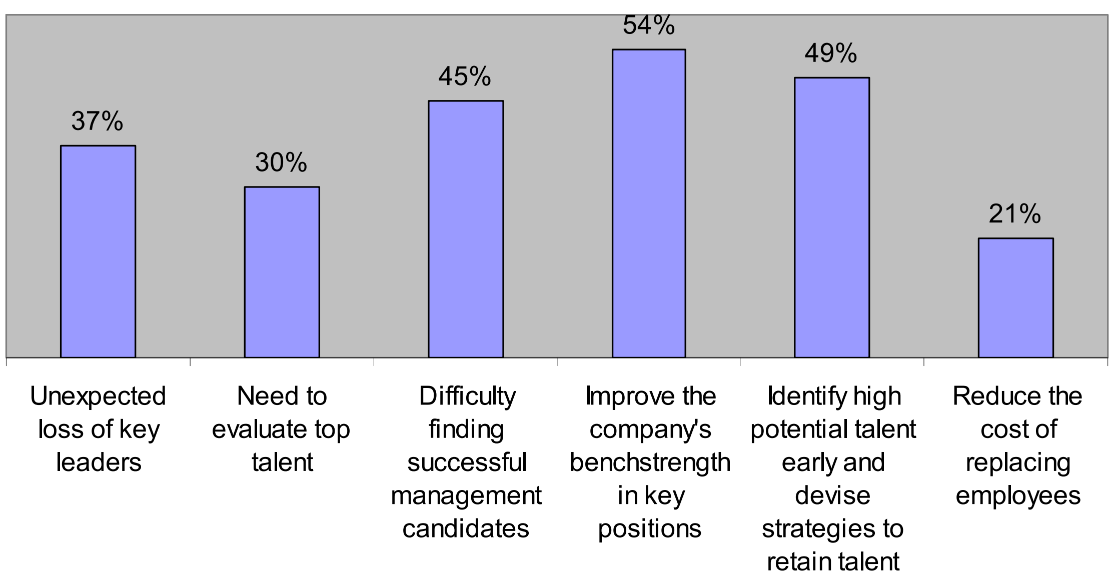
- Support from the CEO;
- Build a development mindset in the organization;
- Approach should not be just top-to-bottom but also bottom-to-top and cross-functional;
- Align succession plan with the overall strategy of the company;
- Ensure data-driven decision-making;
- Develop a "learning organization"; and
- Assess performance culture on a regular basis.

"There is strong buy-in from the CEO, the Board and management team. These steps must come before the technology. The purchase of our solution was approved by the Board which required selling them on the idea first. "— Bob Proctor, HR Director Lacera

Driving Forces

In one way or another, companies face several pressures when looking to improve their process or invest in technology. The pressure is unrelenting for companies in need of finding a new way to fill their talent pipelines. If they want to retain their talent, they need to develop it. Companies have identified the following pressures as having the most impact on their decision-making process:

Figure 3: Pressures to Invest in Succession Planning



Source: Aberdeen Group, September 2006

Overall, the pressures reveal that companies are struggling with all three components of succession planning:

"Identifying" (*difficulty finding successful management candidates, identifying high potential talent early and devising strategies to retain talent*)

"Developing" (*improving the company's bench-strength in key positions, need to evaluate top talent)*

"Retaining" (*unexpected loss of key leaders, reducing the cost of replacing employees)*

In order to be robust enough to meet these demands, the process needs to be an organization-wide approach.

In response to these pressures, companies are taking the following actions:

- Position succession planning as a key retention strategy 50%
- Acquire automated tools to track high achievers 9%
- Offer external leadership development programs 28%
- Offer executive coaching 34%
- Move employees laterally across the organization 28%
- Offer mentorship programs 23%
- Deploy internal leadership development tools 51%

These responses indicate that companies still have a long way to go. These companies are struggling with improving the process and in return, only 9% are acquiring automated tools to track high achievers with management potential. Best performing companies are dedicated to the process and enabling technology to make it work. For example, 39% offer executive coaching compared to 25% of low-performing companies.

The bottom line is that an effective succession planning program will not magically appear with the inception of the program. Companies face business pressures in identifying, developing and retaining talent that will not dissolve with the purchase of technology solutions. They are starting with the right first step in positioning succession planning as a key retention strategy. These companies need a wake up call to jumpstart their leaders into viewing succession planning as a priority and make a commitment to work on improving the process.

PACE Key — For more detailed description see Appendix A

Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:

Pressures — external forces that impact an organization's market position, competitiveness, or business operations

Actions — the strategic approaches that an organization takes in response to industry pressures

Capabilities — the business process competencies required to execute corporate strategy

Enablers — the key functionality of technology solutions required to support the organization's enabling business practices

Chapter Two:
Key Business Value Findings

Key Takeaways

- Companies are prioritizing other talent management processes over succession planning
- 48% of companies identified lack of succession planning tools and career development tools as their greatest challenge for succession planning
- New trends for succession planning include roll-out on an organization- wide level, more open systems, and extending the timeframe

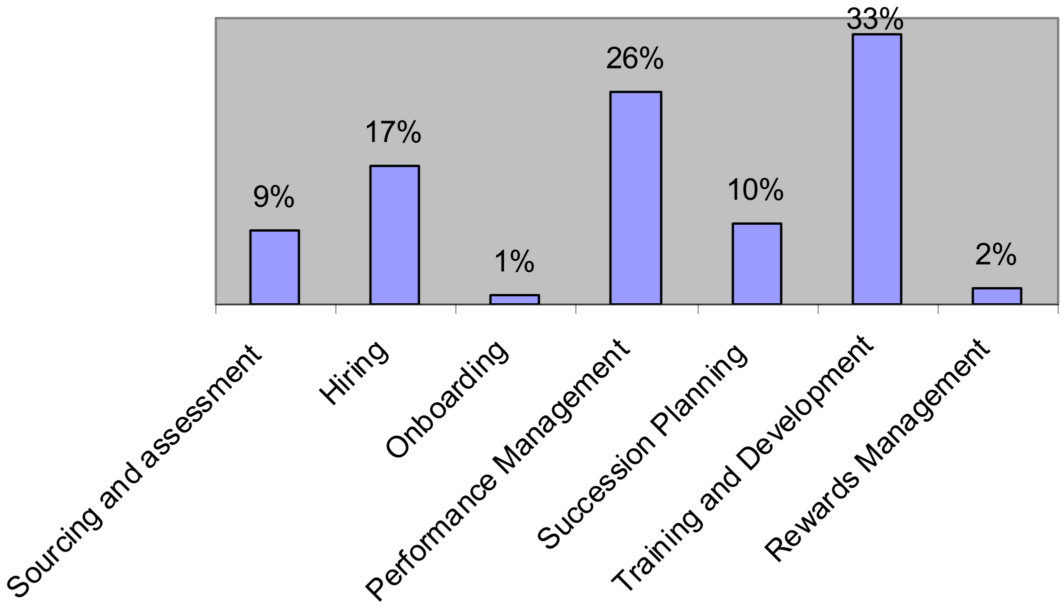
Why are companies still failing to make succession planning a top priority? Companies are investing in other processes of talent management over succession planning. (Figure 3) The implication is two–fold. First, they will lose high potentials that were identified in the pre-hire stages. Second, they are also risking the success of their talent management initiatives by failing to link them with succession planning. Succession is vital to retaining leadership talent, but in order to achieve these objectives, these programs must have been in place for a long period of time. The initiative and the will to make it work do not immediately correlate to sudden job retention; therefore, many companies do not have the patience to recognize its value.

Companies can overcome this obstacle by linking succession planning to other key areas that will make the employee lifecycle a complete experience. Follow-up interviews with end-users reveal that they are looking for a holistic approach to succession planning.

> "We plan to implement a performance management system that includes succession planning, learning management and other areas such as assessment and training."
>
> - VP of HR, Pharmaceutical company

Employee performance management and succession planning go hand in hand. Aberdeen's *Employee Performance Management Benchmark Report* indicated that one of the top pressures for employee performance management (50% of respondents) is "we are not preparing enough capable people to fill senior staffing and leadership positions." When looking at performance management, companies recognize a clear correlation with succession planning, as plans for succession often occur in the performance management stages.

Figure 4: Talent Management Processes Companies are Investing in the Most



Source: Aberdeen Group, September 2006

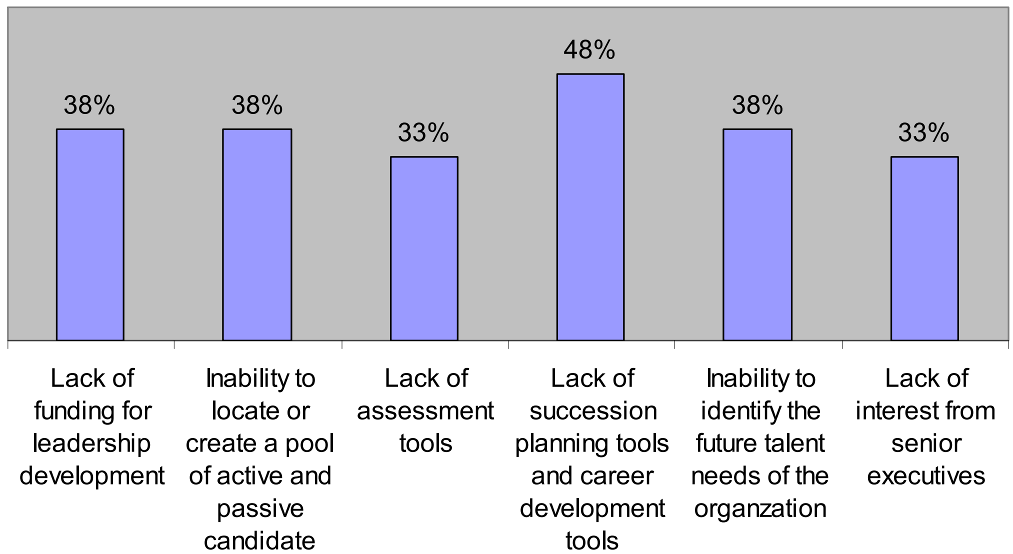
Succession Planning Challenges

Integrating succession planning with other processes is not the only challenge facing companies. While 74% of companies implement or plan to implement a succession planning program, these companies still confront several challenges to making it work (Figure 5).

These challenges fall under two categories: challenges with the process and challenges with the technology. Challenges with making the process work include *inability to locate or create a pool of active and passive candidates* and *lack of interest from senior executives.* Meanwhile, *lack of assessment tools* and *lack of succession planning tools and career development tools* were indicated in the study as examples of technology challenges. These concerns in succession planning represent a broader challenge in human capital management, i.e., getting the talent needed and addressing the talent requirements for the future.

Follow-up discussions with customers indicate that additional challenges with succession planning include lack of support by top management. Succession planning needs to be aligned with the business objectives of the company. CEO and other senior management involvement is a critical step. Succession planning will not become a company wide initiative if the management is not involved and playing an active role in ensuring a more cohesive succession planning initiative.

Figure 5: Challenges in Succession Planning



Source: Aberdeen Group, September 2006

Top-performing companies face similar challenges in *lack of data on competitive salary benefits* and *lack of funding for leadership development*, indicating that integration with HRIS is still a challenge (42% of respondents). However, Best in Class companies are more advanced in the ability to identify talent and in building a strong process of succession planning. Only 35% of the Best in Class identified the *inability to locate or create a pool of active and passive candidates* as a challenge, compared to 48% of laggard companies. Similarly, only 23% of Best in Class cited a *lack of assessment tools* compared to 38% of Laggard companies.

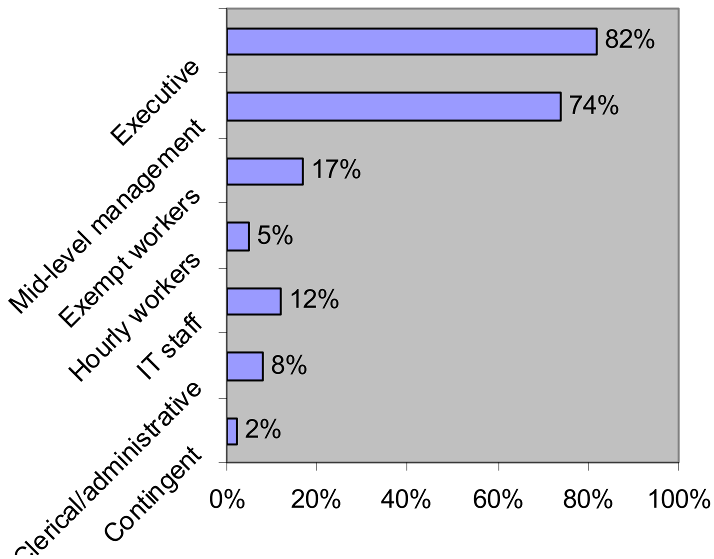
The New Face of Succession Planning

These challenges are not the same as the ones historically facing companies. Succession planning has changed dramatically over the past ten years. New trends are emerging and top-performing companies stay ahead of the curve by revamping their initiatives and altering the way they view their employees. Over half of these companies evaluate their succession planning programs annually, quarterly and monthly compared to the rest of the market that never evaluates their programs or does so on an ad hoc basis.

Organization-wide initiative

Traditionally, succession planning was aimed at the executive staff. Today it also targets mid-management and will eventually touch every level of the organization from administrative jobs to the contingent workforce. Aberdeen finds that most companies are still focusing on the executive levels in their succession plans (Figure 6). Executive succession planning tends to be emergency driven, reactive as a result of death or an unexpected leave. Today, effective succession planning focuses on consistency and a systematic approach to growing leaders within the company.

Figure 6: Levels of the Organization Included in Succession Planning



Source: Aberdeen Group, September 2006

Covert to Overt

In the past, companies felt the need to keep their succession planning a secret from their workforce. Today most companies are informing their employees about their plans and keeping them engaged in the process. Eighty-two percent of respondents are familiar with their succession planning programs.

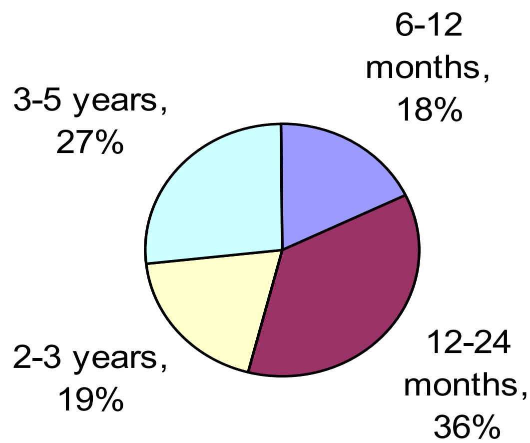
> "Our process is somewhat reactive but the goal is to move to a more proactive as we formalize the process over time"— Director of Human Resources, Primavera

This change is even apparent from one year ago. Aberdeen's *Retention and Succession* report from 2005 indicated that 29% of companies were challenged by their company regarding succession planning as a secret process. In today's study companies did not identify covert succession planning as a challenge. Aberdeen believes that companies will continue to inform and educate their employees about the process.

Time Frame

Length of the program is a key variable impacting both cost of the program and its ultimate success. Extending succession plans beyond six or 12 months will continue to affect companies. In 2005 only 15% of companies were extending it to 3 to 5 years. Today, 27% of companies have extended it to 3 to 5 years and 82% extend it beyond one year (Figure 7).

Figure 7: Succession Planning Horizon



Source: Aberdeen Group, September 2006

In summary, succession planning still remains near the bottom of the totem pole for companies compared to other talent management strategies. Companies face challenges both in the process and in the lack of enabling technology. In order to overcome these challenges, companies need to respond to the new trends of the market. Succession planning is no longer covert, it is a company-wide initiative, and the amount of time companies can extend this process for every employee is critical to the success of the program.

Chapter Three:
Implications & Analysis

Key Takeaways

- 87% of Best in Class companies are implementing succession planning programs compared to 64% of Laggards
- 60% of Best in Class companies are using technology compared to 28% of Laggard companies
- 44% of companies measure bench-strength in their succession planning process

Aberdeen's Competitive Framework, used in its corporate comparison benchmarking, distinguishes between Laggards, the Industry Average, and Best in Class on the basis of increased retention rates. (*Table 1*) As a clear correlation exists between companies with formalized succession planning programs and improved retention rates, Best in Class, Industry Average and Laggard companies were determined using this metric. Based on aggregated retention scores, those companies in the top 20% were defined as Best in Class, those in the middle 50% were Industry Average, and those in the bottom 30% were Laggard. As expected, companies in different performance categories show substantial differences. Best in Class companies showed a significant increase in retention rates after implementation of a formalized succession planning program.

"Our retention rates have increase after implementation of our succession planning process"

-Senior Management of Mid-sized company

In the succession planning process, there are several distinguishing factors between Best in Class companies and Laggards that are enabled by technology:

- 87% of Best in Class companies are implementing or planning to implement a succession planning initiative compared to 64% of Laggard companies
- 93% of Best in Class companies are knowledgeable about their succession planning programs compared to 79% of Laggard companies
- Strategic actions include the following: 39% offer executive coaching compared to 25% of Laggard; 52% offer internal leadership development programs compared to 45% of Laggard; 32% offer mentorship programs compared to 15% of Laggard companies
- 60% of Best in Class companies are using automation compared to 28% of Laggard companies

Table 1: Competitive Framework

	Laggards	Industry Average	Best in Class
Process	• Deployed at site level only	• Deployed at business unit level	• Deployed company- wide
Organization	• Succession planning is addressed as a divisional directive	• Succession planning is addressed as a departmental directive	• Succession planning is addressed at a local, departmental and divisional directive
Knowledge	• Succession planning is conducted or evaluated never or ad-hoc	• Succession planning is conducted or evaluated ad-hoc	• Succession planning is conducted or evaluated annually, quarterly, and monthly
Technology	• Paper-based, haphazard	• Succession planning is partially automated or uses disparate parts across the company	• Strengthening programs so that they are more fully automated and fully integrated with other performance management, development or leadership initiatives

Source: Aberdeen Group, September 2006

Process and Organization

Best in Class companies ensure that their succession planning programs are proactive through a strong process that targets every level of the organization and the technology that they use is deployed both locally and globally. The scope of traditional succession planning programs is limited to executive levels and although this level is still the main target of succession plans today, programs are also targeting mid-level management (74%). Although there is still a gap between the succession planning programs offered to executives and those offered to front line employees, improvements in the number of companies deploying technology for these initiatives on a company-wide basis and for all employees has improved in one year (Figure 8 and Figure 9).

Figure 8: Scope of Technology Deployed for Succession Planning 2005

	Executives only	Top mgmt.	Line Mgmt.	Knowledge workers	All employees
Deployed at site level only	30%	22%	30%	22%	39%
Deployed at business unit level	12%	41%	53%	29%	12%
Deployed company-wide	75%	39%	7%	4%	14%

Source: AberdeenGroup, December 2005

Figure 9: Scope of Technology Deployed for Succession Planning 2006

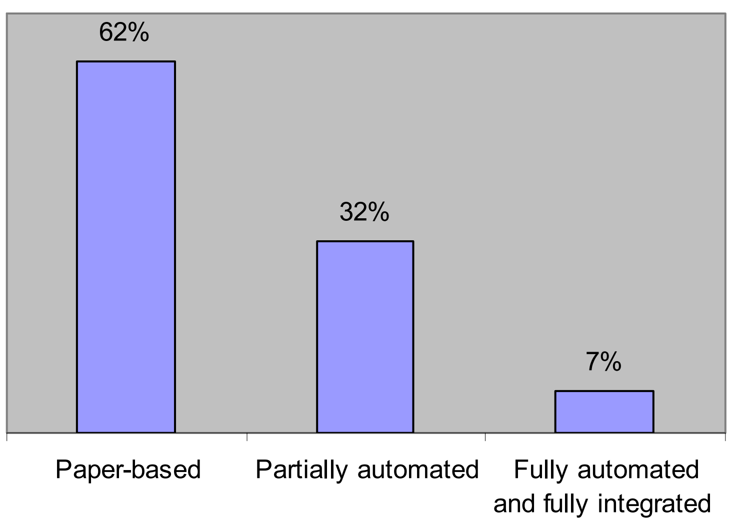
	Executives only	Top management	Line management	Knowledge workers	All employees
Deployed at site level	24%	31%	21%	12%	12%
Deployed at business unit level	10%	49%	16%	8%	18%
Deployed company-wide	34%	26%	11%	8%	21%

Source: Aberdeen Group, September 2006

Technology Usage

Although Best in Class companies are leveraging technology to enable their process to be deployed on a company-wide level, most companies are still not using technology. (Figure 10)

Figure 10: Technology Usage for Succession Planning



Source: Aberdeen Group, September 2006

In addition to paper-based systems, 36% of companies are also relying on home-grown systems that create more administrative tasks and operational risks, less consistency and more difficulty coordinating the information and data about the employee and their career. Aberdeen sees the number of companies utilizing technology increasing as companies begin to invest in other business processes that are linked to identifying, developing and retaining top talent. They are also taking strategic actions to improve their overall process for succession planning.

"At present, the barrier (to automating the process) is two-fold. Firstly, the need will only follow completion of the above step and secondly there is presently a cash crisis in the organization brought upon by some issues with a software system some years ago and again government constraints"

-Director, Education

Companies are looking for technology that includes :

- Collection of employee data including career history and skills (74%)
- Automated corporate-wide succession plans based on data (32%)
- Analysis of risks, preparedness, and succession scenarios (30%)
- Accurate development plans to enhance employee skills on an ongoing basis (49%)
- Skill assessment testing (32%)
- Internal recruiting process that matches potential candidates with the needed skills for planned positions (41%)
- Organizational charts/replacement charts (54%)

Companies have several options for "growing their own leaders." In order to be effective, organizational charts are not enough. Best in Class companies look for solutions that include functions such as 9-box models, candidate profiles, performance, competency and development needs and scenario planning to plan for the future needs of their workforce

Table 2: Succession Planning Technology Investments

Technology Solution Area	% Selected
Career profiling tools	34%
Team Building tools	22%
Candidate search tools	24%
Assessment tools	54%
Development planning tools	53%
Performance management tools	75%

Source: Aberdeen Group, September 2006

These tools when used together offer a more powerful succession planning initiative. Succession planning is no longer effective as a stand-alone function. A robust solution will be able to integrate all of these areas as well as areas such as goal alignment and compensation to cover the employee lifecycle.

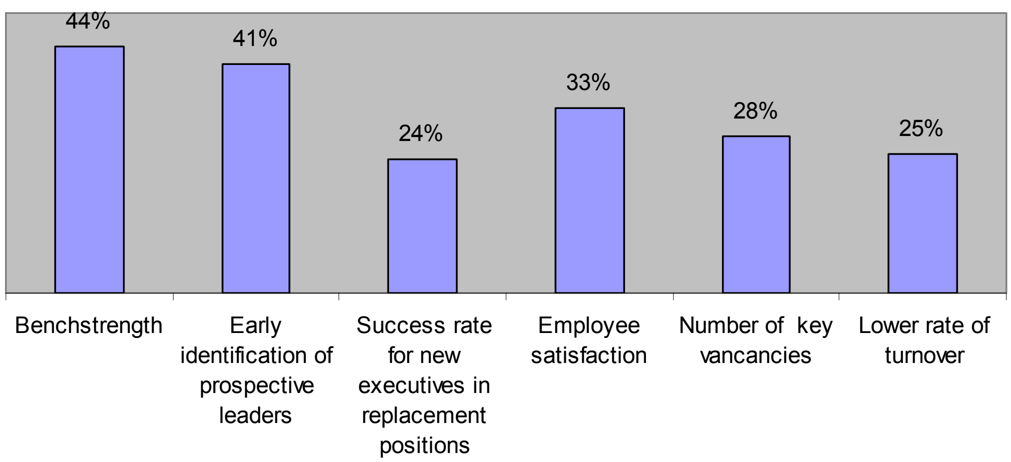
Key Performance Metrics

Key Performance Indicators (KPIs) are vital in determining how succession planning impacts the bottom line. If organizations are not taking the time to measure the impact of these initiatives, they are unlikely to recognize the organizational value and ROI of succession planning. Since 42% of companies still use an ad-hoc approach to evaluating their succession planning initiative, they need to rely on key performance indicators to provide them with information on the success of their investment.

> "We were looking for a product that was tied into competencies and had a reporting and analytics component"
>
> -HR Director, Mid-sized company

Nearly half of today's organizations are measuring bench strength, i.e., the percentage of key positions for which qualified succession candidates are available ; they also pursue the early identification of prospective leaders. These individuals may be within the organization or also active and passive candidates in the labor market. Additional areas used to measure succession planning include success rate for new executives in replacement positions (24%), employee satisfaction (33%) and number of key vacancies (28%). Twenty-five percent of companies are measuring the amount of reduced turnover and only 12% are measuring the reduced cost of turnover compared to 25% who measured it in 2005. This change represents a focus on the quality of the positions and the rate at which they are lost over the cost of losing employees.

Figure 11 : Key Performance Indicators



Source: Aberdeen Group, September 2006

Surprisingly, the scope by which companies measure succession planning has changed over the past year. In 2005, over half of the companies measured it globally and today the majority measures it division by division. Only 24% measure it solely at a global level.

Pressures, Actions, Capabilities, Enablers (PACE)

We have shown that there is a clear relationship between the pressures companies identify and the actions they take, and their subsequent competitive performance. All participants should examine their prioritized PACE selections and determine whether there are valuable perspectives to be gleaned by comparison with the PACE priorities of Best in Class companies.

Table 3: PACE (Pressures, Actions, Capabilities, Enablers)

Priorities	Prioritized Pressures	Prioritized Actions	Prioritized Capabilities	Prioritized Enablers
1	Improve the company's bench strength in key positions	External leadership development programs	Performance management capabilities	Automated tools to track high achievers with management potential
2	Identify high potential early and retain those that have it	Position succession planning as a key retention strategy	Strengthen leadership development and mentorship programs	Scenario planning that can identify talent early and adjust the needs when changes occur
3	Difficulty finding candidates	Investing in sourcing and assessment strategies in the pre-hire stages	Career profiling and internal recruiting	Automated solutions that are competency-based
4	Unexpected loss of key leaders	Look for long-term strategic planning	Plan ahead, proactive less emergency driven process	Automated tools that plan for the future and keep talent pipelines filled

Source: Aberdeen Group, September 2006

Chapter Four: Recommendations for Action

Key Takeaways

- Companies need to start with the process before investing in the technology to enable an effective succession planning program.
- When automating, companies should look for solutions that are competency-based and linked to reporting and analytics component.
- Companies should integrate succession planning with other processes of talent management.
- Companies need to use metrics.

Best in Class companies want to ensure that the investments that they made in the pre-hire stages prove to be the right investment with a pool of top-performing workers within their organization. In succession planning, the goal of most companies is to "grow their own leaders", reducing the rate of turnover and continuously moving people through their talent development pipelines. Companies still struggle with creating a system that ensures that a company will not suffer from a lack of future leaders or business continuity.

Whether a company is trying to gradually move its succession planning process from "Laggard" to "Industry Average" or from "Industry Average" to "Best in Class," the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

1. *Start with the process*

   Laggard companies need to start by revisiting the fundamentals of succession planning including support from top executives, alignment with the overall business objectives, and creating a "performance culture."

2. *Measure performance*

   Laggard companies need to link succession planning with the other areas of talent management to ensure that the right people are performing well in their job and securing their career path at the company

3. *Ensure that the succession planning initiative is company-wide*

   Succession planning has changed over the past ten years. It is no longer a reactive, emergency-driven process that targets only executives. Today, succession planning needs to include every level of the organization.

Industry Average Steps to Success

1. *Perfect the process and then invest in the technology*

Industry average companies need to start with the process and then invest in the technology. They need to have involvement from senior leadership, ensure a "performance culture," and create a talent mindset.

2. *Review the success of your program to quantify how it affects retention*

   Companies should no longer review or evaluate their program on an ad hoc basis. They should evaluate their programs annually, quarterly, and monthly.

3. *Link succession planning with other processes of talent management including performance management and compensation*

   Succession planning is no longer viewed as a stand-alone process. When investing in technology, these companies need to find a solution that is linked to areas such as compensation, goal alignment, performance management, training and development. These solutions should be competency-based and include a reporting and analytics component.

Best in Class Next Steps

1. *Ensure that succession planning process is competency based and tied into reporting and analytics*

2. *Use metrics*

   Best in Class companies need to continue to collect the data that validates their status, the ROI of the technology that they invested in, and helps to determine their plans for the future.

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Appendix A:
Research Methodology

Between August and September 2006, Aberdeen Group and *Human Capital Institute* examined the succession planning procedures, experiences, and intentions of more than 200 organizations in aerospace and defense (A&D), automotive, high-tech, industrial products, and other industries.

Responding senior executives and HR professionals completed an online survey that included questions designed to determine the following:

- The pressures, actions, capabilities and enablers that affect companies in succession planning
- The structure and effectiveness of existing succession planning procedures
- Current and planned use of automation to aid these activities
- The benefits, if any, that have been derived from succession planning initiatives

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on succession planning strategies, experiences, and results.

The study aimed to identify emerging best practices for succession planning and provide a framework by which readers could assess their own succession planning capabilities.

Responding enterprises included the following:

- ***Job title/function**:* The research sample included respondents with the following job titles: CEO, CFO and COO (13%); VP of HR (11%); Director of HR (12%); Director of Staffing (2%); Director of Training (4%); and CIO (3%).
- ***Industry**:* The research sample included respondents predominantly from the following industries. Finance, banking, and accounting represents 14%, followed closely by high technology/software 10% of respondents. Education and public sector accounted for 7% of respondents. Other sectors responding included retail, distribution, telecommunications, and health/medical/dental.
- ***Geography**:* Nearly all study respondents,72%, were from North America.. Remaining respondents were from the United Kingdom and the Asia-Pacific region.
- ***Company size**:* About 29% of respondents were from large enterprises (annual revenues above US$1 billion); 36% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 35% of respondents were from small businesses (annual revenues of $50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the *Succession Planning Benchmark Report*. Their sponsorship has made it possible for Aberdeen Group and *HCI* to make these findings available to readers at no charge.

Table 4: PACE Framework

PACE Key
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: *Pressures* — external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) *Actions* — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy) *Capabilities* — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing) *Enablers* — the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, November 2006

Table 5: Relationship between PACE and Competitive Framework

PACE and Competitive Framework How They Interact
Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute.

Source: Aberdeen Group, November 2006

Appendix B: Related Aberdeen Research & Tools

Related Aberdeen research that forms a companion or reference to this report include:

- *Retaining Talent: Retention and Succession in the Corporate Workforce*, December 2005
- *The Employee Performance Management Benchmark Report: Managing Human Capital for a Competitive Edge*, June 2006

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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