DDI Clients Finding Succession Success

Succession management, the process of ensuring that ready talent is available when new leadership demands arise, is a central activity in ensuring the sustained success of an organization. Done properly, it requires knowledge of the competencies, personal attributes, and experiences that drive positive outcomes today. But understanding today's needs is not enough. Thriving organizations must also anticipate what will be different about tomorrow's requirements, and have the tools and processes to measure the existence of those factors among the available talent inside and outside the organization. It can seem a daunting task, but in data collected from over 270 organizations on Succession Management in June 2010 (and updated in March 2011), Aberdeen uncovered not only key strategies for accomplishing this, but also that organizations utilizing solutions and services from one particular vendor, DDI, were doing it better than their counterparts. The following Research Brief examines these results.

The Case for Succession Management

With its power to improve company performance, improve customer experience, and guide organizational change, leadership talent is critical to the near- and long-term performance of organizations today. But operating in a world at the crossroads of several critical macro-economic trends, including an aging workforce, a flattening world, and a new generation of employees with changing expectations of their relationship with work has caused many organizations to rethink their succession planning. It's a balancing act of supply and demand that must be carefully managed. As Aberdeen's July 2010 study Succession Management: Sustainable Leadership for the Future explains:

The best way to understand the business case for succession planning is to look at the bigger picture - workforce readiness and leadership sustainability. The term "sustainability," of course, is most commonly associated with environmental stewardship today. But in reality, the same exact principles apply when looking at organizational talent. Simply put, sustainability refers to the capacity to endure. In a business environment, this is done through careful and responsible management of talent resources, as well an organizational mindset that doesn’t sacrifice long-term competitiveness for short-term gains. This means that succession can no longer be a simple disaster contingency in the event that a leadership role becomes suddenly open. If the competition changes, if the economy changes, if consumer expectations change, the skills that helped to lead the company before may no longer be the right fit. It will be important to have a deep and diverse cadre of talented leaders in order for the organization to endure.
What Success Looks Like

Aberdeen’s July 2010 *Succession Management* research cited above showed that the firms achieving Best-in-Class performance shared several common characteristics, including targeting roles that are most critical to achieving long-term goals; identifying high-potential talent earlier in their careers; and viewing talent as a global resource across the entire organization.

By taking this forward-looking view and truly cultivating an environment in which talent can grow, these top performers were successful in not only putting the right leaders in place for today, but also for the future. Keeping and developing high-potentials, supporting them through transition and ensuring that the pipeline is full were all critical components of success. And as Figure 1 shows, the 28 organizations that cited the use of DDI as their primary solution partner for succession planning outperformed their counterparts on several key measures of this success:

- Retention of high-potentials. Defined as the percentage of employees deemed as high-potential talent that stayed with the organization over the past 12 months.
- Performance among newly promoted leaders. Defined as the percentage of leaders promoted within the past 12 months that received ratings of “exceeds expectations” in their first performance review.
- Bench strength. Defined as the percentage of key roles for which one or more ready and willing successors have been defined.

**Figure 1: Performance of DDI Clients**

![Bar chart showing performance metrics for DDI Clients and All Others]

Source: Aberdeen Group, March 2011

And in addition, DDI’s clients saw three times greater year-over-year improvement in revenue per Full Time Equivalent (FTE) over all others (9% over 3%).

### Fast Facts

- DDI’s succession management clients saw **three times greater** year-over-year improvement in revenue per Full Time Equivalent (FTE) over all others.

### Best-in-Class Definition

In Aberdeen’s July 2010 *Succession Management* report, the following key performance indicators were used to determine the Best-in-Class for employee performance management, with top performers achieving impressive results:

- **77%** of newly promoted leaders in key positions achieved a rating of “exceeds expectations” in their most recent performance review.
- **66%** of key positions in the organization have at least one ready and willing successor identified.
- **14%** year-over-year reduction in time to fill key leadership positions.
vs. 3%). These kinds of results are not driven by succession planning alone, but they do indicate that these organizations are finding a balance between delivering today and building for tomorrow. The following section looks at the practices, strategies and tools these organizations are putting in place to support these results.

### Building the Talent Pipeline

The top three pressures driving focus on succession planning are consistent for all organizations:

- Changing business landscape requiring new skills
- Shortage of available talent in the marketplace
- Aging workforce / losing key leaders to retirement

But the ways in which DDI clients are responding to these changes is quite different. As Figure 2 illustrates, these organizations are far more likely to take a longer view, both in terms of the talent the business will require in the future and who has the potential to rise to that challenge.

**Figure 2: Top Strategies**

<table>
<thead>
<tr>
<th>Percentage of Respondents</th>
<th>DDI Clients</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish or improve the ability to identify gaps between current workforce and future demand</td>
<td>52%</td>
<td>39%</td>
</tr>
<tr>
<td>Identify and develop high-potentials earlier in their careers</td>
<td>48%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, March 2011

These strategies are reflective of the overall view of succession planning held by 66% of DDI’s clients, that it is a strategic process that looks long-term to determine needed skills in the future and build a pipeline to close the gap between current skills and future requirements. This longer term view raises some critical challenges when it comes to evaluating talent. Because the organization must find individuals who have the capacity to develop skills that have yet to be defined, the characteristics of adaptability, learning aptitude, motivation and future potential are very important. It requires discipline and focus to invest in the future long-term potential of an
individual, but the payoff can be enormous. However, the key to success lies not only in succession solutions, but in integration with other workforce planning and talent management systems. Partnering with any solution provider must be supported by the systems and processes as well.

These organizations have several key capabilities in place to support this focus as well. Figure 3 shows that these organizations have formal programs to identify, develop and review these high-potential (Hi-Po) individuals in order to support these efforts. All three of these elements are essential for a successful Hi-Po process.

**Figure 3: Capabilities Supporting the Development of Hi-Pos**

<table>
<thead>
<tr>
<th>Capability</th>
<th>DDI Clients</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal process in place to identify high-potentials</td>
<td>92%</td>
<td>52%</td>
</tr>
<tr>
<td>Formal development programs are in place to build needed skills internally</td>
<td>67%</td>
<td>40%</td>
</tr>
<tr>
<td>Senior managers regularly review the performance and progress of high potentials</td>
<td>67%</td>
<td>45%</td>
</tr>
</tbody>
</table>

*Source: Aberdeen Group, March 2011*

The key here is that it’s not just about identifying this high-potential pool, but organizations must also engage this talent to ensure that they stay with the organization. Particularly as the economy rebounds, this top talent will have more choices, and if they don’t see their current company as a place where they can continue to develop and grow, they may become a flight risk. Identifying these individuals and focusing differentiated effort on their development and engagement is a beneficial strategy. Just as important as understanding which individuals to focus on, is determining and defining which are the key roles that add the most value. Not every role brings the same value to an organization, so top performers must understand which roles drive success in order to help them guide succession efforts as a critical first step, before implementing solutions. DDI’s clients are 50% more likely (63% vs. 42%) to define those roles that drive organizational success.

Beyond this, one of the other important capabilities that must be addressed is the ability to integrate competencies with the succession process. Competencies become a language by which the organization can describe individuals, roles, and the future direction of the organization. In Aberdeen’s
December 2009 research on *Competency Management*, the top use of competencies identified by Best-in-Class companies was to evaluate the promotion readiness of employees. In this sense, competencies and succession make a perfect combination. And DDI’s clients are 46% more likely to use defined competencies to help them define the gaps between the current and desired future state, which has been identified as a critical component of succession success (Figure 4). Furthermore, these organizations are 66% more likely to regularly review and update these competency definitions to reflect changes in strategy and/or business conditions. The future is a moving target, so while long term planning is essential, so is continual adjustment. The required competencies and competency models must be adjusted to reflect key business drivers.

**Figure 4: Competency Management Capabilities**

![](https://example.com/figure4.png)

Source: Aberdeen Group, March 2011

**Tools of the Trade**

A great strategy is only as good as the tools in place to execute upon it. While the organizations achieving the most success with their succession efforts are looking to the future to define what will be required of future leaders and trying to match those opportunities with the talent and potential available to them today, they need tools to help them get it right. Some of the tools in place among DDI customers are focused on helping to identify, manage, and develop against the requirements of the business today and into the future (Figure 5).
Assessments of many types are greatly beneficial when it comes to development and succession, but since so much of future success is dependent on factors that are moving targets, a snapshot in time of current knowledge or skills is not sufficient. Assessment that targets behaviors, attitudes and motivators are useful in understanding if an individual has the capacity for mastering ever-changing and future leadership roles. It’s also incredibly helpful to understand the size and nature of readiness gaps. Knowing where you may or may not have particular skills and competencies can help set a “buy or build” strategy when it comes to future leaders, and identifying if you can truly develop what is needed to sustain success going forward or if it must be sourced externally. Tools that help identify these readiness gaps help identify both quality or skill level gaps, as well as gaps in sheer numbers of people required to support the organization’s future plans. And understanding gaps helps guide planning at an individual or organizational level. Rounding out some of the top enablers are tools that help manage development, or progress against closing those gaps, and tools that help manage the ever evolving competency definitions. But again, integration is critical – no single tool, solution or partner alone can solve the puzzle. It is creating an integrated strategy into which these tools are integrated that truly drives results.

**Case in Point**

PPG Industries is a global leader in coatings and specialty products, serving customers in the construction, consumer products, industrial and transportation markets. Founded in 1883, the organization has a long history of building leaders. More recently, in the mid-90s, PPG took steps to enhance its ability to keep pace with the changing marketplace. PPG started with an executive assessment process. Then six years ago, in 2005, an effort
was undertaken to better integrate their talent management processes globally. There had been several changes in the executive ranks, coupled with the recognition that the organization needed a more global view of talent.

To ignite these efforts, PPG partnered with DDI to hold a global talent management workshop, which brought together HR and business leaders to look at how they could tie talent and succession planning to the business strategy and better manage employee data. “It took us on a several year journey to develop a globally coordinated process and to manage the complexity of global talent data,” said Harvette Dixon, Director, Global Learning & Development. “But we knew we had to build organization capabilities to execute business strategies. We needed to work together to develop processes to identify and develop talent in a global context and strengthen the business leadership successor pool.”

To develop a more global view, PPG modified their annual process, made the business requirements the foundation for a bottom-up talent review, and enhanced their global database. Talent is discussed at the local, regional, business unit and cross-business unit levels, culminating in a senior executive review of the top talent. Everyone uses the same process and the same calibration methodology to help identify high potential individuals and nominate them into accelerated development programs. “The process has tremendous buy-in at the senior executive level,” said Allan Foss, Manager of Talent and Organizational Development. “We strive to make the development process beneficial for both the business as well as the individuals who participate.”

In the past year PPG has seen several senior level leadership changes, including a new HR leader. The organization seized this opportunity to go to the new team, many of whom had benefitted from PPG development programs, and solicit their feedback on what the organization should keep doing and do differently to grow talent. The response was very positive, with leaders reinforcing the need to focus on building the leadership pipeline. The new executive team also understands, however, that just replicating the past isn’t enough, so they also collaborated to develop a new leadership model that defines the critical competencies to lead PPG into the future. This commitment to continued leadership evolution is the result of great commitment and involvement of the senior executives in the strengthening of the talent pipeline. And in addition to individual program metrics, the ultimate measure is the correlation of succession and development efforts with overall business success. “It’s all about having the right talent when and where it is needed,” noted Foss. “Despite the turmoil of the past two years, we’ve filled many mission critical roles with homegrown leaders and have achieved record profits. We continue to build the pipeline that can lead us through these turbulent times.”
Key Insights

Organizations at any stage of the succession management journey must keep several key points, first brought to light in the July 2010 Succession Management research, in mind when selecting any tool, technology, or solution partner:

- **Start with the needs of the business.** Like any aspect of talent management, succession needs to be linked to the needs of the business. In this case, there must be a distinction between what kind of talent is needed now and what will be needed in the future. The first thing that must be asked is whether or not the current formula will necessarily work in the long-run. Is the market expected to change? Does the company itself foresee changes in the future, whether that means growth, globalization, or something else? Will the same skills that work now necessarily be relevant among future generations of the workforce? In this sense, senior leadership involvement is perhaps more important here than in any other talent management process. Without strong leaders articulating organizational strategy, very few people in the organization are likely to have a clear grasp on the direction in which things are headed. It takes deep collaboration between HR and senior leadership to determine what the organization’s leadership will need to look like in order to meet that vision.

- **Balance the short- and long-term.** Succession requires an element of readiness, which is about the immediate availability of individuals to fill specific leadership roles. The long-term view is focused on potential and the purposeful identification of, and focus on, those individuals who have the long-term potential to assume more critical roles over a multi-year time span. Top performing organizations strike this balance, focusing on near-term and long-term success.

- **Identify leadership potential early, and accelerate growth.** As business needs change, leadership demands shift, often suddenly, altering the leadership landscape. It’s not always possible to hire at the rate required by these shifts, so having a supply of internal leaders whose capabilities are being continually being developed is critical. These individuals must be identified for their ability to learn, grow, and respond to accelerated development opportunities. Then, when needs arise, they can be immediately placed into critical assignments to drive the organization’s strategic agenda. In the end, the succession management system is working when these high potential leaders become “ready now” to take on positions of greater responsibility, and to lead the organization’s strategic priorities.

- **Know the important roles.** This is the biggest difference between a reactive and a strategic succession system. How can an organization be prepared to win in the future when it doesn’t know
which roles are going to be most important in helping them get there? Many companies don’t give this much consideration to how changes in the business affect needed roles at the top, but this would be equivalent to entering into a race with a blindfold on. If there is one capability that companies invest in with regard to succession, this should be it.

- **Competencies, competencies, competencies.** What do recruiting, onboarding, development, performance management, workforce planning, and succession all have in common? Competencies. Simply put, competencies allow organizations to get a sense of what differentiates the top performers in their company. This is critical because it looks beyond simple performance results, which only show how well the employee is doing right now. And especially for companies that look for talent early in their careers, the ability to measure potential is just as useful as the ability to measure performance. Not only that, but in most cases the same competencies that drive recruiting or development efforts are the exact same that apply to succession. In this way, it serves as a linkage between succession and other components of talent management.

The tools, technologies, solutions and solution providers an organization puts in place must support these key priorities. This kind of orchestration between the strategies, capabilities and enablers is a key component of succession success. For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

### Related Research

| Learning & Development 2010: Bridging the Gap Between Strategy and Execution; October 2010 | Succession Management: Sustainable Leadership for the Future; July 2010 |
| The Business Leader as Talent Leader; October 2010 | Talent Assessment Strategies: A Decision Guide for Organizational Performance; March 2010 |
| Talent Acquisition Strategies: Candidate Experience and Relationship Management Come of Age; August 2010 | DDI: Helping Organizations Arm Front-line and Mid-level Management Talent; March 2010 |

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