Identifying High-Potential Talent in the Workplace

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Introduction

The cornerstone to an organization's growth from within strategy is identification of high-potential talent. Organizations confirm the criticality of high-potential identification to stay competitive, yet current processes are lacking results. A recent leadership survey conducted by UNC Kenan-Flagler Business School found that while many talent management professionals reported a high demand for high-potential talent, nearly half (47 percent) said their current high-potential talent pool did not meet their anticipated needs, and 65 percent said they were only slightly or moderately confident in their organization's ability to fill mission-critical roles. That same survey found that 84 percent of talent management professionals said the demand for high-potential employees has increased in the past five years due to growth and competitive pressure.

Having a strong pipeline of high-potential talent is vital to organizations because it builds an organization's competitive advantage for the future (Snipes, 2005). Organizations continue to struggle, however, with how to effectively identify, attract, and retain high-potential talent in their organizations; a 2011 AMA Enterprise survey found that just a little more than half of survey respondents said their organizations were somewhat effective in their ability to retain high-potential employees (Nikravan, 2011).

The dissatisfaction talent managers report regarding their organizations' effectiveness in identifying and developing high-potential employees may be caused by the lack of formal high-potential programs in organizations. The AMA Enterprise survey found that most organizations lacked formal high-potential programs. Even those who report having a formal high-potential program in place seem to lack a high level of satisfaction with its effectiveness; the UNC Kenan-Flagler survey found that only 29 percent of respondents reported being "very satisfied" or "satisfied" with their organization's current process for identifying high-potential employees.

In today's rocky economic environment, identifying and attracting high-potential employees can give employers an edge on their competition and set up their organizations for future success.

This white paper:

- Provides background on high-potential talent.
- Offers steps HR and talent management professionals can take to establish an effective high-potential talent identification program.
- Identifies the competencies leading organizations are seeking in high-potential talent.
- Discusses other factors HR and talent management professionals should consider when identifying high-potential talent.

What is a High-Potential Employee?

A high-potential employee is one who has been identified as having the potential, ability, and aspiration to hold successive leadership positions in an organization (Bersin by Deloitte staff, n.d.). Once identified, they are often singled out for focused developmental opportunities designed to prepare them for future leadership positions. High-potential employees constitute the top 3-5 percent of a company's talent (Nikravan, 2011).

HR and talent management professionals have good reason to identify and develop high-potential employees. Key drivers to do so, according to respondents of the UNC Kenan-Flagler Leadership Survey, include the need to prepare the organization to meet the anticipated increased demand for future leaders (83 percent); to retain key talent (83 percent); and to improve organizational performance (73 percent). Developing high-potential employees also makes it more likely that they will stick around and benefit the organization rather than taking their talent to a competitor.

In an article for *Harvard Business Review*, authors Doug Ready, Jay Conger, and Linda Hill identified four "X" factors that are common among high-potential employees. High-potential employees, Ready et al contend, are all hardwired with the following traits:

- A drive to excel
- A catalytic learning ability (High-potential employees scan and absorb new ideas and have the ability to translate them into productive action.)
- An enterprising spirit
- Dynamic sensors (High-potential employees use these sensors to skirt risks. They have an innate feel for timing, the ability to read situations, and a nose for opportunity.)

High-potential employees deliver strong results by building trust, confidence, and therefore credibility among colleagues. They easily master new types of expertise and recognize that behavior counts (Ready et al, 2010).

Identifying high-potential employees is an important step in any succession management or leadership development plan (Azzara, 2007), yet only 9 percent of HR and talent management professionals responding to the AMA Enterprise survey said they had a systematic process in place to identify high-potential employees. The vast majority (86 percent) said that they had a "mostly informal" or "combination of systematic and formal" process to identify high-potential employees. Properly identifying high-potential employees in a formal, systematic fashion can help target individual development plans for this talent pool, and build consistency and credibility across the organization.

Best Practices Top-Performing Companies Use in High-Potential Programs

- Specialized leadership tracks
- Multi-disciplinary rotation programs across disciplines, divisions, and locations
- Unlimited learning opportunities for high-potential employees (Most companies restrict learning opportunities - top-performing companies do not.)
- Leveraging technology in talent development (e.g., synchronous and asynchronous learning tools)
- Action learning
- Mentoring (An ASTD survey found that 71 percent of Fortune 500 organizations use internal mentoring in their high-potential programs.)

Source: Snipes, 2005.

How to Systematically Identify High-Potential Employees

By properly identifying high-potential employees, HR and talent management professionals can reduce high-potential drop-out rates and the associated wasted resources and expenses. Proper high-potential identification can also work to improve and target developmental plans for these individuals, resulting in more satisfied high-potential employees who are more likely to stay with the organization. Other benefits related to accurate high-potential identification include:

- Better bench strength for key positions
- Smoother transitions and shorter learning curves
- Reduced risk of “career derailment”
- More agility in key talent pools
- Consistently high performance from a steady supply of superior talent (PDI Ninth House staff, 2010).

Formal, systematic high-potential identification also helps to alleviate the persistent perception among employees that high-potential programs are not applied consistently, a perception that can lower employee morale and increase employee turnover. The AMA Enterprise survey found that only 12 percent of respondents felt that high-potential programs in their organizations were administered impartially and even-handedly.

HR and talent management professionals can develop a systematic, criteria-based approach to identify high-potential employees and ensure the perception of consistency in its application by incorporating the following steps in their own high-potential programs.

Step 1: Plan for the future.

The first step is to understand what the organization will need in the near future. HR and talent management professionals should identify anticipated leadership roles and positions, including the C-suite, the top 3 percent of senior leadership positions in the organization, hard-to-fill jobs, and the organization’s near- and long-term strategic needs. Once identified, the purpose, priorities, needs, and requirements should be articulated for each role, as well as timeframes and existing talent pools (whether leaders will come from within the organization or be recruited from outside the organization). Identifying future needs will help with the next step of defining the high-potential criteria the organization will need in the future (PDI Ninth House staff, 2010).

Step 2: Define high-potential criteria.

PDI Ninth House International recommends that HR and talent management professionals define high-potential criteria by reviewing relevant research, defining terminology such as potential, performance, readiness, and fit (to ensure a consistent understanding at all organizational levels), and specifying high-potential criteria and attributes for the organization as a whole, and for specific roles and positions in particular.

IBM's Corporate Service Corps and Global Enablement Teams

High-potential employees at IBM can participate in the company's Corporate Service Corps as part of their development. The Corporate Service Corps is a three-month program where 15-member teams of high-potential employees are sent to an IBM location to provide pro bono counsel. The teams spend one month "in country" and one month before and after to devote to planning and follow-up.

IBM's Global Enablement Teams program sends teams of five senior leaders from mature markets to work with managers in emerging countries such as South Africa, Brazil, Turkey, China, and Malaysia. In South Africa, for example, a team worked with local IBM managers to help government officials design an integrated financial management system. The anticipated outcome of these teams is to build IBM's reputation in those regions.

These international experiences help IBM develop a pool of "globally aware" leaders and help teach high-potential IBM employees how to adapt to different cultures and situations.

Source: Ciccarelli, 2012.

High-potential criteria are the qualities, characteristics, skills, and abilities a high-potential employee must have to successfully perform in a given position. The criteria can be gleaned by the series of questions HR and talent management professionals asked in the first step to determine the organizations current and future needs (Azzara, 2007).

The importance of defining terminology and criteria cannot be understated. The identification of high-potential talent is a team undertaking and should include managers and leaders from all organizational levels. Defining the terminology gives those involved in the identification process a clear direction for nominating and evaluating high-potentials, sets direction when discussing high-potential candidates, and ensures consistency when rating them.

HR and talent management professionals may find that the criteria and competencies they identify and define differ from other organizations, and this makes sense. Each organization is different and will give different weight to their organization's and high-potentials' strengths, weaknesses, and anticipated needs based on their existing high-potential talent pool.

The UNC Kenan-Flagler Leadership Survey did find some commonalities among the competencies organizations look for in their high-potential candidates. Seventy percent of survey respondents said they looked for future performance potential and 69 percent looked for strategic thinking ability. A drive for results (67 percent), current and sustained performance (66 percent), culture fit (59 percent), and commitment to the organization (47 percent) also topped the list.

GE's High-Potential Program

One focus of GE's high-potential program is a robust employee-rotation program designed to help high-potentials understand the business from different functional and geographical perspectives. Approximately 3,000 GE employees participate in the program, which is comprised of three, eight-month rotations. Participants are offered rotations in communications, engineering, finance, information technology, manufacturing and operations, and sales and marketing. The program takes two years to complete.

Source: Ciccarelli, 2012.

Other attributes organizations look for in a high-potential employee include:

- Has the respect and trust of supervisors, peers, and subordinates
- Has a high level of competence in his/her technical or functional discipline
- Ensures that team goals are achieved within cultural and ethical guidelines
- Has a bias for action and is a catalyst for change
- Is open to feedback and criticism
- Self-manages in a way that fosters learning and high performance
- Demonstrates creative problem solving
- Actively leads and manages teams that create loyalty and a sense of community (Snipes, 2005).

Fidelity's High-Potential Program

In an ICEDR article about developing high-potential talent at Fidelity, researcher Lauren Ready identified five success factors to Fidelity's high-potential development program, the General Management Apprenticeship (GMA) program. The factors were:

1. Continuously refine the high-potential program. In her study of Fidelity's GMA program, Ready found that the firm had a relentless focus on updating their program to keep up with current needs.
2. Create an endless feedback loop. Ready found that Fidelity built in a structure to give their high-potential employees feedback in multiple ways.
3. Build a learning community. Ready found that Fidelity took several steps to ensure the program had a community feel, an important factor because high-potential employees like to bond with other high-potential employees.
4. Take advantage of key touch points. Ready found that there are a few key touch points—such as selection, matching high-potentials to the right assignment, and the end of the program—that are most crucial to the program's success.
5. Create metrics that inspire. These metrics showcase the importance of having a few stories that highlight the success of the program.

Source: Ready, 2011.

Step 3: Make the high-potential criteria measureable.

When developing a high-potential identification program, making the high-potential criteria measureable can be invaluable because it can help narrow down the organization's high-potential talent pool by offering non-emotional measurements to managers and senior leaders, many of whom may be "championing" one or more candidates.

Organizations use a number of different assessment procedures when identifying high-potential employees. The "buddy approach" is the least sophisticated assessment and involves having managers and senior leaders select high-potential employees. This approach is subjective and can lead to accusations of unfairness in the identification process (Azzara, 2007). The "manager appraisal approach" lets managers develop their own high-potential criteria to select high-potential employees. Like the buddy approach, this can lead to inconsistency within the organization, allegations of unfairness in the process, and lower employee morale (Azzara, 2007).

Another approach, the "decision-makers consensus approach," is one in which decision-makers in an organization meet to discuss an employee's suitability for promotion. There is usually little in the way of formally identified criteria, and this can lead to conflict within the group, particularly when a team member is sponsoring an employee under consideration (Azzara, 2007).

The most sophisticated approach is the "criteria-based approach" in which criteria has been established that articulates what the organization is looking for in a high-potential employee. Assessment tools used in this process include 360-degree feedback, assessment centers, role plays, and scenarios (Azzara, 2007).

Step 4: Identify high-potential candidates.

Once the high-potential criteria is defined and made measureable, high-potential candidates can be identified and selected using structured talent reviews. Candidates can be nominated, screened, and assessed based on the criteria and their performance (PDI Ninth House staff, 2010).

A common challenge in the high-potential identification process is the tendency to confuse potential with readiness. *Potential* is based on whether the candidate has the motivation and the focus on values and results desired by the organization, as well as whether the candidate has other attributes required for more senior levels. *Readiness* is whether the candidate has the ability to step in and perform well in targeted jobs or stretch assignments (Hanson, 2011). This confusion can be eliminated or minimized, however, if high-potential criteria and terms have been defined and made measureable early in the identification process.

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Should High-Potential Employees be Informed That They are High Potentials?

The age-old question in succession planning and in the development of high-potential employees is whether high-potentials should be told of their status in the organization, and conventional wisdom has usually erred on the side of caution with a resounding "no." Proponents of keeping high-potential lists under wraps cite everything from inflated egos and increased expectations of promotions and salary increases to fear of employee-poaching by competitors.

Conventional wisdom may be changing, though, as more employers acknowledge that, just as school children know who is in the accelerated reading group, employees know their employers have high-potential lists and who is likely on them, whether it is publicly acknowledged or not. When asked whether they tell employees they have been identified as having high potential, 58 percent of respondents to the UNC Kenan-Flagler Leadership Survey said yes. In addition, the Center for Creative Leadership found that of high-potentials <u>not</u> informed of their status, one-third said they were looking for another job. Of those who knew their status, only 14 percent said they were looking (Grossman, 2011).

Doug Ready, founder and president of The International Consortium for Executive Development Research (ICEDR) and professor of the Practice of Leadership at the Kenan-Flagler Business School, advises employers who inform high-potentials of their status that there should be swift action and follow through once they have been informed because lack of action can be a source of dissatisfaction and cause lower morale.

The Case for Transparency

By Marc Effron

The most compelling reason to tell employees of their high-potential status is that studies have shown a strong correlation between companies that have open performance conversations with employees and better financial performance. According to recent studies, companies in the upper quartile of total shareholder return are nearly three times more likely to tell high performers of their status than companies in the lowest quartile.

In addition, telling employees that they are "high potential" is a powerful signal that the organization values their contributions and believes in them enough to invest in their future. In today's competitive marketplace for leadership talent, consistent and meaningful messages like these go a long way toward encouraging key talent to stay with the organization.

Not telling employees of their high-potential status creates an increased risk that they will go to an organization that will recognize and develop their talent. High-potential employees tend to know that they have high potential, whether they're officially told or not. And they're not alone. Headhunters know it, their peers know it, and industry colleagues know it. If their employer doesn't tell them, there's a good chance someone else will.

Finally, telling employees of their high-potential status can give employers an edge in the ongoing challenge to attract and retain key talent. By developing a formalized high-potential program and maintaining it over time, companies can build a reputation as a place where people can grow as leaders, prove themselves through a variety of opportunities, and build rewarding careers. As a result, companies can gain greater access to the best talent at a lower overall recruiting cost to drive competitive advantage.

Marc Effron is president of The Talent Strategy Group and co-author of *One Page Talent Management* (2010: *Harvard Business Review)*.

Conclusion

Properly identifying high-potential employees using a formal, systematic approach can improve high-potential selection, increase the perception of fairness and impartiality within an organization, and reduce high-potential drop-out rates and turnover. It can also increase an organization’s bench strength, giving employers an edge over their competition.

About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face.

We combine traditional with experiential and unique learning to ensure that all individuals gain relevant new skills that they can easily implement within their own organizations. Through action learning and business simulation activities, we challenge participants to think, reflect and make decisions differently.

Our Approach: The Partnership

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. We are dedicated to following-up with our clients and individual participants to ensure that their learning experiences have been meaningful and impactful. This integrated approach consistently drives strong outcomes.

Our Approach: The Results

Our executive education programs are designed with results in mind, and we are focused on successfully meeting our clients' business and academic expectations. Below are a few examples of the results our client partners have achieved:

- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined
- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

Contact Us

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