

THE HR GUIDE TO IDENTIFYING HIGH-POTENTIALS



What makes a
high-potential?

Quite possibly
not what you think.



If you agree people are your most valuable asset then you need to know that high-potentials (HiPos) are an even more valuable asset.

In fact, according to our research a HiPo is twice as valuable to an organization.

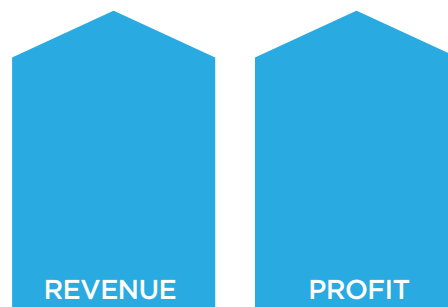
HiPo: WHY THE STAKES ARE SO HIGH

Organizations with stronger leaders can show twice the revenue and twice the profit growth. Yet a HiPo program, seen by many organizations worldwide as the feeder to its leaders of the future, is statistically more likely to fail than succeed – 50% of HR managers lack confidence in their programs and a staggering 5 in 6 HR managers are dissatisfied with the results of their programs.

Research covering a decade of assessments and recent analysis using the CEB analytics database of 6.6m has revealed that:

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2X REVENUE AND PROFIT GROWTH FOR ORGANIZATIONS WITH A STRONGER LEADERSHIP STRENGTH

50%

OF HR PROFESSIONALS **LACK CONFIDENCE** IN THEIR HiPo PROGRAM

5^{OUT} OF 6

HR PROFESSIONALS ARE **DISSATISFIED** WITH THEIR HiPo PROGRAM



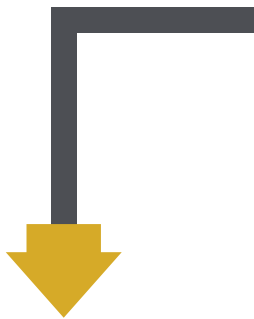
55%

WILL DROP OUT OF THE HIPO PROGRAM WITHIN 5 YEARS



46%

OF LEADERS FAIL TO MEET THEIR BUSINESS OBJECTIVES IN A NEW ROLE



**AT LEAST
1 IN 7**

PEOPLE ARE WRONGLY PUT ON THE PROGRAM IN THE FIRST PLACE



Potentially, this means much of your investment in a HiPo program is at best wasted and, at worst, feeding your competitors with some of your most highly valuable people.

If you're reading this guide, chances are you're an HR professional who

appreciates that making the right choices throughout your HiPo program is the key to making it a success.

The first step is to lay a solid foundation and identify the right candidates. This eBook provides you with revealing and shocking statistics about HiPo programs, showing why access to the right data is fundamental to making the right choices. After all, it will provide a talent pool of future business leaders, with the capacity to run your organization.

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Whether you are still exploring the idea of introducing a HiPo program to your organization and want to understand how you can identify the right candidates, or you are looking to optimize your HiPo identification process, this eBook can serve as your helpful guide.

By establishing how to identify your true high-potentials and how to run a successful HiPo identification program, this eBook will take you through the steps you need to know. This guide will take you through solving potential problems and understanding the important role HR has to play in the success of identifying HiPos.

It will also outline how HR can start to reframe the HiPo conversation with senior management and introduce data-driven identification, as the first step to turn intentions into actions.

High-potential versus high performance – why the difference matters.

Did you know that only one in seven high performers are actually high-potential employees?

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It's true. So why then do many organizations still make the wrong assumption – that a high performer is also a high-potential? One of the problems is that managers are putting forward staff for a HiPo program without having a robust identification process in place. As a result candidates are being nominated for subjective reasons and not scientific reasons.

But it doesn't have to be this way. HR managers can now have access to the tools and information that can transform the identification stage of HiPo

programs. This will ensure the program is worthy of its investment, creates competitive advantage and produces a source of future leaders – but to achieve this you need a proven systematic approach.

ARE YOU NOMINATING FOR THE RIGHT REASONS?

In some cases HiPos are not being selected with valid or structured reasoning in mind. While selecting individuals on the basis of high performance isn't unheard of, in the worst case selection can be simply based on:

“ It's your turn. You've been here long enough, you've done a reasonable job, so we're going to put you on the program.

If you consider that only 1 in 3 organizations are using hard assessment data to identify their potential, it's not surprising the nomination process can be unclear.

Without a clear set of criteria, why would you be surprised a program fails? To quote Albert Einstein:

“ Insanity: doing the same thing over and over again and expecting different results.

If you carry on doing the same thing, why would you expect anything to change?

TYPICAL ISSUES YOU'LL UNCOVER WHEN A HiPo PROGRAM STARTS TO GO WRONG

The problems caused when a HiPo Program starts to go wrong don't just affect HR or the employees on the program. It spreads right through the organization.

Here are some issues being discussed by HR managers and colleagues that might sound familiar in organizations where the HiPo program is failing to deliver:

- Business leaders and HR are unconvinced that the right people are going on the program but they have no structured answer to the issue

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- The HR manager or line manager is not convinced the existing program is producing the goods
- A lot of people simply don't make it through the program
- Individual performance isn't meeting business objectives and some HiPos are unable to work at the level and pace that the assignment requires
- People identified as HiPos are leaving the organization
- People are being identified as HiPos with highly subjective information e.g. preferences of managers or based on tenure with the organization

HOW DO YOU IDENTIFY THE RIGHT CANDIDATES FOR YOUR HiPo PROGRAM - IT'S TIME TO INTRODUCE YOU TO THE THREE COMPONENTS

It's about understanding your employees better. What you **really** need to know is:

- **The risk** that candidates will fail to achieve a senior position.
- **The risk** you don't produce the quality of employee who will be effective in a more senior role
- **The risk** of diluting your benchstrength through people leaving and going to the competition

In-depth analysis and research has clearly highlighted three major components that highly correlate to identifying the right candidates:

- **Aspiration**
- **Ability**
- **Engagement**

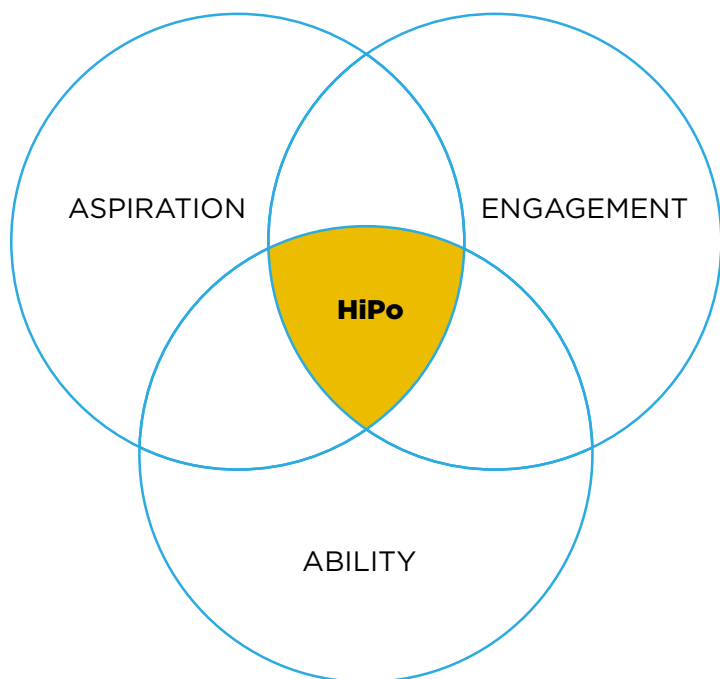
These three components have proven to be robust in identifying true HiPos - whether you're in the banking sector in Hong Kong or in retail in New York.

By assessing the ability, aspiration and engagement of your HiPos, it makes your odds of success much greater. By looking at these three components you have a structured, scalable and practical framework for your selection process.

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IDENTIFYING HIPOS : THE THREE COMPONENTS EXPLORED

10 years of data shows there is a way to choose the right HiPo.

A HiPo employee is a proven high performer with three distinguishing attributes that allow them to rise and succeed in more senior, critical positions:

- 1. Aspiration-** To rise to senior roles
- 2. Ability-** To be effective in more responsible and senior roles
- 3. Engagement-** To commit to the organization and remain in challenging roles

Remember this statistic? Only one in seven high performers is a HiPo. So while high performance is a starting point for identifying candidates, you then need to assess these individuals for their aspiration, ability and engagement to establish who is a HiPo:

- **Assess** for aspiration and critical career management behaviors to understand if an employee will rise to a senior and more challenging position and turn that motivation into career success
- **Assess** for future managerial and leadership ability to know whether the employee has the competencies required for success in more senior and challenging roles
- **Evaluate** engagement to know whether the employee is committed to the organization and sees the organization as the best place to realize their career goals

DOES YOUR HiPo HAVE THE ASPIRATION TO BE A HiPo?

After analyzing 18 motivational factors it was these six that were found to drive the achievement of an executive position:

“ Does the employee have the motivational profile to reach a senior position and the behavioral profile to turn that motivation into tangible career success?

- **Immersion:** they look for roles that require a personal commitment above the norm

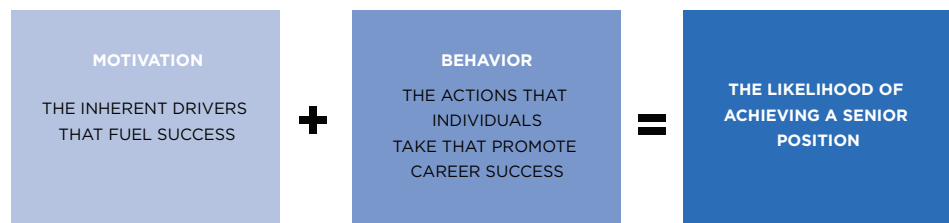
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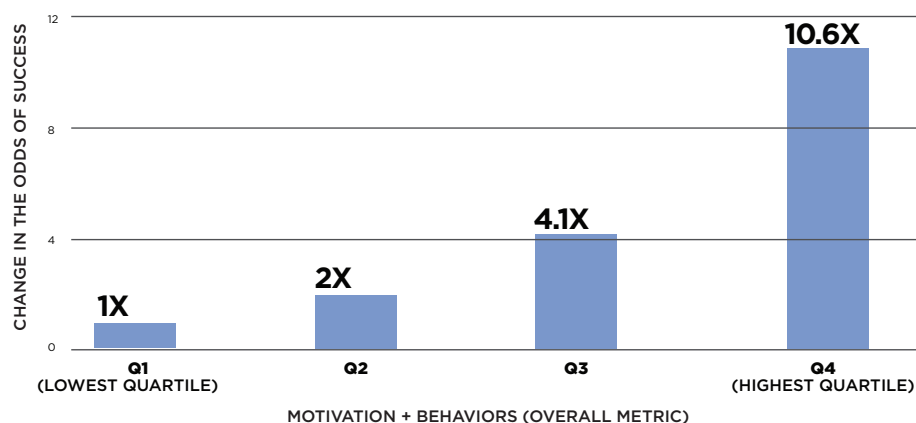
- **Activity:** they prefer fast-paced, multi-tasking work environments
- **Power:** they want the opportunity to exercise, influence and shape how things are done
- **Interest:** they look for roles and assignments that provide variety and stimulation
- **Flexibility:** they seek out work environments that allow them more fluid ways of working
- **Autonomy:** they are attracted to roles that allow them autonomy in how they execute their responsibilities.

These motivations contribute to aspiration when the employee also exhibits the following behaviors:



- **Using Initiative & Taking Responsibility:** they are willing to take calculated risks to realize an opportunity and assume positions of responsibility through which they can coordinate and impact on tasks, projects and objectives.
- **Achieving Objectives & Pursuing Self-Development:** they push for results and are willing to invest in their personal development.

Our analysis shows that these behavioral markers combined with the six critical motivational drivers increase the odds of achieving an executive position dramatically – by a factor of 11.



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WHY ABILITY IS ONE OF THE IMPORTANT COMPONENTS

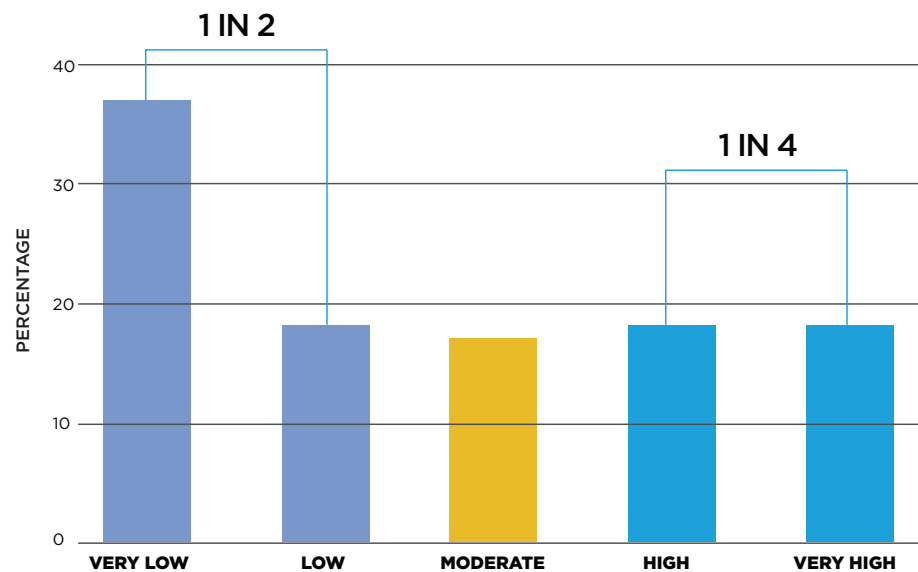
To fully understand this factor a clear definition of the attributes for someone's potential to be an effective manager and leader is required. Effective managers and leaders know how to:

- **DEVELOP** a compelling vision that is based on clear and critical thinking.
- **ARTICULATE** and communicate goals that motivate others and provide direction.
- **COMMUNICATE** effectively and support others through change.
- **GET THINGS DONE** and realize tangible goals and objectives.

These talents are both the transactional (managerial) and the transformational (leadership) roles required of leaders and managers to ensure that organizations have direction, share common objectives, collaborate to achieve and, finally, deliver their strategic goals.

The diagram below shows why you need a deeper understanding of ability. Organizations often target early career professionals with 10 years or less experience for their HiPo programs. However, at this stage of their careers, the spread of ability is often ranked at very-low to low levels of overall leadership potential, while only 1 in 4 rank at the high to very high levels.

It's important, therefore, to identify the 1 in 4 within your organization.



SHL TALENT MEASUREMENT SOLUTIONS LEADERSHIP BENCHMARK
ALL PROFESSIONALS WITH 10 YEARS OR LESS EXPERIENCE

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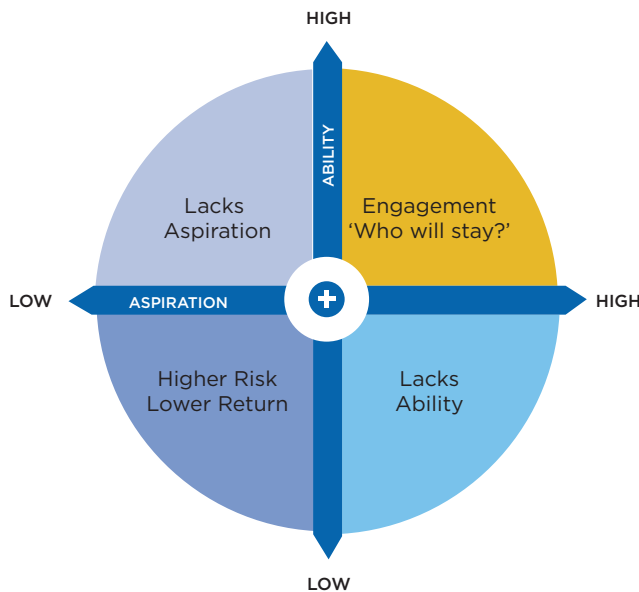


Nurturing lower scoring candidates for more specialist roles becomes a second plan of learning and development for the HR team. Here the HiPo program is informing potential but re-routing the candidate for training and further consideration in the future.

WHO HAS THE ENGAGEMENT? THE THIRD ESSENTIAL COMPONENT

It's all very well that your candidates are high performers, they are full of aspiration and they demonstrate ability, but what next?

HiPos with low engagement are prone to flight from the organization. And a staggering 55% will drop out of the HiPo program. You need to qualify engagement. Engagement is the strongest indicator that a HiPo will stay with the organization.

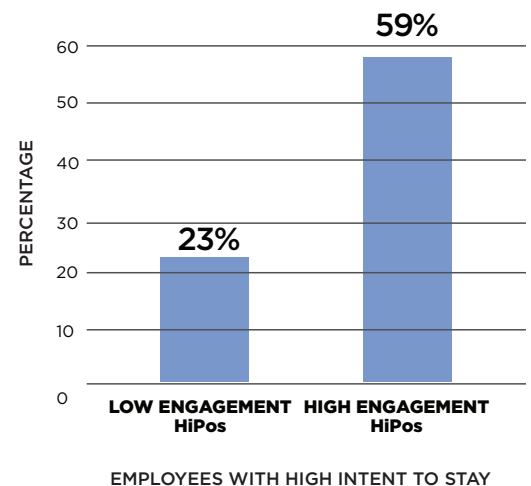
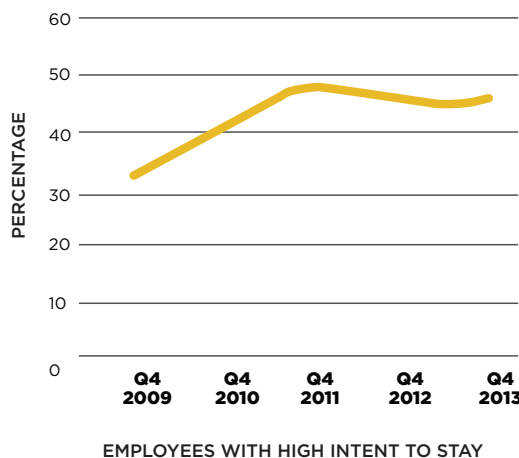


THE NOT-SO HIDDEN RISKS OF LOW ENGAGEMENT

By contrast, nearly 60% of high-potential employees with high engagement levels have a high intent to stay – more than double that of high-potential employees with lower levels of engagement.

So now who wants to go and see the CEO and tell them that half of the top talent in the company is likely to leave within 5 years?

Now you know about it, you can take the lead and do something about it.



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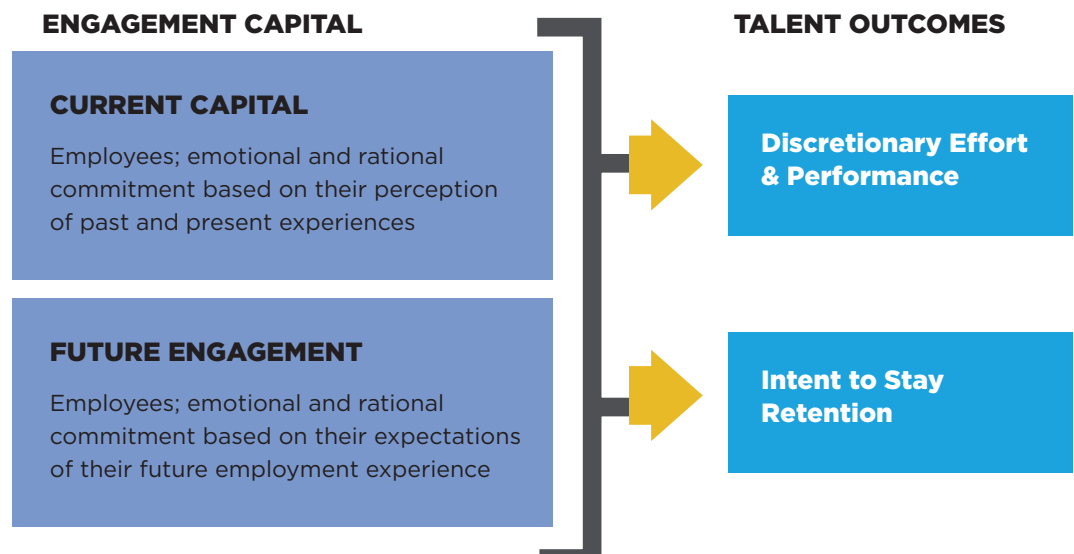
Employee engagement is a concept that is widely accepted but loosely defined. An employee's engagement is composed of two factors:

- **Current Engagement**, which is determined by a combination of *past* experiences with an employer (positive or negative) and their current experiences in their job, role and work environment
- **Future Engagement**, which is determined by their future expectations about their job, career and their employer, or what CEB calls Engagement Capital.

CURRENT ENGAGEMENT

HR needs to be an equal business partner in the day-to-day management of HiPo programs. Every day the experiences, interactions with other staff and managers, the types of work and challenges that are set and the cultural impact of organizational goals and ethics, is making or breaking the engagement of the HiPo candidate.

An employee is more likely to have strong current engagement when their past and current work fit their work preferences. Likewise, employees are more likely to have future engagement when their organization's mission, direction and values are aligned with their beliefs.



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WHAT ARE YOUR PLANS FOR YOUR HiPo's FUTURE? HOW DOES THIS MAP TO ENGAGEMENT?

HiPos are in demand. Yes you want them, but then so does everyone else – including your competitors!

So how the future looks and feels to the HiPo is important. They are going to be as interested in their alignment with the organization's mission and goals as they are with their own personal challenges and goals.

Identifying high-potential **candidates with future engagement** increases the likelihood that they will be engaged when placed in more challenging, complex and taxing senior roles. It also avoids the costs of losing the candidate – remember the 55% that will likely leave or drop out of the program if you're identifying the wrong people.

INTRODUCE STRETCH ROLES TO ENGAGE AND RECOGNIZE YOUR HiPos

Now you're going to say "Hang on, 46% of HiPos fail in a new role."

Right?

Yes, but that was also when you had the wrong people in the program. Right?

The most effective high-potential programs, with the right people, are centered on very visible, important and challenging stretch roles. These roles place individuals in assignments where their potential can be applied and realized and they drive up organizational commitment and reduce the risk of attrition.

But you need to put in place the right support structure around the HiPo to protect them - detecting failure and supporting them when it happens. This means engaging with line of business, not just in the performance part of the role but also with a clear structure in the planned management of the role.

Stretched roles have impact when they:

- **Reinforce aspiration** by talking to the key motivations that drive career success, and when they build and reinforce the behaviors that translate motivation into tangible career success

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- **Reinforce ability** by targeting key skills and competencies that drive competitive advantage for the organization and are seen to develop the employee and promote the longer-term success of the organization
- **Reinforce engagement** by demonstrating that staying with the organization is in the employee's best interests; it promotes career success, matches development opportunities to personal career goals, and mitigates the potential for failure that comes with high-risk and high-return assignments.

High-potentials seek and value stretch assignments – and love the recognition it brings.

The CFO has a question for you

Typically the person asking the difficult question is the CFO. They want to know:

“If I put all this money into these programs today, how do I know I'm going to get a return on them in the future?”

It's an issue for the HR manager and the CHRO, and this is where our model adds value through its logic, practical application and the data that addresses the key risks to your HiPo program.

Everyone would agree that we need effective managers and leaders today and in the future - that is simple common sense.

What your CFO might not know is that those organizations with stronger leadership benchstrength show up to two times the revenue and profit growth of organizations with weaker benchstrength.

So, that's the ROI issue - if we can identify, develop and retain high-potential employees, then that's one factor that is clearly going to drive future organizational performance. Few would argue with that.

Now here comes the power of the model. Any CFO will know that an investment carries risk, and your CFO might know the stats

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we have shown about the likely success of HiPo programs as they are run today. But, you know the key risks and how they can be addressed.

So, here's how your conversation with the CFO could start...

“ Okay, we've identified these three risks to our programs. These are the actions we're taking, so back to that money you're investing in the program, here is what we're doing. We can't give you an ROI today, but what we can show you, in a systematic way, is how we're managing the risks to failure of these programs. In particular we'll explain how we're going to tighten the program up to make sure we get the right people on it.

DOES HR HAVE AN IMPORTANT ROLE TO PLAY IN KEEPING HiPos FROM LEAVING, OR STOPPING THEM FROM DROWNING?

The short answer is yes. But let's look in more detail.

First of all, there is a significant role for HR in supporting the line manager. The line manager is a critical factor for the overall success. If you're a HiPo who is happy with your boss, you see your boss as someone who will support your development, who is there to encourage your success, who will enable you to achieve your career goals. As a result you are much more likely to bind to the organization because you are more likely to be engaged with the organization today and tomorrow.

HR mustn't fail to give managers the route map that helps them support HiPos. The strong organizations are the ones where HR is working with the managers so the managers can have a very focused, structured conversation with the candidate, and they can agree what's going to happen next.

Secondly HR also has a responsibility to engage senior management, going back to the C-suite and the CFO by making sure they've got the right kind of day-to-day structure in place to manage those programs effectively.

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It's about ensuring they have confidence in the program and knowing they can answer all the fundamental questions:

- Are you putting the right people on the program?
- Do they have a clear set of priorities for learning and development?
- Why are we investing in this development spend for these people?

WHAT IS THE IMPACT OF GOOD HR?

When you compare your people to your competitors, either globally or locally, can you identify any gaps? By investing in the gaps you can lift the bench strength and improve your competitiveness in the marketplace. These are elements at the micro and the macro level that good HR has a really big impact on.

Part of that is supporting the manager, but part of that also is having the right kind of data to give you an overview and give information back to the C-suite to show:

- That the **right** people are going on the program
- How they are being **tracked** through the program
- How we **manage** the attrition rate
- How we **manage** the leaving rate

Also, line manager feedback is important in terms of the satisfaction when they're receiving candidates into their teams. Find out what the data is saying. When HiPos step into these leadership roles, are they perceived to be stronger, more able? That's the other key function that HR should be performing.

Maybe you find you need to step away from the 'labels' often attached to HiPo programs and focus more on the operational processes and having the right kind of data to answer the right kind of questions, and be proactive.

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HiPo IDENTIFICATION: THE HR MANAGER'S TO DO LIST

Ok, so what are the next steps?

Imagine you're responsible for the performance of the HiPo program (assuming you're not already). You're building the leadership bench and creating the competitive advantage you need for the future. You're giving the organization the best chance to achieve revenue and profit growth and avoid the mistakes of ordinary companies who let talent slip away.

- **Get high performance** as the sole criteria for consideration off the agenda! Do it now
- **Create a plan to review every candidate** on the HiPo program and re-assess each candidate
- **Carry out a talent audit** on your existing candidates and extend the audit to other high performers to check you didn't miss anyone (especially if you suspect you're using subjective criteria)
- **Establish a feedback mechanism** with your line of business and get these business leaders ready to offer support and develop stretch roles
- **Communicate clearly** with managers. Outline challenges they may face with HiPos already in their teams, and those that are coming their way
- **Go to the CEO and the CFO armed with all the statistics about HiPos** and explain that you're going to carry out a comprehensive review based not only on high performance, but also ability, aspiration and engagement
- **Explain** that you're going to create a data-driven robust process to identify your HiPos
- **Use the new analysis** from your talent audit to create new understanding about those people on the HiPo program today, and who should actually be on the program

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Improve your odds of success. Remember the stakes are high.

HiPo programs are not delivering. You may have known that already, but you certainly know the statistics now.

Those statistics don't need to be the ones you experience with your programs. Our model and our tools, based on working with leading organizations worldwide, will change the odds in favor of the success for your programs.

Having clear, objective data that tells you whether your candidates have the aspiration, ability and engagement to drive the success of your programs will put you and your organization in control of those odds.

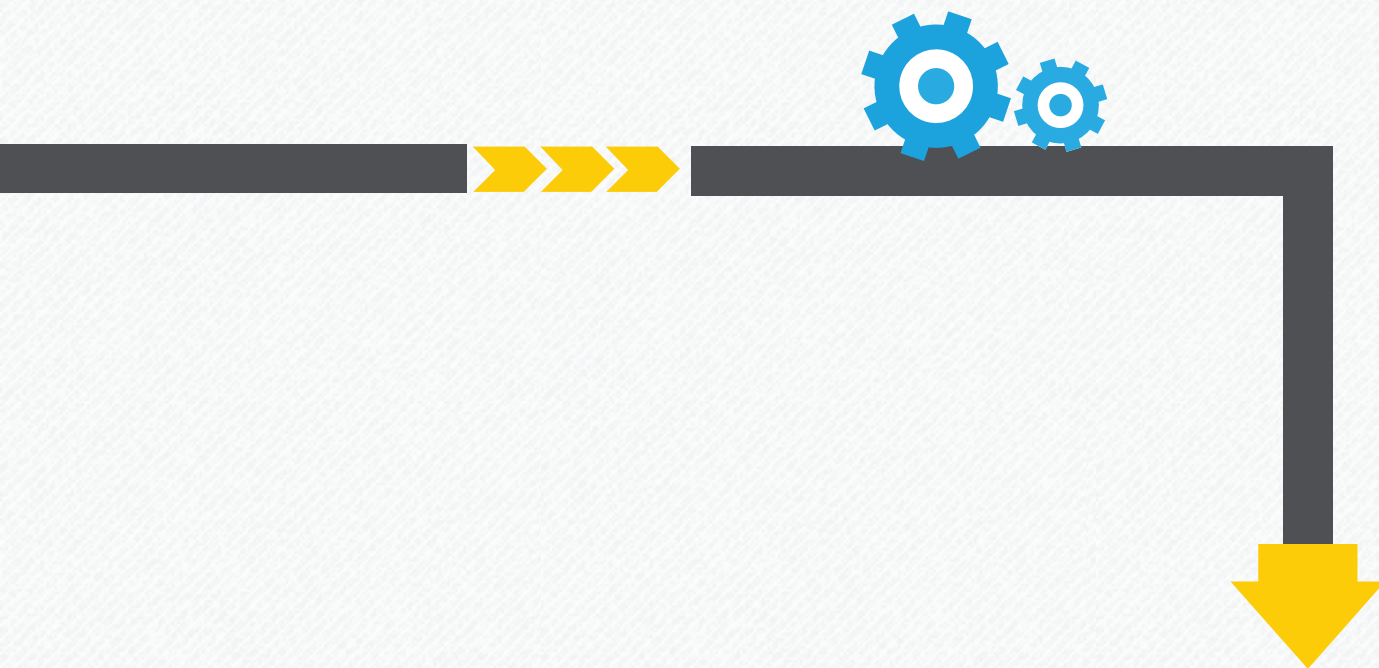
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