

Identifying and Developing High-Potential Employees and Emerging Leaders

Creating a Robust Talent Pipeline



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A Conversation about Risk

A conversation about human capital risk usually starts with a number of questions:

- How confident are you that your organisation has the capability to meet the challenges of tomorrow?
- Do you have a development strategy for identified high-potential employees and new leaders?
- How accurately does your organization identify high-potential employees and emerging leaders?
- Are you maximizing the benefits of your investment in talent development by targeting the right people?
- Do your promoted leaders transition smoothly and learn quickly because you identified their potential early, and prepared them effectively for new roles and challenges?

“Perhaps the single most critical determinant of your company’s future is the depth and quality of its leader pipeline.”

The People Challenge

Organizations recognize that developing leaders from within (a 'grow your own' strategy) is crucial to achieving critical business objectives. However, too many organizations struggle deciding on whom and where to invest their time, money, and development resources.

When stocking high-potential pools, they might miss opportunities to ensure a balanced and diverse pool of internal talent by using vague or inconsistent criteria, evaluating current performance rather than future potential, or basing nominations on one manager's unchallenged perspective.

The outcome might be a poor return on investment and associated reputational damage.

The Anatomy of High-Potential

A high-potential employee consistently and significantly outperforms peers in a variety of settings and circumstances.

Whilst achieving superior levels of performance, high-potential employees exhibit behaviours that reflect the company's culture and values in an exemplary manner.

Moreover, they show a strong capacity to grow and succeed throughout their careers within an organisation – more quickly and effectively than their peer groups do.

Simply put, high-potential is the fit between a person's current capabilities and those required in more complex, next-level roles.

High-Performance versus High-Potential

The high-performer's redeeming quality is sustained performance over time in relatively similar situations or roles.

On the other hand, a high-potential employee has the uncanny ability to learn how to deal effectively with first-time, or changing situations, applying new and prior learning to each new challenge.

Both kinds of talents are valuable to the organization. High-potentials have simply not reached their full potential. Having a capacity for growth, they are groomed for senior or C-suite roles.

Organizations with effective succession management programs recognize that performance, potential, and readiness differ.

They distinguish between current high-performers, individuals with the potential to perform effectively in significantly larger or more challenging roles, and those ready for a near-term promotion. These organizations also differentiate between development and routine progress reviews for those leaders deemed to grow two or more levels within a specified time frame (e.g. 3–5 years).

Performance
in current role

Potential
to develop into an effective performer
in a significantly larger, or more
challenging role, over the long term

Readiness
to step into and
effectively perform in a
new role in the near term

Categories of High-Potential

There are two distinct categories of high-potential employees.

Late-stage high-potentials include experienced managers ready to make their way into the executive ranks.

This group is typically identified as middle or senior managers who participate in a wide variety of formal training: specialized mentoring, executive retreats, personal coaching, action learning, global rotation, and more.

These senior managers are among the top 10 percent of an organization, and significant costs are incurred to prepare them for senior executive roles within the organization.

Early-stage high-potentials are different. These individual contributors and emerging leaders are at the beginning (or early stages) of their careers, and are identified more by their talent and drive than their track record.

While historically organizations have focused primarily (if not entirely) on their late-stage leaders, more organizations today are adopting an aggressive program for developing bench strength at all levels.

Top-performing organizations in particular now recognize that the earlier potential talent is identified and put into the pipeline, the sooner the entire organization will reap the rewards thereof.

“One of the most important components of strategic talent management is to identify and nurture high-potential employees and emerging leaders as early as possible.”

Attributes of High-Potential Employees (HiPOs)

- Exhibit drive and controlled aggression
- Display an uncommon ability to analyse and synthesize large amounts of data
- Are comfortable with uncertainty and ambiguity
- Are passionate about learning and growth
- Are dissatisfied with the status quo
- Collaborate effectively with others
- Communicate clearly.

Their Expectations

- Expect more development, support and investment
- Are more committed and engaged when they have a clear career path
- Thrive on challenges and variety.

In the absence of the above, they will explore opportunities elsewhere.

Identifying High-Potential

Current methods of identifying potential are fraught with subjectivity and bias. Most organisations rely on manager judgement or multi-rater surveys, which are heavily skewed towards performance.

While past performance is an important factor, the competencies and attributes that are required for effective performance in next-level, more complex roles are often not observable in current roles. One also has to take into consideration that the leader and business challenges of future roles will be quite different.

Best-practice organizations are more likely to leverage holistic assessments of the knowledge, experience, competencies, and personal attributes pivoted to success.

The need for a comprehensive evidence-based assessment system to identify potential is greater than ever. A well-designed development centre and sophisticated psychometric measures provide the intelligence that inspires confident decisions.

“Past performance is not a predictor of future performance in a next-level more complex role.”

Potential Derailers

The identification process also has to focus on potential derailers.

Derailers are extreme, counter-productive personality traits and interpersonal strategies, which impede the individual's ability to build relationships, to motivate and create cohesive, goal-oriented teams. They are usually triggered and most destructive when the person is under pressure.

The most common profile for high-potential leaders likely to derail is someone smart, driven and accustomed to pushing through obstacles to meet ambitious goals. This same hard-driving, risk-embracing style that gets emerging leaders noticed for high-performance also can cause them to experience problems with their peers.

Other derailment patterns include leaders who have brilliant ideas and solutions, but who are inconsistent in being able to implement their ideas through others. And then there are those who get the results their bosses want to see, but who alienate peers and others in the process.

A rigorous assessment process will reveal the 'dark side of personality'.

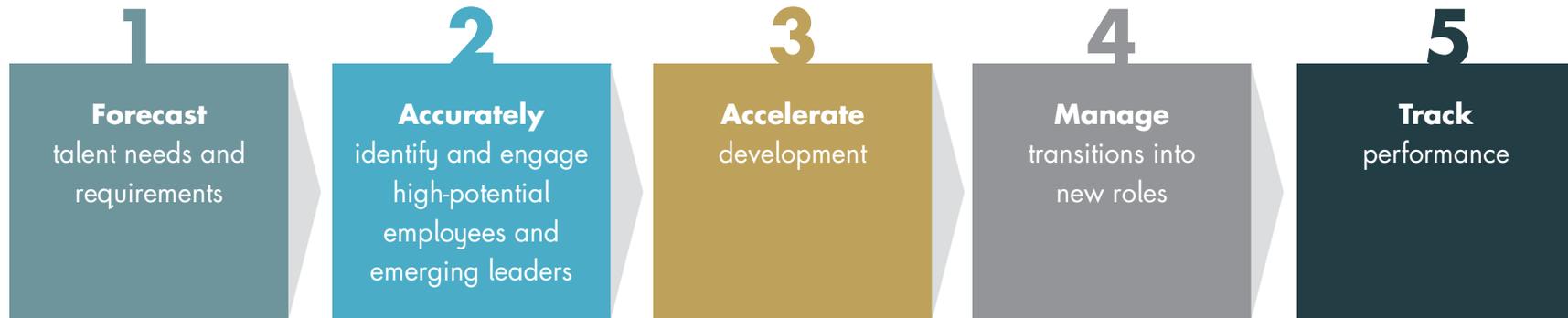
The Benefits of Early Identification and Development

Accurately identifying and developing high-potential employees and emerging leaders yields striking benefits:

- Greater bench strength for key roles
- Smoother transitions and shorter learning curves
- Reduced risk of derailment
- Enhanced retention
- Reduced exposure to people risk
- Quantifiable return on investment.

The HiPO-Roadmap

The HiPO-roadmap consists of five distinct phases:



The development journey should include:

- Regular conversations about performance and development
- Challenge-based assignments
- Cross-functional exposure
- Transition coaching
- Team-based experiential exercises aimed at solving real-life problems with immediate returns for the organisation (action learning)
- Multiple opportunities for reflective learning.

The management of the overall process, including governance and communication, is going to be key to the success of the initiative.

Metrics and Analytics

There is an increasing demand for talent metrics and analytics in today's more evidence-based business world, where the old adage still holds: What gets measured gets done.

Rather than relying solely on 'outcome' metrics (such as the number of 'ready now' successors for key roles, or the retention rate of HiPOs), the HiPO-scorecard should also assess the **health of the talent pipeline**.

This is done through the use of a comprehensive set of metrics, including a measure of the development of HIPO-career progression through the pipeline – a critical indicator of the depth and quality of talent in the organization.

The Bottom Line

Increasingly organisations must focus resources where they will have the greatest impact. Nowhere is it truer than in identifying and developing high-potential employees and emerging leaders.

Optimal HiPO-strategies begin with a conversation about current and future talent needs against the backdrop of a chosen business strategy and specific role-challenges, followed by an assessment of the status quo.

Armed with this foundational understanding, the stage is set for action.

About the Talent Institute

The Talent Institute is a privately held boutique professional services firm that specialises in strategic talent management consulting. Specifically, we focus on helping clients develop and implement strategies and practices to more effectively manage the selection, deployment, development and retention of talent to support current business strategies and to prepare for future challenges.

Our core competency lies in our ability to interpret talent analytics in the context of strategy and business impact, and the use of predictive intelligence to inform risk mitigation, capability development and talent investments.

Grounded in organizational psychology, we leverage research, analytics, expertise and industry insights to enable business performance by removing the guesswork from making decisions about people.

Your Contact

Should you want to learn more, please contact:

Errol van Staden

Business Psychologist | Talent Management Advisor

Mobile: +27 83 637 0700

Email: errol@talentinstitute.ae

You may also wish to visit www.talentinstitute.ae



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