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A Hot Topics Paper

Prepared by the SIOF Visibility Committee

Building a Strategy to Identify, Develop, & Retain High Potentials

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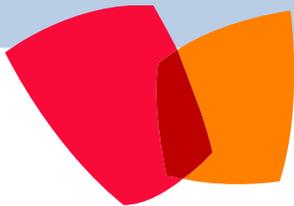
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Talent management programs have increasingly focused on high potentials, and with good reason. For instance, organizations that focus on identifying and developing high potentials are seven times more effective at producing business and talent results including business growth, bench strength, and employee retention⁴ compared to those that do not. *High potentials* refer to employees that consistently outperform their peers and demonstrate the ability to rapidly develop and succeed in other roles. This white paper provides a quick overview of high potential programs.

Interest in high potential programs has grown for several reasons, including a lack of bench strength, rapidly changing business environments that have created the need for new skills, and the desire for increased diversity. However, many high potential programs are still relatively young. The desire to identify and manage high potentials has notably grown since the “war for talent” was first popularized². Since then, research has focused on defining and identifying high potentials and the importance of being transparent about high potentials’ status.

Before identifying high potentials, organizations should first clearly define what potential means to them. Practitioners often mistakenly confuse performance with potential and use informal, “I know it when I see it,” processes in place of planned, valid evaluations³. However, clearly defining the qualities that make someone a high potential helps to ensure content validity.

Furthermore, sharing the characteristics of high potentials with employees enables employees to understand what the organization truly values. In general, high potentials should: (1) deliver strong results in their current role; (2) master skills above and beyond the technical skills required for the current role; and (3) behave in ways that are consistent with the company’s values⁵.



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The increased interest in high potentials has prompted many organizations to create high potential talent lists, yet some hesitate to reveal these lists directly to employees for a variety of reasons. However, research has shown that organizations that do inform high potentials of their status are more likely to retain them, because transparency serves as an incentive to stay and because employees prefer it. Without transparency, high potentials may not be aware of their value and internal equity and could leave the organization for what are perceived to be better career opportunities. In sum, recent research on high potentials has focused on the need to clearly define potential and the importance of being transparent about high potentials' status. Future research is expected to focus on how to develop and retain high potentials once they have been identified.

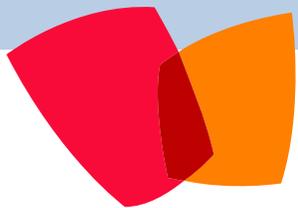
Implications for Practice

Successful high potential programs focus on three components: identifying, developing, and retaining high potentials. As previously discussed, identifying high potentials is a critical part of this process because the validity of these ratings influences the success of developmental efforts. Thus, only validated measures of potential should be used.

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However, one survey found that only 18% of human resource professionals felt that their organization's current bench strength was strong, which may not be surprising considering that only a third of organizations use validated tools to make leadership selection decisions¹. In addition to ensuring that valid measures are used, raters should also receive proper training and be held accountable for their ratings. High-quality ratings can be encouraged by providing training regarding possible rating biases (such as halo error) and by holding calibration sessions where managers meet to discuss and agree upon their ratings.

Potential is frequently rated based on the ability to either effectively move into a higher-level position, or the ability to take on a broader scope of work and leadership roles. Ratings of potential are often incorporated into a nine-box grid along with a rating of overall performance in order to make career-planning decisions. However, in addition to considering employees' ability, ratings of potential should also focus on employees'



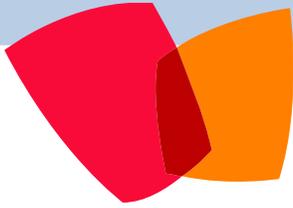
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Ratings of an employee's ***potential*** should not be confused with a determination of the employee's ***readiness***.

interest and willingness to develop and advance. Not all employees want to move up in the leadership pipeline, and employees' aspirations often change over time. In addition, ratings of an employee's *potential* (the likelihood that he or she can develop into a successful leader) should not be confused with a determination of the employee's *readiness* (when the employee will have the knowledge and skills needed for the future role). Potential, performance, aspirations, and readiness should be considered together when making career-planning decisions.

High potential programs should be tied to development, succession planning, retention efforts, and other key talent management programs. Organizations typically allocate a disproportionate amount of developmental resources towards high potentials. For instance, high potentials may receive more coaching, mentoring, developmental assignments, feedback, and exposure to senior leaders. Companies often provide them with activities designed to develop their skills, such as job rotations, stretch assignments, action learning, coaching, mentoring, on-the-job learning, and formal training. Development plans should be aligned with the specific skills that the employee needs to develop for his or her pipeline level, should be developed by collaborating with the employee, and should be challenging but realistic.

Several factors influence high potentials' decisions to stay with their organization, including developmental opportunities, relationships with managers and coworkers, the nature of the work, respect for the organization, and pay. Additionally, other ways of ensuring high potentials' retention include being transparent with them regarding their high-potential status, providing them with truly challenging assignments, being flexible to ensure that the assignments they are given fit with their personal goals (e.g., determining if there are other ways to develop needed skills if relocation is not an option for them), finding effective coaches and mentors for them, and getting support from top leaders. Although many organizations assume that compensation is the best way to retain high potentials, external incentives such as money will only work in conjunction with internal motivators such as feelings of personal achievement and recognition.



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Conclusion

Because successful high potential programs can reap several benefits for organizations, we offer several general tips to improve the effectiveness of these programs:

- Be clear with employees regarding the qualities, skills, and behaviors that your organization values.
- Use only validated measures of potential. Hold raters accountable and provide rater training and calibration sessions.
- Consider employees' aspirations and readiness for the new role in addition to their performance and potential. Reassess these criteria as time goes on.
- Tailor the employee's developmental plan to his or her specific needs. Get employees to participate in this process to encourage buy-in.
- Show that your organization values high potentials through your words and actions.
- Provide high potentials with both external incentives and internal motivators.



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