

FOCUS ON: *High-Potential Talent*

IDENTIFYING HIGH-POTENTIAL TALENT IN THE WORKPLACE

This excerpt from a UNC Kenan-Flagler Business School white paper, written by Kip Kelly, stresses the importance of effectively identifying, attracting, and retaining top talent for an organization's competitive edge and growth. It leads you through the high-potential talent key points to consider to increase your organization's bench strength.

The key to an organization's growth strategy and success is identifying and attracting high-potential talent. A UNC Kenan-Flagler Business School leadership survey in 2013 found that many talent management professionals reported a high demand for high-potential talent, yet 47% said their current high-potential talent pool did not meet their anticipated needs, and 65% were only slightly or moderately confident in their organization's ability to fill mission-critical roles. Despite this, 84% said the demand for high-potential employees had increased due to growth and competitive pressure.

Having a good source of high-potential talent is vital to an organization because it builds its competitive advantage for the future (Snipes, 2005). Organizations continue to struggle, however, in identifying, attracting, and retaining high-potential talent. An AMA Enterprise survey found that just over half the respondents said their organizations were somewhat effective in their ability to retain high-potential employees (Nikravan, 2011).

Identifying and attracting high-potential employees can give employers an edge on their competition and set up their organizations for future success.

Talent managers' dissatisfaction with their organizations' effectiveness in identifying and developing high-potential employees may be due to their lack of formal high-potential programs, a finding of the AMA Enterprise survey. Even talent managers with a formal high-potential program in place seem to be dissatisfied with its effectiveness. In the UNC Kenan-Flagler survey, only 29% of respondents were "very satisfied" or "satisfied" with their organization's current process for identifying high-potential employees.

This white paper:

- provides background on high-potential talent
- suggests steps HR and talent management professionals can take to establish an effective high-potential talent identification program
- identifies the competencies leading organizations seek 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 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 to prepare them for future leadership positions. High-potential employees constitute the top 3 to 5% of a company's talent (Nikravan, 2011).

HR and talent-management professionals have good reason to identify and develop high-potential employees. Respondents to the UNC Kenan-Flagler survey said the key drivers include the need to prepare the organization to meet the anticipated increased demand for future leaders (83%), retain key talent (83%), and improve organizational performance (73%). Developing high-potential employees also makes it more likely that they will stay and benefit the organization rather than taking their talent to a competitor.

The cornerstone of an organization's growth strategy is the identification of high-potential talent.

Ready, Conger, and Hill (Harvard Business Review, 2010) identified “X” factors that are common among high-potential employees:

- drive to excel
- catalytic learning ability — scanning and absorbing new ideas and translating them into productive action
- enterprising spirit
- dynamic sensors — using these to skirt risks
- innate feel for timing, ability to read situations, and nose for opportunity
- ability to deliver strong results by building trust, confidence, and credibility among colleagues, easily mastering new types of expertise and recognizing that behaviour counts

High-potential employees constitute the top 3 to 5% of a company's talent.

Identifying high-potential employees is an important step in any succession management or leadership development plan (Azzara, 2007), yet only 9% of HR and talent management professionals responding to the AMA Enterprise survey said they had a systematic process in place to identify them. The vast majority of 86% 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.

How can you systematically identify high-potential employees?

By properly identifying high-potential employees, HR and talent management professionals can reduce their drop-out rates and the associated wasted resources and expenses. Proper identification can also 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 identification (PDI Ninth House staff, 2010) 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

Formal, systematic high-potential identification also disabuses 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% of respondents felt that high-potential programs in their organizations were administered impartially and even-handedly.

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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 these steps into 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% of senior leadership positions in the organization, hard-to-fill jobs, and the organization's short- and long-term strategic needs. They then articulate the purpose, priorities, needs, and requirements for each role, as well as timeframes and existing talent pools — whether leaders will come from within or from outside the organization. Identifying future needs will help to define the high-potential criteria (PDI Ninth House staff, 2010).

STEP 2: DEFINE HIGH-POTENTIAL CRITERIA

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 organization's current and future needs (Azzara, 2007).

Best practices top-performing companies use in high-potential programs

- Specialized leadership tracks
- Rotation programs across disciplines, divisions, and locations
- Unlimited learning opportunities for high-potential employees (other companies restrict learning opportunities)
- Action learning
- Leveraging technology in talent development (e.g., synchronous and asynchronous learning tools)
- Mentoring (an ASTD survey found that 71% of Fortune 500 organizations use internal mentoring in their high-potential programs)

Source: Snipes, 2005

PDI Ninth House International recommended that HR and talent management professionals set 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 as well as for specific roles and positions.

Identifying high-potential talent is a team undertaking and should include managers and leaders from all organizational levels. Defining the terminology gives those involved 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 those of other organizations. 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 survey found some commonalities among the competencies organizations look for in their high-potential candidates: 70% of respondents looked for future performance potential, 69% strategic-thinking ability, 67% a drive for results, 66% current and sustained performance, 59% culture fit, and 47% commitment to the organization.

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Other attributes organizations look for in a high-potential employee (Snipes, 2005) include:

- respect and trust of supervisors, peers, and subordinates
- high level of competence in their technical or functional discipline
- ensuring that team goals are achieved within cultural and ethical guidelines
- bias for action and catalyst for change
- open to feedback and criticism
- ability to self-manage in a way that fosters learning and high performance
- creative problem solving
- actively leading and managing teams that create loyalty and a sense of community

STEP 3: MAKE THE HIGH-POTENTIAL CRITERIA MEASURABLE

When developing a high-potential identification program, making the high-potential criteria measurable 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 assessment procedures to identify high-potential employees. The "buddy approach", the least sophisticated assessment, involves managers and senior leaders selecting high-potential employees. This approach is subjective and can lead to accusations of unfairness in the identification process. 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. With the "decision-makers consensus approach", 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 have been established that articulate what the organization is looking for in a high-potential employee. Assessment tools used in this process include 360° feedback, assessment centres, role-plays, and scenarios (Azzara, 2007).

STEP 4: IDENTIFY HIGH-POTENTIAL CANDIDATES

With defined and measurable criteria, HR and talent managers can identify and select high-potential candidates 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 identification is the tendency to confuse potential with readiness. Potential is the candidate's motivation and focus on values and results desired by the organization, as well as attributes required for more senior levels. Readiness is the candidate's ability to step in and perform well in targeted jobs or stretch assignments (Hanson, 2011). Defining high-potential criteria and terms and making them measurable early in the identification process can eliminate or minimize this confusion.

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. About 3,000 GE employees participate in the program, which comprises three 8-month rotations, offered in communications, engineering, finance, information technology, manufacturing and operations, and sales and marketing. The program takes two years to complete.

Source: Ciccarelli, 2012

Should employees be informed they are high-potentials?

The age-old question in succession planning and in the development of high-potential employees is whether they should be told of their status in the organization. Conventional wisdom usually errs 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.

However, many organizations now admit that employees know their employers have high-potential lists and who is likely on them, whether publicly acknowledged or not. The UNC Kenan-Flagler survey found that 58% of respondents tell employees they have been identified as having high potential. The Center for Creative Leadership found that one-third of high-potentials not informed of their status were looking for another job; of those who knew their status, only 14% 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.

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 drop-out rates and turnover. It can also increase an organization’s bench strength, giving employers an edge over their competition.

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WHO ARE YOUR TOP PERFORMERS? THE BALLOON THEORY

Neil I. Clark

Recognizing top performers is vital: They need to be treated differently than the rest because they are special. Everyone is different, of course, but some are more different than others.

Performance is the ability of your people to do their jobs effectively and to produce the required results. Your employees who produce the results they are supposed to achieve in a consistent and timely manner are not simply doing their job, they are directly contributing to the top performance of your organization in a very positive manner. You should make an effort to recognize who they are. They are worth protecting.

The Balloon Theory

People acting together in groups should be moving in the same direction. Sadly, this is not always the case. Imagine each person in your organization is a helium balloon with a sandbag hanging from its string.



The helium, forcing the balloon upwards, represents the productive and positive aspects of that individual, including their intelligence and knowledge, their drive and effectiveness, etc. The sandbag represents the person’s weaker and

more negative aspects that make it harder for them to perform well, including flaws in their personality, lack of education, low ethic level, or anything else that drives a hard-working manager to pull their hair out!

Nobody is perfect. We all carry a little “sand” around with us, but some have more than others. And some have more “helium” in their balloons than others.

To extend this concept, you can bind several balloons together to form a cohesive group.

That is now a picture of your organization. But an organization is composed of individuals. So what is the make-up of each of these individuals? What is the relationship between the helium and sand in each case?

An employee with much more helium than sand will move upwards — being productive and contributing to top performance. One with more sand than helium will not even lift from the ground, or, if already “airborne”, they will tend to drift downwards — demanding to be supported by the more effective balloons in your organization.

As a manager, you probably spend very little of your management time on those people who get on with the job and produce top performance consistently. It is those employees who frequently botch it or produce substandard results that drain your time and cause most of the headaches in your job. How much easier would your job be if you had a higher percentage of people who just got on with it and did not drag your attention away from other operational activities?

The more individuals you have in this cohesive group with a good endowment of helium and with less sand than others, the better off your whole operation will be — an important factor when hiring.

Special Types of Balloons

You won’t find balloons with exactly the same force upwards as downwards. They rarely just hang in mid-air; they are usually going up or going down. And each employee is either helping the top performance of your organization or impeding it in some way. But there are two special cases.

The emotionally unstable person goes up and down like a yo-yo — extremely productive one day, apathetic and quite useless the next. There is a particular reason for this erratic behaviour.

The person with a convincing “public relations” front promotes themselves as having almost no sand at all. The balloon looks terrific, all pumped up and sometimes quite colourful. But if you hire this person and tie them into the bunch with the rest of

your balloons, you may find they have small hidden barbs that damage surrounding balloons so they lose their helium, reducing the power of the whole. Top performance goes out the window.

A Surprising Fact

If you ever find, from one year to the next, that you seem to be having much more trouble in your team, chances are that you placed a new person in there who is actually bringing the others down. If you add a new balloon to the ones you already have, you want to make sure that it will help the whole system to rise. This means that you should not hire a balloon with too much sand or not enough helium. If you do, it will reduce the overall power of your organization, and your own top performance will diminish.

The surprising fact is that the reverse of this concept is also true. When you get rid of a balloon with more sand than helium, the whole system tends to move upwards to top performance again, even if you do not replace the ineffective employee immediately. If you cut loose one sand-heavy balloon, the remaining group will move up. So if you remove a person who is not contributing to the team effort, your action will benefit the productivity of the remainder. If you can also replace that person with an effective employee, that will be even better.

Looking at the balloon theory, if you cut loose one sand-heavy balloon, the remaining group will move up.

Far too often, however, we hear comments like: "I know that person is destructive or non-productive, but I have no-one to replace them, so we have to keep them on." This is like saying: "I know this sand-ridden balloon drags the rest of the bunch down, but as long as I don't have a replacement, I can't afford to get rid of this extra weight." The fact is, you can always afford to get rid of dead weight. And when you do, the rest of the group will produce better results, even before you replace the non-productive or

destructive employee. Top performance is actually jeopardized by leaving them there.

We are not advocating that you rip through your organization and immediately sack everyone who is not performing. Due process must occur. But where you have identified someone who has legitimately qualified for off-loading, do not hesitate just because you do not have a replacement.

Categorizing Employees

You can categorize your employees into three basic groups:

1 Top producers

The top 20% of employees make a big difference to your top performance. These are balloons with plenty of helium and very little sand, helping to push the system far up into the "sky" and compensating for the sandbags who are not carrying their own weight. These employees always get it right. They're the ones you can rely on, who can fix anything. And they never cause any problems or demand any of your management time.

2 Average producers

In the middle, you find the 60% who are average producers. Their productivity depends on how well management handles them. These balloons need to be pumped up from time to time with motivation. Top performers don't need these extra shots of helium; the job itself is highly motivating to them.

On a sales force, out of five or six salespeople, one or two probably produce the bulk of your revenue. You do not need to spend more time with these top performers, encouraging them to do better. You devote your time and effort to the mediocre ones, who show promise perhaps but who seem to require your attention each and every month to keep them firing.

3 Non-producers

The least productive 20% are the erratic performers, "ups and downs" balloons. One day, they are really pumped up; but the next, their

sandbags have suddenly increased in weight. Such unpredictable people are the source of nearly all of the organization's internal upsets and costly mistakes. They are also the ones who take most of management's time and attention. They are usually easy to spot, however, like the team member who did an excellent job one day, but the next never answered their phone or returned calls.

Protect Your Most Valuable People

The balloons are at the very peak of top performance demand very little of your attention. However, if you neglect them, you risk losing them to a competitor.

Remember that people who produce top results are subject to attack by certain types of non-performers. If there is some sort of conflict, look at the performance level of the people involved and protect those who are actually producing good results.

What is performance? It is what produces an extremely healthy result for your company's profits, as well as for the general satisfaction and spirit of your whole organization.

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