High Potentials Are Still Your Best Bet

By Gail Johnson Morris and Kim Rogers

The odds are that these research results will help you develop a world-class development program for high-potential leaders.

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In a resource-constrained world, many organizations have chosen to bet all their chips on high-potential leaders (HiPos), but the gamble appears to have paid lackluster returns. After a decade of investment, we are now seeing articles defending the "B player." Were organizations misguided in this key investment?

PricewaterhouseCooper's 2012 survey of CEOs from around the world shows that more than half of CEOs are concerned about their ability to access talent with the specialized skills their companies need. And according to "How to Hang On to Your High Potentials" by Claudio Fernandex-Araoz and colleagues, in the regions where many companies are focusing on growth strategies, the supply of experienced managers is most limited and the shortage is expected to continue for another two decades.

Focusing on the development and retention of HiPos continues to be a strategic imperative for organizations. To help determine where the investment in their development has gone wrong, we went directly to the source, and spoke with HiPos themselves, as well as the chief talent officers (CTOs) in charge of these programs.

Our goal was to identify the key elements of a world-class HiPo development program. We conducted qualitative and quantitative research with 45 HiPos and eight CTOs. We tested and ranked a series of HiPo program benchmarks and the HiPos scored a proposed straw-model program. The surprising research results highlight where organizations have been missing the mark—both by investing in ineffective activities and failing to invest in those that reap the most benefits.

Through our research, we identified five key strategies that can significantly increase the return on high-potential investment. We also have outlined how organizations can assess their readiness to implement these strategies.

Defining high potential

Most organizations have an internal process for identifying high-potential leaders. In our sample, half of the CTOs use a potential-performance nine-box grid as their method to identify candidates for their HiPo pool (see figure on page 62). Using this nine-box performance gauge for large groups of employees helps select employees with both high potential and high performance.

Although the specifics can vary, most definitions will look beyond succession by specifying both the necessary characteristics and abilities to be promoted more than one level up. Knightsbridge's definition that we used for the purposes of our study is: "Individuals who, with targeted development, have the motivation, capacity, and learning agility necessary to advance multiple leadership levels at a rapid rate."

Program elements

After we analyzed the interview feedback and benchmarks, five program elements were identified as critical in a world-class HiPo program that will create true and meaningful skill development and ultimately result in leaders who are ready to take on more complex leadership roles.

If you are launching a HiPo program, start with the first three and add the others once your program is up and running. If you have a program already in place, consider whether you have all the winning elements as part of your program.

Select the right HiPos. Select the candidates with the right mix of performance, aspiration, and engagement. They must be able to demonstrate consistent high performance (at their current level as well as show the potential to perform two levels beyond), and work equally well

with ambiguity, fast-paced change, and a diverse range of stakeholders.

There are three components to building a targeted HiPo selection process.

- The executive team should make the decision together regarding the criteria for who is considered a HiPo. Then use a structured process for the leadership team to review all the candidates against these criteria.
- The selection process ideally should build off of an annual talent review process.
- HiPo performance should be monitored annually to assess for continued inclusion in the program.

Provide networking opportunities. HiPos expect to network with other highly mobile peers. They also want access to networking opportunities with senior executives. Furthermore, HiPos benefit from external board and not-for-profit assignments to learn strategic skills.

Foster organization-wide HiPo networks by making the following opportunities available.

- Networking with fellow HiPos across divisions and geography with action learning assignments.
- Networking with the executives, including senior executive networking, presentations, or results reporting in HiPo program activities. Coach HiPos on how to strategically network; don't assume they know how to use the access or opportunities effectively.
- Networking externally. Ensure that HiPos understand the power of external networks to build organizational and career capital via relationships with key stakeholders.

Optimize experiential learning opportunities. Get smart, free advice from your own talent. Task a small cohort of HiPos with a cross-enterprise issue. Experiential or action learning can take different forms. For example, give the HiPo cohort a senior executive challenge assignment and charge them to leverage business case resources, perform milestone reporting, and deliver agreed upon outcomes on a fixed timeline. Another approach is for the HiPo cohort to form a shadow executive team with specific organizational issues assigned to them to handle.

Provide access to cross-divisional leadership roles. HiPos groomed for enterprise-wide roles must demonstrate the ability to influence without authority via cross-divisional and cross-cultural team assignments.

To develop the advanced skills of discernment and learning agility, HiPos must have exposure to increasing levels of ambiguity, risk, and matrix leadership. Also, HiPos taking on more risk expect support to learn from their mistakes and a built-in learning curve.

Make strategic use of crucible roles. Crucible roles are known challenge assignments used to groom only your most elite HiPos for senior national, global, or senior executive roles. World-class programs offer select and highly mobile HiPos access to highly challenging global training through crucible roles.

Great performance in a crucible role indicates a future global leader assignment is in the offing. Average performance typically means the HiPo is slated for a senior role that has less corporate risk attached.

To implement crucible roles you must:

- Protect crucible roles, and assignments to them, as corporate assets. The CTOs or the organization's senior leadership should ultimately control these roles.
- Limit the time people can spend in these roles so they do not block others from having these opportunities to accelerate their learning and visibility.
- Set concrete goals for people in crucible roles so they can demonstrate achievements and clearly understand the level of performance required to earn the right to continue in this elite HiPo pool.

HiPo Program Readiness Assessment

While many investments in high-potential leaders (HiPos) have not lived up to their promise, we did find several well-deployed HiPo programs paying big dividends for their organizations. If your industry is in high-growth mode, you are going to have a challenge finding enough leaders. If you have not paid enough attention to your HiPos, you will experience expensive gaps in leadership succession. To assess if you are ready to implement a HiPo program, ask yourself the following six questions:

- Do you have a vision of the types of leaders you require in the near term and in five-plus years to deliver on your strategy?
- Do you have a process to select HiPos today? Does your senior team know who your HiPos are?
- Is your organization equipped to hold frank talent discussions about and with HiPos?
- Have you put succession planning in place? If yes, how far out are you planning to build your bench strength for key roles?
- Are you willing to differentiate your employee pools and delineate HiPos into a separate group that enjoys additional development and opportunities?
- Do you have enough credibility to collaborate with divisional or line managers to develop action learning and to consider HiPos and crucible roles as corporate assets?

Lessons learned

Interviews with the CTOs and HiPos uncovered six areas that organizations must address when designing a highly successful HiPo development program.

Failure to address these issues can mean making a large investment in time and resources in a program that looks great on paper but fails to deliver prepared leadership candidates.

Don't hoard. Organizations that are serious about developing enterprise-wide leaders do not allow exceptional talent to be hoarded within divisions. HiPos are a valuable organizational asset. Developing a mobile pool of HiPos requires that narrow, functionally focused divisional leadership give way to the broader perspective of the organization's long-term best interests.

Must do: Plan and support HiPos to move up and out of specific divisions.

Establish *quid pro quo.* Many organizations express valid concerns about HiPos developing an attitude of entitlement, which can result from organizations' failure to communicate program expectations effectively. Investments made in individual HiPos are not a guarantee and are not a specific promise.

HiPos should know that the designation must be earned—not just once, but on an ongoing basis—by sustaining high levels of performance and increasing their value to the organization through development and experience.

Must do: Communications must reflect the HiPo program as a two-way street, with the HiPos trading their performance and loyalty in return for the investment and opportunities offered. Communication must clearly and explicitly indicate that the HiPo is in a high-potential leadership development program, what this program includes, and what the HiPo is expected to deliver as a participant.

Engage and leverage managers. A HiPo's manager can make or break the program. It was clear from our research that communications related to HiPo development programs are not always effective when the HiPo's manager was responsible for relaying messages. Underperforming or unsupportive managers can derail HiPos and cause them to defect.

Must do: Recognize that this is a tricky issue to navigate and requires deft emotional intelligence and the ability to walk in the shoes of the HiPo manager. Ask these managers to identify and develop HiPos for your organization.

Use your performance management system to monitor managers who block or derail HiPo identification. Note that these steps are especially critical, and delicate, when the HiPo's career trajectory will outpace that of her manager.

Reconsider which tools you use and how you use them. HiPo respondents report low value for 360 assessments, e-learning, and corporate social media (for example, dedicated HiPo blogs). This feedback centered on how these tools were deployed.

A 360 debrief by an unskilled and poorly scripted manager can be dangerously demotivating. Commit to training HiPo managers to handle 360 debriefs well, move the debriefing to personnel who can do a great job, or stop running the 360s.

HiPos highly value face-to-face networking with mobile peers and view e-learning as a direct challenge to this important motivator. If you continue to use e-learning with HiPos in your organization, link it to a cohort of learners and offer joint assignments to encourage peer-to-peer networking.

HiPos are too busy for low value social media. Be thoughtful about deploying social media that can be perceived as corporately controlled or manipulated by HiPos.

Must do: It is essential for HiPos to have insight into how they come across to others. To do this, the right tools must be used in the right way by the right professionals.

Make communication transparent. A disconnect can surface between the organizational view of communication and that of the HiPos. The CTOs in our research report transparency and inclusive communication, yet only 53 percent of the HiPos we talked to knew they were selected for an accelerated development track.

Must do: A great branded program requires clear, succinct written communication to the organization, to the HiPos, and to their managers. This communication should be reinforced in one-on-one meetings where expectations of all parties are shared.

Next Steps

If you have a HiPo program:

- Complete the HiPo Program Readiness Assessment.
- Benchmark your program to the six lessons learned.
- Benchmark your program to the five HiPo program elements.
- Address program gaps.

If you'd like to start a HiPo program:

- Perform the HiPo Program Readiness Assessment.
- Address gaps in your readiness.
- Start with the first three HiPo program elements and add the others as your program builds momentum and proof-points.

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Double the value. Well-constructed HiPo programs can insulate their organizations from troubling human capital trends (for example, war on talent, lack of engagement, and attrition). Organizations with integrated programs understand that their HiPo program transcends leadership development and consider it integral to strategy execution.

We found that strategically integrated programs translated into deep and wide HiPo bench strength versus the talent scramble other executives endure.

Must do: Build a business case for this type of program. Include organization-specific metrics that demonstrate that a strong HiPo program results in measurable cost avoidance and improved competitive positioning. Select leaders to be HiPos based on how well they demonstrate the future leadership requirements of the organization. And build your value proposition as an employer based on the HiPo program so you can attract ambitious, high-performing leaders.

Reap the benefits

While it is clear that many organizations struggle to get their high-potential programs right, it's also evident from our research that those organizations that have invested wisely in their HiPos are not only reaping the benefits today, but can feel confident that they will have the talent they need to remain competitive in the years to come.

Take advantage of what we have learned through our research to build your own world-class program. Learn from the expensive mistakes other organizations have made and make your HiPo program a sure bet.

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