

Summary of Research Into High Potentials Best Practices

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SUMMARY OF RESEARCH INTO HIGH POTENTIALS BEST PRACTICES

INTRODUCTION AND BACKGROUND

To effectively unleash the potential of top talent it takes a targeted approach to training and development.

Instead of simply offering training to everyone, successful organizations make an extra investment in those employees who show the most potential. Once identified, these individuals are typically placed on a more focused career path (i.e., succession planning) and given a more accelerated development experience by way of “high potential development programs”.

Recent research by Hewitt Associates (2004) looked into the factors driving organizational financial success. According to their study, organizations that were able to demonstrate “double-digit growth” had significantly lower turnover rates among their high potentials than the comparison group (2% and 6%, respectively). Further, according to research by The Hay Group (2008), “best companies for managing high potential talent consistently outperform” comparison companies.

The research above highlights the importance for organizations to better understand how to invest their resources when it comes to harnessing the potential of top talent.

What are successful companies doing? The following practices illustrate the different ways that successful companies are able to effectively manage their high potential talent:

- 1. Rigorously Identifying High Potentials***
- 2. Creating a Focused High Potential Development Experience***
- 3. Managing High Potential Engagement***

Source (research white paper): Hewitt Research Brief: Growing Great Leaders Key to Double-Digit Growth (2004). Hewitt Associates.

Source (research white paper): High Potential Employees: Your Organization's Treasured Asset, The Hay Group Report Briefing (2008).

1. RIGOROUSLY IDENTIFYING HIGH POTENTIALS

Before investing the extra resources on developing high potentials, successful organizations first ensure they have accurately identified those individuals who truly possess the “potential”. This helps to ensure that the right people will be placed in the future seats that come available.

Here is a general summary of what successful companies are doing when it comes to rigorously identifying high potentials:

- ❑ Making a distinction between “high potential” and “high performer”: high potential is viewed as future-based (e.g., someone with the ability/aspiration/commitment to take on more senior/critical roles)
- ❑ Using a combination of “current performance” and “potential” measures to identify high potentials (e.g., a ‘nine-box’ grid system is used to plot and rank candidates)
- ❑ Using a roundtable format to discuss/challenge those nominated as high potential in order to avoid subjectivity or bias
- ❑ Making the status transparent to high-potentials: there is generally a greater risk of losing those considered to be top talent when they have not been informed about their status

EXAMPLES OF HIGH POTENTIAL IDENTIFICATION IN RESEARCH:

PEPSICO INC. Multinational Food and Beverage Corporation	❑ When: Identifies high potential leaders during the People Planning Process; These planning meetings occur Divisionally between April and May each year; Senior Executive reviews occur between June and July ❑ What: To be selected, individuals must show functional expertise, along with a breadth of capabilities and experiences (e.g., measured in the Leadership Competency Model) ❑ Who: Selects the most qualified person from the pool for every leadership role (e.g., every job is filled from a list of qualified applicants); the ultimate goal is to have a “two-deep bench” back up for all critical roles Source (book chapter): R. M. Fulmer & J. L. Bleak (2008). “Case Study: PepsiCo Inc” book chapter in The Leadership Advantage: How the Best Companies Are Developing Their Talent to Pave the Way for Future Success. American Management Association.
WASHINGTON GROUP INTERNATIONAL Engineering, Construction and Management Services Corporation	❑ When: High potential leaders (managers and professionals) are identified via the yearly Talent-Review Process; reviews occur at the unit-level and are rolled up to the organizational level ❑ What: Uses a nine-box performance-and-potential matrix (e.g., potential is defined as “learning agility” and “strategic agility”); those identified are placed inside the “talent bank” ❑ Who: 1,200 employees have been identified to date; top talent makes up approximately 8-10% of the workforce; no guarantees for how long they can stay in talent bank Source (book chapter): R. M. Fulmer & J. L. Bleak (2008). “Case Study: Washington Group International” book chapter in The Leadership Advantage: How the Best Companies Are Developing Their Talent to Pave the Way for Future Success. American Management Association.
MICROSOFT CORPORATION - SALES, MARKETING AND SERVICES GROUP	❑ When: High potential leaders are selected on a regular basis in conjunction with the high potential development program (called “Exceptional Potential Leaders Building Leaders”) ❑ What: Uses a combination of metrics including performance track record, as well as the ability, commitment, and aspiration to grow and succeed; those scoring highest in all three are selected ❑ Who: Considers high potentials to make up less than 4% of the population (1,600 individuals) Source (book chapter): S. Wallis, B. O. Underhill, and C. McNamara (2010). “Chapter 10: Microsoft Corporation”, book chapter in Best Practices in Talent Management: How the World’s Leading Corporations Manage, Develop, and Retain Top Talent, Pfeiffer.

BANK OF AMERICA Financial Services Company	☐ When: Talent pool is regularly reviewed as managers are frequently ranked ☐ What: Uses nine-box “performance” and “leadership behaviours” to rank managers; delivery of results against targets is used to measure “performance” and The Competency Model is used to measure “leadership behaviours”; key talent is signified by high scores on both dimensions ☐ Who: Managers with high scores along both axes, are identified as key talent and receive accelerated development Source (publication): J. A. Conger and R. M. Fulmer (2003). Developing Your Leadership Pipeline. Harvard business Review. December, 2003.
BMO FINANCIAL GROUP Financial Services Company	☐ What: Identifies individuals who are highly effective along several dimensions including track record, ability to handle increasingly complex roles and leadership skills (e.g., motivating others, collaboration) ☐ Who: Evaluates candidates from junior leadership level up to the executive level; Uses leadership roundtables to discuss and challenge those nominated as high potential Source (publication): D. Zielinski (2006). Best and Brightest. Training, January, 2006.

INDUSTRY RESEARCH FINDINGS

Industry research studies are presented below which highlight the importance of formally identifying high potentials and making their status transparent:

- ☐ A 2005 study by Hewitt Associates into the Top U.S. Companies for Leaders found that 95% of the Top 20 “identify high potential leaders in a formal way”, compared to 77% of other organizations
Source (publication): J. W. Gibson and J. L. Mason (2007). Executive Leadership Development as a Strategy for Long Term Business Success, Journal of Business & Economics Research, September, 2007.
- ☐ A 2003 study by Hewitt Associates into the Top U.S. Companies for Leaders, found that of those companies identified as having “double-digit growth” in financial performance, 60% of these were more likely to identify and communicate high-potential status (compared to 42% of other organizations)
Source (research white paper): Hewitt Research Brief: Growing Great Leaders Key to Double-Digit Growth (2004). Hewitt Associates.

ADDITIONAL READING AVAILABLE

- ☐ Publication: D. A. Ready, J. A. Conger and L. A. Hill (2010). Are you a High Potential? Harvard Business Review. June, 2010.

ADDITIONAL PURCHASE (UPON REQUEST)

- ☐ Best Practice Report: High-Potential Employee Development Programs: Selecting and Developing Tomorrow's Leaders (2010), Best Practices, LLC. Reviews 18 benchmarking companies. (\$715.95)
- ☐ Best Practice Report: World-Class Leadership (Best Practices Report): Identifying, Assessing and Developing High-Potential Talent. APQC, June 2010. Analysis of five best practice companies (\$445.00).

2. CREATING A FOCUSED HIGH POTENTIAL DEVELOPMENT EXPERIENCE

Successful organizations spend extra resources to create a focused career development experience for their high potentials.

Here is a general summary of what successful companies are doing when it comes to creating a focused high potential development experience:

- ❑ Aligning the high potential development experience to the organization's strategy
- ❑ Once identified as a high potential, setting realistic expectations without any long-term guarantee
- ❑ Holding managers accountable to support high potentials throughout the experience, especially when it comes to applying what was learned back on the job
- ❑ Building rigour around the assessment and development plan tracking process
- ❑ Creating a highly focused experience through the integration of key learning modalities such as traditional instruction (classroom, on-line, self-directed), professional coaching, mentoring, peer-to-peer groups, on-the-job experiences, networking, 360-degree feedback and special assignments
- ❑ Differentiating the development experience by career stage (e.g., creating unique experiences for high potentials who are "young professionals" versus "senior leaders")

EXAMPLES OF HIGH POTENTIAL DEVELOPMENT PROGRAMS:

MICROSOFT CORPORATION SALES, MARKETING AND SERVICES GROUP	❑ What they do: High potential leaders participate in the Exceptional Potential (ExPo) Leaders Building Leaders program; provides differentiated opportunities by career stage (three-tier system); development activities include stretch development plans, on-the-job experiences, networking, 360-degree assessments, external coaching, mentoring and learning circles ❑ Purpose: To build the pipeline of future leaders; to better align the high potential development program to organization's strategy ❑ Results: After its fourth year, the program's initial participants became instructors/mentors; Learning circle members have reported multiple benefits (e.g. substantial cost savings) Source (book chapter) – refer to previous section
CISCO SYSTEMS Multinational Computer Networking Corporation	❑ What they do: High potential managers participate in the Emerging Leader Program (whereas senior leaders attend the Global Leader Program); Emerging Leader is a thirteen-week integrated experience including pre/post self assessments, professional coaching, small-group cohorts; uses a development plan/ impact tracker to monitor progress/follow through ❑ Purpose: Build "next-generation" leadership; transitioned the focus of development activities from "event-based" to "relationship-based" ❑ Results: Positive program feedback from participants (e.g., 98% said it had a "deliverable, measurable business impact") Source (book chapter): R. M. Fulmer & J. L. Bleak (2008). "Case Study: Cisco Systems" book chapter in The Leadership Advantage: How the Best Companies Are Developing Their Talent to Pave the Way for Future Success. American Management Association.
WASHINGTON GROUP INTERNATIONAL	❑ What they do: High potential senior leaders participate in the Leadership Excellence and Performance program (whereas managers and professionals attend the Leaders Forum); LEAP includes CEO involvement (e.g., shadowing), along with various development activities including 360-degree assessments, personal action plans, job-rotations, mentoring and stretch assignments ❑ Purpose: Fulfills a need that was recognized by key stakeholders to strengthen the organization's leadership bench strength ❑ Results: The organization's improved financial performance has been attributed to the development program Source (book chapter): R. M. Fulmer & J. L. Bleak (2008). "Case Study: Washington Group International" book chapter in The Leadership Advantage: How the Best Companies Are Developing Their Talent to Pave the Way for Future Success. American Management Association.

ROHM AND HASS (RECENTLY ACQUIRED BY Dow) Chemical Manufacturing Company	❑ What they do: Top executives and high-potential managers participate in the Leadership 3000 program; 9-12 month timeframe with ongoing mentoring dialogues; participants choose one executive-team member to serve as their own “brain trust” for action planning and follow up; includes 360-degree feedback and professional coaching ❑ Purpose: To help deepen the “self-confidence” and “preparedness” of key leaders ❑ Results: Post-measurement competency studies have shown positive results (e.g., high potentials had met the required behavioural standard upon finishing the program) Source (publication): R. L. Gupta and K. M. Wasylshyn (2009). Developing World Class Leaders: The Rohm and Haas Story, People and Strategy, December 2009
QUALCOMM Wireless Telecommunications Company	❑ What they do: High potential young professionals participate in the Emerging Leader Program (whereas senior leaders attend the Executive Leadership Essentials); Emerging Leader lasts 12-weeks/23 hours and includes activities such as classroom (virtual/classroom) sessions, manager meetings, learning partner meetings and social networking ❑ Purpose: Recent significant growth in the leadership team has meant a greater need to build internal talent ❑ Results: Participants reported a 52% “increase in skill level or knowledge” after having attended the program Source (best practices paper): Case study: Qualcomm, Learning Leaders 2010, Lessons from The Best, Bersin and Associates, April 2010.

INDUSTRY RESEARCH FINDINGS

The following industry research highlights the importance to organizations for making an investment in the development experience of their high potentials.

- ❑ A 2005 study by Hewitt Associates into the Top 20 U.S. Companies for Leaders, found that:
 - 95% of the Top 20 enable high potential leaders to “**interact with top leaders**” (compared to fewer than 50% of the other organizations)
 - 89% of the Top 20 provide “**regular stretch assignments**” for their high potentials (compared to only 43% of the other organizations)
 - Over 50% of the Top 20 use “**mentoring and coaching**” with their high potentials (compared to less than 25% of the other organizations)

Source (publication): J. W. Gibson and J. L. Mason (2007). Executive Leadership Development as a Strategy for Long Term Business Success, Journal of Business & Economics Research, September, 2007.

- ❑ A 2003 study by Hewitt Associates, into the Top U.S. Companies for Leaders, found that of those companies identified as having “double-digit growth” in financial performance, 88% used “**developmental assignments**” to drive the growth of high potentials (compared to just 35% of other organizations)

Source (research white paper): Hewitt Research Brief: Growing Great Leaders Key to Double-Digit Growth (2004). Hewitt Associates.

ADDITIONAL READING

- ❑ Publication: A. Field (2007). When the Boomers Leave: Will Your Company Have the Leaders It Needs? Harvard Business Review. Included in bundle “Developing, Managing and Retaining Top Performers”
- ❑ Best Practice Report: Best Practices from Best Companies (2008), Great Place to Work Institute, Inc.
- ❑ Publication: Shape Your Workforce for Strategic Success, Harvard Business Review Bundle, 2008

- ❑ Book: Harvard Business Review on “Developing High Potential Leaders”, 2009. Harvard Business Press

3. MANAGING HIGH POTENTIAL ENGAGEMENT

Successful organizations are keenly aware of the ongoing risk they face when it comes to their highest potential employees “jumping ship”. They respond with focused employee engagement efforts geared towards keeping their top talent.

Here is a general summary of what successful companies are doing when it comes to managing high potential engagement:

- ❑ Regularly checking in with high potentials to gauge whether they are engaged
- ❑ Using learning opportunities that are challenging, engaging, and that enable high potentials to get a taste of work under conditions of real stress (e.g., being too protective runs a greater risk over the long term)
- ❑ Strengthening alignment by sharing the future strategies with the rising stars (e.g., increasing their confidence in the senior team/organization's strategy will also strengthen their own engagement)
- ❑ Ensuring senior management has shared accountability over the success of high potentials
- ❑ Making sure that rising stars are working in a system where hard work is rewarded – please note that this topic is beyond the scope of this document (refer to the paper called “best practices in performance management”)

SPECIFIC TACTICS IDENTIFIED IN RESEARCH:

SHELL Multinational Petroleum Company	❑ Appoints “career stewards” who are responsible for assisting high potentials throughout their career ❑ Ensures both parties meet on a regular basis to: ○ Set realistic expectations (e.g., avoid setting the bar too high) ○ Check in on engagement levels ○ Ensure that the right development opportunities are being offered
NOVARTIS Multinational Pharmaceutical Company	❑ Managers are responsible for building relationships with their high potentials and to check in with them regularly to ensure they stay engaged ❑ Enforces the use of a “simple checklist” by managers to identify any red flags when it comes to employee engagement ❑ Provides assistance to managers to address any issues (e.g., before the employee jumps ship)
PROCTER & GAMBLE (FAMILY CARE DIVISION) Multinational Consumer Goods Corporation	❑ Creates learning situations that are both challenging, yet highly engaging for candidates ❑ Places candidates in complex, high-impact positions that accelerate learning and development (e.g., “crucible roles”) ❑ These “crucible roles” are considered to help candidates by making them ready to take on critical leadership roles (e.g., helping employees succeed “when the going get's tough”)
HEWLETT PACKARD Multinational Information Technology Corporation	❑ Creates opportunities to share future strategies on a privileged basis (e.g., invites high potentials to attend closed-door briefings) ❑ Debriefs are focused on strategic issues, where high potentials work on teams to help resolve them (e.g., present final recommendations to senior management)

JOHNSON & JOHNSON Global Pharmaceutical Medical Devices and Consumer Packaged Goods Manufacturer	☐ Senior managers are responsible for developing the top talent across the company ☐ Management is involved at several points: selecting employees for the LeAD program (based on who they think could run the business in three years), providing ongoing guidance to participants during the nine-month program and regularly reviewing their progress leading up to graduation
HSBC Financial Services Corporation	☐ Line executives participate directly in the process, partnering with central and regional HR functions ☐ Executive team is accountable for the success of the company's "talent pools" - each member oversees the "talent list" for their own respective business area ☐ Talent management is a standing agenda item at business executive meetings ☐ Policies and practices are in place to help regulate the talent management flow down through the ranks
Source (publication): J. Martin and C. Schmidt (2010). How to Keep Your Top Talent. Harvard Business Review, May 2010. Source (publication): D. A. Ready and J. A. Conger (2007). Make Your Company a Talent Factory. Harvard Business Review, June 2007.	

INDUSTRY RESEARCH FINDINGS

In a 2009 research study, The Corporate Leadership Council looked at current practices into managing the engagement of high potentials and found that there are some risk factors when it comes to high-potential engagement. Of those high potentials studied, here are some notable findings:

- ☐ A significant number have an intention to leave - one in four "intends to leave their company"
- ☐ Less than optimal discretionary effort – one in three admits to "not putting all of his/her effort into his/her work"
- ☐ Lack of strong alignment with the organization – one in five believes "his/her personal aspirations are different from what the organization has planned for them"

Source: J. Martin and C. Schmidt (2010). How to Keep Your Top Talent. Harvard Business Review, May 2010.

ADDITIONAL PURCHASE (UPON REQUEST)

- ☐ Book: R. Gandossy and M. Effron (2004). Leading the Way, Three Truths from the Top Companies for Leaders, New Jersey: John Wiley & Sons, Inc. 2004. (\$32.99)

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