

Managing **High Potential** Employees

Managers Can Make the Difference

Talent Management Alliance

ORACLE
HUMAN CAPITAL
MANAGEMENT



Section 1:
Introduction

According to Merriam-Webster, one definition of potential is: **"an ability that someone has that can be developed to help that person become successful."** [1]

In human capital parlance, many talent managers see high-potential talent (or HiPos) as being able to take on roles of increasing complexity and responsibility within a particular timeframe, often 18-24 months. Such talent possesses not only technical or business skills, but very often softer skills involving communication, collaboration, agility, adaptability, urgency and the ability to handle uncertainty.

Of course, because companies can no longer afford to offer implicit lifetime-employment promises to employees, hanging on to HiPos is not easy. The reality is that it's every man and woman for themselves! And from the perspective of High Potentials (HiPos), they know that they are always in demand across the economy. If we want to retain the best players, we need a plan.

That plan should entail three key components related to the HiPo: Recruit, Reinforce & Reward, and Retain. We'll discuss these components throughout this white paper, in conjunction with results from an exciting survey recently completed by TMA and Oracle.

Findings: We found exciting survey results within each component, as highlighted here and discussed in greater detail throughout the white paper.

Recruit: All companies want to find high performers, with some of those high performers becoming high potentials, and currently 36% of our respondents report being Satisfied or Very Satisfied with their method for identifying HiPos. Increasingly, organizations would like to use analytics to better source HiPos and to identify them as early as possible as their careers begin to unfold. That said, only 20% of our respondents report being Very Satisfied or Satisfied with the ability of their organization to track metrics associated with their HiPos, including where they are sourced.

We believe that organizations should begin developing HiPo-related metrics as soon as possible to better manage HiPos throughout the entire employee lifecycle, from recruitment through retention.

Reinforce and Reward: Organizations should systematically design developmental opportunities for HiPos to keep them engaged. Most HiPos thrive when working in a state of continual stretching that is part of an integrated developmental approach that includes coaching and strategic rotations and promotions. Money, awards, and praise can also contribute to the mix. Formal development plans – crafted by senior leaders, managers, coaches and the employee themselves – can play an important role in managing development of HiPos, too, and 53% of our respondents indicate their HiPos have formal development plans.

Retain: It isn't just retaining top HiPos one by one, but retaining them and crafting them into a hi- performing TEAM of talent that build off of one another's strengths such that 1+1 does in fact equal 3. This is done through balance, alignment, resiliency, energy, openness and efficiency.[2] The manager can play a key role here. According to our respondents, 95% rely heavily on the evaluation of the direct manager in judging the performance of HiPos. However, only 10% of respondents rate their organizations as Excellent at having open and honest conversations with HiPos (with an additional 36% rating their organization as Good). Building trust through open conversations between the person being assessed and the person performing the assessment is a critical component of retention, as is holding managers responsible for that retention. That only 11% of our respondents indicate that managers are assessed on their ability to retain HiPos suggests an area where many organizations might work to improve managerial commitment to HiPo retention efforts, especially since a full 69% of respondents note that managers are not assessed on this ability.

The good news is that there is a lot of potential for improvement in our organizational handling of HiPos. Now, let's take a more detailed look at the results of our survey.

[1] http://www.merriam-webster.com/dictionary/potential
[2] Claudio Fernandez-Araoz, It's Not the How or the What but the Who, (Boston, MA: Harvard Business Review Press, 2014), 149.



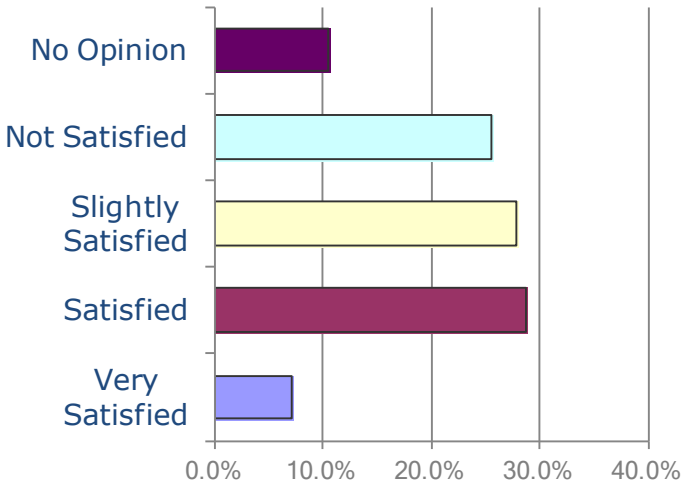
Section 2: Recruit

The path to Talent Mastery begins with the basics – a process for identifying HiPos. Of our 203 respondents, **58%** report having a formal process to identify HiPos. This is a vital first step, of course. We believe all organizations will improve their competitive position by introducing a High Potential identification process.

As a starting point, we recommend that organizations interested in formalizing their HiPo identification process avoid handing off recruiting to whomever is convenient, but instead involve senior leaders who will source for business savvy, leadership talent, desire to succeed and other desired values and behaviors. Cultural fit cannot be overstated, either. All of these attributes are as important, if not more important, than technical skill sets.

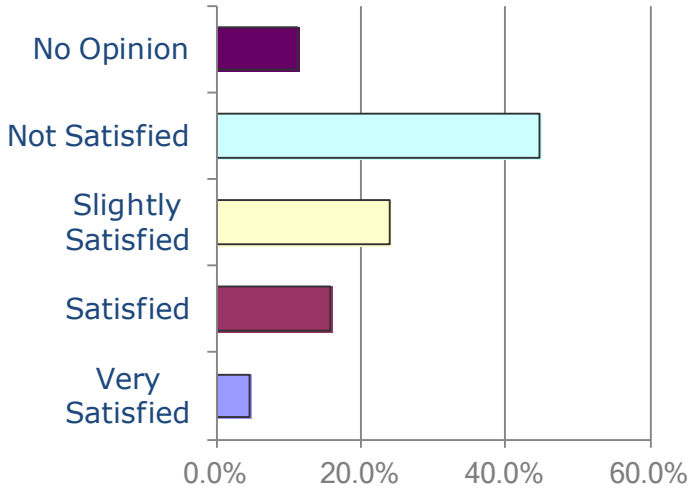
Of course, having a process for identifying HiPos does not necessarily indicate that the process is especially effective. Whether respondents have a process for identifying HiPos or not, only about **36%** of our respondents report being Satisfied or Very Satisfied with their method for identifying HiPos. Clearly there is room for improvement.

How Satisfied are You with Your **Organization's** Method for Identifying **HiPos?**



One important contributor to this dissatisfaction is an inability to track metrics associated with HiPos. Of our respondents, **22%** report being Very Satisfied or Satisfied with the ability of their organization to track metrics associated with their HiPos.

How satisfied are you with your **Organization's** ability to track metrics associated with your **HiPos?**



Over 68% of respondents reported being Not Satisfied or only Slightly Satisfied with these abilities. The ability to track metrics associated with HiPos can be a game-changer for some organizations. Are HiPos more engaged than other talent? What is the retention data for your HiPos as compared to all other talent? The potential to glean strategic insight is there if analyzed correctly. The easier we can access this type of data, the more effectively we can strategize around our HiPo talent. For example, imagine if we could recruit talent that might be likely to have greater odds of becoming a HiPo within our organization. Some organizations do just that by looking for trends as to whether any schools or organizations produce a disproportionate number of eventual HiPos. If such a trend could be found, one strategic approach might be to place a greater focus on sourcing at those school(s) or organization(s) producing the talent. Without the data, however, such fine-tuning is not possible or is being done on qualitative hunches only.

While HiPos tend to be identified within the organization after having had some time to display their talents and have their potential targeted, greater analytics associated with the recruiting process, and where HiPos come from could start a trend toward more HiPo metrics. At this stage, though, less than 20% of our respondents are doing this, which is consistent with a broader finding that only 5% of our respondents consider their organization Excellent at recruiting HiPos (while another 24% consider themselves Good).

Section 3:

Reinforce & Reward



When organizations work hard to identify their HiPos, it only makes sense that they take steps to keep them in the fold for as long as they are creating value. The best way to do so is to create value for such talent by reinforcing their desire to continue delivering within the organization.

Leading organizations reinforce their appreciation of their HiPos through integration, coaching, development and promotion.One of the decisions debated by many organizations that relates to the idea of further integrating their HiPos into their culture is whether to, in fact, tell them of their HiPo status at all. Legitimate concerns abound, from not wanting the HiPo to become complacent from their "star status" to not wanting to demotivate non-HiPos. In an era of increased transparency and turnover, the trend has been to tell.

Interestingly enough, our respondents buck this trend, albeit only slightly, with **over 38% of respondents reporting** that they inform **HiPos** of their status, but **over 45% not informing them.**

The fact of the matter is, informing them, whether explicitly or implicitly, is simply revealing to them their status at a given point in time. **"HiPo"** should never be interpreted by either employer or employee as a permanent coronation.

Along the same lines, we must remember that regardless of what organizations tell the individual HiPos, they needn't publicize the designations to the rest of the organization. Of those respondents who do inform their HiPos of their status, less than 39% acknowledge the status of these HiPos to the rest of the organization. In other words, for most, the status remains a tool for the talent manager to use with the HiPo to indicate continued commitment based upon current performance and potential.

As such, HiPo status can be removed, and over 68% of our respondents indicate that they do reserve the right to take individuals off of the HiPo ranks as circumstances change. Fewer than 8% lack this provision, with the rest of our respondents unsure. Obviously, organizations want to keep as many HiPos on track as possible, and they do so by carefully developing them for more complex assignments over time. The Center for Creative Leadership's (CCL) Learning Model has long suggested that talent development comes from three key components:

- On the job training through challenging assignments represents 70% of development
- Candid feedback from Coaches and Mentors represents 20% of development
- Courseware and training represents 10% of development. [3]

Let's take a look at each of CCL's three components as they relate to our survey results.

On the Job Training

Many organizations seek to formally leverage each of these components by creating Development Plans for all employees, by no means just for HiPos. We highly recommend that organizations plan ahead and keep installing HiPos in roles that broaden their skills and horizons. Such planning not only provides rhyme-and-reason to their development, but when done well, helps ensure the organization will have talent ready for strategically relevant roles that need to be filled. As such, talent develops a feeling of confidence that they are being valued and guided over time, and not just plugged into roles in order to meet short-term business demands.

Unfortunately, only 53% of our respondents indicate that HiPos have formal development plans, with 37% believing they do not. A positive, though, is the fact that for those respondents who do have formal development plans with their HiPos, just over half (52%) of them indicate that those plans are different – meaning more detailed – for HiPos than for others. If HiPos indeed are strategic to the organization, then their development should be managed strategically. This can mean, among many things, devoting more attention to their development planning than to those of other valuable but not HiPo talent.

While the development plans of HiPos may be tailored differently for over half of HiPos who do have formal development plans, only 12% of organizations indicate that performance evaluations of HiPos are different than those of the general employee population. Instead, over 75% of all respondents leverage the same performance evaluations for HiPo and other talent-alike.

[3] Ron Rabin, "Blended Learning for Leadership, The CCL Approach", Center for Creative Leadership, 2014. http://www.ccl.org/leadership/pdf/research/blendedlearningleadership.pdf

In terms of judging the performance of HiPos, 95% of respondents rely heavily on the evaluation of the direct manager, who had direct line of sight to the HiPo's completion of objectives. Of course, a good evaluation is contingent upon creating appropriate and measurable performance goals and then completing the evaluation while the feedback is fresh enough to have an impact on future performance. We found that just under 50% of our respondents believe they are Excellent or Good at setting measurable performance goals for their HiPos and that 56% of those respondents believe they are Excellent or Good at holding performance reviews on time.

Because HiPos have earned the right to be seen as "different" from their peers, additional qualitative or quantitative data around their performance might be useful. Of course, this information is likely captured "informally" by organizations seeking to maximize their investment in their HiPos. In fact, when judging the performance of HiPos, 78% of respondents view feedback from coaches and/or mentors as Very Important or Important, and 76% of respondents rate 360 feedback from colleagues as Very Important. Thus, in relative terms, while our respondents see the direct manager as having the greatest significance toward judging the performance of the HiPo, the input (likely more qualitative) of coaches and colleagues that is gathered to complement the managerial review, is seen as important too.

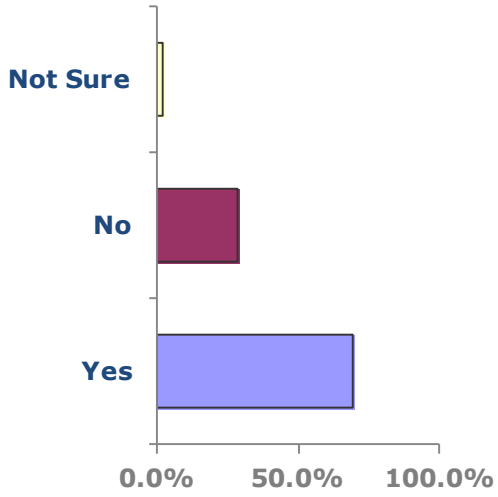
While our respondents see the importance of gathering multiple sources of information, only 12% believe they are Excellent at doing so, with an additional 34% believing their organizations to be Good in this regard. In all likelihood, talent managers and direct managers are so strapped for time, that performance is hindered by bandwidth, and understandably so.

Coaches and Mentors

HiPos learn of, and contribute to, their development in part through coaching and mentoring programs made available to them. Coaches and mentors – themselves likely one-time HiPos and certainly High Performers – invest valuable time in two-way dialogue with the HiPos, helping them to see their place within the organization and their potential from the perspective of someone with more experience, a well-developed network, and perhaps an eye for potential opportunities for that HiPo. They can help to make sense of development plans, explain why a series of complex lateral assignments (new function, new country, new sector, etc.) may be more valuable than just bigger jobs with bigger titles and salaries, and otherwise keep the HiPo grounded and engaged by sharing their acumen with the HiPo.

Of course, good coaches exist in all organizations, whether formal or not, but organizations should plan to have institutionalized coaching programs. Not surprisingly, at least 67% of our respondents provide mentoring and/or coaching to their HiPos, with only about 25% failing to offer such support. Still, only 47% of respondents rate themselves as Excellent or Good at providing coaching and/or mentoring to their HiPos. Of those two-thirds of organizations that do offer coaching and/or mentoring to their HiPos, almost 69% indicate that these opportunities are more advanced than those being offered to other employees.

Are the mentorship and/or **coaching opportunities** more advanced than those of **non-HiPos?**



Again, this trend suggests greater differentiation between HiPo talent and all other talent and is welcomed. While this may seem like common sense, for many years too many human resource functions have focused too much on "fairness" and not enough on the strategic handling of talent that can enable the organization to succeed both today and into the future.

Differentiation is a key element of competition, as all of us have known for almost all of our lives. As Jack Welch simply but effectively states, "I didn't invent differentiation! I learned it on the playground when I was a kid." [4]

That said, talking with HiPos and non-HiPos about their performance can be difficult. Candor does not come easily to people – managers and employees alike – and our respondents are no different. Only 10% of respondents rate their organizations as Excellent at having open and honest conversations about performance with HiPos, with an additional 36% rating their organizations as Good. It's not easy, but building trust is crucial toward reinforcing values and ultimately retaining HiPos.

[4] Jack Welch and Suzy Welch, Winning, (New York: HarperCollins Publishers, 2005), 42.



Section 4: Retain

Training

Another way to reinforce the HiPo's value and exciting future within the organization is through training opportunities. While according to CCL's model, training only contributes 10% to an employee's development over time, it can be applied very strategically to develop skills the organization needs, and also has a powerful symbolic value to most employees. We feel good when we feel we are being invested in by our organization. While development and coaching represent significant investments, as well as 90% of overall development, training is very tangible to the talent themselves.

Ensuring that training provided to HiPos is targeted and not just boilerplate or standardized requires alignment between those vested with the HiPo program and those vested with Learning & Development (L&D) responsibilities. According to our respondents, over 34% of respondents believe that their HiPo development program is Highly Aligned or Aligned with the L&D strategy. Nearly 60% indicate only Slight Alignment or No Alignment. At the very least, leaders seeking to reinforce their HiPo's belief in the organization should be mapping out development, mentoring, and training plans for each HiPo and meeting with the appropriate personnel to make sure this is not a "check-the-box" exercise, but a highly-valued investment of time with significant long-term performance implications.

One way to aid in this process is to use information from the review process to increase L&D effectiveness. Currently however, only 10% of respondents believe their organization is Excellent in this regard, with another 27% seeing their organization as Good. Breaking down barriers and sharing valuable information to achieve strategic imperatives is critical, though 21st century HR functions still struggle in this regard, for myriad reasons. Leaders must increase alignment in this and other areas to fulfill the vision of thought leaders like Conaty and Charan. As they have written,

> "Ordinary CEOs plan for their companies' futures in terms of financial and strategic ambitions. The enlightened CEO recognizes that his top priority for the future is building and deploying the talent that will get it there. He is deeply committed to creating a culture of talent mastery, and personally involved in executing it.....We find that such leaders invest at least a quarter of their time in spotting and developing other leaders; at GE and P&G, it's closer to 40 percent."[5]

While it is oft-repeated that in the hyper-competitive world of 21st century business, retaining top talent is imperative for survival and success, there's more to it than that. Indeed, we must not only retain our top talent and HiPos, we must deploy them in ways that fully leverage their individual and collective strengths.

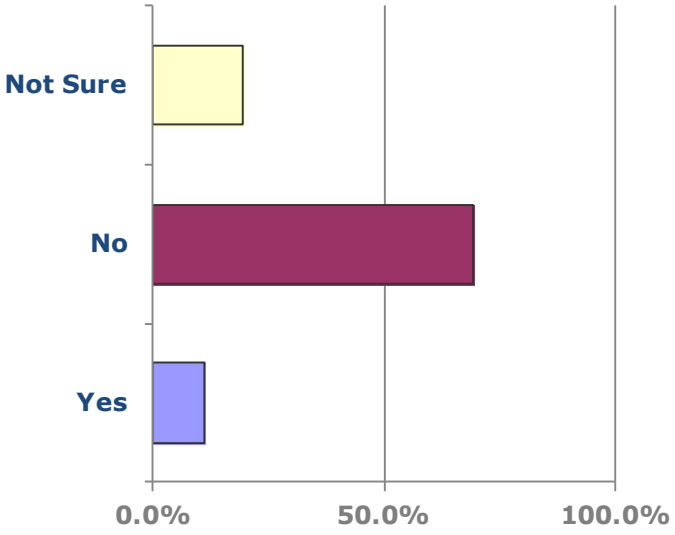
As Claudio Fernandez-Araoz so beautifully puts it, "As a leader, it's your job to ensure that the stars you've chosen shine not just alone but also in a beautiful constellation." [6] That said, only 33% of our respondents indicate that they are either Excellent or Good at retaining HiPos. Clearly, improvement can be made in almost all organizations. A high-profile, charismatic CEO like Tim Cook or Mark Zuckerberg can help to bring this about with inspiring speeches and leadership, but equally important are the front-line managers guiding the HiPos on a day-to-day basis. They have the ability to push the vision and values of the organization on the front lines, contributing enormously to the engagement and retention of HiPo talent. When a HiPo seems to be pondering the proverbial greener pastures, the manager should do everything in his or her power to make sure that talent stays put, when it makes sense for all parties.

Still, our survey finds that only 11% of our respondents indicate that managers are assessed on their ability to retain HiPos. A full 69% of respondents note that managers are not assessed on this ability. We believe there is much opportunity here for organizations wishing to increase retention of HiPos. If managers fully grasp the importance of HiPo retention, given the overall investments many organizations are making in these "future stars", they will work hard to play a role in retaining them and be rewarded for doing so.

[5] Bill Conaty and Ram Charan, The Talent Masters, (New York: Crown Business, 2010), 14-15.

[6] Claudio Fernandez-Araoz, It's Not the How or the What but the Who, (Boston, MA: Harvard Business Review Press, 2014), 150.

Are Managers Assessed on Their Ability to **Retain HiPos?**



Increased candor is the key. Not all HiPos will stay. Not all should stay. Organizations change and so do people. As Reid Hoffman, Co-Founder of LinkedIn says,

> "As much as companies might yearn for a stable environment and employees might yearn for lifetime employment, the world has irrevocably changed.
>
> But we also can't keep going the way we've been going... Acknowledging that the employee might leave is actually the best way to build trust, and thus develop the kind of relationship that convinces great people to stay. [7] "

Of course, a very simple way for managers to get a feel for whether a HiPo might be losing their edge or energy is to check engagement data. Given their status within the organization and their likely overall values, HiPos (whether they know they are deemed as such or not) might be expected to be more engaged than their peers. Therefore, managers who can segment engagement scores to determine how HiPos stack up against all others might be able to get in front of developing problems that lead to unwanted turnover.

There is of course variation in the availability and granularity of engagement data at different organizations, yet 24% of our respondents indicate that they can track engagement data for HiPos against 47% who cannot and 28% who are unsure. The availability of such information can be useful for staying in front of challenges and designing appropriate retention initiatives, and as such, for those respondents who can segment engagement data for HiPos against all others, over 51% see engagement as higher for HiPos than for others while 28% see engagement as no higher for HiPos.

A good manager who values his or her role as a talent manager can work to build that trust and see it as an important part of his or her role in working to retain the right HiPos. Over time, as trust grows, the sharing of information will be less constrained by fear on either side, and the right decisions will more likely come when both parties feel that essentially, they share the same side of the table and are not adversarial in their goals and objectives.

[7] Reid Hoffman, Ben Casnocha, and Chris Yeh, The Alliance, (Boston, MA: Harvard Business Review Press, 2014), 6-7.



Conclusion:

Clearly many of today's organizations recognize the importance of their HiPos to their future success and are taking steps to hone their HiPo management processes. Yet there is much work to be done to better identify and fully release the potential of these key performers.

In review, while over 58% of organizations that responded have a formal process to identify High Potentials, only 36% are Very Satisfied or Satisfied with their method. As for the on-the-job training they provide to their HiPos, only 53% of respondents have formal Development Plans for them and only 34% believe that their HiPo development program is highly aligned or aligned with the organization's L&D strategy. This lack of alignment likely contributes to the finding that only 33% of respondents believe they are either excellent or good at retaining HiPos. It's all connected.

As has been suggested throughout this white paper, one thread that can connect the HiPo from identification to development to retention is that of the manager. He or she works most closely with the HiPo on a daily basis and thus has the ability to best hone in on the talent's:

- Motivation to be the best that they can be and contribute to something larger than themselves.
- Insatiable curiosity that propels them to explore new avenues and ideas.
- Keen insight that allows them to see connections where others don't.
- High level of engagement with their work and the people around them.
- Determination to overcome setbacks and obstacles. [8]

Still, while 95% of respondents rely heavily on the evaluation of the direct manager, only 10% of respondents rate their organizations as Excellent at having open and honest conversations about performance with HiPos. Only through a desire to truly communicate openly with talent can a manager hone in on who has the most potential with regard to the above-listed qualities as well as others. This takes time and a focus on truly wanting to play a role in developing and retaining HiPos.

Most managers are simply too busy with operational responsibilities to do so. And they aren't measured on that ability. As reported, only 11% of respondents indicate that managers are assessed on their ability to retain HiPos. A major way then, to improve on formal HiPo program performance, is to empower and incentivize direct managers to drive the careers of HiPos forward. Measuring the managers on their success in this regard is a start. Giving them more granular data on those HiPos is an additional way forward. As we've reported, only 20% of our respondents reported being Very Satisfied or Satisfied with the ability of their organization to track metrics associated with their HiPos. Only 24% of our respondents believe they can track engagement data for their HiPos. With inspiration (encourage them to be talent managers in addition to operational managers) and information (so they can learn as much as possible about their HiPos) come better communication, which in the end, is as big a part of the talent management game as any. The potential to better unleash our High Potentials is there. Smart organizations will take advantage.

[8] Claudio Fernandez-Araoz, It's Not the How or the What but the Who, (Boston, MA: Harvard Business Review Press, 2014), 208-209.



Section 5:
About

Talent Management Alliance LLC (TMA) is a global knowledge-exchange network dedicated to the advancement of strategic talent management and leadership development practices. Our mission is to provide a resource for business leaders around the world to find information and services to help recruit and develop the best employees and prepare their organizations for growth and increased revenue.

TMA's video portal showcases free content from various management related conferences and webcasts. TMA also produces a variety of conferences and networking events to help executives build and benchmark their talent management initiatives.

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