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The end of the boom: Identifying and developing the next generation of leaders

Boom! What happened to the Senior Leadership Team? The need to identify future leaders, or 'high potential' employees, has never been greater with many senior leaders in the baby boomer generation approaching retirement. So who are the next leaders in your organisation, what is high potential, and how can potential be predicted?



Some organisations are identifying high potential employees, some aren't. According to research conducted by Bersin & Associates in 2012, organisations with superior talent management practices generate 26 percent higher revenue per employee than their counterparts. This is just one example of numerous studies that provide a compelling argument for the implementation of high potential programmes.

Before you embark on identifying high potential employees in your organisation, there are a few things you should consider:

- Why identify and develop potential?
- What foundations need to be in place before we begin?
- What is potential?
- How can we identify potential?
- How can we develop high potential employees?

Why Identify and Develop Potential?

Organisations need effective leaders to achieve business strategy and maximise future success. While there is always the option of recruiting talent to fill leadership roles and inject fresh ideas, there is a risk that selected individuals won't 'fit', requiring time to assimilate into the culture and values of the organisation.

An organisation that invests in the identification and development of their employees achieves greater productivity through a highly skilled workforce, greater engagement and fewer grievances. Employees feel good when they are contributing meaningfully, and are being challenged and nurtured through development.

Identifying potential has many applications. For example, it is useful for high potential individuals to understand their future potential; helping them to manage their own work experience, involvement in assignments, development planning, life choices and career path. For the manager, understanding who has potential is useful so they can provide employees with targeted development opportunities. For HR, knowledge of the workforce bench strength can aid internal selection decisions and guide external recruitment needs. Senior leaders need to understand talent and potential to execute strategy.

If identifying and developing potential has positive outcomes for individuals as well as the organisation, why aren't more organisations implementing such initiatives? Unfortunately there are a few hurdles to jump in the creation of a successful high potential development programme, so a good foundation is crucial.

Laying the Foundation

To avoid the high potential development programme ending up in the 'too hard' basket, it is essential to reach agreement on the purpose and underlying principles of the initiative. Spend time nutting out the difficult questions to engage senior leaders buy-in. For example:

- What is the purpose and what outcomes do we expect from identifying and developing high potential employees?
- How will we integrate this information into business strategy, development programmes, and succession planning?
- How far out do we aim to predict potential (5, 10, 20 years), and is this realistic given employee turnover?
- What happens if a high potential employee's performance declines, does their potential also decline, and can they be dropped from the high potential programme?
- How regularly are senior leadership roles vacated for high potential employees to step in to?
- How will we develop the remaining 90 percent of employees who are not considered high potentials?

There is also debate on whether or not high potentials should be informed of their status. Research by the Centre for Creative Leadership found that, of the 199 high potentials surveyed, 77 percent placed a high degree of importance on being formally identified as high potentials. In organisations where high potentials were not formally identified, they were two times more likely to be seeking other employment. So if retaining your high potentials is important, be sure to let them know.

Informing your high potentials of their status is just the start of the process. You must be seen to be doing something to develop them

and have real plans to promote and extend them, otherwise they are likely to feel disgruntled and potentially perceive it as an underhanded retention strategy.

Take care to avoid creating a division between the 'haves' and 'have nots'. There is a potential risk that those who have not been classified as high potential may feel undervalued. This could have consequences on their level of engagement and commitment to the organisation. Weaving the high potential programme into the organisation-wide learning and development strategy can overcome these issues.

In addition to establishing a purpose and a foundation for the high potential development programme, agreement also needs to be reached regarding the definition of potential. Potential is associated with possibilities for the future, making it difficult to predict.

Potential for what?

When defining potential, take care not to confuse potential with performance. Don't assume that all high performers will be high potentials. The qualities that enable an individual to perform well in their current role, do not necessarily translate to other roles. For example, a high performing technical expert may struggle if required to lead others. In fact, there are three distinct groups to identify in any talent management system:

- High-Potentials (Hi-Pos): those who show signs of being promotable.
- High-Performers (Hi-Pers): those who are very good at doing their current job.
- High-Professionals (Hi-Pros): those who are knowledgeable about a specific functional area.

Each of these groups have different development needs.

Let's take a closer look at 'Hi-Pos', as this group is usually more difficult to identify. An individual with potential has the capacity to become something more than they currently are, perhaps taking on broader roles or different roles in the future. This requires some assumptions to be made about individual qualities that are desirable and predictive of future success.

Potential is commonly defined as:

- The potential to effectively perform as a senior leader.
- The potential to take on a broader scope of roles.
- The potential to perform a critical role.
- The potential to perform at two levels above their current role.

With a solid foundation in place and a clear understanding of potential, we can get to work identifying potential. This means understanding the work that people do, who is most successful, and who shows potential for developing into something more.

Identifying Potential

Differentiating high potential employees from high performing employees can be challenging. Research by Silzer and Church explored common components of potential, resulting in three dimensions:

1. Foundational dimensions: stable characteristics of an individual linked to success, e.g. cognitive ability, personality (interpersonal characteristics, resilience, emotional stability).
2. Growth dimensions: characteristics that can facilitate or hinder an individual's development, e.g. interest, motivation, ambition, pro-active learner, learning agility.
3. Career dimensions: early indicators of career success e.g. managing people, developing others, influencing people, knowledge/skill mastery.

These factors are common predictors of success across different job types. It is possible that there may be unique factors for predicting potential in specific careers, which should also be considered for specialist roles. The agility of high potentials is particularly important in organisations where roles constantly change and evolve. Be aware that predicting the potential of recent

graduates may be more difficult, as they have a limited track record of career success. In this case, more weight should be placed on the Foundational and Growth dimensions.

With clarity on the dimensions of potential, the next step usually involves nomination and assessment. Measuring the talent and potential of nominated individuals doesn't have to be a hugely time consuming and expensive ordeal. A report card, or dashboard, method is a good way to pull-together information from multiple sources.

The report card can include: KPI achievement, aptitude assessment results, personality assessment results, 360 feedback, individual aspirations and motivations, and critical experiences (portfolios managed, challenges overcome, successes). The report card includes qualitative and quantitative measures; determines whether an individual accurately fits into the Hi-Po, Hi-Per, or Hi-Pro category; and outlines the individuals development wants and needs.

The report card method does not need to be limited to senior leaders, or those with potential, but can be a useful developmental tool for everyone. Most importantly, the report card method empowers managers to have meaningful conversation with their employees regarding their aspirations and professional development.

Developing High Potential Employees

There is little point in identifying talent and potential if that information doesn't get used. This information can guide development initiatives and be used in workforce planning and decision making.

The development needs differ for Hi-Pos, Hi-Pers, and Hi-Pros. Typical development plans for each group may include:

- High-Potentials: prepare Hi-Pos for promotional opportunities by providing stretch assignments, expanding their breadth of responsibilities, job rotations or cross training, mentoring, and action learning.
- High-Performers: Hi-Pers need challenging assignments – assignments where they can take full ownership. They may also benefit from soft-skill development and project management, although this will depend on their individual needs.
- High-Professionals: Hi-Pros are functional experts who will enjoy developing in their specialist area through specialist study, experience, conferences, and reading. Soft skill development may be beneficial to ensure specialist knowledge can be communicated to others.

Hi-Pers and Hi-Pros may not see a clear career progression pathway as they may not have the skills to lead people. Consider creating specialist skill levels, where individuals can continue to grow and develop their expertise while still getting appropriately rewarded as they progress to each level.

Individual Development Plans created through discussion between manager and employee are a great development tool. In highly collaborative and high trust teams, individuals may benefit from sharing their development plans in order to assist each other's progress. Scheduled check-ins are vital for keeping the Individual Development Plan alive. Remember that time invested in assisting an individual to develop has a trickle-down effect, as that individual will in turn develop others.

Conclusion

As the senior leaders in the baby boomer generation approach retirement, having the systems in place to identify and develop the up and coming leaders is crucial. The long term viability of any business is dependent on having the right people with the right skills, knowledge and leadership capabilities in the right roles. Assessing the three dimensions predictive of future leadership success and differentiating between high potentials, high performers and high professionals will ensure you have necessary people in place to execute your long term business strategy. ■