

Finding & Developing High-Potential Employees

The Science Behind High-Potential Employees

From HBR & EJ4

The more potential they have, the quicker and cheaper it is to develop them.

- The Top 1% accounts for 10% of organizational output
- The Top 5% accounts for 25% of organizational output
- The Top 20% accounts for 80% of organizational output

Talented employees are “force multipliers,” raising the performance bar for their colleagues, and particularly their direct reports. Simply adding a star performer to a team boosts the effectiveness of other team members by 5-15%.

HiPo interventions should focus on predicting who is likely to become a key *driver* of organizational performance. People who will “consistently generate exorbitant output levels that influence the success or failure of their organizations.”

Ability

The first category concerns indications that an individual is *able* to do the job in question. However, in forecasting potential to excel in a bigger, more complex job at some point in the future, the question shifts to how likely an individual is to be able to learn and master the requisite knowledge and skill. The single-best predictor of this is IQ or cognitive ability.

Social Skills

Employees have to be able to get along and earn the support of supervisors and coworkers. The number one reason for managerial derailment is relationship problems. Employees likely to succeed in bigger, more complex jobs are first able to manage themselves – to handle increased pressure, deal constructively with adversity, and act with dignity and integrity. For senior roles, they have to be able to develop sophisticated political skills – the ability to read an audience, decode the unspoken rules, and find solutions that satisfy the often competing interests of key power brokers.

Drive

The third category concerns the will and motivation to work hard, achieve, and do whatever it takes to get the job done. *Drive* can be assessed by standardized tests that measure conscientiousness, achievement motivation, and ambition.

Companies are Bad at Identifying High-Potential Employees

A high-potential employee is usually in the top 5% of employees in an organization. These people are thought to be the organization’s most capable, most motivated, and most likely to ascend to positions of responsibility and power. To help these employees prepare for leadership roles in a thoughtful, efficient manner, companies often institute formal high-potential (HIPO) programs.

But when we looked at the participants in the HIPO programs, 12% were in their organization’s *bottom quartile* of leadership effectiveness. Overall, 42% were below average. This is a long way from the top 5% to which they supposedly belong.

There were four characteristics that these individuals possessed:

- **Technical and professional expertise.** People who are skilled technically but lack excellent leadership capabilities need to develop those skills.
- **Taking initiative and delivering results.** Senior leaders in an organization were willing to look beyond poor leadership skills for a person who was consistently self-motivated and productive.
- **Consistently honoring commitments.** This creates trust in an individual and a willingness to look past other skills that are not excellent.
- **Fitting in to the culture of the organization.** Paying attention to what is valued in an organization can help an individual get noticed.

Underperforming HIPOs were especially lacking in two skills: strategic vision and ability to motivate others.

Developing High Potential Employees

Once you've established who those individuals who are ready, develop them with these steps:

1. **Establish their strengths and weaknesses through assessment.**
2. **Give them "enrichment" course for where they are strong.**
3. **Give them candid feedback and training opportunities for where they are weak.**

For example, you might have an employee that shows potential but has problems with time management. Make clear the need to balance the various demands of the job, then offer some resources for addressing the issue.

4. **Reinforce their learning at every step.**

Only with reinforcement will you realize a positive ROI in training high-potential employees.

5. **Create a personal "track" to prepare them for bigger roles.**

The best thing to do is to encourage them to work independently when they can and track their progress.

6. **Set them up with a mentor.**

Set up your high-potential for success by pairing him or her with a mentor who fills a position the high-potential is being groomed for.

7. **Treat them like an investment.**

CFO: Why are we spending all this money on training our star employees? What happens if we train them, and then they leave?

Branson: Okay, good point. But let me ask this: *What happens if we don't, and they stay?*