

Identifying High-Potential Employees

And Maximising Their Effect



EXECUTIVE SUMMARY

For companies that lack candidates for leadership and other key roles, vacancies can be particularly damaging. If an organisation can't find a sufficient replacement in a timely manner, it may experience operational delays, output declines and, in some cases, severe financial effects. Internal talent resources can be a strong choice to fill unoccupied roles — particularly employees who possess exceptional potential and can be groomed to assume crucial positions in the future.

Proactively identifying high-potential employees can help your company target its development efforts to ensure they have the necessary skills certain roles require; but it can be a challenging undertaking. Potential isn't always an obvious trait, and it can be defined by different organisations in different ways.

To help your company fully realise employees' potential, this white paper will examine the qualities that can indicate a worker may possess a heightened ability to succeed; how talent managers can detect which ones might have an impact on long-term employment needs; the overwhelmingly positive effect they can have on an organisation — and effective strategies to engage and retain high-potential employees.

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In today's competitive talent market, to ensure maximum productivity and profitability, companies need to carefully plan to fill future positions.

Establishing a robust talent pipeline can help; but it's unlikely companies will be able to solely depend on external talent to adequately staff important roles.

Even if an organisation has time and manpower to identify, contact and track top candidates, there's no guarantee the professionals will be in the market for a new job when a position opens up. Some may want different amenities than the company is proposing. Others could be content with their current employer.

Pipelining initiatives often need to be combined with an effort to locate, retain and engage internal candidates who show the most promise — high-potential employees — who, with the right training and development opportunities, can transition, in time, into high-performing employees.

High-potential employees offer a number of benefits. In addition to an ability to make valuable contributions, as internal candidates, they possess a unique knowledge of the way the company operates, reducing the learning curve an external candidate would likely encounter. Their experience, combined with their inherent potential, makes them uniquely suited to ascend to crucial roles within an organisation.

In a recent [survey](#) of U.S. businesses, 83 percent of talent management professionals said positioning their organisation to meet anticipated future demand for leaders was a key driver for singling out employees with significant potential. Seventy-three percent said identifying high-potential employees has helped them improve organisational performance.

However, utilising internal candidate options is, somewhat surprisingly, not a focus for many organisations. Fewer than 30 percent of European companies feel they have an adequate amount of qualified successors to fill key positions, according to a global Harvard Business Review [study](#). In North America and Asia, just 15 percent of companies believe they have enough qualified talent on hand.

Half of the companies that participated in a separate [study](#) on high-potential workers published in the Harvard Business Review say their top teams spend less than 10 percent of their time developing high-potential leaders.

With the day-to-day duties most workplaces require, busy managers understandably sometimes struggle to find opportunities to assess employee potential.

Assuming capable internal or external candidates will be available whenever they're needed, though, is a risky endeavor. Without a talent development strategy in place, companies can face lengthy vacancies and unexpected skills gaps; and, as a result, they can also experience costly production delays.



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Nurturing high-performers — who are, according to CEB [research](#), 91 percent more valuable to an organisation than non-high potential employees — requires time and effort; but it's a worthwhile investment to ensure operational continuity. Recognising which workers possess above-average potential is the first step.



INDICATIVE EMPLOYEE CHARACTERISTICS

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Ideally, a widely circulated standardised test or proven list of traits could help companies easily spot high-potential workers.

Because companies' structure, culture, employment needs and other internal elements differ, though, the criteria each organisation uses to determine which traits indicate some of its employees may possess significant potential also often varies.

As a result, establishing a customised, defined process for identifying potential is typically more effective than trying to rely on a somewhat uniform list of potential-related qualities.

A number of companies have embraced a personalised approach: More than half of the participants in a 2015 Center for Creative Leadership [study](#), in fact, said their company has a formal identification process in place.

When identifying employee potential, some elements your organization may consider are:

Behavioural-Based Interviews

To help identify potential, 82 percent of top global companies use [behavioural interviews](#), in which scenario-based questions can provide a sense of specific capabilities the candidate possesses that may correlate to the role, according to Aon Hewitt's 2013 "Building the Right High Potential Pool" [report](#). Eighty percent utilise personality assessments.

High-Potential Characteristics

When asking for past examples of an applicant's work experience, several specific traits may indicate the person is high-potential candidate — including a strong commitment to excel at collective goals, instead of just personal ones; personal humility and a dedication to improve, according to [research](#) from Claudio Fernández-Aráoz, senior adviser at Egon Zehnder and a Harvard Business School executive fellow.

Fernández-Aráoz's research also detected four other characteristics that can suggest promising potential:

- Curiosity and a desire for new experiences, knowledge and input
- Insight that enables a person to collect and understand information
- Engagement, or the ability to employ logic and emotion to communicate a vision effectively
- A determination to work toward achieving challenging goals and respond well to adversity

Background Checking and References

References can also help you recognise and confirm potential.



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Unfortunately, 88 percent of companies have found applicants [included false or exaggerated information on their resume](#), according to background screening provider HireRight; written information you think indicates potential may not be completely accurate. Call the references candidates provide and ask about their leadership; goal setting (and achieving); general aptitude and other skills.

Former employers may convince you the candidate can offer significant potential — or inform you the person isn't the fit you were hoping for. Sixty-nine percent of employers said they have changed their minds about a candidate after speaking with a reference, according to a CareerBuilder [study](#); 23 percent said the conversation left them with a more favourable opinion.

Internal High-Performers

High potential can also be assessed from high performance when considering employees who are already within the organisation. A 2010 [study](#) found, for example, companies often identify the top 3-5 percent of their talent as employees who consistently, significantly outperform their peer groups in different scenarios, while also reflecting their company's culture and values.

Forty-two percent of companies classify potential by noting which employees have contributed something innovative and/or unique to the business, according to an American Management Association [survey](#). Seventy-four percent rely on the performance appraisal process, and 69 percent base it on senior managers' recommendations. Thirty-five percent of companies use peer input to identify high-potential employees.

Data-Driven Evaluations

Analyse data — retention rates, performance review scores and other information that applies to your high-potential pool — can help you determine if your identification program is working, or what changes need to be made. A number of companies don't pay attention to data; just 25 percent of leaders, in fact, use it in talent-related decision making, according to CEB [research](#). Given that CEB also found 73 percent of companies do not realise an ROI outcome from their high-performer programs, ignoring the insight data can provide seems to be a dubious choice.

Consider how half of companies gauge the quality of their hiring decisions — using new hire performance evaluations, according to a 2016 LinkedIn [report](#) on global recruiting trends — as one potential way to assess your high-performer program's effectiveness. Forty-three percent of organisations depend on hiring manager satisfaction; a written assessment could also provide helpful data. Are direct supervisors seeing consistently impressive behaviour that would suggest an individual is indeed a high-performer? Are high-performers making an impact through better-than-average work — exceeding goals you've set; voluntarily taking on additional tasks and participating in group initiatives, such as internal committees? If not, some may have been misidentified.



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Some organisations question whether or not they should inform employees they've been classified as having high potential.

Sharing the news — and maintaining it as management-only information — both present pros and cons. Making the news public can serve, for example, as a way to make a high-potential employee feel valued. Other employees may, at the same time, be inspired to work harder to showcase their abilities to managers and company leadership.

However, singling out high-potential employees could make them feel increased pressure to perform a certain way, or cause anxiety about the company's resulting expectations, according to the Center for Creative Leadership.

Publicly naming high-potential employees could, in theory, also cause other employees who were not identified as being high-potential to become frustrated, demotivated and possibly disengaged.

CCR's research indicates, though, that formally identifying workers is generally a good idea. Most reported positive feelings about the label; 77 percent actually placed a high degree of importance on being officially identified as a high potential employee in their organisation.

The declaration may also help with retention. Just 14 percent of formally identified high-potential employees were seeking employment elsewhere, according to the study's findings, compared to 33 percent of workers who were informally identified as being a high-potential worker and were looking for a job.

Retaining high-potential workers can be a considerable concern. To fully realise the impact that type of employee can have — and to gain the most significant return from the company's investment in the worker — an organisation needs to ensure the individual stays with the company.

Yet only 18 percent of organisations say they're effective at trying to retain high-potential workers, according to a [survey](#) of 562 senior managers and executives conducted by AMA Enterprise. One in four employers feel their efforts are actually ineffective.

Retention-Driven Strategy

Some companies have instituted specific initiatives to help retain high-potential workers. A few examples include:

- More than half (51.6 percent) use mentoring as an incentive, according to the [Society for Human Resource Management](#).
- Forty-seven percent of companies say they utilise individual development planning, and 46.8 percent use leadership programs to help retain high-potential employees.
- Roughly 44 percent utilise coaching or offer exposure to senior executives.



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- Soft-skills training (31.2 percent), technical training (27.6 percent) and functional training (24.6 percent) are also popular options.
- Other types of learning opportunities may also prove successful. Corporate Leadership Council [research](#) found modifying rising stars' work to adapt to changing circumstances — in their lives or within your organisation — and encouraging them to solve problems creatively had the biggest impact on high-performers' potential.

Recognition programs can also inspire high-potential employees — and may help transform other workers into high-potential assets.

In TINYpulse and Microsoft Workplace Analytics' study, the group of workers who received the most praise from colleagues essentially became communication hubs for the entire organisation — and were central to work getting done.

Employees in general, and high-potential workers, in particular, show an increased desire for recognition, according to a Corporate Leadership Council [report](#). High-potential employees rank the actual act of acknowledgment, in fact, as more important than the size of any associated reward.

Research indicates supervisors' role in the recognition process can have a profound effect. Employees who say their managers are effective at differentiating recognition exhibit effort levels that are 10 percentage points higher than workers whose managers take a more democratic approach, according to the CLC.

As with any recognition program, tracking ROI is important. Whichever method you choose — using positive business results attributed to program participants as a measurement, for example, as 46 percent of businesses do, or, like 43 percent, using program participants' reactions as a gauge — studies have shown measuring employee recognition program ROI can be beneficial.

Fifty-eight percent of companies that tracked their widespread recognition program results saw higher profit margin return, according to nonprofit human resources association [WorldatWork](#).



CONCLUSION

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Growth and competitive pressure have caused an increase in the demand for high-potential talent in the past five years, according to at least one recent [study](#).

Identifying which workers may possess additional potential, however, isn't always easy. Nearly half of the workforce has a less than 5 percent chance of being a top performer at the level above their current position, according to the [Corporate Leadership Council](#).

Finding and fostering that rare talent is becoming increasingly more important — and will likely continue to be, as companies face an ongoing struggle to locate qualified professionals to fill key roles. Almost half of the talent professionals the Kenan-Flagler Business School spoke to for its recent survey estimated the current candidate pool will fail to meet their impending leadership requirements.

The search for high-potential talent starts with outlining the leadership and other role-related needs an organisation anticipates will arise in the future.

Once those have been defined, you'll be able to identify the vital components each position entails, and determine which employees have exhibited high-potential behaviour and either have or may be able to learn the necessary skills each role requires.

Your organisation can then provide high-potential employees with the appropriate training, development, mentoring and other opportunities to encourage their growth. Eighty-six percent of organisations have seen significant to moderate returns on investments they've made in high-potential employees, according to CLC research.

Reducing your organisation's succession-based risk is a process that won't happen overnight; vetting employees' potential takes time. Professional development typically does, as well.

However, preparing high-potential workers to take on additional responsibilities in the future can have an overwhelmingly positive effect. With pre-emptive planning, you'll be able to encourage valued employees to stay with your organisation; protect the company against vacancy-related issues that could occur years from now — and, perhaps most importantly, make operational stability an expected scenario — instead of little more than a fervently desired outcome.



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