



Talent Reviews and High-Potential Identification: Overcoming Five Common Challenges

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The annual organizational talent review has been one of the fastest-growing talent management practices in recent years. This makes sense when one considers the purposes of the talent review process:

- > Attain a broad view of the readiness of leaders to meet the current and future needs of the business and its strategy.
- > Gauge the health of the organization's pipeline of leadership talent.
- > Take inventory of talent on an individual basis to identify performance gaps.
- > Align individuals' career interests with opportunities for growth or development.
- > Identify high potentials for accelerated assessment and development in preparation for more-senior-level roles.
- > Identify near-term successor candidates for most-critical roles.

Approaches to conducting talent reviews vary from organization to organization, but most include a process for high-potential identification. High potentials, sometimes referred to as "top talent" or "acceleration

pool members," are those individuals believed to have the best chance to rapidly grow their capabilities and fulfill the requirements of advanced strategic roles in the future (fulfilling a grow-from-within strategy).

However, the outcomes of talent reviews and high-potential nomination do not appear to be meeting the needed demand. According to DDI's latest Global Leadership Forecast (2011), organizations' ability to identify and prepare high potentials remains weak overall. Only 18 percent of HR professionals surveyed rated their organization as strong in its available bench strength to meet future business needs.

By most definitions, an acceleration pool of high potentials represents a critical investment of time and resources. The decision to nominate individuals into an acceleration pool is not to be taken lightly. Much like one's personal decision to invest in a stock or mutual fund, the process for identifying high potentials requires due diligence, clear criteria, accurate data, and careful decision making. But when we examine common

practices for identifying and nominating high potentials, we quickly see that, unfortunately, these important decisions are often undermined by a lack of due diligence, vague criteria, and questionable accuracy.

Discussed below are common issues and challenges inherent in high-potential evaluation and nomination processes, along with recommended solutions to put your nomination process on the right track.

Challenge #1: The Evaluation of Talent is Buried in the Larger Talent Review Process

As mentioned, the evaluation and nomination of high potentials is often embedded as a component of a larger talent review process. The logic for this makes sense—when reviewing a talent portfolio, it stands to reason that it's logical to call out those who have the potential for significant leadership growth. After all, during the typical high-potential rating step in the talent review process (placing individual names on a nine-box grid indicating their level of current performance and degree of future potential), the critical task of evaluating talent often isn't afforded the time and rigor it deserves. Frankly, this neglect can amount to a dangerous process gap that prevents an organization from making accurate talent decisions and ensuring the right high potentials are selected for accelerated development.

Solution:

Create focus and rigor by making certain that the managers involved in the talent review have clear direction for evaluating and nominating high potentials, accurate definition to guide discussion and decision making, and adequate rating instructions.

Once prospective high potentials have been identified, engage in a more thorough evaluation and facilitated consensus-reaching to ensure that the process yields the right quality and quantity of high-potential talent.

Challenge #2: Too Much Time is Wasted on Rating Too Many

A common practice in talent reviews is to have managers evaluate all direct reports on potential. But generating a pool of high potentials by rating everyone, even lower performers or newer people, can bog down the talent review, limit the amount of discussion about those who should be seriously considered, and cause your leaders to push back on the process. Keep in mind that the idea of a top-talent or acceleration pool is to be selective—to identify a relatively small number of individuals as prime investment targets.

While it is true that there are situations where some people may have potential but they are just currently in the “wrong role” for their talents, it still may not be necessary to take the time to rate all of a manager's direct reports on potential or plot them on a nine-box chart.

Solution:

Consider limiting the talent review (or other broad screening) to designating initial prospective high-potential candidates, and then employ needed criteria, tools, and consensus-building techniques to more thoroughly consider their candidacy. Although high-potential nomination “fits” with the spirit of inventorying talent, as we will discuss below, more due diligence is required to make the best talent investment decisions. Keeping the evaluation process zeroed in on high-potential designation will

focus managers' precious time and attention on only those who deserve this more in-depth consideration.

Challenge #3: Potential is Poorly Defined

Even as the talent review has become a well-established process, high potential remains a somewhat vague concept. Many organizations continue to use either level-based estimates of potential, such as "has the potential to develop and perform at two grades higher than current level" or time-based judgments such as "ready now, ready in one to two years, or ready in three to five years." Even though these frames of reference have a simple, intuitive feel to them, they are also subject to vast differences in opinion and the rater's own preferences and biases on what constitutes potential.

Another challenge with these inexact ways of considering potential is that they leave out a critical variable: development (motivation, opportunity, and execution). Motivation and diligence in developing, as well as the development opportunities made available, will have considerable impact on individuals' ability to reach their potential. When a more clear and consistent set of criteria is used to determine potential, such oversights can be avoided.

Solution:

Replace intuitive definitions of high potential with standard, research-based factors that are predictive of future potential. DDI's research has identified 10 high-potential factors: Propensity to Lead, Brings Out the Best in Others, Authenticity, Receptivity to Feedback, Learning Agility, Culture Fit, Passion for Results, Adaptability, Conceptual Thinking, and Navigates Ambiguity.

What's notable about these factors is that they are more like personal attributes than competencies. Future potential must, of course, be based on a solid track record of performance, but these 10 factors are the real differentiators for potential in accelerated development. Taken as a whole, they address motivations, learning orientation, and propensity to deal with the increasingly ambiguous, complex, and dynamic nature of strategic roles.

When evaluators use the 10 factors to rate nominated high potentials and actively participate in a consensus-building discussion, the evaluators' ability to yield a high-quality acceleration pool is significantly enhanced. In one study, high-potential nominees evaluated higher on the high-potential factors were found to perform significantly better in subsequent competency-based assessments (using an assessment center).

Challenge #4: Potential is Confused with Readiness

As discussed above with the notion of time-based predictions of potential, often a determination is made that a high potential exhibits readiness for a senior-level role or job. While these judgments usually represent nominators' "best guess" of the high potential's possible trajectory, such determinations are often reached because there is confusion between what constitutes potential and what defines readiness.

Put simply, the judgment of potential is based on whether the individual has the motivations, development orientation, balanced focus on values and results, mastery of complexity, and other attributes needed for more senior or strategic levels.

Readiness, on the other hand, is a determination of how ready the high potential is to perform in various target jobs or stretch roles, when judged against specific business and leadership requirements. This is a question of whether the individual has the needed skills/competencies, experiences, and knowledge, as well as the personal attributes required to be successful. Judging potential and judging readiness are two different things, and they demand different criteria.

Solution:

Be careful to clarify terms, and design and utilize the appropriate tools and measures for determining both potential and readiness. It is helpful to think about the two concepts, potential and readiness, as sequential steps in a succession or high-potential

development process. For example, the concept of potential is instrumental in filling your talent pipeline with high potentials. It operates like a screening process to invite in the most promising talent into the acceleration pool; however, to answer the question of readiness, more in-depth assessment is needed to evaluate the capabilities required for success (competencies, experiences, knowledge, etc.).

In addition, elements of the individual’s current performance are oftentimes confused with potential. For the purposes of talent review and high-potential pool nomination, the concepts of performance, potential, and readiness should be clarified. The table below shows the differences between these concepts:

| CONCEPT | WHAT IT MEANS | KEY PROCESS COMPONENTS |
|--------------------|--|---|
| Performance | An individual’s level of success in executing objectives in one’s current (or past) roles. Often includes demonstration of competencies required for current (or past) role. | Usually assessed as part of the performance management process (process should include evaluation of objectives and competencies). |
| Potential | The likelihood that an individual can develop into a successful leader with significantly expanded, higher-level leadership responsibilities. | Focused high-potential nomination, evaluation, and consensus-building process using predictive factors (criteria) of potential. |
| Readiness | The degree to which an individual’s competencies, experiences, knowledge, and personal attributes meet the requirements for a role or job family. | Assessment against the success profile for a role or job family, utilizing appropriate assessment tools (i.e., assessment centers or similar approaches). |

Another important clarification is the difference between an individual who is “promotable” and one who is truly a high potential. Sometimes talent reviews yield designations of promotable individuals. These are usually people who, because of their experience, mastery of work processes, and demonstration of “next-level” competencies, are seen as capable of meeting the requirements of the next leadership level. High-potential designation implies that the individual has the capacity, motivation, and talents to significantly develop into a senior or strategic leader. The promotable designation, on the other hand, is much more incremental and may imply that the individual may not necessarily qualify for roles higher than those at the next level.

Challenge #5: Managers are Under-involved

For many organizations today, attracting, developing, and retaining talent has risen to the level of a strategic business priority, and for good reason. At the same time, there often is a push to make the high-potential-rating process as easy as possible, relying on “quick and easy” rating methods that can lack the rigor and discipline required to yield high-quality results.

For example, sometimes, tests and inventories are administered to prospective high potentials in order to reduce the administrative burden on managers. Unfortunately, though, the breadth of testing measures is limited compared to the range of factors needed to determine potential and accurately identify high potentials. Despite these simplification efforts (which are, in actuality, oversimplifications) talent management remains a mysterious “black box” to many managers, yielding outcomes that may breed skepticism and disengagement from critical

processes. What’s more, when testing approaches are used instead of manager input, managers are also likely to be less invested in high potentials’ development.

Although managers may initially appreciate that they have fewer demands placed upon them, the more typical eventual outcome is their reduced involvement at critical points. Managers (those nominating and/or rating high potentials) are usually the best and most frequent observers of behavior, and they need to be educated and relied upon to carefully evaluate and make decisions about high potentials. They need to be conversant in the criteria for high potentials and fully engaged in the evaluation and consensus process by which high potentials are selected.

Solution:

Be sure to engage leaders and managers from the start. As with any other implementation, communication is vital to attain buy-in, set expectations, and establish processes, roles, accountabilities and metrics. Leaders need to be oriented to the prescribed criteria for high-potential leaders. They must understand the rating process, the tools they will use, and the consensus-building process required to effectively and objectively discern potential in the individuals begin considered.

In addition, managers, as guardians of the enterprise’s talent, by deeply understanding what determines potential leaders can serve as “talent scouts” at other times during the year. By adopting the language and definitions into their observations and dialogue on a more ongoing basis, managers will be better equipped to spot potential more proactively (including identifying hidden talent that may not otherwise be discovered by only thinking of potential once a year).

FINAL THOUGHTS

The high-potential identification process is vital to filling an organization's leadership pipeline. Beyond routine internal promotion processes or development efforts, this nomination process really represents an investment decision, just like an investment in product development, a marketing launch, or any other business opportunity. Time, budget dollars, and energy need to be invested in assessing, developing, coaching, awarding assignments, and retaining high potentials. The due diligence and response

to common design and execution challenges, such as those discussed in this white paper, will no doubt determine the return on the high-potential investment.

Outside perspective and knowledge often are helpful as organizations define their needs and goals, gather data, and execute a high-potential evaluation and nomination process. DDI offers a range of tools, solutions, and expertise to help organizations assess, identify, and develop their high potentials. To learn more, visit www.ddiworld.com or contact your DDI representative.

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