

Identifying High Potential Employees

A white paper by
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The process of identifying high potential employees and developing those employees to take on critical roles in the future is vital to organizational competitiveness. Identification and development are two separate concepts. Although both concepts are important, organizations would be wise to put particular emphasis on how they go about identifying high potential employees. The emphasis on identification is imperative because not all employees are equal. Some employees perform better than others, some have more knowledge, and some are just more motivated. It is the proper assessment of these individual differences between employees that should be the foundation of any succession management or leadership development program. An organization should be able to classify employees based on their potential to succeed at higher levels or in critical roles within the organization. This process of classification is necessary in order to fully understand the extent of employee development needs. In other words, identification drives development.

There is a wide range of assessment procedures organizations employ to identify high potential talent. These assessment procedures are listed in order of increasing level of sophistication:

- **The Buddy Approach.** This approach is characterized by people with decision-making authority identifying their “buddies” as high potential. Comments used by decision makers that characterize this approach are, “John is a good guy, we should plan on promoting him” or “I like John, let’s give him the job when it’s available.”
- **The Tenure Approach.** This approach is characterized by promoting or identifying employees that have been with the company the longest. The general theory is that the person has paid his or her dues and therefore should be moved into a critical role. Another rationalization for this approach is that the employee, because of his/her longevity with the company, must have acquired the appropriate knowledge, skill and ability to be successful in a more critical role.

White Paper

- **The Manager Appraisal Approach.** This approach is characterized by having a manager identify a subordinate for promotion or special development based on the manager's independent judgment of what high potential means. In this approach, managers are usually left to their own devices to develop criteria from which they base their decisions.
- **The Decision-Makers Consensus Approach.** This approach is characterized by decision-makers meeting as a group to discuss employee suitability for promotion or special development. Although better than the previous approaches, there is usually little in the way of criteria to help articulate what is meant by potential. This can result in unproductive or inaccurate decisions.
- **The Criteria Based Approach.** This approach is characterized by having criteria that articulate how a high potential employee behaves. Decision-makers are required to use these criteria to identify talent and to justify their choices. Typically, assessment tools are used to help measure the criteria. Examples of such tools are multi-rater feedback (360-degree) and assessment centers.

With the exception of the criteria based approach, the consistent problem with these approaches is that there is no common language (criteria) from which to make decisions.

The lack of a common language or set of standards, results in an inconsistent process of talent identification because decision-makers base their judgments on their own perceptions of what is important, and these perceptions may vary. Without a common language there is no standard way to measure employee potential. When decision-makers use their own perceptions of what potential means they tend to identify those employees that are most similar to them, while ignoring equally if not better qualified employees. This can be dangerous because innovative ideas and new and diverse ways of thinking are stifled. Another problem is that if decision makers are not held accountable to use a common set of criteria to identify potential it makes hiding talented employees easier. Hiding talented employees is not an uncommon occurrence, especially if the employee

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makes the decision-maker look good. The criteria based approach can reduce instances of these problems but organizations should be aware of some common mistakes when implementing this particular approach.

The biggest mistake made by organizations when implementing the criteria approach is the development of criteria that are too difficult to measure. For example, consider the concept of strategic ability. Strategic ability is a wildly popular criterion that many organizations identify as being important to success at higher level and/or critical positions. Some ways that strategic ability has been defined are:

- The science and art of conducting an activity in its large scale and long-term aspects.” (Lexicon Publications, 1989)
- “The use of skill in achieving a purpose.” (Lexicon Publications, 1989)
- “Focused energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. (www.allianceonline.org)
- “A disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.” (www.allianceonline.org)

At first glance, these definitions can be useful in defining the concept of strategic ability at a high level. With that said, using these definitions to determine whether a individual employee is strategic or not would be very difficult. Although it may be argued that these diffuse definitions may be better than nothing at all, they still leave much room for interpretation.

Given these issues, what should an organization do to better identify high potential employees? The simple answer is that decision makers need to agree on exactly what high potential means, and then document it. This can be achieved through three steps:

White Paper

1. Identifying high potential criteria
2. Making high potential criteria measurable
3. Creating tools to measure high potential criteria

Following these three steps can create a process by which to measure and identify high potential employees.

Identifying High Potential Criteria

Criteria refer to qualities, characteristics, skills, and abilities that an individual needs to have or exhibit to successfully perform the requirements of a given position. To begin the process of identifying high potential criteria, a series of questions should be asked:

- What does the company look like now?
- What will it look like in two, three, and four years from now?
- What is the company's strategy?
- What will it take to execute that strategy from a talent perspective?
- What positions will be critical in the future?
- What will it take to operate in these positions? What type of people do we want in these positions?
- What experience will they need? Why?
- What knowledge will they need to possess? Why?
- What behaviors or competencies will they need to exhibit? Why?

This is not an exhaustive list of questions, as many other questions may need to be asked. Generally, the answers to the questions should produce high level criteria needed to be successful in a given position or group of target positions. For example, the need to be strategic, adaptable, customer focused, etc. The high level criteria will serve as the framework for the next step in the process.

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Making High Potential Criteria Measurable

Once high level criteria have been identified the next step is to make it measurable. At this stage, it behooves an organization to have a professional facilitate this process in order to elicit the level of clarity needed to make the criteria measurable. For example, to make the criterion of strategic ability measurable the organization needs to begin by asking the following types of questions:

- What does a strategic person do?
- How do you know if a person is strategic or not?
- What observable actions indicate that a person is strategic?

The answers to these questions should help to crystalize how a strategic person behaves. Some behavioral indicators of a strategic employee might be that he or she:

- Anticipates where the market is headed and who the stakeholders will be
- Integrates all departments under chain of command in order to deliver a new product or service to a particular market

These indicators describe actions that can be observed (e.g., anticipates, integrates). For example, consider the word “anticipates”. Is it possible to tell whether a employee can anticipate where a particular market is headed and who the stakeholders will be? The answer is yes. Has the employee ever talked about his/her thoughts on a particular market and guessed at what was going to happen and been accurate? Has he/she ever discussed who the stakeholders would be and been accurate? If so, then that person is strategic based on the observable behavioral indicators. Behavioral indicators provide clarity for high potential criteria and make it observable and measurable. The next step is to develop reliable tools to measure the criteria.

Creating Tools to Measure High Potential Criteria

If an organization is going to go through the exercise of creating its own custom criteria, which is highly recommended, then it should also look to

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develop custom tools to measure the criteria. During this step, it is very important that an organization contact professional help as the construction of proper measurement tools is a technical process that is beyond the scope of this article. Additionally, depending on how the measurement tools will be used there may be legal ramifications that need to be considered.

One of the most useful tools in measuring high potential criteria is multi-rater assessments (360-degree). Multi-rater assessments are used to gather information on a variety of observable behaviors from multiple sources (e.g., peers, subordinates, supervisors, customers, etc.). These assessments can be a great source of information because they provide a more complete picture of an individual. Other examples of measurement tools include performance tests or assessment centers. Performance tests and assessment centers are much different from multi-rater assessments in that they are role play exercises of scenarios or hypothetical situations that an employee is likely to face. The role play exercises are highly structured and measure criteria by observing how an employee behaves when handling certain situations. For example, an employee might be asked to role play a situation in which he/she must deal with an angry or upset customer. The effectiveness of the employee's behavior in handling the situation are observed and rated by trained individuals.

The most important tool for identifying high potential employees is the talent review meeting. The talent review meeting is where the proverbial rubber meets the road. These meetings are structured to review employees and any assessment information that has been collected. During these meetings, decision-makers use a common language to review, discuss, agree, disagree, and ultimately make informed decisions about which employees are high potential, how these employees will be treated, and how they will be developed. Given the emotional connection that many decision-makers have to their employees it is wise to have these meetings facilitated by a third party. The reason being is that a third party can help challenge the thinking of decision makers, and also verbalize things that might otherwise go unsaid. A third party can provide an objective perspective and use any information gathered from assessments to remove the emotion and help an organization make the most objective decision.

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An organization that is truly looking to gain a competitive advantage through talent needs to ensure that proper strategies are in place. Using the three steps outlined in this article can help to ensure well constructed talent identification processes and procedures are in place. By implementing these strategies, an organization can gain a competitive advantage by creating a common language, reducing decision-makers' tendency to choose employees most similar to them, and reducing decision-makers' ability to hide talented employees.

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