

# Identifying & Developing High Potential Employees

## ERC Survey Briefing – December 2009

### Overview

High potential employees – your organization’s best performers with potential to move up in your organization. Some organizations call them high potentials and others call them emerging leaders or other similar names. Regardless how they are labeled, these individuals are usually identified and developed into future roles in the organization. In November of 2009, ERC conducted a survey on organizations in Northeast Ohio to determine how local employers are identifying and developing high potential employees. The survey sought to explore issues such as how organizations define high potentials, how high potentials are developed across various levels in the organization, and high potential program effectiveness.

### Key findings in the survey:

- Many organizations define high potentials similarly, naming comparable characteristics and behaviors that distinguish these employees from others.
- Most organizations identify high potentials through their performance management system or by supervisory/managerial observation and recommendations.
- The majority of organizations identify and develop high potentials at every level in the organization.
- Training and workshops is the most common method used to develop high potentials.

- Most organizations do not require that high potentials have a specific tenure or length of service with the organization before they begin to be developed for future roles.
- Financial and time constraints were cited as predominant obstacles in instituting programs, initiatives, or processes for developing high potential employees.

## What Distinguishes High Potential Employees?

High potential employees are described by organizations as ambitious, motivated to improve, honest, confident, self-assured, flexible, analytical, customer-focused, respected by peers, and interested in advancement and participating at a higher level within the organization. They are characterized as having a positive attitude, strong work ethic, business acumen, personal integrity, accountability, decisiveness, professional image, intellectual rigor, teamwork, fairness in dealings with others, and sense of urgency.

According to responding organizations, high potentials demonstrate the following types of behaviors. They show passion for their jobs and the organization, exhibiting energy and an eagerness to make changes and move the company forward. They demonstrate a strong sense of self, interpersonal, and organizational awareness. They exhibit flexibility, cooperate and work well with others, work effectively with a wide range of personality types, foster long-term relationships with people at all levels of the organization, influence peers and supervision, and inspire others to action. They are active in the community and networking. They appreciate diversity and view differences between individuals as an asset. They are strong oral and written communicators and can clearly express ideas/thoughts well in groups and in one-on-one conversations and convey written information clearly and effectively through both formal and informal documents.

High potentials are innovative and leave a path of improvement. They are willing to fail, recognize the need for new or modified approaches, and identify creative solutions to problems. They readily adapt to change and new technologies. They seek out learning opportunities and feedback, look for new challenges, set more challenging goals for themselves, and/or ask for more difficult work. They assist

other positions within and outside the department. They take constructive criticism and use it to develop themselves. While they fully handle "regular" duties, they also take on additional projects and lead, train, and mentor others.

High potentials solve problems and execute at a high level. They take initiative, think strategically, and show an understanding of issues relevant to the broad organization and business. They show a strong orientation towards results. They think critically, make decisions, and demonstrate strong technical expertise within their area of responsibility.

## Identifying High Potential Employees

The most common ways organizations identify who their high potential employees are is through the performance appraisal process. Line managers commonly observe their employees and recommend high potentials for future roles within the organization.

In a few cases, high potential employees are identified using a more structured approach, such as a formal talent assessment:

- At one company, a group of staff members were interviewed by the President, COO, and HR Manager in regards to what their long-term goals were, how they might achieve those goals, and how the organization may or may not be able to assist them.
- Executives engage in a talent assessment process to identify high potential employees at another organization.
- Another organization uses potential tier rankings, developmental dialogues, and assessments to identify high potential employees.
- One organization uses feedback from three sources: clients, coworkers, and supervisors to identify high potential employees.

Ninety-percent of organizations currently have high potentials at mid-level or higher. Three-quarters of respondents have high potentials at the entry level. At least 60% of employers develop high potentials at all levels.

**Figure 1 | At what level(s) in the organization do you currently have and develop high potential employees?**

	<b>Currently Have High Potentials</b>	<b>Develop High Potentials</b>
Entry	75%	69%
Mid-Level (Non-Supervisory)	90%	60%
Supervisory	90%	68%
Managerial	90%	60%
Director	93%	71%

## Developing High Potential Employees

Many organizations are developing high potential employees across all levels. Training and workshops are the most common developmental opportunity offered to high potentials and stretch assignments are the least common. Organizations frequently cited using 3-4 developmental opportunities to enhance high potential employees' skills – usually any combination of training and workshops, mentoring or coaching developmental plans, and assessments.

**Figure 2 | Are any of the following developmental opportunities provided to high potential employees within these levels?**

	<b>Assessments</b>	<b>Coaching</b>	<b>Developmental Plans</b>
Entry	58%	38%	47%
Mid-Level (Non-Supervisory)	46%	41%	41%
Supervisory	41%	46%	46%
Managerial	42%	63%	46%
Director	44%	50%	33%

	<b>Mentoring</b>	<b>Training &amp; Workshops</b>	<b>Stretch Assignments</b>
Entry	47%	68%	26%
Mid-Level (Non-Supervisory)	46%	82%	27%
Supervisory	36%	86%	27%
Managerial	42%	88%	42%
Director	39%	89%	33%

Organizations also cited other types of development opportunities offered to high potential employees including creating a special position to test an individual's ability to be creative or demonstrate leadership, assigning an individual to develop a new market or channel, involving them in strategic planning meetings, giving them client project work, and enrolling them in a long-term leadership development program.

Organizations try to develop or enhance many different types of skills in high potential employees at various levels of the organization. For entry level employees, they focus on developing the following skills: attitude and flexibility; business acumen; communication (verbal and written); customer service; ethics; generation of innovative ideas; influence among peers and supervision; interpersonal, emotional, and social competencies; job specific, technical, and basic professional skills related to performance in current role; networking and relationship building; problem solving; teamwork; and time management.

For mid-level (non-supervisory) employees, organizations focus on similar competencies, but more so on supervisory skills. These skills include: attitude and flexibility; communication (verbal and written); interpersonal, emotional, and social competencies; job specific, technical, and basic professional skills related to performance in current role; leadership; people management; problem solving; supervisory; and teamwork.

For supervisory employees, organizations commonly develop skills in coaching, communication (verbal and written), emotional intelligence, finance, leadership, management, mentoring, performance reviews, problem solving, public speaking, strategic thinking, teamwork, and time management. Similarly, managers are trained in change management, coaching, communication (verbal and written), emotional intelligence, finance, leadership, management, problem solving, strategic thinking and planning, team building, and team leadership.

Finally, director level employees are developed in such skills as change management, decision effectiveness, executive development, finance, innovation, judgment, leadership, management, planning, sales, strategic thinking, and team development.

Few organizations (9%) require that high potentials have a specific tenure or length of service with the organization before they begin to be developed for future roles in the organization. Among the organizations that did require a specific tenure, the most common lengths of service were 90 days and 2 years.

**Figure 3 | Do you require that high potentials have a specific tenure or length of service with the organization before they begin to be developed for future roles in the organization?**

	Percent
Yes	9%
No	91%

At most organizations, executives, managers, and directors are responsible for identifying high potential employees. Managers are primarily responsible for developing high potentials.

**Figure 4 | Who is responsible for identifying and developing high potential employees at your organization?**

	Identifying High Potentials	Developing High Potentials
Supervisors	56%	48%
Managers	72%	72%
Directors	68%	52%
Executives	84%	56%
Human resources	44%	48%
High potential (themselves)	20%	40%
No specific individual	8%	8%

Programs which develop high potential employees tend to have moderate structure – meaning that while high potentials are given stretch assignments, opportunities for training, and informal mentoring or coaching, there is no formal development plan in place for high potentials. Highly structured programs were not common among responding organizations.

**Figure 5 | Which of the following best describes how your organization develops high potential employees in your organization?**

	Percent
Program has no structure. High potentials are responsible for developing themselves and are provided few, if any, tools to assist them in their development.	4%
Program is loose in structure. High potentials are given stretch assignments that contribute to their development and/or provided with opportunities for training.	21%
Program has moderate structure. There is no formal development plan in place, however high potentials are given stretch assignments that contribute to their development and are provided with opportunities for training. Informal mentoring or coaching may also be provided.	71%
Program is very structured. High potentials have an individual development plan in place. They are given stretch assignments that contribute to their development and are provided with opportunities for training. Mentoring and/or coaching are also provided. Formal assessments may also be used.	4%

All organizations report that they pay for training or workshops to develop their high potential employees, signifying the commitment organizations have to providing educational opportunities to their high potentials.

**Figure 6 | Does your organization pay for training or workshops to develop high potential employees?**

	<b>Percent</b>
Yes	100%
No	0%

The types of training or workshops organizations pay for largely depends on what the employee needs, what courses they desire to take, and what the position requires. Typically organizations pay for anything (within their budget) that is related to employees' current positions or positions the employee would like to develop into in the future. The interests of the employee are primarily taken into consideration. Supervisory, management development, leadership, change management, and interpersonal programs were cited as the most popular programs organizations subsidize.

**Figure 7 | Does your organization pay for any other type(s) of development for high potential employees?**

	<b>Percent</b>
Yes	42%
No	58%

Other types of development paid for by organizations to enhance the skills of high potential employees include personal coaching, outside programs, tuition reimbursement, professional organization membership fees, and management development programs.

## Effectiveness of High Potential Programs

In organizations' current programs, on average, 33% of employees have been promoted. The promotion rates reported by organizations ranged from 2% (minimum) to 100% (maximum). The median percentage of employees that have been promoted was 23% (25<sup>th</sup> Percentile = 4%, 75<sup>th</sup> Percentile = 42%).

The majority of respondents (42%) say their current program or initiative to develop high potential employees in their organizations is moderately effective. One-third of respondents say their program or initiative is slightly effective and less than one quarter (21%) of organizations say that their program or initiative is effective or very effective.

**Figure 8 | To what degree do you feel your current program or initiative to develop high potential employees in your organization is effective?**

	<b>Percent</b>
Very Effective	0%
Effective	21%
Moderately Effective	42%
Slightly Effective	33%
Rarely Effective	0%
Not Effective	4%

Organizations state many obstacles in instituting programs, initiatives, or processes for developing high potential employees. These barriers include:

- **Financial constraints** – budget dollars cut for development resources and training, particularly with economic considerations
- **Time** – lean staff makes it difficult to pull some into training or stretch projects, development focus is often lost
- **Slow company growth** – high numbers of high potential employees but not enough positions to create a career path or growth opportunities for everyone
- **Small/mid-size organization** – individuals are needed in their current roles and there is no plan in place to allow high potential employees to move into higher roles in the organization
- **No structured program** – limited staff to organize training and development opportunities, no one to manage the process, developing a program from the ground up

In conclusion, while organizations appear to be able to identify their high potentials and show a commitment to developing them, these obstacles prevent them from developing more effective programs.

**Figure 9 | Respondent demographics by industry and organizational size**

Number of organizations	26
<b>Industry</b>	
Manufacturing	33%
Non-Manufacturing	50%
Non-Profit	17%
<b>Organizational size</b>	
1-50	26%
51-200	35%
201-500	13%
501+	26%

## About ERC

ERC is Northeast Ohio's largest organization dedicated to HR and workplace programs, practices, training and consulting. ERC membership provides employers access to an incredible amount of information, expertise, and cost savings that supports the attraction, retention, and development of great employees. We also host the nationally recognized NorthCoast 99 program and sponsor the ERC Health insurance program. For more information about ERC, please visit [www.ercnet.org](http://www.ercnet.org).