

# THE PARADOX OF IDENTIFYING HIGH POTENTIAL TALENT

SEPARATING FACT FROM FICTION

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THE TALENT  
ENTERPRISE

## INTRODUCTION

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Why should companies focus on talent? The facts are clear. In a recent article by Harvard Business Review (2017), employees considered to be top talent outperform average employees consistently. Based on the complexity of the role, top employees deliver 50-200% higher contribution than the rest of their colleagues. This directly translates into higher company performance, where organisations with greater leadership benchstrength deliver 2X revenue and growth in profitability (Corporate Executive Board, 2014).

*Talented employees can also be considered 'force multipliers' raising the bar for their colleagues, and particularly for their direct reports.*

Without a doubt, prioritising investment in the right people directly translates into business returns for companies and businesses world over. This raises important questions about how employers go about the process of identifying talent and building their leadership pipeline. Who is considered talent? What is potential? How is high performance different from high potential? Are these terms even meaningful or are we at risk of adding more complexity and in danger of damaging employee's prospects by labeling them inappropriately?

## UNDERSTANDING POTENTIAL

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Within the human capital community, we are often guilty as charged of using a lot of jargon and buzz words, which often means something quite different when received by organisational leaders, managers and employees compared to the message we intended to communicate.

*One of the most frequently overused, and arguably most frequently misunderstood word is 'potential'. Tell any employee that they are considered high potential, and most times, they could equate this with getting promoted, getting a raise and progressing in their career.*

According to the Merriam Webster dictionary, potential is described as 'capable of being but not yet in existence', 'latent', 'having possibility'. Human behaviour is complex already, and unlike performance measures, which tend to be a bit more black and white, assessing 'something that doesn't currently exist', i.e. future potential, can be a whole lot more obscure.

One of the most important aspects to clarify before starting, reviewing or renewing your high potential program is to ask the question 'potential for what?'

Is it.....

- Potential to be effective in a specific role?
- Potential to be effective in a particular function or work area?
- Potential to be effective at a particular level?
- Potential to take up future leadership roles?
- Potential to move up the organisation hierarchy in an accelerated timeframe?
- Potential be allocated to complex tasks and responsibilities?

Many times our clients respond by saying all of the above. However, it is critical for companies to be extremely targeted about the purpose and specific intent of their high potential program(s).

The 'potential to move up two roles in five years' or classifying people as 'ready now / ready in a few years' are widely used 'rules of thumb'. However, the ability to advance one's own career does not guarantee that one will make a crucial contribution to the organisation. In fact, in some ways, the individual pursuit of their own career goals may be counter-productive to the larger benefit of the organisation. Companies should focus on forecasting and identifying those who have the highest probability of delivering future business growth.

## DIFFERENTIATING HIGH PERFORMERS AND HIGH POTENTIALS

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We recently partnered with a large diversified conglomerate in the GCC who had over 1000 employees in middle management. The company wanted to shortlist 250 employees to go through a rigorous talent assessment and high potential identification program with us.

The HR team prescribed three core criteria for employees to be eligible for the assessment process:

- a) minimum tenure of 2 years in the organisation
- b) a consistent performance rating of meets expectations or above
- c) approval from the line manager

At the face of it, the criteria may seem very logical, and most companies would tend to use a similar metrics for nomination into a talent identification process due to finite time, costs and resources. However, we would strongly caution against using criteria such as current performance ratings or nomination from the line manager, as this may already create an inherent selection bias, and many 'future stars' may not even get a fair chance to demonstrate their potential because they don't get along with their manager, they are a misfit in their current role and so on.

**It is evident that past performance is not always an indicator of future potential.**

Research by the Corporate Executive Board in 2014 highlighted that only 1 in 7 high performers are high potential.



*Our research at The Talent Enterprise in assessing over 10,000 leaders within the last few years, depicts a slightly more optimistic outcome, where 4 of every 10 high performers may also be considered high potential.*

When embarking on a high potential assessment, future talent identification or succession planning program, it is advised to eliminate as much bias as possible. Companies should consider using other means as a criteria for shortlisting. This could range from something as simple as a self nomination or opt in process or perhaps something more scientific as the use of psychometric tools and other assessments for short-listing, which can then be followed by a more extensive evaluation of potential.

## MANAGING TALENT RISK

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Increasingly, a critical human capital driver for Boards and organisational leaders is to identify and manage talent risk, just as they would with any other risks associated with the business.

A thought-provoking study by Stanford University (2010) stated that more than half of companies could not immediately name a successor to their CEO should the need arise. In the same study, 39% of employers cited that they have 'zero' viable internal candidates. This can be termed as a **vacancy** risk - the challenge of critical positions being vacant.

Another possible risk is that of **readiness**, i.e. the threat of under-developed successors. According to a recent article in HBR (2017), more than 40% of individuals on high potential programs may not belong there, and this of course implies that the companies would fail to build an effective leadership pipeline.

The third risk may be classified as a **transition** risk which leads to poor assimilation of new leaders. 1 in 2 leaders cannot engage employees and fail to turn their teams or organisations into high performing machines (HBR, 2017).

*This is supported by our analysis of high potential talent, where approximately 40% percent of high potential talent are not engaged or aligned with the organisation, almost a third are at high risk of attrition and more than 50% have concerns around their career.*

According to 2014 research by Corporate Executive Board, 46% of leaders fail to meet their business objectives in a new role. This may be seen as a **portfolio** risk which implies poor deployment of talent against business goals.

Unfortunately, our research into predicting potential along with the pervasive and powerful influence of managers on engaging others indicates that there is no shortage of leaders who turn A-players into a B-team of under-achievers. It is important in turn, that leaders are objectively measured on their own ability to effectively nurture, inspire, challenge and coach talent in their organisations.

Not only do companies need to identify high potential talent, but actively plan for and invest in their development, alignment and deployment. We would go as far as to say that organisations should not start a high potential identification process, without being fully ready to invest in their future development and growth, through formal and informal learning, coaching and mentoring, opportunities to gain critical experiences, career mobility and so on. Needless to mention, it is imperative to have the support and commitment from their managers and business sponsors as early as possible, as part of the planning process.

## THE 4 DIMENSIONS OF HIGH POTENTIAL TALENT

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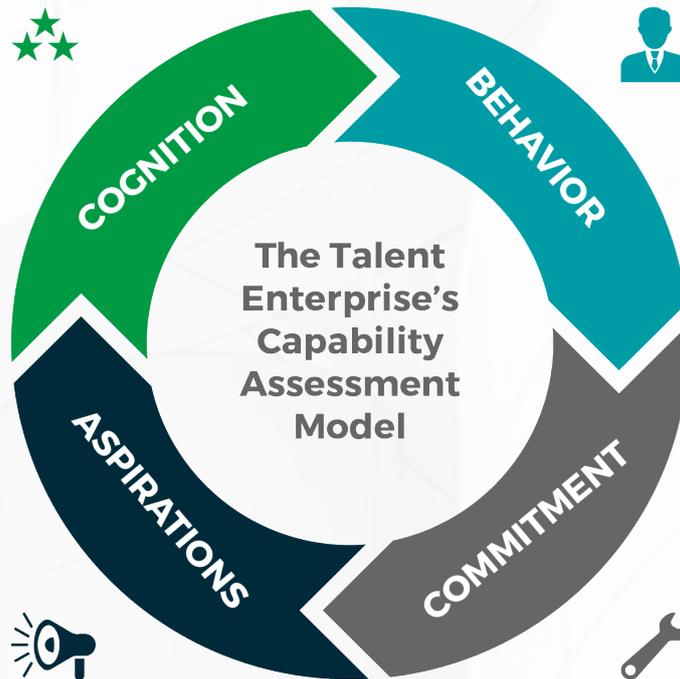
Throughout this paper, we have clearly established that the definition, purpose and means of identifying future potential can be a complex, confusing and obscure process. Ensuring that the process is bias-free, clear and targeted will directly lead to its success or failure.

*At The Talent Enterprise, we define high potential talent as those who have the future capacity to exponentially contribute to the success of their organisation. They demonstrate the right behaviour and learning agility along with an aspiration and longer-term commitment to maximise their potential.*

As previously mentioned, human behaviour is complex, and more so if we're trying to predict how someone will perform and deliver value 3 or 5 years from today. Hence, we highly recommend using a multi-modal approach, to carefully and objectively assess the key markers or attributes of high potential talent.

Based on extensive primary and secondary research, working with over 10,000 managers and leaders representing a cross-section of industries, professions and geographies, The Talent Enterprise has identified 4 universal dimensions for identifying high potential talent.

Employees who do not demonstrate high levels of cognitive ability and learning agility have fewer chances of succeeding in demanding roles in the future.



As employees go up the career ladder, it is not always **what** they do but **how** they do it, how they lead and inspire others, hence demonstrating the right leadership behaviours are crucial.

It is critical to understand and align the aspirations, motivations and drivers of individuals in order for them to take more ownership for their development.



Those who are not engaged and committed to the business are at risk and more likely to leave the organisation.

- ✔ High potential talent must have the **cognitive ability** to take on more complex tasks, deliver value and contribute to the future growth of their organisations. Keeping in mind the rapid advancements and changes impacting all organisations, high potential individuals must also demonstrate the openness and learning agility to learn, unlearn, re-skill and up-skill based on organisational demands and priorities.
- ✔ As individuals move into more senior positions, they have a more pervasive impact on the rest of the organisation. Hence, demonstrating the right leadership **behaviours** and competencies is absolutely crucial, not just in how high potential talent manage themselves, but more so on how they inspire, lead and manage others. While the leadership competencies are different for every organisation based on their unique context, there are some common themes from our research with 250+ organisations. High potential leaders must display the strategic and business acumen to propel their companies forward, they must demonstrate the necessary people skills to lead and manage others, to network and influence with key stakeholders as well as to anticipate the needs of customers. Finally, to be able to thrive in times of change and complexity, the importance to demonstrate attributes such flexibility, dealing with ambiguity, taking ownership, making decisions and delivering results cannot be emphasised enough.
- ✔ Another key indicator for someone to be considered high potential is that they must be engaged, **committed** and aligned to the organisation. They must believe in the future prospects of the organisation, and how they can contribute to collectively achieving the vision, strategy and business objectives of the organisation.
- ✔ Finally, high potential talent must have an **aspiration** to develop and grow. They must demonstrate an openness and willingness to learn and invest in their own professional development, even if it may mean giving up on shorter term benefits to achieve longer term results. For example, accepting a downwards or sideways career move, in order to prepare for the next role.

All 4 of these dimensions are crucial, and like it would be impossible to drive a car with 3 wheels, any assessment of high potential talent would be incomplete without evaluating all of these attributes.

In terms of the relative importance of each of them in determining high potential talent, we would like to emphasise that there is no clearly established or universally agreed secret formula that we or anyone else can lay claim to. This may change based on the specific organisational context or the purpose of your high potential program. However, our research at The Talent Enterprise has established that having the right leadership behaviours is typically the strongest predictor of high potential talent, followed by cognitive ability, and both alignment and aspiration show up as predictors in equal measure.

## CRITICAL STRENGTHS OF OF HIGH POTENTIAL EMPLOYEES

What are the key behavioural attributes of high potential talent? Based on evidence from our proprietary strengths based psychometric assessment, The Thriving Index®, The Talent Enterprise has identified 15 critical individual strengths that differentiate high potential leaders from the rest. There is an emergence of clear trends and implications of what strengths and behaviours matter most.

*Numerous validation studies with a cross-section of clients have proven that these strengths measured by The Thriving Index® are predictive of high potential talent, with regression co-efficients powerfully explaining .21 to .33 variance in future potential.*

### High Potential Leaders TAKE ACCOUNTABILITY

- Demonstrate 4 times\* higher levels of Responsibility
- Have 37%\* higher Confidence and a personal sense of agency to get things done
- Demonstrate more Flexibility than the rest (54%\* vs 39%)

### High Potential Leaders FOCUS ON OTHERS

- Differ from others by 23%\* in having a Growth Mindset, one of the highest predictors of high potentials
- Have 25%\* more Empathy, a top predictor for future leaders
- Showcase higher sense of Teamwork than others (75%\* vs 60%)

### High Potential Leaders MANAGE COMPLEXITY

- Have 22%\* greater Resilience in dealing with setbacks and challenges compared to the rest
- Showcase 18%\* more Optimism than others
- Demonstrate 26%\* higher comfort with Ambiguity

### High Potential Leaders ACT WITH PURPOSE

- Have significantly higher Intrinsic motivation at 91%\*
- Are driven by a sense of right and wrong, i.e. Ethics (79%\* vs 64%)
- Believe that their personal Values should align with their organisation (90%\* versus 79%)

### High Potential Leaders GO THE EXTRA MILE

- Showcase a high level of Zest at 87%\*
- Are willing to go about and beyond their day to day job, i.e. Extra Role at 87%\*
- Demonstrate a higher level of flow or Absorption from their work (71%\* versus 57%)

**4X**

Higher levels of Accountability than others

**22%**

More Resilience in dealing with setbacks and challenges

**37%**

Higher Self-Efficacy and Sense of Agency to getting things done

\* All data is statistically significant at 99%

Our own research and evidence of the emerging strengths of high potential leaders based on the Thriving Index® is also backed by recent studies (UCL and BBC, 2018, Bloomsbury Publishing, 2018) where attributes such as flexibility, risk tolerance, conscientious, competitiveness, curiosity, courage and comfort with ambiguity were found to be most predictive of high potentials.

## CONCLUSION

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Just like all other aspects of behavioural science, identifying high potential talent can be complex yet simple if we apply key principles and guidelines. Directness of purpose and clarity of communication with all stakeholders is also critical to ensure success, and in our experience, often beneficial in effectively managing expectations. Ensuring that the process is clearly defined, bias-free and objective, while providing individuals with multiple opportunities to demonstrate their future potential will determine the success or failure of any talent identification journey.

Leveraging your key talent and promoting the positivity and productivity of your organisation is the goal, turning potential into reality is the prize.

## FIND OUT MORE ABOUT OUR SOLUTIONS

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The Talent Enterprise can help support your strategic talent priorities. Using a combination of robust psychometric tools and in-depth face-to-face and virtual assessments, we are working with leading clients across sectors, industries and geographies to assess, identify and develop their high potential talent.

Our proprietary tools assess cognition (through a range of assessments for appropriate levels), behaviours (Thriving Index®), commitment (Alignment and Commitment Perspective Index®) as well as aspirations (Career Aspiration Inventory®), supported by our unique strengths-based Learning Centres® to evaluate your core competencies and leadership frameworks.

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## ABOUT THE AUTHORS

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Radhika is a sought-after expert in the areas of talent assessment, leadership, employee engagement, happiness & well-being. Over the past decade, Radhika has worked with over +150 organisations, leading projects in Government, Retail, Aviation, Healthcare, Energy, Hospitality, Banking & Financial Services, Real Estate sectors as well as diversified Conglomerates. She is the first person from the MENASA region to be awarded a degree in Positive Psychology and served on founding Board of Directors of the prestigious International Positive Psychology Association and is a Visiting Scholar at the University of Pennsylvania. Radhika is a published author and her books include 'Unlocking the Paradox of Plenty' highlighting the labour market opportunities in the region and the award-winning book on females in the Arab world titled 'Game-Changers'.



**GAURI GUPTA,**  
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Gauri leads the analytics, research and development functions at The Talent Enterprise. With expertise in advanced statistical analysis, modeling and psychometrics, she is responsible for all on-going development of assessment and research solutions. Gauri previously worked at Aon Hewitt as an operations manager, where she was managing the team responsible for employee engagement projects for all European and the Middle Eastern clients. She has published several academic papers on her research in employee and organisational assessment.

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