



Identifying and Developing High-Potential Talent

A 2011 Study by AMA Enterprise

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Strong leadership is the lynchpin of organizational success, and for management, identifying future leaders from among the ranks of current employees is critical to fostering that success.

In an economic environment characterized by intense global competition and fast-changing business conditions, organizations must implement systems designed to identify, develop and retain the employees best equipped to take the reins of leadership. In fact, many companies invest substantial resources in programs, both formal and informal, geared toward developing their “high-potentials.” But despite these investments, most companies are not terribly effective, either in identifying or in retaining their best. Furthermore, when structured improperly, these important programs are not without potential downside: the disaffection of the vast majority of employees who are not being groomed for leadership.

According to the results of a new survey conducted by American Management Association Enterprise, high-potential programs are often seen as unfair and political by those employees not selected to participate. In addition, in many cases, employees don’t even know such programs exist, or, if they do know, how the programs are administered and what the selection criteria are. As a result, companies may not be capitalizing on all their employees have to offer to the selection process, and indeed, may be failing to identify all their high-potentials.

The key challenge for organizations is balancing the need to identify and develop high-potentials with the need to ensure that the rest of the workforce remains motivated and committed to the organizational mission. To do so, a high-potential program must have a formal structure and a transparent selection process that maximizes the potential to identify all future leaders. Fortunately for organizations, superior performance tends to stand out.

Still, while many employees with exceptional skills and leadership qualities are “superstars” from day one and are marked early on for success, there may well be high-potentials in an organization’s rank and file who fly under the radar due to informal selection processes that don’t allow for employees, either individual contributor or mid-level managers, to step up and make the case for their own or others’ advancement.

Therefore, as part of a well-structured high-potential program, organizations should make available to their entire workforce the criteria established for admission to the program and should have fail-safes in place that open the process to ensure management doesn’t miss hidden gems. Such a structure serves the added function of imbuing the entire workforce with a sense that it has a stake in the future success of the organization.

By formalizing and making the high-potential selection process transparent, organizations will not only maximize their ability to identify, develop and retain their future leaders, but they will reduce the natural tension that occurs in their workforce as those future leaders begin to take on the added responsibilities and higher visibility.

AMA Enterprise conducted the online survey in April/May 2011 in order to look at policies and attitudes in regard to high-potential programs. The survey population consisted of senior- and mid-level business, human resources and management professional contacts drawn from the AMA database of contacts.

About the survey

In this Executive Summary, we define the critical term as follows:

“High-Value Contributors” or “High-Potentials”: Employees who consistently exhibit superior performance, demonstrate innovative thinking or processing and an ability to grow and adapt above and beyond their fellow employees; they who also exhibit personality traits so reflective of an organization’s culture as to indicate a likelihood of leadership potential. Douglas A. Ready, Jay A. Conger and Linda A. Hill. “Are You a High-Potential?” *Harvard Business Review* (June 2010): <<http://hbr.org/2010/06/are-you-a-high-potential/ar/1>>

Only one in five employees believes management makes an extensive effort to identify high-value contributors

The survey reveals a mixed bag when it comes to how respondents view company investment in identifying their future leaders. While nearly half (47.7%) believe management is doing an adequate job in this area, 27% consider their company’s efforts to identify the next generation of leaders as “minimal.” Both answers are substantially higher than the 20.7% who responded that management engages in “extensive” efforts to identify high-value contributors.

How much of an effort does your employer make to identify employees who are high-value contributors?

<i>Minimal</i>	27.0%
<i>Adequate</i>	47.7%
<i>Extensive</i>	20.7%
<i>Don’t know</i>	4.6%

Nearly half of organizations do not employ systematic efforts to identify high-potentials

Confusion and alienation in the rank and file is illustrated by the fact that a plurality (43.8%) of respondents report that companies are applying primarily informal means to identify their high-potential employees. Only 8.3% of companies use purely systematic means to identify such employees, while 42.2% of respondents observe that their employer uses some combination of informal and systematic means to identify leadership potential.

How would you describe your organization's efforts to identify such high-potentials?

<i>Mostly informal</i>	43.8%
<i>Combination of informal and systematic</i>	42.2%
<i>Systematic</i>	8.3%
<i>Don’t know</i>	5.7%

Performance appraisals and recommendations of senior management are the overwhelming methods of identifying high-potentials

The vast majority of respondents consider their employers to base identification of high-potentials on the traditional metrics of the performance appraisal process (74%) and recommendations of senior management (68.5%). However, 41.6% of respondents report their companies weigh innovative and/or unique

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contributions to the business in assessing leadership potential. Slightly more than one-third say that companies use either or both talent assessments (35.1%) and input from peers (34.7%). Only 17.5% of surveyed companies appear to use educational background as a metric for identifying high-potentials.

*What are some of the ways your organization uses to identify high-potentials?
(Choose as many as apply.)*

<i>Performance appraisal process</i>	74.0%
<i>Recommendations of senior management</i>	68.5%
<i>Talent assessment</i>	35.1%
<i>Input from peers</i>	34.7%
<i>Innovative/unique contribution to the business</i>	41.6%
<i>Educational background</i>	17.5%
<i>Don't know</i>	7.6%

Nearly two-thirds of companies make no formal announcement of either the availability of programs for high-potentials or the existence of an application process to participate in them

Of survey respondents who were aware (78.7%) of company programs targeting high-potentials, only 14.2% report that the company announces the availability of such programs and invites all employees to apply for participation. While nearly a quarter (23.5%) believe that despite that lack of an announcement, interested employees are able to learn about the programs and can then ask to participate, 41% of survey respondents say that participation in these programs is strictly limited according to specific criteria.

At your organization, are all employees invited to apply for participation in programs for high-potentials?

<i>Yes, periodically an announcement is made</i>	14.2%
<i>No announcement is made, but interested employees learn of such programs informally and may ask to participate</i>	23.5%
<i>No, participation is strictly limited according to specific criteria</i>	41.0%
<i>Don't know</i>	21.3%

Just 12% of programs for high-potentials are perceived by employees to be impartial and even-handed

The disconnect between organizations and their employees when it comes to identifying high-potentials becomes clear when survey respondents are asked to assess how their fellow employees perceive the high-potential program. The general secrecy of the programs revealed in prior answers was confirmed by the fact that the number one answer to this question (37.4%) is “don’t know.” Of those who have an opinion on this issue, nearly a quarter

(23.8%) believe that employees perceive the programs to be “unfair and political.” Only 12% say that high-potential programs are administered impartially and even-handedly by the organization. The rest of respondents (26.8%) assess the programs’ reputation as “flawed, but well-intentioned.”

How is the high-potential program perceived by your organization's employees?

<i>Impartial and even-handed</i>	12.0%
<i>Flawed, but well-intentioned</i>	26.8%
<i>Unfair and political</i>	23.8%
<i>Don't know</i>	37.4%

When it comes to developing high-potentials, organizations follow a do-it-all approach

Companies engage in a wide variety of activities designed to develop high-potentials. Offered twelve ways in which companies may support high-potentials, respondents report that over 39% of companies engage in eight of the activities. These leading development measures include mentoring (51.6%); personal assessments (50.6%); individual development planning (47%); leadership programs (46.8%); coaching (44.6%); exposure to senior executives (44%); stretch assignments (43.2%); and special workshops and training (39.2%). Respondents also cite soft-skills training (31.2%); technical training (27.6%) and functional training (24.6%) as popular options. Only direct access to the CEO scores low (15.4%) as a high-potential development activity.

What does your organization do to develop high-potentials? (Choose as many as apply.)

<i>Personal assessments</i>	50.6%
<i>Mentoring</i>	51.6%
<i>Exposure to senior executives</i>	44.0%
<i>Individual development planning</i>	47.0%
<i>Coaching</i>	44.6%
<i>Direct access to CEO</i>	15.4%
<i>Leadership programs</i>	46.8%
<i>Stretch assignments</i>	43.2%
<i>Special workshops and training</i>	39.2%
<i>Technical training</i>	27.6%
<i>Functional training</i>	24.6%
<i>Soft-skills training</i>	31.2%
<i>Don't know</i>	9.8%

Senior executives and managers bear the majority of responsibility for identifying and developing high-potentials

When it comes to identifying and developing high-potentials, senior executives (54.9%) and managers (51.8%) are the primary source of responsibility, according to the survey. However, directors (44.5%) also play a substantial role in the process, with HR (33.1%) and supervisors (33.1%) also participating. To a lesser, but not insignificant, extent (13.3%), companies encourage or permit employees to present themselves as high-potentials to management. Training and development staff also play a smaller, but significant role (11.2%) in this process.

Who is responsible at your organization for identifying and developing high-potentials? (Choose as many as apply.)

<i>Supervisors</i>	33.1%
<i>Managers</i>	51.8%
<i>Directors</i>	44.5%
<i>Senior Executives</i>	54.9%
<i>Human Resources</i>	33.1%
<i>High potentials self-identifying</i>	13.3%
<i>Training and development staff</i>	11.2%
<i>Don't know</i>	10.8%

Seniority is not a limiting factor in qualifying for high-potential programs for at least half of organizations

Half (49.5%) of respondents state their company imposes no minimum job-tenure requirement to qualify for the high-potential program. Only 22.5% state that there is a tenure requirement. However, these statistics may understate substantially either or both possibilities, as 28% do not know whether their organization requires minimum tenure.

Does your organization require minimum job tenure in order to qualify for such programs?

<i>Yes</i>	49.5%
<i>No</i>	22.5%
<i>Don't know</i>	28.0%

Over 35% of respondents don't know how high-potential programs are structured

Not surprisingly, 35.6% of our survey respondents cannot describe their organization's high-potential program. This percentage tracks, almost exactly, the number of respondents who are unaware of how high-potential programs are perceived by employees in an organization. Of the remaining two-thirds of respondents, 20% state that the programs are "very customized to meet individual needs and objectives"; 18.7% believe that programs are "both individualized and follow a pre-determined path"; 11% think their organization's programs "are very structured with little individual leeway"; and 14.8% report that the organization designs the program for specific groups within the organization.

How would you best describe your organization's development programs for high-potentials? (Choose one.)

<i>Programs are very customized to meet individual needs and objectives</i>	20.0%
<i>Programs are both individualized and follow a pre-determined path</i>	18.7%
<i>Programs are very structured with little individual leeway</i>	11.0%
<i>Programs are designed for specific groups</i>	14.7%
<i>Don't know</i>	35.6%

Organizations use a variety of metrics to measure the success of the high-potential program

Respondents split evenly in their assessment of how their organizations measure the success of the high-potential program, with all choices receiving in excess of 40%. "Positive business results attributed to program participants" receives a slight edge from respondents, with 45.8%. "Reaction of program participants" is the primary factor for 42.8% of respondents; "observed behavior changes of program participants" garners 41.2% of respondents; and 41.2% of respondents believe companies measure success by "improved performance of program participants."

How does your organization measure the success of your high-potential program? (Choose as many as apply.)

<i>Reactions of program participants</i>	42.8%
<i>Observed behavior changes of program participants</i>	41.7%
<i>Improved performance of program participants</i>	41.2%
<i>Positive business results attributed to program participants</i>	45.8%

Only one-fifth of top management make development of high-potentials a major focus of the organization

While nearly half (49.4%) of respondents consider that senior management supports development of high-potentials, the high-potential program is not a major focus of upper management. Slightly over one-fifth (20.3%) of top management make the high-potential program and development of high-potentials a major focus. Another 11.4% stated that development of high-potentials within their organizations is primarily the responsibility of human resources.

In your opinion, is the high-potential program at your organization a major focus of top management? (Choose one.)

<i>Yes, our senior management is very focused on development of high-potentials</i>	20.3%
<i>Our senior management supports development of high-potentials, but is not a major focus</i>	49.4%
<i>No, development of high-potentials is mainly the responsibility of human resources</i>	11.4%
<i>Does not apply</i>	9.3%
<i>Don't know</i>	9.6%

Nearly one-quarter believe their organizations are ineffective in retaining high-potential employees

Just over half of survey respondents believe their organizations are “somewhat effective” in their ability to retain high-potential employees. to be “somewhat effective.” Ominously, however, more respondents report their organizations are “ineffective” (23.9%) in retaining high-potentials than believe their organization is “very effective” (16.9%).

In your opinion, how effective is your organization in retaining its high-potential employees?

<i>Very effective</i>	16.9%
<i>Somewhat effective</i>	52.6%
<i>Ineffective</i>	23.9%
<i>Don't know</i>	6.6%

Demographics

What industry does your employing organization represent?

<i>Agriculture, Forestry, Fishing and Hunting</i>	0.9%
<i>Mining, Quarrying, and Oil and Gas Extraction</i>	0.9%
<i>Energy and Utilities</i>	3.4%
<i>Construction</i>	3.2%
<i>Manufacturing</i>	16.8%
<i>Wholesale/Retail Trade</i>	5.3%
<i>Transportation and Warehousing</i>	2.3%
<i>Information/Publishing</i>	3.0%
<i>Finance and Insurance</i>	16.8%
<i>Real Estate and Rental and Leasing</i>	0.7%
<i>Professional, Scientific, and Technical Services</i>	11.7%
<i>Communications</i>	1.4%
<i>Management of Companies and Enterprises</i>	0.9%
<i>Administrative & Support and Waste Management & Remediation Services</i>	0.2%
<i>Educational Services</i>	3.7%
<i>Environmental Services</i>	0.5%
<i>Pharmaceutical</i>	3.9%
<i>Health Care</i>	9.2%
<i>Arts, Entertainment, and Recreation</i>	0.5%
<i>Accommodation and Food Services</i>	1.1%
<i>Government/Public Administration</i>	6.9%
<i>Other Services (except Public Administration)</i>	6.7%

What is the approximate size of your organization?

<i>1-99 employees</i>	15.4%
<i>100-499 employees</i>	18.1%
<i>500-999 employees</i>	11.3%
<i>1,000-4,999 employees</i>	17.9%
<i>5,000-19,999 employees</i>	18.2%
<i>More than 20,000 employees</i>	19.1%

CONCLUSION

Strong leadership is critical to the success of any organization. Therefore, identifying and developing future leaders is a critical business function; yet most companies don't have in place formal high-potential programs geared toward identifying and developing those exceptional employees who will take the reins from current management and lead the company into the future. Furthermore, the informal high-potential programs that exist at many companies can be a double-edged sword that undermines their very purpose: they don't enhance a company's ability to retain its high-potentials and they threaten to alienate those employees who feel they should be considered high-potential. The purpose of AMA Enterprise's Survey on High-Potential Programs was to assess insiders' perceptions of the process by which companies develop leadership from within.

The survey findings suggest serious shortcomings in the identification, development and retention process that, left unaddressed, could leave a company with a leadership void at precisely the time when such leadership is desperately needed. High-potential programs can be an integral part of addressing the issue of leadership development, but such programs must be carefully crafted to enhance the strength of the organization overall.

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