

## Identifying, Developing and Retaining Future Leaders

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Setting clear business objectives and establishing strategic development plans are common tactics organizations establish to stay ahead of their competitors and ensure financial success and growth. However, many organizations today are not planning and cultivating future leaders for their companies. The identification, development and retention of high-potential employees are critical, especially as the U.S. economy steadily improves, aging baby boomers prepare to leave the workforce and talent develops overseas.

“Organizations today are mostly focused on late-stage high-potential employees and on getting senior managers ready for executive roles. But what organizations are finding is that if you can find the high-potentials earlier in their career, they can be led down a stronger path,” said Charles Orlando, director of marketing at Ninth House, a provider of learning and development solutions for employees at all levels of an organization. “But by combining the potential talent with both the access to and time for learning new skills through high-potential learning, an organization can consistently and cost-effectively develop its future leaders.”

The process of early identification is not easy, and according to David Willis, managing director for the Corporate Leadership Council (CLC), a provider of best practices, quantitative research and executive education for HR executives, its member organizations are reporting a significant problem with internally promoted executives failing. Willis said that the CLC’s members also are reporting stalls in the development of high-potential talent and that they are generally having a difficult time quantifying the return on investment for high-potential employees.

“It is very difficult for companies to look back and say, ‘We got a clear ROI on that investment,’” Willis said. “In building our high-potential model this year, we discovered that there are three things that are important in determining someone’s likelihood to be a high-potential employee: ability, engagement and aspiration.”

Although the attributes of high-potentials may be different for organizations, nearly all share particular traits. Top performers are generally trusted and respected by their supervisors, peers and/or subordinates; show confidence in their technical abilities across many different job functions; consistently produce tangible and measurable results; and are extremely proactive and natural leaders.

“These are the movers and shakers of an organization,” Orlando said. “When you see them walking down the hall you know they are going to be an executive, and as soon as they have the experience that garners it.”

According to Orlando, the first step to establish a high-potential plan is to compile a list of competencies that align with the company’s strategic goals. After the competency requirements are established, an organization can finally start the process of identifying early-stage high-potential employees.

Willis said that most HR executives identify high-potentials relatively informally by managers’ judgments or general competency models. “There are problems, in particular, with the manager judgment side,” he said. “Managers tend to overrate characteristics that they are personally good at as opposed to thinking holistically about how important different

characteristics are to the future success of an individual or the broader needs of the business.”

HR executives should be responsible for articulating employees’ present performance levels, as well as their future potential performance; providing organizations with a holistic perspective on the overall needs of the organization that include the desired competencies of high-potential employees; and being the driving force behind the organization’s ability to create an environment where high-potentials thrive.

However, simply identifying high-potential employees is not enough. An organization needs to provide incentives for these employees to stay. Creating a customized and achievable development plan for each identified high-potential employee is the best approach. “The reason we believe development plans work is because it is very difficult thing for an organization to replicate,” Willis said. “Any organization can match the salary that you are getting and probably give you a similar job to what you are doing now, but it is going take another organization time to know your personal strengths and weaknesses, to get to know your personal aspirations before they could even put together a customized development plan for you.”

In order for a high-potential development plan to be successful, an organization needs to be committed to the development of its workforce, cultivate quality relationships and peer networks for its people, and provide vast experiential learning opportunities. “Our work suggests that it is not the developmental experience itself—meaning it is not simply job rotation or geographical rotation—it is the nature of the specific challenge that someone is to over come in the rotation that matters,” Willis said.

According to Willis, challenges create genuine development, and he considers it the most critical part of a high potential plan. “The plan should be less about how many different businesses, how many different functions and how many different geographies you have worked in, but it more about what were the specific challenges that you were faced with in those different environments and how you responded to them,” he said.

Nevertheless, as with any investment, there is a risk of losing them. According to a recent internal Ninth House study, 70 percent of all top-performing Fortune 500 organizations have a well-defined leadership curriculum in place. “A formal approach creates a tremendous amount of loyalty,” Orlando said. “They are not grooming themselves to leave—they are grooming themselves to take over.”

Willis agreed, “A customized development plan works because it basically puts up a barrier to entry for other organizations coming in and taking that person away. But the organization must commit resources to the plan—the employee’s manager must take the responsibility to work with the employee, to execute it and so forth because if he or she is not happy, they will take their talents elsewhere.”

Both Willis and Orlando concur that a formal high-potential development plan is critical to the overall future financial success for company because it is becoming increasingly clear that talent pool deficits are on the horizon.