

EXECUTIVE SUMMARY

RESEARCH QUESTION

What are the latest trends in career pathing models as well as the most effective ways to accelerate high potential development?

THE WAR FOR TALENT

The war for talent is raging, making attracting, retaining, and developing high-performers more challenging than ever. Many of the “Baby Boomer” executives will be retiring in the near future, and only 15% of organizations in North America and Asia believe they have sufficient qualified successors for key positions^{1,2}. Additionally, 25% of surveyed organizations said they fail to keep top-performers, further illustrating the urgency and importance of the need to design optimal programs for developing future leaders³. Thus, the content below will provide insight into the factors that make development program for “high potentials” successful.

IDENTIFYING HIGH POTENTIALS

Designing a program for high potentials is futile if one cannot identify who in the organization is worthy of, or able to prosper in, said program. Alarming, only 21% of those organizations surveyed take “extensive” measures to identify high potentials². But, first, what is potential? One group of experts defines it as one’s ability to succeed in greater roles³. Below are a few steps taken by firms with excellent development programs to identify high potentials (See Appendix 1 for sample diagrams):

(1) Nomination after performance appraisals: One company requires two years of excellent performance before designating the high potential status. Another firm determines whether the employee is ready for a lateral move, a promotion in two years, or is capable of two promotions in five years. These appraisals should be supplemented with subjective input, such as recommendations from colleagues or supervisors, as good performance doesn’t always correlate with potential. Some firms hire external help to ensure objectivity in the appraisal process³.

(2) Choose the right assessor: Most people overestimate their abilities to judge the potential of others and themselves. Utilizing the right assessment model and choosing a person who can accurately assess a high potential effectively, is crucial. Good assessors can be taught to have accuracy of 85%, though³.

(3) Assess their potential: Personality tests don’t have much validity. Instead, it’s better to conduct behavioral interviews and/or to solicit references to determine their potential³.

Case I: Sonoco Products has division managers and the respective HR heads have a full day meeting to assess the potential for promotion and the strengths/weaknesses of its employees in “linchpin positions”. It then designs assignments tailored to the employees’ strength/weaknesses that will test the employees’ potential⁴.

Case II:

Tyson’s high-potential leadership program is called LINC (Leaders into Champions). It has a very competitive selection process, in which candidates are first nominated from around the world, and then are required to present their “crucible experience” to the top executive team. The presentation is similar to a behavioral interview, during which candidates share their formative experience with executives. In addition to the presentation, the executives also take into account operational performance metrics and peer reviews. Those who succeed in enrolling into the program have extensive interaction with the executive team, as well as exposure to various learning and self-developing programs⁵.

INGREDIENTS OF AN EFFECTIVE PROGRAM

- (1) Strategic Alignment: First, the program must be aligned with the organization's strategy. For example, if a firm wants to focus on emerging markets, select someone who is comfortable with drastic change; or if a firm has a low-cost strategy, developing disciplined and results-oriented people is ideal⁶.
- (2) Transparency: It is optimal to communicate the high potential status to those selected. Also, a conspicuous succession management plan is conducive to growth and success in the program⁶.
- (3) Stretch assignments: Rotational assignments with a larger scope, different locations, change management initiatives, a cross-departmental focus, to name a few, are amazing. Additionally, assignments that simulate a real-life business situations are extremely beneficial. Ensure the assignments not overwhelming and that they're aligned with the organization's strategy⁶.
- (4) Coaching/mentoring opportunities: The involvement of senior leaders in delivering mentoring and coaching is critical to success in the program. This also reinforces that the organization values the employee⁶.

CASES: REAL WORLD EXAMPLES

Novartis

This firm is focusing on emerging markets for its pharmaceutical business. The 10-month program has five phases and five learning goals, such as innovation fostering, business model adoption, etc. Each participant has a similar yet difference experience tailored to his or her business and region. In Phase I, the participants get to interact with top leaders of the firm. Next, the high potentials take on "action learning" assignments, which are real-world simulations with real deliverables. Top leaders also provide mentoring, training sessions, and workshops in this phase. Phase III: participants visit an emerging market in which the healthcare system in innovative, to learn new successful approaches. In Phase IV, the action learning continues with progressively challenging assignments and timely executive coaching and training interventions. Finally, during Phase V, participants present their strategies for the business to the Executive Committee. This program emphasizes personal development and reflection as well⁷.

3M

3M practices leadership development through assignment rotations. However, instead of moving people around every year or so, it requires employees to stay in a job for about four years to experience failure and sustain success. 3M also has an extensive succession planning program to build the talent pipeline for CEO, in which leaders two to four levels below the CEO are selected as candidates and are expected to go through intense rotations and education⁸.

Johnson & Johnson

Leaders of the business unit nominate participants to the leadership development program. Those who are chosen into the customized accelerated development program, are evaluated based on their readiness, which includes, several knowledge areas (strategic thinking, systems thinking, enterprise risk management), the ability to work at a board level (balancing cross-functional needs and total business perspectives), and the personal networks necessary to work across several internal companies when functioning on a board. During the five 2-day residency sessions over 6 months, participants will be mentored and coached to identify and close the gaps⁹.

TAKEAWAYS

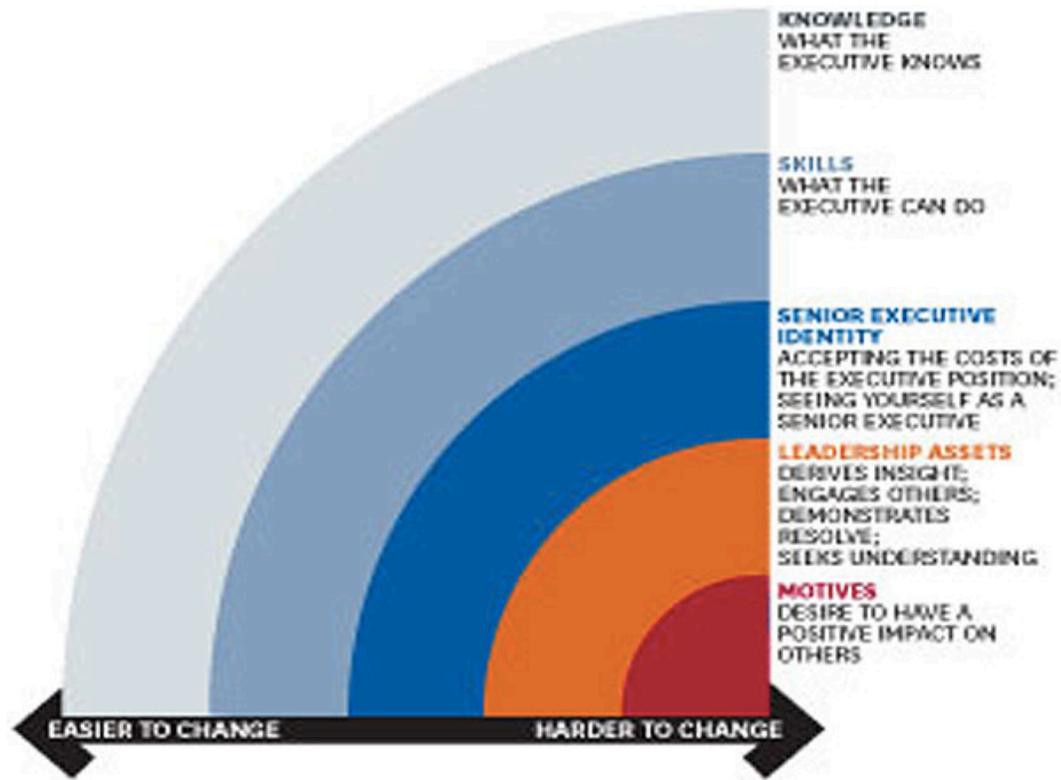
The ability to attract, identify, and cultivate future leaders is growing more and more crucial to future organizational success; high potential programs are proving themselves as an effective solution to these challenges. Firms must ensure they design the program, and select participants carefully, with the firm's strategy in mind. Successful programs consistently feature executive involvement, transparency, action-learning and stretch assignments. Following these trends and guidelines will undoubtedly increase your talent pool and increase retention.

References

1. Why are so many more CEOs retiring early?. (2013, October 9). *European CEO*. Retrieved March 15, 2014, from <http://www.europeanceo.com/business-and-management/2013/10/why-are-more-ceos-retiring-early/>
2. Edwards, S. (2012). MAINTAINING THE DELICATE BALANCE WHEN DEVELOPING HIGH-POTENTIAL PROGRAMS. *T+D*, 66(4), 60-65.
3. Fernández-Aráoz, C., Groysberg, B., & Nohria, N. (2011). How to Hang On to Your High Potentials. *Harvard Business Review*, 89(10), 76-83.
4. Conger, J. A., & Fulmer, R. M. (2003). Developing Your Leadership Pipeline. *Harvard Business Review*, 81(12), 76-84.
5. Thompson, M. (2011). What makes tyson's high-potential leadership program critical to company success? *T + d*, 65(4), 98-100.
6. Fulmer, R. M., Stumpf, S. A., & Bleak, J. (2009). The strategic development of high potential leaders. *Strategy & Leadership*, 37(3), 17-22.
7. Waltmann, F. (2013). Novartis takes the LEAD. *Training*, 50(3), 44-45. Retrieved from <http://search.proquest.com/docview/1371442621?accountid=10267>
8. Chief Executive Magazine 10 Best Companies for Leaders 2012, Web. 20 Mar. 2014.
9. Swofford, D. M. (2009). *Impact of a pharmaceutical company's leadership development program on participant leadership behavior*. (Order No. 3344933, The George Washington University).

Appendix

(1)



: The Essentials of Executive Potential

THE MATRIX SHOWN HERE is an example of a tool used by Bank of America to review its talent pool (the names have been changed). This type of matrix is typical of the tools we found in the best-practice organizations we studied. The vertical axis tracks performance results. Bank of America calls this the “what”: the delivery of work product and performance against written goals and financial targets. The horizontal axis measures the “how”: leadership behaviors such as collaboration and coaching as well as, for top management, the behaviors identified in the companywide competency model. The three boxes in the upper right represent “key talent” (employees receiving accelerated and high-priority development attention); employees in this group exceed expectations on at least one of the dimensions of the matrix. Leaders who are not meeting performance expectations, whom Bank of America calls “top-grading opportunities,” are immediately placed on 60- to 90-day action plans. And those who meet or exceed performance expectations but don’t exhibit the leadership behaviors required for success—labeled “leadership issues”—are given immediate coaching and improvement plans. If their leadership behaviors don’t improve, they’re put in the top-grading opportunities group. The bank evaluates managers’ positions on the matrix frequently, so those who have exceeded expectations must work to retain their positions, and those who are struggling have opportunities to improve their rankings.

opportunities,” are immediately placed on 60- to 90-day action plans. And those who meet or exceed performance expectations but don’t exhibit the leadership behaviors required for success—labeled “leadership issues”—are given immediate coaching and improvement plans. If their leadership behaviors don’t im-

prove, they’re put in the top-grading opportunities group. The bank evaluates managers’ positions on the matrix frequently, so those who have exceeded expectations must work to retain their positions, and those who are struggling have opportunities to improve their rankings.

