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## Research Question

What is the payoff of HiPo programs, and are companies de-investing in them?

## Introduction

The average firm spends 27% of its learning and development budget on its high-potential (HiPo) programs, and two-thirds of companies divert budget away from other talent investments to fund HiPo initiatives.[1] Companies believe in the value of HiPos and are thus heavily investing in them, however many are struggling to generate a return on investment. In fact, research from the Corporate Executive Board shows that 73% of HiPo programs show *no* return on investment.[2] Bleak ROIs are resulting in some companies reevaluating their strategies for these formal programs or considering de-investing in these programs altogether. Prior to de-investing it's essential to weigh the options of modifying the program in place versus reallocating the budget for investments in alternative talent development practices.

## Data: Analyzing Value

*Concerns of HiPo Programs:*

- According to CEB 69% of HiPo programs do not build a strong succession pipeline[3]
- One in four HiPos plan to leave their company within the next twelve months[1]
- Many employees perceive high-potential leadership programs to be unfair[4]

*Value of HiPos:*

- CHROs estimate HiPos are 91% more valuable than other High Performers.[5]
- HiPos are three times more likely to be successful in next-level promotions than others.[5]
- HiPos contribute 21% higher performance, 50% more value than core employees.[5]

## Case Studies

*De-investing:*

Unilever[6]

Unilever relied heavily on talent labels ("HP," "green-box," "watch-lister") that had lost their currency and had become less meaningful. Focusing on what label to give a person diverted attention from identifying potential and development needs. In 2016, Unilever decided to let go of the talent labels and gave all people the opportunity of finding their purpose and reaching their full potential. Unilever launched a **People with Purpose Movement** enabled by "4P" plan for all (excerpt from full plan):

1. Purpose: Create opportunities for **all** to identify and realize their purpose
2. Performance: Differentiation based on **holistic** performance
3. Potential: Progression and recognition for **all**
4. Plan: Clarity on individual **development & progression** (i.e. promotable, next role)

*Investing:*
IBM[7]

> High-potential employees at IBM can participate in the company's **Corporate Service Corps** as part of their development. The Corporate Service Corps is a three-month program where 15-member teams of high-potential employees are sent to an IBM location to provide pro bono counsel. The teams spend one month "in country" and one month before and after to devote to planning and follow-up. For example, in South Africa a team worked with local IBM managers to help government officials design an integrated financial management system. The anticipated outcome of these teams is to build IBM's reputation in those regions.

*Restructuring Investment:*
Disneyland[8]

> The Disney Parks & Resorts focuses investments in customized HiPo programs rather than standardized programs worldwide. Their HiPo programs are designed to align with business needs. For example, China Disney Parks & Resorts opened in the summer of 2016 with most of the executive positions filled by short-term expatriates. To accelerate the development of local talent and build strong successors, China HR designed the **Leadership Accelerate Program** to provide training, coaching, and cross-functional project opportunities to HiPos.

## Modifying HiPo programs

***Investing in HiPo programs:*** Consider whether the program is experiencing one or both of the two main shortcomings in HiPo programs that are prevalent across industries:
1. HiPos are not being correctly identified. Only 15% of HiPos are true high potentials.[2]
2. HiPo programs lack structure and development that is relevant to business needs.

To address the first issue, companies need to be aware that HiPos and high-performers are not the same (Figure 1), and a clear model should be adapted to accurately identify HiPos (Figure 2). Second, the HiPo program must align with business needs. This requires that the program be agile and flexible to adjust for different types of leadership needs. HR teams developing HiPo programs should partner with business stakeholders that understand leadership requirements. The HiPo program must remain flexible and be considered iterative and adaptable to change with the business' needs. Companies experiencing low ROIs with HiPo programs should consider making these modifications to improve effectiveness.

## Conclusion

Despite the fact that a majority of companies lack an ROI when it comes to HiPo programs, investments in these programs remain fairly consistent. In developing or managing a program it is essential to validate the methodology employed to identify HiPos. Additionally, these programs should be directly linked to the business' needs, and focus on the participants' key developmental areas rather than a "one size fits all" approach. Companies are starting to de-invest or restructure investments in HiPo programs such as the case in Unilever and Disneyland. However, the data shows that companies find value in HiPos, therefore, it's important to weigh the value of modifying the current program before shifting investments.
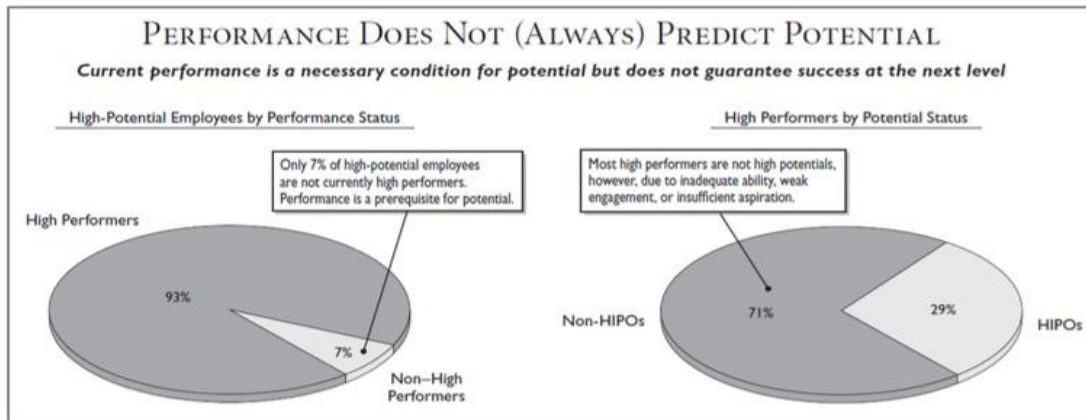
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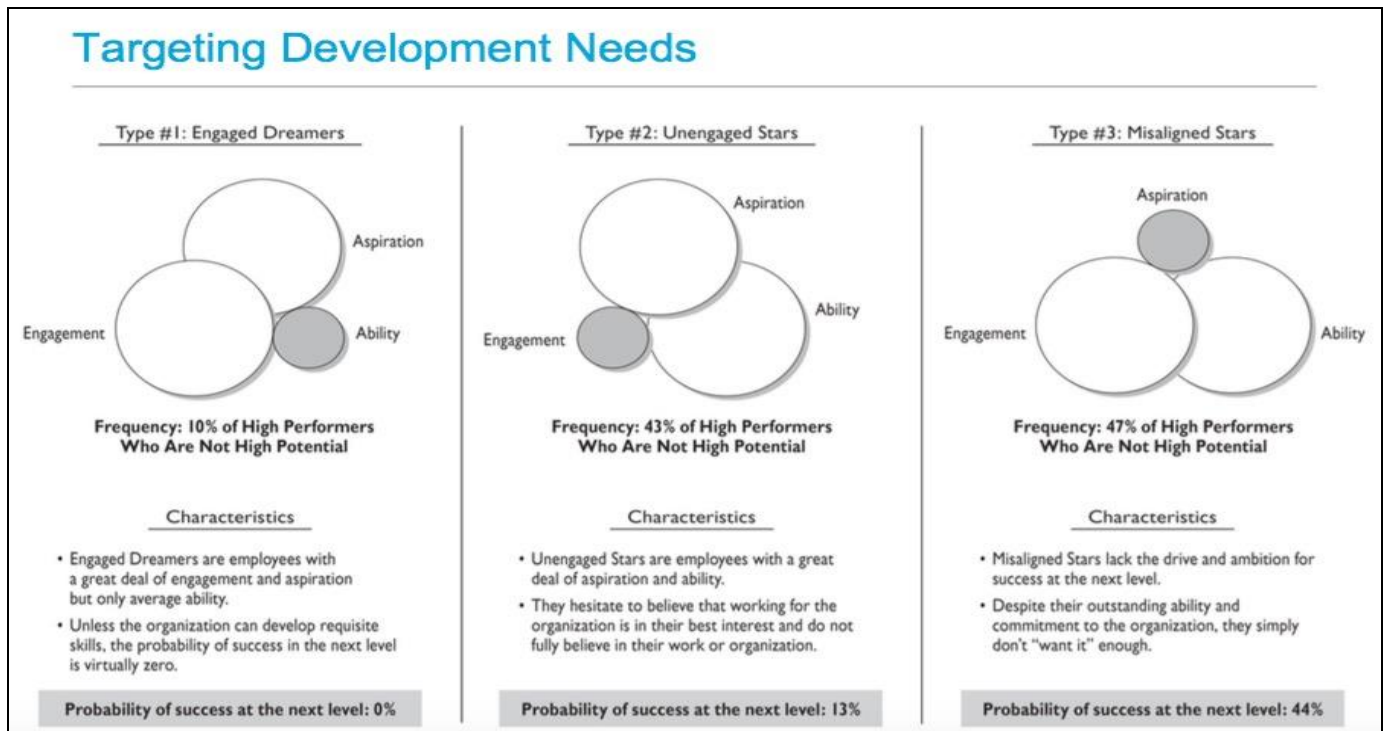
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**Figure 1**



## High Potential is more than just high performance

PERFORMANCE DOES NOT (ALWAYS) PREDICT POTENTIAL

*Current performance is a necessary condition for potential but does not guarantee success at the next level*

High-Potential Employees by Performance Status

Only 7% of high-potential employees are not currently high performers. Performance is a prerequisite for potential.

High Performers

93%

7%

Non–High Performers

High Performers by Potential Status

Most high performers are not high potentials, however, due to inadequate ability, weak engagement, or insufficient aspiration.

Non-HIPOs   71%   29%   HIPOs

Shalhoop, Jarrett (2013) *HiPO Program Essentials.* Institute for Human Resources.

**Figure 2**



## Targeting Development Needs

**Type #1: Engaged Dreamers**

Aspiration

Engagement   Ability

Frequency: 10% of High Performers Who Are Not High Potential

Characteristics

• Engaged Dreamers are employees with a great deal of engagement and aspiration but only average ability.
• Unless the organization can develop requisite skills, the probability of success in the next level is virtually zero.

Probability of success at the next level: 0%

**Type #2: Unengaged Stars**

Aspiration

Ability

Engagement

Frequency: 43% of High Performers Who Are Not High Potential

Characteristics

• Unengaged Stars are employees with a great deal of aspiration and ability.
• They hesitate to believe that working for the organization is in their best interest and do not fully believe in their work or organization.

Probability of success at the next level: 13%

**Type #3: Misaligned Stars**

Aspiration

Engagement   Ability

Frequency: 47% of High Performers Who Are Not High Potential

Characteristics

• Misaligned Stars lack the drive and ambition for success at the next level.
• Despite their outstanding ability and commitment to the organization, they simply don't "want it" enough.

Probability of success at the next level: 44%

Shalhoop, Jarrett (2013) *HiPO Program Essentials.* Institute for Human Resources.