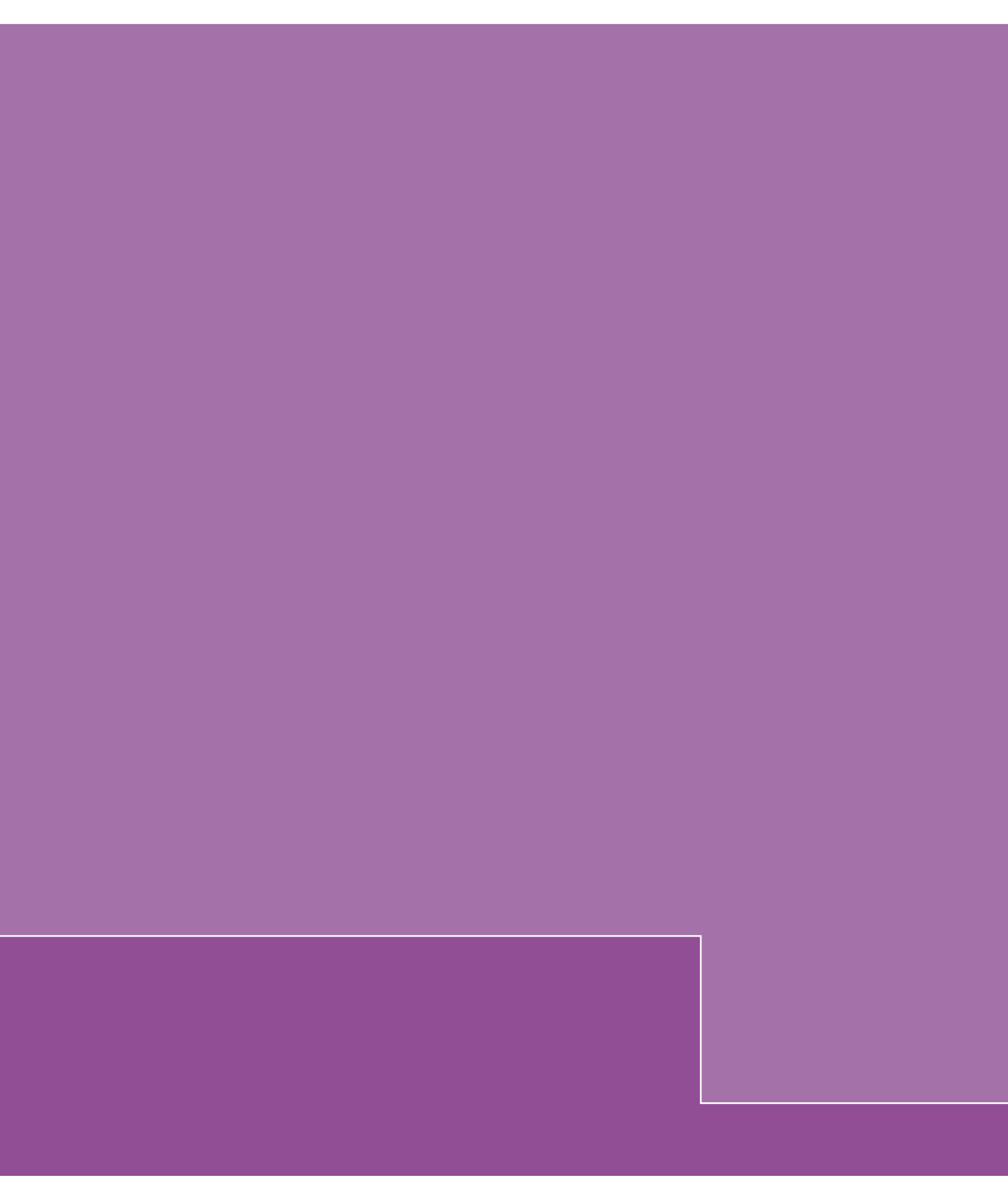


Potential – for what?

What every CEO should know – new insights into selecting the right leaders to secure your competitive future

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CEOs at the world's most successful companies know that they can only safeguard their organisation's competitive future if they have the right leaders to develop and implement their strategy >>



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Potential – for what?

CEOs at the world's most successful companies know that they can only safeguard their business's competitive future if they have the right leaders to develop and implement their strategy. While CEOs know they can also hire external candidates, they also know that the track record of outside hires can be very unpredictable. CEOs and HR Directors from those organisations seen as best by their peers for managing talent, prefer to ensure they develop a good bench-strength of talent from inside their own organisations.

For many years CEOs at the world's most successful companies – such as GE, P&G, BP – have seen the importance of securing their long term competitive future by investing large amounts of money and time in identifying future leaders. Using a whole battery of assessment techniques and processes they have attempted to recruit the best graduates and to see, early in their careers, which managers had the long term potential to make it to the top: what the British army has called: 'finding the General's batten in the knapsack of the new recruits.'

But in recent years CEOs have become more concerned about their more immediate competitive future: do we have the talent and capability to develop and implement the strategies that will enable success in today's highly competitive and changing business world? Today the pressures for change are greater than ever – from globalisation, competition, technology, break through business models – which means that the shelf life of both strategies and leaders can be much shorter.

And here is the CEOs real concern: the ability of leaders to implement one type of strategy may not be the type needed to implement another: the skill sets may be different, the behaviors may be different, the experiences needed may be different. For example those needed to lead a nationally based, fully functional company, operating in a stable competitive and technological environment, will be very different from those needed for a leader in a highly matrixed global organisation facing rapid competitive and technological change. But this is the transition many businesses are going through.

Some major companies have responded by throwing out or downgrading their programs for building long term bench-strength because they have lost their confidence in their ability to predict the type of talent needed. But our research shows that it is the companies that can resist this response and combine a focus on both the long term and the short term which have enduring success.

Best practice organisations are not only more productive; by constantly getting the management of high potential talent right, they also survive and win on into the future.

Our work shows that those organisations considered best practice at talent management by their peers clearly articulate what talent management means to them:

talent management is the process by which an organisation puts the right mechanisms in place to deliver competitive advantage through the effective management of its people. In other words, ensuring the right people are in the right roles at the right time to deliver on strategy now and in the future

This definition of talent management was used as the background to research Hay Group conducted in 2006 with Chief Executive Magazine. A key finding was that the 20 companies best at managing their talent consistently outperform their peers in terms of return on share price. This research

affirms similar findings by the Corporate Leadership Council, where a strategic focus on employee potential was seen as the single most effective strategy in building a reserve of high quality leaders. Eighty percent of employers saw high potential employees as half as productive again over the average.

Best practice organisations are not only more productive; by constantly getting the management of high potential talent right, they also survive and win on into the future. This is a sobering thought when you consider that since the inauguration of the stock market indices, few of the companies originally listed survive today and even fewer exist in anything like their original form. In short, a strategic and wise investment in talent management pays dividends. At the heart of that lies the ability to recognise – and nurture – the long-term potential of your employees.

Breakthrough approaches to selecting future leaders

Predicting potential, particularly long term potential, is a high-stakes game. You are not just dealing in specifics such as previous performance record, you are deciding where to place the organisation's bets in investing time and resources to develop future leaders.

Because of this Hay Group has developed two new, break-through approaches to help organisations select the right leaders for both the short and long term:

- 1 A guide to what organisations should place their bets on in terms of investing in their talent by assessing the growth factors underpinning long term potential.
- 2 A selection roadmap to identify the most suitable process and approach to identifying talent at different levels in an organisation.

It is important to recognise that 'being a star performer' is not an enduring trait of a person. It does not necessarily carry over from one situation to the next.

These twin approaches should help ensure better decision making in relation to talent. However it is still easy to get it wrong. Just because someone is doing a great job in their current position, it does not mean they will automatically perform as well in another role – and certainly not necessarily as a leader. The fallout from promoting someone wrongly can be disastrous, both for the individual and the company. They become stressed and demotivated, they underperform and the people working for them then also become unhappy. It is a vicious circle. The company suffers because the role is being fulfilled badly – or not at all.

Where a company does make a mistake, it is important to recognise it and take swift action, returning the person to a role that is suitable for them, where they can again be successful. But how do you choose the right person?

First, it is important to recognise that 'being a star performer' is not an enduring trait of a person. It does not necessarily carry over from one situation to the next. Great performance is a state, the condition of enjoying a good match between a person's capabilities and the requirements of the job – and it lasts as long as that match stays in balance, with challenges that are neither too easy nor too hard.

Second, there are character traits that enable people to take best advantage of long term development opportunities. We call these 'growth' factors and if organisations take these into account, they are likely to get a better and more

accurate return on their investment in leadership development. But growth factors alone do not ensure that a person's career will survive a stretch-to-break role change nor simply being left to look after their own careers. Organisations considered by their peers to be best at talent management get the best return on their investment by:

- 1 evaluating who has the growth factors that predict long term potential
- 2 evaluating how people's abilities fit with specific types of roles, not just at their current level but also at higher levels and for roles in other functions
- 3 enhancing potential, once identified, by giving experiences that act as catalysts to leadership development and growth
- 4 creating processes to ensure that talent flows through the organisation in the right sequence of roles to maximise the chances of potential being fulfilled

This paper focuses on the first step: understanding and evaluating potential, and particularly the growth factors. The second step is addressed by a "Leader to Leader" article entitled '*Navigating through the new leadership landscape*', available through www.haygroup.com (for a summary, see pages 18 & 19). The third and fourth steps are the subjects of upcoming papers to be released by Hay Group shortly.

Is your employee or candidate ready, willing and able to take on the next role?

Some organisations think of potential in terms of immediate performance in the next role, what we call 'suitability'; while others see it as a latent, longer term quality that needs to be identified and nurtured to provide leadership in the future.

It is deeper, more personal factors (also known as competencies) that provide the foundation for performance at a superior level.

Whether organisations are assessing short-term suitability or long term potential, there are three questions that must be asked:

1 Are they ready?

Does the person have the hard skills, knowledge and experience required for the role into which they will be moved? Developed through education, training and career experience, readiness is necessary for achieving effective performance. This is sometimes referred to as being 'résumé-ready' because much of this kind of readiness can be evaluated through a good résumé or career history.

2 Are they willing?

Does the person want to rise in the organisation? Can the organisation adapt to the person's needs? Given the ever-increasing pace of corporate life and rising standards of living, people are increasingly choosing to balance their work and life, rather than single-mindedly pursue careers. This issue has implications for both the individual and the organisation.

3 Are they able?

Does the person possess the 'soft' characteristics, the underlying personal traits required by the specific role or organisation? Some of these are the inherent qualities of the individual, while others can be developed through career experience and coaching. It is these deeper, more personal factors (also known as competencies) that provide the foundation for performance at a superior level.

Most organisations are quite capable of assessing the first question and of negotiating the second. The third question, the question of potential ability, is the focus of this paper.

So, what is "Potential"? The formula on the next page captures the critical elements for defining and identifying potential.

Potential is the fit between a person's current capabilities and possible future roles, taking into account the person's longer term capacity for personal growth and their possible derailers.



What this means in terms of measuring potential, is that organisations need to be clear and objective about *both*:

- 1 the current abilities of their people *and*
- 2 the actual requirements of the intended or future role(s), whether it is the next promotion for the person, or a longer term 'leadership' role

'Growth factors' and 'derailers' address a third – and crucial – question, one that is too often ignored: does this person have what it takes to grow and develop? The growth factors are deep-seated traits that affect a person's ability to develop over time.

A growth factor, in abundance, has few down sides and acts as a multiplier to the first half of the equation. Derailers are aspects of the person – or the organisation – that interfere with growth and performance and act as a detractor to the first half of the equation.

Growth factors are akin to the concept of 'trainability', this idea has been around since the 1950s and is defined as a person's capacity for learning new skills and applying them effectively. However, growth factors go beyond this, enhancing the ability of individuals to learn new ways of working and leading, of managing themselves effectively to meet the

demands of the role and, crucially, to adapt as role requirements change.

In exploring these issues further through our global leadership database and with a symposium of talent leaders, we focused on one question: if you had a limited leadership development budget, what measurable characteristics would predict the best returns on investment?

In posing the question, it quickly emerged that to be useful in predicting mid to longer term potential, growth factors should be:

- **Recognisable early**
in the person's career, ideally even in a recent graduate and in a wide variety of situations. Equally you would not want the growth factors to exclude good leaders who come from diverse backgrounds. This means they should be defined broadly enough to be recognised in different organizational or cultural settings.
- **Useful in many or most high-level leadership roles**
Since future leadership roles are unlikely to be clearly defined yet (who knows what the company will need many years down the line?), you should look for characteristics that will suit a variety of leadership roles.

Growth factors are all multipliers to ability; they are the enablers to development.

- **Difficult to develop**

Sufficient development time and resources are never available – so organisations should leverage their investment by selecting people who already have those qualities and develop the knowledge and skills that are less difficult to learn. These people are more likely to take advantage of the experiences or training that cultivate the specific credibility and breadth needed.

- **Not strongly associated with significant derailers**

Characteristics such as driving personal ambition may be desirable in some ways but can also become a liability if over-developed, leading to arrogance and blind spots. You would want to use growth factors that do not carry these risks.

The research was also clear on some popular choices that are, in fact, not such good indicators of growth potential:

- 1 Being the very best performer in the current job**

This person may have good growth potential. However, the characteristics that make someone ideally suited to one role do not necessarily lead to success a level or two up the corporate ladder. The best sales people are a good example. They are often super-focused on their own performance

and their own customers. This makes them great sales people – but not great sales managers. Often, the next-best sales person, the one who misses an occasional opportunity because he or she is coaching someone else on the team or figuring out how to help the whole office do better, will make a much better sales manager.

- 2 Expressing great personal ambition and drive**

“I want to be CEO.” Although this seems like an obvious indicator of potential, it has two drawbacks. First, such strongly ambitious individuals may seek their personal advancement at the expense of the performance of the group. They may become so focused on their own career that they become blind to other factors. They may also be subject to over-confidence and the lack of self-questioning that goes with that. In contrast, many of the most successful executives talk of occasions when they hesitated to accept a promotion, taking time to reflect and assess their own capabilities. Often, they went on to do a great job in a challenging role but occasionally they declined an offer that was not a good match to their capabilities and waited for an opportunity where they could shine. They did not put driving personal ambition first but had the maturity to question and consider.

If you had a limited leadership development budget, what measurable characteristics would predict the best returns on investment?

The ‘growth’ factors that enable people to develop over time

We suggest four fundamental characteristics that meet the criteria above. These are core qualities that comprise the basic building blocks of potential and that you would want to see in all ‘high potential’ employees.

Through our in-depth behavioral interviews with a wide range of managers, executives and non-management, we find that these characteristics are seen more often in people in higher levels of the organisation (i.e. those whose potential has already been realised to some extent) than in those at lower levels. These factors are also associated with outstanding performance, especially at higher organisational levels. They have broad applicability across a wide range of leadership roles. However, an organisation might want to put special emphasis on one or another of these growth factors, depending on the organisation’s long term strategic focus.

These factors are most useful for identifying high potential individuals in management positions, who warrant extra investment in their development; or for choosing employees to promote into management. These qualities also come into play when moving people into executive roles, although at executive level, more specific issues about knowledge and experience are also important. However, at lower levels of the organisation, the growth factors may not make a major contribution to performance outcomes. These are qualities that predict staying power and eventual growth, not necessarily top performance early in one’s career.

1 Thinking beyond the boundaries

This is a broad application of conceptual ability. This characteristic comprises raw computing power, or I.Q. plus, most importantly, a disposition to apply that conceptual ability to broad questions, to make unexpected but useful connections. This is the early manifestation of the strategic thinking that leaders need to provide for their organisations. Although a moderately high level of intelligence is

an obvious requirement for this growth factor, very high levels of intelligence do not appear to add extra value. What makes the difference is the individual’s disposition to look beyond their role and to make connections between their area and other, peripherally related, areas.

You might look for the individual contributor who is thinking about how to make the whole department

more productive or how to streamline the way it deals with suppliers and customers. You might see college students who are making connections between what they learn in one course and what they learn in a different subject; or a salesperson who brings in articles or observations from outside your industry and talks about how these ideas, events or developments might provide opportunities.

1 Core questions

Does this person’s thinking make useful connections well beyond the normal boundaries and timelines of their job?

Do they think in a fresh creative way or a useful way about the big questions, the big problems and the longer timeframe that properly belong to a larger role?

Do they make complex issues straightforward and grounded in reality?

2 Curiosity and eagerness to learn

This natural curiosity and eagerness to learn and to take on new challenges may be displayed by asking questions that push the boundaries of accepted norms; by a desire to take on different and challenging assignments, even when

these do not represent a promotion; by extensive or diverse reading; or attending unusual courses. It supports thinking beyond the boundaries by providing the information that makes such thinking possible. This desire to learn also

helps the person take on a broad and challenging range of career experiences and take full advantage of development and educational opportunities. Both this quality and thinking beyond the boundaries are not always associated with great grades in school or college.

2 Core questions

Does this person display curiosity and eagerness to learn that goes well beyond what is normally expected in their job?

Does this person readily take on tasks or roles that are new and challenging to them, embracing the implicit risk in trying something new?

3 Social understanding and empathy

This is the genuine desire and ability to understand others, to catch not only their explicit argument but also the subtext and context, the reasons for their responses, the other person's perspective. This ability to see a person as a whole

– with the needs, background and personality that affect how they respond
– underpins sophisticated influence skills, as well as many of the leadership competencies such as collaboration and teamwork; developing, motivating and inspiring others; negotiation skills, etc.
This innate understanding of other

people is an essential executive skill and is difficult to acquire. After all leadership, at its heart, is all about influencing others. Don't be fooled by charm or polished presentation skills. These can carry a smart person quite a long way in their career but at some point they are simply not enough.

3 Core questions

Does this person listen carefully, ask clarifying questions and not jump to conclusions about other people and their motives?

Is this person motivated to understand others?

Does this person treat others with respect and see the positive in others more often than they see faults or shortcomings?
(Someone who constantly finds the faults in others – however accurately – is NOT showing empathy)

Does this person consistently bring out the best in others?

“ The ‘growth’ factors are associated with outstanding performance at senior levels by people who fulfilled their earlier potential ”

4 Emotional balance

This is the hardest characteristic to assess in an applicant and perhaps the easiest in an employee. This quality embraces balance, emotional resilience and realistic optimism. The question here is how people respond when things do not go smoothly in their career or in their personal life?

Realistic optimism and stability enable people to bounce back from adversity, to lead under stressful circumstances and help to keep others positive and motivated. Without this maturity, the best leadership development programs will have little effect, as the person will not take advantage of the opportunity for personal growth.

Emotional balance also needs to be assessed relative to the person's age – we normally expect maturity of behavior and perspective to increase with age, and don't hold a twenty-year-old to the same standard of maturity as a fifty-year old.

4 Core questions

Does this person have emotional stability under difficult circumstances? Or do they stress out and make things even worse?

Do they recover and learn from their mistakes? Or do they sulk or blame others?

Do they seek out and take constructive criticism well, learning from it to improve their performance? Or do they become defensive or keep making the same mistake again and again?

Do they focus on what is best for the group as whole? Or do they see every issue in terms of how it affects their personal reputation and career?

The questions for each growth factor are ones you might want to ask yourself about a young employee, or ask a referee about an applicant. A person may be strong on one or two factors and weak or lacking in others. Generally, to consider a person as high potential, we would want to see real strengths in at least three of these factors and no major warning signs in the remaining one.

Although these characteristics are relatively enduring traits, they can change over time in response to experience. The organisation can do things that will either encourage development of these qualities or obstruct it. In coaching or managing the development of your high potentials, you should re-visit and re-evaluate the growth factors every few years.

You also need to put in place the right role rotations to provide the experience or catalysts that stretch people, so that they become more than they already are. For example, taking a leader out of their comfort zone and asking them to manage a different part of the business, incubate a start-up, or merge two businesses, will present challenges that cannot be delivered by personal drive and technical abilities alone. These challenges provide an opportunity to step back and learn how to lead, not through one's own efforts, but through the efforts of others. It is important that 'high potential' people learn how to do this early in their careers, so that they have this skill when they reach a senior position. We will discuss these catalysts to growth in detail in a separate paper.

Derailers: is it them? Is it you? (It is probably both)

As we have seen, growth factors have few downsides and act as a multiplier to a person's leadership potential. Derailers, on the other hand, are aspects of the person – or the organisation – that interfere with growth and performance and detract from potential. Most cases of career derailment involve both individual factors and organisational complicity.

Individual factors

A few derailers may exist within a person. Some of these are the opposite to the growth factors, as suggested below.

- A narrow and short-sighted emphasis on immediate results and/or technical expertise – this is the opposite of lateral thinking and taking a broader view
- An assumption of being smarter than everyone else – this is the opposite of the desire to learn and such arrogance can work against acquiring any learning
- An inability to listen and properly hear what others are saying – this is the opposite of empathy. This can appear as a shallow or manipulative charm, or as sheer lack of interest in other people
- A lack of self-control, depression, sulking and self-centeredness – these are the opposites of emotional maturity and resilience.

While some people who become derailed have obvious personal weaknesses, with others, the derailing factor can be more subtle and can be associated with their strengths, where too much of a good thing can start to work against them.

For example:

- being too affiliative can lead to a tendency to avoid confronting issues
- being too focused on achieving results can lead to a narrow view and a lack of strategic insight
- being so focused on personal achievement that one cannot work collaboratively
- being so intellectual and cerebral that the person doesn't or can't win hearts and minds
- having such high standards that 'perfecting perfection' gets in the way of on-time, cost-effective delivery
- being so good at everything that others are overshadowed and unintentionally disempowered or left little latitude to contribute.

The reason these strengths derail careers is because of the unintended consequences of over-applying them. It is difficult to abandon what has worked, even when circumstances change, and it may be nearly impossible to give up old patterns if no new skills have been developed to replace them.

Career derailment can be subtle and associated with strengths, where too much of a good thing can start to work against you.

Organisations can be complicit in the derailing of careers, often by ignoring flaws until too late.

Organisational factors

The organisation can be complicit in the derailing of careers, most often by forgiving rather than dealing with flaws and shortcomings, as long as the person is hitting their targets. However, later these flaws come back to derail their career. And by the time someone is a senior executive, gaps in the ability to understand the subtext of other people's comments and to predict their responses, or to influence others in a variety of subtle ways, will seriously limit the person's effectiveness.

There are other common ways in which organisations unwittingly derail their best employees' careers – and in the process, handicap their organisation's ability to adapt to change:

- **The laissez-faire mistake:** thinking that the organisation's responsibility ends when it identifies potential. By assuming that the cream will rise to the top, the organisation wastes most of the latent potential in the workforce by failing to nurture and develop it. The best way to cultivate potential talent will be discussed in more detail in a forthcoming paper
- **The job rotation mistake:** making the assumption that a job rotation or an overseas assignment is, in itself, a developmental experience, without providing either the framework to orient the person to what they are supposed to learn from the assignment, or a de-brief to ensure that the desired development did take place
- **The 'a good manager can manage anything' mistake:** making promotions or lateral moves that stretch the person to the point of breaking, without providing support and a safety net; worse, then blaming the person for failing to adapt quickly enough

- **The moving-too-fast mistake:**

moving the high potential person from one role to another too quickly, eliminating the opportunity to learn from experience and from their mistakes; worse yet, moving a high potential person before the consequences of their mistakes become clear, rescuing them, rather than allowing them to fail. How people cope with and learn from failure can very quickly sort the wheat from the chaff. It is nature's quickest proving ground.

Finally, some derailers may be specific to the organisation. For example, some organisations require certain styles of interaction – more hierarchical or more collegial, more formal or more affiliative. Having a very different individual style can be a real hindrance to effectiveness in some organisations.

Apparent unwillingness to relocate is often seen as a derailer and needs to be handled with care. Such unwillingness to move may be temporary, related to children's schooling, a partner's career or even the person's tax liabilities. Support from the organisation can often resolve these problems. Lack of mobility may even be assumed but may not be real or may apply only to certain locations.

Relocation issues may be based on the organisation's unwillingness to question whether mobility is even necessary and to look at who needs to move or travel where. For example, resistance may relate to meetings in HQ every month, which may mean three or four days' travelling for someone living in Brazil to attend a one-day meeting in Europe. Executive teams need to question their assumptions about these matters.

Potential – for what? A roadmap

The best organisations excel by being aware enough to avoid organisational complicity in derailing careers and by encouraging employees to develop a flexible range of strengths. But they also go one step further. In their mind, the question of potential is only partly answered by the identification of growth factors and derailers.

When it comes to making a placement decision, they also look more deeply into specific factors such as the critical success requirements for different types of role. By knowing this information in detail and in having a roadmap of critical roles, it is then possible to start asking a wiser question, one that is focused around asking: potential – for what?

Organisations may also maintain more than one ‘talent pool’: they may have one for technical leaders, another for sales and another for corporate leadership.

Organisations will do well to weigh different parts of the potential formula more heavily than others, on how much they are selecting for suitability for immediate performance (‘go fix this operation’, ‘hit the ground running in customer service’), and how much weight is given for future potential. The factors that are important in selection will also vary by the organisational level. The table on page 14 outlines which selection criteria are likely to be most useful in four typical situations:

- suitability for low or entry level roles.
- long term potential when selecting graduates or entry into management training.
- long term potential for senior leadership.
- immediate performance for crucial senior leadership jobs.

For example, when short term suitability for the next job is the main issue, the person’s fit to that job is given primary consideration, (but even then it may be useful to consider the growth factors for future added value). For executive level roles, it is crucial to define the requirements of the specific role with some precision: differences in executive roles can have significant consequences.

However, when you are considering potential for future managerial or leadership roles, the specifics of the jobs to be filled in some number of years are necessarily less clear – and there may be a range of possible roles. In this situation the person’s long-term potential and adaptability (the growth factors and the de-railers) become more critical. Over time, as the person develops, the specific roles for which they are best suited will become more clear.

The question of potential is only partly answered by the identification of growth factors and derailers.

In general, the growth factors are more important when selecting for potential for the future, while job-specific factors ('résumé readiness' plus role-related ability or competencies) are more important

when selecting for immediate performance (suitability). The most critical factors for selection, in various different situations, are set out in the table below, in the order of priority for each situation.

Higher in the organisation		Suitability for an urgent need
potential for the future		
3	4	
Selecting for leadership potential at the executive group level	Selecting for immediate performance in mission-critical leadership roles	
Growth factors/derailers The organisation's general leadership competencies Appropriate range of prior experience and skills (readiness)	Unique leadership competencies (fit to organisation AND specific leadership role profile requirements) Growth factors/derailers	
2	1	
Selecting for broad managerial potential, for graduate entry to middle manager	Selecting for immediate performance in key entry or low-level roles	
Growth factors/derailers Core, general or threshold competencies for the whole organisation (often based on organisation's values)	Job-specific skills, knowledge and experience (i.e. 'résumé readiness') Specific competencies suitable for the job at hand (i.e. being 'able') Growth factors/derailers if intent is longer-term career growth as well as immediate performance	
potential for the future		
Lower in the organisation		

Potential – for what?
The selection roadmap

Knowing to what extent you are identifying suitability (a great match between current capabilities and immediate role demands) and to what extent you are identifying long term potential (likelihood of a good return on your investment in their development

for future roles), can help determine which aspects of the potential equation are most important for the placement at hand. It can also enable the organisation to be discerning and realistic about the capability development to be expected from a person in a particular role.

Understanding the job and its context

Many organisations fall into the trap of seeing potential as a panacea, assuming that someone who is 'high potential' will be good at almost any leadership role, not so.

When moving someone into a new role,

- first consider in detail the requirements of that role and how it contributes to the overall strategy and business results and
- then consider the fit between the person's current abilities and the needs of the new position – not the needs of the person's current role
- then be prepared to provide guidance and support to address the gaps. (If there are no gaps, the move is probably too easy and provides no development.)

The more pressing the organisation's need for performance from a role, the more clear and specific the organisation must be about what it is looking for. Understanding the exact demands of future roles and the challenges they present to each individual is key in the measurement of short-term suitability. It is not enough to consider whether someone is ready for a move 'to a bigger role'. Managers also need to look at how individuals will fit into the specific requirements of different roles. The ingredients for success vary considerably from one role to another, even at the same level of seniority. It is a huge leap from a senior strategy role (broad, conceptual thinking, sophisticated communicator

and leading a small team of highly qualified professionals), to an operations role (leading a large organisation from a distance, focusing on delivery of results) or to an HR role (influencing people, collaboration, depth of understanding of how processes affect outcomes).

Hay Group has identified some core predictors across three role types:

- planning and policy
- shared contributor
- straight delivery.

These hold true across the majority of senior jobs. We have written about these earlier in a 'Leader to Leader' article entitled 'Navigating through the new leadership landscape.' It is available through www.haygroup.com. The more pressing the organisation's need for performance from a role and therefore the shorter term the potential you are assessing, the more clear and specific the organisation must be about the requirements of the new role.

A flavor of the success criteria to look for across role types and different organisational levels, is shown on pages 18 & 19.

The more pressing the organisation's need for performance from a role, the more clear and specific the organisation must be about what it is looking for.

Best practices in assessing potential

There are many sets of competency requirements for specific roles and many ways of assessing a person’s fit to a role. Just as different areas of potential vary in importance according to the job requirement, so methods of identifying a person’s abilities vary, as shown in the table below.

Higher in the organisation		Bench strength for the future	Suitable for an urgent need		
3	<p>Assessing for leadership potential at executive group level</p> <p>Typical practice: performance against targets and line manager nomination; tick-the-box succession planning</p>			4	<p>Assessing for immediate performance in mission-critical leadership roles</p> <p>Typical practice: ad hoc conversation between CEO and HR leaders and/or headhunters. Sometimes includes external assessments</p>
<p>Best practice: talent review forums supplied with objective survey data, external benchmarking, and competency interview data to enable better decision making, detailed consideration of growth factors/derailers and provision of development feedback about consequences for career path</p>				<p>Best practice: broader, more formalised discussions, future orientated role definition, external benchmarking, linked to prior strategic succession planning, rigorous debate of fit to role, evidence that derailers have been tackled</p>	
2	<p>Assessing for broad managerial potential and for graduate entry to middle manager</p> <p>Typical practice: line manager nomination (issues with validity and means of measuring); assessment centers (costly, and/or resource intensive, results may not be applicable if sub-contracted)</p>			1	<p>Assessing immediate performance in key entry or low-level roles</p> <p>Typical practice: performance against targets</p>
<p>Best practice: competency based interviews and/or assessment centres, detailed consideration of growth factors/derailers and diverse survey data, connection between outcomes and real deployment decisions</p>		<p>Best practice: additional consideration of key threshold competencies and thought given to growth factors/derailers</p>			
Lower in the organisation					

Typical and best practice methods for assessing potential

Whatever methods of assessment you use, the crucial issues are first, to understand the requirements of the role in depth and in detail and second, to gauge the individual’s capabilities and provide support where necessary.

Giving on-going feedback about the person’s strengths and weaknesses against the new role, and guidance regarding the capabilities you hope they will develop in the new assignment, can go a long way to ensuring success in performance and in the person’s development.

Summary – five key steps to identifying and managing potential

In summary, we see five key ways to get better business results from the identification and management of potential:

1 Know what you need from people

Start with strategy, use strategy to define which behaviors and qualities you need from people and which roles are most crucial to execute that strategy. Then focus your selection and development efforts on those roles, behaviors and qualities.

2 Identify long-term potential through the growth factors – not just job-specific abilities, or past performance

Include the following characteristics of longer term potential.

- Thinking beyond the boundaries.
- Curiosity and eagerness to learn.
- Social understanding and empathy.
- Emotional balance.

3 Potential – for what?

Don't mistake performance for potential or potential for readiness for promotion. Distinguish between long term leadership potential and short term job-specific potential. Remember that being a star performer is a state (of a good fit to a job) and not a permanent trait. Sometimes a person with great potential and with the underlying abilities to do a job well, but without the exact experience and knowledge, will take a longer time to get up to speed but will ultimately produce better results. On the other hand, being a star performer today is not a guarantee of readiness for promotion. Instead, give careful thought to exactly what is needed in the next role and ask yourself if your candidate has those characteristics.

4 Fulfilment of potential

This is crucial – simply promoting high potentials or rotating them through assignments is not enough; they need significant care and development attention to ensure that their promise is fulfilled. Organisations need to take risks to help people grow, promoting development through stretching career moves, coaching and training. This implies minimising the organisation's complicity in career derailment. This should be part of the responsibility of line managers, not just HR.

5 Create enabling systems to effective talent management

Processes need to help find and promote hidden diamonds and there needs to be mechanisms that inject objective data into the decision making processes around best deployment of talent. Through good talent systems organisations can ensure their people fulfil their potential and thus contribute to the future success of the organisation. These systems also need aligning with other levers such as reward.

The key is to ensure the business strategy is translated into a people strategy and all HR leaders pull in the same direction.

Leadership roles matrix

In thinking about Potential – for what?, it is important to be clear on either the general level of work the question is aimed at or the specific type of role at that level.

		Leadership type	Operational roles	Collaborative roles	Advisory roles
Levels of work	Strategic	Global enterprise leadership	Top leaders of large, complex international organisations, typically publicly traded, highprofile conglomerates that span diverse technologies.	Not applicable	Not applicable
		Enterprise leadership	Leads all aspects of business to generate results. Typically the highest-level leadership role in a diverse enterprise with multiple business units, lines, and markets.	Not applicable	Not applicable
		Strategy formation	Focused on the achievement of bottom-line results where global or business-critical objectives must be achieved. Typically more complex general manager or sales roles.	Develops and delivers strategically important programs critical to the organisation's mission function through coordination and direction of diverse resources over whom direct control is not exercised.	Focuses on the alignment and integration of strategies for a that is a critical driver of business success. Partners in determining business strategy and provides strategic advice that supports the achievement of critical business objectives.
		Strategic alignment	Focuses on the achievement of bottom-line results where product and market developments demand significant change to current business capabilities. Typically general manager or sales roles.	Defines and delivers specific and measurable long-term programs and results through a complex network of resources and partners over whom direct control is not exercised.	Focuses on the alignment and integration of policy in a strategically important and diverse area. Provides advice and guidance that support the achievement of major business objectives. Seen as thought leader internally.
	Tactical	Strategic implementation	Integrates and balances operational or sales resources to extend current business capabilities, ensuring that market demands are met in the short and medium term. Manages a large, complex operating unit to predetermined requirements.	Delivers specific, measurable results across a broad, complex area through a network of diverse resources and partners over whom direct control is not exercised.	Focuses on the translation and application of policy in diverse although usually related areas.
		Tactical implementation	Manages defined resources to ensure achievement of clearly specified objectives such as volume, cost, quality, and service to meet schedule and customer requirements.	Delivers specific, measurable results in a discrete, defined area through a network of internal and external resources and partners over whom direct control is not exercised.	Focuses on the translation and application of policy in a specific functional area.

Leadership competencies

The success criteria varies considerably. More information on the research behind this can be found at www.haygroup.com. These summary tables are taken from *Navigating Through the New Leadership Landscape* published in *Leader to Leader* magazine.

		Leadership type	Operational roles	Collaborative roles	Advisory roles
Levels of work	Strategic	Global enterprise leadership	<ul style="list-style-type: none"> • Symbolic leadership • Externally focused • High level of social responsibility • Focused on building top team and organisational capability • Unique competencies related to values or strategy 	Not applicable	Not applicable
		Enterprise leadership	If top CEO: <ul style="list-style-type: none"> • high level of teamwork • wide range of sophisticated or unique competencies based on organisation. Otherwise: <ul style="list-style-type: none"> • same as level below, plus • high levels of integrity, coaching, and customer focus. 	Not applicable	Not applicable
		Strategy formation	<ul style="list-style-type: none"> • Competencies from level below plus • Strategic focus with broader, longer-term view • Higher levels of developing others • Sophisticated influence strategies based on in-depth understanding of others and organisation's politics 	<ul style="list-style-type: none"> • Networks and builds relationships • Takes a strong leadership role • Greater level of organisation commitment; models loyalty • Encourages development and provides feedback • Integrity 	[Insufficient data due to small sample size for this role and level.]
	Tactical	Strategic alignment	<ul style="list-style-type: none"> • Competencies from level below plus • Focuses on providing strong visionary leadership • Willing to apply rules flexibly 	<ul style="list-style-type: none"> • Seeks information to support decisions, negotiate, and influence others • More likely to seek input of others • Integrity 	<ul style="list-style-type: none"> • Broad and strategic business perspective (understanding the organisation in the market) • Complex influence skills based on deep understanding of people organisation, and business • High integrity
		Strategic implementation	<ul style="list-style-type: none"> • Competencies of level below plus • Demands high performance from the team • More likely to act consistently with values and beliefs 	<ul style="list-style-type: none"> • More initiative than preceding level • More likely than other collaborative managers to set challenging goals 	<ul style="list-style-type: none"> • Continues to focus advice and service on the larger organisation • Continues to model loyalty to the organisation • Coaches and develops others • More likely to take a leadership role than at preceding level
		Tactical implementation	<ul style="list-style-type: none"> • Focuses on business results • Focuses on own team, coaching, supporting, gaining input • More likely to take on challenges than peers in other roles 	<ul style="list-style-type: none"> • Demonstrates responsive rather than proactive initiative • Demonstrates pattern recognition more than insight 	<ul style="list-style-type: none"> • Focuses on service to the larger organisation • Models loyalty to the organisation • Manages subordinates one to one rather than as a team • Accepts need for flexibility

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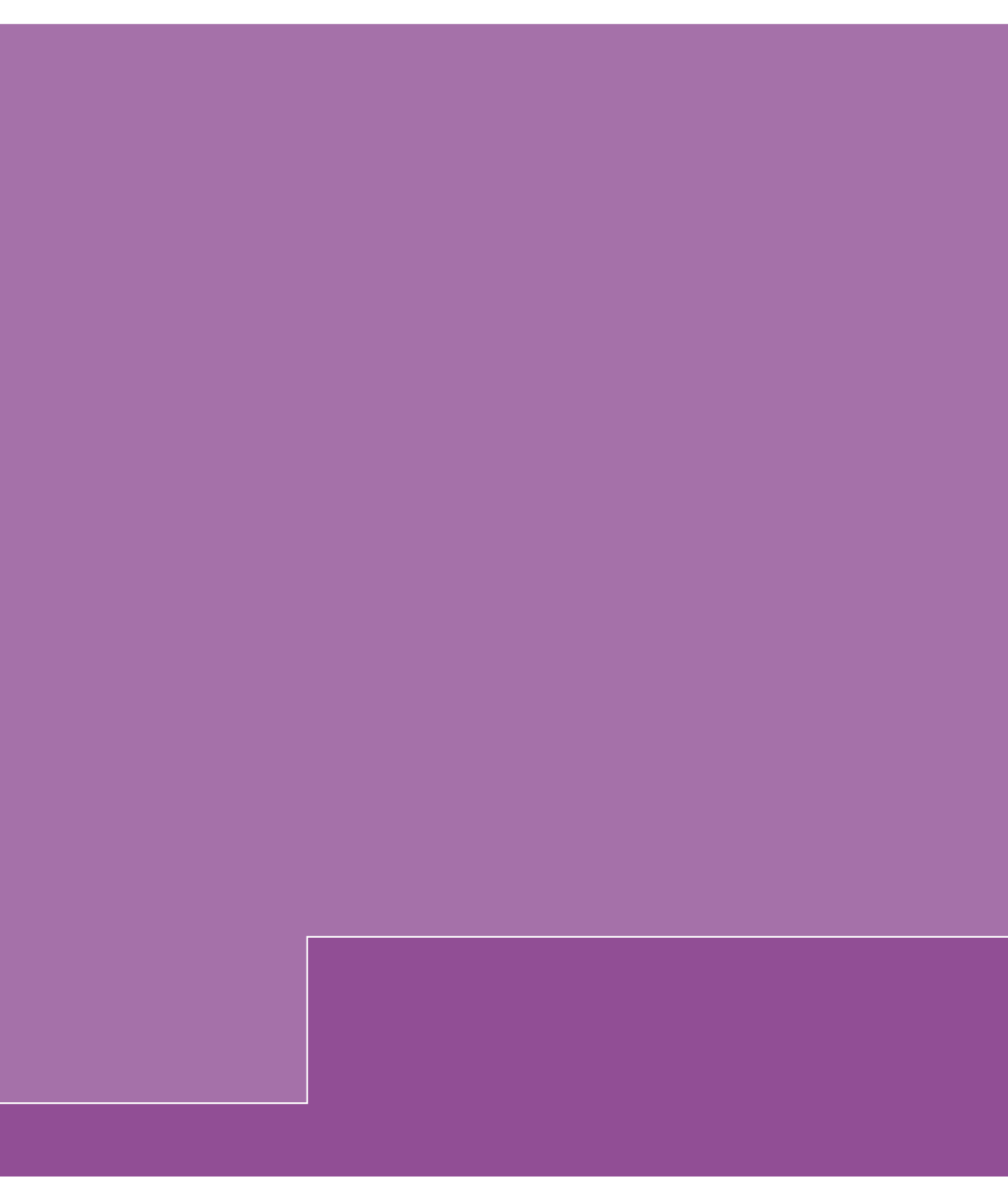
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