



THE IMPORTANCE OF IDENTIFYING HIGH POTENTIAL

People are an organisation's competitive advantage. It is critical that organisations proactively and systematically take action to ensure that they have the human resource capability and bench strength to meet current and future business requirements. This is essential in terms of risk management, succession planning and ensuring the presence of the necessary capabilities at the top levels of an organisation. There is significant pressure on organisations and their leadership teams today to ensure they have well-validated and useful measures of potential. The singular ability to define and identify that elusive variable known as potential in an individual or group of individuals is considered a competitive advantage in the marketplace (Silzer & Dowell, 2010a; 2010b).

Despite its acknowledged importance, the ability to identify high potential employees remains weak for most organisations. According to a recent global leadership forecast only 18% of HR professionals surveyed rated their organisation as being strong in its available bench strength to meet future business needs. In Australia and New Zealand, only 41 per cent of organisations reported having a formal process for early identification of high potential.¹

DEVELOPMENT OF THE HIGH POTENTIAL INDICATOR QUESTIONNAIRE (HPIQ)

In 2011, People Measures was asked to develop a research-based tool to identify high potential employees in a well-known organisation (Organisation X). The client identified that the tools on the market did not accurately enough reflect capability and potential for their needs. People Measures began a process to augment and extend existing approaches to the measurement of potential and to develop a tool to measure high potential that was cost effective and reflected up-to-date theories and best practice. The tool was to be used as part of the organisation's broader talent management process. As part of this process, it was intended that individuals would be assessed for inclusion in the talent pool based on both their current performance and potential. The High Potential Questionnaire was intended to introduce more objectivity and rigour into the process of line managers assessing potential. Information on both current performance and future potential was to be integrated and considered in 'round table' review meetings which would ultimately identify those individuals to be included in the talent pool.

¹ Corporate Leadership Council (2005). *Realizing the full potential of rising talent (Volume I): A Quantitative analysis of the identification and development of high potential employees*. Washington DC: Corporate Executive Board.

The following is an outline of the major stages in the development of the tool.

Defining High Potential

A literature review was undertaken which explored the underlying dimensions which contribute to high potential. A number of key observations to which organisations need to pay attention were identified.

Observation 1: Potential is Poorly Defined

There is no single or unifying definition of what 'high potential' looks like². Many organisations have their own internal definitions. In one study, of the 13 major organizations reviewed including Boeing, Dell, Hewlett Packard, Southwest Airlines, none had the same definition of potential.³ Organisations often differ from each other in their definitions, and it is not uncommon for there to be significant differences of opinion within the same company among senior leaders. It is therefore not always clear what organisations mean when they say someone is 'high potential'. A corporate high potential survey was conducted with 30 large organisations (including AOL, Levi Strauss, Merrill Lynch, Microsoft, PepsiCo, and Siemens) in an effort to understand current organisational practices in the identification and management of high potential. It covered a range of topics, but one focused on the definition of high potential which raised an important question "Potential for what?". This survey identified several different definitions of high potential:

- 35% - **by role**: the potential to move into top or senior leadership roles
- 25% - **by level**: the ability to move and perform two positions or levels above current role
- 25% - **by breadth**: the capability to take on broader scope and a leadership role and develop long term potential
- 10% - **by record**: a consistent track record of exceptional performance.²

² R. Silzer., & A.H. Church (2010) *Identifying and Assessing High Potential Talent – Current Organisational Practices*. In R. F. Silzer and B. E. Dowell (Eds.) *Strategy Driven Talent Management: A Leadership Imperative*, Jossey Bass: San Francisco.

³ A, Karaevli & D Hall (2003). Growing leaders for turbulent times: Is succession planning up to the challenge? *Organizational Dynamics*, 32(1), 62-79.

This can have negative consequences if managers have a view of 'high potential' that conflicts with the organisation's definition. Without a shared understanding of what high potential is, an organisation and its people fail to effectively identify what is important and this can lead to investing resources inappropriately.

Observation 2: Lack of Consensus About What is Critical

There are a number of existing models and most provide some good insights into the construct of high potential. Some emphasise personality variables, while others focus more on intellectual adaptability and agility. Overall however, there is little consensus about the critical factors that must be in place before an individual can be identified as having high potential.⁴

Observation 3: Performance versus Potential

Leaders often judge potential on an individual's current performance. Assessing an individual's current knowledge, skills and abilities is an important first step, but it is often confused with determining a person's ability to grow, adapt and develop enough to handle more complex future work challenges and responsibilities. It has been established that performance and potential should not be too closely linked. Research reported that only 29% of current high performers across 59 organisations in 15 industries and 29 countries surveyed were also seen as high potential.⁵ Organisations need to have an appreciation that high performance is but one indicator of talent and should not be the sole source of evidence used to justify a choice.

A comprehensive comparison of twelve existing approaches to measuring potential was undertaken, outlining models developed by organisations such as MDA Leadership Consulting, Hay Group, Hogan Assessment Systems, Harvard Business Review to name a few (see Appendices for an overview of the findings). This comparison revealed that these constructs were inflexible in their approach to some degree and did not reflect the most current research, theories or best practice. It was evident

⁴ R. Silzer., & A.H. Church (2011) *The Pearls and Perils of Talent Identification*.

⁵ Corporate Leadership Council (2005). *Realizing the full potential of rising talent (Volume I): A Quantitative analysis of the identification and development of high potential employees*, Washington DC: Corporate Executive Board.

that a more systematic, rigorous and up-to-date approach to identifying high potential employees was required.

Key Criteria and Rationale for the Model

A critical review of over 150 papers and a number of models of potential, combined with People Measures' extensive practical experience and applied research, enabled People Measures to build a comprehensive conceptual model of potential. It was identified that when distilled down to the bare essentials, there are clear essential factors that underpin and are predictive of high potential in almost all work environments.

The literature suggests that cognitive capacity is the strongest predictor of potential and a range of other desirable business outcomes (e.g. thinking through and setting business strategy and making decisions under complex conditions without complete information⁶⁷). It is generally agreed in the literature, and by experienced practitioners, that cognitive ability is the strongest predictor of successful current and future performance at work.

The Initial Model of High Potential

Based on the comprehensive review of the literature and the existing approaches to the measurement of high potential, People Measures proposed an initial conceptual model.

People Measures defined high potential as ***'the inherent capacity and orientation to deal effectively with increasingly complex environments, challenges and responsibilities'***. It was further proposed that high potential is made up of two broad factors, Foundation and Enabling factors. The factor structure of the initial model of potential is presented in Figure 1.

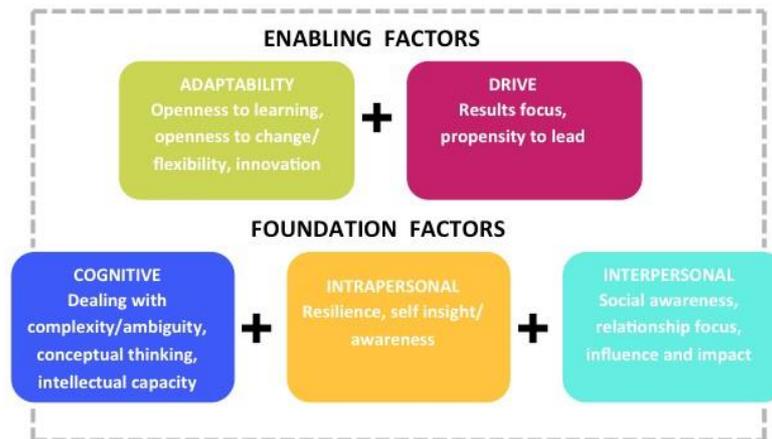
- **Foundation factors:** natural capacities and tendencies that are relatively fixed and difficult to change and are essential prerequisites for potential. The foundation factors are **Cognitive, Intrapersonal** and **Interpersonal**.

⁶ Silzer, R. F. & Dowell, B. E. (Eds.). (2010a). *Strategy Driven Talent Management: A Leadership Imperative*, Jossey Bass: San Francisco (in press)

⁷ Silzer, R. F. & Dowell, B. E. (2010b). Strategic Talent Management. In R.F. Silzer & B.E. Dowell (Eds.). *Strategy Driven Talent Management: A Leadership Imperative*, Jossey Bass: San Francisco (in press).

- **Enabling factors:** the factors that assist current high performers to apply their potential. These factors may change for individuals more readily depending upon the circumstances and environments within which they operate. The enabling factors are **Adaptability** and **Drive**.

Figure 1: Initial Model of Potential



Environmental Fit factors are within the environment and influence the actualisation of potential.

Environmental Fit factors include:

- **Cultural Alignment:** The fit or the degree of match between an employee and an organisation, with particular regard to an organisation’s culture and values.
- **Personal Circumstances / Ambition:** Related to an employee’s age, career ambition and preparedness to take on broader responsibilities and the demands on their personal time that comes with this.
- **Organisational Commitment:** The extent to which an individual identifies with organisational goals, their willingness to exert effort on behalf of the organisation, and an interest in remaining with the organisation. This implies a reciprocal commitment whereby the individual has the support of their manager and other key players

Development of Trial Version

The HPIQ was piloted in December 2011 in Organisation X. The questionnaire included a total of 5 factors, 13 scales and 78 items. The questionnaire was administered to 87 employees from a range of divisions. The response rate for this pilot was 90%. The data received was analysed and, as a

result, the structure and content of the questionnaire was reviewed and revised.

A range of factor analyses were conducted and, based on the output, the initial factor structure, scales and questionnaire items were reviewed. Reliability analyses and correlations were also examined.

All 78-questionnaire items in the trial tool were then reviewed. Based on the statistical analysis and the feedback received from the participants in the pilot a decision was made to eliminate items that, for example, had correlations with multiple scales or were too highly correlated with other items within their scale and were therefore redundant.

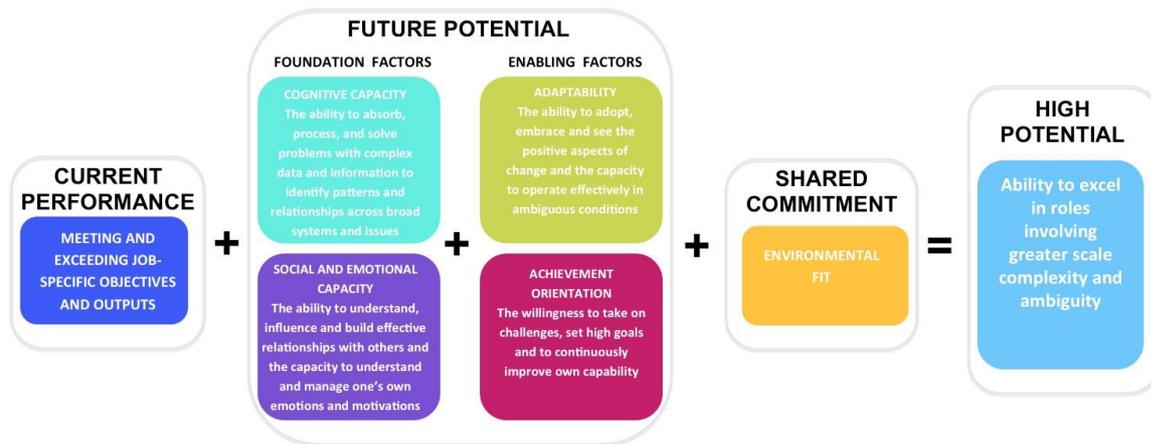
Further factor and reliability analyses were conducted with the reduced number of items and scales, and scale inter-correlations and item inter-correlations were also further analysed. Based on the findings from this analysis, some of the scales from the original model were either eliminated or combined into new scales. Decisions were made to either eliminate or reallocate some of the items.

As a result of the extensive analysis described above the overall questionnaire was reduced to 4 factors, 10 scales and 47 items in total (a summary of correlations and reliabilities for the revised model can be found in the Appendices).

The factor analysis conducted did not provide complete statistical support for all factors. There were clearly two very strong factors that emerged: cognitive and Intrapersonal/interpersonal. There was general indicative support for the two additional factors. Additional information on the factor analysis carried out can be provided if required.

The factors were renamed and their definitions were amended based on the new structure. The final model is presented in Figure 2.

Figure 2: Final Model of Potential



Finally, the questionnaire was revised further and reduced to 40 items (the 4 factors and 10 scales remained unchanged). This made for a more concise version of the questionnaire that maintained sound validity and reliability.

Scoring and Reporting:

An approach to classifying potential scores was discussed with Organisation X. As a result, an overall score for each individual was generated, and this, along with their factor score on the Cognitive Capability and Emotional & Social Awareness factors, provided an indication of whether they were identified as having high, medium or low levels of potential. For an individual to have been classified as having high potential they were required to score above the 70th percentile overall and above the 70th percentile on the Cognitive Capacity factor and the 50th percentile on the Social and Emotional Capacity factors. This reinforced the primary importance of the foundation factors to the overall identification of high potential, and, in particular, the fundamental importance of Cognitive Capacity.

The scoring and classification approach described above was specifically designed for Organisation X and has been used in identifying talent in other organisations. This classification algorithm can be adjusted according to the level of selectivity an organisations wishes to apply in identifying potential.

APPLICATION OF THE HPIQ

Recommended Approach

A multi method approach to the assessment of high potential is strongly recommended so that a diverse range of evidence can be gathered and, therefore the most objective assessment of potential can be established. Organisations need to choose those assessments which are most valid within their setting and those which fit within their resource and cost constraints.

In addition to our HPIQ screening tool, People Measures offer a number of assessments that can be used to further explore high potential. These include behavioural interviews, psychometric testing, ability tests, simulated presentations and role-plays, assessment/development centres. All methods are focussed on gathering behaviourally based evidence of the factors that contribute to high potential.

Table 1 outlines a range of assessment methods that can be utilised to gather evidence of potential. All methods are highly valid and focused on gathering relevant behaviourally based evidence of the factors and components that contribute to high potential. An indication is provided in the table of which component of potential each method provides evidence, and the strength of that evidence.

Table 1: Assessing High Potential

FACTOR	SCALE/ COMPONENT	Mgr Rating	180/360 Feedback	Cognitive Ability Test	Behavioural Interview	Personality Questionnaire	Case Study/ In Tray	Role/ Real Play	Pres'n	Assessment Centre
Cognitive Capacity	Analysing & Problem Solving	✓	✓	✓✓			✓✓		✓	□
	Thinking Broadly	✓	✓	✓✓		✓	✓✓		✓✓	□
Social and Emotional Capacity	Understanding Others	✓	✓		✓	✓		✓✓		□
	Influencing	✓	✓		✓	✓			✓✓	□
	Relating to Others	✓	✓		✓	✓		✓✓	✓	□
	Managing Self	✓	✓		✓	✓✓		✓	✓	□
Adaptability	Managing Change	✓	✓		✓	✓		✓		□
	Dealing with Ambiguity	✓	✓	✓	✓✓	✓	✓		✓	□
Achievement Orientation	Development Drive	✓	✓		✓✓					□
	Results Focus	✓	✓		✓✓	✓				□

Key:

✓ – Source of evidence ✓✓ – Strong source of evidence □ – Assessment Centres would be made up of a combination of different methods (e.g. cognitive ability testing, behavioural interviews, role plays)

Adapting the Model

Our model is flexible to a degree. It is not a “one size fits all” product. The model can be extended to some extent, with consultation, to accommodate organisations’ specific requirements. The language and terminology can also be customised to ensure it is consistent with the way in which potential is defined and described in different organisations.

However, People Measures requires that the basic factor structure of the questionnaire is maintained and that other relevant scales and items fit clearly within this structure.

People Measures appreciate that the organisation may identify additional factors, specific to them, that may need to be included in the model of potential to make it relevant for their environment. We can work with organisations to determine and discuss the necessity of adding additional factors, ensuring those factors strengthen rather than dilute the model.

Case Studies

People Measures have extensive experience in assessment and development. Our company has been operating since 2006 and we have done a significant amount of work in this area since then. A sample of our work has been outlined below.

CGU

People Measures was engaged by CGU to help identify potential in their organisation and provide the group with developmental feedback based on the model. The High Potential Development Questionnaire (HPIQ) was adjusted to focus on development utilizing 360-degree performance feedback (and renamed the HPDQ). Overall, the ratings were consistently high across scales with the majority of participants being rated as high potential. CGU stated that these results validated and reconfirmed what they already knew about this sample of employees –that they did shy away from difficult feedback and were perhaps a “star” group. The HPDQ will be used with different pilot groups within the organisation to see if differentiation occurs.

John Holland

People Measures has worked with John Holland to identify their high potential employees. The HPIQ was utilised with a 180 rating technique (ratings from managers and self). The results indicated very effective differentiation between current high performers. It was used to help add objectivity and

rigour to organisational discussions about who of their best current performers had the potential to grow into roles of greater complexity and scale. John Holland used the information to differentiate those that had “high potential” to move into general management roles versus those that were considered more “high professional” and were best suited to functional professional roles that relied more on their deep technical expertise.

Organisation X

A modified version of the original pilot questionnaire continues to be used in Organisation X as a key part of their talent management strategy. The questionnaire is used on an annual basis as an objective measure of the potential of high performing individuals in the organisation. Information on performance and potential is integrated at ‘round table’ review sessions at which decisions about the inclusion of individuals within the talent pool are made. The questionnaire has continued to be refined and improved for Organisation X.

Dulux

The Dulux group were keen to invest in their senior level talent (people who were considered as candidates to join the Group Executive). They partnered with People Measures to assess this pool to firstly help identify those with the greatest potential. Secondly, they wanted to ensure that all members of this pool were given constructive feedback and support to reach their full potential in the organisation.

As a starting point for this process, People Measures helped the Dulux group to create a capability framework for senior talent in the organisation. This was built around the well-researched HPIQ framework. However, some elements concerning language and context were changed to accommodate the organisations language and priorities.

Following this, each person in the talent pool went through an assessment process that involved the HPIQ (as a 360 feedback tool); a personality questionnaire; aptitude tests and a behavioural interview where the HR Director partnered the people measures consultant in conducting the interviews. Each person was given a two hour coaching session from People Measures following the assessment. The information was subsequently presented at talent round tables and each person was assigned a mentor based on their development priorities. The organisation then sponsored each individual to be supported in implementing their development plan.

FURTHER DEVELOPMENTS PLANNED FOR THE HPIQ Model

People Measures will continue to review and refine the model based on evidence and experience gained through using the tools in practice. Specifically, we plan to improve the validation evidence; to build on the normative data base, and to further standardise and to refine the ways the model can be measured using well validated psychometric tools.

Further Validation

Very often assessment approaches are validated through a process of establishing concurrent validity where assessment performance is correlated with job performance in a very similar time frame. Clearly the HPIQ is designed to predict future potential at a later point in time. This requires longitudinal studies where predictions of potential are correlated with actual performance at a later point in time (typically a number of years later). This is often difficult data to collect in practice. In fact our review of the literature showed that there are very few longitudinal studies available. Often the research findings are based on working backwards from an analysis of the characteristics of successful people or people who have failed or been “derailed” because of the presence or absence of certain characteristics.

People measures are very open to partnering with organisations to follow the progress of people who were assessed using the HPIQ at one point in time and to see how well that correlates with promotion rates and assessed performance in more complex roles at a later point in time. Some studies of this nature are already underway with some of our clients.

Additional Norms

As the usage of the HPIQ grows, we will continue to build our data base of norms. In time, we expect to be able to use these to better differentiate between organisational sectors and between different levels of talent (from emerging talent through to very senior roles)

Development of Standardised Psychometric Reports to Consistently Measure Against the Framework

People Measures are currently working with Saville Wave to establish algorithms and norms to assess the HPIQ using the Saville Wave and a suite of aptitude tests developed by Saville Wave. This will create a standardised way to assess and benchmark people based on their competency potential as assessed by the Saville Wave. It is important to note that the Saville Wave is the best validated measure of personality available on the market today.

The results of these instruments, using existing validation information, would be mapped to the factors and scales within the High Potential model, and an indication of fit would be reported alongside the results of the HPIQ. Organisations could choose to use a personal style questionnaire, cognitive ability tests or a combination of these

In addition, People Measures is considering creating a complete assessment centre package specifically designed to measure the High Potential model. Activities would be designed to derive evidence of the various components of high potential from a range of perspectives and standardised observation and scoring guides would be developed. The activities would be set in a neutral, fictitious environment so that the emphasis would be on broad individual capability rather than organisation or job-specific knowledge.

Appendices:

Comparison of Existing Approaches to Measuring Potential

	Cognitive Skills	Personality Variables	Learning Variables	Motivation
MDA Leadership Consulting (Barnett, 2008)	Cognitive ability	Dominance Sociability Stability	Learning orientation Versatility	Drive Organisational Commitment
Corporate Leadership Council (CLC, 2005)	Cognitive ability	Interpersonal Emotional Intelligence		Aspiration Engagement
Development Dimensions (DDI, 2007)	Conceptual thinking Navigates ambiguity	Authentic	Receptive to feedback Learning agility Adaptability	Propensity to lead Passion for results
Personal Decisions (Peterson & Erdahl, 2007)	Cognitive complexity	Dominance Optimism	Adaptability	Initiative Responsibility Energy Risk taking Drive for advancement Power/control Drive change
Hay Group (Hay 2006, 2008)	Breadth of perspective	Understanding others Personal maturity	Eagerness to learn	
Hewitt Associates (Hewitt, 2008)	Look beyond scope		Psychological adaptability Flexible	Upward motivation

			Open to feedback	
YSC (Rowe, 2007)	Intellect/Judgment			Drive
Hogan Assessment Systems (Hogan, 2009)	Strategic reasoning Tactical problem solving Judgement	Respect for people Collaboration Strategic self-aware		Operational excellence Results orientation Tenacity
McCall (McCall, 1998)	Insight	Integrity	Seek opportunities to learn Seek feedback Learn from mistakes Open to criticism	Committed to impact Courage to take risks
Corporate Survey (Slan & Hausdorf, 2004)	Decision making Handles ambiguity	Personality variables (55%) Interpersonal skills (25%)	Adaptability/Flexibility (75%) Learning ability (65%)	Results orientation Commitment to the company
Harvard Business Review (Ready, Conger & Hill, 2010)	Catalytic learning capability Translate learning into productive action	Innovative Ability to challenge confidence issues Take risks Drive to succeed	Catalytic learning capability Translate learning into productive action	Driven to excel Enterprising spirit
Lominger via Edge and Learning Agility(1988 - 2010)	Mental agility	People ability	Change agility Self awareness	Results agility

47 Item Model - Reliability (Scale)

Factor	Scale	N of Items	Cronbach's Alpha
Cognitive Capacity	Analysis and Problem Solving	5	.91
	Thinking Broadly	5	.90
Social and Emotional Capacity	Managing Self	5	.91
	Influencing	4	.88
	Relating to Others	4	.86
	Understanding Others	5	.87
Adaptability	Navigating Change	4	.88
	Dealing with Ambiguity	5	.89
Achievement Orientation	Developing Self	5	.88
	Achieving Results	5	.89

Revised Model - Correlation Matrix (Scale)

	A&PS	TB	UO	MS	AR	Inf	DwA	NC	DS	RO
A&PS	1.00									
TB	0.86	1.00								
UO	0.55	0.64	1.00							
MS	0.53	0.58	0.77	1.00						
AR	0.44	0.54	0.78	0.74	1.00					
Inf	0.55	0.69	0.83	0.73	0.83	1.00				
DwA	0.64	0.74	0.63	0.65	0.63	0.72	1.00			
NC	0.60	0.65	0.66	0.67	0.75	0.73	0.81	1.00		
DS	0.53	0.59	0.66	0.73	0.74	0.67	0.71	0.81	1.00	
RO	0.62	0.63	0.49	0.60	0.71	0.62	0.77	0.82	0.78	1.00

Key:

- A&PS** – Analysis and Problem Solving
- TB** – Thinking Broadly
- UO** – Understanding Others
- MS** – Managing Self
- AR** – Achieving Results
- Inf** – Influencing
- DwA** – Dealing with Ambiguity
- NC** – Navigating Change
- DS** – Developing Self
- RO** – Relating to Others

Final Model - Potential Questionnaire Norm Statistics (Scale)

	MEAN	STDEV
SCALE		
ANALYSING AND PROBLEM SOLVING	3.60	0.70
THINKING BROADLY	3.43	0.65
UNDERSTANDING OTHERS	3.55	0.76
INFLUENCING	3.36	0.69
RELATING TO OTHERS	3.67	0.70
MANAGING SELF	3.40	0.69
NAVIGATING CHANGE	3.56	0.68
DEALING WITH AMBIGUITY	3.37	0.68
DEVELOPING SELF	3.52	0.70
ACHIEVING RESULTS	3.72	0.71
FACTOR		
COGNITIVE CAPACITY	3.52	0.64
SOCIAL AND EMOTIONAL CAPACITY	3.50	0.63
ADAPTABILITY	3.47	0.64
ACHIEVEMENT ORIENTATION	3.62	0.65
OVERALL	3.51	0.55