Are You a High Potential?

Leaders at your company are constantly wondering that about you, whether they own up to it or not. Here's how to get them to answer yes.

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ILLUSTRATION: DANIEL STOLLEH

Some employees are more talented than others. That's a fact of organizational life that few executives and HR managers would dispute. The more debatable point is how to treat the people who appear to have the highest potential. Opponents of special treatment argue that all employees are talented in some way and, therefore, all should receive equal opportunities for growth. Devoting a disproportionate amount of energy and resources to a select few, their thinking goes, might cause you to overlook the potential contributions of the many. But the disagreement doesn't stop there. Some executives say that a company's list of high potentials—and the process for creating it—should be a closely guarded secret. After all, why dampen motivation among the roughly 95% of employees who aren't on the list?

For the past 15 to 20 years, we've been studying programs for high-potential leaders. Most recently we surveyed 45 companies worldwide about how they identify and develop these people. We then interviewed HR executives at a dozen of those companies to gain insights about the experiences they provide for high potentials and about the criteria for getting and staying on the list. Then, guided by input from HR leaders, we met with and interviewed managers they'd designated as rising stars.

Our research makes clear that high-potential talent lists exist, whether or not companies acknowledge them and whether the process for developing them is formal or informal. Of the companies we studied, 98% reported that they purposefully identify high potentials. Especially when resources are constrained, companies *do* place disproportionate attention on developing the people they think will lead their organizations into the future.

So you might be asking yourself, "How do I get—and stay—on my company's high-potential list?" This article can help you begin to answer that question. Think of it as a letter to the millions of smart, competent, hardworking, trustworthy employees who are progressing through their careers with some degree of satisfaction but are still wondering how to get where they really want to go. We'll look at the specific qualities of managers whose firms identified them as having made the grade.

The Anatomy of a High Potential

Let's begin with our definition of a high-potential employee. Your company may have a different definition or might not even officially distinguish high potentials from other employees. However, our research has shown that companies tend to think of the top 3% to 5% of their talent in these terms:

"High potentials consistently and significantly outperform their peer groups in a variety of settings and circumstances. While achieving these superior levels of performance, they exhibit behaviors that reflect their companies' culture and values in an exemplary manner. Moreover, they show a strong capacity to grow and succeed throughout their careers within an organization—more quickly and effectively than their peer groups do."

That's the basic anatomy of a high potential. Gaining membership in this elite group starts with three essential elements.

Deliver strong results—credibly. Making your numbers is important, but it isn't enough. You'll never get on a high-potential list if you don't perform with distinction or if your results come at the expense of someone else. Competence is the baseline quality for high performance. But you also need to prove your credibility. That means building trust and confidence among your colleagues and, thereby, influencing a wide array of stakeholders.

Look at Jackie Goodwin, a bank executive cited by her HR department as a high potential. Jackie started out in the insurance division but wanted to switch to banking, which she perceived as a career path with more room for growth. Her general management skills were highly regarded, and she had a proven track record in financial services within insurance. The banking side's desire for new blood and a lack of succession planning in the region positioned her well as an outsider. Indeed, her record was as strong—if not stronger—than that of the insiders.

Anatomy of a High Potential

High potentials always deliver strong results, master new types of expertise, and recognize that behavior counts. But it's their intangible X factors that truly distinguish them from the pack.

THE FOUR X FACTORS OF HIGH POTENTIALS

1. **Drive to excel**
2. **Catalytic learning capability**
3. **Enterprising spirit**
4. **Dynamic sensors**

When Jackie was offered a stretch assignment in the banking division—a promotion to vice president and regional operating officer in Germany, the bank's second largest European operation—she accepted it, even though the odds were against her. Nobody there had heard of her, and she knew little about banking. What's more, she'd been forced on the regional president, who wanted someone with experience. Her biggest challenge was to gain credibility. The German staff was accustomed to running its own show, so Jackie figured she'd fail if she couldn't get the team on her side.

Jackie resolved to make helping her new colleagues a priority. In her first three weeks, she met with dozens of managers and openly acknowledged that she faced a steep learning curve. She also focused on achieving small wins on issues that had long been thorns in their sides. For example, she went out of her way to streamline the process for opening new accounts. As for her skeptical boss, she aimed to take as much off his plate as possible. She would ask, "What time-consuming tasks would you like to see addressed within 90 days?" Then she'd get right to work. For instance, he disliked confrontation, so Jackie tackled issues with potential for conflict, such as redesigning planning processes and resolving decision rights. She gained a reputation as a problem solver, and her influence grew steadily. Today, Jackie is the head of all commercial lending for the bank and is still considered a rising star.

Master new types of expertise. Early in your career, getting noticed is all about mastering the technical expertise that the job requires. As you progress, you need to broaden that expertise. You start by managing an employee or a small group, and then move on to larger teams and positions (for instance, at corporate headquarters) that require you to exercise influence despite having limited formal authority. For example, in senior roles technical excellence might fade in value relative to strategic-thinking and motivational skills. At a certain point, you will face the challenge of *letting go* as much as the challenge of *adding on*. Don't aspire, for example, to be the best engineer and the best design team leader at the same time.

For some, such lessons are learned the hard way. One exceptionally talented software engineer, whom we'll call Luke, had won many accolades during a relatively short career. Confident in his potential, Luke's managers put him in charge of a team that was creating a product extension expected to attract

Idea in Brief

Nearly all companies identify their high-potential managers. Processes for developing lists of high potentials vary, but the rising stars who make the grade are remarkably similar in their core characteristics and behaviors. In a sense, they share a basic anatomy.

The constitution of a high potential includes four intangible factors: a drive to excel, a catalytic learning capability, an enterprising spirit, and dynamic sensors that detect opportunities and obstacles. The best exemplars of the high-potential profile exhibit all four in spades.

Getting onto a high-potential list is extremely desirable, but it can demand great sacrifice. And the consequences of falling off the rolls after having been given the honor can be substantial and permanent.

a whole new category of users. Luke was well liked and happily took on the challenge, but he failed to recognize that technical skill alone wouldn't suffice. After several missed deadlines, company executives created a face-saving, senior-level "expert" post for him. Meanwhile, they put another technically skilled employee, who also had project-management expertise, in charge. Luke, no longer a high potential, went on to have a fairly distinguished career as a technical expert, but not in an enterprise leadership role.

Recognize that behavior counts. Although your performance gets you noticed and promoted early in your career, your behavior is what keeps you on the radar as a high potential. Outstanding skills never really diminish in importance, but they become a given as you are expected to excel in roles with broader reach. Prospective candidates for that coveted high-potential label must demonstrate a behavioral shift from "fit and affiliation" to "role model and teacher."

The rise of general manager Phil Nolan to the executive ranks of his company, a market leader in laundry products, was due in large part to his role-model qualities. Phil was placed in charge of the firm's troubled core product, a liquid detergent whose sales were in a multiyear downward slide. Two high-visibility marketing managers had each been given a chance to reinvigorate product sales. Both had tried price-reduction tactics, to no avail. Then it was Phil's turn. But, with a background in product development rather than marketing, he was the dark horse candidate.

Fortunately, corporate executives saw more in Phil, who had engineered a turnaround at a troubled product-development group by fostering cooperative relationships and teamwork. Highly trustworthy, he could engage people in very candid conversations about business challenges. As a result, he was able to get to the core of a problem quickly and find viable solutions. Phil not only was superb at motivating people, but also had a keen eye for patterns and an impressive strategic vision. He applied all those skills to the new assignment.

Within the first year in his new role, Phil led his team to grow product sales by 30%. In our interview with the company's HR executive, she emphasized Phil's ability to win people over: "There is humility to him despite the fact that he is now the public face of the brand. Phil helps his peers succeed rather than threatening them. He is a role model for the organization."

How High Potentials Are Hardwired

You're doing everything right. You're delivering value and early results. You're mastering new areas of expertise as you face increasingly complex challenges. You embrace your organization's culture and values. You exude confidence and have earned the respect of others. Maybe you're regularly putting in a 50-hour week and getting excellent reviews. Nevertheless, high-potential status remains elusive.

This can be infuriating because the real differentiators—what we call the "X factors"—are somewhat intangible and usually don't show up on lists of leadership competencies or on performance review forms. Here are those factors, which can tip the scales and help you achieve and maintain that coveted high-potential rating.

Half of survey respondents said their top teams spend less than

10%

of their time developing high-potential leaders.

You're doing everything right. You're delivering value and early results. But high-potential status remains elusive. Developing your X factors puts it in reach.

X FACTOR #1 A drive to excel. High potentials aren't just high achievers. They are driven to succeed. Good, even very good, isn't good enough. Not by any stretch. They are more than willing to go that extra mile and realize they may have to make sacrifices in their personal lives in order to advance. That doesn't mean they aren't true to their values, but sheer ambition may lead them to make some pretty hard choices.

X FACTOR #2 A catalytic learning capability. We often think of high potentials as relentless learners, but a lot of people out there learn continually yet lack an action or results orientation. The high potentials we have come across possess what we call a "catalytic learning capability." They have the capacity to scan for new ideas, the cognitive capability to absorb them, and the common sense to translate that new learning into productive action for their customers and their organizations.

X FACTOR #3 An enterprising spirit. High potentials are always searching for productive ways to blaze new paths. They are explorers and, as such, take on the challenges of leaving their career comfort zones periodically in order to advance. It might mean a risky move—a tricky international assignment, for instance, or a cross-unit shift that demands an entirely new set of skills. Given high potentials' drive to succeed, you might think they'd be reluctant to take such a chance. But most seem to find that the advantages—the excitement and opportunity—outweigh the risks.

X FACTOR #4 Dynamic sensors. Being driven to excel and having an enterprising spirit, combined with the urge to find new approaches, could actually become a recipe for career disaster. High potentials can get derailed for a number of reasons. They may, for instance, be tempted to impulsively accept what seems like a hot opportunity, only to find that it's a break (not a stretch) assignment or that there's no long-term career payoff. Another possibility of derailment comes from a desire to please. High potentials may avoid open disagreement with the boss or resist giving honest, potentially disappointing feedback to a peer. Successful high potentials have well-tuned radar that puts a higher premium on quality results.

Beyond judgment, high potentials possess what we call "dynamic sensors," which enable them to skirt these risks, even if just barely. They have a feel for timing, an ability to quickly read situations, and a nose for opportunity. Their enterprising spirit might otherwise lead them to make foolish decisions, but these sensors help them decide, for example, when to pursue something and when to pull back. High potentials have a knack for being in the right place at the right time.

Anatomy of an X Factor Exemplar

One of the many high potentials we met was Vineet Kapoor, described as a rising star by his bosses at Swiss medical device company Synthes. This more than $3 billion business manufactures and markets implants and biomaterials used in surgery and regeneration of the skeleton and soft tissues.

In school, long before ending up at Synthes, Vineet intended to pursue science and had a passion for improving the lives of people in emerging economies such as India. That basic vision remained

Should You Tell Her She's a High Potential?

Whether or not a company should make its list of high potentials transparent is an evergreen question. In our surveys of 45 company policies and in our work with firms during the past 15 to 20 years, we have found a growing trend toward transparency. The percentage of companies that inform high potentials of their status has risen from 70% about a decade ago to 85% today. Employers, we believe, are coming to see talent as a strategic resource that, like other types of capital, can move around. Executives are tired of exit interviews in which promising employees say, "If I had known you had plans for me and were serious about following through, I would have stayed."

Nevertheless, making your list of high potentials transparent increases the pressure to do something with the people who are on it. If you tell someone you view her as a future leader, you need to back that up with tangible progress in her professional development. Otherwise, she may feel manipulated and even lose motivation. In one case, we witnessed a near riot at a company offsite, where a group of high potentials said they felt "played"—that their status was just a retention tactic, with no real plans to promote them. Either approach has risks: If you don't make the list public, you might lose your best performers; if you opt for transparency, you'll heighten the expectation of action.

93%

of survey respondents said that high potentials get promoted faster than other employees do. Self-fulfilling prophecy or great selection?

with him, but his career took an unexpected path. After college, to the surprise of his peers, he chose accounting in order to gain financial expertise that would serve him well in any business career. He accepted a position with Indian professional services firm A.F. Ferguson, which had a leading portfolio of audit clients (it was eventually acquired by Deloitte in 2004). He then moved to Arthur Andersen (which merged with Ernst & Young) and eventually to KPMG in Gurgaon, India, where his then-boss was charged with leading the India practice. This move initially meant a pay cut for Vineet, but also another chance to learn about building a business.

Vineet recounted other intriguing opportunities that had opened up during his consulting career, when the Sarbanes-Oxley Act became law in the U.S. in 2002. Clients were banging down his door. Although compliance work promised handsome compensation, it didn't match his priorities of learning and effecting large-scale positive change in emerging economies. So Vineet moved to Synthes, where his X factors were evident in spades.

A drive to excel. A drive to succeed can, well, drive some people to the brink. The key is to channel the instinct. So, for instance, Vineet decided he should always think like people one level above him. That meant asking many questions—sometimes to the consternation of his peers and bosses—but he balanced his incessant questioning with an insatiable desire to deliver. Nobody could doubt his commitment to the work and the company, and Vineet's ambition was not a matter of personal triumph. In fact, as country manager for India he created a 150-page book celebrating the contributions of his colleagues and highlighting their common values. It became something of a textbook for the Indian operation at Synthes, and employees found it illuminating. Indeed, it generated so much buzz that some employees who had left the company actually returned because the organization had been energized by it.

Vineet was not driven primarily by a wish to get ahead. His original aspiration was what fueled him. To that end he wrote an 85-page business plan that included a vision for bringing world-class education to all Indian surgeons, including those in remote areas. Synthes's CEO has said that the plan changed how the company looked at India.

A catalytic learning capability. When Vineet traveled to the United States for a Synthes strategy meeting, he stayed on longer to be a "fly on the wall" with the U.S. salespeople. During his stay, Vineet went with them on dozens of sales calls. Having gotten the CEO's attention with his growth strategy, Vineet thought the company would be able to execute it only with the help of more and different employees. He took what he'd learned from the U.S. sales staff to create a new salesperson competency profile for India—one that highlighted entrepreneurship, an attribute he thought would be crucial for delivering on the promise of the Indian market.

An enterprising spirit. For Vineet, one of the toughest aspects of career growth was leaving his comfort zone, both professionally and personally. He turned down several opportunities, including one that would have required relocating to the United States. But he eventually took a post as director of strategic initiatives for the Asia Pacific region, a move that forced him to leave India for Singapore. To prepare himself, Vineet agreed to a year of global rotation, spending part of his time in the U.S. corporate office and the rest in the European headquarters in Switzerland. He had to adapt his personal style and develop new strategies. He knew how to lead a team as a country manager, but supporting other country managers in achieving *their* visions was daunting. Vineet loved running his own business and having P&L responsibility; the new job meant playing a support role and getting things done through influence instead of direct control.

Dynamic sensors. High potentials may be resented and envied as well as admired—all of which can be a source of stress. A true high potential understands this and strives to reduce animosity. Vineet certainly cared about how he was perceived. When he was first offered the country manager lead for India, at age 29, he considered turning it down because he thought others might see him as too young or inexperienced. That awareness of others' perceptions is a defining attribute of a high potential.

Developing Your X Factors

The X factors of high potentials not only don't show up in leadership competency models, but also are difficult to teach and learn, particularly in a classroom setting. Nevertheless, you can boost your odds of developing your X factors.

Becoming aware of where you're falling short is the first step. For instance, if you find yourself repeatedly getting blindsided by events, chances are your dynamic sensors aren't very strong. Some people are more attuned to their environment than others, but you can learn to improve your radar by

Three C's for CEOs and HR Professionals

As you cultivate your pipeline of high potentials, follow these principles:

Be Clear with your people about the skills and behaviors that your organization needs for the future—and about why these characteristics will matter.

Be Consistent in how you develop talent. Avoid adopting a "development for all" mentality when times are good but then making deep cuts when times are tight.

Be Creative about the next generation. That marketing manager from Shanghai who doesn't quite fit your mold might be just the talent you need to win in the future.

What companies look for is a manager who can move from being an acknowledged value creator to being a game changer.

taking simple measures such as listening to others more carefully, observing their reactions to what you say, and refreshing your network of relationships so that it better attunes you to the new businesses and markets your company is pursuing.

Catalytic learning requires an interest in acting, not just learning. Learning without actually changing your behavior is an opportunity wasted. It may be difficult to develop more drive or an enterprising spirit, but with reflection you can begin to be more proactive or take a few more risks. This all speaks to the importance of investing time and energy in self-reflection. You must also recognize the value of seeking advice from a coach or mentor—and of figuring out where an adviser's help ends and your independence begins.

High-Potential Status Has Its Downsides

It's great to be recognized for what you can do and how you might contribute to your company's future, but high-potential status comes at a price. For starters, there's no tenure. People can—and do—fall off the list, and some remove themselves voluntarily or by default because they don't have the time or the passion for the journey. Virtually all companies we surveyed indicated that remaining a high potential is not guaranteed, and we found that anywhere from 5% to 20% drop off the rolls each year, whether by choice or not.

Among the reasons for losing a spot on the high-potential list are making a poor transition into a new role, diminished performance two years in a row, behavior that's out of line with the company's culture and values, and a significant visible failure. A dramatic fall from grace that stands out in our research involved an executive, whom we'll call Marta, who was in line for the position of chief technology officer at a leading financial services firm.

Marta was an extremely bright high-potential manager with superb technical skills. But she let her smarts get in the way. She didn't want to "waste her time" talking with other senior stakeholders whose clients needed new technology applications. She "knew the right answer" regardless of whether it met clients' needs and expectations. Her dynamic sensors and catalytic learning capability were nowhere to be found. She was intelligent but not wise, and every effort at coaching her failed. Marta was too valuable to be fired, but she was removed from the succession track, which in the end cost her a possible multimillion-dollar payout. She directed the project from a technical standpoint, but her career essentially stalled.

Being singled out for extra developmental attention also can entail sacrifices in your personal life. Some people love to change jobs often, but for others that creates an enormous amount of stress, not to mention tough family-related and other choices. People's expectations of you are high, and colleagues who aren't on the list may secretly, perhaps unconsciously, want you to falter, or even resent you enough to hope you fall from grace.

GETTING ON a high-potential list can be a significant growth opportunity, so it's not our intention to discourage great managers from aiming for it. However, you need to figure out not just *how* to get on the list, but *why* you want to in the first place. And that means soul-searching. Are you ready for high-potential status? Is it what you really want? If so, the rewards of obtaining it can be huge; if not, then focus on your passions in other ways. Whatever your answer, don't forget: Performance always counts; your behavior matters more and more as you grow; and those X factors are your secret weapons.

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