

## Assessing Potential

“Assessing potential is about probabilities, not absolutes or guarantees. It is about uncovering the factors that predict future success, within the specific context, culture and strategy of your organisation, and making calculated bets on individuals who are objectively judged to meet those criteria.”

**Tomas Chamorro-Premuzic and Gillian Pillans, Report authors.**

# Executive Summary

“In reality, there isn’t a single definition of potential. To me, instead of focusing on single constructs, the best way is to build an integrated framework that allows you to answer the question ‘potential for what?’” **Allan Church, VP Global Talent Assessment and Development, PepsiCo**

1. How to spot, assess and develop high potential future leaders is one of the key challenges for talent management today. It is high on the agenda for boards, CEOs and HR Directors. In today’s volatile, dynamic business world, the ability to identify what’s required of future leaders and take action to prepare is likely to be a critical competitive differentiator.
2. We define potential as the capacity of individuals to reach and be effective in senior leadership positions, and to grow and broaden their career at an accelerated pace, with sustained growth over a longer time frame (at least three to five years).
3. We explore the components of potential. Although there are many models and definitions in use, the relevant science has found the following to be the best predictors of potential.
  - a. Intelligence is a necessary but not sufficient determinant of potential.
  - b. Certain core personality traits, such as high conscientiousness, low neuroticism, extraversion and openness to experience predict future leader effectiveness.
  - c. Emotional intelligence – self-awareness and the ability to read situations and inspire and motivate people – is an important factor.
  - d. Individual motivation is critical in determining whether innate potential translates into high performance.
4. As well as considering ‘bright side’, positive personality characteristics, it is also important to test for and help individuals understand potential derailleurs. These tend to be strengths which, when overplayed, can become a liability. Examples include boldness, which can translate into overconfidence or arrogance, or diligence which can lead to perfectionism and micromanagement.
5. We find many organisations tend to overplay past performance in estimating future potential, when the first does not necessarily predict the second. Whilst past high performance may be an important consideration for identifying possible high potentials, many high performers struggle to develop new skillsets required for effectiveness in more senior, complex positions.
6. Learning agility – the capacity to learn from experience and apply that learning to new scenarios – is a key topic of interest in the field of potential assessment. It is important to identify individuals who have this capability, give them opportunities to learn, and support them to extract the learning from these experiences.
7. Potential cannot be considered in isolation, and any potential programme needs to be designed to reflect the unique organisation context and business strategy. A key question to answer in designing potential assessment is ‘potential for what, in this organisation?’ The report explores ways of answering this question in your organisation.

“You have to be very careful about the expectations you set about what it means to be a high potential, in terms of career opportunities and status in the organisation. You need to engage in healthy dialogue about where the individual is and what they need to work on to build their leadership capability. That’s a much more useful discussion than an abstract concept of ‘you’ve got potential’, which can be fairly meaningless unless it’s put in context of ‘potential for what’.”

**Jessica Foster, Global Practice Leader, Executive Development, RHR**

8. We explore current practices in assessing potential. While some organisations have developed tried-and-tested practices over many years, we found many organisations are still in the early stages of implementing potential programmes, or are just starting out. Levels of satisfaction with current performance are fairly low, with less than half (47%) of the senior HR executives who responded to our survey declaring themselves satisfied with their organisation’s efforts. The principal concerns from the survey were poor connections between potential programmes and business strategy, a lack of objectivity in assessments, and insufficient follow-through in terms of developing high potentials or making talent decisions as a result of assessments.
9. Current approaches to assessment rely heavily on line managers’ judgments as to whether someone is a high potential or not. Better programmes build in line manager training and support, and challenge individual managers on their ratings by having strong calibration of results across teams or functions. The best approaches to assessment involve an objective, multi-trait, multi-method methodology, resulting in different data points that can be compared for each individual. While this is more common at senior levels, few organisations take a multi-method, data-driven approach to potential assessment for all employees.
10. Once high potentials have been identified, it is important to be clear about what follows in terms of development opportunities, career and succession planning. Many organisations offer differentiated development for high potentials, or link development options to different categories on the nine-box performance/potential talent grid. It is critical that individuals identified as potential successors to key business roles are not just put on a static list, but also given opportunities to build experience and grow.
11. We conclude with some practical suggestions for improvement.
  - a. Establish a clear connection between business strategy and how potential is defined in your organisation.
  - b. Be clear about accountabilities. Active involvement and buy-in from senior management and high quality support and expertise from HR/Talent are key.
  - c. Use a potential model and definition that’s rooted in science and is validated for your organisation.
  - d. Design an objective, data-driven assessment process that predicts and assesses the elements of future leadership effectiveness in your organisation.
  - e. Have a clear talent ‘deal’ for developing both high potentials and key individual contributors.
  - f. Make sure you evaluate and measure the results achieved. Design the approach to evaluation before you start assessing, and be clear about what success looks like and how it will be measured.

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