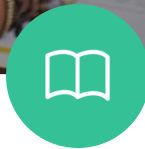


EVERWISE



E-BOOK



Talent Crisis: High Potential Attrition

Today's increasingly competitive talent marketplace makes it harder for organizations to retain high potential talent.

Traditional approaches to high potential identification and development are not addressing these issues effectively.

HIGH POTENTIAL ATTRITION

Today's increasingly competitive talent marketplace makes it harder for organizations to retain high potential (HiPo) talent, those employees who have the capacity to take on roles of broader influence in the future.

Most organizations recognize the significant challenge this poses for their businesses in the near- and medium-term and invest heavily in attempting to identify and retain their HiPos.

Many high potential programs fail, however, to meet stated business goals and deliver a significant ROI. Organizations struggle to identify their high potential employees and don't know how to effectively develop them for increasing leadership responsibilities.

Traditional approaches to high potential identification and development are not addressing these issues effectively.

This eBook reviews the value that high potential talent bring to organizations (and the costs of losing them), examines the challenges of identifying and developing them, considers the failings of traditional approaches and establishes a framework for improved models.

High potential talent - valuable, scarce, hard to retain

3.5x

HiPos generate 3.5x their annual salary for their businesses.

High potential employees - those willing and able to take on roles of significantly higher influence and authority - contribute considerably more than their peers. They work more than 20% harder than their peers and generate 3.5x their annual salary for their businesses.

By definition they are, therefore, significantly more valuable to their employers. One study suggests that they are 91% more valuable than their peers.¹

This kind of talent is rare. On average, only one in seven employees are identified as high-potential employees.² Strikingly, fewer than one in seven high performers are considered “high potential.”³ Two-thirds of today’s top performers lack critical attributes essential to their success in future roles.⁴

Fast rising stars know they have options. A study of high potential young managers by the Harvard Business Review showed that three-quarters sent out résumés, contacted search firms, and interviewed for jobs at least once a year during their first employment stint. Nearly all (95%) regularly engaged in updating résumés and sought information on prospective employers.

On average, they left their company after 28 months. Most cited a lack of career development as the reason for their departure with expectations around mentoring and coaching most often unmatched.⁵

¹ [Beyond the HIPO Hype: How to Reduce Risk and Realize More Value from Your HIPO Program](#) (2014) CEB

² [How to Accelerate Leadership Development](#) (2014) Human Capital Institute

³ [The HR guide to Identifying High-Potentials](#) (2014) CEB

⁴ [How to Keep Your Top Talent](#) (2010) Harvard Business Review

⁵ [Why young managers are in a nonstop job hunt](#) (2012) Harvard Business Review

Costly high potential programs not meeting goals

46%
of high potentials fail to accomplish business results in their new roles

Organizations see retention of high potentials as an important business issue.

Fully two-thirds of leaders divert funds to high potential programs. Yet, just one in four leaders consider their high potential programs successful.⁶

The vast majority of HR leaders (82%) are also dissatisfied with program results.⁷ Current programs are not adequate to prepare high potential employees as the future leaders of organizations. Nearly three-quarters (73%) of high potential programs fail to deliver desired business outcomes or ROI.⁸

Many organizations will create plans for new roles for HiPos but the vast majority (95%) are ineffective at following through on these action plans.⁹ Not surprisingly, many high potentials are not successful in their new roles: 40% of internal job moves made by high potential employees end in failure.¹⁰

There are two fundamental challenges to consider:

- Correctly identifying HiPos
- Engaging them with the right development experiences

⁶ [The End of Agility? Designing a HIPO Strategy That Moves At The Speed of The Business](#) (2016) CEB

⁷ [The HR guide to Identifying High-Potentials](#) (2014) CEB

⁸ [Companies That Fail to Retain High-Potential Employees Groom Top Leaders For The Competition](#) (2014) CEB

⁹ [Beyond the HIPO Hype: How to Reduce Risk and Realize More Value from Your HIPO Program](#) (2014) CEB

¹⁰ [How to Keep Your Top Talent](#) (2010) Harvard Business Review

Issue 1:

Identifying high potentials

Today's solutions for the identification of high potentials:

- use of employee performance as a proxy for their potential
- using a 9-box model plotting performance and potential, either used by the direct manager or calibrated by a management team
- external leadership assessments

Focusing on the wrong people means wasted time, energy and money - and setting people up for failure. More than two thirds of organizations focus their HiPo development efforts on the wrong employees.¹¹

Common approaches to identifying high potential talent share a number of challenges:

Complexity

If the process of identifying high potential talent is overly complex and time consuming, many companies simply stop at this step, neglecting the opportunity to develop high potentials.¹² Also, processes that are too time intensive - a calibrated 9-box exercise can take up to 30 hours per person - inhibit going as deeply into the organization as needed. Many organizations look no further than general managers for HiPo spotting given the investments required in the process.

Subjectivity

Up to 70% of people are misplaced when subjective assessments are used.¹³ Bias and favoritism are likely. Yet, only 20-33% of organizations use valid assessment data.¹⁴

Episodic

Most processes are episodic - often once a year or even less frequent. They are, therefore, not sufficiently agile to respond to rapidly changing talent requirements, business environments or the personal circumstances of leaders. With an average tenure of 28 months, many truly high potential employees will have one or two shots at being identified from the rest of the pack.

Experience only

Organizations often rely too much on experience rather than potential,¹⁵ missing out on identification of leaders earlier in their career.

¹¹ [Companies That Fail to Retain High-Potential Employees Groom Top Leaders For The Competition](#) (2014) CEB

¹² [Seeking Answers on the Lackluster State of Leadership](#) (2014) Association for Talent Development

¹³ [How to Keep Your Top Talent](#) (2010) Harvard Business Review

¹⁴ [The End of Agility? Designing a HIPO Strategy That Moves At The Speed of The Business](#) (2016) CEB

¹⁵ [The Bold New World of Talent: Predictions for 2016](#) (2016) Bersin by Deloitte

Issue 2:

Development of high potentials

48%

of organizations have a formal process for developing HiPos



Once identified, the development experiences made available to HiPo talent vary widely. The most common approaches share some fundamental challenges:

Lack of accountability

Nearly every (95%) organization is ineffective at following through on development commitments for high potentials.¹⁶ Often, a clear lack of accountability is to blame.

Lack of measurement

Measurement, if it exists at all, is often focused on learners' reactions and content learned (Kirkpatrick Levels 1 and 2). Ultimately, behavior change over time and actual business impact are the key outcomes sought.

Over-reliance on formal learning

Despite discussions around the specific percentages, the 70/20/10 model of learning still serves as a guide to the optimal ratio for learning modes. Most approaches to developing HiPos, however, focus heavily on formal training.

Lack of continuity

Classroom trainings are typically one-off or, at best, stop-and-go, lacking the continuous engagement needed to solidify learning.¹⁷

One size fits all

Off-the-shelf approaches do not enable HiPos to personalize the experience to fit their unique business context, learning needs or individual preferences.

Limited mentorship

Less than 50% of organizations offer formal mentoring, which has been shown to increase retention by up to 20%.¹⁸

The investment conundrum

Spend on high potentials varies significantly, from little investment to heavy investment. The average company spends \$3 million per year on development programs for high potential employees.¹⁹

¹⁶ [Companies That Fail to Retain High-Potential Employees Groom Top Leaders For The Competition](#) (2014) CEB

¹⁷ [Beyond the HIPO Hype: How to Reduce Risk and Realize More Value from Your HIPO Program](#) (2014) CEB

¹⁸ [Seeking Answers on the Lackluster State of Leadership](#) (2014) Association for Talent Development

¹⁹ [Companies That Fail to Retain High-Potential Employees Groom Top Leaders For The Competition](#) (2014) CEB

Balancing investment and effectiveness

The Corporate Executive Board demonstrated that high potentials learn best through stretch assignments (71%), job rotation (40%), and personal mentors (40%), and much less through any formal professional talent management systems (17%).

Organizations try to balance investment and learning outcomes in different ways.

Approach 1: Self-service

Performance is used as a proxy for potential. Development is largely unguided, with self paced learning eLearning courses, reading books, articles and blogs, and online guides and self assessments. The heavy reliance on formal training lacks guided learning, ongoing feedback and the ability to practice skills. Content reviewed remains isolated from the job reality and is often quickly forgotten. The annual cost of these solutions range in the hundreds of dollars per participant.

Approach 2: Blended Program

Potential is assessed through a manager 9-box process, making it not too time consuming but bias prone. Self study is supplemented with classroom training. One-time 360 degree feedback points the manager to skills to develop and practice in the classroom context. Informal mentoring helps establish networks and over-indexed exposure to executives provides for role models. These approaches often cost a few thousand dollars per participant.

Approach 3: Comprehensive experience

Identification occurs through external assessments plus a 9-box process calibrated by the management team, making it more objective but also more complex. Custom programs combine best practices in developing emerging leaders and learning design with the specific goals of the organization. Leadership assessments and 360 degree feedback are combined with formal mentoring to provide individual input. Custom classroom training with presentations, team exercises, case studies and simulations aim to close knowledge gaps and develop needed skills. This approach is costly (typically costing many thousands of dollars per participant) and takes the HiPo away from the workplace for an extended period of time.

How to hang on to your high potentials

64%

of high potentials are dissatisfied with their development experiences

The most successful approaches correctly identify the right people and prepare them for their future leadership roles, engaging the high potentials in the process. These are some best practices:

Identification

Simple

Effective identification of high potentials is simple and sufficiently scalable to go deep into the organization. Judgement-based systems such as manager-informed nine-box exercises require immense amounts of corporate resources.

Data based

Analytics inform identification, removing bias and favoritism. Active engagement in learning and teaching in an organization, for example, can be a strong predictor of potential.

Agile

High potential identification is not an annual event. It should be viewed as an ongoing process, enabling agile identification of the right talent for the right circumstances.

Timely

Potential is defined as aspiration, ability and commitment, enabling identification of early career potential.

Development

Follow through

Accountability for development actions is established and reinforced.

Relevant

Relevance increases application of learning.²⁰

Challenging

Challenges - high-risk, high-return, supported opportunities - result in 70% higher high potential engagement.²¹

Supported

High potentials value support from mentors and coaches highly.

Integrated

Development through formal learning, learning from others and on the job is integrated into learning journeys.

²⁰ [Seeking Answers on the Lackluster State of Leadership](#) (2014) Association for Talent Development

²¹ [Beyond the HIPO Hype: How to Reduce Risk and Realize More Value from Your HIPO Program](#) (2014) CEB

Factor 1:

Simple, objective identification

More than 40% of leadership roles are expected to be significantly different within five years, but one-third of leaders don't believe they can predict those changes

Simplify the process

Complex, time consuming processes like the 9-box model are not scalable and often cause development to be forgotten.

Try this instead

Use technology to provide analytics that substantiate potential. For example, measuring engagement across various modes of learning and knowledge sharing can be a good proxy for potential.

Objectively identify potential

Manager assessments are prone to bias and favoritism and are often perceived as unfair by employees.

Try this instead

Establish algorithms and use data to reduce bias and assess potential objectively.

Build in agility

The world changes - the market, business environment, and talent requirements. An annual identification process is out of date 364 days of the year. This is especially challenging when a large percentage of HiPos will only stay with an organization for two years or less.

Try this instead

Use data available anytime, anywhere for an accurate snapshot of current reality.

Identify talent timely

Many potential definitions are backward looking or rely too heavily on experience, thereby missing timely identification of early career rising leaders.

Try this instead

Define potential as a combination of aspiration, abilities and commitment to the organization, for a more balanced view.

Factor 2: Continuous, integrated development

Employers are understandably reluctant to make big investments in workers who might not stay long.

But this creates a vicious circle: Companies won't train workers because they might leave, and workers leave because they don't get training.

Make learning continuous

Episodic, stop-and-go classroom trainings are ineffective and cause disengagement by the learner.

Try this instead

Support constant learning by providing guided on-the-job learning for increased engagement and retention, bite-sized accessible content and peer and mentor support.

Challenge them with stretch assignments

Stretch assignments are a top learning method for high potentials,²² but often hard to integrate with day-to-day work.

Try this instead

Provide relevant, short, guided assignments for challenging learning on the job.

Provide relevant rotations

Rotations or job assignments are often perceived as artificial and not relevant, and lack integration in real life.²³

Try this instead

Enable high potentials to select and personalize the experiences that are most relevant for their needs.

²² [Talent Analytics: Advances in Measuring What Matters Most to the Future of HR](#) (2016) CEB

²³ [Seeking Answers on the Lackluster State of Leadership](#) (2014) Association for Talent Development

Give support

Mentoring and coaching are the two most unmet needs of high potentials.²⁴

Try this instead

Provide formal mentoring with optimized matching and built in support processes. Enable peer support of other high potentials participating in the program.

Integrate the experience

The different elements of a program are often not cohesive, without a common thread.

Try this instead

An integrated learning platform that incorporates guided and experiential learning, curated content, goal setting and ongoing feedback supports a personalized learning journey for high potentials - connecting concepts and theories, guided on the job applications and valuable social connections with mentors and peer groups for optimal results.

²⁴ [Why young managers are in a nonstop job hunt](#) (2012) Harvard Business Review

About Everwise

The Everwise enterprise social learning platform is a completely new approach to scalable and effective talent development. Everwise connects professionals to the people and resources they need to thrive at every stage of their career.

Everwise extends beyond traditional content-driven solutions which, while scalable, are largely ineffective on their own.

The Everwise personalized learning experience:

- Encourages action-oriented learning that supports skill mastery on-the-job
- Connects professionals with mentors, peer groups and communities of practice to facilitate true social learning
- Curates expert content and customized missions that keep them learning while on-the-job

We're trusted by some of the most progressive companies in the world such as:



If you'd like to find out more about implementing a successful mentoring program in your organization, please learn more at:

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