

Beyond the HIPO Hype

How to Reduce Risk and
Realize More Value from
Your HIPO Program





High-Potentials:

Realize the Promise, Reduce the Risk

Interested in a particular high-potential (HIPO) issue?

Click on the question to go straight there.

The HIPO Challenge

Is Your Investment in HIPO Programs Paying Off?

HIPOs are 91% more valuable to the organization than non-HIPOs. But something is going wrong. 73% of HIPO programs fail to deliver business outcomes or ROI.



Identify

Who Are the True HIPOs in Your Organization?

Nearly 50% of companies lack a systematic process for identifying HIPOs, so it's no surprise that HIPO misidentification is a leading cause of HIPO program failure.



Benchmark

How Do Your HIPOs Measure up Against the Competition?

Many companies use internal benchmarks to assess their promising talent, but an outside-in view can provide a very different perspective.



Develop

How Can You Close the Gap between Potential and Performance?

When it comes to development, most HIPO programs underperform. 95% of organizations are ineffective at following through on action plans to help individuals develop for new roles.

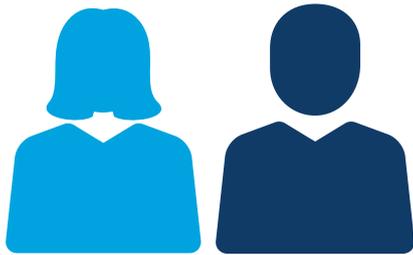


Are Your HIPO Programs Driving Business Outcomes?

Many HIPOs are ineffective, with 46% of leaders in new roles failing to meet business objectives. In addition, 55% drop out of the HIPO talent pool over a five year period.

The Challenge

Most organizations understand the importance of their high-potential employees (HIPOs). CEB research shows that they bring 91% more value to the organization than non-HIPOs and exert 21% more effort than their peers. There's little doubt that HIPOs can help drive productivity and efficiency throughout your business, yet most organizations are not realizing this value. In fact, 73% of HIPO programs show neither business outcomes nor ROI.



1 in 2

1 in 2 HR professionals lack confidence in their HIPO program.

Common questions being asked by HR leaders include:

- My HIPO program is expensive - am I investing in the right people?
- What should we be doing to prepare our HIPOs to take on more challenging senior roles in the future?
- Why is my HIPO program not working? People we thought of as HIPO are failing when placed into more senior roles.

HIPO programs are failing to deliver at both individual and organizational levels:

64%
of HIPOs are dissatisfied with their development experiences



69%
of HIPO programs fail to build a strong succession pipeline



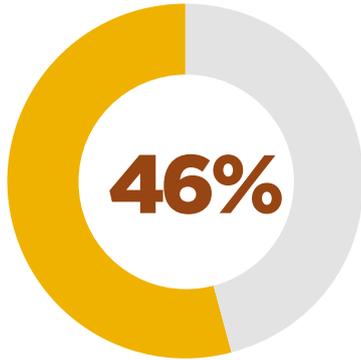
So how can you ensure that your HIPO initiative doesn't join these statistics?

It all begins with the ability to accurately identify your true HIPOs.



Identify

Who Are Your True High-Potentials?



Nearly half of organizations lack a systematic process for identifying HIPOs

Are You Nominating the Right People into Your HIPO Program?

No matter how effective the development aspect of your HIPO program is, you won't achieve results if you're developing the wrong people. Many programs are directing their resources, training and career opportunities to employees who are unlikely to rise to more senior and more critical positions and who, if they do, are unlikely to be effective.

Why Are Typical Approaches to Identification Failing?

| Common Approaches | Unintended Consequences |
|--|--|
| HIPO diagnostics | <ul style="list-style-type: none"> We don't know if our current model can accurately identify who can rise to and be effective in a more senior role |
| Manager evaluations or past performance data | <ul style="list-style-type: none"> Managers are too subjective in their ratings and are not accurately assessing true high-potential Current measures may be evaluating high performance rather than predicting future potential |
| Using a simple nine-box grid | <ul style="list-style-type: none"> We don't know if a simple grid is the best way to evaluate something as complex as HIPO talent |

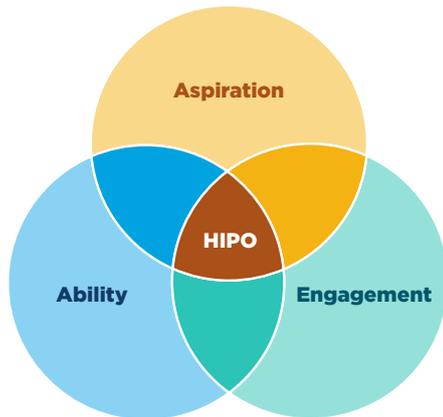
Nearly half of organizations lack a systematic process for identifying HIPOs, with many over-emphasizing the importance of past performance. Yet selecting HIPOs based on past performance alone proves problematic: only 1 in 7 high performers is actually a HIPO.



This results in the investment in too many of the wrong people, wasting scarce resources.

That's why best-in-class companies are redefining their definition of a HIPO.

CEB research has highlighted that for an employee to be considered truly high-potential, they need to be a proven high performer with three distinguishing attributes that allow them to rise to and succeed in more senior critical positions.



These three most important attributes are:

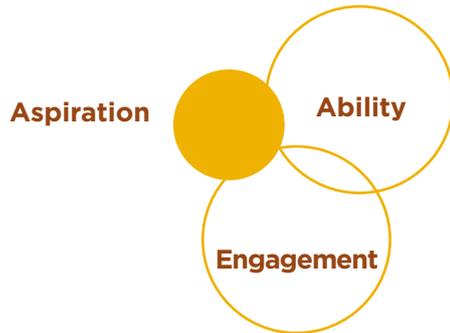
Aspiration: To rise to senior roles

Ability: To be effective in a more responsible and senior roles

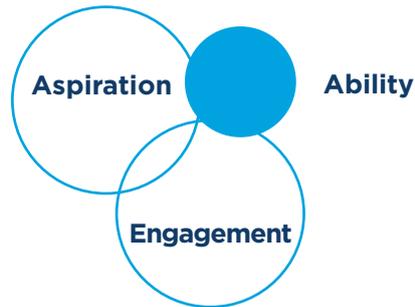
Engagement: To commit to the organization and remain in challenging roles

Organizations need to assess for these distinguishing characteristics to accurately identify their true HIPOs.

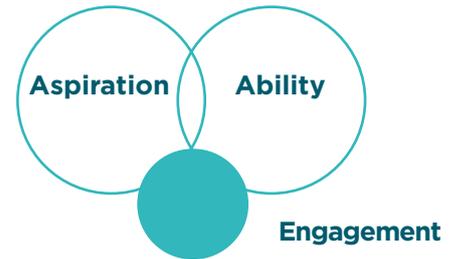
What's the Balance Between These Three Core Elements?



Employees with high ability and engagement but **low aspiration** are unlikely to move into senior roles because they simply don't want them enough. We refer to these employees as **Misaligned Stars**.



Engaged Dreamers want higher level roles and are engaged, but only have **average ability**. Unless the organization can develop the requisite skills, the probability of success in the next level is very low.



Unengaged Stars are employees with a great deal of aspiration and ability. However, they are **not fully committed** to their work or organization and may not be willing to stay with the organization for the longer term.

Aspiration, Ability, and Engagement are Critical for Your HIPO Investment to Pay Off.

Those who lack even one of the three have less than a 40% chance of success at the next level.



Through objective assessment of all three factors, you can accurately identify your top talent while ensuring you avoid the most common HIPO program risks:



Risk 1:

The risk that they will **fail to rise** to a senior position



Risk 2:

The risk that they **won't be effective** in a more challenging role



Risk 3:

The risk that they will **leave to join competitors**, diluting your bench strength



Benchmark

**How Do Your HIPOs Measure up
Against the Competition?**



To Develop Your HIPOs Effectively, You Need External Benchmarks.

The global marketplace is more competitive than ever. Today's HIPO program managers need to understand how their HIPOs compare to their competitors rather than relying on internal evaluations alone. Without understanding how your talent compares to best-in-class peers, you risk developing your talent ineffectively, focusing on the wrong skills for the market challenges you face.

**of Senior Business Leaders Use
HR Analytics for Key Talent Decisions**

Leveraging HIPO Assessments at Both Macro and Micro Levels

External benchmarks offer insight into how far your HIPOs have to go to be competitive. Macro-level analysis will ensure your HIPO development is stretching their capabilities to pull your organization forward.



Objectively measure where your HIPO talent pool stands compared to best-in-class talent



Leverage the comparable strengths of your HIPOs and minimize their weaknesses



Tailor development efforts to industry needs and provide targeted focus to development spend

“What’s missing is an outside-in view to get a broader perspective on HIPO talent pool quality.”

Regular checkpoints of your HIPO development will help you to prioritize critical experiences and activities based on their progress. These benchmarking activities will also allow you to see how effective your HIPO activities are compared to other leading HIPO programs.

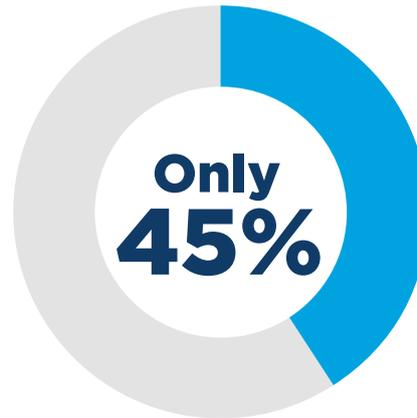
Benchmarking data can also help pinpoint who you develop now and who you nurture for future development efforts. Your high-achieving and most engaged employees compared to those peer organizations are ideal candidates for your HIPO program today, but even those who are not ready for a HIPO track are still your strongest performers who you want to offer relevant on-the-job development activities to keep them engaged and highly performing – both now and in the future.



Develop

**How Can You Close the Gap Between
Potential and Performance?**

When it Comes to Development, Most HIPO Programs Underperform



of employees feel that their managers excel at employee development



of organizations are effective at following through on action plans to help individuals develop

64% 
**of HIPOs are
dissatisfied with
their development
experiences**

Why Are Typical Approaches to HIPO Development Failing?

| Common Approaches | Unintended Consequences |
|--|--|
| Approaching HIPO identification as a one-off event | Lack of post-assessment planning often results in stalled or ineffective HIPO development programs |
| Taking a one-size-fits-all approach to development | Development plans do not take individual needs into account |
| Over-reliance on formal training | Employees are unable to apply what they learn to improve performance on the job |

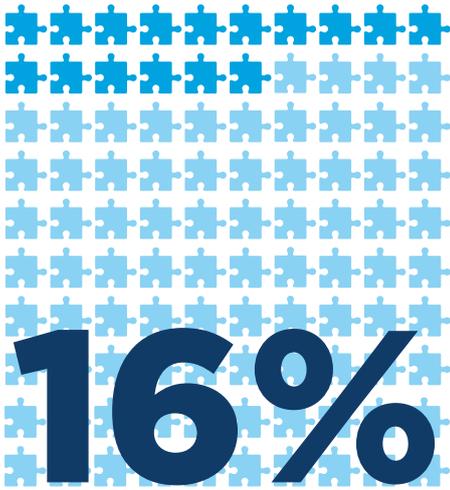
The 70:20:10 Model — How We Focus our Efforts Doesn't Correspond to How We Learn

It's not just about
what HIPOs learn,
but how they
learn it.

Think about how you develop your own talent. If you're like most organizations, your development program involves off-site workshops, classroom-style training courses, coaching/mentoring, and online e-learning sessions.



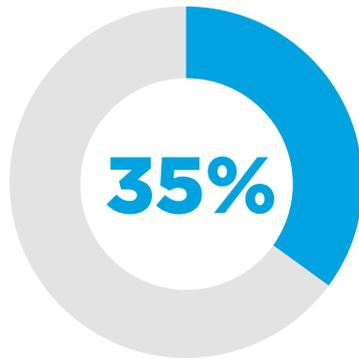
However, **70%** of learning comes **from experience**, **20% from others** and only **10% from formal training**. Research shows that on-the-job learning has two and a half times the impact on engagement and three times the impact on performance than traditional training.



The Reality Is That We Learn by Doing

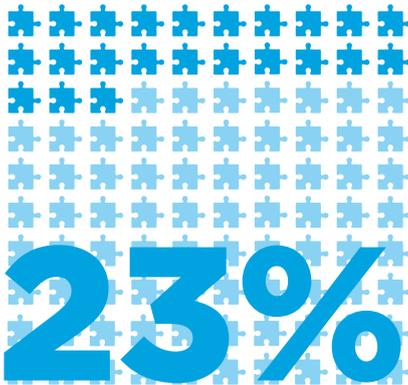
By over-emphasizing traditional training approaches in HIPO development, organizations are focusing too heavily on building competencies in isolation and too lightly on helping HIPOs apply what they learn to improve performance on the job. In fact, focused and targeted on-the-job development plans can improve employee knowledge and skills by up to 16%.

Matching development opportunities to personal career goals increases engagement by



The most effective high-potential development activities are centered on highly visible, important, and challenging experiences. These experiences not only place individuals in assignments where their potential can be applied and realized, they also drive up organizational commitment and aspiration among HIPOs.

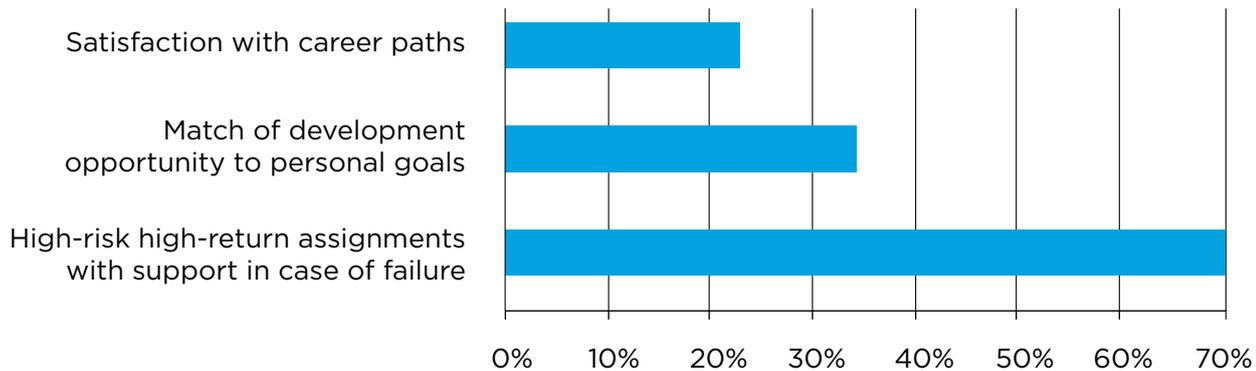
CEB’s research shows that effective high-potential programs can build engagement by providing clear career paths and by offering structured development opportunities and challenging work assignments, The impact is substantial: employee satisfaction with career paths increases high-potential engagement by 23%; while matching development opportunities to personal career goals increases engagement by 35%.



High-potential employees prefer experiences where they have greater accountability, develop new skills and work in high-stakes situations. But simply exposing high-potentials to risk is not enough. The engagement of high-potential employees is 70% higher when they are involved in high-risk and high-return opportunities and when they can expect full support in case of failure.

Assignments designed around targeted development plans that also reinforce aspiration increase the appetite for more senior roles by 23%

Maximum % impact on high-potential engagement



Managers can build engagement by providing compelling career opportunities

Clarify long-term career paths

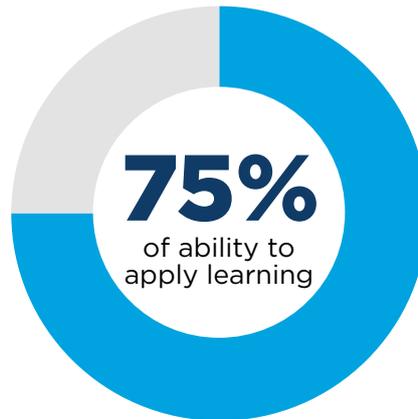
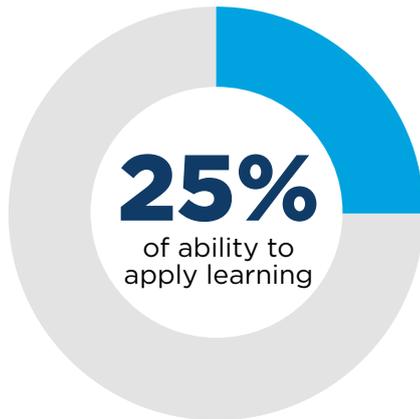
Provide development aligned with the career path

Enable movement to stretch roles and projects

Exposure to the right kind of experiences provides opportunities to practice new skills. But exposure to that experience also isn't enough on its own. What really matters for the HIPO to perform better in the future is the extraction of the learning from the experience.

Getting exposure and extraction right is a challenge for HIPOs and their managers. To ensure success, step-by-step guidance is needed to help HIPOs identify the right experiences to broaden their exposure, and to extract learning from them to improve their performance.

How We Learn



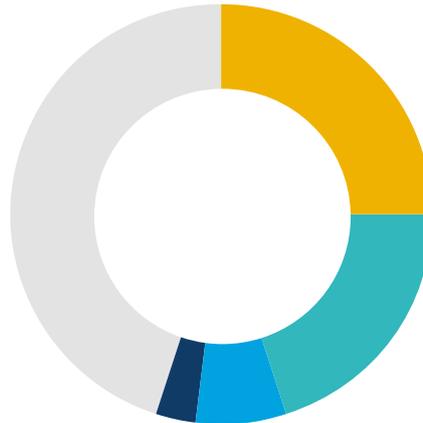


**Next
Steps**

**Are Your HIPO Programs Driving
Business Outcomes?**

HIPO Talent Pool Management Could Be More Impactful

Over a five year period a significant percentage of your top talent will likely drop out of the HIPO talent pool.



25%

leave for a competitor

20%

drop out of the pipeline due to low aspiration

7%

fall out of the pipeline due to ability misalignment

3%

leave the organization

55% Drop out of the HIPO Talent Pool in a five year Period

Maximizing the Impact of Your HIPO Program:

Ten Key Questions to Get onto the Agenda

- 1 How are we identifying and validating our true HIPOs? How do we know we're nominating the right people onto the program?
- 2 To tell or not to tell: having identified our HIPOs, how do we manage communication around high-potential status and do we provide adequate guidance to managers to facilitate discussions with those who are not selected as high-potentials?
- 3 Are we using internal benchmarks to set the bar on potential – or do we have an external perspective of our top talent that also shows how it compares to the talent of key competitors?
- 4 How do we use the outputs from the HIPO identification assessments and benchmarking to set the context for L&D priorities, and more effectively target development spend across the cohort?

- 5 How successfully do we manage the stretch versus the risk when selecting developmental roles and projects for HIPOs?
- 6 Are we sure that our HIPOs are getting the most from their rotational assignments?
- 7 Are we doing all that we can to retain our HIPO talent to ensure a return on investment?
- 8 How are we tracking the impact and success of our HIPO program?
- 9 How are we using these evaluation metrics to evolve our HIPO program to ensure it's based on continually changing market and business needs?
- 10 How effectively does our HIPO program integrate with longer term strategic talent and business objectives?
Or is it operating in isolation?

Realize the Business Impact

Most importantly, investment in programs that accurately identify and successfully develop HIPOs into successful leaders can have a very substantial impact on your organization's performance and results.

Strong leaders
can achieve over

90%

more revenue

Strong leaders
can achieve

2X

more profit growth

Organizations that foster
an effective learning
environment can have a

14%

increase on performance

CEB is a best practice insight and technology company. In partnership with leading organizations around the globe, we develop innovative solutions to drive corporate performance. CEB equips leaders at more than 10,000 companies with the intelligence to effectively manage talent, customers, and operations. CEB is a trusted partner to 90% of the Fortune 500, nearly 75% of the Dow Jones Asian Titans, and more than 85% of the FTSE 100.



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