

# The Way To Identify Your Future Leaders (Part 1)



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It is not that easy to identify and groom future leaders. Companies make use of various techniques to spot talent, and often manage their inventory of high potentials – those with the best chance of being a future leader. In this post, we describe some of the best techniques which are used by companies to manage their talent pool of future leaders.

## **The Talent Show**

Talent hunting shows are very popular on television. These programs attract a large audience in the studios and on television, to see who will be the next pop star or future



millionaire. Large groups of viewers and audience members send their SMS texts during the program with their evaluation of ‘Kim’, ‘Pearl’ or ‘John’ and these results determine who qualifies for the next round. The candidates which continue to the next round can then make use of all training facilities, expert accompaniment, coaching and any other resources available to enable them to “succeed” in their career to the next round.

During every show, the judges know how to spot the best talent and help develop them into stronger contestants. They give specific feedback on the performance and have been well informed about the necessary competencies for a successful career. The talented artists get targeted recommendations and constructive feedback about the way they can reach their personal objectives.

## ***The rules of a talent show are clear:***

- ♦ It does not matter who appears, but the ones who last the longest often have a large base of fans.

- ♦ Investment is done exclusively in someone who has created a sufficient basis, but in relation to a small, restricted group.
- ♦ Competition makes quality visible.
- ♦ Qualities are broader than just being able to perform; the judges are looking for “the whole package.”
- ♦ Those who are not up to standard simply drop out or get voted off.

### **The Company as a Talent Show? Yes!**

For management development in companies, roughly the same rules apply. Structured and controlled development of managers becomes more and more important for the permanent realization of business targets. This is necessary to be able survive in the rapidly changing and competitive environments which all businesses face today.

Management development is an important and accepted activity within organizations which consider leadership as a very important condition for their success. Talent development is now even considered as a ‘mission-critical’ company process. “High Potential Talent” is seen as a company strategic advantage and in successful companies, management development has been incorporated into their business cycles (see our previous article: [How Top Companies Manage Talent Development](#)).

The annual cycle of talent management has high priority. Much attention is given to identifying talented employees and the determination of careers steps aimed at growth. These “High Potentials” are helped in their development by means of training and education, e-learning, coaching, job rotation and action learning. Leadership development and company development are continuously paralleled.

### **The Rules for the Company Talent Show**

A good Management Development approach contains the following elements:

1. A highly visible Talent Management process in the organization including the annual performance management cycle, career and succession planning and maintenance of this (the talent management infrastructure).
2. Development and application of function profiles, competency models based on the strategy of the organization.
3. Continuous adaptation of talent programs and interventions which are necessary to realize company strategy.

### **Performance & Potential Matrix**

For talent management in many large, global organizations, the ‘Performance & Potential Matrix’ is used. On the basis of the expected development the employees are classified according the categories listed in the matrix illustrated below.

The P&P matrix contains 2 axis:

- ♦ Performance (appraisal) Horizontal or X-axis
- ♦ Potential (possible promotions in the coming 5 years) the Y-axis

Concerning appraisals, a 5-point scale is frequently used and a normal partitioning of appraisal scores is pursued (in a Bell-curve, of which 70% of the employees have a sufficient appraisal).

### Performance Trend (5-year Outlook)

	E	D	C	B	A
	Bad	Mediocre	Sufficient	Good	Excellent
	appraisal	appraisal	appraisal	appraisal	appraisal
2 Promotion				**	***
Two function levels higher					**
1 Promotion					
One function level higher					
Remains at the same level					

Many organizations use a five-year growth estimate and project the expected development of one or two function levels higher than the current level.

- ♦ At Level 2, those employees are plotted which are expected, to grow within 1 to 5 years two function levels. On the basis of their appraisals they are considered as 'high-potentials'. Generally over the previous years those employees have shown also a good performance.
- ♦ At Level 1, employees are mentioned whom are expected that they will grow less rapidly. However, it is expected of that they will make a promotion within 1 up to 5 years a to a higher function level. These 'potentials' generally have shown also a good performance.

In an annual process, the impact of the organization strategy is identified in the field of talent, from which the talent management plan is derived. Performance management, promotion policy, training and development, reward, succession and career planning are all integrated to each other and coordinated centrally within HR. The Performance & Potential matrix give a first indication of availability of talent.

During these 'Talent Reviews' the following points come up for discussion:

- ♦ The number of 'potentials' per key position.
- ♦ Employees with potential to grow rapidly to the level of 'key position holder', or employees that still can make one step.
- ♦ The development in the 'Talent pipeline' for both general functions and specific disciplines.

This talent process is on the annual agenda of the management team and includes the following steps:

- ♦ Discussion of results of the 'Talent Review' of the previous year.
- ♦ Discussion with the (internal) HR consultant.
- ♦ Preparation of the new performance & potential matrix.

- ♦ Discussion and calibration of the performance & potential matrix in the Management Team.

It is not clear when the performance-potential matrix was first used. Possibly the model has its origin at the Boston Consulting Group in the 1970s. With some imagination one could discover the 'Boston Matrix':

- ♦ Employees with a high performance and also with a high expected development level are called the 'Stars' (High Potentials). The organization must invest in their development and the organization must also ensure that they want to continue their career within the company. They are invited for impressive in-company leadership programs and are mentioned on 'lists' of possible successors for important positions.
- ♦ Employees and managers with a 'sufficient' appraisal and not having many possibilities to a higher position are seen as the 'backbone' of the organization (workhorses).
- ♦ The employees with a moderate performance and no growth possibilities can be characterized as 'deadwood'. They are listed to be dismissed.
- ♦ The 'question marks' (problem cases) are those employees with a high assessed potential, but where the performance lags behind. It is a question mark for the organization of how much coaching and training one wants to devote to get their career within the company back on track.

### **Dilemma**

It will always remain a question if high performance is also a prediction of an employee's growth potential. A good salesman, for example, is not automatically a good Sales Manager. Functions at higher levels require different skills and qualities.

Assessing growth potential and identifying future leaders by management, even with the help of solid management development processes and the performance & potential matrix, remains a complicated exercise which can still be much improved.

The 'Company Talent Show' could become a meeting with buddies and personal preferences. It continues to be cumbersome to assess the development of employees. In the past, with a more or less stable market with favorable growth expectations, it was already difficult to make a good estimates. Now it has become quite complicated and even more critical for companies competing in today's rapidly changing global business environment.

In our next article we'll go deeper into the 'learning agility' of employees, which might ease the organizations anticipation of growth potential.