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HBR: Turning potential into success: The missing link in leadership development

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Organizations around the world are failing on one key metric of success: leadership development. According to research from the Corporate Executive Board, or [CEB](#), 66% of companies invest in programs that aim to identify high-potential employees and help them advance, but only 24% of senior executives at those firms consider the programs to be a success. A mere 13% have confidence in the rising leaders at their firms, down from an already-low 17% just three years ago. And at the world's largest corporations — which each employ thousands of executives — a full 30% of new CEOs are hired from the outside.

The problem isn't a lack of internal talent. At Egon Zehnder we've been measuring executive potential for more than 30 years, and we've identified the predictors that correlate strongly with competence at the top. The first is the right motivation. This generally means a fierce commitment to excel in the pursuit of big, collective goals but is, to a great extent, contextual.

Unfortunately, many organizations haven't figured out how to fully develop their prospective leaders. That limits these people's advancement and eventually their engagement, and ultimately leads to turnover.

Low engagement and high turnover are extremely costly for organizations, especially if the people jumping ship are high-potential prospects in whom much has already been invested. How can companies prevent this massive waste of talent and create more effective development programs?



GETTY IMAGES (JIRSAK)

When companies focus on potential and figuring out how to help people build the competencies they need for various roles, they see results.

By determining the most important competencies for leadership roles at their organizations. In our leadership advisory services at Egon Zehnder, we've identified seven that we believe are crucial for most executive positions at large companies: results orientation, strategic orientation, collaboration and influence, team leadership, developing organizational capabilities, change leadership and market understanding. In addition, many leading companies are finding that an eighth — inclusiveness — is essential to executive performance.

By rigorously assessing the potential of aspiring managers: checking their motivational fit and carefully rating them on the four key hallmarks: curiosity, insight, engagement and determination.

By creating a growth map showing how a person's strengths in each of the hallmarks aligns with the competencies required in various roles.

By giving high-potential employees the right development opportunities — including job rotations and promotions they might not seem completely qualified for but that fit their growth maps — as well as targeted coaching and support.

Companies like Japan Tobacco and Prudential PLC, the British multinational life insurance and financial services group, have used this approach to enhance their talent development programs and boost their internal leadership pipelines. Following it requires deep commitment from senior executives and some investment in the human resources function. But the cost of inaction is greater: As competition for smart and able managers heats up around the world, organizations can't keep ignoring and demoralizing internal talent while filling their executives with expensive external hires. They must learn to grow their own leaders.

Getting a read on needs and skills

Before an organization can begin mapping managers' potential to required competencies, it must determine what exactly it needs. That will vary from business to business.

Your organization should similarly aim to identify the competencies that are most crucial for its top roles in light of its own challenges and goals. We suggest rating the level of proficiency needed in each competency for each role on a scale from 1 to 7. Executive-level positions typically require a rating of at least 4 in the competencies critical for those roles, and CEO positions, a rating of at least 5.

You should cascade this process down through the ranks so that you have a clearer idea of the key skills needed to do lower-tier managerial jobs, too. With all positions, however, you must resist the temptation to demand high levels of all competencies, because you'll never find leaders who are perfect.

The next step is to comprehensively assess future leaders' current competencies and their potential for growth. You can do this through a deep review of their work experience; direct questioning; and conversations with their bosses, peers and direct reports. To get the best information out of people and their colleagues, pose open-ended questions and probe. You should score each person on each hallmark of potential; at Egon Zehnder we use a scale of 1 (emerging) to 4 (extraordinary) for this. You should also score each person on his or her current level of each core competency (using the 1-to-7 scale), creating a snapshot of where he or she stands.

With this information, you can now take the critical third step: predicting where each executive is likely to succeed. Having compared our 30 years' worth of executives' baseline scores with information about their eventual career growth, we can tell you that there are patterns in how individual hallmarks translate to the eventual mastery of leadership competencies.

Armed with assessments of your emerging leaders' current competencies and potential for growth in each area, you will be in a much better position to make development and succession plans throughout your organization.

The experiences of a major global manufacturer we advised illustrate how this works. The company's CEO was due to retire in a year, and the board was trying to decide who should replace him. When we appraised two internal candidates, X and Y, we found that they had comparable strengths but very different profiles. At the time X, a veteran operator in the company's core business, had a higher level of two competencies critical to the CEO job — results orientation and market understanding. But his lower scores on determination, insight and curiosity revealed that his potential for growth was more limited. Y, who had come up through the ranks in an emerging business, was by contrast slightly weaker on current competencies but, with strong scores on all the hallmarks, showed significantly more potential to perform well as a CEO.

When the board reviewed these findings, a heated discussion ensued. Eventually, the group landed on a creative solution: Ask the current chief executive to stay an extra year, during which he and the board could offer customized development programs to both internal candidates and then monitor their growth.

This is the fourth key step in turning high potentials — at all levels — into leaders: Give them the opportunities, coaching and support they need to close the gap between their potential and their current competencies

Real results in practice

When companies take this approach to leadership development — focusing on potential and figuring out how to help people build the competencies they need for various roles — they see results.

A scientific approach to talent development, focused on spotting high-potential employees, understanding their capacity for growth in key competencies and giving them the experience and support they need to succeed, will be an extraordinary source of competitive advantage in the coming decades. And it will help many more managers transform themselves into the great leaders they were always meant to be.

Claudio Fernández-Aráoz is a senior adviser at the global executive search firm Egon Zehnder, and an executive fellow at Harvard Business School. Andrew Roscoe is the global leader of Egon Zehnder's executive assessment and development practice. Kentaro Aramaki is the leader of Egon Zehnder's executive assessment and development practice in Japan.