

SOLVING THE HIGH POTENTIAL CHALLENGE

**Part three:
Retaining your
future leaders**



Only 11% of organizations that currently have a high potential program are very satisfied with its performance.

Korn Ferry 2019, Leadership Potential survey



50%

Would like to promote more leaders from within their organization.

Korn Ferry 2019,
Leadership Potential survey



25%

Of companies believe they have a “ready now” talent pipeline.

Korn Ferry 2019,
Real World Leadership Study



INTRODUCTION

High potential programs are value-creating initiatives that can future-proof leadership capability and significantly impact the bottom line. Yet as Korn Ferry’s research shows, many organizations that invest in such programs are failing to get the results they want.

This eBook is the final installment of our three-part guide to maximizing the return on your high potential (HIPO) program. One thing is clear: there is no cookie-cutter approach to HIPO programs. Organizations need to spend time, energy, and resources creating one that meets their unique requirements. This guide is a must-read whether you plan changes to your current program or you want to introduce a new one.

SOLVING THE HIGH POTENTIAL CHALLENGE

As we saw in parts one and two of this guide, there are key challenges for organizations in delivering a successful program. The first is accurately pinpointing employees with who have genuine c-suite potential. The second is developing those executives to close the gap between potential and performance.

Part three tackles the most neglected aspect of high potential programs: retention.

Organizations invest considerable time and money in identifying future leaders and then preparing them for senior roles. But too often the investment is wasted when high potentials quit before ever reaching their intended level – and if they join a competitor, the loss is even greater.

To combat this, organizations need to face inward and focus on the employee experience, through new approaches to attainment, retention, and career growth that keep their people stimulated, happy, and committed.

This eBook will show you how considered retention strategies can ensure high potentials stay with you, laying the foundation for long-term success.

WHY THE FLIGHT RISK IS TOO GREAT TO IGNORE



25%

of high potentials leave
for a competitor.

CEB, 2016 Beyond the HIPO Hype

In parts one and two, we looked at why high potentials are so important to forward-looking organizations. In tomorrow's business world, you need leaders who will thrive in a volatile, fast-changing situations. Your high potential program can deliver a pipeline of talent – but only if that talent remains within the organization. And, the current shortage of top talent only heightens the importance of retaining the best people.

The cost of losing a high potential goes far beyond what was directly invested in their training and development. You are failing to realize the value they would have added if they had stayed – a figure that could run into many millions of dollars.

If that high potential joins a competitor, you can take an even harder hit. You prepared them for senior leadership; now you have to watch them drive the success of another business, likely to the detriment of yours.

What do high potentials offer?

- Significantly greater contribution than their peers.
- Inspirational motivation levels, plus aspiration and a thirst for knowledge.
- An ability to thrive on change and challenge.
- Applied learning from their development experiences to impact the organization.
- Self-motivation and dedicated to their ongoing leadership development.
- An average time of 18 months in a role.



The story of Rose and Ali Pt. 1

Rose and Ali joined Precision Corp in the same graduate-program cohort. Both were placed in the company's high potential program within three years. Each of them felt a passionate loyalty to the firm and pictured themselves on the Board one day. They even had a contest between themselves over who had rejected the most calls and LinkedIn requests from recruiters. For half a decade, neither was interested in working anywhere else. But one day, Ali did take a headhunter's call.

The engagement issue in today's workplace

“51% of employed workers are either open to a new job or activity seeking one.”

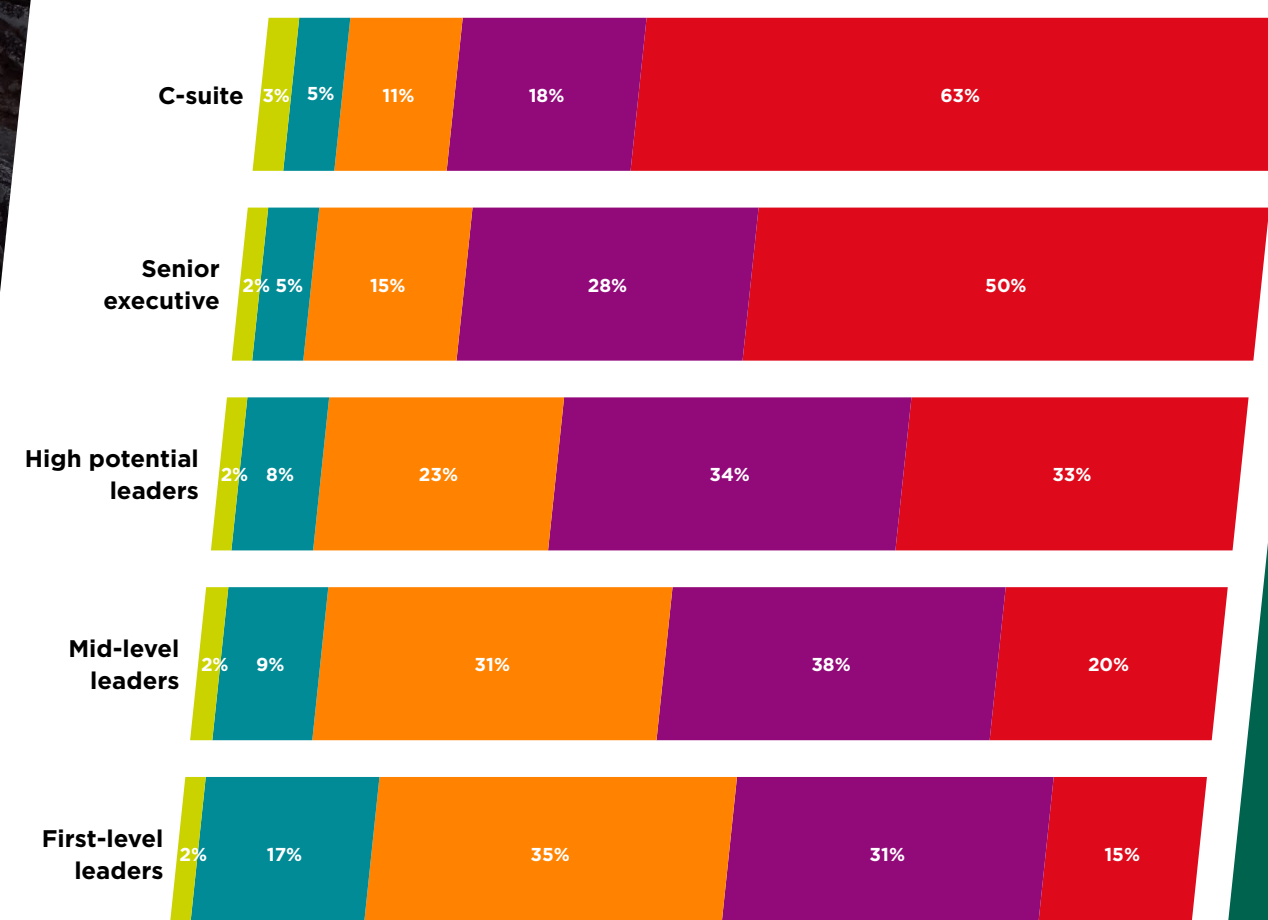
The days of the traditional career employee are far behind us. To younger people, even staying for three years with one company is seen as an overexpectation. Less-linear career paths are now the norm – a fact that makes it even tougher to retain talent of every type.

Headhunters and recruiters will likely be targeting your high potential talent – the executives who are insufficiently engaged and may be tempted away. So how high is the risk? How engaged are HIPOs, on average? Korn Ferry's research suggests that few first- and mid- level leaders demonstrate the signs of being highly engaged, especially when compared to senior and C-suite executives.

High potential leaders fall in between the two groups. A third are highly engaged; these are people you are likely to retain, no matter what other opportunity is presented to them.

Two out of three high potentials are only slightly engaged, or worse. These leaders are far likelier to jump ship, which is illustrated by a 2016 survey from CEB, which showed that over a five-year period, a significant percentage of high potentials are likely to drop out of the HIPO talent pool. As many as 25% leave for a competitor.

Describe the level of engagement demonstrated by each talent pool in your organization



Source: Korn Ferry, 2016 Real World Leadership; Lead with Purpose and Sustain Superior Results



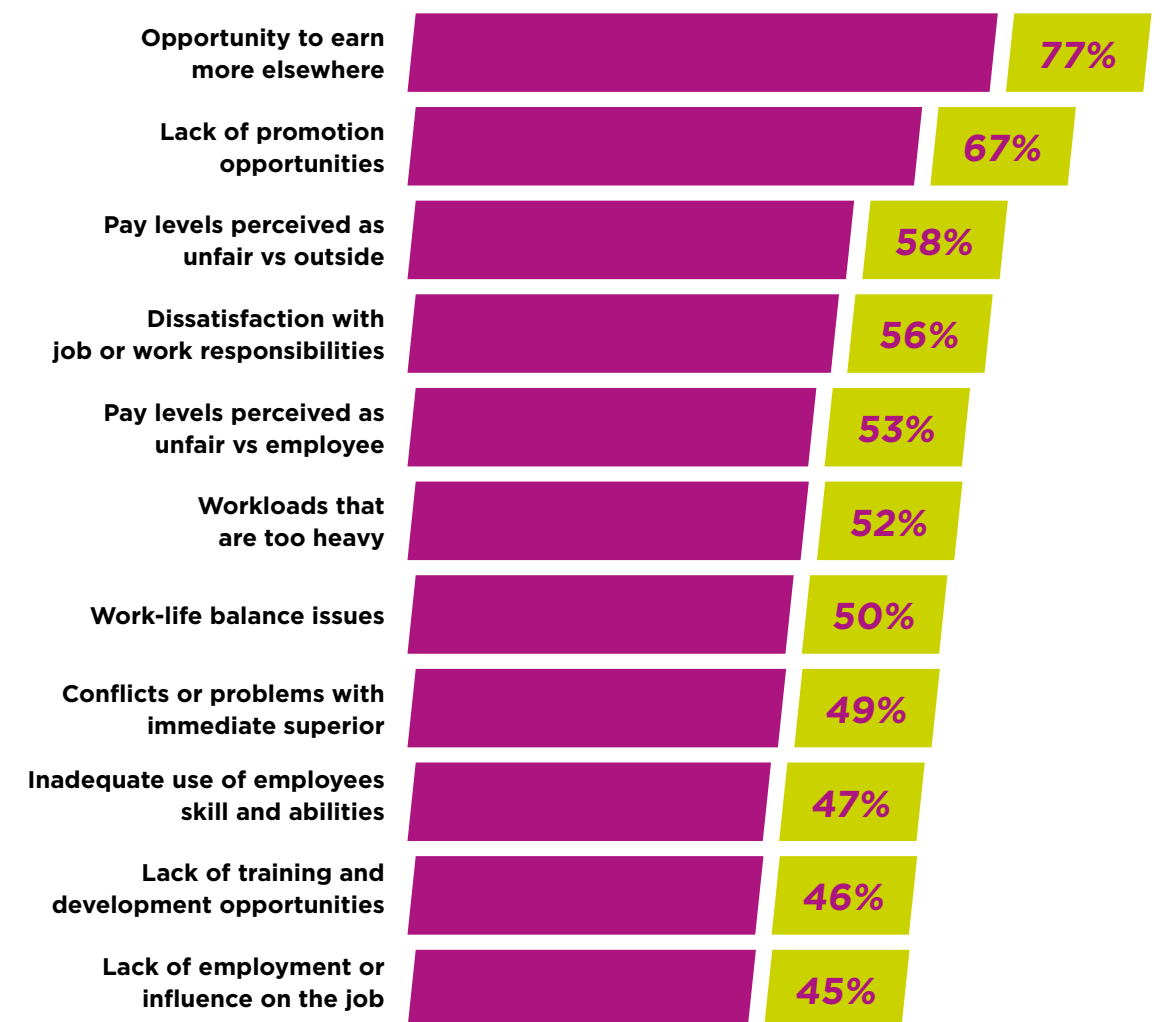


The story of Rose and Ali Pt. 2

The Precision Corp bosses had big plans for Rose and Ali. They were standout performers who seemed destined for the highest levels – especially as they were so passionately engaged with the business. But the bosses had never formally assessed Rose’s and Ali’s skill sets, nor were they measuring performance. This meant they missed the signs that Ali’s performance had started to slip behind Rose’s over the previous year.

Why do high potentials leave organizations?

The secret to fixing an engagement issue is understanding what’s driving it. Korn Ferry’s extensive data on the topic is derived from employee engagement surveys conducted for leading organizations around the world. This data gives us the key reasons why top talent leaves an organization.



Percentage who responded “to some extent”, “to a great extent”, or “to a very great extent”

Source: World at Work Journal, 2012, Retention of Key Talent and the Role of Rewards

Pay is usually a contributing factor, but there are clearly many others at play. Our experience suggests that there are two related components at the heart of retention and achieving optimum in-role performance: engagement and enablement.



The story of Rose and Ali Pt. 3

Rose was lucky to have an exceptional line manager. She could see exactly what level of challenge, stretch, and support Rose needed to grow as a leader. When Rose's motivation dropped, her manager found her a assignment, when she came up with ideas, her manager backed her to the hilt. Rose was engaged in her work, and enabled at work. She felt bad for Ali, though, as his boss was a very different kind of manager.

Engagement. Enablement. And why they matter.

When you dig deep into the motivations and working experience of employees, you find two key drivers of strong performance that also relate directly to retention.

Engagement: the 'want to' of work:

Are employees committed to the organization, and are they willing to put in extra effort for the good of the organization.

Enablement: the 'can do' of work:

Are employees' skills and abilities fully utilized in their roles, and does the organizational environment support them in getting work done.

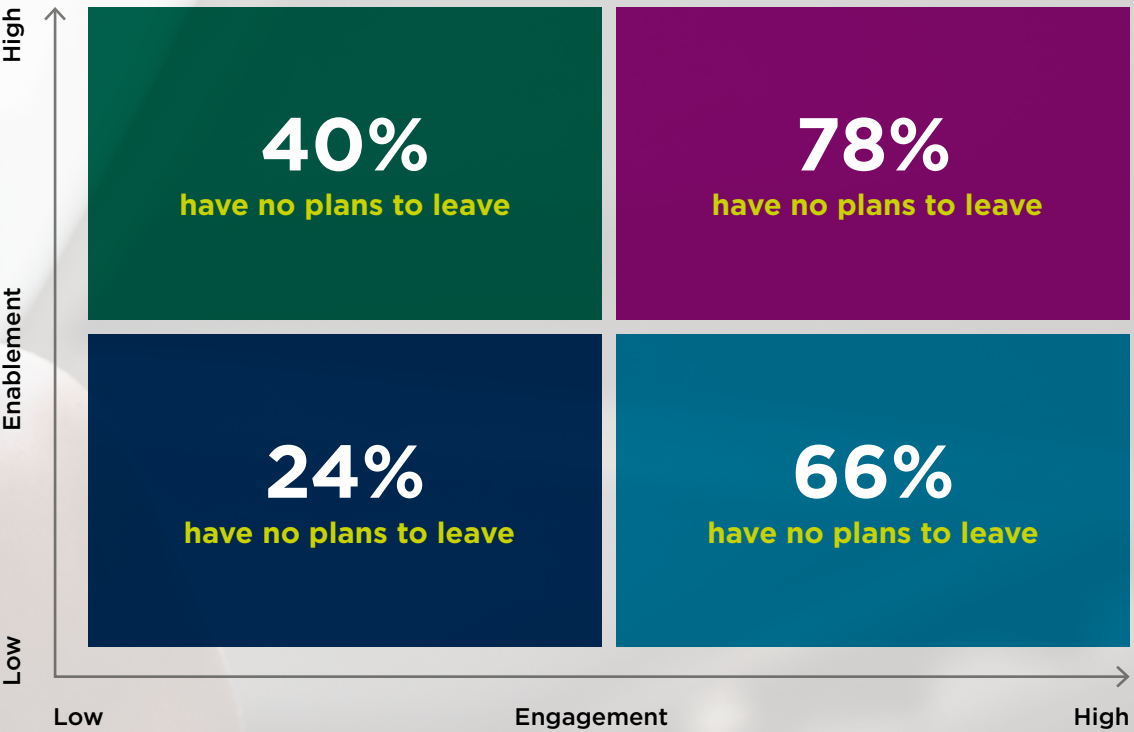
While engagement and enablement are closely related, they do not go hand in hand. Employees tend to fall into one of four clusters. The most effective people are both highly enabled and highly engaged.

Engagement, enablement and effectiveness



Source: Korn Ferry Listen employee opinion norms, comprising data collected from over two million employees representing over 300 organizations globally

The effectiveness profile and retention of high-performing employees over 5 years



Even if they are enabled effectively, disengaged employees tend to feel detached from their jobs and employer. They become far likelier to leave. In the opposite scenario, employees become frustrated with the role and their career – and again they are more open to offers from elsewhere.

Engagement and enablement in high potentials

Unfortunately for employers, while not all high potentials are high performers, they do tend to fall into the frustrated category. Our research shows that over a five year period, one in three frustrated employees plans to leave. That’s bad news for your long-term pipeline.



The story of Rose and Ali Pt. 4

Ali earned a series of rapid promotions in five years. For 14 months, his role was dual-faceted. In the operational management aspect, he was delivering unprecedented levels of profit (but it was not demanding on his talents). He also had responsibility for major strategic delivery, but he was struggling to gain support and investment. Plus, his boss kept upping the operational management duties in pursuit of even greater profits.

WHY HIGH POTENTIALS LEAVE

As engaged, achievement-oriented, and results-driven individuals, high potentials are particularly sensitive to any barriers they face in the work environment. And, when confronted with workplace frustration, they are retention risks. Why are they more likely to leave?

1. Because they can

High potentials are likely to have strong alternative career options available to them, regardless of economic conditions or the state of the labour market. They are, after all, among the most desirable individuals in the workforce.

2. Fear of stagnation

What happens when highly-capable employees linger in an environment that does not allow them to be optimally productive? They underleverage their skills and suboptimize the outcomes of their work. In other words, by staying in a nonsupportive work environment, they risk undermining their own opportunities for career advancement and increased compensation.

3. Emotional conflict

As a matter of identity, achievement-oriented people in limiting environments may suffer from “cognitive dissonance,” a psychologist’s term for the feeling of discomfort that accompanies holding two or more contradictory ideas in one’s head at the same time. If restricted performance is at odds with self-image as a high achiever, the conflict between identity and output can cause high levels of anxiety.

There is nothing you can do about reason 1. A high potential leader is only stuck if you’re based in an out-of-the-way, location, and they cannot move away for personal or family reasons. But reasons 2 and 3 can be addressed.



The story of Rose and Ali Pt. 5

Ali had never bothered with Glassdoor before, but after one particularly frustrating meeting, he registered on the site. It came as a bit of a shock to see the salaries people were earning at other firms. For the last few months, his paycheck had been bothering him – the profit he was delivering wasn't being recognized. There was a universal approach to reward. He had colleagues performing poorly who were earning only a little less than him. His longstanding loyalty to Precision Corp had started to crack.

HOW TO KEEP HIGH POTENTIALS ON BOARD

Tracking engagement and enablement gives you an up-to-date insight into flight risk, and empowers you to counter risk. The key to retaining high potentials is to ensure they feel both engaged and enabled, while paying attention to a universal concern: pay.

Measurement and evaluation

Research studies have repeatedly shown that measuring employees' intention to leave is one of the most accurate means of predicting turnover – there are significant correlations between continuance commitment data and real-world churn stats.

This means you can use employee surveys as a litmus test for your high potentials' engagement and enablement. An anonymous survey enables you to ask high potentials how they're feeling about working at your organization and being part of its HIPO program. You can check that the program value proposition reflects the reality that they are experiencing – then make changes where necessary to ensure that you're delivering on the promises you make. Employee pulse surveys, rather than the traditional annual survey, enable you to more accurately track improvements over time and step in to make enhancements to the high potential experience even faster than ever.

Regardless of response format, no question focused on employees' intentions will perfectly predict turnover. But regular measuring does enable you to monitor and mitigate both imminent and longer-term departure risks.

Measurement: The benefits

- Establishes a precise and predictive measure of high potential talent attrition risk.
- Enables leaders to benchmark levels of loyalty externally across markets, industries, and employee segments.
- Provides a basis for root-cause analyses on the factors most likely to affect retention success.
- Clarifies the extent to which reward investments are resulting in desired and expected levels of retention.

Pay: Using reward to engage and retain high potentials

Pay is a primary reason top talent leaves an organization, and also a major driver of employee engagement. People put in commitment and discretionary effort if they feel they are being rewarded in line with their value and achievements.

The issue with pay is now magnified because employees can compare the compensation package they currently receive with those of other organizations through a variety of online sources.

It seems an obvious option to use rewards to encourage high potential program participants to stay with an organization. But it needs to be done with due diligence. You can't just throw money at the problems or enter into a benefits' "arms race" with competitors. A high potential learning and development program should not end up as a rewards program.

**THE NINE-BOX APPROACH
- A STRUCTURED
FRAMEWORK FOR
INDIVIDUALIZED REWARDS**

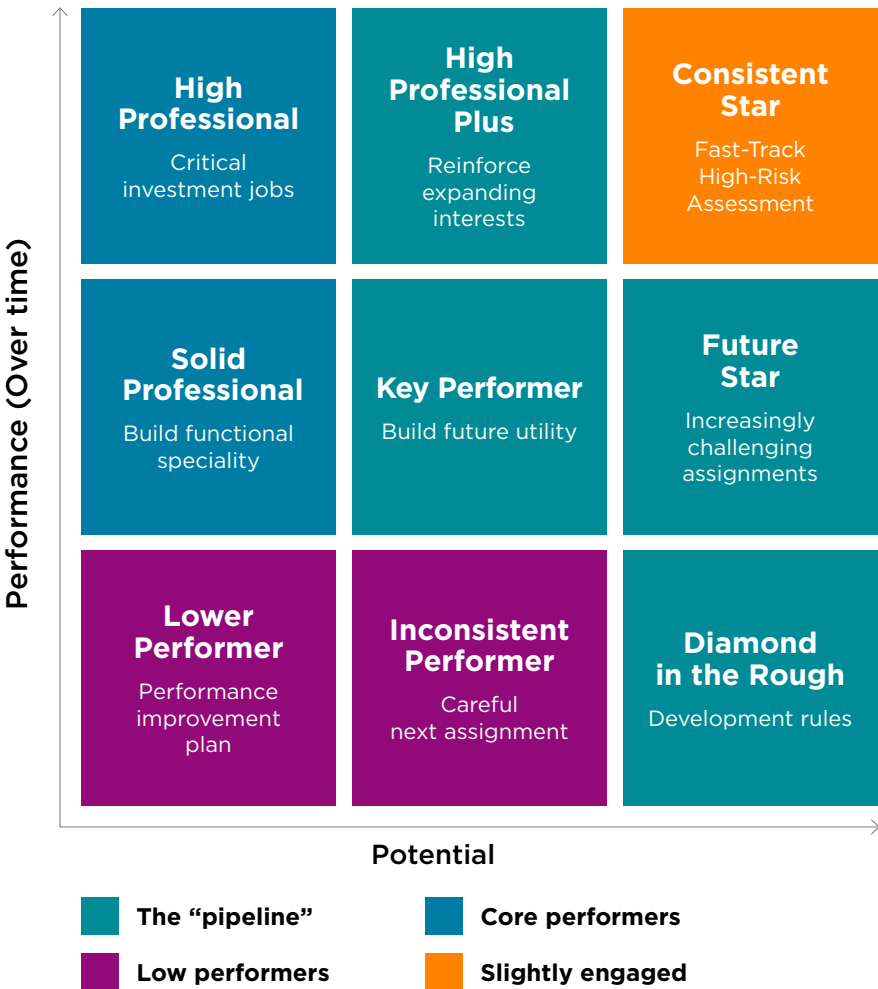
Earlier in this eBook series, we looked at the role of talent assessments in identifying genuine high potentials. The model we explored plots individuals onto a nine-box grid, which can then also be used to identify differentiated development.

The added advantage of this model is that you can connect the talent segmentation and your approach to your reward strategy. The nine-box framework measures all employees against the same standard. Talent segmentation based on this framework allows companies to take proactive actions to reward and retain the pipeline of high potentials.

**NINE-BOX FRAMEWORK OF
PERFORMANCE AND POTENTIAL**

Benefits to the organization:

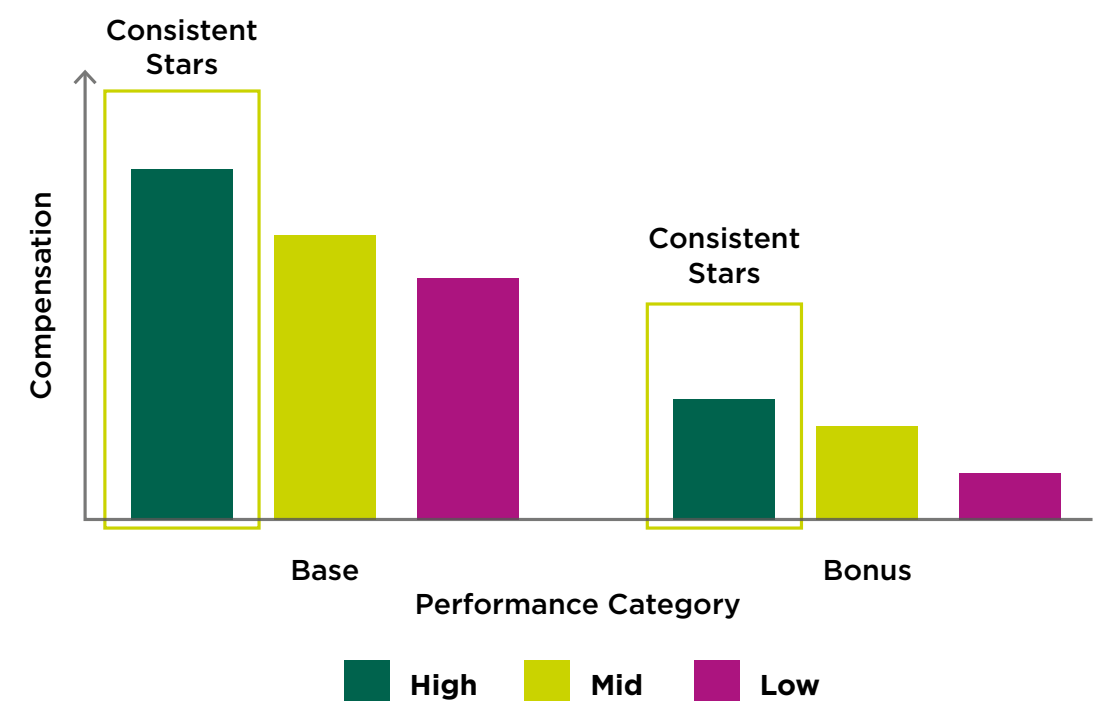
- Develops the ability within your leaders to objectively and accurately assess performance and potential.
- Emphasizes the creation of pragmatic and meaningful development assignments.
- Reinforces a culture where talent and potential are valued.
- Leaders learn how to have discussions about talent and how to take action to develop it.
- Connects a consistent evaluation of potential with reward strategy.



LINKING REWARDS WITH TALENT SEGMENTATION

The Korn Ferry Institute analysed 10,475 leaders' performance and potential ratings to explore compensation differences across the nine-box. Across all management levels, Consistent Stars were compensated more in terms of total pay and bonuses (Chart opposite). These leaders were compensated approximately 25% more in base pay and almost 50% more in bonuses than all other employees. Compared to average performers, Consistent Stars were compensated approximately 18% more in base pay and bonus.

Compensation of Consistent Stars compared to average and low performers.



Applying the nine-box approach empowers you to individualize reward, both to drive performance and to boost retention. Some firms choose to offer compensation elements such as off-cycle base salary increases or restricted stock grants – what matters is ensuring that extra rewards genuinely make a high potential feel valued, rather than being a bribe to encourage them to stay.



BEST PRACTICE: REWARDS AND RETENTION

Any organizations looking to differentiate rewards that recognize top talent would benefit from the following considerations:

1. Embed a total-rewards mindset

- Educate managers and employees about the total value proposition.
- Develop tools for managers to target additional rewards for deserving employees.
- Continually communicate the company's non-financial benefits.

2. Clarify reward's link to the high potential program

- Ensure transparency in talent reviews and a process that minimizes ownership by business and promotes collaboration and systematic calibration.
- Articulate a top-talent communications strategy that includes clear key rewards messages and benefits and risks of communication, and that identifies messages, messengers, and mediums of communication.

3. Differentiate the reward strategy for high potentials

- Clarify your reward strategy and the degree of variation/individualization for key talent, including principles, design, and communication.
- Monitor program and rewards for top talent to ensure appropriate differentiation. This includes all cash reward elements and nonfinancial reward programs, on a current-year and multiyear basis.

Reducing frustration / increasing enablement

As we've seen from the engagement and enablement matrix, high engagement levels alone are not enough to maximize the contributions of high potentials – and ensure that will stay. The commitment and discretionary effort given by engaged high potentials can easily be squandered.

In part two of this guide, we covered the importance of targeted individualized development programs for high potentials. If these keen learners feel they are growing professionally, they will feel more engaged and enabled – and be far more likely to stay.

Organizations must also be mindful to position employees in roles that fully leverage their potential, and provide the support they need to carry out their responsibilities.

It's important to note that the drivers of engagement are most closely associated with an organization's ability to establish a clear, promising direction and to instill confidence in all levels of leadership.

In contrast, drivers of enablement coincide with employees' job responsibilities and daily work experience (managerial planning, organizing and a sense of empowerment).

By properly distinguishing the key aspects of the work environment that affect employees' engagement versus those that provide support, organizations are much better equipped to focus energy and resources in areas that will have the greatest impact on employee performance.

Organizations need to build both employee engagement and enablement into their performance management systems, their operating practices, and their leadership and management development programs. This holistic approach will increase high potential performance and retention.

By understanding the predictors of successful engagement and enablement, you can tackle detachment and frustration in high potentials head-on.



The story of Rose and Ali Pt. 6

It was another few months after the Glassdoor incident before Ali took the headhunter's call. For the recruiter, this was partly lucky timing. Ali's boss had just informed him of a big cut to the budget for his largest strategic project. Ali listened to everything the recruiter had to say – and arranged to meet up. Two months later, the Precision Corp bosses were shocked to receive a resignation letter. They simply never saw it coming.

6 Predictors of engagement

1. Clear and promising direction. Connecting employees to the big picture is key to motivation. Most are looking for an opportunity to contribute to something larger than themselves.
2. Confidence in leaders. Employees' prospects for continued employment and career advancement are dependent on their company's health – and thus the quality of leaders.
3. Quality and customer focus. There is no greater source of dissatisfaction than the sense that the organization doesn't get it when it comes to what customers require.
4. Respect and recognition. Employee engagement involves striking a distinctive employment bargain with employees where organizations make a reciprocal commitment.
5. Development opportunities. People who don't grow risk compromising their future employability. Opportunities for development are consistent predictors of engagement.
6. Pay and benefits. Employees need to believe that their rewards match their contribution, with clarity that compensation is fair and equitable.

6 Predictors of enablement

1. Performance management. Continually raising the bar, through ongoing monitoring and feedback, helps ensure that employee capabilities are optimally developed and used.
2. Authority and empowerment. Where employees have appropriate autonomy and discretion, they are more likely to find opportunities to fully leverage their skills and abilities.
3. Resources. A supportive environment requires that employees have the information and resources (e.g., tools, equipment, supplies) required to do their jobs effectively.
4. Training. Appropriate training, which can turn potential into productivity, is also essential to ensuring that organizations get the most from the abilities of their employees.
5. Collaboration. Effective working relationships support employees in delivering their best and provide connections and exposure that boost performance and career development.
6. Work, structure, and process. Employees should feel that the organization is doing all it can to promote their success, particularly in high-workload environments.

10 KEY TAKEAWAYS

1

Failure to retain high potentials is a fundamental reason why HIPO programs deliver disappointing returns.

2

In the modern business world, it is harder than ever to retain top talent.

3

Pay is the primary reason leaders move roles, but there are many other factors in play.

4

Engagement is a major influence on retention, but enablement is also a significant driver.

5

High potentials who feel enabled as well as engaged are more likely to perform better – and reject other job offers.

6

Measuring high potentials' 'likelihood to leave' empowers you to mitigate flight risk.

7

Pay and reward are a key driver of high potential performance and retention.

8

Through a model like the nine-box approach, you can individualize reward for high potentials.

9

Employees should be placed in roles that stretch and challenge them.

10

By understanding the predictors of engagement and enablement, you can make the changes to improve performance and retention.



The story of Rose and Ali Pt. 7

A year after Ali quit, he bumped into Rose at a corporate event. Ali waxed lyrical about the fresh challenges his new role afforded him. But after a glass of wine too many, he confided his disappointment that things hadn't worked out with Precision Corp. He had given everything for that business, but too many frustrations built up over time. It felt like the bosses missed the window of opportunity to fix how he felt. The next day, Rose arranged her meeting with her boss and suggested that it was time to make some changes to the high potential program.

This three-part eBook series has addressed the three fundamental challenges that prevent high potential programs from delivering value. If you're ready to rethink your approach to high potential, Korn Ferry has the solutions:

1. Pinpoint potential: Assessments to confidently and accurately identify your high potential leaders.
2. Leverage potential: Development programs to transform potential into executive-ready.
3. Retain potential: Engagement and reward benchmarking tools to hold onto your high potentials.

Click here to find out more.



CHAPTER 1



CHAPTER 2



Korn Ferry is a global organizational consulting firm. We work with organizations to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop, and motivate their workforce. And, we help professionals navigate and advance their careers.