



HUMAN CAPITAL PRACTICE
CORPORATE LEADERSHIP COUNCIL

Business Case for High-Potential Management and Development *Based on the Findings of the Corporate Leadership Council's Research*

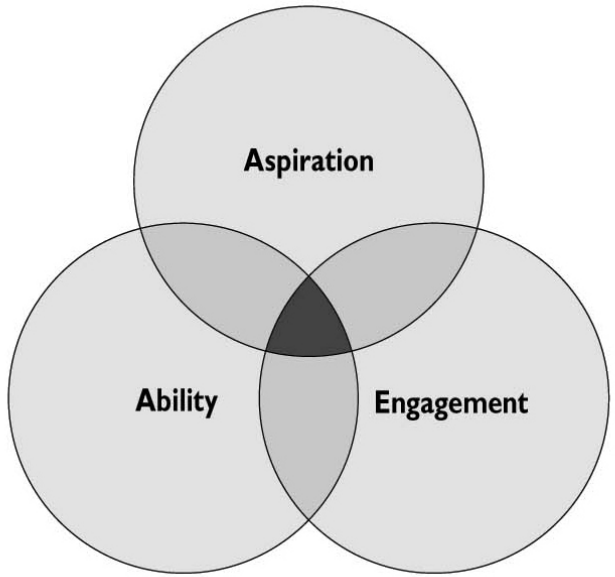
Takeaway #1: HIPOs need ability, aspiration, and engagement

- To advance and succeed in more senior and critical roles, employees must have three components of potential: ability, engagement, and aspiration.
- Because employees need all three, only 29% of employees in the top-quartile of performance are high-potential employees; the remaining 71% fall short in at least one way.
- Ten percent of high performers who are not HIPOs suffer from insufficient ability, 43% suffer from a lack of engagement, and 47% do not aspire to the roles and responsibilities at more senior levels.

What Makes a HIPO Employee?

A high-potential employee is someone with the ability, engagement, and aspiration to rise to and succeed in more senior, critical positions

The Council's High-Potential Employee Identification Model



Aspiration

The extent to which an employee wants or desires:

- **Prestige and recognition**
- **Advancement and influence**
- **Financial rewards**
- **Work-life balance**
- **Overall job enjoyment**

Engagement

Engagement consists of four elements:

- **Emotional Commitment**—The extent to which employees value, enjoy, and believe in their organization
- **Rational Commitment**—The extent to which employees believe that staying with their organization is in their self-interest.
- **Discretionary Effort**—Employee willingness to go “above and beyond the call of duty.
- **Intent to Stay**—Employee desire to stay with their current organization.

Ability

A combination of the innate characteristics and learned skills that an employee uses to carry out their day-to-day work.

Innate Characteristics

- **Mental/cognitive** agility
- **Emotional** intelligence

Learned Skills

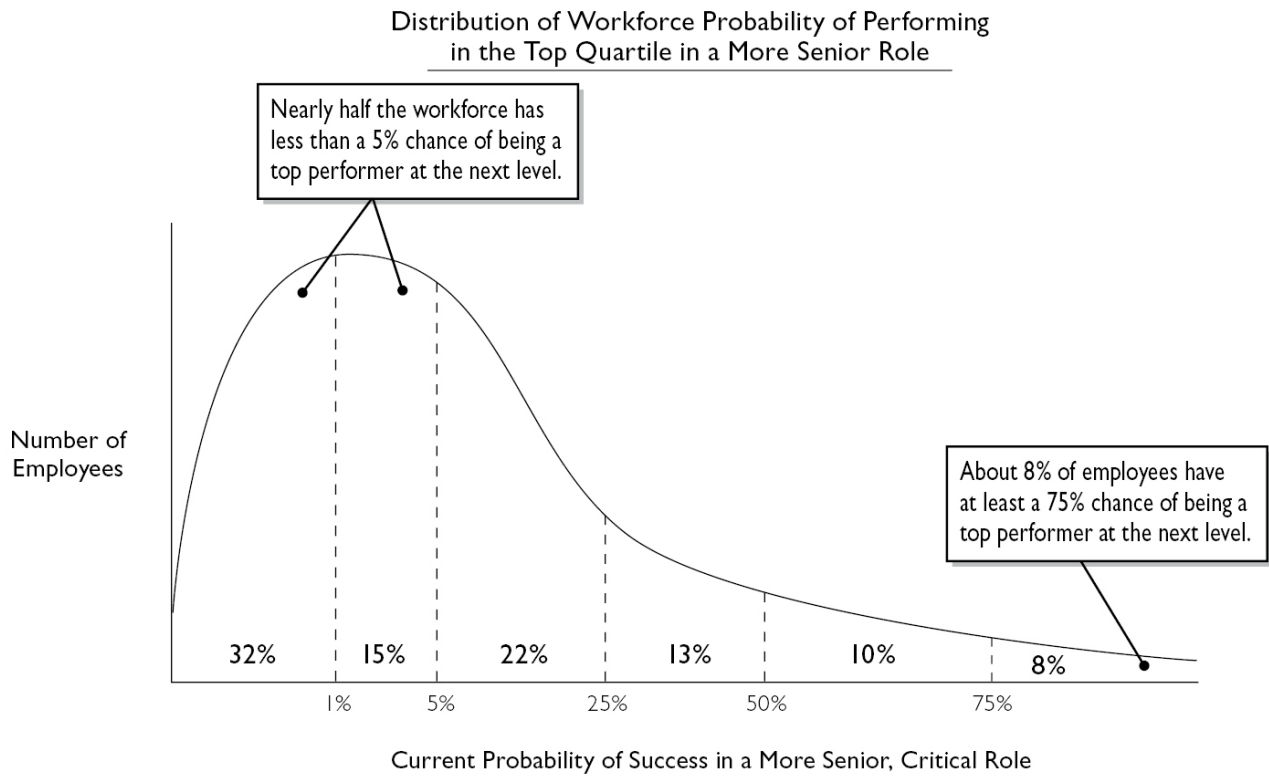
- **Technical/functional** skills
- **Interpersonal** skills

Takeaway #2: HIPOs are scarce—manage them carefully

- Half of the workforce has less than a 5% chance of succeeding at the next level, creating a large gap in leadership.
- Only 8% of employees have better than a 75% chance of succeeding at the next level, creating a finite number of candidates with potential to succeed in critical roles.
- Given the scarcity of HIPOs and the gap in leadership potential, organizations must carefully identify and develop those with potential.

Few Employees Can Become High-Potential

Less than 8% of employees have a strong chance of achieving HIPO status at their next level, increasing the importance of managing this group



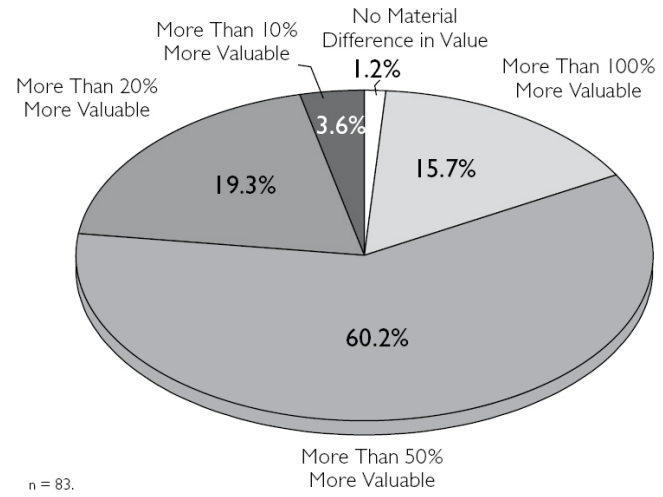
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Takeaway #3: HIPOs have the greatest impact on the business

- Business Leaders indicate that HIPOs are more than 50% more valuable to the business than core employees.
- This is because HIPO employees exhibit 21% higher performance levels leading to enhanced business outcomes across the organization.

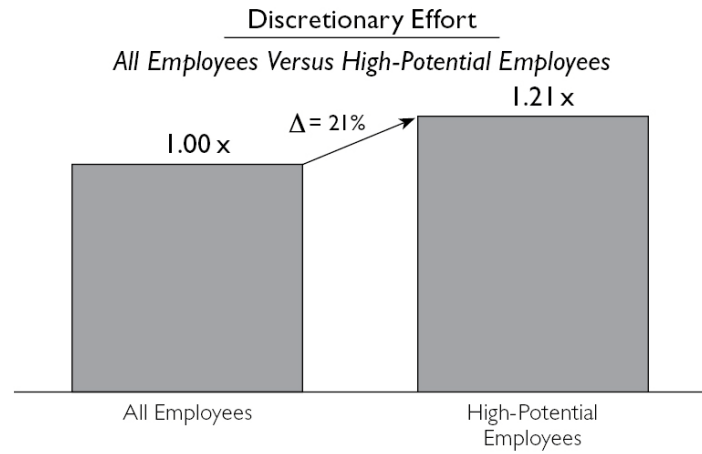
HIPO Employees and the Bottom Line

Most leaders indicate that HIPOs are overwhelmingly more valuable to the business than average employees...



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...as HIPOs exhibit over 20% higher levels of performance than core employees...



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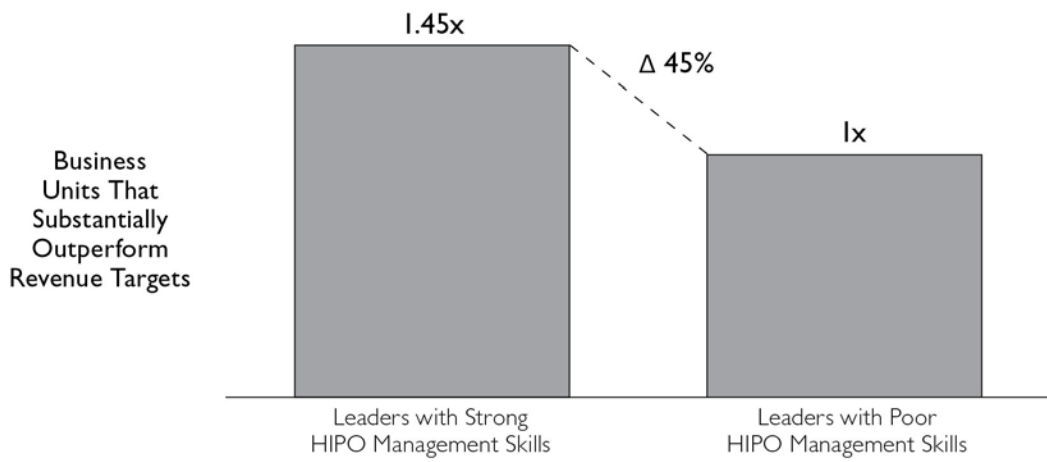
Takeaway #4: Identifying and Managing HIPOs is the Most Important Business Leader Activity

- Of all the talent management activities Business Leaders can perform, identifying and managing HIPO talent has the largest impact on achieving positive business outcomes
- Despite this importance, Business Leaders largely underperform at identifying and managing HIPO employees

A Failure to Manage Our Most Important Assets

While identifying and managing HIPOs is the most important activity Business Leaders can do to improve business outcomes...

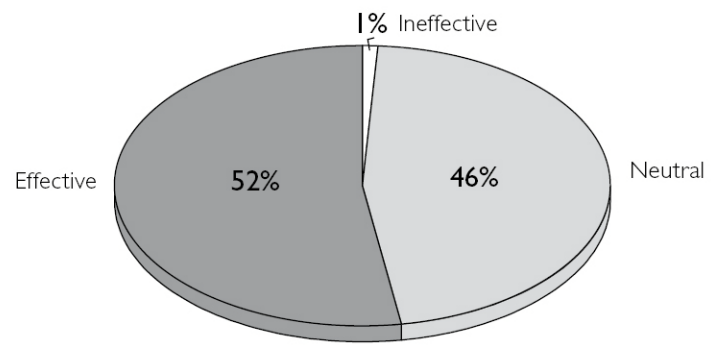
Impact of Leader Effectiveness at Managing HIPOs on Business Results



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...Only half of leaders rate as effective managers of HIPO talent

Senior Leader Effectiveness at Identifying and Developing HIPO Employees



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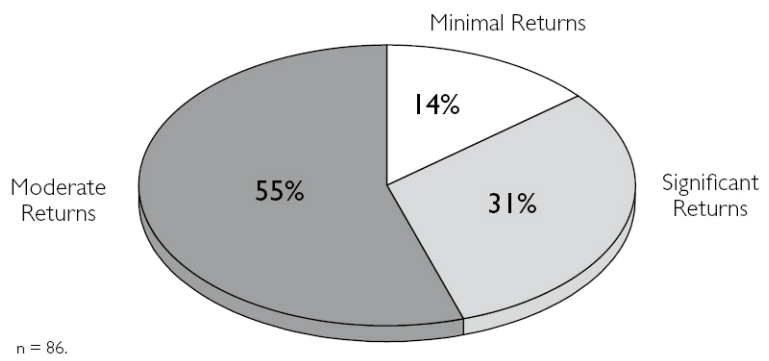
*Takeaway #5:
Differentiate Employment Offerings Most Important to HIPOs*

- Few organizations realize strong returns despite large investments in HIPO programs.
- Organizations fail to identify and differentiate HIPO employment preferences from core employee offerings
- HIPO employees are largely unsatisfied with the organization's efforts to provide for their unique EVP.

Poor Return on HIPO Investments

Despite vast investment, organizations fail to adequately capture significant returns on their HIPO investments...

Council Member's Returns on Investments in High-Potential Employees



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...Largely due to a failure to differentiate and deliver the employment offerings most important to HIPOs

HIPO Employee Satisfaction with the Most Important Employee Value Proposition (EVP) Attributes

Top Five Most Important EVP Attributes for HIPOs	HIPO Satisfaction
1. Compensation	14%
2. Future Career Opportunities	39%
3. Work-Life Balance	19%
4. Development Opportunities	36%
5. Job-Interests Alignment	57%

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