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A guide to identifying and retaining your **high-potential** employees

Introduction

It's unsurprising to learn that [86% of business and HR leaders](#) don't believe they have an adequate leadership pipeline. As the talent market grows increasingly competitive, it only becomes more challenging to attract, develop, and retain high-potential (HiPo) employees. There are a few reasons why this is the case.

First, HiPos know their worth and recognize that they have other options to turn to at any time. [A study](#) of HiPo managers by the Harvard Business Review showed that three-quarters sent out resumes, contacted search firms, and interviewed for jobs at least once a year during their first employment stint.

To retain these HiPos, organizations not only have to identify who they are but also continuously find ways to make them feel appreciated for their work. This needs to be balanced with giving HiPos the right types of development opportunities that stretch them in a productive way. This is challenging to do, and this effort also requires the right level of resources and support to sustain.

Unfortunately, many organizations aren't quite hitting the nail on the head when it comes to their HiPo retention strategies. Whether it's identifying the wrong employees to focus on or introducing ineffective development programs, too many companies are letting their best employees slip away.

In this ebook, we'll explain how to more accurately identify your top performing employees, what the common pitfalls of HiPo development programs are, and what you can do to introduce opportunities that get your best people to stay and, in turn, populate your leadership pipeline.

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The value of HiPos

So who exactly are HiPos, and why do we value them so much? Broadly, we can define HiPo employees as those who display the motivation, ability, and organizational commitment to rise to and succeed in senior positions in the organization. We've also found through our own experience and research that HiPo talent almost always display these key traits:

1 Demonstrating strategic insight

Above all else, HiPos are constantly seeking out new experiences and knowledge, asking for feedback, and adjusting behavior accordingly. Not only that, but they also have a unique ability to process and apply that new-found information to make an impact on their immediate team or the broader organization.

2 Inspiring others to high performance

HiPos are also very skilled at connecting with colleagues - regardless of whether it's a direct report or a senior leader. They practice high levels of emotional intelligence to motivate their colleagues to be better tomorrow than they are today.

3 Focusing on results

While HiPos have clearly mastered the technical skills that their job requires, they also show the ability to broaden that expertise and develop necessary soft skills as they grow into management roles.

4 Acting as a team player

As corporations increasingly emphasize collaboration and teamwork, HiPos stand out as people who work well with others and serve as a cornerstone of any team they work on. They put team results above their own, involve others as much as possible, respect other people's work styles, and make their opinion known but can compromise their points of view in support for teammates.

5 Maintaining high ethical standards

Organizations have to trust in their leaders' moral compasses. HiPos stand apart as people who staunchly uphold corporate values and carry themselves with the utmost integrity.

Aside from these desirable characteristics, the reason why companies want to invest in HiPos is because of the value they deliver. Research shows that HiPo employees work 21% harder than their peers, and they also bring 91% more value to the organization than non-HiPos. As these numbers demonstrate, having a HiPos at your company is great for business.

Unfortunately, this kind of talent is rare. In fact, only one in seven employees are identified as HiPo employees. That's why correctly identifying who your HiPos are is the first step to retaining them and seeing the benefits to your business.

Identifying HiPos at your organization

Research from Gartner found that more than two-thirds of organizations focus their HiPo development efforts on the wrong employees. While this may not seem like a big deal at first glance, there's a lot at stake when you incorrectly identify these individuals.

Investing in the wrong employees means that you're wasting precious time, energy, and financial resources on someone who will likely fall short of their expected potential. Even worse, a wrong choice means that another talented employee may be ignored and end up searching for greener pastures where they'll be afforded the development opportunities they need.

This will ultimately cost companies a lot of money. Research suggests that direct replacement costs can reach as high as 50% to 60% of an employee's annual salary. This means that a HiPo making $90,000 will cost organizations anywhere from $45,000 to $54,000 to replace. Compare this to the cost of investing in and retaining your HiPo instead, which a report shows costs companies an average of $4,000 per individual.

To prevent this from happening to you, we'll explore the best practices and most common pitfalls we see when it comes to identifying HiPos at an organization. When you keep things simple, data-driven, and agile, you're on your way to identifying the high potential employees at your organization.

Simplicity

Effective identification processes need to be simple and scalable. Use technology to provide analytics that substantiate potential. For example, measuring engagement across various modes of learning and knowledge sharing can be a good proxy for potential. Ensure that your employees know the processes you use for evaluating high potential so everyone understands what behaviors, achievements and KPIs can lead to their success.

Common pitfalls
Many processes that identify HiPo talent are overly complex and time-consuming which makes them challenging to apply on a broader scale. For example, the calibrated nine-box exercise is commonly used to assess employees, but can take hours to complete. Given this, it's not surprising that many organizations look no further than general managers for HiPo identification. They simply don't have the time to conduct this assessment on more than a handful of employees.

Data-driven

Manager assessments are prone to bias and are therefore often perceived as unfair by employees - whether it's because of favoritism or use of an inaccurate benchmark. Using analytics is an effective way to reduce subjectivity in these areas. That's why we recommend establishing algorithms and using data to reduce bias and assess potential objectively. Also, consider reframing how you view potential, which can be defined as aspiration, ability, and commitment rather than level of experience.

Common pitfalls
Up to 70% of people are misplaced when subjective assessments are used - likely as a result of bias and favoritism. An example of this is when organizations rely too much on an employee's perceived experience level rather than their potential. This common mistake can lead to overlooking HiPo leaders who happen to be earlier in their careers.

Agile

HiPo identification should be viewed as an ongoing process, given that the world is constantly changing. When an identification process is conducted only once a year, it becomes even more challenging to identify HiPos, who only stay with an organization for two years or less. For this reason, companies should always collect data and lean on it throughout the year to create an accurate snapshot of current employees.

Common pitfalls
Most processes of identifying HiPos are episodic - often once a year or even less frequently. This means they're not sufficiently agile to respond to rapidly changing talent requirements, business environments, or the personal circumstances of leaders. With an average tenure of 28 months, many truly HiPo employees will have one or two opportunities to be identified from the rest of the pack.

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Why many HiPo programs fail

In addition to having trouble identifying who the true HiPos are, many organizations struggle to get their programs off the ground. It's not because companies prioritize the retention of HiPos. In fact, it's quite the contrary: two-thirds of leaders divert funds to HiPo programs.

Despite this investment, only one in four leaders consider their HiPo programs successful. Not only that, but 73% of HiPo programs fail to deliver desired business outcomes or ROI. Why do these programs keep missing the mark? When we take a closer look at the most common approaches, we see that they share some fundamental challenges:

1 They lack continuity

95% of organizations are ineffective at following through on development commitments for HiPos. The development opportunities that do get off the ground usually tend to be one-off or stop-and-go training. This lack of consistency and continuity creates a poor learning experience, as well as low engagement, for HiPos.

2 There's no built-in support for HiPos

It's not enough to present a program and expect HiPos to be successful in their roles. This approach is what causes more than half of employees to drop out of their company's HiPo program. Organizations need to provide their talent with the support they need to overcome obstacles, progress toward their goals, and ask for guidance.

3 They're one-size-fits-all

Many companies take an off-the-shelf approach to their HiPo programs. This is ineffective because it doesn't enable HiPos to personalize the experience to fit their unique business context, learning needs, or individual preferences.

With these core challenges, it's no wonder that HiPo programs are failing to make an impact. This, in turn, has a huge impact on an organization's retention rates since lack of development opportunities is a common reason behind an employee's decision to leave their company.

But there's good news: these are all addressable issues. Once you're aware of what the fundamental problems are, you have the ability to fix them within your own HiPo program. We'll explain how in the next section.

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Delivering a better HiPo development program

To deliver a better HiPo program for your top talent, you need to provide development opportunities in a meaningful and impactful way. Below are some best practices to ensure your HiPo program delivers the maximum value to employees:

1 Create continuity

Episodic, stop-and-go learning is ineffective and causes disengagement by the learner. Create more continuity for HiPos by providing guided on-the-job learning for increased engagement and retention, bite-sized accessible content, and peer and mentor support.

2 Provide hands-on support

As we mentioned above, having support from both peers and other leaders are incredibly valuable for HiPos. It offers them a network of people to turn to for whatever needs, questions, or concerns they have.

3 Offer a personalized experience

To create a personalized learning journey for your HiPos, we recommend offering an integrated learning platform that incorporates guided and experiential learning, curated content, goal setting, and ongoing feedback.

In addition to these best practices, there are specific developmental opportunities you can invest in today that will help you reshape your HiPo programs in a positive direction. Specifically, we recommend investing in mentoring and leadership coaching to take your HiPo program to the next level.

Not only are mentoring and coaching the two most unmet needs of HiPos, but they also touch on all three best practices for HiPo programs of providing continuity, support, and a personalized experience. Specifically:

—— Since mentoring and coaching involve relationships between two people, they inherently encourage continuity. Between goal tracking and regularly scheduled sessions with coaches and mentors, there's much more accountability and consistency for HiPos.

—— Mentors and coaches provide an accessible support system for HiPo talent. They're always available to talk through problems, answer questions, and serve as a sounding board whenever your top employees need additional support.

—— One of the best parts of mentoring and leadership coaching programs is that they're completely personalized and relevant to the needs of your HiPos. They have the flexibility to define their goals and hone in on areas of improvement to help them succeed in their current roles and prepare for even bigger leadership roles in the future.

Let's take a closer look at the benefits of mentoring and leadership coaching programs on the next page.

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Mentoring

Mentoring is a development-focused relationship with a domain relevant mentor who passes on their skills and experience to a mentee. Both HiPos and organizations can benefit greatly from mentoring offerings.

Benefits for HiPos:

- A survey of American workers by SurveyMonkey found that 91% of individuals who have a mentor are satisfied with their job

- A poll by Harvard Business Review found that 84% of leaders who received mentoring reported becoming proficient in their roles faster

- At Torch, we've found within our own dataset that 92% of mentees report improved confidence in handling challenges and increased skills for the job

- We've also found that 89% of our mentees report increased ambition for more responsibility

Benefits for organizations:

- A study by Sun Microsystems found that retention rates are much higher for mentees than for employees who did not participate in the mentoring program

- A Deloitte study found that mentoring has a positive impact on the retention of millennial employees

- At Torch, we've found within our own dataset that 87% of mentees report improved quality of work

Leadership coaching

Coaching is a development-focused relationship with a specially trained coach who provides guidance to a client on their goals and helps them reach their full potential. Leadership coaching can also offer many benefits for both HiPos and organizations.

Benefits for HiPos:

- The International Coach Federation found that 80% of people who receive coaching report increased self-confidence

- The same source found that over 70% benefit from improved work performance, relationships, and more effective communication skills

Benefits for organizations:

- Research has found that leadership coaching that includes goal setting and feedback has been shown to increase productivity by up to 88%

- The International Coach Federation found that 86% of companies report that they recouped their investment on coaching and more

- Employees at companies with strong coaching cultures have also been found by the Human Capital Institute to be significantly more engaged than those at organizations who do not, which is a significant factor in retention
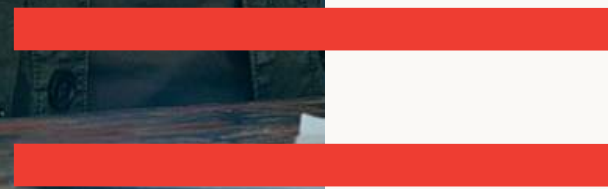
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Conclusion

Even though most organizations have the best intentions when it comes to investing in their HiPos, sometimes their strategies are slightly off the mark. Whether it's misidentifying the HiPos at the company or crafting a program that doesn't offer a continuous, supportive, and personalized learning experience, there are many missteps that can happen when trying to retain your top talent.

But every organization has the ability and opportunity to improve their approach and reap the benefits of identifying and retaining the HiPos in their workforce. We hope the recommendations in this ebook can help you identify the holes in your own approach and address them in a thoughtful way.

If you're interested in learning more about how Torch's leadership development platform can support your HiPo program, request a demo.

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