



## How potential got stuck

### 7 questions to rethink talent management

*The first and most common issue with potential in organisations is that as a construct it is poorly defined.*

**R Silzer & B Dowell**



# Talent management and succession planning in a nut shell

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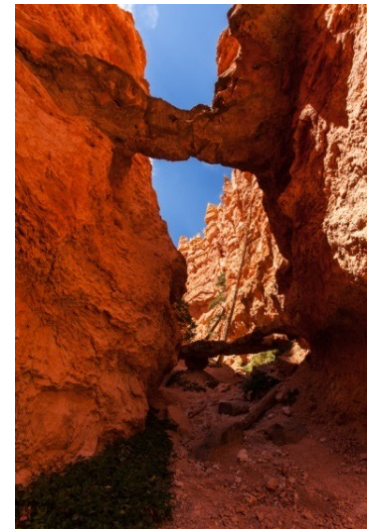
Potential has lost its promise. A candidate that looked and sounded the part, and shown remarkable career survival, its lack of achievement is evident. Potential is a talent problem for organisations.

There is no evidence that this candidate delivered to improve the decisions firms made in the acquisition, development or deployment of talent. At worst its continued presence within executive ranks has propped up flawed processes for progression and succession that have contributed to flawed leadership.

Potential plotted on its own famous nine box grid would now be categorised as a “bad hire”. This article analyses the reasons for potential’s lack of promise and argues we:

- get confused about the inputs and outputs of performance
- forget that performance is contextual and there is no “it of the right stuff”
- focus on the progression of the Golden Few within the current hierarchy when our operating model may indicate a different talent management agenda
- put too much faith in the assessment industry to make predictions of future effectiveness
- make it difficult to have insightful debates and authentic conversations about talent and career development

and that we need to rethink our frameworks for greater insight into the range of distinctive talent each organisation requires.



# Seven questions to evaluate the promise of potential

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At first sight, potential is an easily accessible concept. It indicates the promise of future effectiveness, and a sense that some individuals may have more of this promise than others. The challenge then is to identify those with more promise, and translate the promise of today into the reality of tomorrow's effectiveness and contribution.

So far so good. But what does this mean for the practicalities of talent management practice within organisational life?

This article asks seven questions about potential, and proposes that organisations need a different perspective to rethink talent management for a changing, uncertain and complex world.

1. **What do we mean by potential?**
2. **Why do we use the potential word?**
3. **Is potential relatively easy to spot? If it isn't, what makes it difficult?**
4. **How much does the use of objective assessment improve our predictions of future effectiveness?**
5. **What alternative models can be utilised in talent management?**
6. **What role does potential play within our talent management processes?**
7. **How do we apply the concept of potential within talent reviews and career development conversations?**



## What do we mean by potential?

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In the 1960s the BBC's Talent Selection Group was the place to go for musicians looking to achieve success. This audition would help secure all important national radio exposure. But first the aspiring musicians had to meet "the exacting standards of a small but powerful board of assessors within the BBC", the talent selectors.

Many musicians failed to cut the mustard, including the Rolling Stones, the Who - "overall, not very original and below standard" - and Pink Floyd.

Elton John's audition was summarised as "pretentious material, self-written, sung in an extremely dull fashion without any feeling and precious little musical ability".

David Bowie was an "amateur sounding vocalist who sings wrong notes and out of tune".

Mark Bolan's performance was judged to be "c\*\*p, and pretentious c\*\*p at that".

But the BBC talent spotting group did have the odd success, including Shane Fenton, later to appear as the leather-clad and one-gloved rock star, Alvin Stardust. His success: a chart entry in 1973 of "My Coo-Ca-Choo".

Were the judges simply foolish in failing to spot the potential of those who would go on to musical greatness? Or, on the day, did the talent selectors get it "right"? The fact that some of those auditioning were awful but then went to future success, is just one of those things.

Or is it that judgments of musical proficiency and market appeal are grounded in a social context? Was the audience of the early 1960s simply not ready for what was to become fashionable by the early 1970s?

*"I happen to have a talent for allocating capital. But my ability to use that talent is completely dependent on the society I was born into. If I'd been born into a tribe of hunters, this talent of mine would be pretty worthless. I can't run very fast. I'm not particularly strong. I'd probably end up as some wild animal's dinner."*

**Warren Buffett**

# What do we mean by potential?

The basic definition of potential - **the work that one can do in future** - is obvious.

Here the potential word is **a short hand descriptor for some loosely defined sense of future possibilities**. Typically this is the evaluation that indicates future value to the organisation.

Organisations employ any permutation of terminology: “key player”, “good egg” and “top banana” as a generalised way of describing those it thinks might be important to their future success.

Since the label of “high potential” presumably does not offer the promise of future effectiveness for anything and everything, it doesn't help answer: which types of work, over what time scales in future?

Should we therefore attempt a more **precise definition**, and be more specific in our evaluations of potential? This typically is to outline:

- potential by **level**; the capacity to attain a defined organisational level
- potential by **time scale**; readiness to progress within a defined period

And immediately the first paradox of potential emerges.

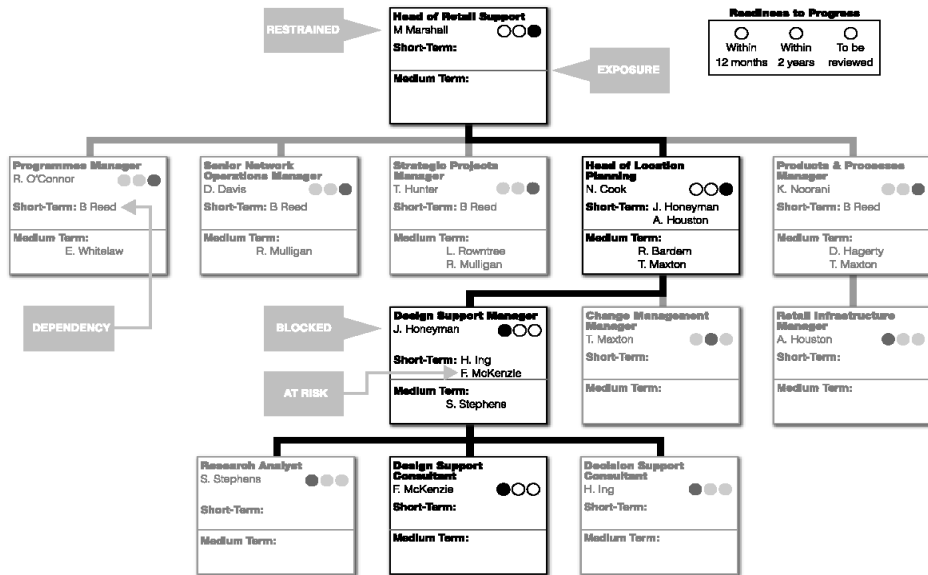
Loose definitions of potential make for relatively stable and generalisable judgements about individuals and their future effectiveness. But this vagueness lacks predictive accuracy to forecast who will be successful in specific roles. However, as we tighten up our definitions - to make detailed forecasts of who will succeed in a specific role - we find the shelf life of these predictions is limited.

“*Potential is a constantly moving target.*”

**Scott Barry Kaufman, “Ungifted. The Truth About Talent, Practice, Creativity, And The Many Paths to Greatness**



# What do we mean by potential?



It seems we can't have it both ways. Precise definitions of potential make for greater accuracy but our judgements of individuals become dated quickly as circumstances change. Broader evaluations may have greater generalisability but lack predictive power in the specifics.

This paradox is often played out in the annual round of succession planning. Templates are completed to identify critical roles and listings of successors - contingency, short and medium term - and consolidated into the organogram to highlight succession coverage and exposure and blockages.

At first glance this is an impressive map for future resourcing and development planning to pinpoint which individuals can be expected to progress into which roles. The reality is that this map quickly becomes an increasingly poor approximation to the territory of organisational decision making. As soon as the exercise is completed, its outcome, the succession chart, is out-of-date.

And in focusing succession planning around potential to progress within the existing organisational hierarchy, we forget the obvious: that most of the time our discussions about resourcing and development are less about planning for next year's promotion and more about talent redeployment within changing structures.



# Why do we use the word potential?

Given the fuzziness over the concept of potential, why do we continue to deploy it within our talent management efforts?

Perhaps we should abandon its usage to focus on today's performance. Since organisations find it difficult to make objective, consistent and fair evaluations of who is and isn't performing today, why rush to make forecasts of who will or won't perform tomorrow?

This perspective also reminds us that projections from today for a very different future may be part of the problem in career progression. In making judgements of who has potential we may be generating a self fulfilling prophecy in which the predictions of success shape that success. This is the Pygmalion effect in which a belief in an individual's potential creates an expectation that in turn set the conditions for that talent to succeed<sup>1</sup>. If our assumptions about future effectiveness are wrong we end up identifying and promoting those who represent the past not the future of business success.

For organisations unclear of their future plans, or operating in a highly volatile environment, an approach that doesn't worry too much about potential is sensible. If the business future looks very different to the organisational present, why try to hit a moving target? We can cross tomorrow's bridge when it comes through the implementation of flexible and responsive resourcing tactics.

But for organisations with an ambitious strategy and a road map of future success, this operating model has its own hazards, not least the assumption that we can locate and access talent quickly and easily when we need it.

For firms looking to develop capability for the long term, potential is an important reminder of the need to see beyond current performance to think about future effectiveness.

What does seem sensible however is to keep these projections manageable, relatively short-term and grounded, and minimise the need for those long-term projections which are fairly pointless in an environment of change, complexity and uncertainty<sup>2</sup>. Rather than ask the general question - "who has potential to progress?" - it may be better to look at the specifics of:

- who will build the **in-depth technical know how and expertise** that is becoming increasingly important to our business?
- who can develop **professional mastery** to take on a wider set of functional responsibilities?
- who has the **versatility** to take on a broader spectrum of challenges and help join the dots of organisational life?
- who is best equipped to take a step up to tackle the **leadership challenges** we anticipate over the next 12 months?



## Is potential easy or difficult to spot?

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In 2001, a book *The War For Talent* made a huge impact within the world of talent management based on a research programme that linked talent management practice to corporate performance, reporting:

*“the companies that scored in the top quintile of our talent management index earned on average, 22% higher return to share holders than their industry peers. The companies that scored in the bottom quintile earned no more than their peers.”*

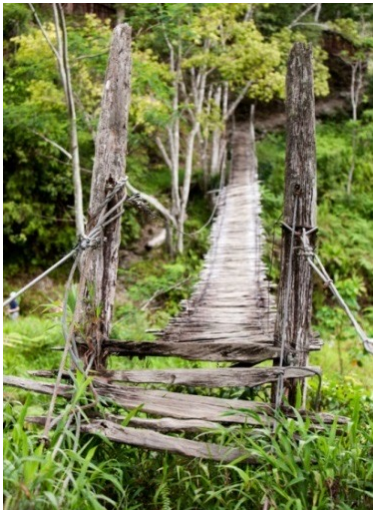
Adopters of *The War For Talent*'s five imperatives of talent management, largely a formula based on the identification, acquisition, accelerated development and disproportionate reward of the A players, could: *“expect huge impact in a year”, and if “you don't, you are not being sufficiently aggressive.”*

Organisations moved quickly to implement this philosophy of talent management in the expectation of improved corporate competitiveness.

In 2013 we can ask, what was the business fate of *The War For Talent* showcase firms?

As it turns out, the outcomes for the enthusiastic adopters of this approach were pretty dismal. Those organisations who implemented *The War For Talent* prescription were more, not less, likely to experience business decline and failure<sup>3</sup>.

Far from being a solution to improved corporate performance, it was a dynamic that appears to have weakened business competitiveness.





## Is potential easy or difficult to spot?

The War For Talent<sup>4</sup>, in its summary of the potential of the “A” players suggests that: *“you simply know it when you see it.”*

Another consulting report<sup>5</sup> outlines a new talent hierarchy, from the “achievers” at the bottom to the “Golden Few” who sit at the top. This is the group which is “uniquely gifted, captivatingly charismatic and downright driven and persistent when it comes to achieving success”, with the suggestion: *“admit it, you know them when you see them!”*

Apart from noting the obvious fact that this approach to talent assessment has failed<sup>6</sup>, this is a mind set that confuses the outcomes of current effectiveness with the potential of future effectiveness.

No doubt for example, the Barcelona football player Lionel Messi stands out head and shoulders above his peers. His talents are remarkable, and indeed we are looking at one of the “golden few” and an “A player” of current footballing genius.

But this is not the question which potential attempts to answer. Recognising and admiring the achievements of the current Lionel Messi is not the same as identifying the next Lionel Messi.



“As it turned out, despite our certainty about the potential of individual candidates, our forecasts were largely useless. The evidence was overwhelming. Every few months we had a feedback session .....the story was always the same. Our forecasts were better than blind guesses, but not by much.”

**Daniel Kahneman, Thinking Fast and Slow**

## Is potential easy or difficult to spot?

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If potential is all that easy to spot, it's difficult to know what the fuss has been about over the last decade or so of talent wars, and why organisations continue to invest considerable time and effort in talent identification and assessment.

We got ourselves in a talent management confusion when we assumed that talent could be neatly classified into a few categories of:

- a small number who have lots of it, the Golden Few of the A players we should aggressively acquire and reward disproportionately
- most who have some of it; the B players who should be encouraged to continue to perform
- and another grouping who don't have any of it, the C players who should be identified and exited rapidly from the organisation

and that it is a relatively straightforward business to make these distinctions.



This is organisational life as a kind of Harry Potter Hogwarts school in which the “sorting hat” allocates the new intake into the houses of Gryffindor, Hufflepuff, Ravenclaw and Slytherin. It makes for great fun; it isn't however the organisational reality.

Potential is not easy to spot because of the inter-play of four factors:

1. **our mental maps of potential and assumptions of the “right stuff”**
2. **the way our brains work and our bias towards instant judgements**
3. **the under-estimation of the impact of context in assessing performance; performance is less portable than we think**
4. **confusion over the inputs and outputs of performance**

# Is potential easy or difficult to spot?

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## Our mental maps of potential and assumptions of the “right stuff”

Potential is not easy to spot because the type of definition utilised in The War For Talent:

*“talent is the sum of a person’s abilities - his/her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes his/her ability to learn”*

is not a helpful framework to explain the dynamics of performance across the spectrum of different organisational challenges. We simply don’t “know it when we see it” because there is no “it”.

Bundling every possible positive attribute within a generalised definition won’t help much in identifying those from the current generation of emerging talent who will succeed in future. The concept of a **“diversity of talents”** may be a more useful guide than assume all the “good stuff” gravitates towards a small number of individuals.

## The way our brains work and our bias towards instant judgements

This is the psychology of interpersonal judgement. Our brains are hard-wired to make rapid evaluations of others<sup>7</sup>, often based on the principle of “who is like me, and who do I like”, skewed by any number of superficial factors irrelevant to the causes of business performance.

Our judgements of potential may be more a statement of us than of others and their talents.

At one end of the spectrum, this is the dynamic of prejudice and discrimination which limits our views of potential and talent to a small number of individuals who are like us and we like.

But even the most open minded and inclusive manager finds it hard to overcome the deep seated cognitive biases which filter our perceptions and shape our judgments. We are too easily impressed by the wrong things in our intuitions of who may or may not have potential.



# Is potential easy or difficult to spot?

**The under-estimation of the impact of context in assessing performance; performance is less portable than we think.**

Chess players know the difference between a latent and a dynamic strength. The latent strength is the value of each chess piece, ranked from the Queen (9 points) down to the lowly pawn (1 point). This is the theoretical strength of each piece. The actual value - the dynamic strength - of each piece however hinges on its specific configuration on the board of a particular game.

A well positioned pawn, played with skill by a chess master, possesses more dynamic strength than the bishop moved in a bungled manoeuvre by an amateur.

We can only look at individuals and their performance within context, within the chess board of organisational life. This context shapes our evaluation of others' talents and potential, and makes it easy to confuse latent and dynamic strength.

An individual operating within a fast growing and successful part of the business, led by a progressive leader, may be a "pawn" in the right place at the right time when their strength is evaluated. And a colleague, with the latent strength of a "bishop", faced by an array of adverse forces impacting an under-performing unit, will be viewed as having minimal strength.

This to paraphrase Warren Buffett is potential as *"far more a function of what business boat you get into than it is of how effectively you row."*

If talent is grounded in context, we should therefore expect when the context changes then the performance will also shift. And this is exactly the finding that Boris Groysberg<sup>8</sup> observed when one group of "all star" performers went from one context to another: their performance dipped, not just a short-term blip but observed over time.

In our assessment of potential we look at the piece on the organisational chess board, assuming we are evaluating that piece in isolation and looking objectively at its value for future games. Rarely however do we assess a piece in isolation. Typically we can only judge it by its positioning vis a vis other pieces within a winning or losing game.



# Is potential easy or difficult to spot?

## The confusion over the inputs and outputs of performance.

Performance can be understood at four levels:

1. **Outcomes:** performance as the outputs that are of organisational value, e.g. sales, innovation, productivity
2. **Tasks:** the critical tasks and activities where time and effort needs to be deployed to achieve the required outcomes
3. **Behaviours:** the patterns of behaviour that optimise task proficiency
4. **Attributes:** the underpinning traits and qualities likely to maximise behavioural impact

If outcomes are the “what” of performance, in this cause-effect sequence, tasks and behaviours represent the “how” and attributes, the “why”. But there is no simple and direct read-across between outcomes and attributes. The outcomes of performance hinge on many factors, not least a legacy of past success that can coast on others’ efforts, or the luck of being in the right place at the right time.



Problems arise in our assessments of potential when we:

- **generalise too much from the outcomes of today** to assume they indicate the attributes and behaviours that will determine tomorrow’s performance. Here we may be allowing the luck of current success to determine who will succeed in future. Or, in Marshall Goldsmith’s words, to assume that “what got you here will get there”.
- become **overly impressed by attributes and behaviours that signal** future performance but in fact are the “sound and fury” of good impression management and signify nothing of performance importance. This is when we allow our views of who we think should perform - those who look and sound the part - to decide who does in fact perform<sup>9</sup>.

This is paradox number two in how we think about potential.

Those who are performing now may be operating at their optimum. Otherwise we have to accept the logic of the Peter principle<sup>10</sup> in which employees rise to their level of incompetence. But those we think will perform tomorrow, who display the qualities indicative of future success, may be a projection of our flawed assumptions of what is required to succeed. Here we fall back on our conventions of what success should look like without asking if these attributes are in fact the drivers of success.

Smart talent spotting therefore adopts a multi-levelled approach to evaluate individuals based on a shrewd insight into their past (where they have and haven’t been, and what they have and haven’t achieved), and present (what they are in a position to do and not do) before it makes too many confident projections about future effectiveness.



# How good are we at predicting future performance?

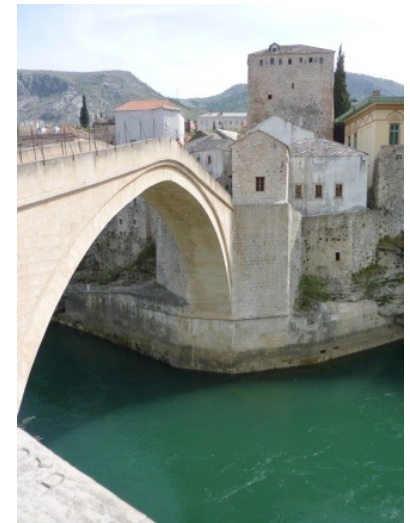
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Following a succession review and faced with anticipated exposure for key senior level positions, a financial services firm embarks on a high potential programme.

After an extended nomination and selection process which utilised a development centre at a cost of over £250,000, 15 candidates are identified from a pool of around 120. The plan is that this short-listed group will undergo an intensive programme of business education, coaching and mentoring over the next 12-18 months. The estimated cost: a further £325,000. Expensive, but possibly a sensible approach to minimise the costs and risks of the alternative: external resourcing.

The list is shared with the CEO and the top team, who tick only 3 of the names. The others are questioned or removed from the pool of successor candidates.

What is going on? An episode in conflicting organisational priorities and practices? Or a more fundamental confusion about the dynamics of future success, and different expectations about the factors needed to progress?



# How good are we at predicting future performance?

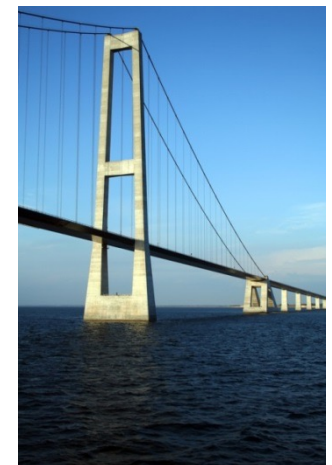
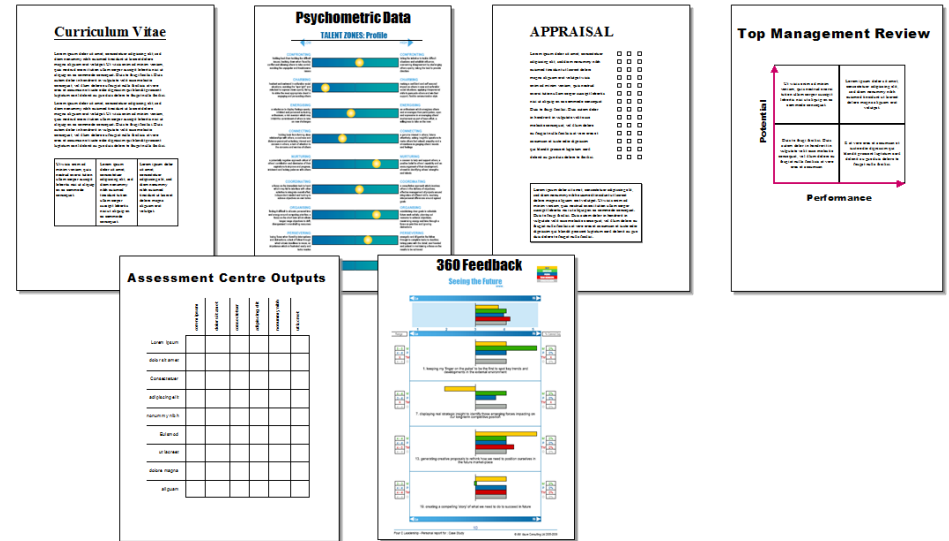
When we make a judgement about an individual's potential we are making a statement of the probability of their future success. We are placing a bet, not only on that individual's career fortunes, but on our organisation's future success. Too many bad bets and faulty selection decisions, and we limit our organisation's capability and versatility to adapt and compete.

Unsurprisingly, we want to minimise the risks in the decisions we take when we recruit, select individuals for accelerated development, short-list them as successors, or promote and make appointments to key positions.

If we recognise the limitations of our personal judgments and accept that we don't know potential "when we see it", what role does objective assessment have to play? Does it minimise the "downside" of getting it wrong, and improve our predictive accuracy to get it right?

The assessment industry is now big business, making any number of claims, from the sensible to the extraordinary and downright misleading, about its own potential to improve the hit rate of decision making, from entry level recruitment to Board level succession.

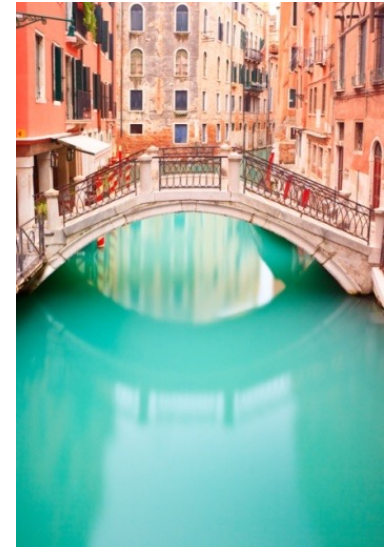
In Fairy Tales and Facts<sup>11</sup> we reviewed the evidence to ask: how big is the gap between the marketing hype and the available research? The quick answer is pretty large. There is a growing gap between the claims of the assessment industry and its achievements to improve predictive accuracy.



# How good are we at predicting future performance?

Our analysis indicates:

- objective assessment has an important role to play in talent management applications but its contribution is not as significant as promised in much of the publicised hype.
- its contribution depends on smart deployment within the context of a specific resourcing scenario, specifically the current base rate (% of excellent selection decisions) and the selection ratio (% of candidates who can be accepted from the total pool). Even a relatively poor assessment will make an impact if the base rate is low and there is a extensive choice of candidates. But a decent assessment will make little difference if base rates are high and there is a limited choice of candidates.
- we may not be exploiting current levels of predictive power. We place too much confidence on some assessment methods (e.g. personality tests) whose validity within a selection context is largely unproven, and we fail to optimise the impact of other assessment methods (e.g. biodata).
- the predictive power of most objective assessment methods has stalled<sup>12</sup> in recent years, and in some instances, for example, assessment centres, they may be in decline.



# How good are we at predicting future performance?

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Why after a massive effort in research and development, technological innovation and improvements in statistical methodology has the predictive power of objective assessment not improved? Or even worse, possibly fallen back?

Amidst the range of possible reasons - shortcomings in selection practice and greater candidate sophistication to play the selection game and out-wit the assessment experts<sup>13</sup> - our sense is that the predictive game has changed. Organisational life has simply become more unpredictable on what is now fashionably known as Planet VUCA, a world of increasing volatility, uncertainty, complexity and ambiguity.

Objective assessment won its spurs in the 1960s and 70s, a period of relative corporate stability in which organisations operated around a well defined structure of established roles and performance standards. In today's fast moving work environments, it is often difficult to know what is being predicted, never mind how best to predict it.

Objective assessment has had to fall back on a handful of attributes that seem transferable across different roles and organisations, a mix of general mental ability, conscientiousness and open mindedness, and the absence of neuroticism. It is a solid achievement with practical business benefits, but hardly one that justifies the hype and cost of much assessment activity.

To get out of this cul de sac, the assessment industry has had to find ways of giving the standard package a marketing refresh. This is a relabeling exercise to apply a new terminology along the lines of for example, emotional intelligence, cognitive complexity and learning agility.

Times of course move on, and we need to update our vocabulary to reflect the organisational tone. We shouldn't be too surprised however when these new assessment products fail to provide much predictive gain.

*“There is no conclusive evidence that long-term success can be predicted with much accuracy by any model or single pattern of characteristics.”*

**Nik Kinley, Talent Intelligence**

# What models of potential should we consider?

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Incensed to find a pink wafer biscuit served with his tea the Chief Executive of one of the world's largest banks pinged off an angry email entitled "Rogue Biscuit" threatening the catering staff with disciplinary action.

In 2008 this bank reported record-breaking debts of £24.1billion, resulting in a Government bailout costing the taxpayer £45billion.



Belinda Board and Katarina Fritzon at the University of Surrey interviewed and gave personality tests to a number of high-level executives. They then compared their profiles with those of criminal psychiatric patients at Broadmoor, the high-security hospital for notorious murderers.

Three out of eleven personality disorders were more common in the executives than in the criminals:

- **histrionic** personality disorder: superficial charm, insincerity, egocentricity and manipulativenness
- **narcissistic** personality disorder; grandiosity, self-focused lack of empathy for others, exploitativeness and independence
- **obsessive-compulsive** personality disorder; perfectionism, excessive devotion to work, rigidity, stubbornness and dictatorial tendencies

Clive Boddy suggests that the "higher up an organisation one goes the more likely one is to find corporate psychopaths" arguing that ruthless cunning enables psychopaths to charm their superiors, manipulate their peers, and exploit their subordinates, and "do well in job and promotion interviews."



## What models of potential should we consider?

What are the dynamics of performance, the factors that underpin consistent and sustainable performance? What “theory” not only explains the reasons for performance differences, but can also account for changes in performance over time and context<sup>14</sup>?

If there is an “it” based on a fixed set of attributes that is possessed by a small number of individuals, potential is relatively straightforward: identify those who have “it”, and acquire and promote this Golden Few as quickly as possible. It may be an expensive resourcing strategy since the “It of the Few” will be in demand also from your competitors. But the challenge is defined easily.

Alternatively, if performance is largely an outcome of context and the situation in which individuals operate, then we shouldn’t worry too much who has or hasn’t the potential to perform. Here attention should be directed instead at the situational factors that encourage or discourage performance.

This is to summarise a long-standing dispute about the extent to which performance is, on the one hand, principally about fundamental personal attributes - the “trait school” - or on the other, largely about context - the situational perspective.

The debate continues. At one end of the spectrum the simplicity of the trait school suggests that a 10 minute personality test will do the trick. At the other end, the complicators of systems thinking point to an array of moderating and mediating variables with the suggestion that meaningful prediction is misguided.



# What models of potential should we consider?

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Any sensible strategy for talent management recognises the interplay of individuals within context, and the impact of different dynamics, from any number of competing positions:

- the **psychometricians** point to enduring and fundamental attributes, that if not innate, are pretty much established in the early years of life. The agenda for potential is to pinpoint the specific traits that have the most impact on success, and work out how best to assess them.
- the **motivationalists** highlight the importance of persistent practice in developing proficiency, often summarised in the “10,000 hour rule”. Talent here is less about what we have, and more about what we make through the discipline of hard work in combination with deliberate practice and reflective feedback.
- the **positive thinkers** argue that everyone has immense potential, and the only limits to the realisation of this potential, are the habits of negative thinking and fearfulness. Once we “awaken the giant within”, everyone can engage this inner potential to make an exceptional impact and achieve extraordinary success.
- the **experientialists** remind us of the impact of experience in shaping talent, and how exposure to a range of different experiences - supportive and challenging - is key to the acquisition not just of specific skills but to a maturity of outlook. Here talent emerges from tackling and overcoming an array of life and work situations.
- another perspective stakes a claim for the importance of **social interaction and networks** and the impact of reciprocity<sup>15</sup>. This is a mind set of “give and take” to build the relationships that connect to the information and ideas that optimise personal success. This approach rethinks the concept of potential to look beyond the individual and their personal strengths and see talent as embedded within important and influential connections. Assessing potential then is a less a matter of what an individual can personally do and more about the collective talents they can access.
- the **political realists** point out that this is well and good, but in the messy world of organisational life, talent and performance are in fact quite difficult to determine. If who is performing and who looks promising is often in the “eye of the beholder”, then we have to accommodate the world of impression management, stakeholder influence and political savvy. Here potential is not simply about future performance on a task, it is about who can survive and thrive within the realities of organisational life<sup>16</sup>.

# What models of potential should we consider?

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Any sensible framework of potential therefore must accommodate a spectrum of inputs:

- the **attributes that** optimise the likelihood of future success
- levels of **motivation**, the willingness to do the “hard yards” and the habits of disciplined and deliberate practice
- **belief systems** and the expectations of future success, in combination with positive thinking and purposeful goal setting
- the **experiences** that foster skills development and encourage the kind of mind set that goes on to succeed
- **social networks** and the relationships that give individuals access to a broader range of talents
- the **deployment of smart tactics** to recognise and manage the complexities of organisational life

We can of course opt for an easy life and adopt an ideology of the “one thing” of talent management to focus on a single theory of success. But it is an approach that will limit:

- where we look for talent
- how we identify talent
- how we develop and deploy it

Or we can accept the complexity of human nature and social interaction within the dynamics of organisational life to construct our own framework that identifies the mix of inputs given our firm’s operating model and the anticipated demand for future talent<sup>17</sup>.



# Rethinking potential: the Four Cs of sustainable success

To make sense of the array of inputs that need to be factored into a meaningful blue print to guide how we identify, develop and deploy talent we utilise an overarching model: the Four Cs<sup>18</sup>:

- how **credible** is this individual?
- how **capable** is this individual?
- does this individual understand **career realities**?
- does this individual display real **character**?



These four themes avoid the classic problem of the conventional competency listing: bundling up different factors that fail to differentiate the causes and consequences of success. The high level themes of the Four C model also provide a framework to map out the specifics that are distinctive for each organisation:

What are the drivers of **credibility**? Does it hinge on a track record of past success within established blue chip firms? Exposure to a particular industry or experience in a specific area? Or is Credibility largely based on a particular interpersonal manner, sometimes described as “gravitas”, or otherwise, known as insufferable pomposity?

How is **capability** defined? Is it largely about in-depth technical know-how and professional expertise? Or is there an additional requirement to display proficiency across a range of management skills? Which specific skills are key to the organisation’s success, and which are largely viewed as “nice to have’s” but unlikely to influence career progression?

How important is **career** motivation and the tactics of organisational survival? Does the organisation’s culture hinge on an obsessive ambition to get to the top and political gamesmanship to advance? Or is it more inclusive of different aspirations and less reliant on impression management and political influence?

How prominent is **character** within the success framework? Is character largely defined as robust resilience to climb every mountain? How prominently does moral purpose, integrity and authenticity feature in the blue print of future success?

## Rethinking potential: the Four Cs of sustainable success

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These four themes, Credibility, Capability, Career Management and Character provide the building blocks of sustained success. However they are not stand-alone components. There is an inter-play across them.

Credibility on its own is largely reputation: the superficialities of “looking and sounding the part”. Credibility with Career Management describes that individual who has been in the right place at the right time and knows how to play the game to advance their own interests.

High levels of Capability can drive Credibility, but a superficial factor of Credibility (e.g. dress sense) can also weaken perceptions of Capability. Career Management through positive impression management can be “disguised” to look like Capability, or it can maximise the impact of Capability through shrewd self-management and political influence.

Character without Credibility is irrelevant, but Credibility without Character is dangerous. Capability and Character identifies that person who takes on the complex challenges facing the organisation, refusing to take the short-term easy way out but is committed to building something worthwhile which will stand the test of time. However without Credibility and Career Management, there is a danger that these individuals will be under-rated and over-looked by their organisations. Whilst their more ruthless and self-seeking colleagues “play the game”, this talent is more concerned to do what is right for the organisation rather than advance their own personal agenda. Here they are outmanoeuvred by peers more skilful at impression management and political influence.

Perhaps for organisations the riskiest choice is high Credibility, high Capability, high Career Management and low Character. These individuals look and sound the part. Their reputation and past accomplishments combined with their interpersonal charm build status and respect within their peer group. Their exceptional talents provide them with the opportunity to take on greater and greater responsibility. Their skills and charm conceal the absence of character which provides them with the freedom to achieve results quickly in the short term, which their more principled peers would find difficult.

“Somebody once said that in looking for people to hire, you look for integrity, intelligence, and energy. And if you don't have the first, the other two will kill you. You think about it; it's true. If you hire somebody without integrity, you really want them to be dumb and lazy.”

**Warren Buffett**



# Rethinking potential: the Four Cs of sustainable success

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Applying the Four C framework we can demand everything in our framework of future effectiveness, and look for:

- high levels of **credibility** associated with a consistent track record of success in high performing organisations, breadth and depth of experience across a spectrum of business challenges, and exceptional levels of social poise and interpersonal impact
- a breadth and depth of **capability** that combines leading edge technical and professional proficiency with an extensive portfolio of advanced leadership skills
- well proven **character** based on experience of doing the tough stuff with courage and integrity and an authenticity of approach that reinforces trust and commitment from others
- a highly developed **career management** outlook that displays high levels of engagement and motivation, alongside shrewd self management and political savvy

but it may be an unrealistic and highly expensive resourcing strategy, in which we have to pay for the “finished product” rather than identify work in progress for exceptional performance in future.

Or we can make trade-offs that open up options if:

We demand **less credibility** and search for those with less experience, or individuals who have an odd or unusual career history. Alternatively we can be less exacting in our requirement of “fit” to recognise the talent which might challenge our current organisational culture.

Instead of looking for **proven capability** and demanding current effectiveness across the full range of professional and leadership processes, we see talent as a collective team enterprise and rethink our structures and roles to minimise the need for herculean levels of personal capability. Or we may look for the attributes and motivation that provide versatility to acquire capability quickly.

We loosen our requirements for **character**. This is potentially a risky strategy if it means lowering our ethical standards. Alternatively if we have confidence in our governance and reward processes to reinforce organisational norms, and a culture that makes it easy to perform, we reduce our need for dogged and determined levels of heroic integrity.

**Rethink the impact of career management.** Many success frameworks assume that individuals can only be effective if they are prepared to be on demand 24/7 365 days a year. This is to restrict the pool of available talent to those who are driven (or neurotic) in their aspirations to progress. And if we minimise the impact of political gamesmanship within organisational life we identify those talented individuals who don't have to jump the hoops and loops of impression management and stakeholder influence to get things done.

# What role does potential play within our talent management processes?

The potential word only has meaning within the context of an organisation's specific talent management strategy. Different organisations adopt different positions in defining the scale and scope of their talent management efforts. If potential is the promise of effectiveness, what does this effectiveness look like within the structures and processes we plan for the future?

This is talent management not as the implementation of borrowed best practice from a competitor, but as the shrewd insight into our organisation's operating model, and what is needed to close the gap between future demand and current supply.

Is talent management largely about:

- betting on a few key players
- building a breadth and depth of talent
- developing the many to create a high performance culture
- process redesign, innovative work patterns and smart technology
- the corporate hub that accesses talent through collaborative ventures



# What role does potential play within our talent management processes?

## Betting on a few key players

This is classic talent management as the heroic efforts of the Golden Few who are seen as critical to business success. The enterprise focuses on the big hitters at the top - and the pool of successors - whose strategic insight, execution skills and change leadership are vital to the organisation's future. This is a relatively bounded exercise to direct efforts around a small number of internal candidates, or utilise in-depth assessment and aggressive compensation to bring in established players from the market place.

For organisations operating within highly centralised structures and looking to trade up in the market place this can be a sensible short-term position. The downside is the potential for organisational fragility. As Warren Buffett observes: *"if a business requires a superstar to produce great results, the business itself cannot be deemed great."*

An organisation reliant on exceptional levels of performance from a small number of individuals to master-mind activity is a vulnerable organisation. It is vulnerable to the departure of the super-stars. It is also likely to be exposed in a turbulent business environment which requires distributed leadership to apply judgement and initiative in responding quickly to risks and opportunities.

## Building a breadth and depth of talent

When an organisation feels anxious about its reliance on a handful of super-star leaders or looks to avoid the strategic hazards of a highly centralised decision making structure, talent management becomes a more ambitious undertaking to develop people across the business.

Apart from building enhanced professional and leadership effectiveness from a wider population, typically this strategy also looks to create a leadership ethos that encourages greater collaboration across the range of its business activities.

The potential question then becomes less about: who has what it takes to get to the top? And more a question of: what skills and outlook within the talent population will provide organisational versatility?

Potential is less likely to be assessed against readiness to progress to a specific position, and more evaluated against criteria of adaptability and flexibility to operate within changing structures.



# What role does potential play within our talent management processes?

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## Developing the many to create a high performance culture

For other organisations, potential is not limited to the few, but is seen as a fundamental dynamic for all employees at all levels. This approach looks to reinforce learning, improvement and performance gains throughout the organisation rather than limit efforts to the few.

For those firms organised around a decentralised structure or a culture that needs discretionary judgement rather than compliance to standardised procedures, potential as the right stuff of the Golden Few becomes an hindrance not an enabler of organisational success.

Talent management practices for these firms does incorporate robust processes for selection and progression, but there is less attempt to differentiate the best from the rest, and greater emphasis on bringing out the best from the many. Potential is defined by curiosity to learn, proactivity to develop, and openness to collaborate rather than readiness to progress to the next level.

This is talent management to focus on improving employee commitment to create a collaborative and inclusive culture and implementing an infrastructure of learning and development to keep reinforcing and enhancing skill levels.

## Process redesign, innovative work patterns and smart technology

This outlook starts not with who has the potential to do the work, but how should work be designed in the first place.

Here we park the issue of potential and the debate about who is and isn't ready to progress. Instead we explore the possibilities of technological innovation and work design to identify how the organisation can exploit new ways of working.

Rather than direct time and effort to the assessment of individuals within existing structures and roles, this strategy checks that the current organisational design is fit for purpose. Is it realising the gains of new working patterns based on smart process technology and flexible employment practices to make it easy for people to perform?

Relatively easily implemented for new start ups which begin with a blank sheet of paper, this approach can be problematic for established firms where a legacy of past structures and systems constrains thinking about the nature of work.

This talent management game plan is an important reminder that the best efforts in talent assessment won't do much for productivity and innovation if the organisational system is fundamentally broken.

# What role does potential play within our talent management processes?

## The corporate hub that accesses talent through collaborative ventures

If rethinking the nature of the work identifies new talent management options, asking who does this work opens up another set of possibilities. Does the organisation have to “own” its talent? Or can it access and deploy talent through any number of arrangements and relationships with other firms?

At one level there is nothing new. Organisations have moved on from the days of vertical integration and now draw on specialist support services as well as out source non core business activities. What is however shifting is the growing number of collaborative ventures that look to harness expertise and skill sets from different sources to build collective talent around key projects.

This is corporate life as moving towards the Hollywood model of talent management. The producers assemble a collection of talents - screenwriters, actors, technical crew and so on - none of whom are employees, but all become part of a shared enterprise, the making of a film. And on completion, the talents disperse to regroup in various permutations for future collaborations.

The concept of potential as one of readiness to progress within an established hierarchy seems particularly irrelevant in this operating model. Instead potential - if it means anything - it is about flexibility and responsiveness to operate within fluid and dynamic collaborations.

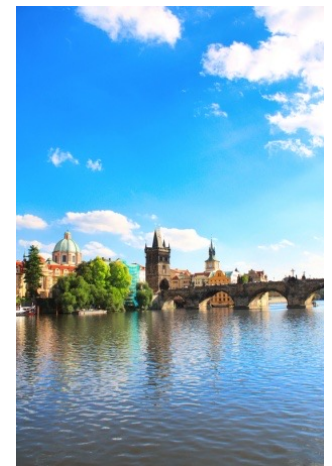
These talent management caricatures represent defensible strategies and work effectively within different business scenarios. Problems arise however when there is a disconnect between the organisation’s operating model and its talent management priorities. When, for example, an organisation’s competitive success hinges on a culture of team collaboration and innovation, it shouldn’t be surprised when the introduction of a talent tool like “forced ranking” becomes a dynamic of decline<sup>19</sup>.

It’s a good start therefore to ask:

**what operating model defines the work that needs to be done?**

**who can perform this work?**

to establish the positioning of talent management before we assume that potential is only about who can progress to the next level within the existing hierarchy.



## Is the potential word helpful in talent reviews and career conversations?

The heads of a department have recently conducted a talent review exercise. Each of the heads now has the task of providing face-to-face feedback with their direct reports.

**Individual:** So how did the talent review meeting go?

**Head:** Pretty good I think...OK.

**Individual:** I'm interested in the feedback. Now that I've got to grips with my role, I think I'm ready to take on a bigger job. I've been looking through this prospectus...the MBA programme looks strong...

**Head:** Well...we reviewed... the problem is that at this moment in time you weren't seen as being high potential...

**Individual:** What...but I'm performing well...you said so in our last appraisal. You know I'm keen, I'm motivated, I'm really keen to learn...so why am I not seen as high potential?

**Head:** It's quite difficult to explain. Potential..it's more than how well you're doing now...it's...you're not seen as ready to move up.

**Individual:** Why? What am I not doing? Tell me.

**Head:** Look. This wasn't my decision. There is a feeling with the other guys that you're not...you don't quite ...you're not a team player.

**Individual:** What does that mean?

**Head:** I don't know...you just...can we discuss this later, I've got another meeting scheduled in five minutes.





## Is the potential word helpful in talent reviews and career conversations?

Performance and potential plotting is now a well established component of talent management activity within corporate life. This is the annual calibration exercise in which managers review the organisation's talent. Having completed an initial evaluation of performance and potential for each of their people, line managers meet to share perspectives and finalise the plotting of names across the nine boxes of the grid.

At best this is a forum for business units and organisations to take stock of resourcing priorities, and assess the implications for the talent they need in future, identify any vulnerabilities and risks, and agree robust actions for development and retention. Typically, however it is an exercise in which:

- participants attend with little preparation, and are unsure of the scope of their role
- bad behaviour among participants predominates, and the session is any variation of beauty parade and political bun fight
- the discussion rambles on without productive conclusions
- there is an absence of agreed actions and accountabilities, and nothing much happens as a consequence



# Is the potential word helpful in talent reviews and career conversations?

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The potential word has been useful as a rough and ready filter to make a distinction between current contribution and future effectiveness. But a methodology that was developed in the 1950s in a very different business world to the competitive realities we now face is showing signs of age and no longer a useful guide for high impact talent reviews.

Specifically the problems are:

- **the halo effect** means that evaluations of performance shape views of potential. Classic nine box plotting assumes that potential can be separated neatly from performance. The statistics indicate a very different pattern. The analysis of distributions across the nine boxes suggests that views of future effectiveness are largely based on an assessment of current delivery.
- the looseness of the construct makes it difficult to agree on the facts which in turn **creates counter-productive debate**. Because one manager's perceptions of potential may be very different to another manager's views, discussion and decision making becomes caught up in opinions. Here final evaluations are the outcome of who argues the most convincingly rather than based on the merits an individual's future importance to the business.
- **nothing much happens**. To say an individual has or hasn't potential is to make an overall assessment of the probability of their future contribution. It doesn't inform however next steps to indicate how that potential of today might become tomorrow's effectiveness. If talent reviews are to go beyond the assignment of names to boxes and generate the actions that accelerate development, potential needs to be broken down into the specifics of Credibility, Capability, Career Management and Character. This is to identify what is and isn't holding back future contribution to put in place the practical measures for development.
- **a lack of openness and transparency**. Potential is a judgmental and highly emotive word. Most managers rightly hesitate from sharing evaluations with their team members. Which sane manager after all would want to inform a high performing employee that organisational deliberations concluded that they are low potential? Unsurprisingly the writers of The War For Talent suggested: "you may choose not to tell people what their current assessment is." In this closed world of talent assessment it is difficult to see how the outcomes of this exercise can set the tone for positive and authentic career conversations.

# Is the potential word helpful in talent reviews and career conversations?

If potential is proving too vague a word to inform resourcing and development decision making in talent reviews, what are the alternatives?

Rather than plan and organise a talent review to classify a population against the two measures of performance and potential, it may be better to stand back and ask: what is and isn't the purpose of the talent review?

Typically however a talent review is designed to address the issues that cannot be resolved by any individual line manager but require decision making and investment from the business unit and organisation. And rather than begin with the assumption that the review is designed to find out who has more or less potential, it may be better to focus on two key issues:

## Retention

Who are we at risk of losing? This is talent management on the defensive to minimise exposure to risk, and ensure that the organisation has identified the individuals that are key to the business. The agenda is to agree the measures that will retain those individuals whose future contribution is critical.

## Proactive development

Who needs organisational attention and investment to accelerate their development? This is talent management on the offensive to build capability for the future. This discussion may be about the development that equips individuals to take on greater responsibility at the next level. It may however be targeting the investment that builds exceptional levels of technical proficiency, or finding ways to broaden experience and skill sets at the current level.



# Is the potential word helpful in talent reviews and career conversations?

The business impact of a talent review hinges on:

- the questions it asks of participants in their preparation
- the quality of the debate it generates
- the specific actions it generates that result in practical action

And each organisation has to work out the distinctive role that talent reviews should play within its overall resourcing and development game plan. A review for a fast growing start up faces different challenges to the established global firm concerned about difficulties say in growing local talent. But the conventional talent review that asks managers to provide ratings of potential will provide little more than a talking shop around “good eggs” and “top bananas” . It won’t pinpoint the specific issues that target investment on key priorities, or encourage managers to follow through with debrief career conversations.



In our experience it is better to keep the language grounded in practical career questions within a manageable time-scale, along the lines of:

**Career Risk:** those individuals who are under-performing and whose Credibility, Capability, Character and Career Management is questioned

**Career Review:** individuals whose performance is indifferent, and their Character and Capability are being challenged

**Career Specialisation:** individuals whose professional expertise and technical know-how should be enhanced for exceptional levels of Capability

**Career Redirection:** individuals whose Capability is not matched to their current role and need to be moved into an alternative role where their talents and Character can be exploited more effectively

**Career Focus:** individuals who should remain in current role to reinforce the development of Capability and Character

**Career Stretch:** those whose development may be constrained within current role and at danger of coasting, and require exposure to a different set of challenges to build their Capability and Credibility to progress

**Career Jump:** individuals, who despite relatively limited experience, display indicators of outstanding Capability and Character and Credibility and need proactive development to maximise their career promise

# Conclusions

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Venkatesh Rao<sup>20</sup>, in *The Gervais Principle*, or “The Office According to The Office” adapting Hugh Macleod’s *Company Hierarchy*, argues that: *“sociopaths, in their own best interests, knowingly promote over-performing losers into middle-management, groom under-performing losers into sociopaths, and leave the average bare-minimum-effort losers to fend for themselves.”*

A rather bleak perspective. But the popularity of this outlook on the blogosphere indicates a growing gap between the rhetoric of formal talent management practice and the reality as experienced by the talent within organisations.

A decade of business fiasco and leadership failing has challenged organisational systems for career progression and leadership succession to ask: what indicators of potential were being used and how was potential assessed?



Organisations puzzled by their lack of progress<sup>21</sup> in talent management are right to revisit the concept of potential and its positioning within their processes and practices to ask:

**What is our dominant model of talent management?** Is it largely based on targeting the Golden Few with the “it of the right stuff”, or a much more ambitious enterprise that rethinks the nature of work and who will perform this work? Have we clarified our operating model to map out what talent we need for our business future? Does this assume progression of the few within the current hierarchy, or is it based on collaborative activities that access talent from a range of different sources?

**Is potential working for us?** Is our current approach improving the quality of the appointments we make? Is it giving us access to new sources of talent quickly and cost effectively? Has it strengthened our pipeline of talent to provide high levels of capability and versatility? Or do we need to rethink our requirements to be more imaginative about what and where we look for our supply of future talent?

**What does our organisation mean by potential?** Is it a loose evaluation to identify those with some kind of future value, and largely an extrapolation from existing performance outcomes, or a generalisation from a shopping list of attributes seen as important to future success? Or is it short-hand for what Rao describes as the sociopathic urge to get to the top? Or do we have a more focused definition to give insight into the diversity of talent that can tackle the issues of emerging importance to the organisation?

# Conclusions

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**What frameworks are in place to map out the drivers of future effectiveness?** Which elements do we emphasise? Are our efforts shaped by the “one thing” of talent, or do we draw on a range of factors to distinguish work in progress from the finished product? Is our model of future success an abstraction on paper, but largely rhetoric and doesn’t reflect the realities of what is needed to develop and progress within the “unwritten rules of the game” within the organisation?

**How do we identify people for the future?** Do we rely on line management judgement, or do we incorporate a range of inputs to inform our analysis of performance, contribution and progression? Which specific assessment methods do we use, and do we know if they are working effectively to improve our decision making?

**What infrastructure is in place** for data capture, consolidation, analysis and report back about our people, and the evaluation of organisational opportunities and risks? Are we reliant on the distribution and return of spreadsheets, or still awaiting the arrival of full systems integration to support talent management? Or have we developed a fit for purpose technology solution for data capture, management and the generation of insightful talent intelligence?

**Are our talent reviews** generating the kind of debate and actions that improve the technical, professional and leadership talent our business model needs for the future? Or are we stuck in a talking shop of much debate but few outcomes? What language do we need to now use to facilitate insight and to support authentic conversations?





# Notes

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