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How inclusive or exclusive should organizations be when developing their employees' talents? In a world of unlimited resources, organizations would surely invest in everyone. After all, as Henry Ford is credited as saying, "the only thing worse than training your employees and having them leave is not training them and having them stay." In the real world, however, limited budgets force organizations to be much more selective, which explains the growing interest in high potential (HiPo)

identification. An employee's potential sets the upper limits of his or her development range — the more potential they have, the quicker and cheaper it is to develop them.

Scientific studies have long suggested that investing in the right people will maximize organizations' returns. In line with Pareto's principle, these studies show that across a wide range of tasks, industries, and organizations, a small proportion of the workforce tends to drive a large proportion of organizational results, such that:

- the top 1% accounts for 10% of organizational output
- the top 5% accounts for 25%, of organizational output
- the top 20% accounts for 80% of organizational output

Careful research over many jobs and across many organizations in multiple industries highlights a clear pattern: the payoff from employing top talent — defined as the *vital few* who account for the biggest chunk of organizational output — increases as a function of job complexity. For less complex jobs, like manufacturing, top employees outperform average employees by a median margin of about 50%. However, for medium complexity jobs, such as trainers or first line sales managers, that difference grows to 85-100%, and for highly complex jobs, such as senior leadership roles, the contribution of top performers is more than double that of the average performer.

It is also noteworthy that talented employees are "force multipliers", raising the performance bar for their colleagues, and particularly for their direct reports. By word and deed, they model and teach winning behaviors that shape high-performing cultures. Simply adding a star performer to a team boosts the effectiveness of other team members by 5-15%. No wonder, then, that study after study shows stronger financial performance in companies that make proportionally greater investments in identifying and developing top talent.

If we are going to invest in the right employees, the key question concerns who they actually are. This begs the question of what highly talented people are like. In other words, what are the key indicators that signal star potential?

As academic reviews noted, the first and most important decision that needs to be made in this regard is to decide "potential for what?" Unfortunately, most HiPo interventions focus on individual career success — "potential to move up two roles in five years" is a common definition — but the ability to advance one's own career does not guarantee that one will make a crucial contribution to the organization. In fact, most organizational leaders — and it would be hard to argue that these people have not attained *individual* success, since they got to the top — don't have a positive impact on their teams and organizations, with estimates suggesting that at least 1 in 2 leaders cannot engage employees and fail to turn their teams or organizations into high performing machines. Indeed, there is no shortage of leaders who turn A-players into a B-team.

In our view, HiPo interventions should focus on predicting who is likely to become a key *driver* of organizational performance. That is, they should define future stars as the people who will "consistently generate exorbitant output levels that influence the success or failure of their organizations." Fortunately, science reveals that regardless of the context, job, and industry, such individuals tend to share a range of measurable qualities, which can be identified fairly early in the process.

In a review that compared scientific research on predictors of job performance to the qualities in highest demand for the 21st century workforce, we identified three general markers of high potential.

Ability

The first category concerns indications that an individual is *able* to do the job in question. The best leading indicator here is demonstrating the knowledge and skill it takes to perform the key tasks that make up the job. The single-best predictor of job performance is a work sample test — where you observe the candidate actually performing the tasks that make up the job.

However, in forecasting potential to excel in a bigger, more complex job at some point in the future, the question shifts to how likely an individual is to be able to learn and master the requisite knowledge and skill. The single-best predictor of this is IQ or cognitive ability. Learning ability includes a substantial cognitive component but also the motivation to pick up new knowledge and skills fast and flexibly.

Any role requires abilities beyond cognitive ability. For instance, potential for performing in a leadership role at the executive level requires strategic thinking and the ability to adapt an organization for the long-term future. In addition to raw intellectual horse power, this involves vision and imagination, as well as an entrepreneurial mindset. Thus early indicators of the ability for senior organizational leadership would also include creativity and a knack for systems thinking.

Social skills

The next big category reflects the growing significance of team work and collaboration in modern organizations. At a basic level, employees have to be able to get along and earn the support of supervisors and coworkers. Indeed, the number one reason for managerial derailment is relationships problems.

Social skills involve two fundamental abilities: the ability to manage yourself and the ability to manage others (relationships). Employees likely to succeed in bigger, more complex jobs are first able to manage themselves — to handle increased pressure, deal constructively with adversity, and act with dignity and integrity. Secondly, they are able to establish and maintain cooperative working relationships, build a broad network of contacts and form alliances, and be influential and persuasive with a range of different stakeholders. And for senior roles, they have to be able to develop sophisticated political skills — the ability to read an audience, decode the unspoken rules, and find solutions that satisfy the often competing interests of key power brokers.

The ability to manage oneself and to manage others are the core elements of emotional intelligence. So an early indicator of high potential is emotional intelligence, which can be assessed by psychometric tests and further refined through training and development.

Drive

The third category concerns the will and motivation to work hard, achieve, and do whatever it takes to get the job done. It is easily identified as work ethic and ambition — an ability to remain dissatisfied with one's achievements. This deeply motivational category is the accelerator that multiplies the potential influence of ability and social skills on future success. Ability and social skill may be considered talent; but potential is talent multiplied by drive as this will determine how much ability and social skills get put to use.

Drive can be assessed by standardized tests that measure conscientiousness, achievement motivation, and ambition. It can also be identified behaviorally — as signaled by how hard an individual works, willingness to take on extra duties and assignments, eagerness for more responsibility, and even readiness to sacrifice. For instance, many executive-level roles require a global mindset and some degree of cross-cultural experience. The willingness to embrace a degree of psychological and even physical discomfort and relocate in order to gain the experience and develop these skills separates talented individuals from true high potentials.

In sum, most organizations could probably upgrade their talent identification processes if they keep things simple and focus on these three generic markers of potential. Not many employees are highly able, socially skilled, and driven — but if you bet on those who are, which involves evaluating these qualities as accurately as you can, you will end up with a higher proportion of future stars who will contribute disproportionately to the organization. Investing in those individuals will produce the highest ROI.

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