

Assessing Potential – from academic theories to practical realities

PRESENTERS:

Tomas Chamorro-Premuzic, Professor of Business Psychology, UCL and CEO, Hogan Assessments

Gillian Pillans, Research Director, CRF

WITH:

Guy Eccles, former HRD at Kingfisher and Screwfix

Louise Byrne, Global Talent Director, Intercontinental Hotels Group

Dr. Jessica Bigazzi Foster, Senior Partner, RHR

The meeting was held at Plaisterers' Hall on 9 March 2016 to discuss the report 'Assessing Potential' authored by Tomas Chamorro-Premuzic and Gillian Pillans.



Is potential being wasted?

Tomas began by questioning the progress in the 20 years since McKinsey's seminal article, which he suggested might today be re-titled "War on Talent".

There have been 10 years of data from survey firms indicating low levels of engagement (30-40%). Organisations seemed to have been doing the opposite of attracting and engaging.

- Often the highest talent is not engaged, and 'maverick' creativity is spat out.
- A high percentage of employees are considered passive job-seekers – 70% of 400m Linked-In users say they are open to better job opportunities.
- By 2020 it is estimated that 40% of the US workforce will be self-employed – either by choice or lack of alternative. Research shows that the self-employed make less contribution to the economy than employees.
- Organisational leaders held in low esteem in surveys. Just try googling 'my manager is'. Note that HR fares no better!

The report and this meeting should help those organisations that want to do better.

Understanding potential

Tomas gave a few shortcuts to understanding potential.

- Typically there is potential in everybody to do better – if you improve their environment, motivation, support etc.
- Yet it is critical for organisational performance to identify the vital few. As with any species a minority is capable of out-performing – typically 5-10% – and also a few cause most problems.
- Performance minus effort. Someone requiring less effort to achieve an output has potential – consider child prodigies. Others have to compensate for lower ability by trying harder. However, effort is still important as it signifies positive attitude.
- Personality needs to be matched with opportunity – right person, right place.
- Skills are contextual - footballer Lionel Messi can't replicate his individual brilliance with Argentina as he does with Barcelona. The team or support system matters, especially for mavericks.

Measuring potential

The critical question is 'what' to measure. 'How' is important but pointless without clarity about 'what'.

- Academics and practitioners have done lots of work to establish robust frameworks – but these must be considered in specific contexts.
- As shown in the diagram there are three core areas and two further areas for higher roles.

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- The yellow band represents 'bright side' characteristics, the red denotes 'dark side' traits (as defined by Hogan), and values are in blue.

There is a wide range of measurement techniques, and increasing sophistication in generating data. While varying in validity, a combination of methods gives a more accurate fix than reliance on one. However, organisations demonstrate vast overreliance (73%) on a single, often fallible, method – *ratings assigned by managers*. Validity CAN be improved by a robust 'challenge' process – managers required to articulate reasons for their judgement.

Rewarding	Smart	Productive	Leader-like	Entrepreneurial
warm trustworthy predictable	curious adaptable fast learner	hardworking energetic high standards	ambitious resilient good judgment	creative opportunistic visionary
Sensitivity Adjustment Sociability	Inquisitive Learning approach	Ambition Prudence Adjustment (-)	Ambition Sociability Sensitivity	Inquisitive Prudence (-) Sociability
Excitable (-) Bold (-) Reserved (-)	Imaginative Skeptical Mischievous	Dutiful Diligent Bold	Mischievous Colorful Bold	Imaginative Cautious (-) Bold
Affiliation Altruism Hedonism	Science Aesthetics	Recognition Security Commerce	Power Recognition Commerce	Tradition (-) Aesthetics Security (-)

Developing and changing

Clearly skills and knowledge can be enhanced. But can people change? Yes, but mostly they don't.

- Studies show over time that they tend to change in the same way and by degree - becoming 'more like themselves'.
- Lack of self-awareness is both commonplace and an inhibitor to change. People over-estimate their ability to change, and particularly struggle to constrain their dark side tendencies.
- Often the most brilliant people demonstrate high dark side tendencies.

New developments

Technology is enabling new and exciting developments in assessment methods, such as

- digital tools to enhance the accuracy of interviews – picking up signals people don't observe
- correlating with other more varied data sources – a 'big data' approach
- gamification and social media inputs to assessment
- more accurate resource planning tools enabling 'talent on demand'.

The question is whether organisations and their HR functions are equipped to make use of these. A show of hands among the 200 plus delegates revealed just one company using big data techniques (integrating analysis of internal/external social media activity with other performance data).

Points raised in debate

Strengths-based thinking. Tomas warned of the dangers of avoiding critical feedback. Balance is necessary, allowing for both praise and negative feedback. There is great risk in neglecting potential de-railers, including strengths (such as ambition) being allowed to develop to excess.

False economy. The 'gold standard' of multi-dimensional assessment was often eschewed by HR functions due to financial pressures. Tomas saw this as perverse – the RoI on better appointments can be demonstrated mathematically, yielding an average 30-35% higher accuracy rate. A company with that level of advantage over competitors would typically destroy them. Yet, like the debate about driverless vehicles, people tend to ignore the data and cling to over-estimates of their abilities.

Allowing people to fail? This is situational. Learning through failure is important in creative areas. In high safety scenarios, failure is non-optional. The reality is that many organisations find it hard to tolerate failure when they should and yet tolerate under-performance when they shouldn't.

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How young can potential be identified? Already by 10-11 it is possible with some degree of accuracy to identify leadership potential, emotional intelligence and ethics – although there is still much to learn through deployment, formative experience, and educational inputs.

Individual vs team assessment. There tends to be too much focus on individuals, and not enough account taken of team contexts and dynamics – even though that is where most work is done. More attention should be given to identifying leaders that can build and maintain high performing teams.

Diversity. Do assessment tests favour certain groups? Tomas stated that tests seek to be unbiased. However the resulting data identifies a small gender difference. On average men are marginally more likely to demonstrate risky and psychopathic behaviours, and women are more likely to be diligent, facilitative and collaborative. However, beware averages!

Guy Eccles – an HR director’s perspective

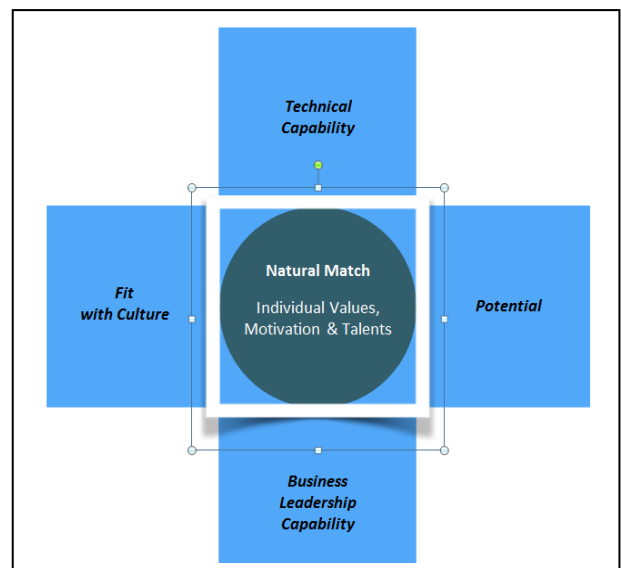
Guy stressed the importance of obtaining a grounded view – get out of the office and experience front-line commercial and operational realities. This vastly increases the validity of judgements about people and contexts. He had three main observations.

Invest more time in assessment skills, and less in tinkering with competency/leadership models

He experienced three re-hashes of models at Kingfisher, all triggered by changes of CEO or HR director. The real issue was the variable ability of line managers to make assessments, and avoid snap judgements. Using business psychologists can improve quality, but their limitation is lack of business and leadership experience. Self-awareness and understanding the operating context are key to making good judgements, supported by robust systems for assessing – clear objectives, appropriate tools.

Take a broad view in assessing people

Form a rounded view of the person, using triangulation, and build a picture that managers can relate to – rather than reams of dry data. And be thorough in using and interpreting references. Understand how they have led teams, involved others, dealt with setbacks. Get under the skin of their track record with objective data.



Spend more time on realising potential than on assessment

Experiential development is more valuable than obsessing about positioning in a 9 box model. Guy has concentrated on ensuring effective

- executive onboarding – to accelerate impact, and build effective 360 degree relationships
- high potential schemes – robust design, clear accountabilities

It helps to have a strong partnership with a CEO in order to try people out in a supportive way. At Screwfix they had jobs that presented rounded business challenges, but within boundaries.

It is unrealistic to try to make every manager a great developer and assessor. Identify those that are good at it, build their confidence and give them the responsibility. Reward leaders that are generators of talent.

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Louise Byrne – Intercontinental Hotels Group

Despite the complexities of multiple brands, three business models and 300,000 direct and indirect employees, at its heart IHG is a people business, depending on the right people in the right roles. It is also a growing business, fighting to find and keep talent in challenging markets, like China.

IHG has had to resolve differing views about what potential looks like, which were inhibiting development, promotion decisions and transitions into higher positions. One priority was to describe 'talent' better and enable managers to have more effective conversations. Three steps were taken.

- Rolling out a potential model (JDI: Judgement, Drive, Influence) applicable to managers
- Launching a 'Talent Deal' – a promise of differentiation for both high potential and performers
- Talent conversations with everyone – transparency of judgement, clarity about what potential is for and making the best of what you have. This is the greatest area of 'work-in-progress'.

The process began in Finance – and 97% of managers there were positive about the difference. Thereafter 100 HR managers were trained to facilitate the roll-out, and act as ambassadors, as face-to-face and virtual workshops were launched across the business. The feedback is 'these are the best talent conversations we've ever had'. Preliminary results indicate

- greater consistency in decision-making
- higher retention and engagement
- improved post-filling and succession planning.

Energising, equipping and co-creating with HRBPs has been a critical success factor – including overcoming initial scepticism about 'another HR initiative'. Key insights have been

- this is about changing culture, not just a process, starting at the top
- you need to put some money behind it – don't take half measures; persistence and scaling up across a big organisation requires resources
- ensure you avoid stimulating elitism, and confront any sense of senior managers being superior
- be bold and start in the operating business, not just experimenting in head office functions
- some national cultures may be hard work at first, but that evaporates once embedded
- involving HIPOs – they play their part in ensuring clarity, in mentoring others
- IHG has improved assessing and spotting –next comes better developing and realising potential.

Jessica Foster – having vs realising potential

An integrated approach is necessary to maximise potential. Jessica commented on various elements of the integration 'wheel' (see diagram), noting that it takes hard work to 'get it all right', and in practice many just get some of it right.

In too many organisations, talent management is de-coupled from strategy and enhancing business performance. Do we really use our best talent to drive business results? Who leads, the CEO or HR?

Ensure rigour. Ask the question 'how do people get hired/promoted round here?'. Too often it's more about who you know, upward management, face-fits etc rather than who's best for the job. Analyse the culture that shapes judgements and decisions – there can be deep-seated, semi-hidden traits.

Balance your risk approach. Being too conservative means creativity and initiative gets stifled and frustrated. Too-risky? The organisation can be de-stabilised (as in some investment banks). Also balance the focus on short-term results and long-term organisational health.

Data is increasingly available and important. But check whether it is any good or being used well. And be inclusive about who brings data into the room – managers, HRBPs, peers, external sources etc. Is there a productive partnership working towards a common goal of locating and enhancing potential?

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Feedback loops should be ongoing, not once a year, in order to achieve both healthier assessment and targeting of development effort, as well as achieve better motivation and retention.

Jessica concluded with some comments on development. Both the organisation and individual have work to do. Some people get lucky, but mostly you make your own luck. She identified three phenomena that organisations and leaders should STOP doing.

- Punishing people who struggle in roles not matching their capabilities – stretch but don't torture.
- Overly rapid rotation and promotion – it doesn't build good experience or teams.
- Elitism and favouritism – always poisonous.
- Reviewing people and then doing little or nothing with the results.

Debating points

How important is IQ?

The leading and most measurable, but not sole. predictor of success, Tomas affirmed. What's needed depends on the job and organisation. The longer you're in a job it can be less relevant, Jessica added. 'Critical thinking' and 'learning agility' were cited as popular notions, but were easier to debate than measure and deploy.

Using measures

No one measure is a 'holy grail'. And don't over-obsess about data points. Evidence of positive work counts for more – and those assessments are often mostly qualitative.

Transparency. Do you tell people they are on a HIPO list or not? Among attendees this is clearly a major issue – many organisations still attempt to hide their list, or even avoid having a formal list at all. Ultimately that neither aids trust or clear planning and decision-taking.

- Essentially this is a question of organisational maturity. Leaders/managers need to acquire the confidence and skills to hold open adult conversations with those that report to them.
- As previous CRF work has identified, talent lists should be 'permeable' as well as soundly based – circumstances change, and both personal and performance reasons can influence forward prospects, and should be the subject of open and on-going dialogue.
- The simple truths are that that everyone has potential, some have more than others, and that potential suits some opportunities but is not universal.
- A healthy organisation ensures that it is good at spotting, deploying and developing potential.
- Good mentoring feeds on openness.

Employees' role

Getting people to own their development is itself developmental. Encouraging people to think 'organisation' as well as 'about me' is healthy – and people can be surprisingly unselfish at times. Social media and feedback tools are increasingly being used to enhance peer inputs to spotting and developing people.

Notes authored by Andrew Lambert

