

Succession Matters

Accurate identification of leadership potential.

Part two of the Succession Matters series.

About the study.

A global survey was commissioned by Korn Ferry and conducted by Hanover Research during August and September 2014. The survey covered 54 countries globally and companies ranging in size from 500 to 50,000+ employees.

It generated more than 1,000 responses from business leaders at the following levels:

- C-suite (41%)
- VP/SVP/EVP (42%)
- Director (11%)
- Other (6%)

Introduction.

Do organizational leaders know who can fill their most critical roles, now and in the future?

According to the results of our global study on succession management, it would appear not, as only 1/3 say they are confident in their talent decisions. Furthermore, high-potential talent is not being accurately identified, and as a result ill-fit candidates are promoted into key roles.

The reason for this talent mismatch is that too often high performance is mistaken for high potential, a costly mistake when identifying leaders for future roles.

The integration of overall leadership and talent strategy with the business strategy is the cornerstone of effective talent management. So, where are organizations going wrong?

- **Not taking a whole person view.**
Almost 2/3 of respondents (63%) say that a lack of well-suited traits and dispositions is the biggest cause for concern in failed promotions.
- **Ignoring the complete talent pipeline.**
Organizations typically only include 13% of skilled professionals and 38% of mid-level managers in succession management programs.
- **Lack of confidence in identifying potential.**
Only half of respondents (51%) feel that their organization has accurately pinpointed the potential future leaders they should be investing in.

Not only do leaders need to have a deep understanding of whether selected high potentials are ready for that next promotion, but more importantly, they must be confident that those individuals will be successful in future and significantly more challenging roles.

To achieve this, organizations need to look beyond performance to understand the experiences, leadership traits, and drivers critical to success in key leadership roles.

This is the second in a series of reports that discuss the results, implications, and findings of our succession management study. Our goal is to provide you with proven processes to accurately identify your future leaders, underpinned by what Korn Ferry refers to as the Seven Signposts of leadership potential.



RJ Heckman
President,
Leadership and Talent Consulting
March 2015

Performance vs. potential: how are you assessing your leaders?

While it's true to say that most high potentials are high performers, it does not always follow that performance is the only indicator of potential.

Promoting the right people into the right roles holds the key to ensuring a deep leadership pipeline; however, organizations must start by accurately identifying high-potential talent early in the succession management process.

As shown below, **compatible skills and competencies are ranked as the main drivers behind promotion decisions, closely followed by well-suited traits and dispositions.**

This provides further confirmation that organizations tend to promote based on performance, without looking beyond success today and how the individual is likely to fare in significantly more challenging roles.

Which of the following do you consider to be the most significant qualities driving promotion decisions at your company?

- 1.** Compatible skills and competencies for the role.
- 2.** Well-suited traits and dispositions for a leadership role in our culture.
- 3.** Having the right motivators for a leadership role in our culture.
- 4.** Previous leadership experiences relevant to the role.

“There are very different challenges and capabilities required at different leadership levels. We frequently see leaders overrate the performance of their direct reports, precisely because they are confusing performance with potential,” says **Jim Peters**, Senior Partner and Global Lead for Succession Management at Korn Ferry.

“Being promotable or ready for that next job after this one is about having the ability to develop the qualifications needed for the bigger jobs further down the road,” adds Peters. “It’s all about those who have what it takes to go the distance.”

Performance or potential?

Let’s examine the differences:

Performance looks at how effective someone is in their current role. It only reasonably predicts success in similar types of roles and only if the individual was primarily responsible for past success.

What to assess for: competencies, results, and achievements in the current role.

Potential is a measure of a person’s future capacity to be effective in a significantly more challenging role. It is an ability to apply lessons from previous experiences.

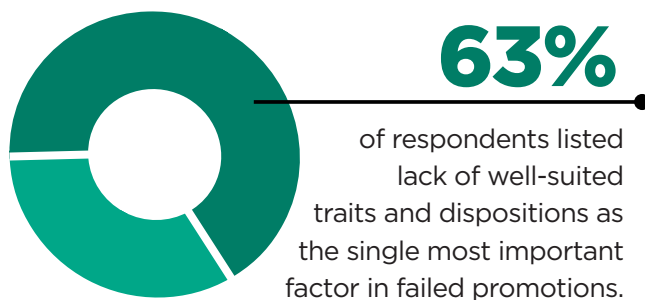
What to assess for: experiences, traits, and drivers that demonstrate the motivation and interest to succeed in more complex, senior roles.

The dangers of talent misidentification.

Identifying those key leadership traits and dispositions early in a person's career is a major step to ensuring the success of promotions. Developing the wrong people will inevitably increase the risk of failure for the individual, as well as the organization.

As our survey findings reveal, executives rate compatible skills and competencies as the most significant qualities for driving promotion decisions; however, the results show that the number one reason promotions fail is due to unsuitable traits and dispositions.

Korn Ferry's **The High Cost of Misidentifying High-potential Leaders** report revealed that one of the issues with talent misidentification is that it often takes time before a lag in performance is diagnosed.



This is proof that leaders are being promoted into critical roles without accurate identification and a full understanding of their readiness. "Traits and dispositions frequently get overlooked when considering a person's true potential for advanced leadership," affirms Peters. "You need to identify these qualities early on, or risk ending up with a promote-to-failure syndrome. And before you know it, it's too late."

A multi-dimensional leadership analysis is vital in determining the success of leadership appointments. "It's critical to take a whole-person perspective, particularly drivers and traits, as otherwise you run the risk of identifying the wrong talent," emphasizes **Stu Crandell**, Senior Vice President of Global Offerings at Korn Ferry and the Korn Ferry Institute. "And that can mean wasting years of organizational investment and a leader's time developing for a role they won't find engaging."

The Seven Signposts: a framework for superior leadership potential.

LEARNING AGILITY

FORMATIVE EXPERIENCES

SELF-AWARENESS

LEADERSHIP TRAITS

MOTIVATION TO LEAD

LOGIC AND REASONING

DERAILMENT RISK

In order to confidently and accurately identify those who will be successful in leadership roles, it is essential for organizations to have a complete talent picture of the whole person, not just a snapshot of job performance today.

Korn Ferry's **Seven Signposts: The unmistakable markers that identify high-potential leaders** refines the indicators of high potential for leadership into seven accurately assessable and quantifiable categories:

1. **Learning agility.** The ability and willingness to learn from experience and apply that learning to perform successfully under new or first-time conditions. With only around 15% of the workforce considered to be highly learning agile, identifying this natural aptitude early on is critical to pinpoint the leaders who will excel in future roles.

“Learning agility is a key indicator of potential at the highest levels of leadership. Companies with the greatest rates of highly learning agile executives deliver **25% higher profit margins** compared with peer companies,” says **Lisa Niesen**, Senior Product Manager at Korn Ferry.

2. **A track record of formative experiences.** These prepare a person for future leadership roles, for example strategy development or critical negotiations.
3. **Self-awareness.** An individual's ability to know their strengths and development needs. They often seek out feedback on ways to improve and reflect on their own successes.

4. **Leadership traits.** These are inclinations and aptitudes, such as assertiveness and tolerance of ambiguity. Traits can assume greater or lesser importance at higher leadership levels.
5. **The drive to be a leader.** Individuals who aspire to become senior executives relish the challenge of taking on more responsibility. They will actively seek out leadership opportunities, often citing the nature of the work as their primary motivator.
6. **Aptitude for logic and reasoning.** The demonstration of analytical and conceptual abilities.
7. **Manage derailment risks.** The risks of derailment increase at higher job levels. Leaders need to be aware of their unique derailment risks and learn how to effectively manage them.

“All of the Seven Signposts can be assessed and quantified. They enable us to predict which leaders have the greatest likelihood of rising up the ranks,” notes Crandell. “Organizations can therefore be confident that their people investment is paying off.”

The Korn Ferry Assessment of Leadership Potential

measures the Seven Signposts of leadership potential and provides a complete view of a person.

Backed with research insight, it enables organizations to:

1. Map individual development needs.
2. Benchmark people across the organization.
3. Gauge an in-depth group perspective of talent inventory trends.

All Seven Signposts are elements within the **Korn Ferry Four Dimensions of Leadership and Talent.**

Conscious identification.

Conscious inclusion:

Informs leaders that unconscious bias exists and has the potential to cause a negative impact on engagement and contribution throughout the organization.

Engages learners in determining what their roles should be in leading others to be more intentional in their reactions to differences.

Aligns the leadership team to a common communication strategy that provides them with “what to say” and “what to do.”

Research by Korn Ferry shows that the percentage of women and professionals of color falls steeply at the manager level and above, both because of reduced promotion rates and higher rates of departure.

One of the ways in which organizations can break down these barriers and identify the right leaders is to adopt the mindset of “**conscious inclusion.**”

This has four premises:

1. Everyone is capable of performing at the highest levels and contributing to business objectives.
2. Talent is assessed according to a core set of competencies.
3. Standards of success, the developmental gaps, and the way forward are clearly communicated.
4. Leaders, managers, and HR are crossculturally agile.

“Once these parameters are in place, then the rewarding application of business intelligence—solving the dilemmas, leveraging the differences, achieving outcomes together that make the best of what all team members have to offer—can take place,” explains **Oris Stuart**, Senior Partner, Workforce, Performance, Inclusion and Diversity, at Korn Ferry.

Korn Ferry’s SuccessPath Pairs program helps working partners align goals, expectations, and better communicate for maximum effectiveness. When applied to succession management and onboarding of underrepresented high-potential talent, the results show:

- **Retention:** a reduction of 50% in employee turnover vs. comparative group.
- **Advancement:** up to 75% increase for women of color with time-to-promotion decreased by 6-10 months.
- **Performance:** significant increases in performance ratings vs. comparative group.

Overview of the complete talent pipeline.

In today's business environment, it is important to identify and develop talent across the enterprise.

The scope of jobs is widening and the supply of talent is getting smaller—talent is being promoted to senior management functions much earlier than in the past. “With executives promoted to the board much faster now, there is far less time for junior executives to become ‘ready now’ than at any time in the past,” says **Steve Newhall**, Managing Partner at Korn Ferry.

Organizations, therefore, need to start identifying and developing talent further down the pipeline—simply looking at the top of the house for future leaders is no longer a viable option. Early career employees, who could be considered for broader leadership roles, need to be identified in addition to mid-level managers so they will have time to develop and be ready for assuming executive roles.



“Companies need to identify those in their late 20s or early 30s who have the greatest potential to be future senior leaders, then manage their development and their careers quite forensically to ensure they are ready and rounded when they need to be,” Newhall continues.

Broadening the lens beyond high potentials.

Many organizations fail to find the optimal balance of investment between high-potential leaders and the “vital many,” including high-professional talent, whose contributions are also essential to the success of the company.

“High-performing professionals are very difficult to replace because they are your industry experts, so it’s hard to substitute that knowledge,” says **Paul Van Katwyk**, Senior Partner at Korn Ferry. “You need to value and develop these people, making sure that you are giving them just as much attention as your critical leaders. Organizations need to be careful not to lose these valuable contributors.”

Korn Ferry Four Dimensions of Leadership and Talent

Understanding some key definitions:

Experiences prepare a person for future, more challenging roles. Examples include international assignments, turnarounds, or M&A.

Traits are individual personality characteristics, such as assertiveness, learning agility, and tolerance of ambiguity. They are all contributing factors in the formation of a successful leader.

Drivers take into account a person’s values and interests, for example power, autonomy, and financial reward. What motivates and engages the individual?

Competencies consider the skills and behaviors required for success that can be observed in current or previous roles.

Competencies

Skills and behaviors required for success that can be observed.

FOR EXAMPLE

Decision quality, strategic mindset, global perspective and business insight.

Experiences

Assignments or roles that prepare a person for future opportunities.

FOR EXAMPLE

Functional experiences, international assignments, turnarounds and fix-its.

Traits

Inclinations, aptitudes and natural tendencies a person leans toward, including personality traits and intellectual capacity.

FOR EXAMPLE

Assertiveness, risk taking, confidence and aptitude for logic and reasoning.

Drivers

Values and interests that influence a person’s career path, motivation and engagement.

FOR EXAMPLE

Power, status, autonomy and challenge.

Need for transparency.

A February 2015 survey by Futurestep, a Korn Ferry company, revealed what matters most to millennial employees:

23% ability to make an impact on the business.

20% clear path for advancement.

16% development/ongoing feedback.

Creating a transparent succession management process is critical, not only in retaining and engaging high potentials, but also in fostering other key talent within the organization.

If an individual does not understand his or her career prospects, they are at a higher risk of leaving, which can impact overall employee morale. Yet most organizations, concerned about being misinterpreted, do not communicate career potential to their people.

The survey also revealed that directors and those in lower managerial levels were the most dissatisfied with their organization's succession outcomes. As Peters puts it, "If I'm a mid-level manager and nobody's talking to me about my potential, or the succession management process isn't transparent, I'm going to wonder what the future holds for me."

Organizations need to communicate expectations for high potentials and key roles, providing resources for development so that employees have the opportunity to enhance their skill sets, even if they do not have the potential to advance to the very top. Korn Ferry's **Tell or Don't Tell: Talking talent with your employees** examines the case for creating a transparent succession management process.

As **Cori Hill**, Global Lead for High-potential Leadership Development at Korn Ferry, remarks, "Although many companies focus intensely on high potentials, these individuals typically account for a small percentage of the employee population. Every employee should understand what they need to do to be considered a high performer or high potential."

Even if not nominated as high potentials one year, individuals still have the opportunity to be reconsidered in the future. The question then becomes, "When and how do we talk openly, consistently, and transparently about the future with all our talent?"

Conclusion and recommendations.

To be truly effective, succession management must accurately map the supply of talent against demand, based on current and future business aims.

“Alignment has to come from an understanding of the strategy, because you need to link a definition of what kind of talent is needed to the direction the organization is going,” says **Chuck Feltz**, Senior Partner and President of Global Products Group at Korn Ferry.

Taking a holistic view across the whole leadership pipeline will enable organizations to include the valuable talent that resides at lower leadership layers. As Feltz puts it, “Including the assessment of potential and identification of the capabilities taken from a broad base of the employee population—not just those in pivotal roles—is fundamental.”

Ultimately, it all comes back to the three-step process we outlined in our first report: organizations need to understand the talent they need for future growth, benchmark this against the talent they have, and then close those gaps.

As you evaluate your organization’s process, here are some questions to ask:

- Are you taking an intentional future-looking approach to your succession management?
- Does this include an analysis of leadership experiences, traits, and drivers?
- Is performance, rather than potential, your key criterion for promotion?
- Have you measured the key signposts for leadership potential?
- Do you have differentiated development plans in place for different people?
- Have you examined your current talent needs and mapped these against your future requirements?
- Are you adopting a mindset of “conscious inclusion” in your identification process?



**Up next:
Successful leadership
development and
accelerated readiness.**

In our third report, we look at what organizations must do to prepare their senior executives and equip them to meet those critical business challenges of the future.

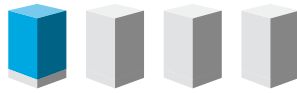


ONLY
51%

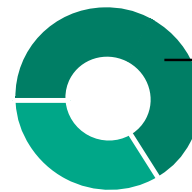


of respondents are confident in their organization's ability to identify potential leaders.

Less than 1 in 4



companies believe they have a "ready now" talent pipeline.



63%

of respondents listed lack of well-suited traits and dispositions as the single most important factor in failed promotions.

IGNORING THE COMPLETE TALENT PIPELINE

Organizations typically only include:

13%

of skilled professionals

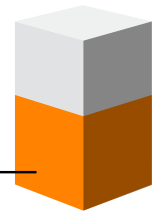


38%

of mid-level managers

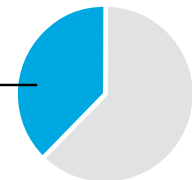
in succession management programs.

ONLY
52%



are confident that they have identified "ready now" candidates for promotion into specific roles.

39%



at director level and below are dissatisfied with their recent succession management outcomes.

SEVEN SIGNPOSTS:
The unmistakable markers that identify high-potential leaders.

LEARNING AGILITY

FORMATIVE EXPERIENCES

SELF-AWARENESS

LEADERSHIP TRAITS

MOTIVATION TO LEAD

LOGIC AND REASONING

DERAILMENT RISK

JUST 6 IN 10
leaders rated
"READY NOW"
are promoted
TO FILL KEY VACANCIES.



About Korn Ferry

At Korn Ferry, we design, build, attract and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programs, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

If you'd like to find out more, please visit Korn Ferry at www.kornferry.com or www.kornferryinstitute.com for articles, research and insights.

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