

Executive summary

Identifying potential

- Organisations are losing 'hidden gems' by failing to spot potential
- Lack of recognition also leads to a disengaged workforce
- Senior managers don't recognise the value of formally identifying latent talent

Introduction

Over the last year as economic confidence has started to return, employers have largely been recruiting in earnest – unemployment now sits at 5.1%¹, the lowest it has been since 2006. The downside for the business world of this more buoyant recruitment market is the greater competition for talent.

Against this backdrop, companies need to do all they can to keep their best employees engaged and from walking out the door. A good salary and benefits package is often top of the list of 'wants' but earning the long-term commitment of good people is about so much more than money.

Our research finds that people stay longer at companies that recognise their potential, yet more than three-quarters (77%) of businesses are doing nothing or little about this important aspect of talent management.

1. The Office for National Statistics, January 2016.

What is 'potential'?

The extent to which an individual has the capacity and drive to increase their capability.

It determines the likelihood that the person will be able to eventually be effective in a more complex or demanding role

or

That the person will be able to increase the contribution that they make in their current role.

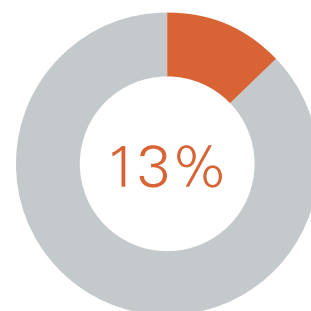
It also tells us how quickly the change can occur given appropriate developmental support.



The brain drain risk

LHH | Penna surveyed 1,000 employees across the UK and discovered that a mere 13% described their organisation as currently doing a lot to recognise potential. They said that recognition is important to them remaining committed to their current role and, because employers are not responsive to that need, valuable talent around them is either going to waste or has already exited the business.

The research suggests that an organisation's failure to adequately identify potential was responsible for nearly a quarter of attrition in the past 12 months. This is a significant discovery when many companies are being challenged by increasing staff turnover.

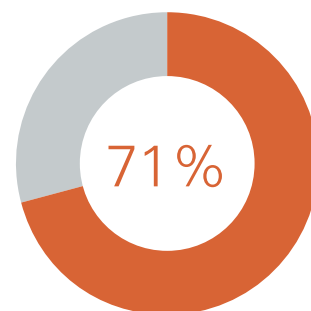


of employees described their organisation as currently doing a lot to recognise potential

A source of disenchantment

A high number of employees surveyed (71%) said that they would be more likely to stay with an organisation that recognised their potential, yet almost a quarter (24%) had no idea whether or not their company thought they had what it takes.

A possible explanation is organisations' lack of formal processes for recognising potential, highlighted by more than a third of employees (37%). Also, when potential is recognised, only 23% of employees said that there had been any investment in developing their skills.



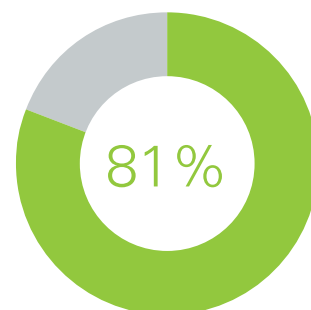
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The manager's perspective

Concurrently LHH | Penna surveyed 1,000 managers in an attempt to uncover why the identification of potential is not being taken as seriously as it should be as a talent retention strategy. The research revealed that managers do see the value and the business benefit of systematically identifying potential, but that they were powerless to act upon that instinct because their organisation didn't follow the same logic.

The vast majority (81%) of managers surveyed personally regarded developing potential as fairly or extremely important, while half (50%) recognised that failing to do so can lead to employee disengagement, high staff turnover and recruitment costs (43%) as well as decreased productivity (34%).

Meanwhile, a quarter of managers said their organisation didn't consider the recognition of potential as a business priority (25%). Furthermore, nearly a third of managers (31%) feel they lack senior management support in identifying employee potential.



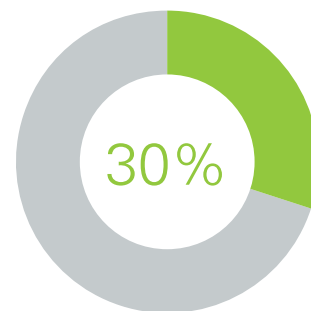
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Making it happen

While there is understanding from managers of the importance of providing development to their rising stars, there is an apparent disconnect where organisations don't have the formal systems set up to pinpoint these individuals in the first place.

LHH | Penna's research reveals that many organisations don't even have the basics in place. Nearly a third (30%) of managers admit that their organisation has no single definition of what "potential" actually is and no real way of assessing it. As many as 79% of managers said that they didn't have proper assessment processes or tools in place to spot potential.

The lack of the right development programmes, which would be used to cultivate the potential that is identified, is turning off almost a quarter (24%) of managers from even trying to find it without there being a clear means of making use of this people insight.



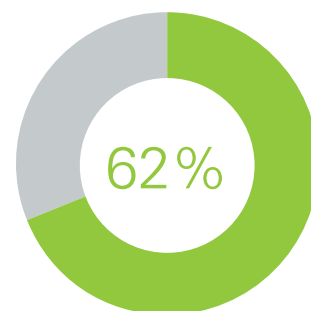
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Where to look for hidden gems?

It seems that many organisations at the moment are looking in the wrong place for potential, or certainly not in enough places. Younger workers (25 – 34 year olds) appear to be the focus of attention for 62% of managers, which means that large swathes of today's four-generation workforce are being overlooked.

Potential ultimately comes in all shapes and sizes and isn't exclusive to those individuals at the beginning of their career trajectory. Many highly experienced managers have much more to give if they are empowered in the right way.

It is universally recognised that a business's biggest asset is its people so organisations need to ensure they are maximising their return on investment, as they would for any large scale capital expenditure.



of managers focus their attention on younger workers (25 – 34 year olds)

The bottom line

Organisations need to take a more disciplined and systematic approach to identifying potential; many have undiscovered high performers, or even future leaders, sitting within their existing headcount yet their first thought is to look outside the organisation to find these.

Instead, organisations need to have a clear definition of what potential actually looks like, a clear way of measuring it, and link this to appropriate development interventions to ensure potential is optimised. Given the criticality of recognising potential to ensure competitive advantage, businesses can't afford not to.



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In conclusion

The time has come for organisations to recognise the importance of spotting potential and then doing something about it. By failing to do so they are jeopardising their greatest asset – their talent. Not only are organisations currently missing out on the opportunity to engage their most valuable employees, they also risk wasting – and possibly losing – existing talent at a time when it's in short supply.

So what should organisations be doing to harness employee potential?

- Penna operates its 3D model, crystallised from over 40 independent expert sources, to classify both emerging and senior management talent
- The model synthesises three factors in determining the extent of an individual's potential: desire, disposition and dexterity
- The model also reflects an understanding of what it takes to grow in the 'new organisation' – one characterised by change, ambiguity, volatility and uncertainty
- Each indicator of potential has its own distinct form of measurement, ranging from sophisticated questionnaires to simulation exercises
- The results of these tests are matrixed by our consultants to provide a comprehensive and informed view of potential based on empirical evidence

For further information

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