



WHAT IS POTENTIAL?

William J. Rothwell

Some special terms are used in succession management and in talent management. As is true of any specialized terminology, it is intended to facilitate communication and economize expression. Still, the terms can be confusing. One such term is “potential.” What does potential mean? The information that follows is intended to answer that question.

Background Information

To define the term “potential,” we first make some assumptions:

- *Assumption 1:* Doing a good job at one level of the organization’s chain of command is no guarantee that an individual will do a good job at the next level. Reason: the performance requirements at each level—supervisor, manager, or executive—are distinctly different. To be a good executive requires competencies different from those required of a manager. Hence, success at one level does not guarantee success at the next level. Therefore, potential for promotion is different from performance on a current job.
- *Assumption 2:* *Performance* refers to a worker’s success in his or her current job and at his or her current level of responsibility. *Potential* refers to a worker’s capability to be successful at higher levels of responsibility. Neither term is related to personal relationships—such as how much the boss likes the

person. Instead, performance is related to how productive an individual is in achieving measurable results, and it can be objectively measured once the desired outputs of the job are clarified. Potential is related to how well an individual objectively measures up to the requirements of the next higher level on the organization's chain of command (organization chart).

- *Assumption 3:* Great care should be taken in assessing potential for the simple reason that managers view the world through their own biases. It is a commonplace of selection theory that those who make selection decisions tend to measure applicants against themselves. That is called the *like me bias*, which means we tend to favor people who are like us. Hence, men prefer men; women prefer women; Chinese people tend to prefer Chinese people; and engineers tend to prefer engineers. Assessing potential requires due diligence to avoid this temptation for the simple reason that the business may need people with different characteristics to meet future competitive conditions.
- *Assumption 4:* Organizational leaders should take special care in assessing potential for the simple reason that potential is what is required for the organization's future leadership.

So What?

Why is the definition of potential important?

Consider: organizational leaders have only so much time and money to devote to development. Like any investment, investing in people should be well-advised and well-considered. Investing in the development of some people is more likely to pay off than investing equally in everyone.

For this reason, then, knowing who has potential for promotion makes it possible for organizational leaders to spend their training and development dollars wisely by investing in those who are likely to benefit the organization most in the future. These individuals are identified as High Potential (HiPo), a term often used in talent management and succession planning.