

To get diversity right, get potential right

Why proper talent assessment is a powerful driver in creating diverse organizations

by Lisa Blais and Laurence Monnery

When it comes to diversity and inclusion, the ability to accurately assess what someone is truly capable of in the long term makes a big difference. It can level the playing field in external hiring, talent appraisals, promotions, high-potential programs, succession planning and career re-entry. And it enables organizations to make the right investments in the right people, especially those who might have been denied opportunities because they've been regarded as somehow different. Unfortunately, potential is one of the most widely misunderstood and misused gauges of talent in organizations of all kinds, including many that are strongly committed to diversity. In what follows, the authors explore how faulty approaches to potential disadvantage diverse talent and what organizations can do about it.

At first glance, the two companies could not look more different: One, a global manufacturer of electronics that derives more than 70 percent of its revenues abroad, has no non-nationals on the top executive team and none in the succession plans for the other 20 top leadership positions. Although its website and corporate communications affirm the company's commitment to diversity, it lacks systematic processes for promoting diversity and its culture tends to reject difference of all kinds.

The other company, a multinational consumer products enterprise, has an aggressive diversity program, including targets for certain demographic categories and an expansive definition of diversity that encompasses differences of perspective and experience. Yet, for all its genuine commitment and action, the company has seen a persistently high number of disappointments, derailments, and defections among the many participants in the diversity program – a rate of attrition that rises with each rung up the corporate ladder. As a result, the top tiers of leadership look only a little different than they did a decade ago, when the company embarked on its ambitious efforts.

How can two such widely differing organizations arrive at such similarly unsatisfactory results? The answer: both are operating on faulty assumptions about potential – assumptions that directly affect diversity outcomes. Throughout the electronics company,

leaders assume consciously or unconsciously that an individual's difference from the prevailing norms of the organization indicates low probability of success – it's regrettable, they may say, but let's be realistic. For them, difference equals low potential.

Leaders in the consumer products company at least say the opposite: difference is in itself a significant component of future success. But because the organization lacks a clear definition of potential and an accurate way to measure it, they often fail to identify the right candidates for the right development opportunities, advancing some who in fact have less promise than others who have been passed over. As a result, those who are out of their depth or in the wrong role tend to derail, while those whose potential goes unrecognized tend to depart.

Such faulty assumptions are not surprising. Potential is one of the most widely misunderstood and misused gauges of talent among organizations of all kinds. Many organizations don't assess for it at all, simply leaving it to the judgment of

individual leaders, which virtually guarantees a homogeneous organization. Similarly, misunderstanding or mismeasuring potential can undermine even the best-intentioned diversity efforts, resulting in an unnecessarily low return on investment.

Most organizations fall somewhere along the spectrum between inadvertently letting biases rule to actively championing diversity. But organizations that really get diversity right – that recognize, leverage, and retain diverse talent; realizing the greatest return on their investment, and earning an enviable employer reputation – first get potential right.

How common views of potential can undermine diversity

Faulty approaches to identifying potential typically take three forms: leaving it to intuition, giving undue weight to experience, or equating potential with current performance. All of these approaches not only result in weaker overall talent throughout the organization but they particularly disadvantage diverse talent.

In the case of intuition, leaders believe that they have a mysterious but real ability to identify potential: “I know it when I see it.” But often what they are really seeing is themselves – someone who looks like them, shares a similar background and interests, or exhibits the qualities they regard as their greatest strengths. How often have we all – in business and in other areas of life – taken someone under our wing because they remind us of our younger selves? When that understandable human tendency to reach out to people who resemble us is allowed to animate talent decisions – from hiring to mentoring and development, to inclusion in high-potential programs to succession planning – those who are regarded as different are usually shut out.

More insidiously, relying on intuition gives free reign to deep-seated and often unconscious biases that prevent us from accurately interpreting the behaviour, character, motives, and worth of people who differ from us. Those include not only familiar biases about race, age, gender, nationality, religion, and sexual orientation, but many others as well. People with certain body types may be seen as lacking discipline. Someone who dresses differently, even in small ways, may be seen as out of tune. English-speaking professionals, when doing business, may think less of their counterparts whose first language isn’t English. Further, biases can be organization-wide, encompassing any characteristic that the dominant group in a particular context might consider “other,” as in an engineering culture that is uncomfortable with the ideas and business orientation of people from customer-centric backgrounds, or in a free-wheeling culture where more reserved personalities are stigmatized as stuffy.

In the second faulty approach, when undue weight is given to experience, potential is at least assessed and experience can certainly be an important factor in many kinds of talent decisions. But experience does not speak to the issue of potential, which is not about what you have done in the past, but what you are capable of doing in the future. Overvaluing experience when assessing potential penalizes people who may have followed a non-traditional career path, taken a career time-out for family, or been denied opportunities to take on the kind of challenging assignments that bolster a resume. “How can you be your age and have so little relevant experience?” is the unspoken question

How someone is performing at a particular point in time confuses ability in the current role with ability to take on a new, more complex, and possibly quite different role in the future.

that often hangs over their heads. The emphasis on experience can also work against non-nationals who have not been exposed to headquarters, or people who have taken an unconventional career path. Further, decision-makers who would readily concede the distinction between experience and potential may nevertheless be influenced in their judgments by the value they place on their own hard-won experience.

In the third faulty approach, potential is equated with current performance. But judging potential by relying heavily on how someone is performing at a particular point in time confuses ability in the current role with ability to take on a new, more complex, and possibly quite different role in the future. In fact, a high-level research team that Egon Zehnder convened to develop a new model of executive potential found that most programs for managing high potentials use performance as their primary measure, typically defined as short-term promotability rather than long-term developmental ability.

As with approaches to potential based on intuition or experience, the effects of this approach can be unduly harsh for diverse employees. A less than spectacular performance in a current role may be seen by others as confirmation of their unconscious biases. The executive is passed over for promotion, moved laterally, and perhaps tacitly dropped from the company’s high potential program. Feeling the organization’s withdrawal of confidence, the executive grows dissatisfied and leaves or, worse, remains at the company in a needlessly stalled career. In addition to the personal cost to the executive, such high-profile derailments can set back diversity efforts overall, discouraging diverse employees and increasing resistance to diversity programs.

A new model of potential

Ensuring that diversity programs and objectives fulfil their promise requires a rigorous model of potential that neither confuses it with experience and performance nor leaves it to the mercy of intuition. The model developed by the Egon Zehnder research team gauges executive potential by assessing the degree to which an individual possesses four leadership traits that predict the development

of executive ability. Taken together, these traits can help determine executive potential – the capacity to take on leadership roles that are greater in both size and complexity, and the speed with which someone can do so.

Curiosity – Seeking out new experiences, ideas, knowledge; seeking feedback and learning new things in order to change

Insight – Proactively gathering and making sense of a vast amount of information from a wide range of sources, and discovering new insights that, when applied, transform past views or set new directions

Engagement – Deeply engaging others, communicating a persuasive vision, and inspiring genuine emotional connection of individuals to the organization and the leader

Determination – Managing and maintaining long-term, sustained effort and focus despite obstacles and distractions, while not ignoring evidence that the nature of the activity should change

By assessing potential in these terms, organizations can look past unconscious biases and beyond experience and performance to the real person within and break through barriers to diversity that have been hard to identify but that clearly exist. Because these deep, stable traits are established early in life, executives can be assessed for potential at any point in their careers, including the very beginning. Early identification of genuinely high-potential executives enables the organization to invest in the most promising people from the start, including diverse employees, plan their development for the long term, and achieve greater diversity in the upper echelons of management faster. (For a detailed discussion of the model and the extensive research on which it is based, see article on page 42.)

While experience and performance remain important criteria in comprehensive talent appraisals, diversity programs will continue to suffer unless they adopt a framework that gives true potential its due – focusing not on what executives have done in the past or are doing in the present but on what they can do in the future. Such a framework should be an integral part of talent assessments throughout the organization – in external hires, in internal promotions, in succession planning at all levels, and in any other assessments that can needlessly undervalue and derail diversity candidates. Otherwise, worthy talent may continue to slip through the organization’s hands, often without their realizing it until much later, when a frustrated former executive from the company shines with a competitor, or the organization – despite its good intentions – has earned a reputation as a place where diverse executives can go only so far and no farther.

More positively, if an organization can accurately assess potential and truly understand what an individual is really capable of in the long term, it can:

- Produce the highest possible rate of return on talent investments over the long term
- Level the playing field once and for all in external hiring, talent appraisals, promotions, high-potential programs, succession planning and career re-entry
- Identify diverse employees with high potential early in their careers, invest in their development, and accelerate it
- Actively manage each individual’s entire career to take advantage of their innate strengths and to mitigate their weaknesses

- Use potential as an explicit counterweight to the unconscious biases that human beings and organizations are prey to
- Boost the confidence of diverse high-potentials because they know that the organization’s belief in them is based on objective assessment, not on the principle of “diversity for diversity’s sake” or on the whims and biases of superiors
- Assure mentors and sponsors that their protégés deserve time and special attention and that their subsequent success will reflect well on the sponsor
- Determine the right degree of stretch for a diverse executive’s next role to avoid derailment through overloading and failure or “underloading” and frustration
- Significantly boost engagement and retention among diverse employees, helping the company keep pace with a rapidly diversifying world

These benefits cannot, of course, be achieved in isolation. They are obtained in the wider context of comprehensive talent management in conjunction with comprehensive diversity and inclusion programs, which typically include governance, policies and processes, metrics, stakeholder relationships, communication, and, in the best instances, championing by top leadership. But for maximum effectiveness, those activities should be animated by the principle that is both the foundation of fairness and the most productive means of assessment: judging people for who they really are.



Laurence Monnery joined Egon Zehnder in 1997. Based in London, she is the co-leader of the Firm’s global activities in diversity and inclusion. In parallel, her sector focus is in Life Sciences and Healthcare.

laurence.monnery@egonzehnder.com



Lisa G. Blais joined Egon Zehnder in 2008 and is based in Boston. She co-lead the Firm’s U.S. Diversity council and focuses on the Industrial sector.

lisa.blais@egonzehnder.com