The Leadership Potential Equation™:
Using Science to Select the Right Leader for the Job

The Iceberg

Hiring, developing and promoting a leader is typically based on observables—the tip of the iceberg—which are the **Learned** (L) factors in the **Leadership Potential Equation™** (**LP=ƒ[L*I]**). The leader's resume, job experience, knowledge and perceived judgment are regularly used to make hiring, promotion and developmental decisions. Excellent interviewing skills can sometimes hide a candidate's inadequacies in the Learned factors.

Most organizations have had the experience of hiring or promoting someone who looked and sounded good during the interview only to find that a "different" person showed up for work on Monday. The "real" person is located below the surface. Most Human Resource departments and leader promotion committees do not have the technical expertise or knowledge to assess the bottom 90% of the iceberg—the **Innate** (I) factors, such as cognitive ability, emotional intelligence and motivation. The result is that a different person shows up for work. At the executive leadership Level, such a mistake can easily cost hundreds of thousands of dollars.

Growth

The general attitude in the corporate world is that almost anyone who really wants to be a leader (motivation) can become a great leader through training and exposure to a variety of job assignments. "High potentials" are put on the fast track to learn the skills and get the experience necessary to become senior leaders.

Leadership Potential: LP = ƒ(L*I)

Choosing the right leader at any Level in an organization is difficult. Numerous articles, books, websites and consulting companies claim to have the secret. Yet, the real world abounds with examples of the Peter Principle—leaders assigned to Roles beyond their capabilities. Why is it so difficult to determine whether a leader has the potential to be successful in a particular Role? Part of the difficulty stems from the predominant practice of focusing on the "tip of the iceberg" (see inset). Human Resource departments are not equipped to assess "below-the-surface" factors that determine as much as 90% of a leader's potential. Even if a valid assessment of **Leadership Potential** is made, this potential must match the **Leadership Role Complexity**, which is determined, in part, by **Organizational Complexity**.

Organizational Complexity

Complexity varies across different types and sizes of organizations. For example, the complexity of a $5 million local uniform cleaning company tends to be significantly less than that of a billion dollar international manufacturing company. Within an organization, sub-organizations (e.g., manufacturing plants) may have varying degrees of complexity. Successfully managing a particular plant does not ensure success managing another, more complex plant. The complexity of an organization, or sub-organization, is a key factor in determining the complexity of **Leadership Roles**.

Leadership Role Complexity

High Performance Leadership results from matching the right person to the right Role. The CEO Role for a billion dollar company is much more complex than for a $5 million company. The complexity of the Roles of C-level executives, VPs, Directors and Managers will also vary between the two companies, with the larger, more complex company having more complex leadership Roles. When hiring or promoting leaders, an organization must be able to accurately match a person's Leadership Potential with the complexity of the Role. Placing an under- or overqualified person in a leadership Role will result in predictable negative outcomes for the leader, his/her direct reports and the organization (see inset).

Likewise, having worked for a highly successful company such as GE is not a valid indicator of a good Leadership Role fit with another organization. Companies often hire managers, assuming that "this leader has to be good if he/she worked for GE." Choosing someone to fill a leadership position based on the reputation of their previous employer can be a recipe for failure.

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Research has shown, however, that how much a person can learn is constrained—or facilitated—by Innate factors such as cognitive ability. The impact of cognitive ability, for example, can be seen in college calculus courses. Some students are just not able to "get it" regardless of how hard they try. Others get by, while a few seem to excel with little effort. Leadership ability is similar to calculus ability. If one has the right Innate foundation, then exposure to leadership training and experiences can significantly improve that person's ability to lead at higher Levels. This Innate foundation is not evenly distributed in the population and is difficult to assess in advance.

For some people, Innate abilities (unlike IQ) tend to grow across the life span, hence the term "late bloomer." Some people enter their 20s with a certain Level of Innate ability and remain there throughout life. Others continue to grow in ability well into their 70s. While it is possible to predict this growth with a relatively high degree of accuracy, it is not a simple process. Accurately pinpointing leadership potential requires assessing more than the tip of the iceberg.

Examples

The Failed Plant Manager
A large manufacturing company consolidated 15 plants into three "hubs" to increase efficiency. After 15 months, one hub was still operating significantly below its production target and was experiencing personnel and IT problems. The plant manager was removed and a 17-year company veteran who had "turned around" two of the company's plants during the last six years was brought in to "fix" this plant. Over the next eight months, it became obvious that the hub was too complex for him. He was in so far over his head that he had to be replaced. This is an example of an outstanding manager with an excellent track record ending his career with the company as a failure. No one in HR or on the management team was able to recognize the difference in Organizational Complexity between the hub (a consolidation of five plants) and the individual plants the manager had turned around previously. Further, no one could see that the manager did not have the leadership potential to be successful in the hub facility manager Role.

The Successful CEO
A large international bank acquired a financial services company for $1 billion and placed a leader with high CEO Leadership Complexity in the CEO Role. In a short period of seven years, he grew the company to over $11 billion in assets. His ability to visualize the future combined with high emotional intelligence enabled him to assemble and lead a high performing team of senior executives to realize his vision.

Search Firms
Recently, an executive search agency sent 150 "qualified" candidates to a client looking for a new CIO before a suitable candidate was found. Another client looked at 72 candidates to fill a CFO position. Recruiting firms tend to select candidates by looking at the tip of the iceberg. Most search firms do not have the capabilities, knowledge or processes for assessing below the surface. The LPE is the solution.

The Leadership Potential Equation™ Process

Since 1984, High Performing Systems, Inc. (HPS), has developed and refined the **Leadership Potential Equation™**, a scientific model for assessing current Leadership Potential—as well as potential growth across time. This is an extremely powerful process, to paraphrase Jim Collins, for getting the right people on the bus, the wrong people off the bus and everyone on the bus in the right seats. It requires a scientific approach based on the assessment and study of thousands of leaders at various organizational Levels.

It is clear from our research that some of the critical factors for success as a senior executive are almost opposite those factors that define success for a senior manager. Yet, the primary data for selecting senior leaders is their past performance at lower organizational Levels.

The Leadership Potential Equation process involves an in-depth assessment of the tip of the leader's iceberg (Learned capabilities). This is followed by a battery of questionnaires and an in-depth interview designed to measure the Innate capabilities of the leader (the base of the iceberg). When the Innate metrics are combined with the Learned metrics, Leadership Potential can be predicted (**LP= f[L*I]**). The Leadership Potential Equation™ identifies a leader's potential for success at various Levels of Leadership Role Complexity.

Leader Development

The Leadership Potential Equation™, a proprietary HPS tool, is a robust formula for determining leadership potential and a critical step in the process for developing that potential. Each leader needs a customized, rolling (updated at least once a year) **Advanced Development Plan** (3-5 years out). The detailed ADP allows each leader to have more input and control of his/her career.

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HPS provides additional solutions using the expanded **Leadership Potential Equation System™** (LPES). These include:

- Identifying high potentials for talent pools and succession planning
- Maximizing the person-Role fit
- Identifying both internal and external talent for key Roles
- Identifying key areas for development

The LPES™ includes an assessment solution for entry Level through CEO Level personnel. The LPES can also be used to develop specific **Job Success Models** for any job (e.g., sales, store manager) within an organization. HPS consultants can assist you in determining the best solution for your organization.

For more information about selecting best-fit leaders, contact:

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