



## READINGS IN GLOBAL ORGANIZATION DESIGN

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ARTICLE #12-06-14-33

# FROM POTENTIAL TO PERFORMANCE

by Judith Hobrough and Peter Taylor with input from Russell Connor

*Extracted from the book, Organization Design, Levels of Work & Human Capability: Executive Guide; Editors: Ken Shepard, Jerry L. Gray, James G. Hunt, and Sarah McArthur, 2007 - pp. 333 - 347. You may purchase a printed copy of the book at [Amazon.com](https://www.amazon.com) or download a free digital copy of the book at [Globalro.org](https://Globalro.org)*

One of the responsibilities of an HR function is to identify individuals with high potential capability and subsequently provide the proper development environment to achieve the high potential. In "From Potential to Performance," Judith Hobrough and Peter Taylor of boss Europe have articulated what needs to be done to provide individuals with the skills, knowledge and experiences they need to reach their maximum capability. They also point out that capability is only part of the puzzle in developing human talent, and approaches that do not recognize the other parts of the puzzle will be less effective.

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# Organization Design, Levels of Work & Human Capability

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SERIES EDITOR

**Ken Shepard**

EDITORS

**Jerry Gray**

**Jerry Hunt**

**Sarah McArthur**

WRITING CONSULTANT

**Forrest Christian**

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# From Potential to Performance

**Judith Hobrough and Peter Taylor**

*with input from Russell Connor*

## WHAT'S IMPORTANT

- The matching of individual capability with current and future levels of work is likely the most important strategic human resource process in an organization.
- How to recognize the symptoms of mismatch between individual capability and level of work required.
- High performance is not the same thing as potential.
- Using an individual's past and/or current performance as the indicator of future performance ignores the complex nature of future capability.
- Individual levels of capability change over time in a predictable manner.

*Effective current performance is not necessarily a good indicator of a readiness to move to a more complex role. When effective performance in current role is used as the only criterion for promotion it can lead to people being over-extended. This phenomenon of over-promotion is aptly described in The Peter Principle<sup>1</sup> and refers to people being promoted until “they reach their level of incompetence”—an old adage but still true today.*

Ask chief executive officers what they require from their human resources function and their responses will include:

- Be a strategic partner for the business.
- Provide the basis for sustained high performance.
- Provide a pool of talented people who can deliver excellent performance.
- Develop effective leaders equipped to manage their people and their performance.
- Implement policies that have integrity and are robust.

Yet many years after CEOs started to ask for these things, there is still a lack of clarity about how to develop high performance and what is meant by potential. There is often a reliance on fads and fashions, quick fixes and easy options rather than focused solutions to real problems. Often, these solutions “look good” and work for a while, but prove to be superficial and do not stand the test of time.

Performance management is an area where HR functions could provide the lead, yet relatively few organizations have processes in place that nurture or enhance performance. In April 2005 e-reward.co.uk<sup>2</sup> concluded that, of the 181 organizations responding, covering over one million employees, 96 percent had performance management systems; 32 percent judged that their impact was insignificant or “not known,” 50 percent believed that staff were more de-motivated than motivated by the process, and 40 percent believed that there was no evidence that performance management improved performance. While the e-reward survey was conducted in the UK, it would not be surprising if similar results were found in other companies operating within an Anglo-American model, given the consistency of similarities within other management practices both in the US and other parts of the globe.

With the increase in global competitive pressures and the demand for world-class talent seemingly insatiable, it has never been more crucial to fully appreciate employ-

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1 Peter, L. *The Peter Principle*. William Morrow & Company:1969.

2 [www.e-reward.co.uk](http://www.e-reward.co.uk)

ees who have the capability and/or potential for world-class performance. The purpose of this article is to introduce a framework and set of ideas that enable senior executives, whether in line or functional roles, to come to grips with the concepts of capability and potential. These provide the foundations for high performance.

## Definitions, Scope, and Limitations

What do we mean by high potential?

- Is it just about excellent performance?
- Is it about impressive technical skills?
- Is it static or dynamic?
- Or is it something more elusive?

In making judgments about high potential, we are making predictions about a person's growth into the future based on a particular point in time. It is, therefore, important that we think about the individual from a broad perspective from which current performance and technical skills are just two components of a more complex picture. While current capability can encompass existing knowledge, skills, experience, and track record (with some caveats about the degree of match to the current challenges of a role), it also encompasses another essential factor: the individual's ability to handle ambiguity and deal with complexity and uncertainty, and to be able to make decisions when the information is not readily available, i.e., "when the individual cannot know what to do."

As people move into senior roles, previous knowledge, skills, and experience become less significant than their ability to make judgments in the face of uncertainty and ambiguity. The debate about whether executives can move from one industry sector to another without past experience has gone back and forth for years. (It is acknowledged however that a number of other factors come into play here, not least of which is the cultural context). The ability to make appropriate judgments when it is not always possible to have all the supporting data is essential for successful performance. This view is not new.

In the "Nichomacean Ethics" Aristotle described three kinds of knowledge: *phronesis*, *episteme* and *techné*. The first kind of knowledge, *phronesis*, is practical wisdom. It is knowing what to do and how to do it, at the right time and with the right people, with the right mix of persuasion and challenge, and the right sense of what to

leave unsaid and undone. When analysis is not sufficient, there is no technique that we know will work and so we must draw on inner resources to make a judgment. Practical wisdom can be supported by the second kind of knowledge, *episteme* (intellectual knowledge), which emerges from analysis and theory and of which we can be certain. The third kind of knowledge, *techne*, is about how to do things with a view to an outcome in which the person or the materials are changed in some way. In essence, it is about delivery. When we provide *techne*, we may feel competent and proud that we have mastered an art. For Aristotle neither *episteme* nor *techne* were sufficient for the complexities, ambiguities, and unpredictabilities of human affairs. Their cloudiness and potentiality require *phronesis*.

Aristotle used another concept, *sunesis*, often translated as understanding or perceptiveness.<sup>3</sup> The concrete etymology is about “joining the dots” (sun is same as syn, i.e., “together” as in synergy). So *sunesis* is “reading” the context to create the landscape for decision. For Aristotle, *sunesis* was the prelude to *phronesis*. It may well be that today when we talk about identifying capability, the capacity to scan and construct context, we see *sunesis*. We will return to this later in this article.

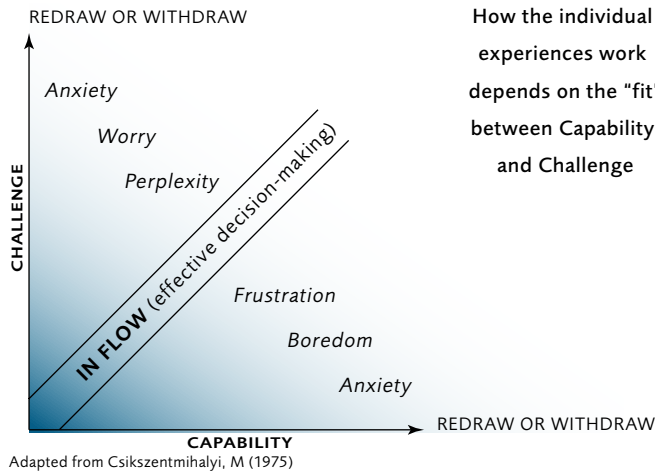
The words “capability,” “potential,” and “performance” are used in business conversations every day, and underlie such questions as, “Will he or she make the grade?” “Have they got what it takes to really make a difference?” “What is our bench strength?” and “Can we raise our game to compete with the best?” Because they have become common currency in this way, the real meaning of these words has become blurred.

This blurring of definitions is apparent when high performance is used as the only selection criterion when it comes to promotion. Performance is not the same thing as potential. Effective current performance is not necessarily a good indicator of a readiness to move to a more complex role. When effective performance in current role is used as the only criterion for promotion, it can lead to people being over-extended. This phenomenon of over-promotion is aptly described in *The Peter Principle*<sup>4</sup> and refers to people being promoted until “they reach their level of incompetence,” an old adage but still true today. A fundamental challenge for managers in all organizations is to distinguish between current performance and future potential. A key question here is “potential for what type of challenge?”

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3 The description of Aristotle’s work is taken from a paper written by Dr. G. Stamp, June 2004 and is part of an ongoing discussion on the links to the Career Path Appreciation, a process for identifying potential in individuals.

4 Peter, L. *The Peter Principle*. William Morrow & Company:1969.



**FIGURE 5.2.1: CHALLENGE AND CAPABILITY**

An integrated framework enables the concepts of capability, potential, and performance to be clearly defined. Simply put, *capability* is the ability of someone to handle particular levels of complexity and ambiguity, and *potential* is the future capability of someone to work at a particular level. Sustained high *performance* is a record of someone making consistently sound judgments at the level of work required resulting in the achievement of goals and objectives. Judgment has two distinct factors; the outcome (what actually happened) and how the decision was made.

### In Flow: The Match Between Capability and Challenge

We know that when people are “in flow,” i.e. the challenges of their role matches the capability they bring to that role, decision making comes naturally. Even if people do not have the answers at their fingertips, they feel that they have the mental resources to find the answers. As Figure 5.2.1 shows, there are also important psychological consequences of moving out of flow. These can have significant business impacts as important decisions are either made in haste without due consideration or are inappropriately delayed.

Whether individuals are in or out of flow can have significant implications on the quality of their performance. When people are underutilized, their energy is channeled into finding meaningful work. They may cross over the boundaries of their

roles, finding things that interest them, and often interfering with other people's work. Their performance may drop. We have experience of people's performance dropping as they "grow out of their role," yet their employing organization insists that they will not be promoted until their performance improves and a stalemate ensues. In extreme cases, people can stop believing in their own capability. When people are promoted into a role that is too big too soon, the consequences are similar except that they pull in the boundaries, often leaving out those elements that are important to that particular role. With senior appointments, the impact of this may not be known immediately, something a number of organizations have experienced over the years.

Therefore, we can hypothesize that the better the match between capability and performance, the better the performance. Being able to match people's growing capability to increasing challenges in work is essential for the well being of both individuals and organizations.

## Spotting Potential

A widespread attempt to spot those with the potential for further development is inherent in the development of competency frameworks. Such frameworks attempt to identify the behaviors that would indicate success in a particular organization. In theory, they should flow from the strategic goals through the business drivers into the behaviors required to deliver these goals. These frameworks were established to provide a common language and a basis for determining what "good" looks like.

However, the behaviorally based "one-size-fits-all" approach of many models ensures that the competencies never quite suit the specific circumstance in the way that was intended. For example, the requirement to demonstrate competence in "Building External Relationships" is very different if one is managing a production unit rather than running an international strategic business unit.

Most competency frameworks, however, omit vital ingredients, because they are the ones that are difficult to describe, identify, and measure. Even seasoned senior executives are rarely able to articulate the thinking process involved in making far-reaching decisions or the perceptual skills involved in defining and seizing opportunities. While often valuable in identifying development needs, competency frameworks rarely get to the nub of "high potential."



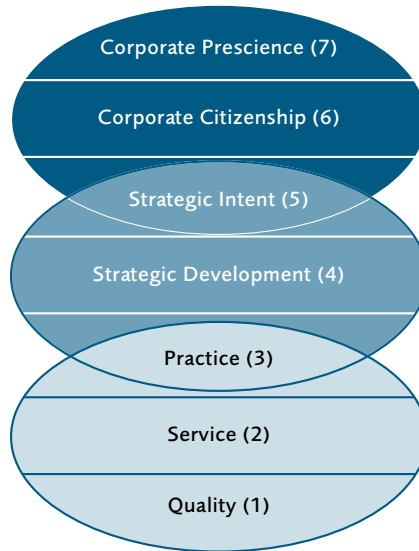
Other processes used to identify those with high levels of potential include development/assessment centers. Exercises are designed to provide people with the opportunity to demonstrate their thinking around challenges that the organization expects individuals to be able to manage. There are varying degrees of success with these centers depending upon the robustness of the frameworks that are used and the ability of the exercises to differentiate and measure what they set out to measure.

Individuals themselves, however, give us clues if only we realize what they are indicating. Here are some behavior patterns that people with high potential often exhibit from an early age:

- a habit of growing out of each job faster than average
- getting bored quickly once they know how to do something
- seeing the context of their work more quickly than their peers
- grasping the bigger picture, being more aware of external factors like markets, competitors, suppliers, technology development, and what trends are indicating connections and new possibilities
- questioning assumptions and being more ready to deal with greater ambiguity than their colleagues
- challenging existing rules and experimenting with new methods
- being critical of "establishment thinking" and proposing alternative options

As will be seen in this article, there are processes that enable us to explore with individuals, within a structured framework, how they frame their world, including the nature of the judgments they make and the information and scanning that they undertake in order to come to a view about what needs to be done. It is possible to establish the complexity and ambiguity that an individual can handle at any one moment in time, and from that make predictions about his or her potential growth. It is important to establish the difference, if any, between one's current work and the capability one brings.

Experience shows that in many organizations, particularly at middle and senior management levels, individuals often have more capability than their role requires. This is particularly so in organizations characterized by high levels of technology and specialist knowledge. What is often missing is the range of other skills required to be able to convert capability and potential into performance. Unless fully understood and developed, this is a wasted resource for the organization.



Adapted from L. Hoebeke

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**FIGURE 5.2.2: DOMAINS OF WORK**

## Appreciating Potential

Within organizations, it may help to ground the meanings of concepts such as capability and potential by asking the question, “Capability and potential for what?” What is the work that needs to be undertaken? In this way, the definitions become focused and applicable to challenges in the workplace in a way that is not static.

## Understanding the Working Context

As we know, the challenge as we move up in any organization changes from dealing almost exclusively with the “here-and-now” to handling more complex issues and associated levels of uncertainty, as well as much longer timeframes.

Over many years, *bioss* has developed a framework that is helpful in identifying the “what,” or how the work changes as one moved through organizations.<sup>5</sup> The model provides an objective measure of work complexity with the themes of work

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<sup>5</sup> See *Matrix of Working Relationships and General Theory of Bureaucracy* in reference list.



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**FIGURE 5.2.3: TWO SIDES OF THE SAME COIN**

(quality, service, practice, *et al*) identifying the different types of work found in organizations. The descriptions of work are matched with descriptions of the personal capability required at each level to successfully carry out that work. The model sets a framework for understanding how each level adds value to the levels above and below. (See Figure 5.2.2.)

Traditionally succession planning has identified particular candidates for a particular role. When changes in the organization necessitated changes in roles the whole planning process needed to adjust. By thinking about work from a complexity basis, the succession planning processes can be more dynamic and agile.

### The Other Side of the Coin – Capability

This integrated and robust model integrates work and people as if they were two sides of the same coin. (See Figure 5.2.3.)

Each level of work has its corresponding theme of capability. In order for someone to fully comprehend a particular level of work challenge, he or she must be able to “pattern and order” his or her experience and perceptions as a basis for making sense of their world and acting in it with purpose and intent.

“Patterning and ordering” involves taking in information and making sense of it, generating and choosing between alternatives, and then living with any remaining uncertainty. This may well be what Aristotle refers to as *sunesis*. A consequence of decision making at higher levels is no longer being able to “know” whether this was the right choice. As the size of the role increases and becomes more complex, the time before one can say for sure that “that was the right decision” increases. At senior levels it can take years. The decision by a forklift truck driver to turn left or right may

be critically important, even to human life, but the outcome is clear almost instantly. In contrast, the decision of a CEO to change the entire strategic direction of his or her company may take six or seven years before the full impact can be stated with any certainty and the judgment regarding the success or failure of this decision can be made.

Individuals' capabilities to handle increasing levels of complexity and ambiguity grows throughout their lives and their growth path can be identified and, based on research studies, extrapolated into the future. We know that individuals vary in their ability to handle complexity and ambiguity in decision making and that this capability grows and develops at different rates. These development curves are illustrated in Figure 5.2.4.<sup>6</sup>

Figure 5.2.4 illustrates the development curves for two different individuals.

Person A enters the organization with the inherent capability to work at quite a high operational level and could be fast tracked. He or she will make a transition into level IV in his or her mid to late 20s, into level V during his or her mid 30s, and into level VI during his or her mid to late 40s

Person B would make the transition into level III (practice) during his or her 20s to early 30s and make an excellent contribution to operational roles for the rest of his or her career. Although he or she will transition into strategic development (level IV) during his or her mid 40s, it is unlikely that he or she would ever comfortably generate the "what" that is required at that level. He or she would, however, make a substantial contribution to that work from an innovative practice perspective.

The opportunity to find the emerging future business leaders rests on being able to identify those that are able to handle uncertainty and ambiguity, to make sense of this for themselves and others and to do so ahead of their peers.

A central tenet of this approach is that *capability is never static*. It grows at various paces and in various places. It crosses transition points (when people move from one level of capability to a higher one) and it is one of the dynamics of our lives. Our research identifies transitions in capability as key events in people's lives, times when they will make major changes in their personal and working lives. For example, it is often during these periods that people take additional education and qualifications. Clearly, transitions do not occur overnight and can take two or three years, during which time people are reaching for a new way of thinking, often to

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<sup>6</sup> The curves are approximated for the purpose of this diagram they should not be taken as an exact replica of the development curves.

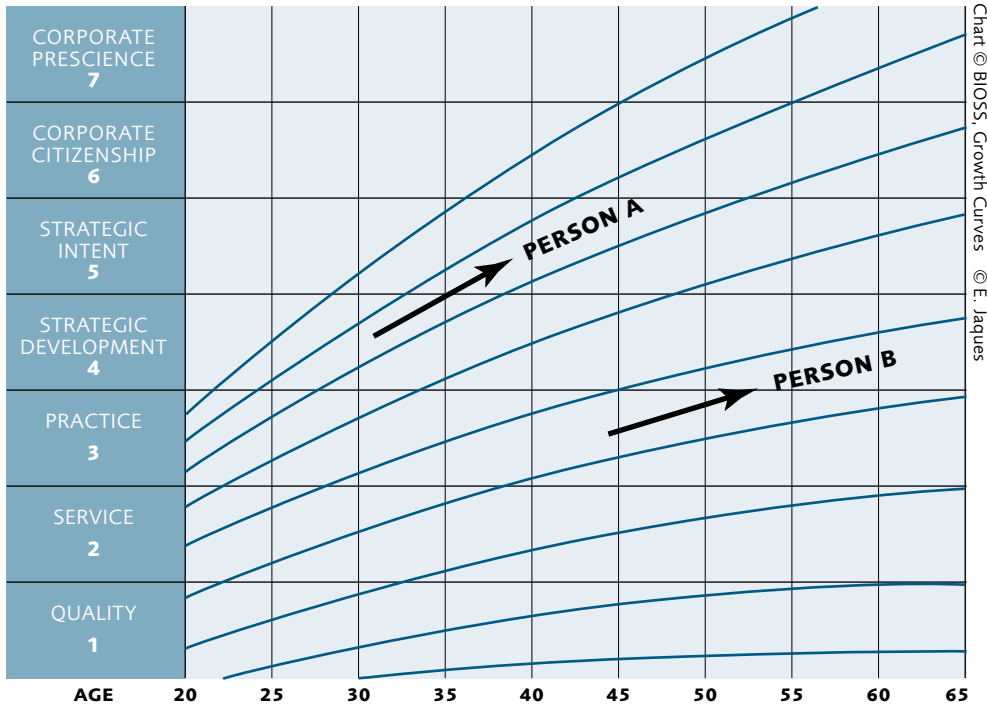


Chart © BLOSS, Growth Curves © E. Jaques

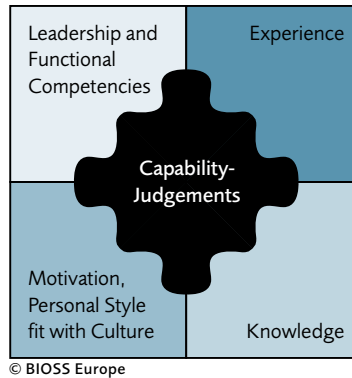
**FIGURE 5.2.4: GROWTH CURVES FOR PERSONS A AND B**

Based on and adapted from work by Elliott Jaques, in *Requisite Organization*. 1989.

fall back down again. If the context for this transition is not supportive, individuals can experience great stress and uncertainty. Therefore, it is necessary to understand that when identifying capability and potential, there are different indicators that are relevant to different groups depending on their age. Identifying the potential in a graduate population is different to that of an emerging talent pool, or to that of senior managers who are moving into strategic roles.

## Converting Potential to World-class Performance

When we refer to capability we are referring to the center piece of the capability potential jigsaw, i.e., the judgments that people make. However, having capability to match the challenges of a role is the necessary, but not sufficient, ingredient. The emphasis on such factors as emotional intelligence is an example of organizations trying to find the “holy grail.” How this capability finds “its voice” is, therefore, de-



**FIGURE 5.2.5: THE JIGSAW OF POTENTIAL**

pendent upon a range of other factors including the necessary knowledge, skills, and experience of which competencies are one part. The various elements do, of course, include career aspirations of individuals and are part of the motivational piece of the jigsaw. How we see ourselves, how we believe others see us, and the need to balance the various elements of our lives is very important.

Figure 5.2.5, the jigsaw diagram, provides a framework for thinking about the conversation of capability into effective judgments. As mentioned above, having the capability to handle the complexity of a particular role is important, but how this capability is converted is also crucial. Several things come into play here that range from experience to the quality of interpersonal skills.

Often people are identified with the capability to work with a particular set of challenges, but they lack the ability to convert this into effective performance for any number of reasons, some of which are highlighted above. This is referred to as “raw” or “theoretical” potential. One theory is that high performance requires synergy between *sunesis* (capacity to engage with complexity) and the decision that is right for the moment, *phronesis*.

Without the capability in the first place, people are unlikely to be able to assimilate and use the learnings gained through development. All things being equal, people can be fast-tracked to gain the necessary skills and experiences.

In addition, the “climate” provided by the company or the context set by the boss is critical. Although a great deal has been written on personal motivation, in fact most people working in organizations want the following:

- to be clear about what they are expected to do and how what they do fits in with the organization's goals and the work of others
- to be given the space to bring their judgments to bear on the work in a way that maximizes their potential
- to know how well they are doing and for their contributions to be recognized and valued
- to know where they are going and their career opportunities for growth

*bioSS* is clear that a defined and robust framework for understanding both the complexity of work and the capability of the individual has to underpin performance management. One key element of sustained high performance suggests that there needs to be a match between the work challenge (level of complexity) and the individual's capability to handle it.

## Conclusion

It is clear that the levels of work complexity and capability model provides a robust and integrated framework upon which to identify the potential of individuals to handle increasingly complex work. It is therefore possible to target development and provide individuals with the knowledge, skills, and experiences they require to maximize their potential.

As David Ulrich noted in *Harvard Business Review*<sup>7</sup> when writing about the need for a robust framework, "It is relatively unimportant which framework an organization uses to define the company's architecture, as long as it's robust." He also noted that it needed to be clearly articulated because without clarity, managers can become short-sighted about how the company runs and may lose sight of strategic implementation and what stands in its way.

There are very few models that use the same premise to look at both the work that needs to be done and the capability needed. This seamless way of looking at the different types of work challenges found in organizations and the individual capability to pattern, order, and make sense of this enables organizations to do the following:

- develop very clear understandings of the real challenge facing them and how each and every role adds value

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7 Ulrich, D. "A New Mandate for Human Resources" *Harvard Business Review*. 1998.

- evaluate an individual's current level of capability
- match the individual capability to the work at that level and map capability across the organization
- predict future growth in capability for both individuals and the organization
- develop focused succession and development plans

The core of effective performance depends upon the ability of organizations to clearly articulate the work needed to deliver their strategic goals combined with the ability to identify individuals who are able to match these demands.

## ABOUT THE AUTHORS

**Peter Taylor's** consulting work focuses on the development of people and organizations as well as change management. His work has extended across reviewing strategies, changing structures and systems, and evaluating the competencies, qualities and capabilities of people. He has served as HR director of a large financial service's subsidiary organization. As a manager, he gained first-hand knowledge of introducing career and performance management systems. With extensive experience using the EFQM Excellence Model, Taylor led a team that won the British Quality Foundation annual quality award.

With a Masters in Management Development through Salford University, he is a Chartered Member of the Institute of Personnel and Development. Qualified in the interpretation of psychometric tests and questionnaires, he is a Master Trainer in Team Management Systems, Deputy Managing Director of the *bioss* European operations, and a practitioner of Career Path Appreciation (CPA).

A graduate of Brunel and London University, **Judith Hobrough** is a consultant within the area of people and organizational development. She has extensive international experience as well as experience in the management and implementation of projects in both the private and public sectors. Her work involves helping organization to design the most effective structure to achieve their corporate objectives, developing human resource strategies, redesigning roles, identifying level-specific competencies and systems, as well as matching people to work roles. A key aspect of her work is concerned with the area of talent management and all that is entailed in the identification and development of potential together with effective supporting processes.



Hbrough is a Chartered Psychologist and a member of the Occupational Division of The British Psychological Society. She sits on the Board of bioss International and is MD of their European operations. She is a practitioner and trainer in Career Path Appreciation (CPA).



# GO Global Organization Design Society

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To support the organizing of work in a responsible, fair and healthy manner in which people are led in a way that enables them to exercise their capabilities.

The Society believes this requires applying a systems framework\* emerging from reflective inquiry in which levels of work and capability are the initial paradigm and growth in human awareness is the essential process.

The benefits are organizational effectiveness, fulfilled people and organizations designed for value-creation, sustainability and social well-being.

\* Note: inspired by the work of Wilfred Brown and Elliott Jaques

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The GO Society fulfills its purpose by:

- Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.
- Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources. The GO Society supports the learning and development of current and future practitioners by holding world conferences and professional development workshops, publishing books and a journal, and maintaining a resource-rich web site with related articles, monographs, books, videos, blogs, discussion groups, and surveys.

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32 Victor Avenue  
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Phone: +1 317 644 0472  
Fax: +1-647-438-5656  
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