

# Friend or Foe? The Double-Edged Sword of Leadership Potential

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**How the Concept of Leadership Potential Can Both Hinder and Improve Bias Mitigation and Company Performance**

The idea that every company would like to hire management teams with the potential to effectively lead the business to great financial outcomes is so obvious it's almost a throwaway. However, potential still appears quite frequently in both hiring conversations and performance reviews, even for very senior leaders. The concept is often unhelpfully abstract, obtuse, and ambiguous. While the question of what potential is remains up for debate, it is somewhat universally understood that potential looks toward the future, whereas track record, performance, and pedigree all look to the past.

The extent to which the past can be said to predict the future is something individual hiring managers and HR leaders will need to sort out for themselves – but when it comes to the objective of mitigating unconscious bias in order to drive company performance, the idea of leadership potential can be both a helpful tool that brings diverse talent into the organization and the C-suite, and a harmful trap that allows the spread of like-me bias, opinions over facts, and unchecked subjectivity.

## The Nature of the Problem - The Case For and Against Leadership Potential

Potential is actually fairly well studied in the scientific literature. In a [joint study from Stanford's Graduate School of Business and Harvard Business School](#), findings suggested that employers display greater levels of enthusiasm when a candidate is characterized as having immense potential vs. an extraordinary track record of impact in the past. Quoting Zakary Tormala: "In fact, under some conditions, study participants are actually more eager to hire someone with potential than with a proven track record, and more willing to pay them more. For example, when shown an advertisement for a comedian offering his services, the level of excitement was greater when the ad announced that the performer in question "could become the next big thing" vs. "had already become" so.

### The Upside of Leadership Potential

This enthusiasm about potential is promising but also potentially dangerous. Potential is unproven so it's naturally going to be much less objective to measure, but even just assessing potential intuitively is difficult. [According to Hogan](#), "Practitioners rate themselves as effective at identifying high potentials only about 50% of the time. That means many high-potential identification systems in place today could achieve the same level of accuracy by flipping a coin." When we lack the ability to accurately assess potential, we end up relying on other information or cognitive heuristics to fill the gaps. And that's what makes the idea of leadership potential so dangerous. A company who wants to create a more diverse workforce and leadership team may end up inadvertently reinforcing certain attributes by hiring or evaluating for potential.

By the same token, however, a company will never introduce a breakthrough innovation if they only perfect things that have been done elsewhere. Similarly, a leadership team will never reach new heights in terms of diversity or effectiveness if it is composed of people who have “seen” - and only allowed to “replay” - the “movies” written and directed by, and starring other companies in the industry. Articulated more directly, if you only interviewed people who had clearly already done the job before, you would end up with slates that look very white and very male simply because that’s the state of overrepresentation in the private sector today. So hiring for potential may just be not only a tool, but the only tool available to changing the demographic attributes of today’s C-suites and board rooms. See our latest thinking on [innovation in the investment management space](#), which required some courageous, visionary leaders to hire executives who hadn’t necessarily done the exact job before (no one had) but demonstrated the requisite capabilities and mindsets to build new business models in a highly risk-averse industry.

## The Downside of Leadership Potential

The danger of “leadership potential” is that, because it is so ambiguous, it can be molded into anything, [including likeability or like-me bias](#). A lot of companies hire for behaviors that are “agentic” or “male-type”, including behaviors that seek to indicate traits like confidence and assertiveness. The problem is, even if confidence and assertiveness, for example, were the right attributes to solve for when hiring, the way they show up varies from person to person, based on schemas, frameworks, and mental models that have been shaped by our lived experiences. The fact that fewer than 5% of Fortune 500 CEO roles are occupied by women today may mean that certain members of the hiring committee have a very male-coded idea of how a CEO acts, even if they have every intention of being open to hiring a woman.

This doesn’t apply just to hiring. Evaluating employees can equally suffer from bias. According to Lori Nishiura Mackenzie, JoAnne Wehner, and Shelley J. Correll writing for [Harvard Business Review](#), “in analyzing men’s and women’s written performance reviews, we discovered that women were more likely to receive vague feedback that did not offer specific details of what they had done well and what they could do to advance. Mackenzie, Wehner, and Correll identified that evaluator inconsistency in terms of which criteria are most highly valued makes it even more challenging to determine what evidence the performance review process should gather.

# Nuanced Differences Between Hiring and Evaluating

Evaluating for potential is slightly different from hiring for potential because it raises fairness questions among existing employees. If 2 employees have equally impressive performance track records at the company and one is deemed to be “high potential” and the other isn’t, the one who isn’t – should they learn of this information – could very fairly ask why. This determination of one’s “potential” becomes much harder to explain to existing employees whose past performance is more or less equal. When hiring externally, however, less is known about each candidate and candidates truly have no visibility into each other’s progress, which makes it less fraught to bring potential into the mix.

All personnel decisions rooted in “potential” display some risk of failure. According to Hogan, “many top performers will fail at the next level”, which may mean that there needs to be some measure of “doing the job before the promotion” in place. However, taking a risk when it comes to external hiring may be what’s needed to drive breakthrough innovation that wouldn’t have been unlocked with a traditional candidate.

Other than reference calls, it’s hard for hiring managers and talent acquisition teams to get their hands on hard evidence of a candidate’s “merit” or impact. The same is not true for existing employees, who are extremely observative, often by multiple parties with differing levels of seniority and pattern recognition.

## Practical Advice for Companies

It’s not all gloom and doom: there are ways for companies to reap the financial performance and diversity, equity, and inclusion benefits of hiring/evaluating for leadership potential without falling into the trap of unconscious and counterproductive bias. Here are 3 concrete actions that all organizations can take today to get the most out of this concept called “leadership potential”:

### **1. Redefine success: Get specific about hiring and evaluation rubrics.**

The biggest problem that companies face when it comes to potential is being too vague. Get specific about exactly what potential means to you and where you think you can see evidence of it. For example, is potential determined by the slope of the employee’s trajectory over the last X years? Or is potential determined by specific aspects of their performance? Either way, mapping out a concrete rubric and ensuring everyone is operating off a common set of criteria is crucial.

## 2. Be transparent early on about the trade-offs.

When the hiring or evaluation committee is first assembled, whoever is facilitating the discussion should start with a clear point of view about the role the leadership potential will play in this specific set of discussions. Is it something that the group is solving for? If so, starting by acknowledging that getting potential right means being able to deliver a high-impact, game-changing leadership team with the right talent to drive growth, but that there are real harms and pitfalls that lurk if too much bias enters the equation. That framing will give everyone involved an opportunity to reflect and think deeply about how they want to handle the process.

## 3. Encourage your employees & candidates to speak in the language of evidence.

Assessing potential is the company's job, not theirs (said otherwise, if potential were self-reported, no individual on the planet would have anything less than 100% potential to go all the way). This quote from [N2Growth](#) sums it up perfectly: "The cold hard truth is you're not special because of your unrealized reality, you're special because of the relentless pursuit of your potential, and you're even more special when you achieve it. Don't tell others how gifted you are, provide them with tangible evidence you know how to use your giftedness – show them".

# Mitigating Bias and Driving Company Performance

The concept of leadership potential is crucial for hiring and evaluating management teams, but it often remains abstract and subjective, leading to bias. While potential can drive diversity and innovation by including candidates without traditional experience, its measurement is challenging and can perpetuate biases. Employers tend to favor potential over proven track records, which can result in hiring based on superficial traits and like-me bias. To effectively leverage potential while mitigating bias, companies should redefine success with clear rubrics, communicate the role of potential transparently, and focus on evidence-based assessments of candidates' skills and achievements.

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