

Torch



Developing a Succession Plan for High-Potential Employees

A Guide to Leadership Growth and Retention

High-Potential Employees: The Key to Retention

HiPos aren't just top performers—they're the visionaries who shape an organization's future. They know their worth, and they expect more: opportunities to grow, recognition for their impact, and personalized leadership development that feels both meaningful and aligned with their goals.

However, many organizations fall short in identifying and nurturing this critical talent. The consequences are significant: leadership pipelines falter, retention rates plummet, and the broader organization suffers.

This eBook is designed to help you do better—not just for your HiPos but for the future of leadership in your organization. Inside, we'll explore how to:

- Accurately identify and develop HiPo employees
- Avoid the common pitfalls of HiPo programs
- Deliver personalized, impactful development opportunities that inspire your top talent to stay and grow

At Torch, we believe that retaining HiPos isn't about quick fixes. It's about rethinking how we develop leadership and building a culture of growth that aligns with organizational goals. Let's dive in.



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The Value of High-Potential Employees

So who exactly are HiPos, and why do we value them so much? Broadly, we can define HiPo employees as those who display the motivation, ability, and organizational commitment to rise to and succeed in senior positions in the organization. Beyond technical expertise, they embody traits that align with the leadership of tomorrow:

1 Strategic insight

HiPos continuously seek out new challenges, feedback, and experiences. Not only that, but they also have a unique ability to process and apply new-found information to make an impact on their immediate team or the broader organization.

2 Inspiration

HiPos are also skilled at connecting deeply with others, using emotional intelligence to inspire colleagues and foster high performance across their teams.

3 Results-oriented

While HiPos have clearly mastered the technical skills that their job requires, but they also show the potential to expand their interpersonal skills as they grow into leadership roles.

4 Collaboration

HiPos stand out as collaborative leaders and serve as a cornerstone of any team they join. They are team players, valuing diverse perspectives and prioritizing collective wins over individual achievements.

5 Integrity

The leaders of tomorrow must lead with ethics and authenticity. HiPos embody this by consistently upholding organizational values and inspiring trust.

Investing in these individuals isn't just good for business—it's transformative. Research shows that HiPo employees bring **91% more value to the organization** than non-HiPos, and work **21% harder than their peers**. However, this kind of talent is rare, with only **one in seven employees** identified as HiPos.

That's why accurately identifying and nurturing HiPos is a critical step toward building a resilient, future-ready leadership pipeline.

How to Identify HiPos at Your Organization

While high-potential employees hold immense value, identifying them is where many organizations struggle. Research from Gartner found that **more than two-thirds of organizations focus their HiPo development efforts on the wrong employees**. While this may not seem like a big deal at first glance, there's a lot at stake when you incorrectly identify these individuals.

Investing in the wrong employees means that you're wasting precious time, energy, and financial resources on someone who will likely fall short of their expected potential. Even worse, a wrong choice means that another talented employee may be ignored and end up searching for greener pastures where they'll be given the development opportunities they need.

This will ultimately cost companies a lot of money. Research suggests that **direct replacement costs can reach as high as 50% to 60% of an employee's annual salary**. This means that a HiPo making \$90,000 will cost organizations anywhere from \$45,000 to \$54,000 to replace. Compare this to the cost of investing in and retaining your HiPo instead, which a report shows **costs companies an average of \$4,000 per individual**.

Accurate HiPo identification isn't about guesswork or gut instinct—it's about leveraging simple, data-driven, and agile processes to recognize those who can thrive in your unique business context. Below, we'll explore the best practices and most common pitfalls we see when it comes to identifying HiPos.

Simplicity

Keep your process straightforward and scalable. Use technology to assess potential by measuring engagement, collaboration, and learning patterns. Transparency is critical—clearly define the behaviors and metrics you value, so employees understand how they can grow and succeed.

Common pitfalls

Many processes that identify HiPo talent are overly complex and time-consuming, making them challenging to apply at scale (think: nine-box calibrations). Given this, it's not surprising that many organizations look no further than general managers for HiPo identification. They simply don't have the time to conduct this assessment on more than a handful of employees.

Data-driven

Manager assessments are prone to bias and are therefore often perceived as unfair by employees—whether it's because of favoritism or use of an inaccurate benchmark. Using analytics can help reduce bias and highlight hidden potential, particularly among emerging talent. Define potential based on aspiration, ability, and commitment—not just tenure or experience.

Common pitfalls

Up to 70% of people are misplaced when subjective assessments are used—likely as a result of bias and favoritism. For example, relying on subjective metrics like perceived experience often overlooks early-career employees with leadership potential. Data-driven tools ensure fairness and accuracy.

Agile

Talent identification isn't a one-time exercise. Limiting the process to once a year makes it harder to spot HiPos who might move on. For this reason, Building a continuous feedback loop can capture insights throughout the year, adapting to changing business needs and employee circumstances.

Common pitfalls

Most processes of identifying HiPos are episodic—often once a year or even less frequently. This lack of agility makes it hard to adapt to changing talent needs, business conditions, or the personal circumstances of leaders. With HiPos staying at organizations for an average of **just 28 months**, regular evaluations are essential.

Why Many HiPo Programs Fail

Organizations often invest heavily in HiPo programs, but the outcomes tell a different story. Despite **two-thirds of leaders** allocating funds to HiPo programs, only **25% of these programs** are deemed successful. Why? Because many programs lack the three pillars essential for impactful development: continuity, support, and personalization.

1 They lack continuity

Leadership development isn't a one-and-done exercise. Episodic training and fragmented opportunities disengage HiPos, leaving them without the consistency they need to grow.

Impact

95% of organizations fail to follow through on development commitments, creating a poor learning experience and diminishing engagement.

2 There's no built-in support for HiPos

Programs often overlook the critical role of guidance and feedback. Without accessible support systems—like peers and coaches—HiPos are left to navigate challenges on their own.

Impact

More than half of employees drop out of HiPo programs due to a lack of adequate support.

3 They're one-size-fits-all

Generic programs fail to address the unique needs, contexts, and goals of individual HiPos. Personalization is key to making development feel relevant and effective.

Impact

Off-the-shelf solutions lead to low engagement, with HiPos seeking opportunities elsewhere that better align with their aspirations.

With these core challenges, it's no wonder that HiPo programs are failing to make an impact. This, in turn, has a huge impact on an organization's retention rates since lack of development opportunities is **a common reason** behind an employees decision to leave their company.

But theres good news: these are all addressable issues. Once you're aware of the fundamental problems, you have the ability to fix them within your own HiPo program. We'll explain how in the next section.

Delivering a Better HiPo Development Program

To deliver a better HiPo program for your top talent—and build a healthy leadership pipeline for the future—you need to provide development opportunities in a meaningful and impactful way. Below are some best practices to ensure your HiPo program delivers the maximum value:

1 Create continuity

Avoid episodic, stop-and-go learning that disengages your top talent. Instead, provide continuous opportunities like guided on-the-job learning, bite-sized accessible content, and peer support to maintain momentum and engagement.

2 Provide hands-on support

As we mentioned above, HiPos thrive with consistent support from peers and coaches. Building a support network ensures they have resources to navigate challenges and stay motivated.

3 Offer a personalized experience

Tailor your HiPo development program to align with each employee's unique strengths, goals, and business context. We recommend offering an integrated learning platform that incorporates guided and experiential learning, goal setting, and ongoing feedback.

Incorporating leadership coaching into your HiPo development strategy ensures your program delivers on all three best practices. Coaching doesn't just support skill-building—it also creates a foundation for succession planning, empowering HiPos to grow into future leadership roles.

Not only is **coaching one of the most unmet needs of HiPos**, but it also touches on all three best practices for HiPo programs, offering continuity, personalized guidance, and actionable support. Specifically:

1 Coaching ensures HiPos stay on track with regular goal tracking and scheduled sessions. This creates a reliable structure for growth and builds leadership readiness.

2 Coaches provide an accessible support system for HiPo talent. They act as accessible sounding boards, helping HiPos navigate challenges and make confident decisions whenever they need additional support.

3 Coaching is inherently tailored to each HiPo's unique needs. It helps them define their goals, address areas for improvement, and prepare for leadership transitions.

Let's take a closer look at the benefits of leadership coaching programs on the next page.

Leadership Coaching: Benefits for HiPos and Organizations

Coaching is a development-focused relationship with a specially trained coach who provides guidance to a client on their goals and helps them reach their full potential. Leadership coaching can also offer many benefits for both HiPos and organizations.

Benefits for HiPos

Coaching provides HiPos with the tools they need to succeed in their current roles and prepare for future leadership. Research shows:

- ✓ **80% of people** who receive coaching report increased self-confidence
- ✓ **Over 70% of coached employees** experience improved work performance, relationships, and communication skills

Benefits for organizations:

Investing in leadership coaching has measurable benefits that extend beyond individual growth, driving organizational success:

- ✓ Research has found that leadership coaching that includes goal setting and feedback has been shown to **increase productivity by up to 88%**
- ✓ **86% of companies** report that they recouped their investment in coaching and more
- ✓ Employees in organizations with strong coaching cultures **are significantly more engaged**—a key driver of retention



Coaching for Succession Planning

Too often, succession planning is seen as a reactive process—a way to fill critical leadership gaps when someone retires or leaves unexpectedly. But true succession planning goes beyond this—it’s about investing in your high-potential employees to prepare them for future roles.

Through coaching, you can empower your future leaders with the capacities to lead effectively. You can think of capacities like your leader’s core operating system. Unlike skills, which are task-specific, capacities are deeper, long-lasting abilities that make them more adaptable.

For example:

- If a high-potential leader struggles with engaging their team, coaching can develop their **emotional intelligence** to build stronger relationships.
- If a new manager needs to adapt to a rapidly changing project, coaching can foster **learning agility** to help them pivot successfully.

Coaching ties together capacities, skills, and mindsets (which shape how leaders approach learning and challenges) to create more effective leaders.

When to Incorporate Coaching

The best time to introduce coaching is when you first identify high-potential employees for leadership tracks. Starting early accelerates their growth, helping them build a foundation of skills and capacities to take the next step.

Coaching should also be revisited at **key moments**, including:

- 1 **Role transitions:** Coaching supports emerging leaders as they navigate new responsibilities and expectations. Coaching offers a steady source of support, helping them build the adaptability and resilience to thrive in their expanded roles.
- 2 **During organizational transitions:** For organizations going through change—like retirements, mergers, or restructurings—coaching can be especially impactful. During these transitions, coaching provides leaders with the right support to adapt to change and new challenges.

Tailoring Coaching for Different Leadership Levels

Coaching benefits leaders at all levels, each with unique timing and focus. By prioritizing key populations—such as executives, managers, and high-potential employees—you can amplify its impact, allowing **the benefits to ripple** beyond the individual participant and positively influence teams and your broader organization.

For HIPOs and Individual Contributors (ICs)

For many HIPOs, stepping into leadership for the first time is a mix of excitement and uncertainty. Early-stage coaching supports this transition by helping them develop foundational skills, such as delegation and building a leadership identity.

Coaching also helps HiPos to move from an execution-focused mindset to a people-centered one, helping them inspire and guide their teams instead of focusing solely on personal contributions.

For Managers

Managers are at a middle point between senior leadership and frontline employees. Coaching provides targeted support to help them build their leadership capabilities for more advanced roles. Coaching is especially valuable during key role transitions—such as promotions, stretch assignments, or new projects—that demand new skills and bring added uncertainty.

For Executives

Coaching supports senior leaders in building C-suite capabilities, like strategic vision and adaptability. It also helps executives navigate new (and often complex) stakeholder relationships and expectations.

Whether transitioning into an executive position or facing organizational changes, coaching ensures they are equipped to lead with confidence.

Types of Coaching for Succession Planning

The right type of coaching should prepare your future leaders to take the next step *and* meet your organization's goals. Both 1:1 and group coaching offer unique benefits for leadership development.

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1:1 coaching provides tailored, one-on-one development for leaders, focusing on their unique strengths, growth areas, and challenges. The benefits include:

- **Customized Development:** Coaches work directly with leaders to set personalized goals and address real-time challenges in a confidential setting
- **Focused Skill Building:** HiPos, managers, and executives can refine critical skills like emotional intelligence, delegation, and strategic thinking
- **Accelerated Readiness:** Leaders are better equipped to navigate key transitions, from promotions to expanded responsibilities

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Group coaching brings leaders together to share experiences, learn collaboratively, and build connections. The benefits include:

- **Peer Learning:** Leaders gain insights from one another's challenges and successes, fostering collaboration and camaraderie
- **Supportive Community:** Leaders build networks across your organization that provide ongoing support

By strategically incorporating coaching at these moments, you accelerate leadership readiness and ensure a seamless succession planning process.

In the next section, we'll explore questions to help guide your succession planning strategy and drive the impact of coaching.

Reflection: Strengthen Your Succession Planning Strategy

A successful succession plan isn't just about filling roles—it's about preparing leaders who can drive your organization forward. Use the questions below to evaluate your current approach to HiPo development and succession planning.

1. How well does our current succession plan identify and support HiPos early in their careers? Are we equipping them with key leadership skills and capacities through coaching and development programs? Do we provide opportunities for HiPos to transition from execution-focused roles to people-centered leadership?

2. What are the critical moments in our leaders' journey where coaching can have the most impact? Are we leveraging coaching during key role transitions or during organizational changes?

3. Which of our leadership populations would benefit most from 1:1 coaching, and which would benefit from additional group coaching? Are we addressing individual challenges through personalized leadership coaching? Do we foster peer learning and collaboration with group coaching for new leaders or teams?





Developing HiPos and Future-Ready Leaders

Even though most organizations have the best intentions when it comes to investing in their HiPos, sometimes their strategies are slightly off the mark.

But every organization has the ability and opportunity to improve their approach and reap the benefits of retaining the HiPos in their workforce. We hope the recommendations in this ebook help you better identify and develop your HiPos, and build a stronger pipeline of future leaders.

At Torch, we specialize in delivering contextual coaching that empowers leaders to adapt, collaborate, and thrive in an ever-changing world. Whether through 1:1 coaching or group coaching, our platform helps HiPos, managers, and executives build the capacities they need to drive meaningful change while ensuring your organization remains ready for the challenges ahead.

Let's transform your HiPo development and succession planning strategies together. Request a demo today to explore how Torch can help you build a resilient leadership pipeline for the future.