

Talent Management Excellence

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PREPARING FOR GROWTH

Few tips to retain your best employees

Patrick B. Ropella

Potential vs Achievement

Are star-struck managers overlooking the best people?

 By Dianna Booher

More than a decade ago, I received a call from someone who'd left his job with a Fortune 500 company to become an entrepreneur. He had received coaching from some of the best in the industry about how to make it as a motivational speaker. In fact, for the past couple of years I'd heard him referred to as a "rising star."

He had just inked a book deal, and was phoning to ask me to be the writer. I let him know that, while I was flattered, I was busy writing my own book and didn't take ghostwriting jobs. I offered to recommend someone else, and asked what the book's topic was.

"I don't have a topic yet," he replied.

"What do you speak on?"

"Just . . . motivational. Have a positive attitude. That sort of thing. I'm going to have my agent call you. She has some ideas for what I could write about."

Later, both his agent and the acquiring editor phoned me to discuss ghostwriting the book. Through other channels, I discovered that he had received a \$750,000 advance—a hefty advance even in the days before publishers put the skids on such advances for business titles that never earned back the up-front payment. This untested author earned a hefty advance for an unwritten book on an undetermined topic at a time many excellent established authors earned less than a tenth of that fee for their work. **Research suggests this is not an isolated incident in one industry. The phenomenon occurs across all industries. Hiring managers are willing to risk more and pay more for potential than achievement.**

The Allure of the Unknown Payoff

Before examining your own experience, let's delve into the studies behind this preference. Zakary Tormala and Jayson Jia, from Stanford University, and Michael Norton, from Harvard Business School, conducted eight studies to understand this counterintuitive preference¹.

Consumer behavior research reveals that people are willing to pay more and buy sooner when they feel certain, rather than doubtful, about products and services². On the face of it, evidence of performance should reduce uncertainty about someone's talents and increase confidence about the future. Potential, by contrast, should increase uncertainty and risk, thereby lowering confidence in someone's future success. Someone with only potential might succeed—but might also fail.

For those of us who might want to influence others, the researchers raise this provocative question: Is it possible that highlighting a person's achievements can be less effective or compelling than highlighting a person's mere potential?

In their first two studies, Tormala, Jia, and Norton focused on sports and leadership. Seventy-five undergraduate students were asked to imagine that they were managing a team in the NBA with the intention of offering a contract. Two "candidates" were given ideal stats, with this difference: One candidate had already

achieved these stats. For the other candidate, the stats were presented as "performance projections." To counter the argument that other facts about the candidates' background might make a difference, the rest of the candidate profiles rotated as they were presented to each of the seventy-five study respondents.

In the second experiment, the researchers replicated the study, but in a different context, with eighty-four participants recruited through an online database: Hiring hypothetical job candidates. One candidate had two years of relevant experience and scored high on a test of leadership achievement. The other candidate had no leadership experience, but scored high on a test of leadership potential. Other facts in their profile rotated between the candidates.

In both studies, participants preferred the candidate with "potential" over the one who had actually achieved results.

The researchers continued to test their hypothesis through six additional studies in different contexts: Evaluators judged paintings and the artists who created them. They placed Facebook ads and evaluated comedians as to their perceived believability and credibility. They asked participants to review one-page letters of recommendation for applicants to PhD programs in business and then evaluate the applicants. In all cases, the evaluators preferred potential over achievement.

My own interviews with executives in preparation for writing *What MORE Can I Say? Why Communication Fails and What to Do About It?* (Penguin Random House) confirm this phenomenon as well. While some pointed out that it is an even better return on investment to hire "potential" rather than achievement (rookies demand a lower salary), they also agreed that hiring "potential" often has an allure of the unknown.

Tried-and-true, long-term performers have been tested. The organization knows what these candidates can do—and has probably seen the limits of what they can do. An untested, new performer is like a blank canvas. Although the new hire may fail, there's also the chance that he or she may succeed beyond all expectations. If the organization can pay this new hire less money than the tested long-termer, the risky hire of the "potential" may be the best business decision, after all.

You may have experienced the same thing in your own dealings or observed the same decisions implemented by others: A new supplier seems to have more potential for meeting your needs than the incumbent. Sports teams pay rookies disproportionately higher salaries than superstars already signed. Hollywood stars with one current hit movie sign the next contract for twice what the four-time Oscar winner has earned per film.

As one California businesswoman remarked, "Silicon Valley pays for an idea. They see value in the next bright, shiny solution. Their mantra is 'fail fast.'"

So, according to these Stanford and Harvard researchers, the reasons for this counterintuitive preference come down to this:

Potential is more interesting than achievement precisely because



the outcome is uncertain. (That's why games, contests, or lotteries generate excitement.)

Potential entertains us. We're involved as we see how things evolve. (Watching "achievement," on the other hand, is like seeing a movie for the seventh time.)

Potential engages us because it demands deep reasoning. (As things progress, we mentally scrutinize the pros and cons of our decision—much like watching a chess match on which we've placed bets.)

You may recall this "potential" preference yourself relative to holidays or vacations: Have you ever heard someone say, "I had more fun the last six months planning our vacation than actually making the trip." Anticipating the potential trip proved to be more interesting, engaging, and entertaining than the actual travel.

So what does the preference for potential over achievement mean when it comes to presenting your own projects and ideas, particularly where personal credibility becomes part of the equation?

Reconsider How You Position Your Budget Requests

Whether you need only \$7,000 for a "pet" project or \$250,000 to outsource development of your first custom software, consider the success behind the fund-raising projects on websites such as Kickstarter, EarlyShares, Indiegogo, Fundable, SeedInvest, and Kapipal.

The model for these start-ups is focused on potential. While investors show interest for many reasons (shared values, the opportunity to invest, and "spreading the word" about products and services they believe in), the mental challenge to anyone visiting these sites to evaluate this or that project as a worthwhile investment proves thrilling.

Can you present your own budget requests, projects, ideas, recommendations, changes, and their potential outcomes in an equally tantalizing way?

Position Your Career Advancement by Highlighting Potential

When making a career move inside their organization, people tend to talk about being a steady performer. They talk about tasks, tactics, and experience. But what most often tickles a new boss's ear is potential—vision for what can be done differently. Have you studied the area you'd like to move into? What's working well now? Where's the pain? What's the impact of those problems? What's the cost of the problem? What have they tried that didn't work? What ideas do people have that have not been fully implemented? What new ideas do you have? What have you seen work in similar departments or organizations?

Steady Eddy is . . . well, steady. But to move up in the organization, tantalize with your potential to solve a problem, restore morale, or simplify systems. That's your inroad.

You're limited only by your creativity in putting the principle of potential to work. Consider what you can package as your own untapped potential. And if you're trying to influence others to make a change, encourage them to focus on the potential for success. While potential does represent risk, it also generates excitement about a fresh start. **ITM**

References

1 Zakary L. Tormala, Jayson S. Jiu, Michael I. Horion, "The Preference for Potential," *Journal of Personality and Social Psychology* 103 (4) (2012), 567-83.

2 *Ibid.*, 568. The authors cite four previous studies from 2007 to 2010 on consumer behavior.



Dianna Boeher is the bestselling author of more than 46 books, published in 26 languages, with nearly 4 million copies sold. Her personal development topics include leadership communication, executive presence, and productivity. Her latest books include *Creating Personal Presence: Look, Talk, Think, and Act Like a Leader and Communicate With Confidence*. Visit www.BoeherResearch.com. Call 817-283-2333.

