

## HIPO Pipeline Stage Gates

### PHILIPS

- Royal Philips Electronics N.V. makes consumer electronics, lighting, semiconductors, medical systems devices, domestic appliances, and personal care items.
- In 2004, the organization generated revenues of approximately €31,500 million (\$40,800 million). and employed more than 160,000 employees.

#### Description

Philips enables accelerated HIPO development by managing high-potential talent through a stage-gated career path, providing development experiences that align with the challenges HIPOs encounter en route to senior executive roles, and rigorously managing the composition of the HIPO pipeline according to individuals' potential to progress at an accelerated pace.

#### Goal

Philips' goal is to accelerate the rate of HIPO development while ensuring that the quality and quantity of leaders in the talent pipeline will meet future leadership needs.

#### Key Differentiating Feature

Philips' HIPO pipeline differs from typical HIPO career development practices in three main ways. First, whereas many organizations have an inadequate understanding of the HIPO career path, Philips analyzes the accelerated career path to identify the most critical career stages that a HIPO must pass through en route to a senior executive role. Second, Philips aligns development support interventions with HIPO development challenges at these critical career stages to ensure maximum development progression. Third, stage-gated potential assessments and re-qualification requirements enable Philips to maintain the quality of individuals in the HIPO pool.

#### Results

Philips' stage-gated HIPO pipeline has improved the quality and pace of HIPO development resulting in an increase in the proportion of senior executive roles filled with internally developed candidates. Philips' leaders also cite improvements in the quality of HIPO development, and number of "ready-now" successors for key roles as further evidence of the success of the accelerated pipeline.

*Practice Driver*

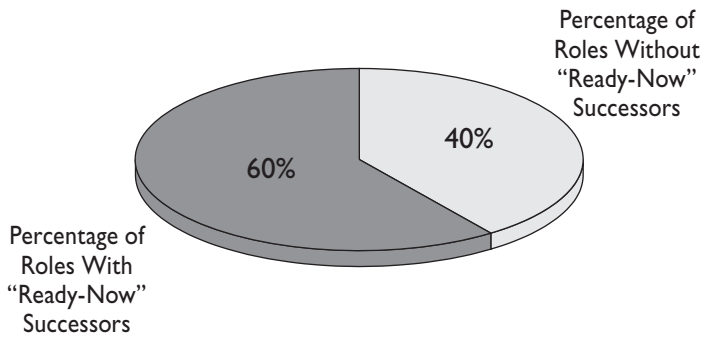
In 1999, Philips identified a shortage of available talent to meet the organization’s future leadership needs. HR observed two primary problems: first, developing talent did not have the skills and competencies required, and second, an insufficient number of future leaders were developing at the required pace. HR pinpointed several root causes of the talent deficit: insufficient knowledge about HIPO career challenges, inconsistent management of HIPO careers across business units and functions, and insufficient linkage of development support to HIPOs’ key challenges.

## HOLES IN THE ORGANIZATIONAL CHART

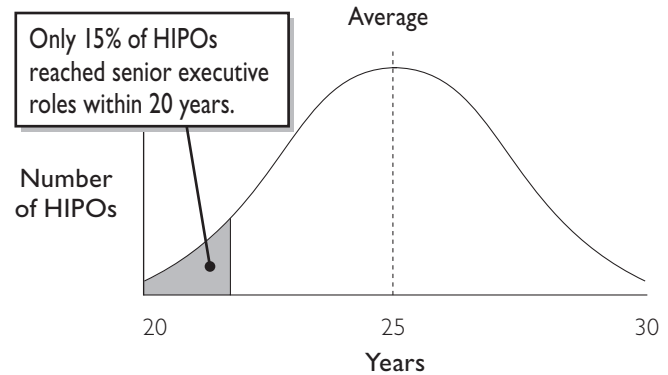
***In 1999, Philips observed that the organization was not able to meet leadership needs with internally developed talent...***

***...and that the rate of HIPO talent development was inconsistent...***

Percentage of “Ready-Now” Candidates in Succession Plan



HIPO Time to Reach Senior Executive Role



***...diagnosing that HIPOs failed to reach the executive ranks fast enough because of inconsistent and inadequate development support throughout their careers***

Identified Inhibitors of the Accelerated HIPO Career



HR HIPO Strategy Review Meeting

- Insufficient organizational knowledge about HIPO career path challenges
- Inconsistent management of HIPO career development across business units and functions
- Poor development support to enable accelerated HIPO career progression

THE NEED FOR SPEED, QUALITY, AND QUANTITY

“We faced an acute need for talent. We could no longer afford long learning cycles, nor to devote scarce development resources to individuals without the potential to lead at the highest level—we needed to devise a way of accelerating our talented people through the organization faster and more effectively in order to deliver on our business goals.”

Global Talent Manager  
Royal Philips Electronics N.V.

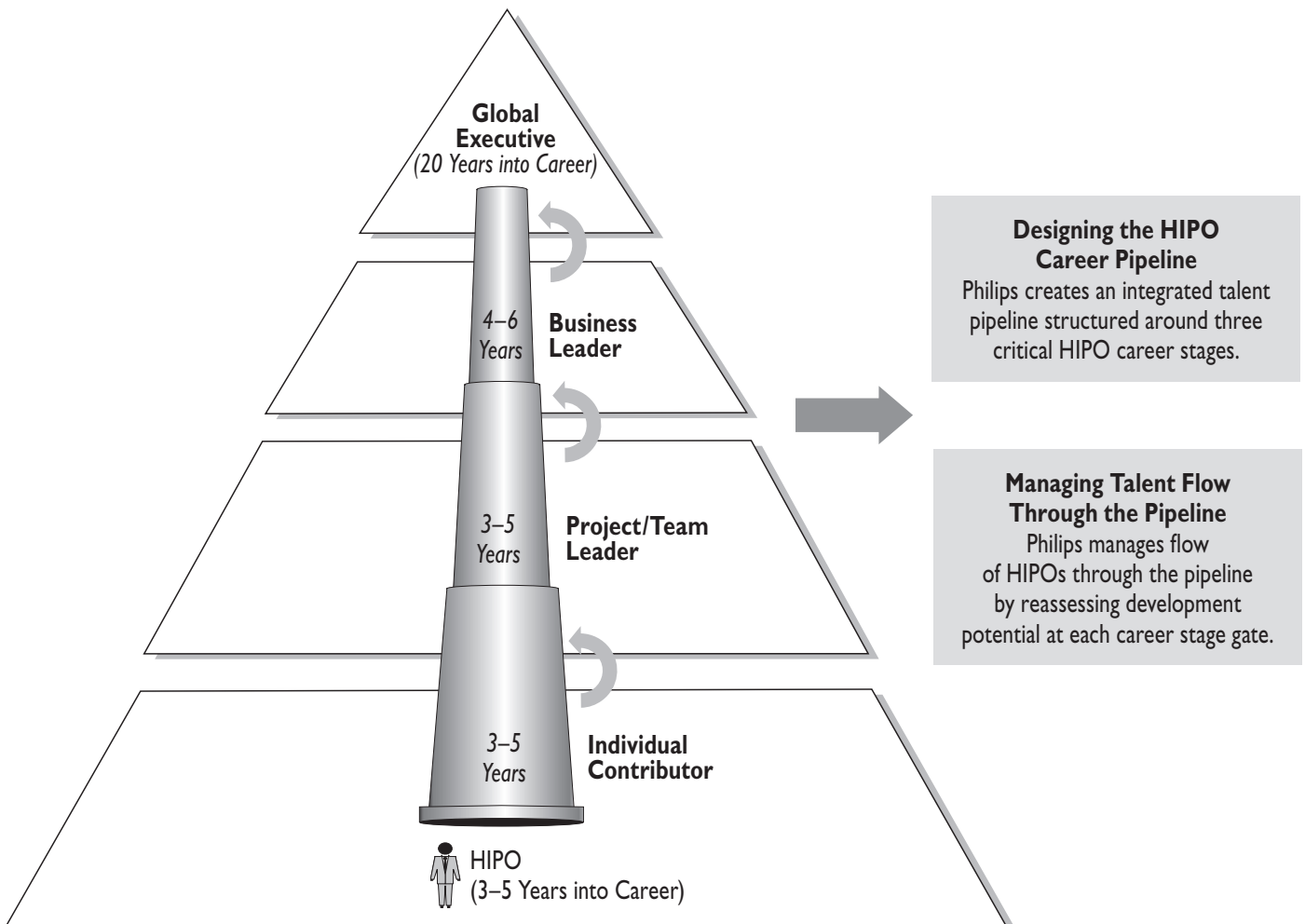
*Practice in Context*

Philips manages its HIPOs across three key career stages that individuals pass through en route to holding executive-level positions—leading a high-performance team, leading a business, and becoming a global multi-business leader. The organization ensures that HIPOs’ potential is reassessed according to their ability to satisfy accelerated learning and performance expectations, and removes employees who do not meet progression goals from the HIPO pool. To increase the likelihood of high-potential talent successfully scaling the organization’s hierarchy, Philips provides HIPOs with targeted developmental support aligned to each career stage.

## ACCELERATING TALENT PIPELINE OUTCOMES

**Philips designs an integrated talent pipeline around three critical stages of the HIPO career to enable a consistent supply of future leaders from across the organization**

Philips’ Talent Pipeline



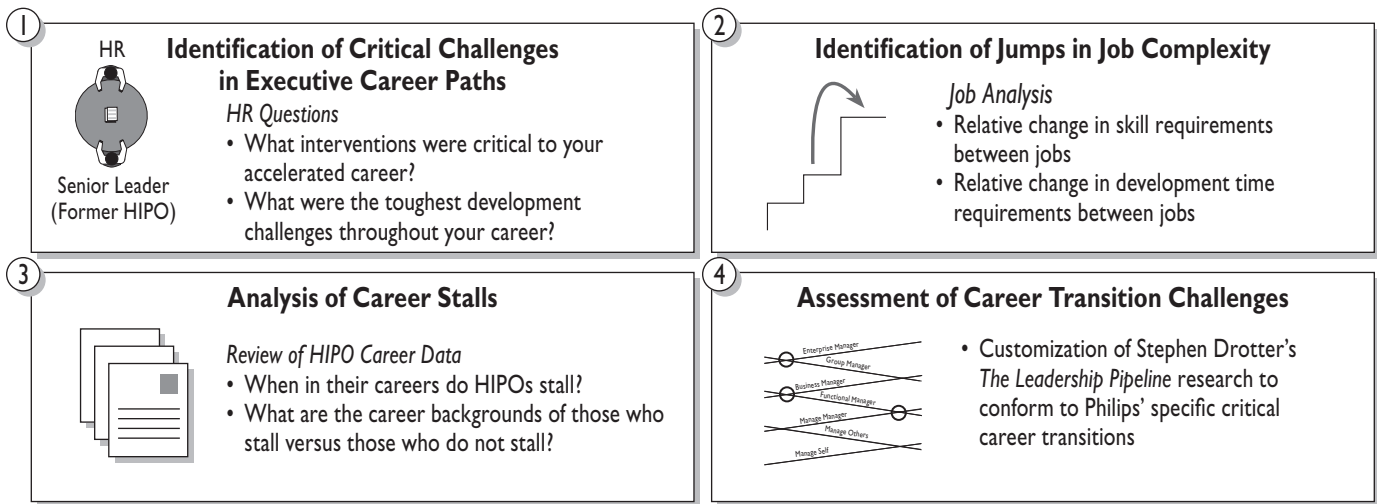
*Step #1: Identify Critical HIPO Career Stages Within the Talent Pipeline*

To understand how and when the organization can most effectively support HIPOs' accelerated development, Philips analyzes the HIPO career path and identifies the points that represent the most challenging changes in role requirements. To identify development challenges within each career stage, the HR team examines HIPO-reported critical career challenges, career stall points, and job complexity analyses. While HIPOs pass through many stages during their careers, Philips identifies the critical experiences HIPOs must acquire to successfully pass through three main career stages: managing a team, managing a business, and assuming responsibility for a global, multi-business leadership job.

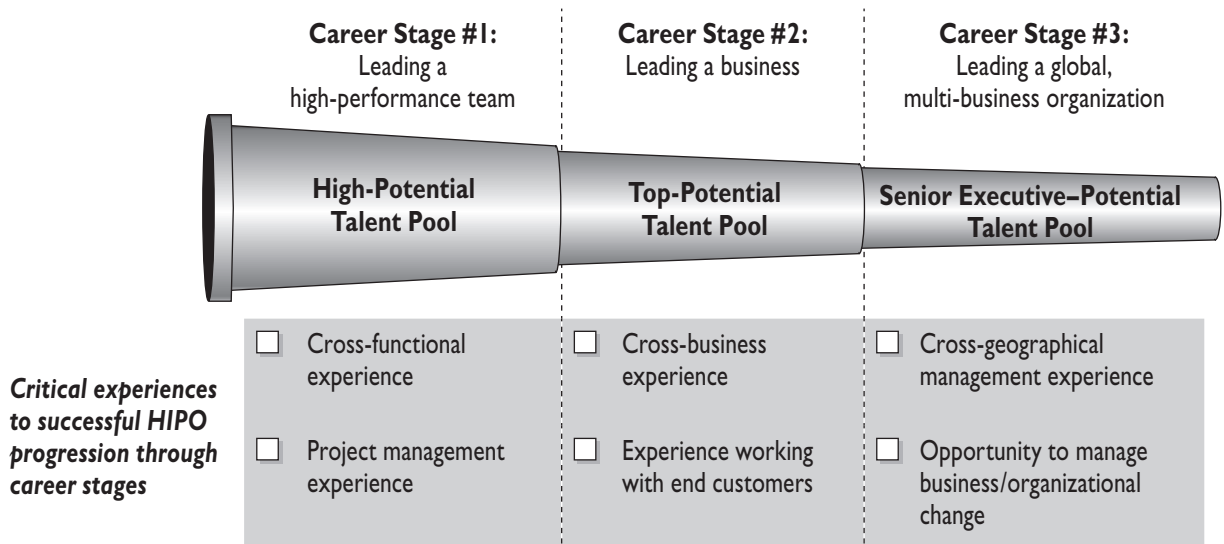
## UNDERSTANDING CRITICAL CAREER STAGES

**HR analysis of the HIPO career path reveals the most critical experiences needed to successfully pass through the main career stages en route to the senior executive level**

### HR Analysis of HIPO Career Transition Challenges



### Philips' Three Critical Career Stages



Source: Charan, Drotter, and Noel, *The Leadership Pipeline*, San Francisco: Jossey Bass Inc., 2001; Royal Philips Electronics N.V.; Corporate Leadership Council research.

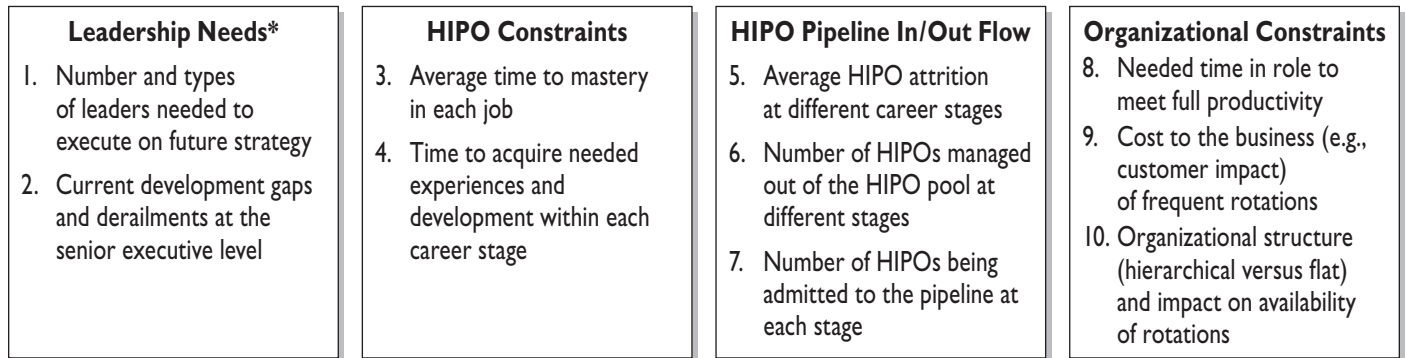
*Step #1: Identify Critical HIPO Career Stages Within the Talent Pipeline (Continued)*

Philips determines that, with targeted development support, HIPOs can pass through each career stage within a three- to six-year time frame—considerably faster than the pace at which non-HIPO employees typically develop. The company considers 10 key factors in defining the expected speed of HIPO progression through the pipeline; considerations fall into four categories: projected leadership needs at the senior executive level, HIPO constraints (such as HIPO time to master new skills), organizational constraints, and expected HIPO pipeline inflow and outflow. Philips uses the expected progression timeline as a benchmark for evaluating individual HIPOs’ development progress.

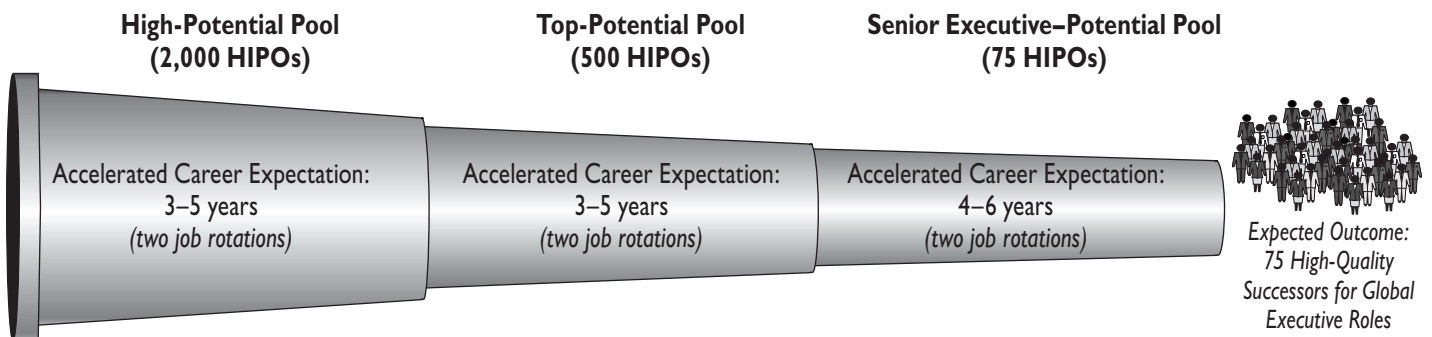
## DEFINING THE HIPO CAREER PATH

**Philips’ HR leadership examines the 10 factors related to HIPOs’ career development and organizational leadership needs to design the HIPO career pipeline**

Considerations in Defining the HIPO Career Pipeline



**HR HIPO Pipeline Analysis Meeting**



\* For more information on leadership planning please refer to the “Leadership Gap Analysis” practice in “Next Generation,” Corporate Leadership Council (1997).

Source: Royal Philips Electronics N.V.; Corporate Leadership Council research.

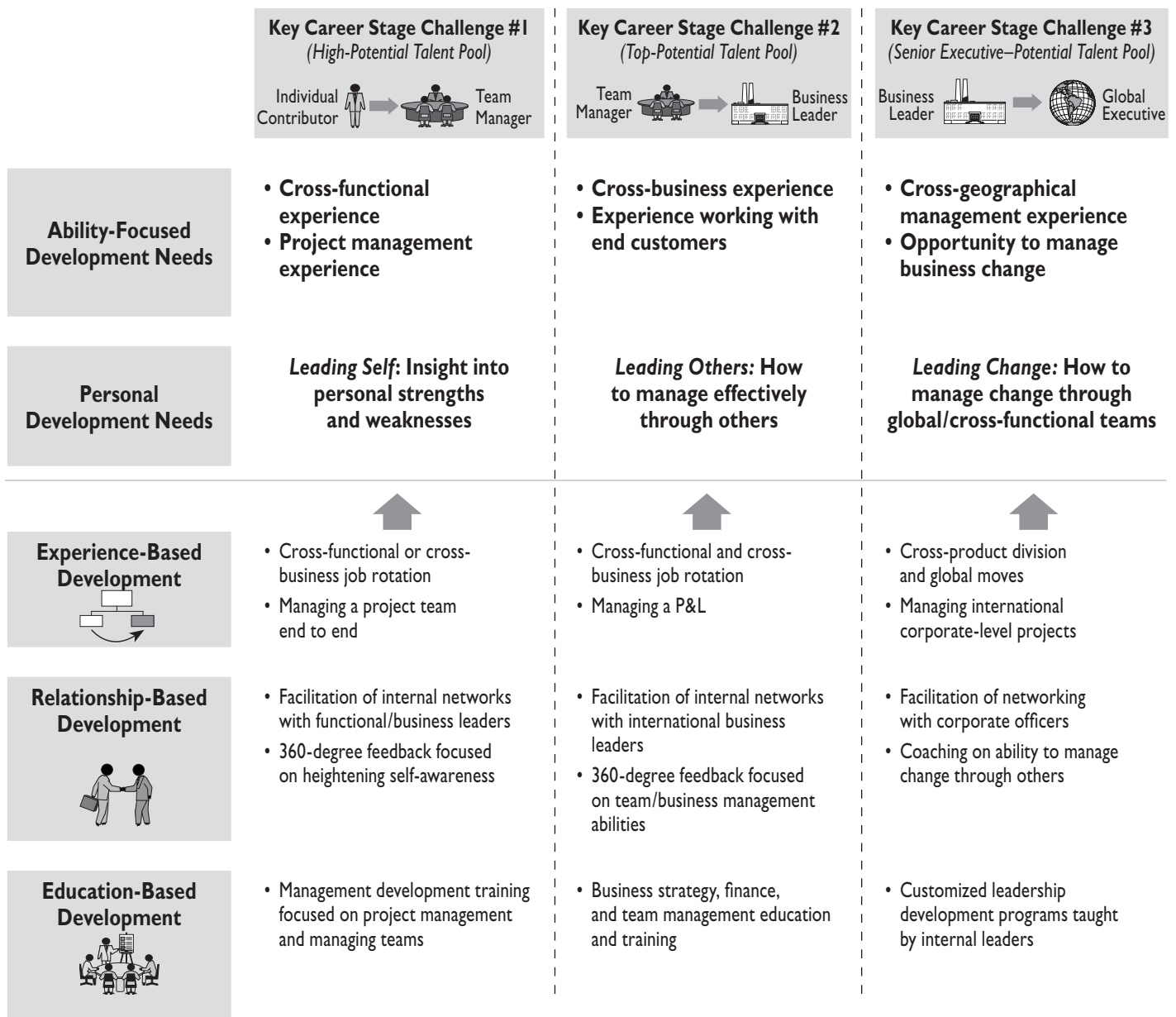
### Step #2: Structure Development Support Around HIPO Career Development Challenges

Philips targets development interventions to the unique HIPO development needs within each of the three career stages to ensure that HIPOs receive the specific support that will enable them to develop quickly and effectively towards the next stage of their careers. While it is important to focus on the full suite of development experiences to accelerate HIPOs toward the next career stage, Philips determines that relationship-based development support is particularly critical, because without assistance, many HIPOs fail to build internal networks that effectively support them in their growing responsibilities, leading to potential future development stalls.

## SUPPORTING HIPO CAREER DEVELOPMENT

**Philips targets development-support interventions to ensure that HIPOs acquire the needed abilities and interpersonal management skills at the right time in their development**

Alignment of Development Support Interventions with Key Career Stage Challenges



Source: Royal Philips Electronics N.V.; Corporate Leadership Council research.

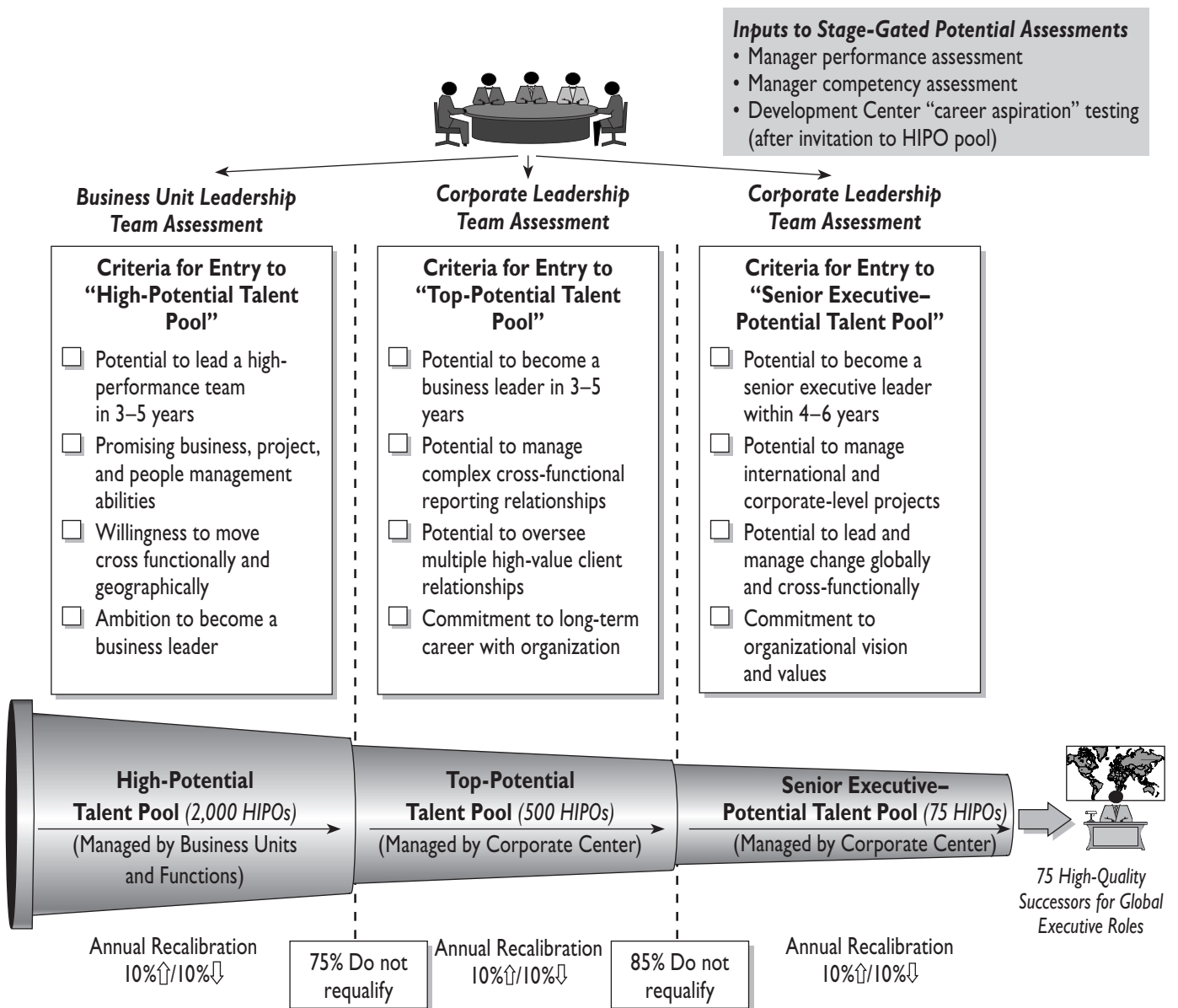
*Step #3: Assess HIPO Development Potential at Each Career Stage*

Philips’ business unit and corporate leadership teams face three key tasks to ensure a continued flow of talent through the pipeline. First, they conduct an annual retrospective assessment of HIPO development progress against individual development goals. Second, they manage a forward-looking assessment of HIPOs’ potential to grow at least two levels within the next 3–5 years at the beginning of each of the three HIPO pools. Third, they exit HIPOs who are no longer capable of meeting the accelerated career expectations.

## PHILIPS’ HIPO PIPELINE MANAGEMENT

**Philips’ business leaders conduct an assessment of HIPOs’ potential for meeting accelerated development expectations as they progress through each career stage**

Philips’ HIPO Pipeline Management



*Results*

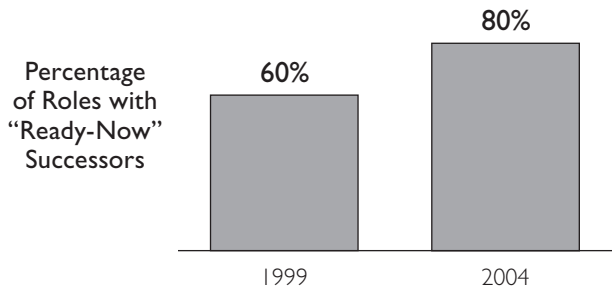
Since identifying the talent shortage in 1999, Philips reports considerable progress towards the goal of developing sufficient talent to meet the business’ needs. The organization has experienced a significant increase in the number of candidates who are designated “ready now” to take on senior leadership roles. Additionally, Philips’ accelerated pipeline management strategy has resulted in more effective development experiences for HIPOs, as evidenced by a tripling of the number of cross-functional, cross-product division and global moves. A key indicator of the success of HIPO development at Philips is the growing percentage of senior executive roles that are filled with planned internal candidates today as compared to 1999.

## STRENGTHENING THE PIPELINE

**Philips has observed an increase in the number of “ready-now” successors in the talent pipeline...**

Percentage of “Ready-Now” Candidates in Succession Plan

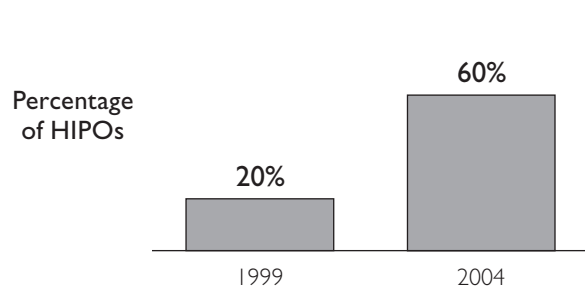
1999 Versus 2004



**...built through giving HIPOs needed development experiences...**

Percentage of HIPO Development Moves That Were Cross-Functional/Cross-Product Division or Global Moves

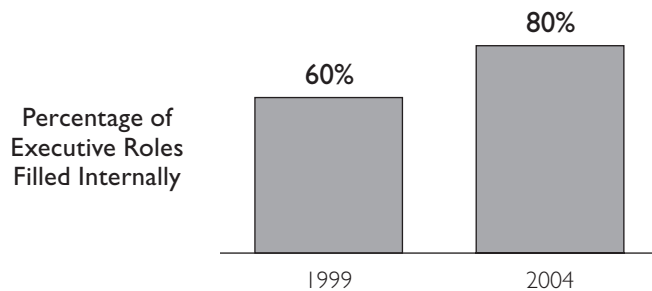
1999 Versus 2004



**...resulting in an increased flow of internal talent to fill senior executive roles**

Percentage of Senior Executive Roles Filled with Planned Internal Candidates\*

1999 Versus 2004



\* Estimate.

Source: Royal Philips Electronics N.V.; Corporate Leadership Council research.

## COUNCIL ASSESSMENT: HIPO PIPELINE STAGE GATES

### **Caveat**

While Philips finds that a structured, stage-gated HIPO pipeline contributes to accelerated development of HIPOs, organizations looking to implement a similar approach should note that Philips is careful to maintain flexibility in the design of the HIPO pipeline, continually reassessing how fast, and towards what goal, HIPOs should develop. Any HIPO management structure should be inherently flexible enough to account for changing business goals and strategies.

### **Implementation Tips**

*Open Communication*—Philips has learned that open and honest communication with all employees about the accelerated HIPO career path is critical to the organization-wide success of the practice. By openly setting employees expectations about accelerated HIPO development, organizations can maximize the engagement and retention levels of all employees regardless of their HIPO status.

*Organization-Wide Focus on Development*—The success of the accelerated HIPO pipeline at Philips rests, in part, on the quality of the development that the organization provides for the non-HIPO employee population as well. Philips has experienced that a full suite of non-HIPO development resources not only strengthens the overall talent pool, but also helps to ensure that managers nominate individuals to the HIPO pool because of their potential, and not because of the development opportunities that HIPO status affords.

## ORGANIZATIONAL ROAD MAP FOR ACTION

- Define the HIPO career path by considering organizational leadership needs, HIPO learning and development time, HIPO attrition rates at different career stages, and the organization's ability to offer needed development opportunities.
- Identify the most challenging development transition points throughout the typical HIPO career.
- Determine the most critical development support required for high performance at each transition.
- Reassess HIPOs' potential at each career transition point and exit HIPOs who do not have the potential for success at the next level.
- Align HIPO identification and assessment processes across functions and business units to allow for effective cross-calibration of potential and performance.

