CORPORATE EXECUTIVE B·O·A·R·D

Guidelines for Using a Nine-Box Matrix

Finding 1: Research indicates that organizations typically define employee potential by an employee's demonstration of high-level contributions, company values, potential to move up to an identified position within a given timeframe, and potential to assume greater responsibility. Literature indicates that likelihood of advancement and learning agility are two key characteristics of high-potential employees across companies.

Trend: Potential Defined by Promotability

Companies often define high-potential employees based on their ability to move up to a senior management or executive position within a given timeframe.

- **Defining Potential by Likelihood of Advancement**—A 2000 Council survey of 252 organizations found that 47% of companies define high-potential employees based on their ability to advance two to four levels beyond their current positions. An additional 26% of companies seek to implement this model. Companies identify high-potentials as those employees with the potential to become leaders at various levels of the organization, including the executive-level, as shown in the profiled company examples below:[1,2,3,4,5,6]

  - Company C defines high-potentials as those employees able to advance two leadership levels (e.g., moving into a manager, then senior manager position) within four to eight years and who score well on various assessment criteria.

  - Company A defines high-potentials as employees who can assume greater responsibilities within the next two years and who exhibit a history of high performance and leadership potential.

  - 3M Company defines a high-potential as "an employee who consistently contributes at a high level. Confidence exists that this individual will likely move into the next job band within the next three years."

Trend: Potential Defined by Learning Agility and Performance

Learning agility is one of the most useful indicators of future performance, as it demonstrates the following abilities:[7]

- Measure how adaptive individuals are to applying new behaviors to deal with changes

- Predict the ability of individuals to perform well under new conditions

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- **Defining Potential by Learning Agility and Performance**—Research indicates that many companies use performance, as indicated by 360 degree reviews, talent reviews, and feedback, as a key indicator of employee potential. Learning agility, as defined in the left-hand margin, is a common characteristic of many organizations' high-potential definitions, as highlighted in the profiled company examples below:[8,9,10]

  - Sabre's high-potential employee has "officer potential within three to five years, is capable of performing a broad range of cross-functional assignments, is of extremely high learning agility, and possesses the broadest range of leadership and technical competencies."

  - Company D's definition of a high-potential employee varies slightly depending on employee level, but typically is defined on the basis of potential or future trajectory, or on how far an employee can "reach."

  - At GE, a high-potential employee is determined not by leadership competencies, but by charting both employees' performance and their adherence to GE values on a nine-box matrix *(see page 5).*

  - Westcoast Energy identifies a high-potential employee as someone who demonstrates a pattern of success in new and difficult situations, "leaves tracks in the sand," takes personal risk, and makes professional sacrifices.

Finding 2: Companies develop standard definitions of performance and potential when implementing a nine-box matrix to ensure accurate calibration of talent across diverse business units. Organizations that use nine-box matrices typically measure an employee's performance against his or her potential to lead in order to assess the employee's matrix position.

This section reviews the use of nine-box matrices at various companies, including Exelon Corporation, General Electric, and Bose. Research indicates that while companies define each box in the matrix differently and use unique terms to identify each box, companies typically categorize employees on a scale of high, medium, and low performance/potential. Criteria for assessment typically includes an employee's business impact and performance, corporate values, and leadership potential.

<u>**Case Example: Assessing Employees on a Nine-Box Matrix at Exelon**</u>

- **Three-Step Process to Plot Employees**—Exelon Corporation uses a three-step process to plot its leaders within its nine-box matrix, as follows:[12]

  - **Step 1:** Exelon assesses employee performance based on the company's standard performance definitions (see page 3)
  - **Step 2:** The company assesses employee potential (see page 4)
  - **Step 3:** The organization places employees in the appropriate matrix boxes

- **Populating the Nine-Box Matrix**—Once Exelon's top 750 leaders are assessed using the standard performance and potential definitions, the HR team places individuals within the nine-box matrix shown below. The model's drive for a balanced distribution ensures that leaders within the top three boxes represent the "cream of the crop" and merit differential investment.[13]

Figure 1: Exelon's Nine-Box Model (Illustrative)

*Individuals who are new to their positions or the organization are placed in Box 4 for no fewer than three months and no longer than six months

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Benefits of Exelon's Nine-Box Matrix

Benefits of Exelon's Nine-Box Matrix include the following characteristics:[11]

- **Standardization of Criteria:** All business units use standard, enterprise-wide performance and potential criteria to facilitate the placement of the top 750 leaders into one box.

- **Dynamic Talent Snapshot:** Monthly or quarterly updates prevent data from becoming "stale," allowing the organization to use the information within the nine-box model to move leaders in and out of boxes as their performance and potential assessments change over time.

- **Enterprise-Wide and Business Unit Views:** In addition to providing an aggregate-level view of the leadership bench, the nine-box model allows the organization to obtain a business unit perspective of talent (e.g., how many leaders are high performers with high potential in Business Unit X), enabling identification of high-potential employees and leaders across the organization.

- **Balanced Talent Allocation:** The organization drives for a balanced distribution of leaders to prevent the model from becoming too "top heavy," creating a true demarcation between high-potential talent and solid performers and raising the quality bar for talent overall.

Finding 2: Continued

Case Example: Assessing Employees on a Nine-Box Matrix at Exelon (Continued)

- **Defining High, Medium, and Low Leadership Performance**—Exelon creates standard definitions of performance to facilitate "apples-to-apples" comparisons of talent across diverse business units. The selected criteria, detailed in the table below, are broad to ensure inclusiveness but precise to allow both managers and the HR function to maintain a high level of confidence that strong performers are of the same quality throughout the organization.[14]

Table 1: Leadership Performance Definitions		
Performance Criteria	**Performance Levels**		
	High Performance "Exceptional Performer"	**Medium Performance "Significant Contributor"**	**Low Performance "Does Not Meet Expectations"**
Progress Against Goals	Exceeds most business and personal development goals—especially those of high priority	Achieves all goals, at a minimum, and may even exceed some	Does not achieve high-priority goals or does not achieve over half of total goals
Results Delivery	Clearly delivers business results to lead Exelon in outperforming competition	Delivers results to help Exelon outperform the competition	Does not achieve expected results
Performance Level	Consistently performs at the highest level	Takes on extra projects without defaulting on basic objectives and responsibilities	Consistently ignores or conflicts with one or more of the Exelon competencies
Direct Report Development	Develops and leads direct reports to achieve results	Manages direct reports to achieve results	Does not focus on developing direct reports

Finding 2: Continued

Case Example: Assessing Employees on a Nine-Box Matrix at Exelon (Continued)

- **Defining High, Medium, and Low Leadership Potential**—Exelon defines potential using both actionable and observable criteria, requiring managers to qualify individual assessments to ensure the accuracy of "key talent" designations, as detailed below:[15]

<table>
<tr><th colspan="4">Table 2: Leadership Potential Definitions</th></tr>
<tr><th rowspan="2">Potential Criteria</th><th colspan="3">Potential Levels</th></tr>
<tr><th>High Leadership Potential</th><th>Medium Leadership Potential</th><th>Low Leadership Potential</th></tr>
<tr><td>**Learning Agility**</td><td>Adapts easily to new, ambiguous, or changing conditions; maintains realistic optimism and effectively leads change</td><td>Moderate learning agility and adaptability to new or changing conditions; able to make decisions in ambiguous situations</td><td>Not an agile learner; does not always learn from mistakes and has a tendency to make errors</td></tr>
<tr><td>**Potential Next Moves**</td><td>Interested in and capable of moving up one level immediately and another level in the near future; could move within AND across business units</td><td>Has potential to take on greater roles within the company; could move up one level within the business unit in the short-term or assume significantly greater responsibilities within the current level</td><td>May not be capable of progressing to the next level or to take on greater roles within the company; retention contingent on performance and unique expertise value</td></tr>
<tr><td>**Ability of Development to Address Weaknesses**</td><td>Limitations can be addressed by experience and/or targeted development</td><td>Some limitations in leadership style and approach need to be addressed</td><td>May be a blocker or inappropriately placed</td></tr>
</table>

Case Example: Assessing Employees on a Nine-Box Matrix at General Electric

- **Central Oversight Ensures the Integrity of Talent 'Grading'**—GE conducts a Session C talent review to identify individuals with potential to provide future leadership to the organization. The result of Session C is the nine-box matrix, which provides a snapshot of the health of the leadership talent 'bench' across GE. The CEO's familiarity with the content of Session C at each business unit prevents grade inflation and calibrates ratings across divisions, ensuring that the matrix produced provides a realistic picture to guide succession planning and appropriately focus development activities.[17]

Justifying Employee Matrix Placement

Exelon managers who nominate their direct reports as "key talent" must be able to qualify their designations with specific examples demonstrating the candidate's potential. In addition, managers must demonstrate implicit commitment or willingness to immediately move the candidate to a position with greater responsibilities.[16]
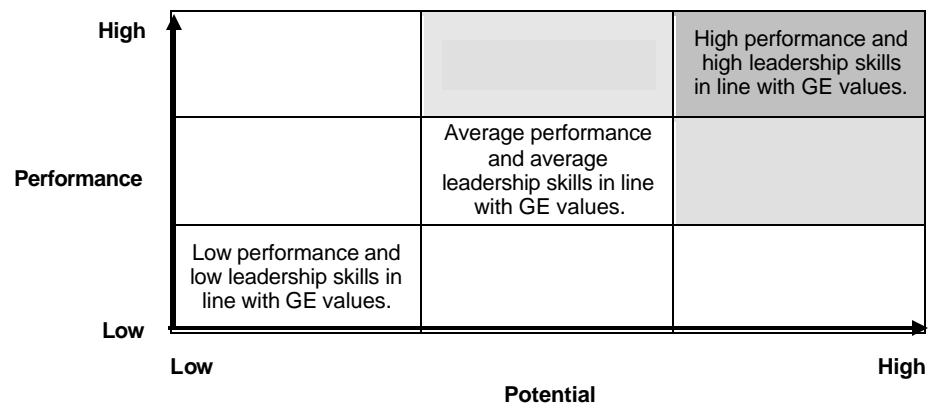

High-Potentials as "A-Players"

A company profiled in previous Council work assigns numbers to each of the boxes in its nine-box matrix. Those employees that are designated "1" (high-potential, high performance) are considered "top A players." The company designates all employees ranked "1" to "3" as A players.[18]

Finding 2: Continued

Case Example: Assessing Employees on a Nine-Box Matrix at General Electric (Continued)

▪ **Emphasis on Leadership Skills and Company Values**—GE uses a nine-box matrix that compares the suitability for promotion of all employees with leadership potential in the organization. The matrix plots managers' bottom-line performance against their ability to lead according to GE values, as shown in the example below:[19]

Figure 2: Hypothetical Performance/Potential Matrix at GE

Performance			
High			High performance and high leadership skills in line with GE values.
		Average performance and average leadership skills in line with GE values.	
	Low performance and low leadership skills in line with GE values.		
Low	**Low**		**High**

Potential

Case Example: Assessing Employees on a Nine-Box Matrix at Bose

▪ **Bose Corporation's Nine-Box Performance Matrix**—Bose Corporation uses the matrix shown below as a selection tool for high-potential employees. The matrix axes, "Performance Impact" and "Potential for Growth and Increased Contribution," are each divided into three levels, resulting in a nine-way grid. Box definitions are as follows:[20]

- **Top Third of Employees are Stars**—The top third of employees in performance and the top third in potential are labeled "Stars," the highest role models for leadership and therefore ranked as "9."
- **Bottom Third of Employees are Derailed**—The bottom third of employees in both categories are the "Derailed" and are therefore ranked lowest, as "1." The company strives to enroll the people ranking highest against the matrix in its leadership development programs.

Figure 3: Bose Corporation's Performance Potential Matrix

Performance Impact		
High Professional (5)	High Potential (7)	Star (9)
Tried and True (4)	Utility Player (6)	High Potential (8)
Derailed (1)	Misspent Talent (2)	Past Credit (3)

Potential for Growth and Increased Contribution

[1] Corporate Leadership Council, *Differentiating Between High-Potentials and High-Performers*, Washington: Corporate Executive Board (June 2003).

[2] Cope, Faye, "Current Issues in Selecting High-Potentials," *Human Resource Planning* (January 1998). (Obtained through Factiva).

[3] Corporate Leadership Council, *Identification and Development of High-Potential Employees at* Fortune 500 *Companies*, Washington: Corporate Executive Board (August 2002).

[4] Corporate Leadership Council, *The Leadership Imperative*, Washington: Corporate Executive Board (December 2001).

[5] Corporate Leadership Council, *GE's 'Session C' Leadership Talent Assessment,* Washington: Corporate Executive Board (May 2001).

[6] Corporate Leadership Council, *Challenges in Managing High-Potential Employees*, Washington: Corporate Executive Board (April 2000). (This document is unavailable).

[7] Eichinger, Robert W. and Michael M. Lombardo, "Learning Agility as a Prime Indicator of Potential," *Human Resource Planning* (Date Unknown). (Obtained through the Learning & Development Roundtable Web site).

[8] Corporate Leadership Council, *Identification and Development of High-Potential Employees at* Fortune 500 *Companies*, Washington: Corporate Executive Board (August 2002).

[9] Corporate Leadership Council, *The Leadership Imperative*, Washington: Corporate Executive Board (December 2001).

[10] Corporate Leadership Council, *GE's 'Session C' Leadership Talent Assessment,* Washington: Corporate Executive Board (May 2001).

[11] Learning & Development Roundtable, *Standard Performance and Potential Definitions Talent Investment Prioritization Matrix*.

[12] Learning & Development Roundtable, *Standard Performance and Potential Definitions Talent Investment Prioritization Matrix*, Washington: Corporate Executive Board (Date Unknown).

[13] Learning & Development Roundtable, *Standard Performance and Potential Definitions Talent Investment Prioritization Matrix*, Washington: Corporate Executive Board (Date Unknown).

[14] Learning & Development Roundtable, *Standard Performance and Potential Definitions Talent Investment Prioritization Matrix*.

[15] Corporate Leadership Council, "GE's 'Session C' Leadership Talent Assessment."

[16] Corporate Leadership Council. *Identifying and Developing High-Potential Employees at Top Training Companies*, Washington: Corporate Executive Board (April 2005).

[17] Corporate Leadership Council, "GE's 'Session C' Leadership Talent Assessment."

[18] Ferrie, John C. "Bose." *Linkage Inc.'s Best Practices in Leadership Development Handbook.* San Francisco: Linkage Incorporated (2000): 137-165. (This document is unavailable).