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– **Marc Effron**

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High-Potential Employees

There's little disagreement over the fact that structured performance management and succession-planning programs are key drivers of long-term business success. As part of these programs, companies rank employees, often differentiating between "high performance" and "high potential." While high-performance employees complete their jobs well, high-potential employees are thought to possess the skills and qualities necessary to be the organization's next generation of leaders. ■ There are conflicting opinions over whether it's beneficial to inform employees of their high-potential status. After conducting their ranking exercises, companies must decide whether to tell or not to tell. Here are two perspectives on the issue.

Tell Them

*Marc Effron,
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The most compelling reason to tell employees of their high-potential status is that studies have shown a strong correlation between companies that have open performance conversations with employees and greater financial performance. According to Hewitt's *Top Companies for Leaders study*, companies in the upper quartile of total shareholder return are nearly three times more likely to tell high performers of their status than companies in the lowest quartile.

In addition, telling individuals that they're considered "high potential" is a powerful signal to employees that the company values their contributions to the business and believes in them enough to invest in their futures. In today's competitive marketplace for leadership talent, consistent and meaningful messages like these go a long way toward encouraging key talent to stay with the organization.

Not telling employees of their high-potential status creates a greater risk that they'll go to an organization that will recognize and develop their talent. High-potential employees tend to know that they have high potential, whether they're officially told or not. And they're not alone: Headhunters know it, their peers know it, and industry

Don't Tell Them

*Laurence Colin,
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Companies that choose not to tell employees of their high-potential status are usually worried about creating a two-class system of the haves and the have-nots. In European companies, there's a concern that telling high-potential employees will encourage them to act differently toward other employees and inhibit teamwork. In addition, companies are concerned that high-potential employees might view their status as a right, rather than a privilege that needs to be earned every year.

Realistically, some companies simply aren't ready to have these sensitive performance-related conversations with employees. Companies should avoid telling employees if they don't have an established and transparent process for identifying high-potential talent. Likewise, companies should refrain from telling employees if the organization doesn't have a well-developed ongoing program to provide selected employees with appropriate development opportunities.

In some cases, the company's managers simply lack the skills to have sensitive performance conversations with their people. There's a significant amount of talk around having managers tell people that

colleagues know it as well. If their current employer doesn't tell them, there's a good chance someone else will.

Finally, telling employees of their high-potential status can give employers an edge in the ongoing challenge to attract and retain key talent. By developing a formalized high-potential program and maintaining it over time, companies can build a reputation as a place where people can grow as leaders, prove themselves through a variety of opportunities, and build rewarding careers. As a result, companies can gain greater access to the best talent at a lower overall recruiting cost to drive competitive advantage.

they're considered to be high potential—and even greater anxiety over dealing with upset employees who feel overlooked or informing former high-potential employees that they're no longer considered part of the high-potential pool.

Finally, telling high-potential employees can be demotivating to high performers who are not designated as high potential, possibly leading to decreased productivity and higher turnover. Every company has a number of high-performing individual contributors, who bring a great deal of value, experience, and knowledge to the organization. Even though they may not be within the high-potential group, the best companies take special care to ensure that they continue to grow and feel valued and appreciated. **H**

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