

## High-Potential Programs: Why Still a Gap?

Igor Kotlyar  
University of Ontario Institute of Technology  
Oshawa

*To address the growing leadership gap, companies invest in “high potential” (HIPO) programs, designed to identify promising leadership candidates and develop them into future leaders. However, despite their commitment to such initiatives and the availability of best practices, HIPO programs frequently fail to deliver desired results. We explore how managers who facilitate HIPO programs perceive these programs and how their perceptions hinder their ability to implement best practices and optimize their programs. Our findings suggest that organizations need to focus more on the underlying perceptions and concerns of managers who execute HIPO programs.*

### INTRODUCTION

Shortage of leadership talent is deemed one of the greatest concerns for organizations (Fernández-Aráoz, Groysberg, Nohria, 2011; Guthridge, Komm, & Lawson, 2008; Leslie, 2015). To address the growing leadership gap, many companies have launched “high-potential employee” (HIPO) programs (Cappelli, 2008; Church & Rotolo, 2013), which they consider their top strategic priority (Corporate Leadership Council, 2005, 2011). The purpose of such programs is to identify the most promising leadership candidates among their employees and develop them into effective leaders (Collings & Mellahi, 2009; Dries, Van Acker & Verbruggen, 2012; Silzer & Church, 2010).

The term “high potential” is used to refer to those employees who possess the kinds of skills and abilities necessary for leadership advancement in an organization (Cappelli, 2008; Collings & Mellahi, 2009). These employees are considered “able and willing, and likely to ascend the corporate ladder” (Iles, 1997: 347) and commonly viewed as offering a unique competitive advantage to an organization in the form of an exceptional leadership capacity.

Today, the majority of organizations have programs in place to identify leadership talent (e.g., Church & Rotolo, 2013). Estimates of organizations with HIPO programs range from around 60 percent (Campbell & Smith, 2010; Hagemann & Mattone, 2011) to over 90 percent (Ready, Conger, & Hill, 2010; Silzer & Church, 2010). Organizations back their commitment to HIPO initiatives with substantial investments of money and effort (e.g., Corporate Leadership Council, 2011; Ready *et al.*, 2010).

However, despite a substantial organizational commitment to HIPO initiatives, such programs frequently fail to reduce the leadership gap (AMA Enterprise, 2011; Hogan Assessment Systems, 2013; SHL, 2014; UNC Kenan-Flagler, 2013). As the title of a recent Harvard Business Review article states, “Companies are bad at identifying high-potential employees” (Zenger & Folkman, 2017). According to the authors, “more than 40% of individuals in HIPO programs may not belong there” (Zenger &

Folkman, 2017). Similarly, another study reported that, “nearly 40% of internal job moves made by people identified by their companies as ‘high potentials’ end in failure” (Martin & Schmidt, 2010: 56) and yet another found that 50% of internally promoted executives encountered a “significant problem” meeting the requirements of their new position (Corporate Leadership Council, 2005). This may not be a big surprise to organizations themselves, as roughly half acknowledge that they are ineffective at identifying and developing HIPOs (Corporate Leadership Council, 2011; SHL, 2014) and fewer than one in five report being satisfied with their HIPO practices (Karakowsky & Kotlyar, 2011; SHL, 2014). More notably, despite years of implementing such programs, organizations continue to experience a significant leadership gap. According to Korn/Ferry (2013), more than 50% of companies suffer shortages of qualified leaders and “critical roles are not filled because leaders are not ready” (p. 1).

It is unclear why HIPO programs fall short at meeting their desired objectives, particularly given the availability of tools and best practices. Several researchers have advanced comprehensive frameworks for identifying talent, including the Rewarding/Able/Willing (RAW) model advanced by Hogan, Chamorro-Premuzic and Kaiser (2013) and the BluePrint for leadership potential proposed by Church and Silzer (2014) (also Silzer & Church, 2009). In addition, some consulting firms – including Corporate Leadership Council (2005) and DDI (Rogers & Smith, 2007; Wellins, Smith, & McGee, 2006) – have identified best practices and developed their own models for identifying HIPOs. As pointed out by Church and Rotolo (2013: 200), the core theory, tools and processes for identifying future leaders have been around for decades.

So, why are companies still “bad at identifying high-potential employees” (Zenger & Folkman, 2017)? This is puzzling, because organizations regard such programs as strategically important and have access to best practices and tools. So, what explains the gap between companies’ desire and commitment to establish effective HIPO programs on the one hand and their ability to do so on the other? Could it be that there are certain psychological barriers that hinder managers’ ability to effectively implement and optimize such programs?

In this study, we explore how people who facilitate HIPO programs perceive these initiatives. Specifically, we investigate perceptions of Canadian senior managers, who are directly involved with HIPO programs. Our intent is to “see” through their eyes the experience of running these programs. What are their concerns and do these concerns conflict with each other? Do the tensions between conflicting concerns make it difficult to optimize such programs? Unfortunately, at present, there is little published research on how managers perceive their HIPO programs (Church & Rotolo, 2013: 200; Dries, 2013; Kotlyar & Karakowsky, 2014). Yet, a better understanding of their perceptions and potential psychological barriers may help companies implement HIPO programs more effectively.

## **METHOD**

We employed a qualitative methodology to explore the following questions: How do managers, who are involved in running HIPO programs, perceive their companies’ programs in terms of effectiveness, design and implementation, and transparency? What are the implications of these perceptions on administration and effectiveness of HIPO programs? Qualitative methods are commonly used in studies of talent management (Gallardo-Gallardo & Thunnissen, 2015).

We conducted semi-structured interviews with 19 Canadian executives and senior managers (13 women and 6 men). Our participants held the titles of Vice President (3), Director (13), Managing Partner (1), and Senior Manager (2). All participants had firsthand experience with their organizations’ HIPO programs; all were personally involved in identifying “high potential” talent and some in designing programs. Organizations in our sample represented a range of industries, including healthcare, insurance, manufacturing, marketing and PR, natural resources, news and media, publishing, retail and technology. Most of these organizations were large companies with easily recognizable names.

The process of recruiting participants involved an initial email invitation to participate in an interview-based research project. The same investigator then scheduled and conducted phone interviews with each respondent in order to reduce unwanted variation. Participants were asked to share their

experiences and perspectives regarding their companies' practices of identifying HIPOs. Specifically, they asked about their programs' effectiveness and validation, design and implementation, and transparency (e.g., "How effective is your organization at identifying high potentials?", "Has your organization validated its high potential identification process? And if so, how?"). Each interview lasted between 45 and 60 minutes. Interviews were audio-recorded and transcribed verbatim. The interviews were then analyzed in terms of prevalent and recurring themes in participants' narratives (Creswell, 2014).

## RESULTS AND DISCUSSION

Every organization in our study, with one exception, had a defined and systematic process for identifying HIPOs. The one exception was a large entertainment company, which according to its VP of HR, had only recently implemented a "high potential" program, because the company had been undergoing "frequent structural changes".

Most (12) interviewees indicated that their companies aimed to identify between 5% and 15% of their managerial pool as HIPOs. Three interviewees said that their companies sought to classify between 15% and 30% of their managers as HIPOs; two stated that their companies wanted to identify approximately 1% of managers who were ready, or nearly ready, to be promoted; and two could not provide an answer with any degree of certainty. These responses are consistent with the finding elsewhere that the majority of companies have their percentage of high-potential classifications set at or below 15% (Church *et al.*, 2015).

There was a high level of consistency in how respondents perceived their organizations' HIPO programs. They regularly emphasized the same concerns and perceived tensions between these concerns, such that taking a certain action to alleviate one concern would simultaneously intensify another. For example, most respondents felt that increasing transparency may help boost short-term motivation of HIPOs, but may adversely affect motivation and engagement of other employees (discussed below). From this perspective, existing HIPO programs appear to reflect a balance between conflicting concerns on the part of senior managers who administer such programs. Having to balance opposing concerns presents dilemmas and makes it difficult to optimize the effectiveness of a program as a whole. The emerging picture helps understand why HIPO programs are not highly effective, despite the high level of organizational commitment and the availability of relevant tools and processes to support such initiatives.

### Effectiveness and Validation

Industry experts recommend that companies evaluate and validate the effectiveness of their HIPO programs (e.g., Korn/Ferry, 2013; Vartak, 2015). For example, Aon recommends a five-step approach, where two of the recommended steps call to "validate the identification process to ensure that it predicts high performance" (Step 2) and to "evaluate the effectiveness of your approach" (Step 5) (Tucker, 2016: 1, 10). Such analyses are particularly important given that the efficacy of HIPO programs has been questioned (e.g., Zenger & Folkman, 2017).

We asked our interviewees to comment on the effectiveness of their HIPO programs. Initially, most respondents asserted that their HIPO programs are effective at accurately identifying "high potential" talent. Consider the following response: "I think the overall program we have to foster our leadership has been very effective; I can't think of anything that I would change" (Director, Operations, insurance). Moreover, all participants indicated that they regarded their HIPO programs to be strategically important for their organization's future success by effectively identifying and developing leaders who would lead their organizations in the face of change and innovation. Many participants wanted to see their existing HIPO programs expanded:

"High potential programs are fabulous... What we said was, how can we put some more structure around that and ramp up the speed at which people move faster to these future kinds of roles... Absolutely everyone thinks that's a good thing." (VP, HR, publishing)

However, as each interview progressed, nearly all respondents shared their suspicions that their company's program might not be as effective at identifying HIPOs as it appears. These concerns were similar to those reflected in other research studies and reports that raised questions about the accuracy of companies to identify HIPOs (e.g., Zenger & Folkman, 2017). For example, one participant observed that "high potentials" identified by her company did *not* exhibit any more potential than "non-high potentials": "I can't think of anything different between the people I know were on the high potential list and people who weren't" (Director, Audience Development, media).

Interviewees regularly brought up concerns around lack of accuracy and consistency of talent calls:

"I think because each Director gets to make those calls, it's inconsistent. Some are more "big picture" thinkers and think beyond what you're doing today. Others might put you on the list because they like you and think you do a good job so some would be more shortsighted. But there isn't really a systematic evaluation process. If your boss thinks you should be on the list, you get on the list." (Director, Operations, manufacturing)

Interviewees also remarked that their HIPO programs did not meet the strategic objective of developing a new cadre of leadership that can "innovate" and "shake things up", the qualities considered to be important in a number of industries threatened by disruptive innovation. Rather, some respondents felt that their programs may have served to do the opposite by perpetuating the "same old" way of thinking.

"Senior executives would tell you it's to break the glass, be innovative, shake things up, but I think in reality it's about succession planning and continuity. There is a feeling that we want innovative leaders, but it's really about making sure that we have the continuity... and that we don't have to hire people from outside at that senior level. I think the negative risk with that is lack of long-term growth or lack of ability to be flexible in an industry that changes and develops. I mean continuity of leadership and continuity of management style can be good if what you're doing is working, but if it stops working, if the industry changes, if you know there is a big change in consumer behaviour then you're not prepared to think differently. So it's a risk." (Director, Digital Commerce, publishing)

Overall, nearly every respondent expressed some level of concern regarding the effectiveness of his or her HIPO program to effectively identify leadership talent.

Yet, not a single company in our sample had validated the accuracy of its identification process or evaluated the effectiveness of its HIPO program. As such, none were able to provide evidence that their HIPO programs were actually meeting their stated objectives (e.g., accurately identify talent, produce better leadership candidates, etc.). This finding is consistent with other reports that the majority of organizations do not validate their effectiveness at identifying leadership talent (Cappelli, 2008; Karakowsky & Kotlyar, 2011).

Companies in our sample tended to accept the effectiveness of their HIPO programs on faith. For example, the same VP who praised her company's initiative as "fabulous" (see above) provided the following response when asked whether her organization had validated its program.

"I don't think so, in terms of a theoretical, like, a validation formally, no. So, there is no map that says can you prove that anybody that you identify in your talent review five years ago is now in a leadership role. I think if we went back and said, could we go back and say are those people generally getting those roles when they become available. I would guess, yes, more than no, but there's no formal, sort of academic validation that we would have done. So that's what has been based on people's feedback. So it's much more anecdotal than formal, I would say." (VP, HR, publishing)

Furthermore, this VP seemed to reject the very idea of an empirical validation. Here's her response to a question about whether she would see value in validating her company's program:

"I think our staff tends to be more intuitive. We are intuitively seeing the people getting promoted that we are investing in. That's the bottom line. And if we feel that the answer to that is yes, then I'm not sure there would be huge value in undertaking a giant

statistical review to document what you already intuitively know is in fact happening, because it would take a lot of energy and a lot of work to do that, and if it was only going to tell you what people are already telling you about the program, we wouldn't do it. Maybe if you are an organization that had more of an uphill battle around proving the value of stuff, you might undertake something like that. I get the concept. Yeah, it's about being able to go, "Hey we can prove this thing works," but I think where we are at right now is people are telling us it works, and we are just believing that." (VP, HR, publishing)

Other interviewees expressed similar sentiments:

"I'm always interested in seeing if we can make it better. But I honestly don't get the feel from the Executives that they feel it's not being done well. In fact, they feel as though we are doing a really good job with it. I've heard no complaints. I'm not hearing that we are not doing a good job by identifying or even keeping these people. So, I don't know how much extra time or money or resources we would spend on doing more. I don't think we're interested in a research project." (VP, HR, utility)

Why wouldn't organizations systematically investigate the effectiveness of programs that they consider critical for their future? As mentioned, companies are advised to evaluate whether their HIPO programs deliver the desired results and identify performance gaps in order to address them (e.g., Korn/Ferry, 2013; Tucker, 2016).

Our interviews suggest that the answer can be understood in light of the realities of organizational life. In order to maintain and expand HIPO initiatives, these programs have to be promoted and sold internally. Thus, an *appearance* of effectiveness becomes important – the program must *appear* effective in order to garner support from the senior executive team. Looking from this perspective, if the executives already feel a program is "being done well", a validation study can be a risky undertaking, as it may cause the executives to question the program and weaken their affective support. On the other hand, collecting anecdotal evidence that support perceptions of effectiveness of a HIPO program, can enhance its appearance and, thus, organizational confidence in and commitment to such an initiative, which is what we observed.

It is a natural human tendency to collect and evaluate information to confirm or justify a conclusion already drawn (Nickerson, 1998). In organizations, people tend to collect confirmatory anecdotal accounts and surveys of positive affective reactions (e.g., AMA Enterprise, 2011), which can become self-perpetuating and fuel the conviction that HIPO programs are highly effective and strategically important. In turn, this confirmation bias may further reduce any interest in validation. For example, as reasoned by one VP (see above), why engage in "a giant statistical review to document what you already intuitively know is in fact happening"? She seemed to believe so much in her company's initiative that she did not even consider the possibility that her – and her colleagues' – intuition might be inaccurate. Instead, she continued to look for "evidence" that her company's program was effective: "People are telling us it works, and we are just believing that" (see above). Other studies and reports also indicate that organizations are often comfortable relying on anecdotal accounts, affective reactions and intuitive judgments (e.g., AMA Enterprise, 2011), the accuracy of which tends to be significantly overestimated (e.g., Highhouse, 2008).

In summary, people who run HIPO programs seem to experience a tension between (a) *making* the program effective in meeting organizational objectives and (b) making the program *appear* effective in order to "sell" the program internally. The former requires some level of objective evaluation, which organizations may, oddly, view as inconsistent with their goal of maintaining or expanding the program. Faced with this tension, organizations seem to lean toward making their programs *appear* effective, discounting the need for any empirical validation efforts. Thus, the effectiveness of HIPO programs is generally taken on faith, despite internal suspicions and external reports that HIPO initiatives may not be meeting their strategic objectives (e.g., Zenger & Folkman, 2017). Unfortunately, this perspective undermines companies' ability to optimize their HIPO initiatives. Other reports also reflect this tension, as for example, a recent report by Mercer (2017) revealed that, on the one hand, the majority (68%) of HR

leaders express confidence in their current talent management processes, but, on the other, the majority (75%) also intends to redesign structures of their current programs.

### **Design and Implementation**

We asked our interviewees about the design and implementation of their HIPO programs. Their responses indicated that their companies approach the *design* differently than they do the *implementation*. Nearly all interviewees highlighted a dichotomy between the rigor of design and the lack of rigor in implementation. The HIPO programs in our sample were conceptually designed to generate reliable and accurate talent calls, but were executed with subjectivity and bias. Organizations generally focused their efforts on process design, which they perceived to be the *driver* of program quality as well as an *indicator* of program quality. As discussed above, none of the organizations in our sample validated their identification processes. Instead, they seemed to rely on *design* as a proxy for program effectiveness; a well-designed program was considered to be an effective program. The following is a representative response from one interviewee when asked to comment on the “effectiveness” of her organization’s HIPO program to identify and produce leaders: “This is my fifth large organization and they have the best-designed and best-defined process in place in terms of identifying top talent and developing them for the next level” (Director, Organizational Development, retail).

All respondents in our study – with the exception of one company that only recently started to implement a HIPO program – described their HIPO programs in terms of their formal design, emphasizing attention to objective decision-making and systematic application of the process. Each had a formal definition of a “high potential employee”, typically referring to an individual’s “potential and likelihood of moving up one or two significant levels within the organization” (Director, a medical devices company). All had designed identification processes around a popular 9-box model (cf. Church *et al.*, 2015), which combined a “performance” dimension (as typically reflected by performance reviews) and a “potential” dimension (as reflected by an individual’s potential and ability to grow in terms of leadership capacity); employees high in both “performance” and “potential” were deemed “high potentials”. All organizations had a list of key competencies, specifically developed to identify “potential”. All had designed a systematic talent review process, whereby senior managers and executives evaluated their direct reports in terms of these key competencies and then brought forward their nominations for “calibration” – group discussions to review and deliberate on the “high potential” candidates. These design elements are consistent with prescribed frameworks for identifying talent (e.g., Church & Silzer, 2014).

However, as the interviewees began to elaborate on the various *implementation* details of their programs, they described numerous program shortfalls, including poor communication and lack of training, subsequently resulting in subjectivity, inconsistency and bias of talent calls. For example, the same Director who earlier praised her current organization for having “the best-designed and best-defined process” (above), said the following:

“It’s not easy to assess talent, and even for those of us that do it on a regular basis, who are in the HR field. It can be difficult when we don’t have what exactly are the parameters, what are the guidelines, what are we looking for. It allows for biases, for subjective assessment. I would just say the standardization and making sure that everybody was using the same assessment would be helpful.” (Director, Organizational Development, retail)

According to our interviewees, managers who were expected to implement HIPO programs often were not well equipped to do so. Frequently, the evaluation criteria and instructions for identifying HIPOs were not clearly communicated and written documentation was vague, scant and sometimes inconsistent. There was also insufficient training to ensure that managers were adequately skilled at applying the “high potential” criteria:

“Generally, it’s not that we have guidance on that specifically. You basically just look at who performs at a certain consistent level, contributes, goes above and beyond, who is well respected by colleagues.” (SVP, marketing and PR)

“We don't have a training program for those senior managers who are responsible for identifying talent. It's not completely subjective, but I mean when we have one of the first criteria that we identified is “demonstrate the growth potential”... it's still a subjective thing that is really hard to do. We've got points and we are looking at it, but it's just that something that they have, that quality that you can just tell, and everybody always nods their head.” (VP, HR, utility)

Thus, while our interviewees described their companies' process design from a structured perspective of the 9-box framework, they acknowledged that the implementation of these processes relied heavily on managers' “gut feel”. The following are representative responses when participants were asked how exactly they identified HIPOs and what criteria they used:

“Half of it is gut feel and then the other half is just based on your current requirements and your current level of performance in the sense of how are they actually rating on their performance plan.” (Director, Marketing, publishing)

“Identifying high-potentials is very subjective. The company has a great system... a platform for talent reviews, but the system itself is poorly managed and poorly utilized. It is entirely subjective. I would say if I had to give it a percentage I would say it's the identification process is 60 percent accurate and 40 percent politics and friends and that's the truth.” (Senior Manager, Operations, telecommunications)

“Across the organization, certainly at my level, and I am at the Director level, there is not a shared knowledge there or even a shared criteria for how to evaluate talent. It's really based on opinion. I think there are people being overlooked and there are people who have been identified that I would not consider high potentials.” (Director, Sales, technology)

Our interviewees also noted that, given lack of training and poor communication of objective criteria, managers making talent calls often based their evaluation on their personal affinity for or personal relationships with their individual direct reports. Thus, personal “chemistry” – the term offered by several of our interviewees – served as an important determining factor of whether a particular employee was deemed “high potential.”

“I think that chemistry between a manager and her direct report can color even performance evaluation. It's not the only thing, but I would say it's like 50%. I think it's at least half of it. I mean your opinion of someone is colored by whether you like them or not, and you are more willing to maybe overlook mistakes if you have a personal relationship with someone... If you are reporting to someone and there is not a personal connection, there is not the chemistry; it's hard to overcome that. We don't want to think about the fact that if people like us, if our boss likes us, then that will impact their view of your performance, but it will, and I think we also don't like to think that our own views can be colored by that, but when you think about it they probably are... what it means is that people with potential could be overlooked, because their manager doesn't see it.” (Director, Digital Commerce, publishing)

“I believe the relationship between boss and subordinate impacts whether or not somebody is seen as a high potential. Someone might be considered ‘high’ with one manager or director, then they could be moved to another and that manager may not agree. I can think of an exact example. I had an employee who reported to me and I thought she was a fantastic high potential, high performer. She was moved to another group, and I sense they don't perceive her in the same way I do.” (Director, Organizational Development, retail)

“There is more subjectivity as people move up simply because I don't see a detailed criteria. We recently went through a lot of promotions here and reorganizations, and there is an overall sense that some of the leadership was promoted because they were good friends with their leader. They went to school with them, etc., not necessarily based on the results. This is at our Senior Vice-President level. So, when you get into that senior

level, I would say I am seeing even more subjectivity.” (Senior Director, Operations, healthcare)

“You always have the potential for rating bias that while they are picking the ones that are just like them; it happens both ways. We have people that would be really struggling and not doing well and come over to another area and just shine. And I can think of where it’s been the other way around, where these were really considered high performers, but when they go over to another area and just did not thrive.” (VP, HR, utility)

Furthermore, the “calibration” phase, designed to minimize an individual manager’s subjectivity and bias when making talent calls, often did not serve its intended purpose. Individual managers’ nominations were often accepted by the group with little or no debate, as indicated by the following comments:

“We would just take the leader’s word for the fact that they were presenting [this employee] as somebody who had future potential within the organization.” (Director, Organizational Development, retail)

“Each of the VP’s or each person on the executive committee puts forward the names of people from their team they think are high potential, and those are the people who end up on a list. I don’t think there’s any kind of vetting process after that point. I think if a VP says this person should be on this list, then they end up there.” (Director, Audience Development & Strategy, media)

In summary, while the companies in our sample commended themselves for having well *designed* HIPO processes, their *implementations* were impaired by subjectivity, bias, and inconsistency. There seemed to be a disconnect between program design and implementation; or, worse, an intense focus on design might have come at the expense of proper implementation. Why may organizations disproportionately focus on *design* at the expense of *implementation*? Our interviews suggest that organizations focus on *design* because they perceive design to be both a *driver* of program effectiveness and an *indicator* of program effectiveness. In the absence of proper evaluation of effectiveness (see above), *design* becomes a marker of effectiveness. As the old saying goes, what gets measured gets done properly. Unfortunately, implementation tends to get neglected, which may partly explain why companies experience reliability and validity issues when making talent calls (e.g., Zenger & Folkman, 2017). Other researchers and practitioners have also observed that implementation practices for identifying HIPOs are fraught with subjectivity and bias (e.g., Korn/Ferry, 2013). It has been reported that individual managers frequently develop their own HIPO criteria outside of the company-wide process, which leads to inconsistent talent calls (Azzara, 2007), and identify employees based on their technical and professional expertise and personal commitments rather than leadership capabilities (Zenger & Folkman, 2017). Our observations are also consistent with industry reports that suggest that most organizations fail to follow-through on their well-intended HIPO plans (Martin, 2016).

## Transparency

The issue of transparency – the degree to which organizations share the “potential” status and program details – has been identified as one of the most important topics in the field of talent management (Church *et al.*, 2015). HR practitioners generally recommend greater transparency (e.g., Hudson, n.d.; Lamoureux, 2016). According to Korn/Ferry, “the question of ‘tell or don’t tell’ has been well and truly answered with a resounding ‘yes’” (Hill & Peters, n.d.). Organizations are further advised to communicate openly to all employees about their HIPO programs, what they are looking for in their high potentials and the criteria involved in making these decisions (Hill & Peters, n.d.). Bersin (2014) further suggests that organizations at the highest level of “maturity” provide full disclosure of HIPO status and full visibility of HIPO talent across enterprise, noting “transparency is a differentiator of a high impact succession management system”.

We asked our interviewees to describe the nature of communication pertaining to their HIPO programs and share their thoughts. The actual level of transparency and the respondents’ views did not reflect the expert advice, above. Respondents generally believed that open communication of status



generally had a *short-term* positive effect on HIPOs' level of motivation and engagement. However, they perceived transparency to have a negative effect on HIPOs in the *mid-term*, if their expectations for advancement were not met, and on non-HIPOs.

First, with respect to HIPOs in the *short-term*, nearly all of our respondents felt that communicating – or signaling – to HIPOs their status tended to positively impact their motivation, engagement and commitment. Consider the following representative comment: “I would say for the majority of people being identified as high potentials is a positive and it increases their engagement levels” (Senior Manager, finance). Extant research has noted the positive impact of being identified as “high potential” on employees' motivation and commitment (Campbell & Smith, 2014; Bjorkman *et al.*, 2013).

However, our respondents also felt that in the *mid-term*, the effect of transparency on HIPOs can be negative. They noted that informing HIPOs of their status can awaken ambitions and increase expectations for advancement, which may lead to disappointment and even exit if such elevated expectations are not met within a certain window. One respondent shared a personal reflection: “Moving up within the organization became important once I realized that those opportunities existed for me” (Senior Manager, Operations, telecommunications). Another interviewee shared a similar experience:

“I think there is a negative aspect to high potential programs, and I actually experienced this myself. I was afforded this opportunity to go into [a leadership development program]... As I was going through that program I started to wonder if I would be able to achieve my potential at [this company], and it's still the question I have today. It exposed me to this idea of, you know, I feel like I am as a high performer... yet others are being fast-tracked in the organization. I see them moving up. They are a VP now, so it makes you question, when am I going to achieve that level in here. Does [this company] have that same vision for me? I think it makes you feel more validated in your sense of self-worth, but it might make you question if your organization truly does value you as much... it just elevates your expectations.” (Director, Marketing, publishing)

According to our respondents, HIPOs expected to be promoted within 12-24 months of being identified, even if this timeframe was not explicitly stated. Our interviewees explained:

“It creates a level of expectations that's bound to lead to disappointment for a number of individuals whom you naturally value in your organization and identify as high potentials for that very reason; this is especially when you have more people identified as high potentials than roles. One, you're identified as a high potential for sometime. Yes, we think you are, well, no promises, you know, the idea of high potential is that if there is an opportunity that comes up within the next two years, we think you'd be a logical eligible candidate for the next level. So, you remain on the high potential list and nothing transpires and you see positions come up and you don't get them, well that's pretty demotivating, I would say, very demotivating. Or, you have been identified as a high potential and then they say, “Well, now you're not a high potential.” I would say that's less likely – generally the people who are high potential stay on that list – but actions speak louder than words and if they're not being executed against then for all intents and purposes you might still be on the list, but the fact is you're not on the list because you're not eligible for those roles... being a high potential [and] going off the high potential list, that one's pretty tough to recover from.” (Director, Sales, energy)

Several interviewees relayed actual situations where HIPOs, who were made aware of their status, left their organizations because their elevated expectations were not met due to lack of near-term opportunities. Given that organizations typically identify more HIPOs than the number of upcoming promotional opportunities, it is likely that HIPOs may not have their elevated expectations met within the 12-24 months window.

“Recently I had a conversation with someone who had been identified as a high potential and had been on the list for two years. Positions had come up and had been filled without even having been given an opportunity to interview. Yet, year-after-year this person was told that you're a high potential and you're next in line. Well, he eventually decided that

organization was no longer for him. I have seen at least five where that same thing has happened. People get disengaged.” (Director, Organizational Development, retail)

These comments are consistent with research findings elsewhere that communicating labels can create a psychological contract and a failure by an organization to deliver on an implicit promise of advancement can be viewed as a contract violation and lead to a loss of highly valued HIPO employees (e.g., Dries & De Gieter, 2014).

Lastly, our interviewees worried that transparency can negatively affect non-HIPOs. They felt that the effect of transparent labeling on non-HIPOs was demotivating. This concern is particularly noteworthy, because organizations are composed of mostly non-HIPO employees.

“I see a whole range of reactions. Some people are anxious about the fact they weren’t selected and what does that mean, some people being disappointed because they weren’t given that opportunity right at the gate... I heard from a couple of different managers who came to me specifically just to say: “How did this person get on the list and not this person?” There is a bit of, why him and why not me, and then that will cause some ruffle within the organization.” (Director, Operations, insurance)

“And then there are lots of others who say, “Well, hey, what about me? How come I’m not being considered? We’ve been here the same amount of time.” We were just always preparing for that possibility of people being upset. Inevitably what happens is someone says, “Well why am I not?” and so we prepare to have those conversations.” (Director, HR, natural resources)

Interviewees described numerous negative reactions and outcomes they observed on the part of those employees who felt they should have been identified, ranging from annoyance to disengagement to exit. Many respondents shared concerns that their companies may inadvertently demotivate or completely lose employees who are solid performers, regardless of whether they are seen by their managers as having significant future leadership potential. Similar concerns have been documented by researchers, who argue that capable, steady performers might be just as important for the companies’ long-term performance – even survival – as those identified as HIPOs (e.g., DeLong & Vijayaraghavan, 2003).

“I think misidentifying high-potentials has to do with the relationship that you have with your leader. So [when an employee feels she should have been on the list], I think the motivation starts to drop, you see them less engaged which means they are doing less in terms of taking on opportunities or providing insights or sharing what their thoughts are. Sometimes they become disgruntled associates and they might be looking and impacting other people on the team. So it can really go bad if somebody thinks that, “Hey I am a top performer and now I feeling like I’m not valued here, so I’m not very happy.” (Director, medical devices)

“If somebody isn’t recognized or valued for what they bring to the table, then sooner or later they are going to figure out that they could be a lot more valuable somewhere else. So, you see that often. They just kind of check out a little bit, and then usually they’ll leave and go somewhere else.” (Director, Operations, healthcare)

One participant summarized the challenge as follows:

“Overall, I think the biggest problem with high potential programs is keeping the people who aren’t in the program motivated and making sure that the people who aren’t selected for high potential programs, who are still strong performers, strong contributors to the organization, even though they’re not technically high potentials, but that they still feel valued and recognized for their contribution.” (Managing Partner, consulting)

While expert advice favors greater – if not full – transparency (Bersin, 2014; Hill & Peters, n.d.), our respondents did not share this attitude or embrace this approach. They expressed concerns about the negative consequences such communication may have on employees’ morale. In fact, our respondents’ concerns were so substantial that they leaned toward secrecy – rather than transparency – with respect to both the “list” and the very existence of the program.

“We have a high potential employee program. It’s not really a publicized thing though, it’s kept low profile, low-key. There’s just by nature of it, there would be questioning “Why is that person on that list?”, “Why am I not on that list?”, and I think culturally we try to be risk averse so we don’t want to do anything that’s not perceived as fair... It’s kept hush hush.” (Director, Audience Development, media)

Only a single organization in our sample publically revealed the identities of their HIPOs and the existence of the “list”. Most did not openly communicate to all employees about the existence of HIPO programs, let alone the “list”; their programs were simply not discussed in the open and seemed concealed by a veil of secrecy. Approximately 60% of organizations in our sample informed HIPOs of their individual status, however even those employees who were informed of their status frequently did not know the full details of how the program worked, how exactly they were identified or who else was on the “list.” Our observations are consistent with other reports that show that only a small number of companies (1 in 10) communicate their programs to the whole organization, while the majority (8 in 10) communicate only to participants and their managers (Church *et al.*, 2015). Estimates of how many companies actually notify high potentials of their status vary from about a third (Church *et al.*, 2015; Martin, 2016) to nearly all (Ready, Conger, Hill & Stecker, 2010; Silzer & Church, 2010).

In summary, our interviewees perceived transparency as a source of affective tension. On the one hand, they felt that greater transparency might further motivate and engage HIPOs. On the other, they felt it could discourage non-HIPOs, as well as HIPOs whose elevated expectations might not be met within a certain window of time.

“I guess the broader question is then, would we want to make this program transparent to the greater organization, then I could see that as it would be really great... and perhaps more junior individuals would say to me, “Oh, I want to be a part of it, I definitely want to work hard and get there,” which would be great. But then you’re also then going to have the same problem, another problem where people will say, “Well, how come so-and-so got in and not me. I think I’m great, why am I not in?” And then depending on the response from the managers, you may then have disgruntled people or you may have disengagement.” (Director, Operations, insurance)

Such perceptions can affect the degree of transparency built into the overall program design. Organizations often prefer to avoid risk and, therefore, tend to address their concerns of potentially alienating employees by reducing transparency. Unfortunately, this thinking can lead to excessive secrecy, reducing the quality of the program:

“Frankly, it’s seen as secretive process behind closed doors, it’s seen as who is liked the best, it’s favoritism. So the program gets discounted, to be honest, by a lot of people in the organization: “I don’t really know if that person is a high performer or not, but they got picked for the program, whatever, who cares.” (Managing Partner, consulting)

In our sample, perceptions of a tension has also impacted implementation by affecting individual managers’ comfort level with identifying “high potential” employees:

“Our senior managers seem to be scared of the word “high-potential”. They don’t want to name anybody. It’s the fear of saying that somebody is a “high potential” and then they fail or the pressure of them calling somebody a “high potential” might put on an individual or calling an individual a “high potential” and what do they say to all the other people around them, why is that person so special. There are a lot of social aspects to doing that. So, it seems to be a bit of a scary concept for our senior management team.” (VP, HR, entertainment)

Thus, managers may choose to *not* identify certain talented individuals as HIPOs (false negative) for the fear of (a) losing them if no advancement opportunities emerge and (b) upsetting other employees. Conversely, managers may also choose to label less promising individuals as HIPOs (false positive) in order to avoid disappointment and conflict (cf. Ashkenas, 2012). Both may impact accuracy of identification and effectiveness of the program.

## SUMMARY

The findings of this exploratory study shed some light on the main purpose of inquiry: Why are HIPO programs often ineffective at meeting their objectives, given strong organizational commitment and the availability of relevant best practices? Our findings suggest that senior managers who administer HIPO programs often view such initiatives in terms of balancing conflicting concerns. From their perspective, various aspects of the program are in a state of tension with one another. Alas, having to balance opposing concerns presents dilemmas and makes it difficult to optimize the effectiveness of a program as a whole.

We observed three such areas of concern that are in a state of tension. The first tension between (a) *making* the program effective in meeting organizational objectives and (b) making the program *appear* effective in order to “sell” the program internally. The former requires for some form of objective evaluation to identify the ways to make the program more effective, but could undermine an appearance of effectiveness. The latter can be enhanced by collecting confirmatory “evidence” of program effectiveness, such as anecdotal cases and affective feedback, but may conceal pockets of ineffectiveness, rendering companies unable to improve. Faced with this tension, organizations seem to lean toward making their programs *appear* effective, discounting the need for any empirical validation efforts.

The second refers to the detachment between program design and implementation. Organizations tend to focus disproportionately on program design, which they perceive as a *driver* of effectiveness, as well as an *indicator* of effectiveness since they tend not to empirically validate their HIPO programs. Our study suggests that there is a remarkable level of detachment between program design and implementation. This degree of detachment, or worse, a disproportionate focus on design, might come at the expense of proper implementation, which appears to be frequently impaired by subjectivity, bias and inconsistency.

The third tension involves transparency. Our interviewees believe that, on the one hand, greater transparency can motivate HIPOs, but, on the other, greater secrecy can minimize the degree of demotivation on the part of non-HIPOs and those HIPOs who do not attain a certain level of career progression in the near term. This perceived tension may affect program design and individual managers’ comfort level when identifying HIPOs, potentially leading to inconsistent or inaccurate talent calls.

Thus, we propose that the reported ineffectiveness of HIPO programs may have to do with how senior managers perceive and balance opposing concerns. Refining our understanding of such perceptions may help unlock the puzzle as to why, despite the availability of models and tools for establishing effective programs, HIPO initiatives are still relatively ineffective. We also hope to broaden the discussion to include the psychological barriers that may prevent executives and managers from implementing expert recommendations and best practices.

Much research to date has focused on the best practices associated with effective HIPO programs. Here we propose an additional consideration – organizations need to focus not just on the best practices, but the underlying perceptions and concerns of managers who run them. Such understanding may help organizations improve their ability to implement best practices more effectively and, thereby, improve the overall efficacy of their HIPO programs.

The challenge of establishing effective programs may, in part, lie in understanding how people who design and run HIPO programs perceive such programs and how they seek to find a balance between perceived concerns. Such understanding may help organizations improve their ability to implement best practices and, thereby, the effectiveness of their HIPO programs. As one HR practitioner has observed, “To increase the odds of success, senior executives need to focus not just on the high-potential programs, but the underlying anxieties of managers who have to execute them” (Ashkenas, 2012).

A couple of limitations of this exploratory study should be recognized. First, the study relied on a small sample of respondents, representing Canadian operations. Second, the findings may have been affected by the choice of methodology; as for example, the flow of interviews may have triggered certain responses.

From a practical perspective, there is a need to develop strategies that help managers and executives overcome psychological barriers. Therefore, future research should more closely examine HIPO programs from the perspective of the individuals who run them. Where are their concerns and biases that may

hinder their ability to implement best practices? What are the psychological barriers to effective implementation and how can these be overcome?

## REFERENCES

- AMA Enterprise (2011). *Identifying and Developing High-Potential Talent*. New York: AMA Enterprise.
- Ashkenas, R. (2012, April 24). The paradox of high potentials. *Harvard Business Review*.
- Azzara, J. (2007). *Identifying High Potential Employees*. Cypress, CA: People Talent Solutions.
- Bersin by Deloitte staff (n.d.). High-potential or HIPO. Bersin by Deloitte. Retrieved from <http://www.bersin.com/lexicon/Details.aspx?id=12845>.
- Björkman, I., Ehrnrooth, M., Makela, K., Smale, A., & Sumelius, J. (2013). Talent or not? Employee reactions to talent identification. *Human Resource Management*, 52, (2), 195-214.
- Campbell, M., & Smith, R. (2010). *High-potential talent: A view from inside the leadership pipeline*. Greensboro, NC: Center for Creative Leadership.
- Cappelli, P. (2008). Talent management for the twenty-first century. *Harvard Business Review*, 86, (3), 74.
- Church, A. H., Rotolo, C. T., Ginther, N. M., & Levine R. (2015). How are top companies designing and managing their high-potential programs? A follow-up talent management benchmark study. *Consulting Psychology Journal: Practice and Research*, 67, (1), 17-47.
- Church, A. H., & Rotolo, C. T. (2013). How are top companies assessing their high-potentials and senior executives? A talent management benchmark study. *Consulting Psychology Journal: Practice and Research*, 65, (3), 199.
- Church, A., & Silzer, R. (2016). Are we on the same wavelength? Four steps for moving from talent signals to valid talent management applications. *Industrial and Organizational Psychology*, 9, (3), 645-654.
- Collings, D. G., & Mellahi, K. (2009). Strategic talent management: A review and research agenda. *Human Resource Management Review*, 19, (4), 304-313.
- Corporate Leadership Council (2005). *Realizing the full potential of rising talent* (Vol. I). Washington, DC: Corporate Executive Board.
- Corporate Leadership Council (2011). *From Rising Stars to Successful Leaders*, Corporate Executive Board, Washington, DC.
- Creswell, J.H. (2014). *Research Design*, Thousand Oaks, CA: Sage.
- DeLong, T. J., & Vijayaraghavan, V. (2003, June). Let's hear it for B players. *Harvard Business Review*, 81, (6), 96-102, 137.
- Dries, N. (2013). Talent management, from phenomenon to theory: Introduction to the Special Issue. *Human Resource Management Review*, 23, (4), 267-271.
- Dries, N., & De Gieter, S. (2014). Information asymmetry in high potential programs: A potential risk for psychological contract breach. *Personnel Review*, 43, (1), 136-162.
- Dries, N., Van Acker, F., & Verbruggen, M. (2012). How 'boundaryless' are the careers of high potentials, key experts and average performers? *Journal of Vocational Behavior*, 81, (2), 271-279.
- Fernández-Aráoz, C., Groysberg, B., & Nohria, N. (2011). "How to hang on to your high potentials." *Harvard Business Review*, 89, (10), 76-83.
- Gallardo-Gallardo, E., & Thunnissen, M. (2016). Standing on the shoulders of giants? A critical review of empirical talent management research. *Employee Relations*, 38, (1), 31-56.
- Guthridge, M., Komm, A. B., & Lawson, E. (2008). Making talent a strategic priority. *McKinsey Quarterly*, 1, 48.
- Hagemann, B., & Mattone, J. (2011). *2011/2012 trends in executive development: A benchmark report*. Oklahoma City, OK: Executive Development Associates (EDA) Inc. and Pearson Education Inc.
- Highhouse, S. (2008). Stubborn reliance on intuition and subjectivity in employment selection. *Industrial and Organizational Psychology*, 1, 333-342.
- Hill, C., & Peters, J. (n.d.). *Tell Or Don't Tell*. Korn/Ferry Institute. Retrieved from [https://www.kornferry.com/media/sidebar\\_downloads/TellDontTell.pdf](https://www.kornferry.com/media/sidebar_downloads/TellDontTell.pdf)

- Hogan Assessment Systems. (2012, December). *Off the Rails: Avoiding the High Cost of Failed Leadership*. <http://www.mtmcoach.com/wp-content/uploads/OFF-THE-RAILS-Avoiding-the-High-Cost-of-Leadership.pdf>
- Hudson. (n.d.). *High Potentials: Facts and Fiction*. White paper. <https://www.hudson.fr/Portals/FR/pdf/fr-publications-white-papers.pdf>
- Iles, P. (1997). Sustainable high-potential career development: A resource-based view. *Career Development International*, 2, (7), 347-353.
- Karakowsky, L., & Kotlyar, I. (2011). Think you know your high potentials. *Canadian HR Reporter*, 24, (21), 2123.
- Kotlyar, I., & Karakowsky, L. (2014). Sources of satisfaction with high-potential employee programs: A survey of Canadian HR professionals, *Journal of Management Development*, 33, (10), 1035-1056.
- Korn/Ferry (2013). Building High-Potential Leaders: An Integrated Road Map. <http://www.kornferry.com/institute/844-building-high-potential-leaders-an-integrated-road-map>
- Lamoureux, K. (2016). *High-Potential Strategy Maturity Model*. Bersin by Deloitte Whitepaper. <http://www.bersin.com/Practice/Detail.aspx?docid=19641&mode=search&p=Leadership-@-Succession>
- Leslie, J. B. (2015). *The leadership gap*. Whitepaper by the Center for Creative Leadership. <https://www.ccl.org/wp-content/uploads/2015/09/Leadership-Gap-What-You-Need.pdf>
- Martin, J. (2016, March 24). *New Strategies for Managing High-Potential Program Success*. CEB. <http://magdata.lrp.com/MAGDATA/servlet/DataServlet?fname=NewStrategiesforManagingHighPotentialProgramSuccess.pdf>
- Martin, J., & Schmidt, C. (2010, May). How to keep your top talent, *Harvard Business Review*, 54-61.
- Mercer, (2017). *Global Talent Trends Study*.
- Nickerson, R. S. (1998). Confirmation bias: A ubiquitous phenomenon in many guises. *Review of General Psychology*, 2, 175–220.
- Ready, D., Conger, J., Hill, L., & Stecker, E. (2010). The anatomy of a high potential. *Business Strategy Review*, 21, (3), 52-55.
- Ready, D. A., Conger, J. A., & Hill, L. A. (2010). Are you a high potential? *Harvard Business Review*, 88, (6), 78-84.
- Rogers, R. W., & Smith, A. B. (2007). *Finding future perfect leaders*. Bridgeville, PA: Development Dimensions International.
- SHL (2014). *The HR Guide to Identifying High-Potentials*. Retrieved from CEB HR website: <http://www.ucop.edu/human-resources/management-development-program/2014/Donna%20Handout.pdf>
- Silzer, R., & Church, A. H. (2009). The pearls and perils of identifying potential. *Industrial and Organizational Psychology: Perspectives on Science and Practice*, 2, (4), 377-412.
- Silzer, R., & Church, A. H. (2010). Identifying and assessing high-potential talent: Current organizational practices. In R. Silzer, & B. E. Dowell (Eds.), *Strategy-driven talent management: A leadership imperative*, Vol. 28. (pp. 213–280). San Francisco: Jossey-Bass.
- Tucker, N. (2016, April). *Cultivating High-Potential Talent In Five Practical Steps*. Aon Hewitt Whitepaper. [http://images.respond.aonhewitt.com/Web/AonHewitt/%7B2fc41c75-7009-406b-a4a8-ab734524846b%7D\\_Cultivating\\_high-potential\\_talent\\_in\\_five\\_practical\\_steps\\_April\\_2016.pdf](http://images.respond.aonhewitt.com/Web/AonHewitt/%7B2fc41c75-7009-406b-a4a8-ab734524846b%7D_Cultivating_high-potential_talent_in_five_practical_steps_April_2016.pdf)
- UNC Kenan-Flagler (2013). *UNC leadership survey 2013: High-potential leadership*. <http://www.kenan-flagler.unc.edu/~media/Files/documents/executive-development/unc-leadership-survey-2013-HiPo.pdf?la=en>
- Vartak, M. (2015). *Aon Hewitt Top Companies for Leaders Highlights Report – Asia Pacific*. Aon Hewitt.
- Wellins, R. S., Smith, A. B., & McGee, L. (2006). *The CEO's guide to talent management: Building a global leadership pipeline*. Bridgeville, PA: Development Dimensions International.
- Zenger, J., & Folkman, J. (2017). Companies are bad at identifying high-potential employees. *Harvard Business Review*, February 20.