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EXECUTIVE SUMMARY

Research Question:

What are best practices for rewarding and maintaining engagement of employees who have strong performance but will not be further promoted because they have reached their full potential in an organization?

Current Situation:

According to Harvard Business Review, only 30% of high performers are actually high potential employees.[1] The remaining 70% lack the critical components for future success. CLC groups these individuals into three categories: *Engaged Dreamers, Disengaged Stars,* and *Misaligned Stars*. Most fall into the latter two categories. Disengaged stars have the ability and aspiration to be high potentials, but suffer from a lack of engagement. Misaligned stars have the ability and the engagement, but do not aspire or do not choose to make the sacrifices to attain and to perform in more demanding jobs.

Within this company, 10% of employees fall into the category of high performers who have reached their full potential. This group also represents approximately 85% of the critical-to-retain talent. Therefore, strategies to reward and retain these employees become highly important for the organization, arguably just as important as strategies directed towards high potentials.

Recommendations:

Below are recommendations specific to high performers and as well as recommendations from the literature for high potentials that are equally applicable to critical-to-retain high performers.

I. *Compensate your high performers*

Our team conducted an interview with John Haggerty, a professor at the Cornell ILR School. He believes monetary rewards are a critical motivator for high performers; money is not everything, but it helps a lot. Additionally, he warns that organizations should not inappropriately shift money in limited merit budgets to those who are both high performers and high potentials at the expense of those who are only high performers. His third recommendation is to first provide base pay increases and secondly provide lump sum bonuses to help high performing employees feel valued and ultimately maintain their motivation.

A 2010 Aon Hewitt white paper recommends better pay differentiation to improve productivity and engagement among top performers. Specifically, they recommend a shift to performance-based compensation models and a re-evaluation of variable pay programs. They recommend a merit pay program where a higher percentage of the merit increase budget is paid to top performers while others receive a smaller general pay increase. Additionally, they suggest larger, lump sum payments versus merit increases to send strong performance messages without increasing fixed costs. In terms of variable pay, Aon Hewitt recommends ensuring programs are rewarding and reinforcing the right behavior and rewarding those who contribute the most to results.[2] The key take-away is that high performers should be considered similarly to high potentials from a rewards perspective because they are very valuable to an organization.

II. Provide opportunities for your high performers

High performers should be provided with development opportunities, including special assignments and training. Special assignments that include highly visible and important project work promote motivation and engagement. Training opportunities allow employees to improve on knowledge and skills and reflect organizational investment. Haggerty suggests providing high performers with opportunities to represent the company in external stakeholder settings, which can be a reward mechanism and a development opportunity. Awarding special titles, such as “lead engineer” or “chief engineer”, can also reward employees with no monetary cost. Additionally, key talent can be assigned “apprentices” who can learn from the senior person’s deep intrinsic knowledge of the company.

III. Show organizational investment in high performers

According to a Center for Creative Leadership paper, formally identified high potential employees have stronger commitments to an organization and are less proactive in seeking other opportunities. Therefore, the organization’s transparency regarding their recognition of key talent directly impacts retention.[3] CCL recommends creating and promoting a mutually beneficial relationship between the organization and the talent by highlighting the benefits each can gain from their commitment. These findings can apply to non-high potential high performers. Communication of their valued status can improve engagement, motivation, and retention. One (unnamed) company requires their senior managers to spend one day each month “reverse shadowing” their high performing employees. This program is designed to facilitate interaction between the individuals and to be a symbolic gesture that management is committed to investing time in the relationship.[4]

Investment also includes providing continuous feedback on current performance and identifying future goals and aspirations. A Harvard Business Review blogger suggests feedback is critical for high performers and requires special care.[5] Feedback should be more frequent versus less frequent for high performers because the company depends on retaining that talent and therefore it is a wise investment of time and energy. Discussing goals and aspirations keeps the two parties on the same page and can help the company figure out how to align motivations.

Taking for granted that a high performer has no desire to move out of their position could be a costly mistake.

Case Studies:

In a 2010 report, Corporate Leadership Council highlights 4 best practices for re-engaging high potential employees.[6] Most were very specific to high potentials; Methanex provided high-risk opportunities to high potentials in a supportive environment and UnitedHealth Group aligned HIPO and senior leader expectations to create attractive career paths. However, BT Group's actions are transferrable to a high-performer context.

BT Group, a UK based telecommunications provider, established a "talent deal" to create a more personal connection between HIPOs and the organization and create organizational commitment. The program moves beyond just communicating HIPO status to driving commitment to the organization. BT identified three action steps. Step 1 involves communicating HIPO status, benefits, and commitments to recognize HIPOs while outlining "talent deal" objectives. Step 2 translates HIPOs' and the organization's expectations into reciprocal commitments to solidify the "talent deal". "Talent deal" commitments include external exposure (e.g. at industry conferences), internal exposure (e.g. senior executive development discussions), career management (e.g. mentoring), and personal development (e.g. facilitated 360 degree feedback). Step 3 involves auditing the "talent deal" delivery to identify improvement opportunities. BT found the percentage of HIPOs satisfied with their HIPO pool experience increase from 50% to 92% across 4 years.

Conclusion:

Developing an HRM system that supports both strong performers and high potentials is critical to an organization's success. Most HR executives have the resources and time to only concentrate on the extremes of the talent pool. The research points out that neglecting high performers who lack high potential can be detrimental to the bottom line of the organization. Organizations that have low employee engagement are less successful than organization with higher employee engagement.

Finally, while the HRM research says remarkably little about this group of employees, there are some unique and innovative ways to improve engagement. BT Group's "talent deal" offers an opportunity for explicit organization and employee commitment. Recognition of employee talents and contributions is almost always a universally welcomed activity. And finally, rewarding high performance through development opportunities and monetary rewards cannot be understated. While there is never a one size fits all solution for engagement strategies, hopefully these innovative and unique solutions can be adopted in some form by this company to retain and keep this class of employees engaged.

Cited References

(Listed in order cited within Executive Summary)

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