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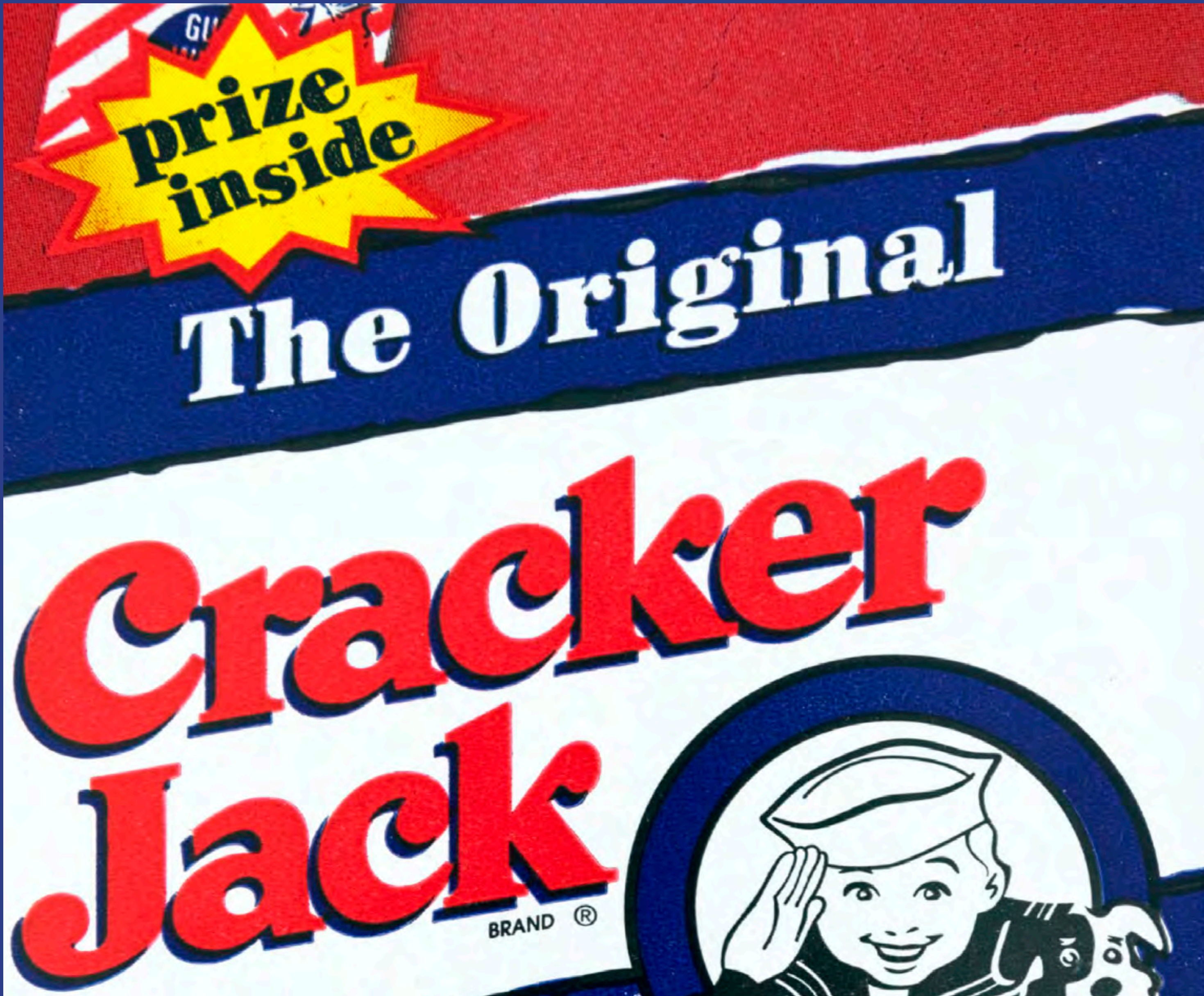
A Prize in Every Box:

How to Get (More) Comfortable Being Transparent About Potential



A Prize in Every Box:

How to Get (More) Comfortable Being Transparent About Potential

by Marc Effron,
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Many companies still refuse to be transparent with their employees about their potential to advance. Our last survey on the topic found that ~60% of companies don't explicitly communicate with their employees about their potential.

Those companies often say they're concerned that if some employees are told they have high potential to advance, it will disengage employees who learn they're not in that category. That's true only if being a high potential is seen as the only "prize" at your company.

We believe that it's beneficial to be transparent with every employee about their potential, and that these conversations will be far easier if there's a “prize in every box.”

By prize, we mean the investment that you make in an employee based on their performance and potential to advance. While being assessed as a high potential leader brings you one type of investment, everyone should get a prize that reflects their expected contribution to the company.

What Size is the Prize?

Before we differentiate, let’s ensure that every employee has a great baseline experience that includes working for an organization they can be proud of, having a quality manager and the opportunity to develop.

That baseline ensures that everyone is working in an environment that supports their performance and engagement. Everyone gets that prize.

Above that baseline, every employee should get an additional prize that’s based on their current and likely future contribution. This prize is their “fair deal” – the company’s additional investment to recognize their performance today and their future potential.

That prize includes their compensation and, more importantly, their fair share of the other development resources the company offers. This may include critical experiences, exposure to key leaders, internal and external development courses, highly-visible projects and high potential programs, among other investments.

The different prizes should clearly differentiate your investment in leaders, with higher performing and higher potential leaders receiving a disproportionately large prize. How disproportionate depends on your Talent Philosophy (see side bar).

What’s Your Talent Philosophy?

A Talent Philosophy is your executive team’s preferences for how to manage talent to best achieve your business strategy.

It typically includes their views on performance, behaviors, transparency, accountability and differentiation. That last element can be an extremely helpful guide for you as you prepare the Talent Investment Grid.

Read the full article here.

We find a simple way to determine the prize for each box is to use our Talent Investment Grid (TIG). The TIG is a performance and potential grid that details how you plan to invest in leaders in each box. It’s a simple tool but it requires that you have either an executive Talent Philosophy or a very clear understanding of how your senior leaders want to differentiate people investments.

With that Talent Philosophy guidance in hand, gather a small number of senior HR leaders for a 90 minute, highly-focused exercise to fill in your TIG.

The process is as simple as:

Step 1: List all of the major development and reward elements that an employee might receive in a differentiated way.

That includes the items listed above and any other performance-related benefit. This

Figure 1: Talent Investment Grid (TIG) Example

Performance Over Time	Potential to Advance: Lowest Category	Potential to Advance: Middle Category	Potential to Advance: Highest Category
Highest Performance	**Compensation Targets:** ▪ Base 50th, Bonus 75th **Development Investment:** ▪ 1.5x average **Hi Po Program:** No **CEO/Board Expos.:** Maybe **Global Move:** No **Special Projects:** Yes	**Compensation Targets:** ▪ Base 50th, Bonus 75th **Development Investment:** ▪ 2x average **Hi Po Program:** Consider **CEO/Board Expos.:** Yes **Global Move:** Yes **Special Projects:** Yes	**Compensation Targets:** ▪ Base 60th, Bonus 90th **Development Investment:** ▪ 5x average **Hi Po Program:** Yes **CEO/Board Expos.:** Yes **Global Move:** Yes **Special Projects:** Yes
Middle Performance	**Compensation Targets:** ▪ Base 50th, Bonus 50th **Development Investment:** ▪ .75x average **Hi Po Program:** No **CEO/Board Expos.:** No **Global Move:** No **Special Projects:** No	**Compensation Targets:** ▪ Base 50th, Bonus 50th **Development Investment:** ▪ Average **Hi Po Program:** No **CEO/Board Expos.:** Maybe **Global Move:** Consider **Special Projects:** Yes	**Compensation Targets:** ▪ Base 60th, Bonus 60th **Development Investment:** ▪ 2x average **Hi Po Program:** Consider **CEO/Board Expos.:** Yes **Global Move:** Yes **Special Projects:** Yes
Lowest Performance	**Compensation Targets:** ▪ Base 50th, Bonus – NONE **Development Investment:** ▪ None without TM approval **Hi Po Program:** No **CEO/Board Expos.:** No **Global Move:** No **Special Projects:** No	**Compensation Targets:** ▪ Base 50th, Bonus – none **Development Investment:** ▪ None without approval **Hi Po Program:** No **CEO/Board Expos.:** No **Global Move:** No **Special Projects:** No	**Compensation Targets:** ▪ Base 50th, Bonus – none **Development Investment:** ▪ None without approval **Hi Po Program:** No **CEO/Board Expos.:** No **Global Move:** No **Special Projects:** No

excludes any reward based on tenure and any benefits available to everyone. For example, quality time with your CEO is a limited resource that not every employee gets and can be differentiated. Access to a discounted gym membership is a benefit that every employee is eligible to receive.

Step 2: Identify how you want to allocate each element.

You can keep this simple by classifying each element as Yes, No, Consider (i.e. expatriate assignments may be Yes for Hi Po's and Consider for those in the center box) or Preferred Access. The latter category means that they're the first invited to certain development or exposure opportunities.

Compensation should be listed by element – base, bonus, and importantly, LTI. Your LTI investment should be aligned with an individual's potential.

Step 3: Get input from the important stakeholders in your organization and revise the grid accordingly.

Your goal is a practical tool that helps managers better align the company's investment with an individual's performance and potential. A finished grid should look something like Figure 1.

Using the TIG to Support Transparency

After you've developed the TIG, educate managers about the tool and how to use it. They should understand that the TIG provides guidelines, not rules, but that similarly placed people should have relatively similar investments.

Your high potential leader should have a meaningfully different investment than your average performing, well-placed leader. Ask managers to use the grid as a guide when considering assignments, experiences, projects, bonuses, etc.

A convenient time to launch transparency is after your next talent review cycle. You'll have fresh talent decisions and a new TIG to explain the investment associated with the decision to each employee. Set a firm date by which you'll finish communicating potential assessments to everyone.

Make sure those communications include a discussion of the deal associated with that rating. If you feel that additional training is needed for managers before they communicate, offer it, but don't delay your transparency date – accelerate the training instead.

Share the TIG

This next step is optional but, if you want to be transparent, strongly recommended. Communicate the TIG to your employees. Transparency about the fair deal in each box means that they should understand their deal and the other possible deals as well.

This may lead to a few uncomfortable conversations but also many more productive ones. Employees will know their deal and will understand what to do in order to get a different deal (increase their performance, demonstrate more potential, or both).

Be More Transparent Now

We understand that it's not easy to decide how transparent you should be with your company's employees. We believe there are a few good reasons to not communicate potential ratings (they're not accurate, there's no differentiated investment associated with them) but many more reasons to share them (reaffirm to your best talent that they're your best, create a culture of transparency, help managers to make smarter and more consistent talent decisions).

We also understand that not every employee will appreciate learning about their prize. We're certain that nearly all high potential and high performing leaders will appreciate your honesty.

For everyone else, you're treating them like adults who are capable of either accepting that prize or asking what's required to win a different prize. Transparency isn't easy but, if we shift our mindset away from "high potential" being the only prize, it makes if far easier to be honest with everyone about where they stand.

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