Employees’ Differential Reactions to Being Identified as a High Potential (or Not)

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Purpose and hypotheses

Although talent management is a hot topic among human resource (HR) practitioners, there is a lot of scholarly debate about the term itself (e.g. Lewis & Heckman, 2006; Collings & Mellahi, 2009). In an attempt to reconcile the different conceptualizations found throughout the literature, Iles, Chuai and Preece (2009) distinguished four perspectives on talent management: first, an inclusive, people-focused perspective that departs from the assumption that all employees have the potential to demonstrate talent; second, an exclusive, people-focused perspective in which employees are differentiated according to their added value to the organization; third, an exclusive, position-focused perspective in which people are differentiated according to the strategic importance of their positions; and fourth, a social capital perspective that - as a reaction to the dominant focus on talents-as-individuals - stresses the importance of considering the impact of the work context (e.g. teams, leadership) when identifying high potentials.

In recent years, strategic human resource management (SHRM) has been moving away from more inclusive practices that are consistent across all employees in an organization, towards more exclusive approaches, such as workforce differentiation (Becker & Huselid, 2006). The underlying rationale is that it is believed that organizations suffer unnecessarily high costs when they invest equally in all employees (Becker & Huselid, 1998). As a result, it is said that the scarce HR-related resources of an organization should be invested first and foremost in the attraction, selection, development, and retention of employees with valuable
and unique skills (i.e. high potentials) as they generate higher productivity and consequently, higher returns than employees who lack such skills (Lepak & Snell, 1999; Collings & Mellahi, 2009; Morton, 2005). High potentials are believed to be worthy of additional HR investments as they will be of key importance for filling the strategically most valuable positions in the organization (Becker & Huselid, 1998, 2006). Following this rationale, in the present paper we focus specifically on the exclusive perspective to talent management in which employees are identified as high potentials (or not) according to their estimated added value to the organization. We thus enter the realm of workforce differentiation, which refers to the investment of disproportionate resources where one expects disproportionate returns, i.e. in those specific jobs and those specific people within jobs that help create strategic success (Becker, Huselid, & Beatty, 2009; Ledford & Kochanski, 2004).

Although workforce differentiation is defendable from a strategic point of view, it remains a sensitive matter for the employees involved due to the unequal allocation of resources. Consequently, Becker et al. (2009) urged researchers to examine the potential positive and negative effects of workforce differentiation on all employees, not just those who benefit from the differentiation.

Consequently, our paper has three main purposes. First, previous studies on the effects of workforce differentiation focused unilateral on the positive reactions by privileged groups. Therefore, we want to compare the differential reactions by employees who are not identified as a high potential with those who are. Second, the few studies that did examine differential reactions, predicated their results upon employees’ own perceptions of being identified as a high potential (or not) (e.g. Björkman, 2013). Using self-report data for this type of variable not only increases the risks of common method variance; it also cannot unveil the effects of the actual, implemented differentiation between employees. To address this limitation, we will use archival data to operationalize an employee’s identification as a high potential. Third,
little is understood about the reasons behind the differential reactions of employees. As a third contribution, we examine the underlying psychological processes that are involved in shaping employees’ differential reactions by introducing the theory of perceived organizational justice (e.g. Colquitt, 2001).

In particular, we examine how perceived distributive and procedural justice affects the relationship between an employee’s identification as a high potential (drawn from archival data), job satisfaction and work effort. We hypothesize that high potentials perceive more distributive justice than non-high potentials and in turn show more work effort and experience higher job satisfaction. In addition, we suggest that perceived procedural justice will serve as a moderator between perceived distributive justice, work effort and job satisfaction, in the sense that high perceived procedural justice will decrease the influence of perceived distributive justice on work effort and job satisfaction. This interaction effect has already been repeatedly discussed in justice literature, although not yet empirically tested for these variables (Brockner & Wiesenfeld, 1996; De Cremer, Brockner, Fishman, van Dijke, van Olffen, & Mayer, 2010).

Figure 1: Perceived organizational justice in the link between an employee’s identification as a high potential (or not), job satisfaction, and work effort.
Methodology

Data were gathered in a large organization in the financial sector with headquarters in Brussels, Belgium. The organization implements talent management as it believes that there is a group of employees that have a distinct potential to take on top functions. We focus on the ramifications of this talent management program, and in particular on the workforce differentiation practices. It is important to point out that the organization communicates openly about the talent management program. Employees are aware of their status and have knowledge about the process of the program.

We collected both archival data provided by an HR representative of the participating organization as well as self-report data. Self-report data were collected via an online questionnaire, distributed by the HR representative among employees who were (N=128) and employees who were not identified as a high potential (N=70). We assured each individual that participation was anonymous and voluntary.

Our scale for measuring distributive (3 items) and procedural (7 items) justice perceptions was based on Loi, Yang and Diefendorff (2009) – we added specific mentions to talent management to the original items. Participants had to rate their agreement with a series of statements on a 5-point Likert-type scale (1 = strongly disagree to 5 = strongly agree). Job satisfaction was assessed using a 7-point Likert scale (1 = strongly disagree to 7 = strongly agree) with two items developed by Hackman and Oldham (1976). Participants had to report their work effort by rating the 10-item Work Effort Scale (WESC) (De Cooman, De Gieter, Pepermans, Jegers, & Van Acker, 2009) on a 7-point Likert scale (1 = strongly disagree to 7 = strongly agree).

The data were analyzed using the process tool of Hayes (2012), which allows for the estimation of moderated mediation models in a linear regression framework. The moderation effect was tested by including an interaction effect between perceived procedural and
distributive justice in the model (after grand-mean centering both variables), whereas the mediation effect was tested using the product-of-coefficients approach. This is the product of the regression coefficients linking an employee’s identification as a high potential to distributive justice on one hand and distributive justice to job satisfaction and work effort on the other hand. As these product-of-coefficients parameters are often not normally distributed, we used bootstrapping ($N = 5000$ bootstrap samples) to test for statistical significance (Preacher & Hayes, 2008).

**Results**

Job satisfaction ($F(2, 201) = 4.94; p=.008$), work effort ($F(2, 201) = 3.60; p=.029$), and perceived distributive justice ($F(2, 201) = 9.43; p<.001$) were found to be significantly different between high potentials and non-high potentials. Moreover, high potentials ($\beta=.50; p<.001$) scored significantly higher on perceived distributive justice than non-high potentials, and perceived distributive justice was significantly related to job satisfaction ($\beta=.53; p<.001$), but unrelated to work effort ($\beta=-.01; p=.764$). In addition, the moderating effect of perceived procedural justice was not significant on the relationship between perceived distributive justice and job satisfaction ($\beta=.08; p=.531$), but was significant on the relationship between perceived distributive justice and work effort ($\beta=.17; p=.005$).

**Main Conclusions**

The results indicated that perceptions of distributive justice were significantly higher for employees identified as a high potential compared to those who were not identified as such. Moreover, perceived distributive justice fully mediated the relationship between an employee’s identification and job satisfaction. The results also revealed that perceptions of procedural justice moderated the relationship between perceived distributive justice and work effort. Thus, we found that high potentials and non-high potentials respond differently to workforce differentiation practices and that these reactions are affected by the way people
experience or perceive the justice of these practices. Furthermore, we extend previous research by using archival data so as to study an objective antecedent (i.e. an employee’s (non-)identification as a high potential) of these subjective perceptions. In doing so, this is one of the few studies that bridges the divide between actual (i.e. an employee’s identification as a high potential) and perceived talent management practices (i.e. perceived distributive and procedural justice of talent management) (Wright & Nishii, 2004). In addition, future research using longitudinal and multilevel studies would enrich workforce differentiation literature as it looks into the causality of our results and its contextual influences (e.g. organizational culture), respectively.

Building on our findings, we recommend HR practitioners to consider the consequences of implementing a workforce differentiation approach to talent management. We suggest investing in increasing the perceived procedural justice of talent management practices. Building on Leventhal (1980) we suggest organizations to consider his six procedural rules, that is, being consistent over time and across persons; avoiding personal self-interest; making the procedures grounded in correct information (e.g. use valid selection tools); providing the possibility to change the procedure when diagnosed as unfair; representing the interests of all parties (i.e. a shared consensus among different parties); and considering explicit moral and ethical values. On the other hand, an organization might also benefit from involving employees in the process of implementing workforce differentiation. Employees perceive more justice when they are granted a certain degree of voice (e.g. Lind & Kulik, 2009).

References


