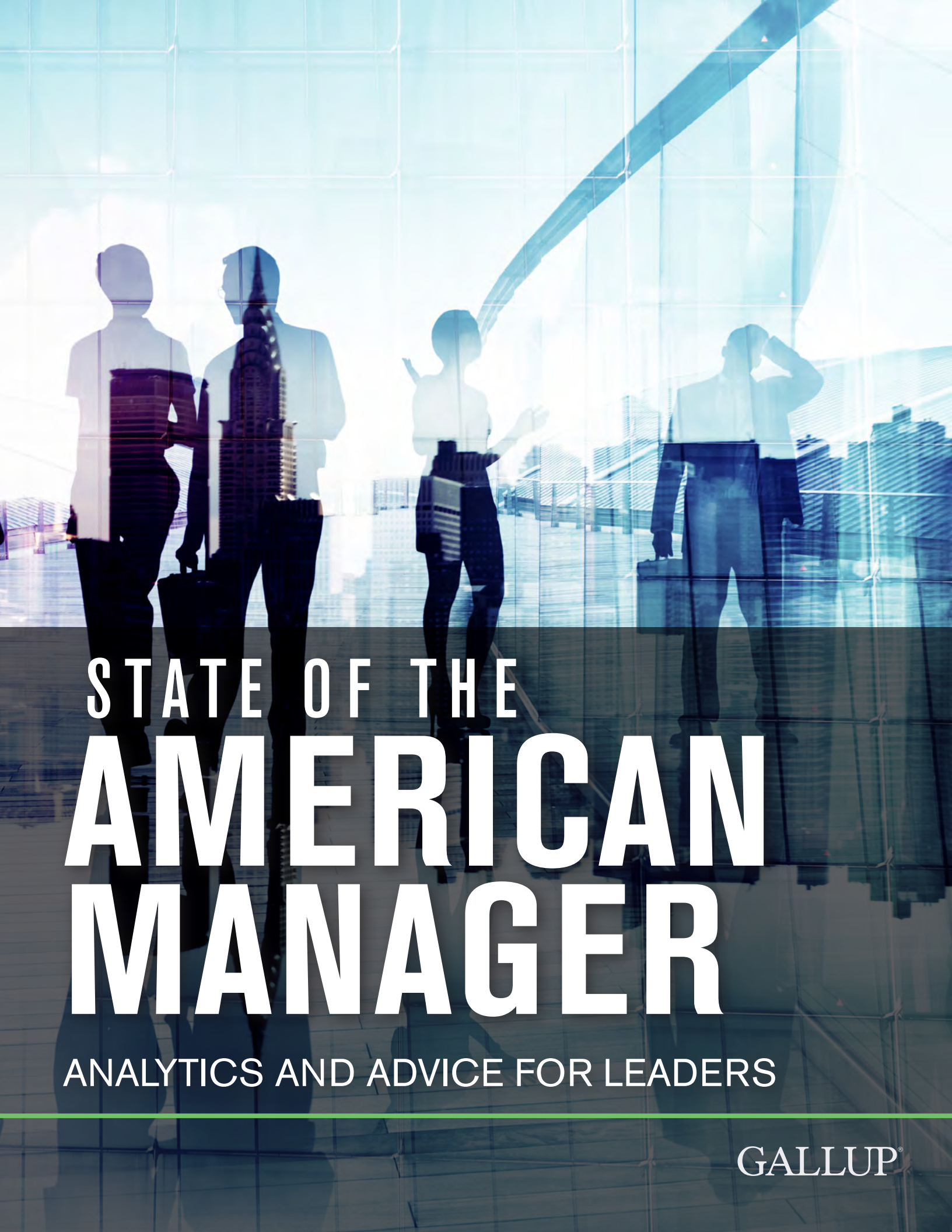


STATE OF THE AMERICAN MANAGER

ANALYTICS AND ADVICE FOR LEADERS

GALLUP®

ABOUT GALLUP®

"We change the world one client at a time through extraordinary analytics and advice on everything important facing humankind."

— Jim Clifton, Chairman and CEO

Gallup delivers analytics and advice to help leaders and organizations solve their most pressing problems. Combining more than 80 years of experience with its global reach, Gallup knows more about the attitudes and behaviors of employees, customers, students and citizens than any other organization in the world.

Gallup works with leaders and organizations to achieve breakthroughs in customer engagement, employee engagement, organizational culture and identity, leadership development, talent-based assessments, entrepreneurship and well-being. Our 2,000 professionals include noted scientists, renowned subject-matter experts and bestselling authors who work in a range of industries, including banking, finance, healthcare, consumer goods, automotive, real estate, hospitality, education, government and business-to-business (B2B).

For more information about Gallup solutions for optimizing business performance, please visit www.gallup.com/contact.

ABOUT THIS REPORT

The *State of the American Manager: Analytics and Advice for Leaders* report provides an in-depth look at what characterizes great managers and gives organizations the knowledge to find, hire and develop more great managers using Gallup's accumulated analytics and advice as their guide. This report is based on over four decades of extensive talent research, a study of 2.5 million manager-led teams in 195 countries and analysis from measuring the engagement of 27 million employees. It examines the crucial link among talent, engagement and vital business outcomes such as profitability and productivity.

FROM THE CEO

Most CEOs I know honestly don't care about employees or take an interest in human resources. Sure, they know who their stars are and love them — but it ends there. Since CEOs don't care, they put little to no pressure on their HR departments to get their cultures right, which allows HR to unwittingly implement all kinds of development and succession strategies that don't work.

Gallup reported in a world-famous study that only 30% of U.S. employees are engaged at work. Worse, over the past 12 years, this low number has barely budged, meaning that the vast majority of employees are failing to grow and contribute at work.

Why is that? Gallup estimates that the manager accounts for at least 70% of the variance in employee engagement scores across business units. When managers have both talent and proper development, teams and individuals win customers.

Now, here's a truly frightening number Gallup has uncovered: Organizations fail to choose the candidate with the right talent for the manager job a whopping 82% of the time. Virtually all companies try to fix bad managers with training. Nothing fixes a bad manager.

There's a reason for this — authentic management talent is rare. Gallup's research shows that just one in 10 have the natural, God-given talent to manage a team of people. They know how to motivate every individual on their team, boldly review performance, build relationships, overcome adversity and make decisions based on productivity — not politics. A manager with little talent for the job will deal with workplace problems through manipulation and unhelpful office politics.

Gallup's research has also found that another two in 10 people have some characteristics of functioning managerial talent and can perform at a high level if their company coaches and supports them. The fact is, real management talent exists in your company right now. Companies that use predictive analytics and intense development techniques will have a profound advantage in the all-out war for the best customers.

Jim Clifton
Chairman and CEO

EXECUTIVE SUMMARY

The majority of managers working in the U.S. today are wrong for their role. That's not to say these people don't have talent. On the contrary, their talent probably made them quite successful in their previous, non-managerial role. But the talent that makes someone a great salesperson, accountant or engineer is not the same talent that makes him or her a great manager. In fact, Gallup has found that only 10% of working people possess the talent to be a great manager.

Gallup defines a "manager" as someone who is responsible for leading a team toward common objectives. This individual takes the direction set forth by the organization's leadership and makes it actionable at the local level. Companies use outdated notions of succession to put people in these roles: They base hiring and promotion decisions on individuals' past experience or tenure, or they give them the manager job as a "reward" for their performance in a completely separate role. These organizations overlook talent, and when they do, they lose. They spend needless time and energy trying to fit square pegs into round holes. Their managers are not engaged — or worse, are actively disengaged — and through their impact, Gallup estimates that these managers cost the U.S. economy $319 billion to $398 billion annually.

Organizations that choose managers based on talent, however, have a much greater chance of choosing high performers. Naturally talented managers know how to develop and engage their employees. They create enthusiastic and energized teams that focus on moving their company forward and doing right by their customers.

Based on Gallup's extensive research and analysis, this report includes an in-depth look at what distinguishes great managers from the rest. The report helps leaders understand how to create talent-based human capital strategies that put more great managers in place and ultimately empower their organizations to tap into their greatest potential — their employees.

GALLUP'S MOST IMPORTANT FINDINGS INCLUDE:

Manager talent is rare, and organizations have a hard time finding it.

- Great managers possess a rare combination of five talents. They motivate their employees, assert themselves to overcome obstacles, create a culture of accountability, build trusting relationships and make informed, unbiased decisions for the good of their team and company.
- The sought-after talent combination that characterizes great managers only exists in about one in 10 people. Another two in 10 people have some of the five talents and can become successful managers with the right coaching and development.
- The majority of managers are miscast. According to Gallup research, 18% of current managers have the high talent required of their role, while 82% do not have high talent.

Talent is the most powerful predictor of performance.

- Companies that hire managers based on talent realize a 48% increase in profitability, a 22% increase in productivity, a 30% increase in employee engagement scores, a 17% increase in customer engagement scores and a 19% decrease in turnover.
- Managers with high talent are more likely to be engaged than their peers. More than half (54%) of managers with high talent are engaged, compared with 39% of managers with functioning talent and 27% of managers with limited talent.
- Managers with high talent are more likely to be brand ambassadors for their organization. These managers are more proactive about encouraging their friends and family to use their company's products and services, and they have a greater understanding of their company's brand promise.
- Managers with high talent place more emphasis on employees' strengths than their weaknesses. Gallup has found that a strengths-based approach is associated with greater levels of employee engagement and well-being and team productivity and profitability.

Managers have the greatest impact on engagement.

- Managers account for at least 70% of the variance in employee engagement scores across business units. Gallup's study of employee engagement found that just 30% of U.S. workers are engaged, demonstrating a clear link between poor managing and a nation of "checked out" employees.
- The percentage of engaged managers is only somewhat higher than the percentage of engaged employees. Gallup research has found that 35% of managers are engaged, 51% are not engaged and 14% are actively disengaged.
- Through their impact, Gallup estimates that managers who are not engaged or who are actively disengaged cost the U.S. economy $319 billion to $398 billion annually.
- One in two employees have left their job to get away from their manager at some point in their career.
- Managers' engagement has a direct impact on employees' engagement. Employees who are supervised by highly engaged managers are 59% more likely to be engaged than those supervised by actively disengaged managers.

Female managers have an engagement advantage.

- While there are great female and male managers, Gallup has found that female managers are more likely to be engaged than male managers (41% to 35%, respectively). Individuals who work for a female manager are also six percentage points more engaged, on average, than those who work for a male manager.
- Female employees working for female managers have the highest engagement (35% engaged), while male employees working for male managers have the lowest engagement (25% engaged).
- Employees of female managers outscore employees of male managers on 11 of 12 engagement items.

Specific behaviors can help managers increase employee engagement.

- More than half of employees who "strongly agree" (give a 5 on a 5-point scale, with 5 being the highest) that their manager is open and approachable are engaged.
- At least two-thirds of employees who strongly agree that their manager helps them set work priorities and goals are engaged.
- More than two-thirds of employees who strongly agree that their manager focuses on their strengths or positive characteristics are engaged.

WHAT COMPANIES CAN DO TO HIRE AND DEVELOP MORE GREAT MANAGERS:

Create a holistic, talent-based human capital strategy. Talent is the strongest predictor of performance in any role. Smart organizations place talent at the core of their human capital strategy, weaving it into every aspect of how they align, attract, recruit, assess, hire, onboard and develop managers. These organizations clearly understand what success looks like in every manager role and strategically think about how each hire fits into their short- and long-term objectives.

Grow, don't promote. As Gallup has found, companies repeatedly put people in manager roles because they were successful in previous roles or because they have been with the company for a long time. This is a flawed strategy with serious consequences for an organization's engagement, financial performance and long-term sustainability. Organizations should be highly conscientious in their succession planning. A great front-line employee is not necessarily going to be a great manager, and a great manager is not necessarily going to be a great leader. Each of these roles requires a different set of talents. Organizations should honor the differences between these roles and develop career paths for employees based on talent rather than title.

Reward job performance, not job title. Top performers deserve the highest pay, whether they are in manager or front-line roles. In many cases, this type of pay-for-performance system may mean that employees make more money than their managers do — and there is nothing wrong with that. High-performing employees are vital to an organization's performance, which the organization should compensate accordingly. Organizations back themselves into a corner when they tie pay to managerial status, creating an environment in which employees constantly compete for roles that don't suit them.

Honor managers' need to continually improve. A job title doesn't negate an individual's need for ongoing learning. Companies need to make an investment in their managers and provide them with the resources, tools and support they need to refine and cultivate their strengths. Development is not dependent on tenure, and managers at all stages of their career should have opportunities to learn and grow, whether through a mentor or coach, group classes, conferences or some type of online learning. The best managers are always striving to improve, and their organizations should encourage them to do so.

WHY GREAT MANAGERS ARE SO RARE

Gallup finds that companies fail to choose the candidate with the right talent for the job 82% of the time.

Gallup has found that one of the most important decisions companies make is simply whom they name manager. Yet our analytics suggest they usually get it wrong. In fact, Gallup finds that companies fail to choose the candidate with the right talent for the job 82% of the time.

Gallup defines a "manager" as someone who is responsible for leading a team toward common objectives. This individual takes the direction set forth by the organization's leadership and makes it actionable at the local level. While great managers consistently engage their team to achieve outstanding performance, bad managers cost businesses billions of dollars each year, and having too many of them can bring down a company. The only defense against this problem is a good offense, because when companies get these decisions wrong, nothing fixes it. Businesses that get it right, however, and hire managers based on talent will thrive and gain a significant competitive advantage.

Managers account for at least 70% of the variance in employee engagement scores across business units, Gallup estimates. This variation is in turn responsible for severely low worldwide employee engagement. As Gallup revealed in the 2013 *State of the American Workplace* and 2013 *State of the Global Workplace* reports, only 30% of U.S. employees are engaged at work, and a staggeringly low 13% worldwide are engaged. Worse, over the past 12 years, these low numbers have barely budged, meaning that the vast majority of employees worldwide are failing to develop and contribute at work.

Gallup has studied performance at hundreds of organizations and measured the engagement of 27 million employees and more than 2.5 million work units over the past two decades. No matter the industry, size or location, we find executives struggling to unlock the mystery of why performance varies from one workgroup to the next. Performance metrics fluctuate widely and unnecessarily in most companies, in no small part from the lack of consistency in how people are managed. This "noise" frustrates leaders because unpredictability causes great inefficiencies in execution.

Executives can cut through this noise by measuring what matters most. Gallup has discovered links between employee engagement at the business-unit level and vital performance indicators, including customer ratings; higher profitability, productivity and quality (fewer defects); lower turnover; less absenteeism and shrinkage (i.e., theft); and fewer safety incidents. When a company raises employee engagement levels consistently across every business unit, everything gets better.

To make this happen, companies should systematically demand that every team in their workforce have a great manager. After all, the root of performance variability lies within human nature itself. Teams are composed of individuals with diverging needs related to morale, motivation and clarity — all of which lead to varying degrees of performance. Nothing less than great managers can maximize them.

But first, companies have to find those great managers.

ONLY ONE IN 10 PEOPLE HAVE THE HIGH TALENT TO EFFECTIVELY MANAGE OTHERS. ANOTHER TWO IN 10 HAVE FUNCTIONING MANAGERIAL TALENT.

FEW MANAGERS HAVE THE TALENT TO ACHIEVE EXCELLENCE

If great managers seem scarce, it's because the talent required to be one is rare. Talents are innate and are the building blocks of great performance. Knowledge, experience and skills develop our talents into strengths, but unless we possess the right innate talents for our job, no amount of training or experience will lead to exceptional performance. Gallup's research reveals that about one in 10 people possess high talent to manage. Though many people are endowed with some of the necessary traits, few have the unique combination of talents needed to help a team achieve excellence in a way that significantly improves a company's performance. These 10%, when put in manager roles, naturally engage team members and customers, retain top performers and sustain a culture of high productivity.

It's important to note that another two in 10 people exhibit some characteristics of functioning managerial talent and can function at a high level if their company invests in coaching and developmental plans for them. In studying managerial talent in supervisory roles compared with the general population, we find that organizations have learned how to slightly improve the odds of finding talented managers. Nearly one in five (18%) of those currently in management roles demonstrate a high level of talent for managing others, while another two in 10 show a basic talent for it. Combined, they contribute about 48% higher profit to their companies than average managers do.

Still, companies miss the mark on high managerial talent in 82% of their hiring decisions, which is an alarming problem for employee engagement and the development of high-performing cultures in the U.S. and worldwide. Sure, every manager can learn to engage a team somewhat. But without the raw natural talent to individualize, focus on each person's needs and strengths, boldly review his or her team members, rally people around a cause and execute efficient processes, the day-to-day experience will burn out both the

manager and his or her team. As noted earlier, this basic inefficiency in identifying talent costs companies billions of dollars annually.

Conventional selection processes are a big contributor to inefficiency in management practices; they apply little science or research to find the right person for the managerial role. When Gallup asked U.S. managers why they believed they were hired for their current role, they commonly cited their success in a previous non-managerial role or their tenure in their company or field.

Organizations often put people in managerial roles for reasons that have nothing to do with their talent to **manage.**

TOP TWO REASONS PEOPLE BECOME MANAGERS:

1. "I was promoted because I was successful in a previous non-managerial role."
2. "I have a lot of experience and tenure in my company or field."

These reasons don't take into account whether the candidate has the right talent to thrive in the role. Being a successful programmer, salesperson or engineer, for example, is no guarantee that someone will be adept at managing others.

Most companies promote workers into managerial positions because of tenure or performance, rather than talent. This practice doesn't work. Experience and skills are important, but people's talents — the naturally recurring patterns in the ways they think, feel and behave — predict where they'll perform at their best.

GALLUP FINDS THAT

GREAT MANAGERS

have the following talents:

They **motivate** every single employee to take action and engage employees with a compelling mission and vision.

They have the **assertiveness** to drive outcomes and the ability to overcome adversity and resistance.

They make **decisions** based on productivity, not politics.

They create a culture of clear **accountability**.

They build **relationships** that create trust, open dialogue and full transparency.

MANAGEMENT TALENT COULD BE HIDING IN PLAIN SIGHT

It's important to note — especially in the current economic climate — that finding great managers doesn't depend on market conditions or the current labor force. Large companies have approximately one manager for every 10 employees, and Gallup finds that one in 10 people possess the inherent talent to manage. When you do the math, it's likely that someone on each team has the talent to lead — but chances are, it's not the manager. More than likely, it's an employee with high managerial potential waiting to be discovered.

The good news is that sufficient management talent exists in every company. It's often hiding in plain sight. Leaders should maximize this potential by choosing the right person for the next management role using predictive analytics to guide their identification of talent. Specific tools such as talent audits and talent assessments offer a systematic and scientific method for finding those employees who have the natural talent to be great managers.

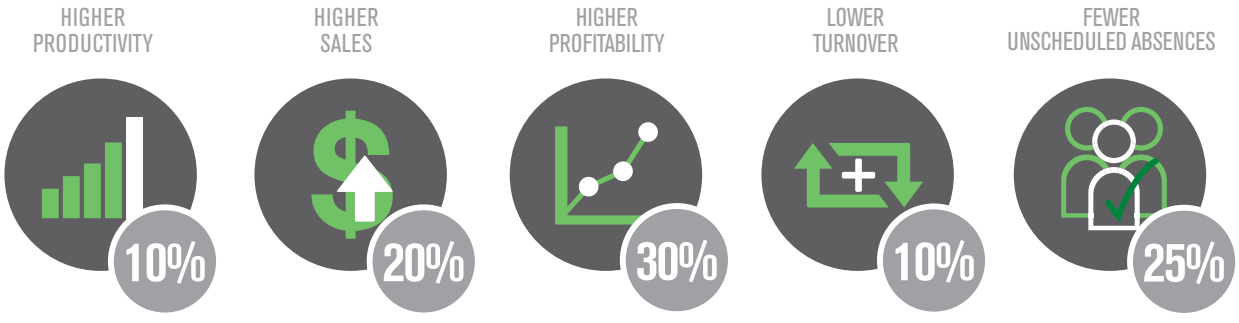
For too long, companies have wasted time, energy and resources hiring the wrong managers and then attempting to train them to be who they're not. Nothing fixes the wrong pick.

A version of this article originally appeared on the HBR Blog Network.

WHAT IS TALENT, AND WHY DOES IT MATTER?

When hiring managers, most organizations focus on previous non-managerial success or tenure. Although these factors are important, they are secondary to talent. Through four decades of research, Gallup has consistently found that talent is the greatest predictor of long-term success in a role. Talent is the crucial element to consider when hiring managers — and it cannot be detected on a resume.

Gallup research has shown that people who operate from talent can learn a role faster and adapt to variance in the role more quickly. These individuals not only produce more, but they also produce at a higher quality. Because of this, we have also found powerful links between top talent and crucial business outcomes. On average, companies that select the top 20% of candidates from Gallup's talent-based assessments achieve:



THE DEFINITION OF "TALENT"

Gallup defines "talent" as the natural capacity for excellence. People can learn skills, develop knowledge and gain experience, but they cannot acquire talent — it is innate. When individuals have the right talent for their role, they think and act differently than their peers. They are energized by their work, rarely thinking of it as "work" at all. But for others whose talent is not the best fit, the same work can feel draining.

Organizations that fail to hire for talent often end up with significant variance in performance. They can give their employees the same information and expectations, provide them with the same or similar working environments, teach them the same skills and offer them the same knowledge, but without talent, these organizations will end up with some high performers, some middle-of-the-road performers and some low performers. Talent is the stabilizer — it paves the way for *consistently* excellent performance.

FIVE DIMENSIONS OF MANAGER TALENT

Gallup has studied the behavior of high performers in every imaginable role from elite military personnel and teachers to bank tellers and truck drivers. With every role studied, Gallup has found one unfailing truth: Successful people have similar talents. And managers are certainly no exception.

Gallup describes and assesses manager talent using five "talent dimensions":

1. Motivator
2. Assertiveness
3. Accountability
4. Relationships
5. Decision-Making

A talent dimension represents a group of related talents. For example, the "Relationships" dimension represents the talents for establishing authentic connections with team members and generating enthusiasm among employees. Gallup then uses scientific assessments to determine how well an individual expresses those talents and therefore fits into each talent dimension.

Gallup has found that the five dimensions of manager talent are the greatest predictors of performance across different industries and types of manager roles (i.e., general manager, field manager, team manager). An individual who exhibits the five dimensions to a high degree has what Gallup calls high manager talent. Comparatively, an individual who has many of the talents necessary to be a successful manager but needs support in the form of training or coaching has functioning talent. And an individual who lacks talent across the five dimensions has limited talent. A person with limited talent is much less likely to be a successful manager regardless of the support he or she receives.

Talent Dimension	High-Talent Managers	Limited-Talent Managers
Motivator	They challenge themselves and their teams to continually improve and deliver distinguished performance.	They lack excitement about and expectations for outcomes and allow team performance to stagnate.
Assertiveness	They overcome challenges, adversities and resistance.	They struggle to create change or drive performance improvement.
Accountability	They ultimately assume responsibility for their teams' successes and create the structure and processes to help their teams deliver on expectations.	They fail to organize the workflow of teams, making it more difficult to meet performance expectations.
Relationships	They build a positive, engaging work environment where their teams create strong relationships with one another and with clients.	They suffer from the dysfunction of teams that lack cohesion and disengage employees and clients alike.
Decision-Making	They solve the many complex issues and problems inherent to the role by thinking ahead, planning for contingencies, balancing competing interests and taking an analytical approach.	They seek the convenient solution over the best solution, not taking into account all of the pertinent information and/or complexities.

MANAGER TALENT AND PERFORMANCE

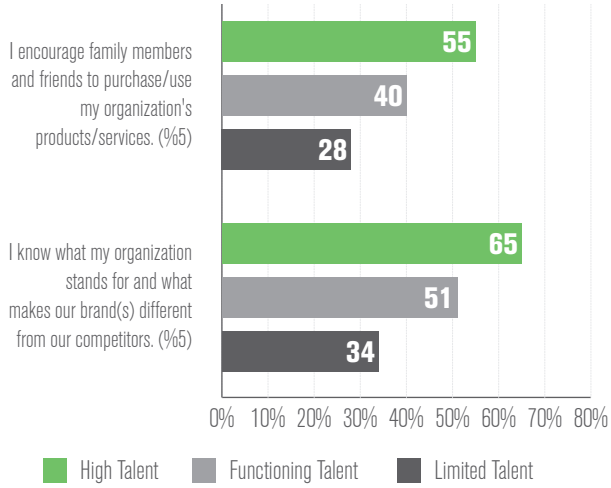
An organization's level of talent directly affects its bottom line. Gallup's research reveals strong correlations between talent and business outcomes such as profitability, sales and productivity. When Gallup examined manager talent, we discovered even more evidence linking this vital element to organizational performance.

In a study of 2,551 managers, Gallup found that 54% of managers with high talent are engaged at work — twice the percentage of managers with limited talent. This finding has significant implications for organizations that find themselves struggling to break out of mediocrity. Gallup has studied engagement since the 1990s and has repeatedly discovered that companies with high levels of engagement outperform all others in terms of business outcomes such as absenteeism, quality, turnover and customer ratings. If organizations can find and hire more managers with high talent, they can likely raise their overall levels of engagement — and performance.

MANAGERS WITH HIGH TALENT ARE TWICE AS LIKELY TO BE ENGAGED

Managers with high talent are also advocates for their organization. These managers are brand ambassadors who sing their company's praises to friends and family members. For example, 55% of managers with high talent strongly agree (give a 5 on a 5-point scale, with 5 being the highest) with the statement, "I encourage my family members and friends to purchase/use my organization's products/services," compared with 28% of managers with limited talent. And nearly twice as many managers with high talent than limited talent strongly agree that they know what their organization stands for and what separates it from its competitors.

MANAGERS WITH HIGH TALENT ARE BETTER BRAND AMBASSADORS



Organizations expect all of their employees to act as brand ambassadors, but that is rarely the case. According to Gallup research, only about a third of non-management employees (37%) say they know what their organization stands for and what separates it from its competitors. And if these employees do not understand their company's brand promise, it is highly unlikely they can act on it or communicate it to customers.

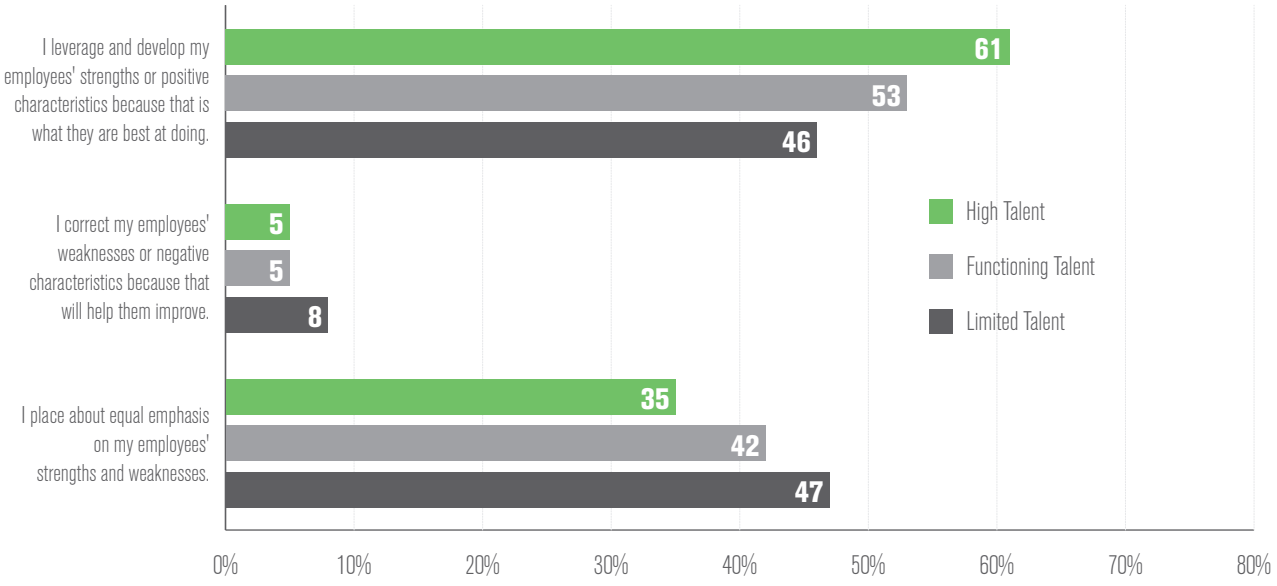
Typically, organizations hold managers responsible for helping employees understand their brand promise and know how to deliver it. But if managers do not know what sets their company apart, there is little chance their employees do. Organizations that hire managers based on talent are more likely to have a strong and effective army of brand ambassadors who understand and live the brand, and who can more successfully engage customers.

Managers with high talent think differently about their jobs and organizations, and they think differently about how to develop their employees. When Gallup asked managers to choose the option that best represented their management approach, 61% of managers with high talent said they take a

strengths-based approach, while fewer percentages of managers with functioning or limited talent said the same. Managers with limited talent were more likely than those with high and functioning talent to say they focus equally on employees' strengths and weaknesses.

MANAGERS WITH HIGH TALENT ARE MORE LIKELY TO FOCUS ON STRENGTHS

Which of the following best represents your approach to managing?



Through extensive research, Gallup has found that building employees' strengths is a far more effective approach than trying to improve their weaknesses. When employees know and use their strengths, they are more engaged, have higher performance and are less likely to leave their company. In a Gallup study of 1,003 random U.S. employees, nearly two-thirds (61%) of employees who felt they had a supervisor who focused on their strengths or positive characteristics were engaged — twice the average (30%) of U.S. workers who are engaged nationwide. A manager's approach to strengths has a profound impact on engagement, and that engagement has a profound impact on just about everything that matters to an organization's long-term viability.

A MANAGER'S APPROACH TO STRENGTHS HAS A PROFOUND IMPACT ON ENGAGEMENT, AND THAT ENGAGEMENT HAS A PROFOUND IMPACT ON JUST ABOUT EVERYTHING THAT MATTERS TO AN ORGANIZATION'S LONG-TERM VIABILITY.

WHAT EMPLOYEES WANT FROM MANAGERS

Gallup first began measuring and reporting on U.S. workplace engagement in 2000 and has consistently found that less than one-third of Americans are engaged in their jobs in any given year. We define engaged employees as those who are involved in, enthusiastic about and committed to their work and workplace. But the majority of employees are indifferent, sleepwalking through their workday without regard for their performance or their organization's performance. As a result, vital economic influencers like growth and innovation have all but flatlined.

One in two employees have left their job to get away from their manager.

Gallup research shows that managers account for at least 70% of the variance in employee engagement scores across business units. Given the troubling state of employee engagement in the U.S. today, it makes sense that most managers are not creating environments in which employees feel motivated or even comfortable. A Gallup study of 7,272 U.S. adults revealed that one in two had left their job to get away from their manager and improve their overall life at some point in their career. Having a bad manager is often a one-two punch: Employees feel miserable while at work, and that misery follows them home, compounding their stress and putting their well-being in peril.

But it is not enough to simply label a manager as "bad" or "good." Organizations need to understand what managers are doing in the workplace to create or destroy engagement. In another study of 7,712 U.S. adults, Gallup asked respondents to rate their manager on specific behaviors. These behaviors — related to communication, performance management and strengths — strongly link to employee engagement and give organizations better insights into developing their managers and raising the overall level of performance of the business.

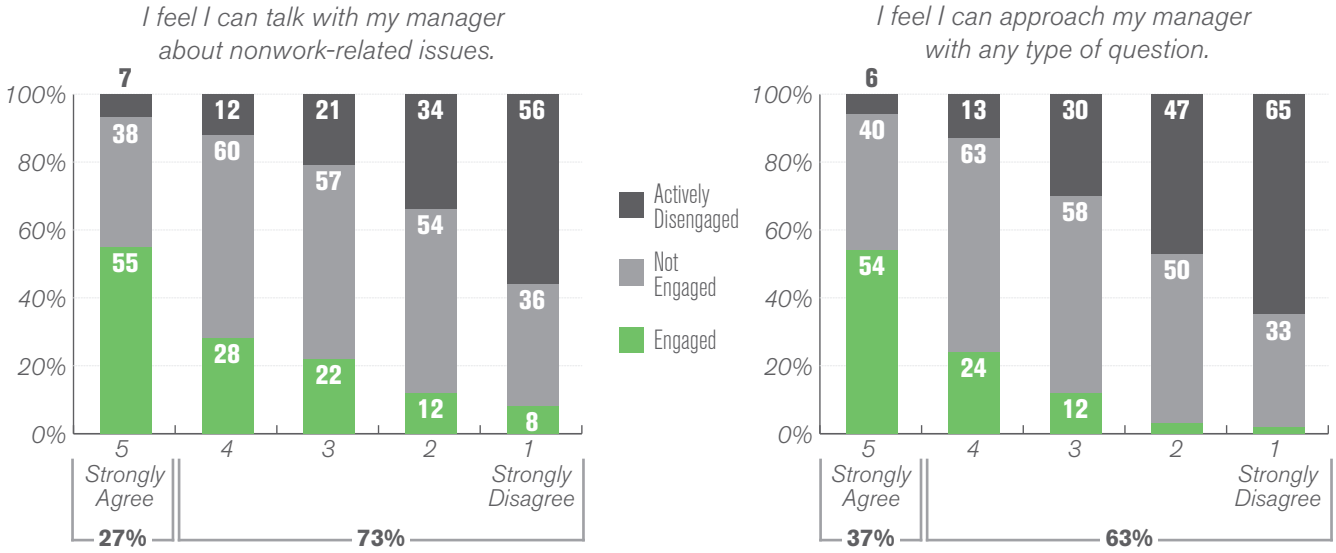
RELIABLE AND MEANINGFUL COMMUNICATION

Communication is often the basis of any healthy relationship, including the one between an employee and his or her manager. Gallup has found that consistent communication — whether it occurs in person, over the phone or electronically — is connected to higher engagement. For example, employees whose managers hold regular meetings with them are almost three times as likely to be engaged as employees whose managers do not hold regular meetings with them.

The frequency of meetings is less important to employees than the fact that they happen at all. However, Gallup has also found that engagement is highest among employees who have some form (face-to-face, phone or electronic) of daily communication with their manager. And while all forms of communication are effective, managers who use a combination of face-to-face, phone and electronic communication are the most successful at engaging employees.

Employees value communication from their manager not just about their role and responsibilities, but also about what happens in their life outside of work. The Gallup study revealed that employees who feel as though their manager is invested in them as people are more likely to be engaged. Employees who give a 5 (on a 5-point scale, with 5 being the highest) to the statements, "I feel I can talk with my manager about nonwork-related issues" and "I feel I can approach my manager with any type of question" are more engaged than employees who give the same statements even a 4. While these findings are encouraging, the percentage of employees who actually give these statements a 5 is relatively low: 27% and 37%, respectively.

EMPLOYEES WHOSE MANAGERS ARE OPEN AND APPROACHABLE ARE MORE ENGAGED



Managers who want to build stronger relationships with their employees should make regular meetings a priority, but they should also strive to communicate, in some way, with each team member every day. And this communication should not be limited to employees' work. The best managers make a concentrated effort to get to know their employees and help them feel comfortable talking about any subject, whether it is work related or not. A productive workplace is one in which people feel safe — safe enough to experiment, to challenge, to share information and to support one another. In this type of workplace, team members are prepared to give the manager and their organization the benefit of the doubt. But none of this can happen if employees do not feel cared about.

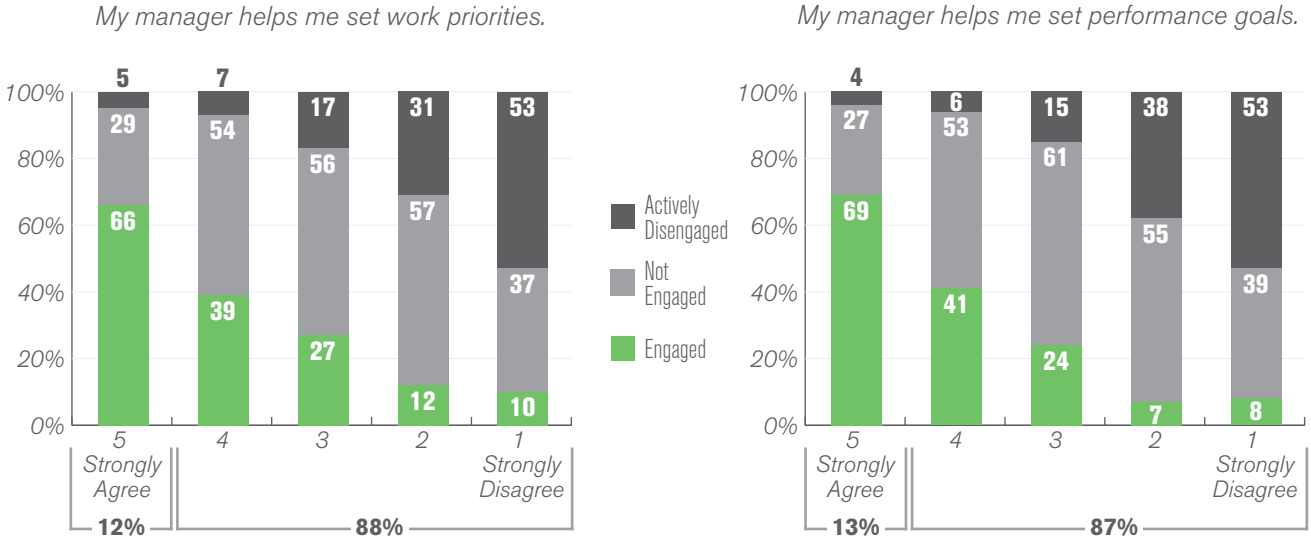
Great managers have the talent to motivate employees and build genuine relationships with them. Those who are not well-suited for the job will likely be uncomfortable with this "soft" aspect of management. But employees are people first, and they have an intrinsic need for bonding that does not automatically turn itself off between the hours of 8:00 a.m. and 5:00 p.m. The best managers can understand and relate to their team members' inherently human motivations.

PERFORMANCE MANAGEMENT BEYOND ANNUAL REVIEWS

Performance management is often a source of great frustration for employees who do not clearly understand their goals or what is expected of them at work. They may feel conflicted about their duties and disconnected from the bigger picture. For these employees, annual reviews and developmental conversations feel forced and superficial, and it is impossible for them to think about next year's goals when they are not even sure what tomorrow will throw at them.

Yet, when performance management is done well, employees become more productive, profitable and creative contributors. Gallup has found that employees whose managers excel at performance management activities are more engaged than employees whose managers struggle with these same tasks. At least two-thirds of employees who "strongly agree" that their manager helps them set work priorities and performance goals are engaged, whereas the slight majority of employees who "strongly disagree" with the same sentiments are actively disengaged. Again, though, the actual percentage of employees who believe their manager is excelling at these tasks is low. Only 12% of employees strongly agree that their manager helps them set work priorities, and 13% strongly agree that their manager helps them set performance goals.

EMPLOYEES WHOSE MANAGERS HELP THEM SET WORK PRIORITIES AND GOALS ARE MORE ENGAGED

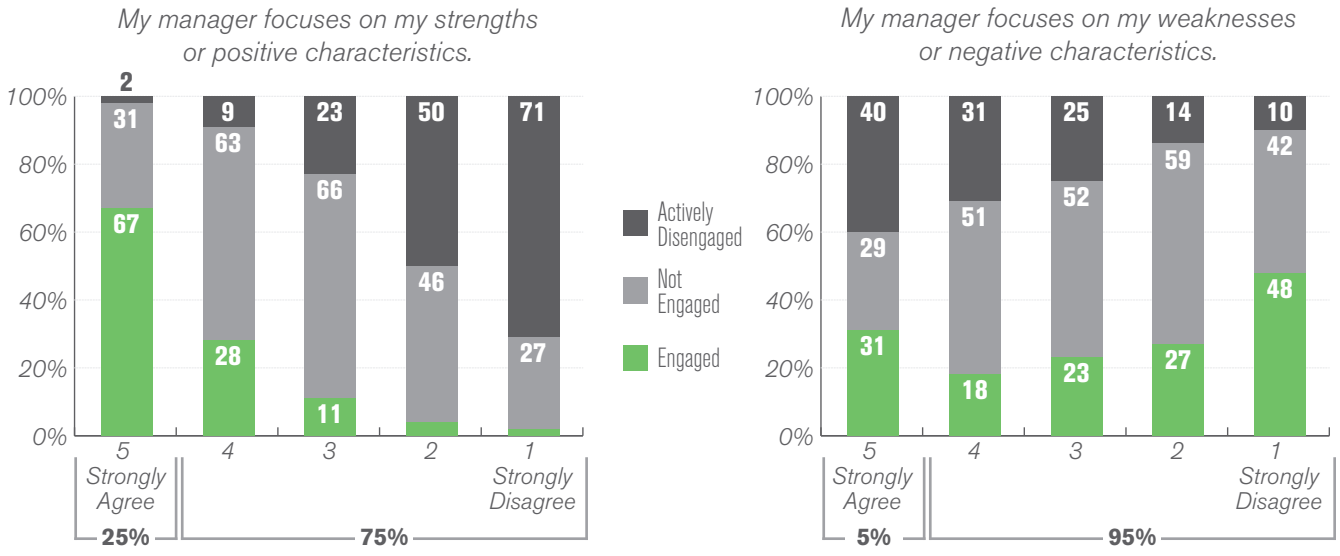


In our Q[12] research, Gallup has discovered that clarity of expectations is perhaps the most basic of employee needs and is vital to performance. Helping employees understand their responsibilities may seem like "Management 101," but employees need more than a written job description to fully grasp their role. They need to completely comprehend what they should be doing and how their work fits in with everyone else's work — especially when circumstances change. Great managers don't just tell employees what's expected of them and leave it at that; they frequently talk with employees about their responsibilities and progress. They don't save those critical conversations for once-a-year performance reviews.

STRENGTHS OVER WEAKNESSES

Gallup researchers have studied human behavior and strengths for decades and have discovered that building employees' strengths is a far more effective approach than trying to improve their weaknesses. A strengths-based culture is one in which employees learn their roles more quickly, produce more and significantly better work, stay with their company longer and are more engaged. In the current study, a vast majority (67%) of employees who strongly agree that their manager focuses on their strengths or positive characteristics are engaged, compared with 31% of employees who strongly agree that their manager focuses on their weaknesses or negative characteristics. Although strengths-based development works to engage employees, Gallup has discovered that just 25% of employees strongly agree that their manager focuses on their strengths or positive characteristics. A smaller percentage of employees, 5%, strongly agree that their manager focuses on their weaknesses or negative characteristics.

EMPLOYEES WHOSE MANAGERS FOCUS ON THEIR STRENGTHS ARE MORE ENGAGED

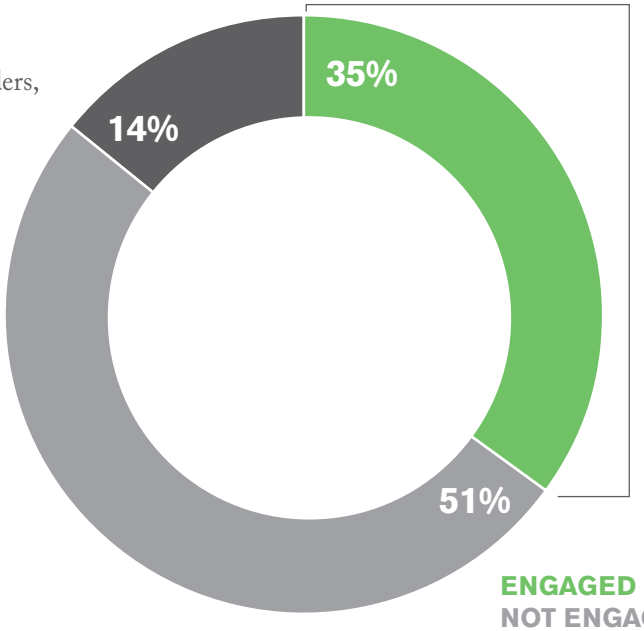


When managers help employees grow and develop through their strengths, they are more than twice as likely to engage their team members. The most powerful benefit a manager can provide his or her employees is to place them in jobs that allow them to use the best of their natural talents as well as their skills and knowledge to build and apply strengths.

DISENGAGED MANAGERS CREATE DISENGAGED EMPLOYEES

It should come as no surprise that managers have the greatest impact on employee engagement. Managers are responsible for setting job expectations, providing constructive feedback, encouraging growth and development, and building strong teams. Managers who do these tasks well inspire employees to perform at their best, while managers who fumble at these tasks spur employees to look for new jobs.

Engagement largely falls on managers' shoulders, yet Gallup research shows that a strikingly low percentage of managers are themselves engaged. In a study of 2,564 U.S. managers, we found that just 35% are engaged, while 51% are not engaged and 14% are actively disengaged. By Gallup's estimates, the "not engaged" group costs the U.S. $77 billion to $96 billion annually through their impact on those they manage. And when we factor in the impact of the "actively disengaged" group, those figures jump to $319 to $398 billion annually.



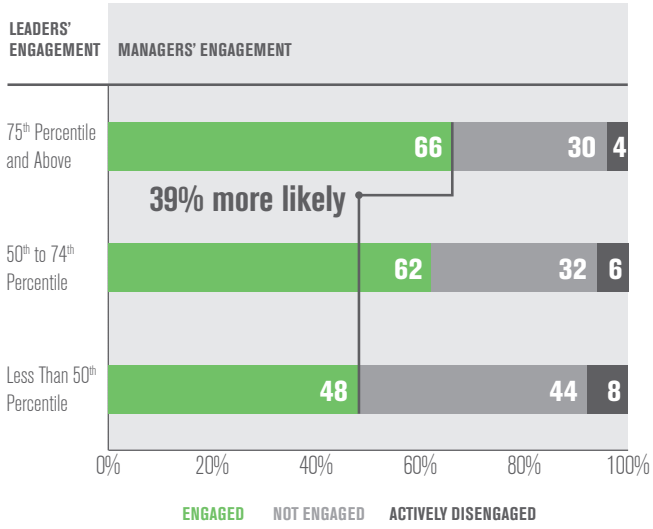
A STRIKINGLY LOW PERCENTAGE of managers are engaged.

THE CASCADE EFFECT

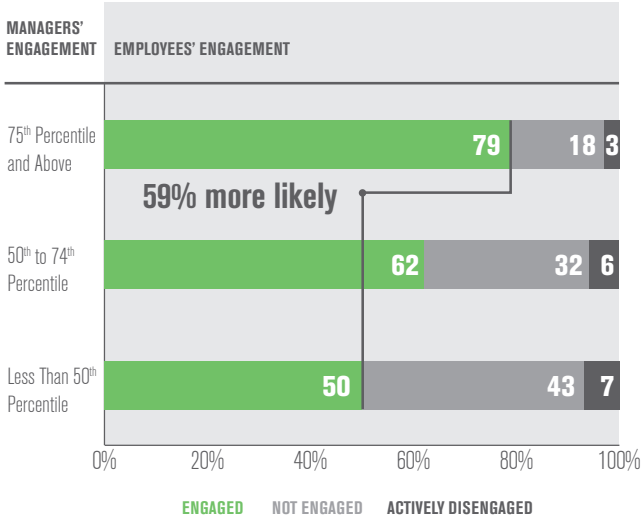
Day in and day out, managers are tasked with engaging employees, but 51% of managers have essentially "checked out," meaning they care little, if at all, about their job and company. And that attitude has dire consequences. A manager's engagement — or lack thereof — affects his or her employees' engagement, creating what Gallup calls the "cascade effect." Essentially, employees' engagement is directly influenced by their managers' engagement — whose engagement is directly influenced by *their* managers' engagement.

Gallup has studied engagement data from 190 diverse industries such as healthcare, finance, manufacturing and retail, and has found that managers who are directly supervised by highly engaged leadership teams are 39% more likely to be engaged than managers who are supervised by actively disengaged leadership teams. And the link between engaged managers and engaged employees is even more powerful. Employees who are supervised by highly engaged managers are 59% more likely to be engaged than those supervised by actively disengaged managers.

MANAGERS WHO WORK FOR ENGAGED LEADERS ARE 39% MORE LIKELY TO BE ENGAGED



EMPLOYEES WHO WORK FOR ENGAGED MANAGERS ARE 59% MORE LIKELY TO BE ENGAGED



THE COSTS OF AN APATHETIC WORKFORCE

The percentage of engaged managers in the U.S. is alarmingly low — and as predicted by the cascade effect, so is the percentage of engaged employees. In Gallup's 2013 *State of the American Workplace* report, we revealed that 30% of U.S. workers are engaged, while 52% are not engaged and 18% are actively disengaged. The ratio of engaged to actively disengaged workers is roughly 2-to-1, and this distressing ratio has been stagnant for more than a decade.

These findings have serious consequences for the vitality of the U.S. economy. Gallup's extensive research shows that engagement is strongly connected to business outcomes that are essential to an organization's financial success, including productivity, profitability and customer ratings. And engaged employees are the ones who are the most likely to drive the innovation, growth and revenue that their companies desperately need. These engaged workers build new products and services, generate new ideas, create new customers and ultimately help spur the economy to create more good jobs.

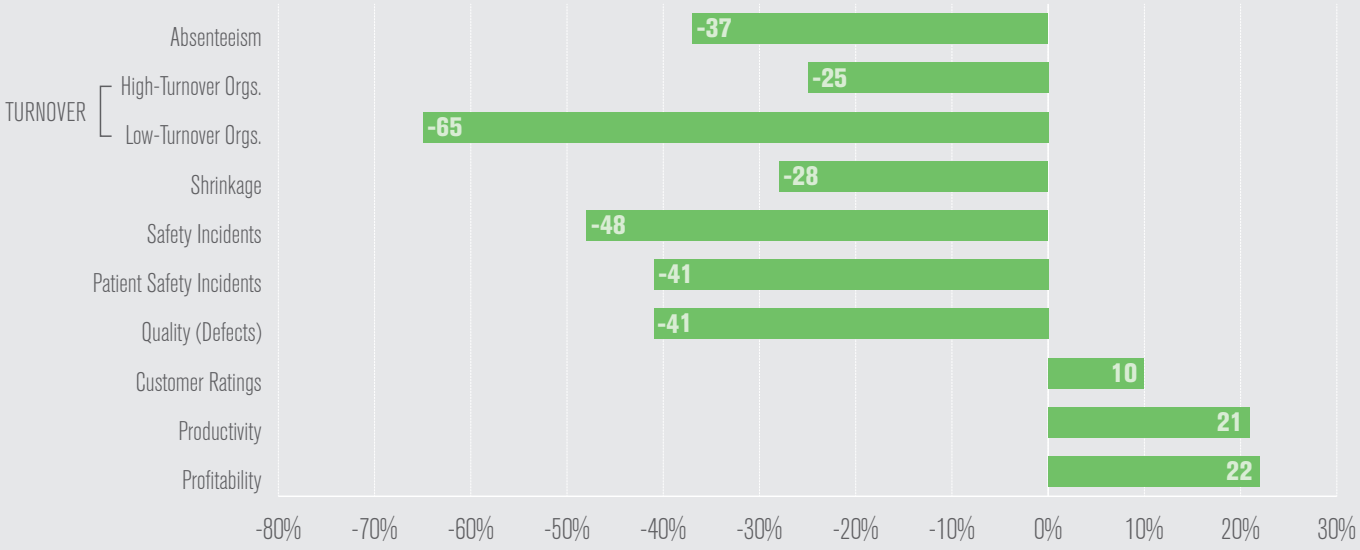
Gallup measures engagement for employees at all levels (including managers and leaders) using the Q^{12} survey, which consists of 12 actionable items with proven links to performance outcomes. In 2012, Gallup conducted our eighth meta-analysis on the Q^{12} using 263 research studies across 192 organizations in 49 industries and 34 countries. Researchers studied 49,928 business/work units, including nearly 1.4 million employees, and further confirmed the well-established connection between employee engagement and nine performance outcomes:

- customer ratings
- profitability
- productivity
- turnover (for high- and low-turnover organizations)
- safety incidents
- shrinkage (theft)
- absenteeism
- patient safety incidents
- quality (defects)

Gallup researchers also analyzed the differences in performance between engaged and actively disengaged business/work units and found that those scoring in the top half on employee engagement nearly doubled their odds of success compared with those in the bottom half.

ENGAGEMENT'S EFFECT ON KEY PERFORMANCE INDICATORS

Median differences between top-quartile and bottom-quartile units were:



REVERSING THE TREND

Until organizations can increase their percentage of engaged managers, they have little hope of increasing their percentage of engaged employees. In our study of the cascade effect, Gallup has learned that certain Q^{12} items have the greatest potential to positively influence leader-to-manager engagement and manager-to-employee engagement. When leaders or managers score highly on these items, their direct reports are more likely to be engaged.

For leaders (defined by Gallup as executives), the Q^{12} items with the strongest connection to managers are:

> Q08. The mission or purpose of my company makes me feel my job is important.
>
> Q12. This last year, I have had opportunities at work to learn and grow.

For managers, the Q^{12} items with the strongest connection to employees are:

> Q03. At work, I have the opportunity to do what I do best every day.
>
> Q08. The mission or purpose of my company makes me feel my job is important.

According to Gallup's study of 2,564 managers, 40% or less "strongly agree" with the Q^{12} items listed above. Based on these findings, Gallup believes that leaders should invest in three critical actions to strengthen their managers' — and subsequently, their employees' — engagement and make the cascade effect work in their favor:

1. **Clearly and consistently communicate where the organization has been and where it is going.** Every leader, manager and employee wants to feel connected to his or her organization. People want to know what the organization stands for and why, and to understand how their role supports the organization's overarching purpose and goals. Gallup has identified this need as highly emotional, and it speaks to the desire many individuals have to find meaning in their roles. Understanding their organization's mission or vision helps people see their job as more than just a job.

   An organization's mission or purpose must be communicated from the top down. Leaders are responsible for setting these essential identity elements and ensuring that their managers understand what they mean and how to communicate them to employees. But leaders themselves are also responsible for living the organization's mission or purpose and for being embodiments of the behaviors and attitudes they want to see in their managers and employees.

2. **Make learning and development a priority.** An individual's desire for learning never goes away, regardless of his or her title or position. Gallup research has discovered that people who get the opportunity to continually develop are twice as likely as those on the other end of the scale to say they will spend their career with their company. Leaders must make learning and development a priority for themselves and their managers, and they must take steps to create an environment where people have ongoing opportunities for personal improvement through formal coaching, group classes, mentoring or some other form of learning.

3. **Emphasize managers' strengths.** Organizations that hire managers based on their natural talents and then enable those people to turn their talents into strengths are better positioned for success. As part of this, leaders must equip their managers with the tools and resources necessary to identify and develop their individual strengths. But leaders must also understand their direct reports' strengths and know how those strengths play out in specific tasks and responsibilities. They should then mold managers' jobs to best allow them to make the most of those strengths. This approach helps increase the likelihood that managers will be internally motivated and engaged. G

Until organizations can increase their percentage of engaged managers, they have little hope of increasing their percentage of engaged employees.

WHY WOMEN ARE BETTER MANAGERS THAN MEN

In 1953, Gallup first asked Americans, "If you were taking a new job and had your choice of a boss, would you prefer to work for a man or a woman?" At that time, 66% of Americans said they preferred a male boss. Five percent said they preferred a female boss, and 25% volunteered that it made no difference to them.

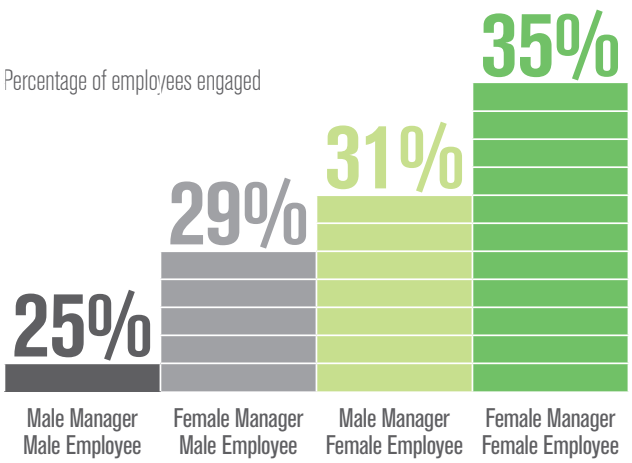
A little more than six decades later, Gallup asked Americans the same question and found that they are still more likely to say they would prefer a male boss (33%) to a female boss (20%) in a new job, although 46% say it doesn't make a difference to them. While women are more likely than men to say they would prefer a female boss, they are still more likely to say they would prefer a male boss overall.

Despite these sentiments, Gallup discovered that employees who work for a female manager in the U.S. are actually more engaged, on average, than those who work for a male manager. However, only one in three (33%) working Americans say they currently have a female boss. While there are many highly successful female and male managers, female managers do have a slight advantage when it comes to engagement. And it's an advantage leaders should consider when deciding whom to name manager.

Female managers of every working-age generation are more engaged than their male counterparts.

Leaders should also know that female managers themselves tend to be more engaged than male managers. Gallup finds that 41% of female managers are engaged at work, compared with 35% of male managers. In fact, female managers of every working-age generation are more engaged than their male counterparts, regardless

FEMALE MANAGERS ARE BETTER AT ENGAGING THEIR EMPLOYEES THAN MALE MANAGERS



of whether they have children in their household. These findings have profound implications for the workplace. If female managers, on average, are more engaged than male managers, it stands to reason that they are likely to contribute more to their organization's current and future success.

HIGHER LEVELS OF ENGAGEMENT MEAN HIGHER-PERFORMING WORKGROUPS

Given that female managers are more engaged than male managers, their higher engagement levels likely result in more engaged, higher-performing workgroups. Gallup's data confirm this: Individuals who work for a female manager are six percentage points more engaged, on average, than those who work for a male manager (33% to 27%, respectively). Female employees who work for a female manager are the most engaged, at 35%. Male employees who report to a male manager are the least engaged, at 25% — a difference of 10 points.

EMPLOYEES OF FEMALE MANAGERS OUTSCORE EMPLOYEES OF MALE MANAGERS ON 11 OF 12 ENGAGEMENT ITEMS

In a survey of working Americans, Gallup found that employees who work for a female manager are 1.26 times more likely than employees who work for a male manager to strongly agree that "There is someone at work who encourages my development." This suggests that female managers likely surpass their male counterparts in cultivating potential in others and helping to define a bright future for their employees. It does not mean that female managers are more likely to promote their associates, but it could signify that women are more apt than men to find stimulating tasks to challenge their employees, thus ensuring associates develop within their current roles and beyond.

Female managers are not only more likely than male managers to encourage their subordinates' development, but they're also more inclined than their male counterparts to check in frequently on their employees' progress. Those who work for a female boss are 1.29 times more likely than those who work for a male boss to strongly agree with the Q^{12} item, "In the last six months, someone at work has talked to me about my progress." This suggests that female managers, more so than male managers, tend to provide regular feedback to help their employees achieve their development goals.

Those who work for a female manager are 1.17 times more likely than those with a male manager to strongly agree that "In the last seven days, I have received recognition or praise for doing good work." In addition to encouraging associate development through regular conversations about performance, this suggests that female managers surpass male managers in providing positive feedback that helps employees feel valued for their everyday contributions. It also indicates that female managers may be better than male managers at helping their employees harness the power of positive reinforcement.

Finally, employees who work for a female manager outscore those who work for a male manager on every Q^{12} element except one: "At work, my opinions seem to count." Overall, female managers eclipse their male counterparts at setting basic expectations for their employees, building relationships with their subordinates, encouraging a positive team environment and providing employees with opportunities to develop within their careers.

ORGANIZATIONS SHOULD HIRE AND PROMOTE MORE FEMALE MANAGERS

Female managers in the U.S. exceed male managers at meeting employees' essential workplace requirements. And female managers themselves are more engaged at work than their male counterparts. While the explanation behind these findings is subject to debate, there are a few possible reasons as to why female managers and their employees are more engaged. Gallup's employee engagement data show that men and male managers are more likely to hold jobs that tend to be less engaging, such as production jobs. However, it is also likely that gender bias still pervades leadership and management in America. As such, female managers might be somewhat more adept and purposeful in using their natural talents to engage their teams because they need to exceed expectations to advance in their organization.

Although Gallup's findings may be surprising to some, the management implication is quite clear: U.S. organizations should place more emphasis on hiring and promoting more female managers. And they can accomplish this by using talent as the basis for their selection decisions. Talent is an equalizer that can help remove gender bias in the hiring process. Talent gives organizations a proven, scientifically sound method for choosing the best candidate and can bring the ratio of male to female managers much closer.

WHAT THE BEST DO DIFFERENTLY

Decades of Gallup research have shown that great managers possess a unique combination of natural talents. Jerry Rudzinski and Lanell Jacobs are both incredible examples of these talents in action. They are also a testament to the fact that although great managers share a common set of talents, there is a uniqueness in the way each person exhibits and works with his or her innate gifts.

WINNING COMBO: A DEDICATION TO TALENT AND A FOCUS ON RESULTS

Jerry Rudzinski, Senior Director of Sales, Patient Handling Division, Stryker Medical

As a starting outside linebacker for the Ohio State Buckeyes in the late 1990s, Jerry Rudzinski relied on a few core convictions to drive success on and off the field. An article in The Ohio State University's student publication on Rudzinski from that time highlights one such principle as part of his upbringing: *Focus on the fundamentals.*

Focusing on the fundamentals has continued to serve Rudzinski well in his career at Stryker, one of the world's leading medical technology companies. As senior director of sales for the company's Patient Handling division, Rudzinski heads the management team for a nationwide sales force of 11 region managers and 112 sales representatives.

Under Rudzinski's leadership, his sales team has exceeded expectations, delivering double-digit growth in three of the past four years. The team also posted one of the highest sales force employee engagement scores in the company. So when Gallup was reviewing nominees for the inaugural Manager of the Year award, which was presented at the 2014 Gallup Great Workplace Awards (GGWA), Rudzinski's name rose to the top of the list.

In considering his achievements over 14 years with Stryker, Rudzinski returns to his emphasis on the fundamental conditions for success. "There's something about staying grounded in the basics that makes you feel confident as you move forward with any project or initiative," Rudzinski says. In his current role, those basics are similar to those of any successful coach: Recruit people with high-level talent for the job and continually develop them to make the most of their talent.

"[Receiving] the [Manager of the Year] award was particularly fulfilling for Jerry because he really is a student of talent," says Don Payerle, the vice president and general manager, Patient Handling and EMS. "He loves finding [talent], he loves coaching it, and he loves developing it." Payerle describes Rudzinski's ability to recruit people with world-class talent and learn about what motivates them as individuals, then challenge them with high but achievable expectations.

A "TALENT OFFENSE" DRIVES SUCCESS

Rudzinski's success as a manager represents a way of effectively executing Stryker's broader performance strategy, which incorporates several of Gallup's practices. The first practice is talent assessment using selection profiles in hiring sales representatives and sales managers. Stryker also uses Gallup's Q^{12} employee engagement survey to gauge the extent to which employees feel involved in and enthusiastic about their work and to create interventions at the workgroup and enterprise levels to systematically improve their engagement. Stryker relies on great managers to make its performance strategy work and to ensure that employees are thriving in their careers.

Several executive leaders are typically present at each workgroup's Q^{12} feedback session, during which employees and managers meet to discuss the survey results. Rudzinski attends 13 sessions per year and says that senior leaders often attend many more than that. Managers and leaders clarify that each session's purpose is to make the organization better, and to achieve that goal, it is important that everyone feels free to speak up.

"History would suggest that forthright feedback is harmless in these sessions, and people accept that," Rudzinski says. "Our employees care about their work, so the positive cycle of communication continues."

COMMUNICATING AND WINNING

For Rudzinski, constant communication with his team members helps ensure that their talents are well-supported and running at high capacity. "It's a simple formula," he says. "Talk to your sales force to see what's going well for them and where we're disappointing them. If you ask those questions and listen carefully to the answers, you'll be able to make incremental improvements along the way that a spreadsheet or market analysis simply can't give you."

Maintaining a strong level of communication is particularly challenging for a team like Rudzinski's, whose region managers each oversee a group of sales reps who work remotely and rarely see one another in person. Managers must make the most of every connection with their team members, whether in person, over the phone or otherwise. They join their reps in "ride-alongs," and they often use Gallup's strengths-based management coaching materials to understand how best to engage each employee individually.

Rudzinski stresses the importance of selecting region managers who are naturally strong communicators and relationship builders. Those managers help promote the team's success, and celebrating the team's accomplishments further boosts engagement. "The key is

communication and winning. One without the other is a dead end," Rudzinski says. "It is tough to build camaraderie in the dark. It is also tough to spread goodwill when there are no positives."

EXPECTING THE BEST FROM PEOPLE

Given Rudzinski's success at coaching and building strong relationships with his team members, it might be natural to assume his strengths are primarily relationship-oriented. But Rudzinski's top five talent themes — based on the Clifton StrengthsFinder assessment, Gallup's taxonomy of 34 themes — are Competition, Maximizer, Focus, Achiever and Significance. These themes point to someone whose primary motivation is delivering results.

"Winning is where Jerry likes to be," says Jeannie Ruhlman, a Gallup senior consultant who serves as Rudzinski's strengths performance coach. "He has Competition and Significance in his top five themes, but he plays that down because he embraces a servant-leadership orientation. He expects the best from his people, but he also expects the best *for* his people. That's one of the many reasons people want to work for him."

Rudzinski says his goal orientation pervades everything he does at Stryker. "I want to be part of the greatest company in the world, and that's the end in my mind. Everything we do, every agenda we set, every customer we talk to, every meeting we plan — we're going to have that end in mind."

Like many world-class managers, Rudzinski has a personal take on his role at the company, recognizing the influence he can have on his team members' well-being. "Lives change in the working world when the right manager enters someone's life," he says. "My father's life — and consequently, our family's lives — changed because a great manager entered his life. My life changed when a certain manager entered my life. To me, it's inspiring to know that the region managers and directors who I work with could potentially change somebody's life by getting up in the morning and heading off to put in a good day's work."

LEADING BY EXAMPLE

Lanell Jacobs, Director, Harris Radiation Therapy Cancer Center at Gordon Hospital

People who work in healthcare often say they were called to it. They are natural caregivers who have a unique ability to help patients and their family members navigate life's most difficult moments. And they have an innate understanding of and appreciation for what it means to provide "treatment," recognizing that it almost always goes beyond the physical illness or injury.

As a cancer survivor, Lanell Jacobs understands firsthand what patients need from their care team. And as the director of the Harris Radiation Therapy Cancer Center at Gordon Hospital, she is dedicated to making sure they receive it. Jacobs says, "When patients leave our facility, the biggest win I can have is hearing them say they got what they needed here — physically, emotionally and spiritually."

Located in Calhoun, Georgia, Gordon Hospital operates as part of Adventist Health System and serves patients with high-quality, personalized and compassionate care. Jacobs oversees a team of 16 people in the hospital's cancer center, including 15 staff members and one physician. This team tends to patients with various treatment plans: Some undergo radiation therapy every day for six to eight weeks, others receive 10 treatments over the course of a few weeks, and some need late-stage cancer (palliative care) support.

The work that Jacobs' staff performs is often demanding and draining. On top of that, they operate in an industry that is constantly changing and increasingly competitive. It is understood that the right manager is vital to ensuring that team members stay emotionally and psychologically committed to their jobs — and Jacobs has more than risen to the challenge. In 2013, Jacobs' employee engagement scores put her in the top 10% of workgroups in Gallup's database.

Jacobs' success can be credited to many factors, but perhaps the greatest among them is her commitment to leading by example. She is passionate about providing every patient at the cancer center with holistic care and managing her team with a similar philosophy in mind. She cares for her employees as people, paying close attention to both their professional and personal needs. Because of this, she has been able to fully engage her team in the ministry of treating individuals and providing support for family members.

A TEAM ON A MISSION

Two years ago, Jacobs had the unique opportunity to help design Gordon Hospital's new cancer center and hire the facility's first team. Before the center opened, she held several meetings with her employees to discuss the standard training protocols and orientation topics, and to lay the groundwork for how they would operate together as a team. She believed it was crucial to develop a team mission that would help everyone understand what they were trying to accomplish and keep them moving in the same direction.

Jacobs also believed that a team mission would serve another purpose. She knew that her employees would have days that were emotionally and mentally exhausting, and she wanted their mission to be a source of inspiration and reassurance in those stressful moments. "A mission brings people together, and it gives them something to come back to, especially when things get difficult or seem overwhelming," Jacobs says. "The mission allows them to persist through."

Ultimately, the team landed on "Be the best at what we do — always with compassion" as its mission. This mission is closely connected to the larger missions of Adventist Health System and Gordon Hospital, and through it, Jacobs leads a staff that is highly focused on providing safe, quality care with a personal touch. Every morning, for example, they gather for a huddle to discuss the standard patient updates, go over hospital announcements and generally plan their day, but they also take the time to pray for each patient by name. The simple but profound gesture is a testament to the way Jacobs helps her team live its mission every day.

CREATING TRUST THROUGH RECOGNITION, COMMUNICATION AND ACCOUNTABILITY

Jacobs has been with Adventist Health System for a little more than a decade, working as a psychiatric nurse before taking on the director position at Gordon Hospital. She credits her years in the mental health field with helping her develop an in-depth understanding of human behavior and motivation. She realizes that her employees have an intrinsic need to be recognized and cared for as people. Because of this, Jacobs is diligent about rounding with her team members every day, using the one-on-one time to check on not only their work-related needs, but also their personal well-being.

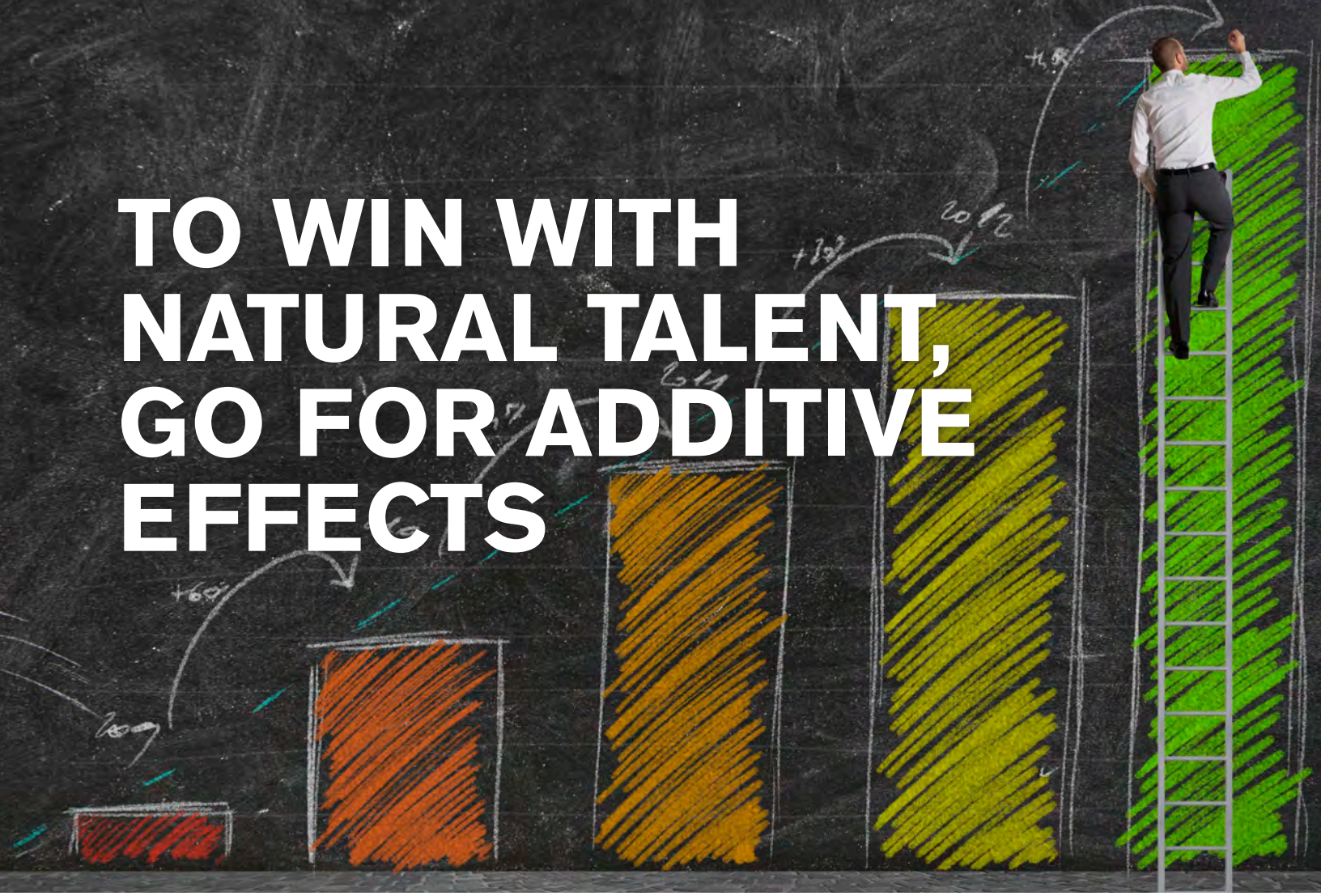
Communication and personal acknowledgement go far in creating trust — something Jacobs believes is crucial to her team's development and engagement. She elaborates, "The most important part of building a team is trust. I have to trust them, and they have to trust me. I am present, approachable and involved, and I recognize what each person is doing well."

Trust is a two-way street, and while Jacobs holds herself accountable as a leader, she also holds her staff members accountable for their roles. She ensures that each team member understands the responsibilities of his or her job and is performing to those expectations. Holistic healthcare is paramount at Gordon Hospital and the cancer center, and Jacobs pays special attention to the way her staff administers care. She hires for talent and then coaches all of her employees — regardless of their role — to be involved in all of a patient's activities to treat the whole person.

PUTTING PEOPLE FIRST

Nearly every great manager can point to someone in his or her past as the inspiration for his or her management style. For Jacobs, that person is a previous CEO at another Adventist Health System facility she worked at in Florida. Before stepping into her first manager role, Jacobs had transitioned from her job as a mental health nurse to more of an educational role. She hadn't considered moving into management until the CEO at the time encouraged her to do so. "He believed in me," she says. "He told me that he would train me."

She considered the CEO to be a mentor and made the same commitment to developing her people that he made to developing her. She looks for employees with the talent to do the job and then helps them cultivate their strengths to grow in their role. And just as importantly, she believes in them, just like her mentor believed in her. In much the same way that the cancer center is a healthy environment for patients to get the care they need, it is as much a healthy environment for the center's staff to get the support they need to do their very best work. G



TO WIN WITH NATURAL TALENT, GO FOR ADDITIVE EFFECTS

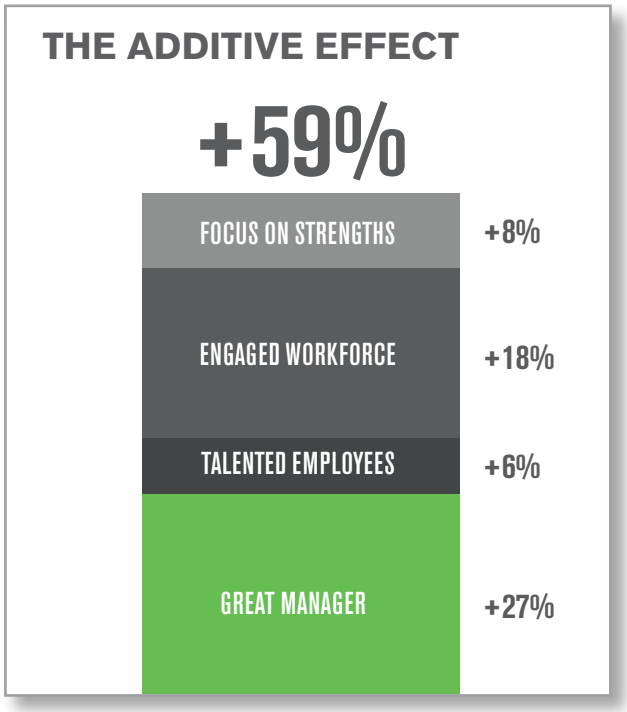
Your company isn't growing fast enough. It's tempting to blame the economy, but plenty of companies have thrived during these tough times. Though you may think the problem is your technology or processes, the real problem is that you don't have enough star employees. Technology and processes continue to evolve, but how companies manage and develop stars hasn't improved over the past decade.

Though researchers have made huge strides in understanding human behavior and motivation, few businesses are actually applying these findings. As a result, companies miss out on unprecedented opportunities for growth and revenue because they don't understand the impact of human nature in the workplace.

Gallup has spent decades studying human potential and how it can be harnessed to build better companies. While we've researched and developed various strategies to help companies tackle a range of problems, we've learned that certain solutions, when implemented *together*, can have an even more powerful effect than that of each in isolation. This is called the "additive effect."

In biological and chemical research, the term *additive effect* refers to combining multiple elements so that the results equal the sum of each element's effects. In other words, each element plays a unique role and has an added scientific value in predicting the outcome. Elements that aren't additive don't matter, work against the intended outcome or are redundant, leading to wasted time and resources.

Similarly, Gallup discovered that four human capital strategies combine in a powerful way to add up to 59% more growth in revenue per employee. Each strategy has been widely tested and proven effective on its own. But by studying these strategies in various combinations across thousands of workgroups and organizations from a wide range of industries and countries, we've found that using them together leads to gains that more than double the effect of using any single strategy on its own.



* Less than 1% of teams use all four strategies.

STRATEGY 1: SELECT MANAGERS WITH NATURAL TALENT

The most critical of the four strategies is selecting and deploying the right managers at all levels of the enterprise. Naturally talented managers are important — and rare. Gallup's research has discovered that only about one person in 10 has the natural talent to be a great manager.

For companies, deciding who should be named manager has a ripple effect on everything else. When a business gets this decision wrong, nothing fixes it. Bad managers drive talented employees away and ultimately damage customer relationships. Talented managers, on the other hand, attract and engage talented employees. They have a natural gift for developing employees' strengths and getting the most out of each person.

Gallup's research has also revealed that companies pick the wrong manager 82% of the time because they use the wrong criteria. The key to hiring the right managers is selecting candidates based on their specific talent to manage others, not their years of seniority or standout performance in their current role as an individual contributor. The best managers are gifted with the ability to inspire employees, drive outcomes, overcome adversity, hold people accountable, build strong relationships and make tough decisions based on performance rather than politics. When companies systematically pick the right managers, they can achieve 27% higher revenue per employee than average.

STRATEGY 2: SELECT THE RIGHT INDIVIDUAL CONTRIBUTORS

Though 27% is a lot, it's less than half of what companies could achieve by combining the other elements. In addition to hiring the right managers, companies that select and develop employees based on their natural talents have an opportunity to accelerate business growth. The problem is that companies tend to concentrate on candidates' education, skills and work experience while overlooking whether each candidate has the right natural talent to excel in a role.

By using a scientific, systematic approach with each hire, companies can reduce variance and make performance more predictable. This process streamlines decision-making, increases productivity, removes bias, improves diversity and enhances customer and employee engagement. The additive effect of selecting naturally talented individual contributors is 6% higher revenue per employee, for a combined gain of up to 33% higher growth potential.

STRATEGY 3: ENGAGE EMPLOYEES

Naturally talented managers play an essential role in creating an engaged workforce, explaining at least 70% of the variance in the engagement of their teams. Companies that select and develop a critical mass of these managers achieve substantially higher levels of engagement and growth. This doesn't happen by chance.

Engaging employees begins with asking the right performance-based questions. Gallup's 12-item employee engagement assessment, the Q^{12}, measures employees' involvement in and enthusiasm for their jobs and workplace, which link directly to their willingness to go the extra mile for the company and its customers.

But creating a culture of employee engagement requires much more than a survey. It demands a strategy, accountability, great communication and manager and employee development plans that are aligned with scientifically tested metrics and performance outcomes. By using the right employee engagement approach, companies see improvements in productivity, profitability, retention, safety, quality and customer ratings.

Currently, most U.S. companies are a long way off from these gains. In 2012, less than one-third of American workers were engaged, compared with 52% who were not engaged and 18% who were actively disengaged. We estimate that actively disengaged workers alone cost the U.S. between $450 billion and $550 billion per year. Worldwide, the situation is even worse: Among the 142 countries included in Gallup's 2012 global study, only 13% of employees were engaged in their jobs, while 63% were not engaged and 24% were actively disengaged.

Still, several companies have bucked the trend and engaged their workforces, seeing up to 147% higher earnings per share (EPS) compared with their competitors. These organizations held their own in a down economy, and then outpaced the competition as the economy improved. With the additive effect, a culture of employee engagement can lead to up to 18% higher revenue per employee, for a total of 51% higher growth potential when combined with selecting the right managers and individual contributors.

STRATEGY 4: FOCUS ON STRENGTHS

When businesses select the right managers and employees and build workplace engagement, they gain a serious competitive advantage — but there's still more they can do to maximize their human capital. Companies get the most from their workforce when they help employees identify and use their strengths. All employees have strengths — the unique combination of talents, knowledge and skills that help them do what they do best every day. These strengths serve as employees' — and the company's — greatest opportunities for success. Employees who use their strengths every day are six times more likely to be engaged at work.

Building on employees' strengths is more effective than trying to improve their weaknesses. Weaknesses shouldn't be ignored, but a strengths focus offers managers a better chance to develop individuals in the context of who they are, instead of attempting to change their personalities. In a study of U.S. employees, Gallup found that when managers focus on employees' strengths, 61% of workers are engaged and only 1% are actively disengaged — a dramatically different result than what surveys find of employees generally. When employees use their strengths, they are more engaged, perform better and are less likely to leave their company.

What a company does or fails to do with the strengths of its workforce has enormous implications for its future. Gallup has found that when teams learn and focus on their strengths every day, their productivity improves. This produces an additive effect of up to 8% higher revenue per employee, for a total of 59% higher revenue growth potential.

IT ALL ADDS UP

From Gallup's analysis of U.S. organizations, we estimate that less than 1% of teams fully apply all four of these human capital strategies. This highlights an area of tremendous opportunity for companies to accelerate their growth.

And businesses can implement the four strategies in whatever order best meets their particular needs. For instance, some companies may have an effective employee engagement system in place but lack the right managers. Selecting managers for natural talent may be their best next step. Other companies may have an employee engagement program that doesn't move the numbers because they're using a competency model focused on fixing weaknesses. Their starting point may be to implement an actionable system to develop employees' strengths. Still others may see wide variation in performance among individual contributors. Their best course may be to implement an assessment system that pairs top managers with high-potential employees.

As companies implement these four strategies, they maximize the potential of their human capital. When talented employees work in jobs for which they're suited under the direction of talented managers, they're more engaged and able to maximize their strengths. This combination leads to everything companies want — more sales, increased productivity and profitability, lower turnover and absenteeism, fewer accidents and defects, and a culture of high customer engagement.

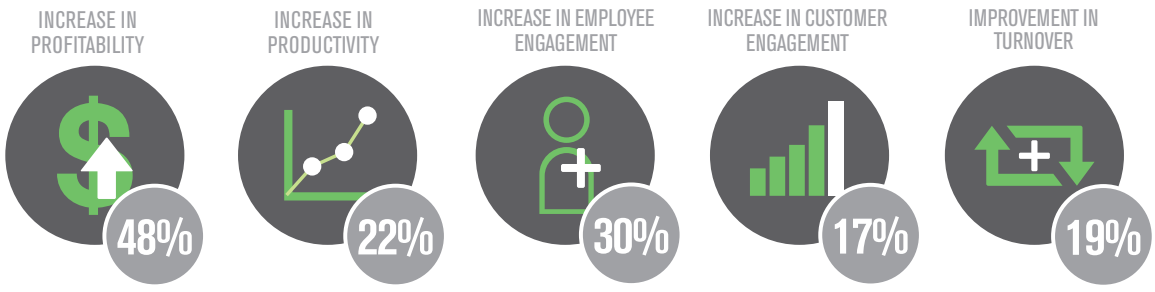
Of course, 59% higher revenue won't happen overnight. But by building on these strategies, companies' growth potential increases steadily and incrementally. Organizations with 10% of their teams maximizing the four strategies can potentially realize about 6% growth. And those with 50% of their teams maximizing all four have the potential to achieve 30% higher revenue. Each step pays off and puts a company on the path to maximizing its human capital.

If a company isn't using these four strategies, then its workforce isn't operating at full potential, and the business is likely missing opportunities every day. However, each manager-led team that maximizes the additive effect puts the organization in an incrementally better position to win. G

A version of this article originally appeared on the HBR Blog Network.

MAXIMIZING HUMAN CAPITAL: IDENTIFYING AND DEVELOPING MANAGER TALENT

Manager talent is an integral component of organizational performance, and the right assessment is key to discovering that talent. Gallup studied 2.5 million manager-led teams in 195 countries and analyzed the characteristics of thousands of managers worldwide to define the essential talents that separate great managers from the rest. Using this knowledge, we created the Gallup Manager Assessments to help organizations determine if those talents exist in their current managers and potential management candidates. The Manager Assessments are a set of objective, research-based interviews that take the guesswork out of the hiring process. Organizations that have used the Manager Assessments and hired candidates who scored in the top 10% have realized:



Although true manager talent is rare, this is not a needle-in-the-haystack situation. Manager talent does exist and is often hiding in plain sight. With the right strategy and a systematic approach to identifying talent, organizations can discover and develop more great managers.

But there is more work that must be done to find and develop an unstoppable workforce of not only managers, but also leaders and employees. Companies need a holistic human capital approach that enables them to identify the best candidates, seamlessly move these people through the hiring process and then position them for long-term success once they are in their roles. Gallup has spent more than four decades studying the relationship between talent and performance and helps organizations develop integrated human capital strategies based on seven crucial elements:

1. Align
2. Attract
3. Recruit
4. Assess
5. Hire
6. Onboard
7. Develop

ALIGN: PROACTIVELY MANAGE CHANGE

Gallup takes a unique approach to hiring and development through predictive analytics, which helps organizations make the most of their hiring data and scientifically choose top performers. For some organizations, this approach represents a cultural shift that requires a dedicated strategy to help employees understand and support it. Gallup works with leaders, recruiters, hiring managers and other members of the human resources team to help them understand the how and why behind our framework. Armed with this insight, they can then answer questions from employees and proactively manage their organization's new direction.

ATTRACT: CLARIFY AND COMMUNICATE THE RIGHT EMPLOYEE VALUE PROPOSITION

An employee value proposition (EVP) lets employees know what benefits to expect from a company in return for their performance. An EVP can include tangible benefits such as salary and vacation time but also non-tangible benefits like workplace culture and reputation. It represents the core of an organization's employment brand and gives prospective employees a better understanding of what the organization stands for and how they would fit in.

Gallup works with organizations to create and communicate a strong EVP that attracts coveted talent. We assess the company's current EVP, study its competitors to determine its niche in the market and evaluate top candidates to find out what is most important to them in an employer. Using all of this information, we then create messages to effectively communicate an organization's unique identity in terms of purpose, brand and culture and help the organization selectively attract the best candidates.

RECRUIT: DESIGN AND IMPLEMENT A TARGETED RECRUITMENT STRATEGY

High-performing recruiters have to do more than review resumes — they have to be salespeople for their organizations. The best recruiters can find talented candidates *and* sell them on the advantages of the role and the company. They are brand ambassadors who understand how to keep prospective employees engaged throughout the hiring process. Gallup gives companies the tools to identify and develop these stellar recruiters through the right attraction strategies, talent-based assessments and incentive packages.

Using advanced data analytics, Gallup also works directly with existing recruiters to help them manage applicant flow and develop targeted sourcing strategies to find the best candidates. This strategy includes the development of a "talent bank" to keep high-potential candidates top of mind for recruiters and increase efficiency of their future hires. A talent bank includes those people who were not the right fit for a certain role at a certain time but who have talent that may be desirable for future positions in the organization.

ASSESS: MEASURE THE POTENTIAL FOR EXCELLENCE

Gallup has conducted assessments for more than 2,000 organizations in over 60 countries and more than 20 industries to put their best leaders, managers and employees in place. We identify high-talent candidates through core and custom assessments conducted via the Web and telephone, and then base our recommendations on rigorous science and comparison groups.

Gallup's scientifically validated assessments are directly aimed at uncovering a candidate's talent for specific roles. These assessments both identify talent and differentiate high

performers from average or below-average performers in a role based on their talent profile. Gallup assessments are not designed to select mediocre employees who will simply meet the requirements of the job — they are designed to identify the potential for excellence.

HIRE: SELECT THE RIGHT FIT FOR THE ROLE AND ORGANIZATION

Once an assessment is complete, Gallup reviews the results with the organization's hiring manager to ensure that he or she understands the candidate's talent profile. Gallup's Talent Analysts provide insights into the candidate's fit for the role, and the fit with the manager, team and overall company culture. Talent Analysts also help prepare the hiring manager for the in-person interview by focusing on both the questions asked and the interview experience. The hiring manager learns what questions to ask a candidate and what to listen for in his or her responses. To increase the likelihood that the candidate will accept a future offer, the hiring manager also receives insights into how to make the interviewing experience enjoyable and comfortable.

ONBOARD: CREATE PROGRAMS THAT MOTIVATE AND EXCITE HIGH-TALENT HIRES

Onboarding programs should instill a sense of belonging in new hires before they begin their actual job. Gallup works with organizations to develop programs that establish and strengthen employees' emotional and psychological commitment to their organizations, teams, managers, roles, brands and customers. These programs are designed to equip employees with the knowledge, skills and behaviors they need to become proficient in their roles, achieve consistent results and ultimately produce extraordinary outcomes for both themselves and their organizations.

DEVELOP: FOCUS ON STRENGTHS TO MAXIMIZE TALENT

After decades of studying some of the most successful employees, managers and leaders in the world, Gallup has found that organizations achieve the highest levels of performance by investing in their strongest asset — their people. And when those people get the opportunity to refine and lead with their strengths, they learn faster, work harder, advance further and stay longer. Gallup helps organizations form highly individualized strategies for building and maintaining a strengths-based approach to development that best fits their unique needs.

Research-based and performance-oriented, Gallup's developmental programs are aimed at helping employees discover opportunities to use their talents and strengths to fulfill the demands of their role. These transformational and strengths-based learning and development solutions integrate the latest research, insights and best practices into practical, powerful programs that support the organization's goals and objectives to drive change.

HELPING MANAGERS ACHIEVE HIGH PERFORMANCE

A talent-based hiring strategy is vital to helping organizations select great managers. But once those individuals are in place, they need ongoing learning and development opportunities to ensure that they can use their talents effectively. Strengths-based development strategies are every bit as important as talent-based hiring strategies.

In a study of 2,564 U.S. managers, Gallup found that only 35% are engaged. When we examine the 12 items that make up Gallup's Q^{12} employee engagement survey, we find that the majority of managers do not believe their developmental needs are being met. Only four in 10 managers "strongly agree" with the statement, "This last year, I have had opportunities at work to learn and grow." And just one in three managers strongly agree with the statement, "There is someone at work who encourages my development."

Gallup's findings suggest that organizations are missing the mark on manager development. This oversight flattens their managers' engagement and halts their business performance. A company's performance depends on getting the most out of each individual. If managers are not growing in their roles, then chances are the organization is not growing either.

THE POWER OF A STRENGTHS-BASED CULTURE

Manager development can take various forms. Many organizations follow the conventional wisdom that we must find what is wrong with people and then attempt to "fix" it. But Gallup has found that there is infinite potential in developing what is *right* with people versus fixing what is innately "wrong" with them. Because of this, we focus on helping organizations turn their managers' greatest talents into strengths, which we define as the ability to consistently provide near-perfect performance in a specific task.

Organizations that invest in strengths-based development shift the mindset of their managers, leaders and associates. All employees learn to appreciate and maximize the unique talents that exist within themselves, their coworkers and their teams to drive performance. Gallup researchers have studied human behavior and strengths for decades and have found a compelling connection among strengths, productivity, profitability and engagement. They discovered that:

Employees who receive strengths feedback have turnover rates that are **14.9% lower than those for employees who do not receive feedback.**	Employees who learn to use their strengths are **7.8% more productive.**	For the employees who agree that their manager focuses on their strengths, active disengagement **falls to an astoundingly low 1%.**
People who use their strengths every day are **six times more likely to be engaged on the job.**	Teams that focus on strengths every day have **12.5% greater productivity.**	Teams that receive strengths feedback have **8.9% great profitability.**

The best opportunity for managers to grow and develop is to identify the ways in which they most naturally think, feel and behave, and then build on those talents to create strengths. Gallup works with organizations worldwide to help all of their managers — and employees — discover their innate talents and apply them productively to achieve performance outcomes.

Talent (natural capacity for excellence) x **Investment** (time spent practicing and developing skills and building a knowledge base) = **Strength** (the ability to consistently provide near-perfect performance)

HOW GALLUP® CAN HELP YOUR COMPANY IDENTIFY AND DEVELOP MANAGER TALENT

Gallup has also developed core assessments for leadership roles, including:

- Executive Leader
- Senior Leader
- People Performance Leader (Manager of Managers)
- Operational Performance Leader

TALENT-BASED ASSESSMENTS

With Gallup's talent-based Manager Assessments, organizations hire more great managers. Our assessments are based on decades of extensive selection research and an unparalleled understanding of the talent that characterizes outstanding performance.

Gallup purposefully designed the Manager Assessments with an understanding that different organizations, or even different levels in an organization, have diverse requirements for managers. As such, Gallup has validated the Manager Assessments for use with a broad range of manager roles, making them highly dynamic.

We offer Manager Assessments for the following roles:

- Unit Manager
- Team Manager
- Supervisor

High-Performance Management

For developing managers at all levels of the organization, Gallup offers the High-Performance Management Program, a series of two-day workshops that teach managers how to integrate the common strategies of the world's greatest managers into their own management style. The program delivers increasingly sophisticated management strategies and techniques for manager development.

The first two-day workshop focuses on the manager as a manager. The second workshop gives managers further insights into their teams and helps them learn how to recruit, engage, manage and develop talented employees. The third workshop helps managers learn more about working as part of a team to deliver on their organization's performance goals, purpose and mission.

Demands of Leadership

For the most senior executives, Gallup recommends a foundational workshop followed by structured coaching experiences extended over a long period of time. The foundational workshop, Demands of Leadership, is a two-day, in-depth learning experience designed to help leaders improve by reflecting on their experiences, committing to action and measuring performance. This course challenges individual leaders and leadership teams to deepen their understanding of their leadership strengths, beliefs and values, and to learn how to fulfill the needs of followers to meet the demands of 21st-century leadership.

The ensuing coaching, which can vary in frequency and duration according to each leader's preferences and availability, includes topics such as immediate team development, constituency mapping, peer feedback, meeting the needs of followers and the power of partnerships.

Strengths Discovery

This is a one-day program designed to enhance the application of individuals' unique strengths after they have received their strengths profile. The course builds self-awareness and puts focus on the development of individualized strategies to maximize performance at work.

Accelerated Strengths Coaching

This is an advanced course that consolidates the instruction and resources from all of Gallup's strengths coaching courses into a powerful 4.5-day session. Participants receive sophisticated insights to help employees and teams respond to challenges, work with others, accomplish their goals and understand their biases and vulnerabilities. This course is the first step to becoming a Gallup-Certified Strengths Coach.

Successful Strengths Coaching

This two-day course provides unique insights into becoming an effective strengths coach. Attendees learn how to help others understand, apply and integrate Clifton StrengthsFinder results into their lives and work. They also learn how to conduct the four core coaching conversations that every strengths coach should have with his or her clients.

Coaching for Individual Performance

This two-day course provides participants with the tools and knowledge to help others harness their strengths for greater personal success. Participants learn how to help individuals gain a deeper understanding of their strengths and how to use those strengths to improve their performance and reach their goals. They also learn how to help others understand and apply their talents in meaningful ways and how to manage the things that impede or restrict their effectiveness.

ADDITIONAL MANAGER DEVELOPMENT COURSES ARE COMING SOON. VISIT GALLUP.COM FOR MORE INFORMATION.

Coaching Managers and Teams

This two-day course teaches participants ways to help managers and teams understand, apply and integrate their strengths into their respective roles. Participants gain insights into the unique role of the manager and learn ways to coach these people for success. Participants also learn how to facilitate small team sessions to enable team members to use their unique talents for greater team engagement and performance, as well as improved business outcomes.

Engagement Every Day

Gallup's Engagement Every Day curriculum is designed to help individuals, managers, workgroups and leaders create an engaging workplace where each person is enthusiastic about and committed to his or her work. With Engagement Every Day, organizations gain education, tools, resources and tactics to increase employee engagement and drive performance.

Organizations that consistently hire managers based on talent boost their revenue by 27% per employee. This single strategy does more to grow the bottom line than any engagement program, rebranding initiative or marketing campaign. Managers influence everything that is done in a company: These people hold employee morale, turnover, productivity and creativity in their hands. Managers with the right talent for the role help create cultures of excellence, while those without this talent help create cultures of mediocrity.

Only 10% of people possess the natural talent to be a great manager. The odds of finding these people aren't as daunting as they seem, but too many organizations use flawed criteria to hire and promote for their managerial roles. And, as Gallup has discovered, they end up with the wrong pick 82% of the time.

The best-led organizations are rooted in talent. They write their employment ads to attract talent, design their interview questions to measure talent and build their developmental programs to grow talent. These organizations attract and hire great managers. Unfortunately, these organizations are few — but they contribute to the 18% of great manager selections.

Most people know what it is like to work for a bad manager. They go to work every day with a pit in their stomach and anxiously watch the clock, hoping to avoid any interaction with their boss. Gallup research has shown that nearly one in two people, at some point in their career, have quit their job — not just to get away from their manager, but in an effort to improve the overall quality of their life. This finding speaks volumes about the effects of bad managers and the state of engagement in the U.S. today.

Managers with the natural talent for their role are more likely to be engaged, more likely to be connected to their company and its purpose and more likely to focus on employees' strengths rather than their weaknesses. These managers know how to communicate with employees and develop meaningful relationships with them. They understand the importance of helping employees set tasks and goals, and they appreciate each employee's unique talents and strengths and mold their jobs accordingly. As a result, naturally talented managers create engaged teams made up of people who actually like coming to work, who are enthusiastic about their jobs and who want to perform well. These employees understand and are energized by their company's direction and are committed to keeping a forward momentum.

At Gallup, we help organizations find the 10% of people who have the talent to transform and strengthen performance at both the employee and enterprise levels. We understand better than any other company what talent looks like in great managers and how to align, attract, recruit, assess, hire, onboard and develop that talent. We began our exploration of talent more than four decades ago, and hundreds of companies have received analytics and advice from Gallup that they need to inform their most important decision — whom they name as manager.

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APPENDIX: METHODOLOGY NOTES AND REFERENCES

In general, the data in this report came from Gallup Panel studies. Please see the following pages for details.

THE GALLUP PANEL

The Gallup Panel recruits its panelists by calling prospective members via a random-digit-dial (RDD) frame of landline and cellphone numbers or using address-based sampling. Those who agree to join the Panel complete a short set of demographic questions about themselves. Upon receipt of this information, these individuals officially become members of the Gallup Panel.

Once individuals are part of the Panel, Gallup encourages them to remain members as long as they are willing and interested. Panel members agree to participate in an average of three surveys per month. Surveys are either administered by an interviewer (over the phone) or are self-administered (either by mail or via the Web, depending on the respondent's Internet accessibility).

Retention

As with any sample designed for longitudinal analysis, attrition affects the Gallup Panel. However, Gallup attempts to retain panelists for as long as possible and makes special efforts to retain individuals who are in the greatest danger of attrition. When panelists fail to respond to three consecutive surveys, they receive a postcard encouraging them to participate the next time they receive a survey. If they still do not respond after two additional surveys, they receive a courtesy call asking if there are any problems and encouraging their participation. After six consecutive missing survey responses, Gallup drops them from the Panel. Because of these efforts, attrition averages about 3% per month.

Size

Currently, the Gallup Panel consists of more than 60,000 individual members from more than 50,000 households. Gallup recruits new members on an ongoing basis to replenish demographic segments that have left the Panel.

Response Rates

The response rate for any individual survey conducted through the Gallup Panel ranges between 50% and 70%, depending on the length of the field period. However, to calculate the American Association for Public Opinion Research or Council of American Survey Research Organizations response rate, one must take into account all recruitment phases. The initial RDD recruit has a response rate of about 27%. Approximately 55% of those who agree to participate in the Panel ultimately are officially enrolled in the Panel. Thus, before Gallup conducts any individual study, the response rate is between approximately 7% and 10%.

WHY GREAT MANAGERS ARE SO RARE

Gallup has a four-decade-long history of studying individuals' talents across a broad spectrum of jobs, including numerous studies of manager talents across a wide range of manager positions. Talent-based assessments, consisting primarily of in-depth structured interviews and Web-based assessments, have been designed to predict performance, and large-scale meta-analyses have been conducted examining the predictive validity of the instruments. Thresholds in instrument scores are set in an effort to optimize the probability of selecting high performers. Such thresholds, examined across 341,186 applicants and 70 applicant samples from organizations using manager assessments, were used to inform the percentage of individuals with high and basic manager talent. These findings were then cross-validated in a random sample of Gallup panelists (n=5,157).

In estimating the percentage of variance in employee engagement that managers account for, multiple regression analysis was conducted across 11,781 work teams examining the relationship between various manager-related independent variables (team members' perceptions of their manager, the managers' engagement and manager talent) and the team's overall engagement as defined by Gallup's Q^{12} instrument.

The financial value of manager talent was estimated using standard utility analysis methods that include the relationship between manager talent and financial performance, variability in financial performance across business units Gallup has studied and the increase in manager talent from the average when an organization selects the top 10% of managers on a Gallup manager talent assessment.

WHAT IS TALENT, AND WHY DOES IT MATTER?

Gallup's most recent meta-analysis on selection assessments accumulated 535 predictive validity coefficients from predictive validity studies on file at Gallup, conducted by clients and other researchers (such as dissertations and other research papers). Because researchers included all available studies in this meta-analysis, the large majority of which were unpublished, there is no risk of publication bias in the results. This large body of studies included a wide range of industry types: manufacturing, retail, financial services, insurance, healthcare, professional and amateur sports, schools, hotels, restaurants, trucking and technology. Job types were also wide ranging and were categorized as either managers, sales jobs, skilled and semi-skilled, teachers and students.

The final number of validity studies (independent within criterion type, as some studies included more than one criterion type) was 386, including 55,234 observations. The most frequently studied criterion type among the Gallup studies was financial (sales and profit) data, which was available for sales and manager positions (139 studies). The second most common criterion type was performance ratings (137 studies), most of which were supervisory ratings, but also included customer ratings (customer satisfaction and loyalty), employee ratings (satisfaction and engagement scores for direct reports of managers), student ratings (of teachers) and observer ratings (including third-party and peer ratings). Other criteria included production records, retention (turnover, reverse scored), absenteeism (reverse scored), composite measures of performance and workers' compensation claims (reverse scored) for two studies. At this time, this is the broadest set of performance criteria included in a meta-analysis of selection instrument predictive validity.

Studies included three types of selection instrument methods: in-depth (structured) interviews, Web assessments and interactive voice response assessments. The vast majority of instruments in this meta-analysis were in-depth interviews.

This study used Hunter and Schmidt (1990) methods of meta-analysis. The specific meta-analysis procedure used was the interactive procedure (Hunter & Schmidt, 1990) with recent refinements that increase accuracy of artifact distribution-based meta-analysis (Hunter & Schmidt, 1994; Law, Schmidt & Hunter, 1994; Schmidt, Law, Hunter, Rothstein, Pearlman & McDaniel, 1993). Gallup researchers used artifact distribution meta-analysis methods because not all studies had all necessary range restriction and dependent variable reliability estimates. Observed predictive validities for each study were entered into a database, and artifact distributions were developed to correct for direct range restriction and measurement error artifacts.

This analysis also used a Workplace Panel Study survey of 2,551 U.S. managers administered in September and October 2013.

Hunter, J. E., & Schmidt, F. L. (1990). *Methods of meta-analysis: Correcting error and bias in research findings*. Newbury Park, CA: Sage.

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WHAT EMPLOYEES WANT FROM MANAGERS

This analysis used a Workplace Panel Study of 7,272 U.S. adults administered in September and October 2013 and a Gallup Panel survey of 7,712 U.S. adults administered in September and October 2013.

DISENGAGED MANAGERS CREATE DISENGAGED EMPLOYEES

The Cascade Effect: Gallup reviewed data from 430 organizations in our employee engagement database that had at least two Q^{12} administrations since 1997. After reviewing the data, 190 companies that had Q^{12} data for executives, middle managers and front-line employees for at least two administrations were included in the study. The average number of employees in these 190 companies was 4,477. These companies contained an average of 92 executives, 597 middle managers and 3,788 front-line employees.

The GrandMean — the average of all Q^{12} items — was calculated for executives, middle managers and front-line employees in each company for the first, second and third Q^{12} administrations. A 9x9 correlation matrix was obtained with correlations among executives, middle managers and front-line employees for each of the three administrations. Using the matrix of cross-lagged correlations, Gallup researchers tested four proposed longitudinal models using IBM SPSS Amos. The maximum likelihood estimation (MLE) method was applied for estimating path coefficients and model fit. As recommend by Hu and Bentler (1998), each of the four proposed models was tested for fit using the chi-square statistic and the standardized root mean residual (SRMR). A significant goodness of fit from the chi-square value is a reflection of model misspecification, the power of the test or a violation of some technical assumptions underlying the estimation method, but the standard chi-square test is not a good enough guide to model adequacy. Thus, the fit index SRMR was also used. SRMR values in the range of 0.05 to 0.08 indicates a fair fit, a value greater than 0.10 indicates a poor fit and a value less than 0.05 indicates a close fit. Fit indexes were compared between the models to identify the best fit model.

Hu, L., & Bentler, P. M. (1998). Fit indices in covariance structure modeling: Sensitivity to underparameterized model misspecification. *Psychological Methods*, *3*, 424-453.

The Costs of an Apathetic Workforce: Gallup's most recent meta-analysis on employee engagement accumulated 263 research studies across 192 organizations in 49 industries and 34 countries. Within each study, Gallup researchers statistically calculated the business/work-unit-level relationship between employee engagement and performance outcomes that the organizations supplied. In total, Gallup studied 49,928 business/work units including 1,390,941 employees. Gallup examined nine outcomes: customer ratings, profitability, productivity, turnover, safety incidents, shrinkage, absenteeism, patient safety incidents and quality (defects).

Individual studies often contain small sample sizes and idiosyncrasies that distort the interpretation of results. Meta-analysis is a statistical technique that is useful in combining results of studies with seemingly disparate findings, correcting for sampling, measurement error and other study artifacts to understand the true relationship with greater precision. Gallup applied Hunter-Schmidt meta-analysis methods to 263 research studies to estimate the true relationship between engagement and each performance measure and to test for generalizability. After conducting the meta-analysis, Gallup researchers conducted utility analysis to examine the practical meaning of the relationships.

This analysis also used a Workplace Panel Study of 2,564 U.S. managers administered in September and October 2013.

WHY WOMEN ARE BETTER MANAGERS THAN MEN

See "Americans Still Prefer a Male Boss to a Female Boss" by Rebecca Riffkin, Oct. 14, 2014, on Gallup.com.

This analysis also used a Gallup Panel Workforce survey of 11,434 U.S. adults administered in August and September 2012.

TO WIN WITH NATURAL TALENT, GO FOR ADDITIVE EFFECTS

Gallup's selection database, built over four decades, includes 12,000 items gathered from more than 500 organizations in 50 countries and 20 industries. Our employee engagement database includes data from more than 3.1 million teams and 27 million employees. Our strengths-based development instrument, the Clifton StrengthsFinder, has been used to identify the talents of more than 10 million individuals. The findings presented in the article are based on our meta-analytic research, studying the relationship between each of the four additive effect strategies and financial performance across organizations. We then conducted meta-analyses studying the relationships between each of the strategies. Next, we calculated the semi-partial correlation of each strategy to financial performance to estimate the unique contribution of each strategy. Finally, we conducted utility analysis to estimate the percent increase in output (revenue per person) for each of the strategies. The meta-analyses included observations from more than 33,000 managers and their business units. The findings assume that other variables that influence business performance are held constant. Changes in overall economic climate and competitive landscape, among other factors, can influence the aggregate findings for any given organization.

MAXIMIZING HUMAN CAPITAL: IDENTIFYING AND DEVELOPING MANAGER TALENT

Gallup conducted a meta-analysis on its Manager Assessments using 136 studies with 14,597 managers. Of these, 81 studies were predictive validity and 55 were concurrent cross-validation studies; 87 studies were from in-depth (structured) interviews and 49 were obtained from Web assessments. These studies included seven general performance outcomes, with some studies containing correlations from multiple outcomes. The most frequent outcome variable was a supervisory performance rating, followed by employee engagement survey responses from those reporting directly to each manager, financial performance measures such as sales and profit figures from the business units the managers managed and productivity measures such as performance awards, bonuses, total accounts (financial) and room nights (hotel). Seven studies contained composite measures of performance based on combined financial performance, customer engagement and employee engagement measures. Five studies contained customer ratings of the quality of service provided by the managers' business unit, and three studies contained employee retention data (the annualized turnover of employees reporting to the manager, reverse scored).

This accumulation of studies included managers across various industries, including agriculture, consumer goods, construction, financial services, retail, manufacturing, petroleum, insurance, healthcare, schools, hotels, restaurants, other hospitality, military and technology. We also included international data, consisting of managers from Africa, Canada, India, Malaysia, Singapore and other parts of Asia, in addition to the United Kingdom and United States. For some outcomes within studies, multiple measures were provided (such as multiple financial measures). In these cases, Gallup researchers followed some basic decision rules. In some cases where indistinguishably important criterion measures were provided for the same outcome, we averaged the correlation across studies and used this one average estimate for the study sample. In other cases, a particular measure was determined to be the most construct-valid measure of the outcome.

This analysis also used a Workplace Panel Study of 2,564 U.S. managers administered in September and October 2013.

Hunter and Schmidt (2004) methods of meta-analysis were used in this study.

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