It's the Manager: Gallup Finds the Quality of Managers and Team Leaders is the Single Biggest Factor in Your Organization's Long-Term Success

by Jim Clifton and Jim Harter

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Dave's Reading Highlights

Gallup concludes that the world's most serious short-term (five- to 10-year) problem is declining economic dynamism and declining productivity (GDP per capita). We also conclude that these problems can be fixed just as surely as lean management and Six Sigma once fixed U.S. and global production quality. This time, the defects that need to be eliminated aren't failures in processes but failures in maximizing human potential.

One large global professional services company estimated that it was wasting $1 billion of leadership time per year on managers filling out ratings forms rather than developing employees and having ongoing coaching conversations with them. Like so many CEOs and CHROs are discovering, there's no evidence anywhere in the world, in any institution of management science, that existing massive employee evaluation and rating processes are effective.

And research shows exactly how to dramatically increase the percentage of engaged employees. Volumes have been written on the subject; the knowledge is already there. The problem is, while the

science of management has advanced significantly in the past three decades, the practice of management hasn't. The longtime purpose of business has been to create shareholder return. We like that — but it isn't enough for the future of work. Peter Drucker wrote, "There is only one valid definition of business purpose: to create a customer." We like that too. But it isn't enough for the new workplace. The new purpose of business — and the future of work — has to include maximizing human potential.

Note to boards of directors: Rather than pay unrecoverably high prices for acquisitions, Gallup recommends immediately implementing an authentic organic growth strategy — one built on a fully transformed workplace culture of high employee development with great managers. Bet your leadership job on this: When team inspiration grows, client buildouts, revenue and quality earnings grow. Growth from inspiration is free. It also puts humankind back on track because it fulfills the will of the world.

Likewise, Gallup's tracking of the American dream for more than 80 years found that people wanted the basics of law and order (safety) followed by food and shelter — and then to have a family and to own a home and live in peace. Now in America and around the world, the great global dream is to have a good job. This is one of Gallup's biggest and most surprising discoveries ever. Family, children, owning a home and peace are still important, but they are lower priority. The "best life imaginable" — especially for young people and increasingly for women — doesn't happen unless you have a great job with a living wage and a manager or team leader who encourages your development.

Gallup defines a "good job" as working full time for an organization, with 30+ hours a week and a living-wage paycheck. A "great job" has all the qualities of a good job but with one big differentiator: Employees are engaged in meaningful and fulfilling work and feel they are experiencing real individual growth and development in the workplace. People with great jobs have very different life outcomes. Besides booming your business, they inspire teams, solve problems instead of create them, volunteer in their community, have far better

health and wellbeing, and have fewer workplace accidents and little to no mistakes and defects. The problem is, just 15% of the world's workers are engaged at work — or appear to have great jobs. These global few drive the world's economy. They provide extraordinary value to organizations and societies.

Of all the codes Gallup has been asked to crack dating back 80 years to our founder, George Gallup, the single most profound, distinct and clarifying finding — ever — is probably this one: 70% of the variance in team engagement is determined solely by the manager.

THE SIX CHANGES Gallup recommends that organizations immediately change their cultures from old will to new will. These are the six biggest changes that we discovered: 1. Millennials and Generation Z don't just work for a paycheck — they want a purpose. For people in these generations, their work must have meaning. They want to work for organizations with a mission and purpose. In the past, baby boomers and other generations didn't necessarily need meaning in their jobs. They just wanted a paycheck. Their mission and purpose were their families and communities. For millennials and Generation Z, compensation is important and must be fair, but it's no longer their primary motivation. The emphasis for these generations has switched from paycheck to purpose — and so should your culture. 2. Millennials and Generation Z are no longer pursuing job satisfaction they are pursuing development. Most members of these generations don't care about the bells and whistles in many workplaces today — the pingpong tables, fancy latte machines and free food that companies offer to try to create job satisfaction. Giving out toys and entitlements is a leadership mistake. And worse, it's condescending. 3. Millennials and Generation Z don't want bosses — they want coaches. The role of an old-style boss is command and control. But millennials and Generation Z care about having team leaders who can coach them, who value them as individuals and employees, and who help them understand and build their strengths. 4. Millennials and Generation Z don't want annual reviews — they want ongoing conversations. How these generations communicate — texting, tweeting, Skype, etc. — is immediate and continuous. Millennials and Generation Z are accustomed to constant

communication and feedback, and this dramatically affects the workplace. Annual reviews on their own have never worked. 5. Millennials and Generation Z don't want a manager who fixates on their weaknesses. Gallup research shows that weaknesses never develop into strengths, while strengths develop infinitely. Your organization should not ignore weaknesses. Rather, you should understand weaknesses but maximize strengths. A strengths-based culture also helps you attract and keep star team members. 6. It's not my job — it's my life. As we noted earlier, one of Gallup's discoveries is that what everyone in the world wants is a good job. This is especially true for millennials and Generation Z. More so than ever in the history of corporate culture, employees are asking, "Does this organization value my strengths and my contribution? Does this organization give me the chance to do what I do best every day?" Because for millennials and Generation Z, a job is no longer just a job — it's their life.

In fact, a major challenge for leaders of large organizations is that there is no common culture — often even in prominent companies. One of the counterintuitive discoveries in Gallup's bestselling book First, Break All the Rules was the wide variation in the engagement of teams in the same large organizations — some teams' engagement levels ranked at the top of our engagement database, some were at the bottom and the rest were spread in between.

We can list more than 20 dimensions we've found in successful leaders: the ability to create a vision, thinking strategically, building influential internal and external networks, courage to make tough decisions, and so on. Successful leadership is multidimensional for sure. But most of the traits of successful leaders can be distilled down to two elements. They know how to: 1. bring multiple teams together 2. make great decisions

Use analytics-driven evidence. What do the numbers say? Are there patterns in the data that support — or conflict with — your decision? (See Chapter 52.) One of Amazon CEO Jeff Bezos' famous statements is: "The great thing about fact-based decisions is that they

overrule the hierarchy." Analytics, if done right, also have the potential to overrule politics and bias.

Reposition your managers as coaches. Only your best managers can implement the culture you want. A great culture is one of the few things an organization can't buy. Managers at all levels make or break your culture change. And traditional performance management systems have struggled to inspire and develop employees, which can result in billions of dollars in lost productivity. (See Chapter 20.) Today's employees want a coach, not a boss. Moving your managers from boss to coach not only increases employee engagement and improves performance, but it's also essential to changing your culture.

Millennials are highly networked. When searching for jobs, they seek out referrals from current employees of potential organizations and suggestions from family members and friends. This is different from going on Facebook or other social network platforms to find a job. They go to trusted relationships. The new workforce is less interested in career fairs, professional recruiting services and other types of recruiting events. Other avenues are easier and quicker to access — and, to them, more authentic. Millennials prefer to go straight to the source of companies they're interested in. But they also cast a wide net in their job searches, leaning toward online sources in their career field, professional network sites, other online job sites, employee ranking sites and general search engines that allow them to explore many options. They're less likely to use social network sites and college career centers or websites.

Taking into account the Gallup research, the 100-year findings and what we've seen work most practically and effectively in organizations, we recommend using the following criteria for successful hiring: 1. Prior experiences and achievements. Collect substantial background information on candidates, including key experiences that align with job demands, educational achievement and evidence of job knowledge. 2. Innate tendencies. Evaluate candidates on the five traits above motivation, workstyle, initiation, collaboration and thought process. Screening for these five innate

tendencies will encompass most of what you need to know about a candidate in this category. You can do this efficiently and cost-effectively using Gallup's structured interviews and web-based assessments. 3. 4. Multiple interviews. At later stages in the hiring process, have the hiring manager and team members conduct multiple interviews with candidates. These interviews allow you to contextualize candidates' fit to their role, manager, team and organization. Gallup has developed listening guides to improve the quality of these conversations. Combining evaluations from several interviews will substantially reduce the potential bias of a single-interview approach. On-the-job observation. Use internships and other project-based experiences to gather "game film" on each candidate's individual achievements, collaboration and customer value. Collect ratings from their supervisors and peers.

FIVE QUESTIONS FOR ONBOARDING 1. "What do we believe in around here? " 2. "What are my strengths? " 3. "What is my role? " 4. "Who are my partners? " 5. "What does my future here look like? "

FIVE STEPS TO BUILDING A STRENGTHS-BASED CULTURE 1. Start with the CEO or it doesn't work. 2. Require every employee to discover their strengths. 3. Build an internal network of strengths coaches. 4. Integrate strengths into performance management. 5. Transform your learning programs.

Here are four practical steps to make your succession planning more scientific: 1. Start with objective performance measures. If succession is from manager to executive leader (manager of managers), look at objective performance measures over a significant amount of time — years if possible. Audit the success of the teams your prospects have led: sales, profit, employee turnover, customer ratings of service, absenteeism, safety and employee engagement. 2. Analyze the key experiences that create success. Evaluate the expectations for the new role. How is it evolving? Examine the key experiences your top performers have acquired and the experiences the role will need as it changes. Key experiences might include: taking on challenges that are beyond the individual's current expertise, leading teams through adversity, building high-quality partnerships across business

segments, gaining international experience and engaging in deep customer learning. Bring objectivity to promotion decisions by using a method for quantifying these experiences. 3. Tap in to innate tendencies. As we discussed in the chapters on hiring, well-validated assessments can provide valuable guidance on individuals' natural tendencies as well as how they will do their job and partner with others. For example, prospects with an abundance of the five innate tendencies of motivation, workstyle, initiation, collaboration and thought process — calibrated for the position they are succeeding to — will have a higher probability of success. Ideally, your organization will have these metrics from before a prospect was hired so you can make informed succession decisions for as long as they stay with — and move up in — the company. Don't use this measure to replace the two on-the-job criteria above (performance and key experiences). 4. Design highly individualized leadership development. Leadership development programs should be strengths-based with an end goal of creating high self-awareness — targeted to the specific expectations for the role. Developing successful leaders — whether managers, executives or high-value individual contributors — is an ongoing process.

Employees who receive daily feedback from their manager are three times more likely to be engaged than those who receive feedback once a year or less. But the feedback needs to be meaningful. It has to be based on an understanding of the individual's strengths. As a rule, managers should give their employees meaningful feedback at least once a week. These coaching conversations can vary from daily Quick Connects to recurring Check-ins to Developmental Coaching. (See Chapter 21.)

Don't use forced rankings to determine pay or promotion for small groups. As a means of determining pay and promotion, forced rankings assume that each team has high, middle and low performers. But some teams have all high performers, and in that instance, a forced ranking will penalize some employees. Other teams are made up of all low performers — in which case, a forced ranking will reward some of them for poor performance. The desire for fairness and equity is a basic human need. A performance system

should have a clear definition of "exceptional" performance for each individual, given their job type and goals. The best way to do this is to combine multiple predetermined sources of the employee's performance with individualized key experiences they have that align with their career objectives. Also be prepared to describe how you measure performance and what below average, average, above average, outstanding and exceptional look like in each role.

The most flawed assumption is believing that a single manager can reliably rate an employee's performance through observation alone. In the end, the performance rating reveals more about the supervisor than it does about the employee.

Here are two ways to improve the reliability of a performance metric: 1. Include information from multiple sources, such as coworkers, customers and as much performance data as you can get. 2. Have more frequent discussions with your employees. No manager can know the full impact, day in and day out, of their employees without ongoing coaching conversations. Narrow metrics, especially without ongoing conversations, lead to narrow behavior — and pressure people to do whatever is necessary to improve the metric instead of contributing to the bigpicture goals of the organization.

Our analysis revealed three performance dimensions that provide the simplest and most comprehensive definition of performance that best statistically predicts overall success in a role: 1. Individual achievement: responsibilities that employees must achieve independently 2. Collaboration with team members: how effectively employees work with their teammates to achieve success 3. Customer value: the impact an employee's work has on customers; in this context, Gallup considers customers to be either external or internal to the organization

MAKE "MY DEVELOPMENT" THE REASON EMPLOYEES STAY Three elements of career growth: 1. Opportunity to make a difference 2. Success 3. Fit with career aspirations Gallup discovered that the No. 1 reason people change jobs today is "career growth opportunities." And that reason is on the rise. We found that 59% of millennials say

that opportunities to learn and grow are extremely important to them when they apply for a job. Comparatively, 44% of Gen Xers and 41% of baby boomers say the same. And 87% of millennials rate "professional or career growth and development opportunities" as important to them in a job — far more than the 69% of non-millennials who say the same. When Gallup asked people across generations why they left their last job, the most common words they used were "growth" and "opportunity." And 91% of U.S. workers say the last time they switched jobs, they left their company to do so.

Your managers can use these three elements as a guide to meaningful conversations with employees about their progress and potential. Here are eight questions to get you started: 1. What are your recent successes? 2. What are you most proud of? 3. What rewards and recognition matter most to you? 4. How does your role make a difference? 5. How would you like to make a bigger difference? 6. How are you using your strengths in your current role? 7. How would you like to use your strengths in the future? 8. What knowledge and skills do you need to get to the next stage of your career?

Gallup recommends offering ambitious and productive employees these new paths for advancement — beyond becoming a manager: ○ ○ ○ Individual achievement. Talented people should be able to advance in an organization either as a manager or as a high-performing individual contributor. We recommend having separate title and pay paths for individual contributors and managers. Personalized development. Managers should know their workers' aspirations. Career growth conversations need to be regular and informal — not merely an agenda item to discuss during an employee's performance review. Career paths should align with a person's strengths and be based on their experiences and successes. Flexible career paths. Your star employees should be part of a collaborative effort to design a career that works for them. This means different options for different stages of life, different circumstances outside of work, different interests and different personalities. For example, do career paths in your organization move at one speed, or do they allow people to slow down or speed up as

their life changes? Having kids, caregiving, finishing a degree and other life events can alter the amount of time and energy employees have to focus on their career path. The right career path should meet your organization's objectives while being flexible enough to adapt to an employee's individual strengths and as circumstances in their lives change.

The single most important factor in building a successful team is the quality of the manager. Managers — through their strengths, their own engagement and how they work with their teams every day — account for 70% of the variance in team engagement.

Companies can also continuously poll employees using "pulse surveys." But without a clear strategy and resulting actions based on the data they collect, pulse surveys can create more harm than good. Engagement is nearly three times higher when employees strongly agree with the statement: "My organization acts upon the results of surveys I complete." A high-development workplace requires much more than just administering surveys. Measurement on its own doesn't inspire change or boost performance. Organizations put significant effort into measuring employee perceptions and providing metrics without actually improving their workplace or business outcomes.

THE FIVE TRAITS OF GREAT MANAGERS 1. Motivation — inspiring teams to get exceptional work done 2. Workstyle — setting goals and arranging resources for the team to excel 3. Initiation — influencing others to act; pushing through adversity and resistance 4. Collaboration — building committed teams with deep bonds 5. Thought process — taking an analytical approach to strategy and decision-making

Yet there is now no difference in Americans' preference for a male or female boss; it actually matters less to men. Most Americans believe that being gay or lesbian is morally acceptable and that same-sex orientation is something you're born with. These are dramatic changes in what people believe compared with past decades.

Claudia Goldin, professor of economics at Harvard, is a leading expert on this topic who has extensively studied the U.S. data. She compared 469 occupations, controlling for various life situation factors, time in role, hours worked and job types. Her findings suggest there is no strong evidence that the gender pay gap is due to discrimination in the aggregate. Goldin found that the biggest disparities in pay are in jobs where the career cost of having "temporal flexibility" in work was greatest — jobs in the corporate world, financial sector, law and some health professions with high self-employment. In other words, jobs that have the greatest gender pay gap are those where it is more difficult to achieve high levels of success if employees need flexibility in where and when they work; these jobs traditionally require long hours of time in the office.

While the roles of men and women have increasingly converged over time, as a whole, women still assume the primary role of caregiver. Essentially, men have simply been freer to devote more time and effort to advancing their careers, particularly in jobs that traditionally require long hours of work to advance. And this explains, in large part, the pay gap. It's worth noting that women without caregiving obligations have incomes similar to men's.

Gallup finds that those who work either 100% remotely or 0% remotely are less likely to be engaged and generally more likely to be actively disengaged. The highest engagement falls in a sweet spot of working remotely three to four days in a five-day workweek. This is up from 2012, when the sweet spot was about one day a week.

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