

STATE OF THE AMERICAN MANAGER

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 Companies use outdated notions of succession to put people in these roles: They base hiring and promotion decisions on individuals' past experience or tenure, or they give them the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.