

What's More Important: Talent or Engagement?

A study with retailer ANN INC. seeks to find the essential ingredients to high-performing managers and employees

by Jake Herway and Nate Dvorak, Gallup, April 2014



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talent is accelerated
by engagement.

In the quest to maximize performance, businesspeople and academics have asked Gallup, "What's more important -- people's natural fit with a role or how engaged they are in their job?"

ANN INC., one of the leading specialty retailers for fashionable women's clothing, asked that question in a recent study. The answer: Finding people with the right talent and engaging them are essential elements of maximizing performance -- but of the two, getting the right person in the right role makes the greatest difference. This concept is so important to ANN INC., it forms the foundation of the company's employee value proposition, "FIT Is Everything." The study reinforces that companies cannot maximize performance without engaging their employees. What's more, it shows that engaging less-talented workers doesn't get the same results as engaging more-talented workers -- it's actually counterproductive.

The journey

ANN INC., best known for its Ann Taylor and LOFT brands, takes a holistic approach to getting the most out of its employees. The company has partnered with Gallup to select and engage top talent for several years. But until recently, ANN INC. and Gallup hadn't conducted a formal study to determine if engagement or talent mattered more to business performance.

"We have been trying to understand what the differentiator is [engagement or selection]," says Allison Bebo, ANN INC.'s vice president of talent management. "We have seen a strong relationship between stores that focus on the basic emotional needs of all our associates and financial results. We think selecting for talent is one of the most critical ingredients in getting the very best out of the store teams and the culture. But we did not assume anything. We vetted it out."

Is engagement enough?

ANN INC. knew that engagement has vital performance implications. Gallup's global research across industries shows that engagement leads to improved profitability, productivity, and customer metrics and lower turnover.

But talent for a role is also a requisite for success. Gallup's research reveals that about one in 10 people possess the talent to be a great manager. They naturally engage team members and customers, retain top performers, and sustain a culture of high productivity. And last but not least, they contribute about 48% higher profit to their companies than average managers do.

"Our overarching mission is to inspire and connect with women to put their best selves forward every day. Who's behind the inspiration and the connection? Our associates," says Bebo. "We've been able to see that connection between talented associates and performance in the stores that are the most productive, have the best retention, and have the most engaging experiences with their clients."

ANN INC. wanted to know which factor was most important in store performance: selecting managers with the right talent for the role or employee engagement. So Gallup analyzed store managers in ANN INC.'s largest division to see if talent and engagement affected how managers performed on the company's store performance metric.

The study -- which measured talent using a Gallup selection assessment and employee engagement using Gallup's Q12 survey -- revealed something we did not expect to find. While we did not anticipate that engaging managers with low talent would lead to exceptional performance, we did expect it to lead to better performance. Instead, we found that store performance dropped by 5.9% for managers with low talent and high engagement compared with managers with low talent and low engagement. In other words, without the innate talent to be a great manager, engagement did not result in better performance. For ANN INC., talent was the critical ingredient.

The good news for ANN INC. is that once the talent to be a great manager is in place, engaging that high talent accelerates exceptional performance. The study confirmed that managers with the combination of high talent and high engagement outperformed those with low talent and low engagement by 23.5%.

AT ANN INC., TALENT MATTERS MOST; ENGAGEMENT ACCELERATES IT

Women's fashion retailer ANN INC. wanted to know which factor was most important in store performance: selecting managers with the right talent for the role or employee engagement. The answer: Selection and engagement are both essential to maximizing performance -- but of the two, getting the right person in the manager role makes the greatest difference. Managers who were highly talented and highly engaged outperformed managers with low talent and low engagement by 23.5%. And for managers with low talent but high engagement, store performance actually dropped by 5.9%.

% INCREASE/DECREASE IN STORE PERFORMANCE



NOTE: Managers were compared using ANN INC.'s store performance metric. Talent was measured with a Gallup selection assessment, and engagement was measured with Gallup's Q12 survey.

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Bebo has a theory about this. "You can have very happy people who join an organization because they have good friends there or like the perks," she says. "But what we really want is people who are ambitious about delivering for the client and have the talent for growing the business in a meaningful way. You need engagement and talent, because that's what grows a business and delivers great client experiences."

Talent is the critical ingredient

Talent is the key ingredient, the linchpin to performance. "Talent can find a way. Talent is an insurance against bad times," Bebo says. "Talented managers find a way to control what they can control and confront issues head-on. And they do it while nurturing top performance and staying focused on the client and what she's looking for."

But those talented managers are more likely to find a way through obstacles if they're engaged. Ultimately, talent is accelerated by engagement. Gallup research has shown that putting people in roles that fit their talent -- especially management roles -- promotes

employee engagement and improved business performance. This connection is vital to a company like ANN INC. that has invested so much in its employees.

These findings focused ANN INC.'s priorities. The company has since refined a consistent process to identify and hire high talent, expanded its engagement platform to drive business outcomes every interaction of every day, and taken steps to meet associate needs at major milestones of their employment life cycle.

"We're staged for growth," says Bebo. "We have our talent aligned with our goals, and we're working in an environment that helps associates unlock their potential to achieve the goal."