



Ulta Beauty Ties Talent Strategy to Business Strategy

Ulta Beauty
Best Advance in Employee Engagement
October 2017



Company Background



Company At-a-Glance	
Headquarters	Bolingbrook, Illinois
Year Founded	1990
Revenue	Net Sales: \$4,854.7 million (Fiscal Year 2016)
Employees	33,000
Global Scale	974 retail stores in U.S. and distributes products through its website.
Customers/Output, etc.	The company offers more than 20,000 products from more than 500 established and emerging beauty brands, including Ulta Beauty's private label. Also offers a full-service salon in every store.
Industry	Retail
Stock Symbol	ULTA
Website	www.ulta.com

Budget and Timeframe

Budget and Timeframe	
Overall budget	\$155,000
Number of employees involved with the implementation?	3
Number of Operations or Subject Matter Expert employees involved with the implementation?	30
Timeframe to implement	Culture is a full-time commitment that is measured annually but managed continuously.
Start date of the program	June 2014

Business Conditions & Business Needs

A little more than three years ago, things started to change at Ulta Beauty. With the arrival of a new, highly collaborative CEO, the company began looking more closely at the alignment of organizational strategy and organizational culture.

With the change in leadership came a shift in philosophy. To move forward and prepare for rapid growth, Ulta Beauty leaders realized they needed to look not only at operations but also at the intersection of people with operations. They also realized they needed to clearly communicate that focus at all levels of the organization.

Ulta Beauty leaders identified seven strategic imperatives, including “Talent that drives a winning culture.” Articulating this imperative sent an important message that culture was just as important as business imperatives. The company initiated a survey to evaluate the engagement level of Ulta associates and charted a course of action to impact engagement as a way to enhance culture.

The ultimate secret to Ulta Beauty’s success is the elevation of culture to sit alongside business strategy. The two topics are talked about together in a way that reinforces the message that strong culture is an enabler of strong business, not something done on the side. Engagement results are given “top billing” at the company’s annual Fall Leadership Forum and engagement-related messages are reinforced throughout the year with senior executives, managers, and associates. Ulta Beauty’s actions as a result of the survey are continuously tied back to the findings to ensure associates that they are being heard.

Overview

The goals of the engagement effort for Ulta Beauty included:

- Gaining a baseline assessment of engagement.
- “Moving the needle” on engagement year over year.
- Understanding the impact of engagement on Ulta Beauty’s culture.
- Identifying what changes the organization would like to influence.
- Encouraging ownership of engagement at all levels and identifying specific actions to enhance engagement.

To develop a new baseline assessment of engagement, Ulta Beauty turned to BlessingWhite, a division of GP Strategies, as a partner that could conduct an engagement survey, already could understand Ulta’s organizational culture, and had the expertise to help develop an engagement strategy that produced results.

While establishing an overall baseline assessment of engagement was helpful, the company quickly turned to areas identified in the survey as places where change was warranted.

Company leaders identified four objectives:

- Improved cooperation and teamwork among coworkers and colleagues.
- Creating an environment where it’s safe to speak up.
- Career development/job-specific training.
- Fostering organizational fairness in feedback, evaluation and recognition.

In year one, senior leadership team members reflected on the role they play in the engagement equation. By year two, accountability cascaded more specifically to next-level leaders such as directors. By year three, direct managers were looking specifically at their own results and identifying appropriate action based on those results.

When Ulta Beauty didn’t see changes in certain areas, leaders wanted to understand why. The survey results sparked formation of focus groups to probe more deeply on key points.

Throughout this process, Ulta Beauty intentionally linked communication and actions to survey results. After every survey, Ulta Beauty shared with leaders and associates the specific actions the company is working on as a direct result of the feedback. Such



communication keeps the organization grounded to the overall goals designed to achieve incremental change.

Ulta Beauty has achieved its goal of “moving the needle” on employee engagement year over year, and leaders recognize that enhancing culture is never something that can be declared “complete and done.” A winning culture requires ongoing integration of company business strategy with talent strategy.

Design and Delivery of the Model

The design and delivery of Ulta Beauty’s engagement surveys are aligned to issues that are particularly critical to the company’s talent and business strategy. Engagement factors in the survey included:

- **Job fit.** Individuals want to enjoy the work they do and seek work that is interesting and meaningful. Job fits equals high satisfaction and discretionary effort.
- **Contribution.** Associates are motivated by being successful in their jobs. They want to do their best at work but often need support from leaders or managers to be the most successful.
- **Workgroup fit.** Relationships play an important part in how associates connect to the organization. Managers play an important role in developing strong working relationships.
- **Organizational fit and senior leaders.** Focus on creating an environment that fosters engagement.

The survey is delivered through three work streams: Corporate, Distribution Centers, and Stores. A slightly different approach is taken for each unit to maximize participation. For example, associates take the survey online at a kiosk in the stores or via links sent to those who have Ulta email accounts. Gathering feedback from so many retail associates has its challenges yet is critical to understanding the link between company culture and its impact on consumers. By using digital versus paper surveys, Ulta Beauty expands its ability to efficiently survey a tough-to-reach group.

Top leaders seek recommendations from BlessingWhite on best practices. Recent discussions have resulted in the addition of diversity and inclusion to enhance the question set.

Alignment with Talent Management

Surveys are conducted in the summer, and Ulta Beauty brings top leaders together to discuss talent management issues raised in the survey and to hear directly from the CEO and Chief Human Resource Officer on actions and expectations. Results cascade through a variety of venues, including town-hall meetings, all-store meetings, and video messaging. In addition, leaders receive development and tools that support one-on-one discussions centered on each individual's level of engagement.

Finally, alignment between talent processes and survey results occurs in the annual talent review and succession planning process. Rich discussions center around a manager's personal engagement score and his or her impact on the team.

The engagement model also impacts recruiting and onboarding. Ulta Beauty seeks to hire people who align with the company's core values and who best fit the role.

Integration

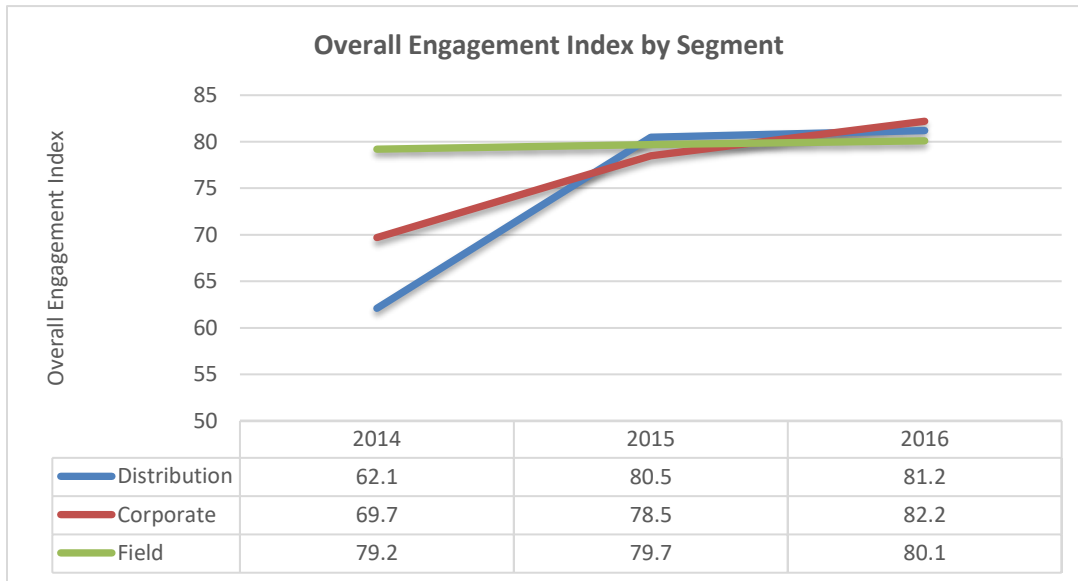
Ulta Beauty has identified "Engagement Champions," employees who receive training so they can speak to the meaning of survey results and can work with business partners to encourage action around engagement. Engagement Champions, also known as culture champions, are "go to" resources to support leaders and managers in best practices.

An understandable challenge for a retailer like Ulta Beauty was how to help store managers make engagement a priority and take precise actions when their key focus is on guest experience and operations. Ulta Beauty has sought to overcome that challenge by working with leaders to engage in dialogue with each store.

Measurable Benefits

The company's sequential increases in engagement are strong indicators of measurable benefit to the organization. Even though the organization has experienced growth over the last two years, all three business segments fall within the top quartile of engagement scores measured by BlessingWhite. The gaps across segments have been completely closed since the baseline was established in 2014.

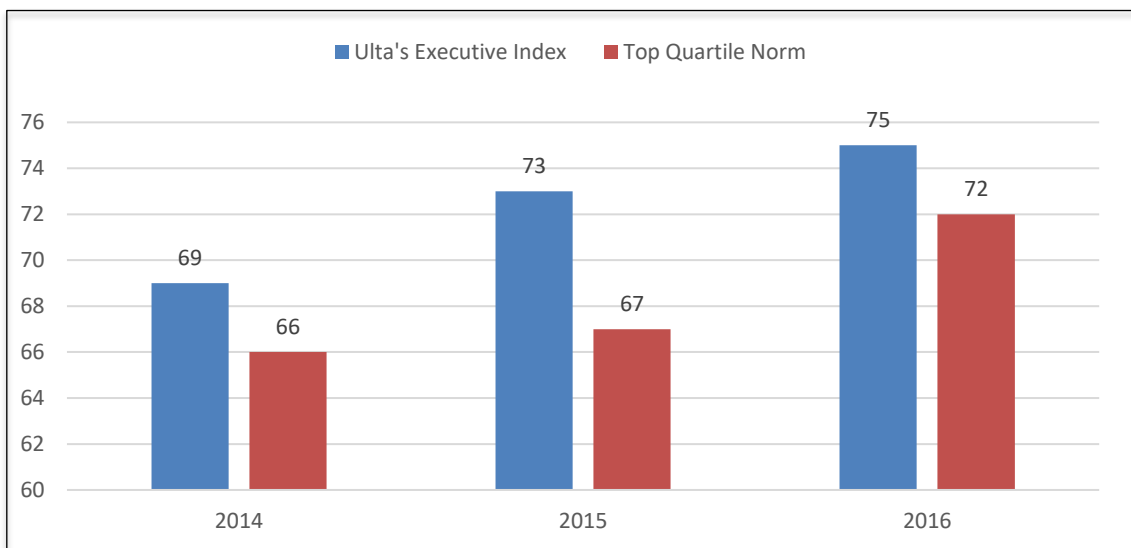
Figure 1: Overall Engagement Index by Segment



Source: Ulta Beauty 2017

The following table shows how leadership perceptions have improved since 2014 and how they compare to external norms measured by BlessingWhite.

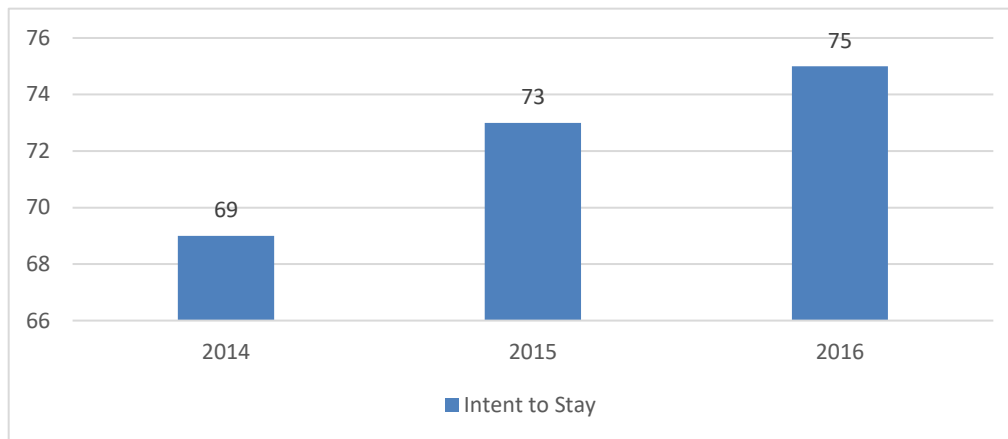
Figure 2: Success Factor



Source: Ulta Beauty 2017

Drawing a direct correlation between engagement results and business results can be challenging. What the organization does know is that top talent retention is at 90% or higher and leaders believe the high scores are attributable, in part, to progress in strengthening the culture and engagement levels. In addition, retention of management in the store environment is strong relative to industry standards.

Figure 3: % of Employees Intent to Stay



Source: Ulta Beauty 2017

Overall

Several lessons gleaned from the focus on engagement include:

- **Incremental change takes time.** Employee engagement is a journey that sometimes shows incremental improvements along the way.
- **Action is more important than measurement.** Measuring engagement does not increase engagement. The real work comes in the actions each individual takes and in the role managers take in encouraging an environment that supports high levels of engagement.
- **Communication is key.** Communicate often at all levels of the organization and tie actions back to the survey results so associates know decisions being made are based on their voices.
- **Senior management support is important.** Senior executives play a critical role in leading the focus on integrating engagement with business strategy. The Chief Human Resources Officer is the vanguard at Ulta Beauty.



- **Business Strategy and Talent Strategy are connected.** These two strategies must support each other if the organization wants to grow and succeed.

What's Next?

Ulta Beauty will continue to keep a pulse on engagement. Now that the engagement survey has been repeated for several years, the process is more streamlined and the organization can focus on new dimensions, such as diversity and inclusion, in the surveys.

The engagement survey and the actions that followed have helped associates improve engagement scores each year. Even with a population of more than 33,000 associates, many in retail stores, the level of participation in Ulta Beauty's engagement survey is strong.

Overall, the engagement survey has been extremely successful. Ulta Beauty's survey does more than measure; it gives voice to associates and provides another way to bolster the winning culture pivotal to the company's success.



About Brandon Hall Group

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management. With more than 10,000 clients globally and more than 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

Inspiring a Better Workplace Experience

Our mission: Empower excellence in organizations around the world through our research and tools every day. At the core of our offerings is a Membership Program that combines research, benchmarking and unlimited access to data and analysts. The Membership Program offers insights and best practices to enable executives and practitioners to make the right decisions about people, processes, and systems, coalesced with analyst advisory services which aim to put the research into action in a way that is practical and efficient.

Membership Offers Tailored Support

Our membership delivers much more than research. Membership provides you direct access to our seasoned team of thought leaders dedicated to your success, backed by a rich member community, and proactive support from our client services team.

RESEARCH ACCESS & EVENTS

- Reports
- Case Studies, Frameworks & Tools
- DataNow® & TotalTech®
- Webinars and Research Spotlights
- Annual HCM Conference

ADVISORY SUPPORT

- Ask the Expert
- 1 on 1 Consultations
- Research Briefings
- Benchmarking

CLIENT SUCCESS PLAN

- Your Priorities
- Executive Sponsor
- Client Associate
- Monthly Meetings

Strategic Consulting Offers Expert Solution Development

Our consulting draws on constantly updated research and hundreds of case studies from around the globe. We provide services that simplify and target efforts to produce business results.

BENCHMARKING

- Competitive/Comparative
- Maturity Model
- Custom Research

STRATEGY

- Business Case
- Planning
- Organization & Governance

TECHNOLOGY SELECTION

- Vendor Selection
- Architecture Design
- Systems Evaluation

DEVELOPMENT & INTEGRATION

- Program Design
- Assessment
- Survey
- Process Integration

For more information, contact us at success@brandonhall.com.