The Leadership Pulse™

Report from June, 2007 data collection

Employee energy on the decline and

The People Paradox: A study of future growth opportunities

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Leaders' energy a leading indicator?

In business we are always looking for leading indicators, numbers that predict whether the stock market is going up or down and whether growth is on the horizon – all to help us make important decisions. There is a healthy business in astrology because people want to know what tomorrow will hold. With that in mind, I found it quite interesting that the drop in energy in June (after going up for 3 consecutive periods) preceded a major swing downwards in the stock market. Could leader energy be a leading indicator of future business performance?

The problem with indicators is they need to be real indicators, and to date, I do not have enough data to run the type of analysis that leads to conclusive findings on leader energy predicting big business trends. I do know, with multiple studies on over 500,000 employees around the world, that energy predicts individual outcomes such as turnover, performance, customer ratings, productivity, and more. I also know that, gone unchecked, a decline in energy can have significant and negative effects on an individual and organization's performance. Therefore, it is with concern that I report the decline in leader energy from our most recent Leadership Pulse data.

However, we combine that report on declining energy with a series of findings from our second focus of the June Leadership Pulse. We asked leaders for data to help diagnose where opportunities for growth lie in various industries. Growth and success increase energy, and even if the growth is small or even if the efforts to grow your organization are less than you would like to see, at least some movement will energize your leaders and employees. Therefore, as you read through the results, think about the implications for your own business. What is energy doing in your environment, and do the opportunities for growth we see in the data represent actionable items for you?

So, back to energy being a leading indicator. If all the leaders with low energy take some time to read this report and then take actions based on what they learn and start to grow their firm, then I will be pleased to report in a few months that energy is a leading indicator of growth, at least within the Leadership Pulse sample.

We have been actively trying to expand our work beyond the current sample. If we continue to expand our reaches, then as the sample grows, the predictive nature of the data and the ability to use these metrics as leading indicators of not only individual and firm performance but industry growth and perhaps large-scale economic trends do become possible.

Please help us in the effort. **Tell your colleagues about the study; invite them to participate.** If you have not yet learned about the leadership team pulse, please consider this offering for your teams. **We have expanded our study to allow any company to add up to 100 of its leaders and managers to the project and obtain its own organizational level data vs. industry benchmarks at no cost.** This is the first real-time benchmarking project for leaders, and we hope that through this effort of sharing the data in one more way, we can entice more people to join, and the value of our data, the representativeness of the sample, and the overall learning will increase significantly. Thank you for your help in the work we've done to date. If you have questions or observations to share, please do let me know.

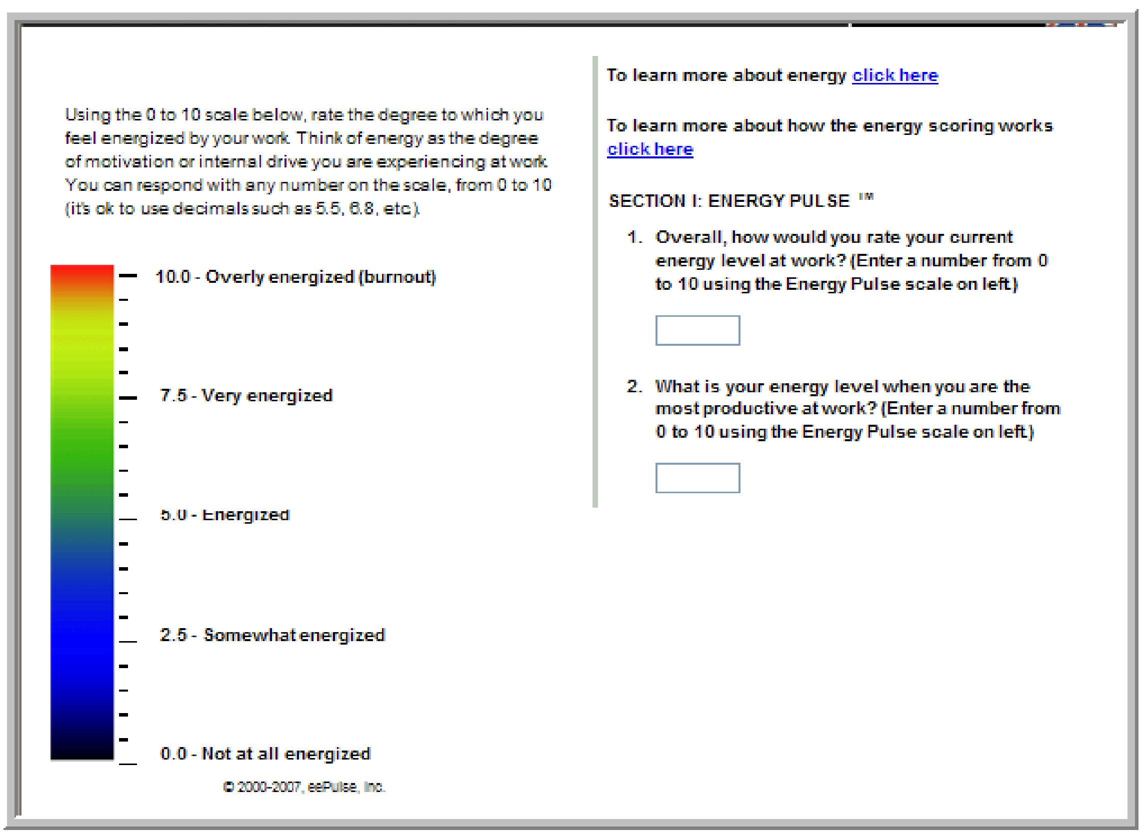
Response Rate for June, 2007 Leadership Pulse

A total of 305 people representing 18 industries responded in June. Of the 305 participants, 62.6% are senior executives (C-core, VP or Director Level), while the remaining 37.4% report to be senior managers, managers, non-managerial professionals and external consultants. Full details on respondents can be found in Appendix A.

Leader energy heads downward just before stock market follows

For those readers who have not participated in the Leadership Pulse Dialogue, below is a copy of the energy question as it is posed. The question was developed from my research on the drivers of long-term firm performance, and with over 20 years of research now, it has been validated and used within organizations around the world and in several research studies across firms. The question also is being used in a number of different countries around the world, and it continues to predict performance globally. The predictive nature of the question provides value for understanding the trend data.

Energy Pulse™


Using the 0 to 10 scale below, rate the degree to which you feel energized by your work. Think of energy as the degree of motivation or internal drive you are experiencing at work. You can respond with any number on the scale, from 0 to 10 (it's ok to use decimals such as 5.5, 6.8, etc.)

10.0 - Overly energized (burnout)

7.5 - Very energized

5.0 - Energized

2.5 - Somewhat energized

0.0 - Not at all energized

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To learn more about energy click here

To learn more about how the energy scoring works click here

SECTION I: ENERGY PULSE ™

1. Overall, how would you rate your current energy level at work? (Enter a number from 0 to 10 using the Energy Pulse scale on left)

2. What is your energy level when you are the most productive at work? (Enter a number from 0 to 10 using the Energy Pulse scale on left)

Energy Pulse Results for June, 2007

The energy results below reveal that 81% of respondents report either being "*Energized*" or *"Very Energized"*, while 20% are reporting in what we call the danger zones (red circles). Danger zones represent the extreme ends of the energy continuum – burnout and apathy. Therefore, one indicator of healthy organizational energy is very few, if any, members at the extreme ends of the energy continuum.

Table 1. Energy Levels by Category Percent

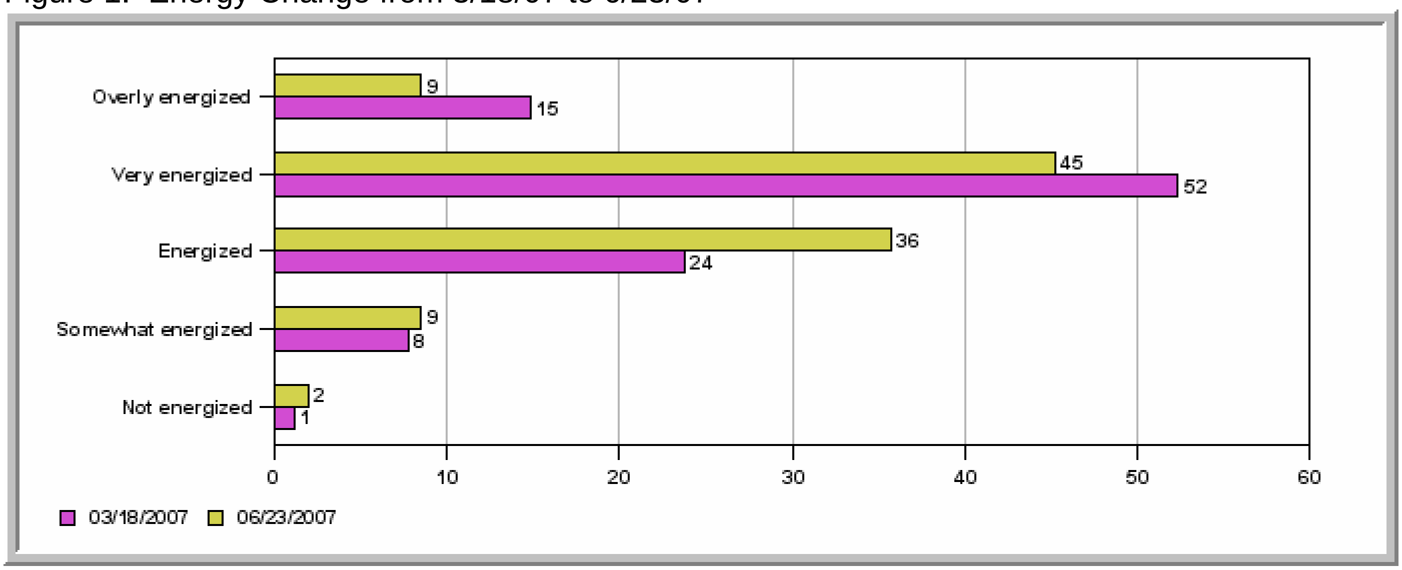
Question Details

Overall, how would you rate your current energy level at work? (Enter a number from 0 to 10 using the Energy Pulse scale on left.)

Response Scale		Percent
8.76 - 10.0	Overly energized	9%
6.26 - 8.75	Very energized	45%
3.75 - 6.25	Energized	36%
1.25 - 3.74	Somewhat energized	9%
0.0 - 1.24	Not energized	2%
Energy (SD)		6.33 (1.97)

The figure below displays, in percentages, differences in energy levels from the previous to the current pulse dialogue. The data reveal that while more leaders are reporting in the *overly* and *very energized* categories, there was a 12% loss of leaders reporting in the *energized* category. This overall shift reduced the average energy score by .38 points.

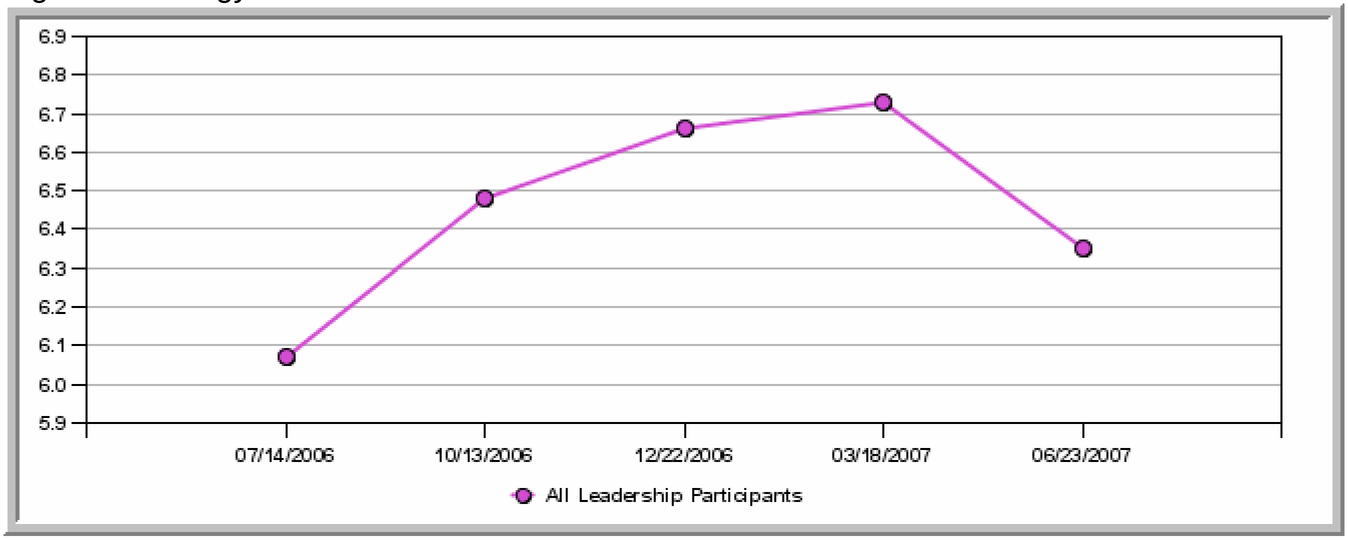
Figure 1. Energy Change from 3/18/07 to 6/23/07



Energy Trends

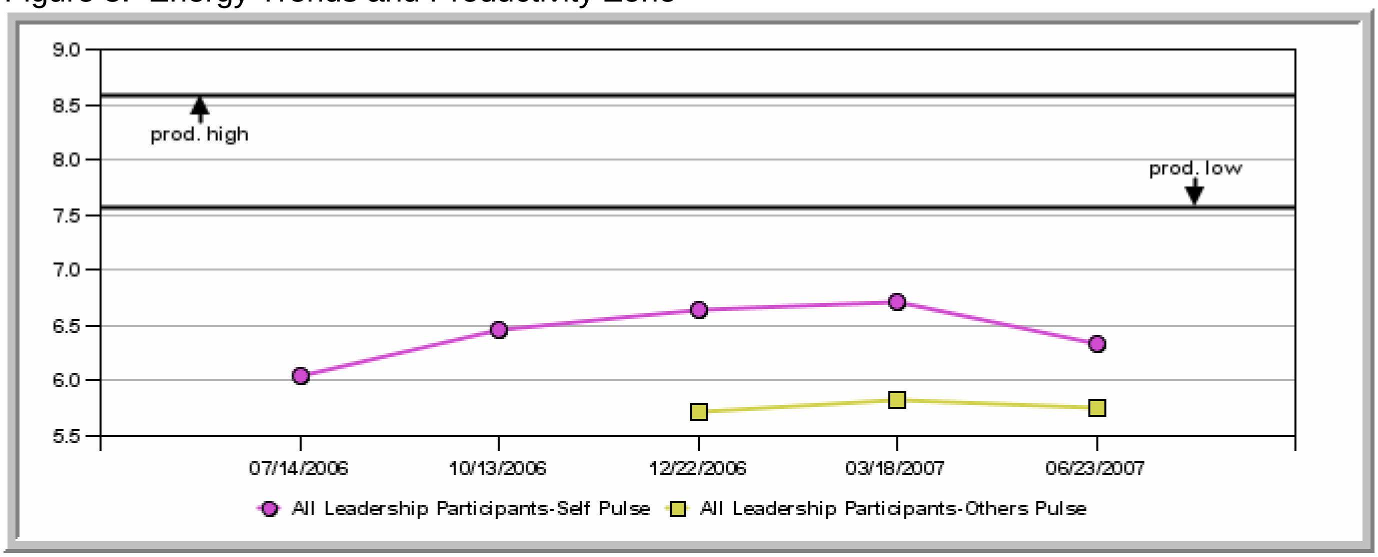
The figure below reveals the overall level energy trends for the last five Pulse Dialogues. Although overall energy levels have been increasing since the all-time low of 6.05 in July, 2006, the current result of 6.33 is a decrease from the high mark of 6.71 in March, 2007.

Figure 2. Energy Trends from 7/14/06 to 6/23/07



However, it is also clear from the productivity zone (i.e., prod. high, prod. low shown below) that energy is below where leaders report being most productive. Indeed, the current overall energy level of 6.33 is 1.24 points below the lower bound of the productivity zone. Being out of zone (either above or below the productivity zone) by more than one point has been shown to affect several important organizational outcomes (e.g., productivity, turnover, 360 degree ratings, employee engagement, satisfaction with services rendered and more).

Figure 3. Energy Trends and Productivity Zone

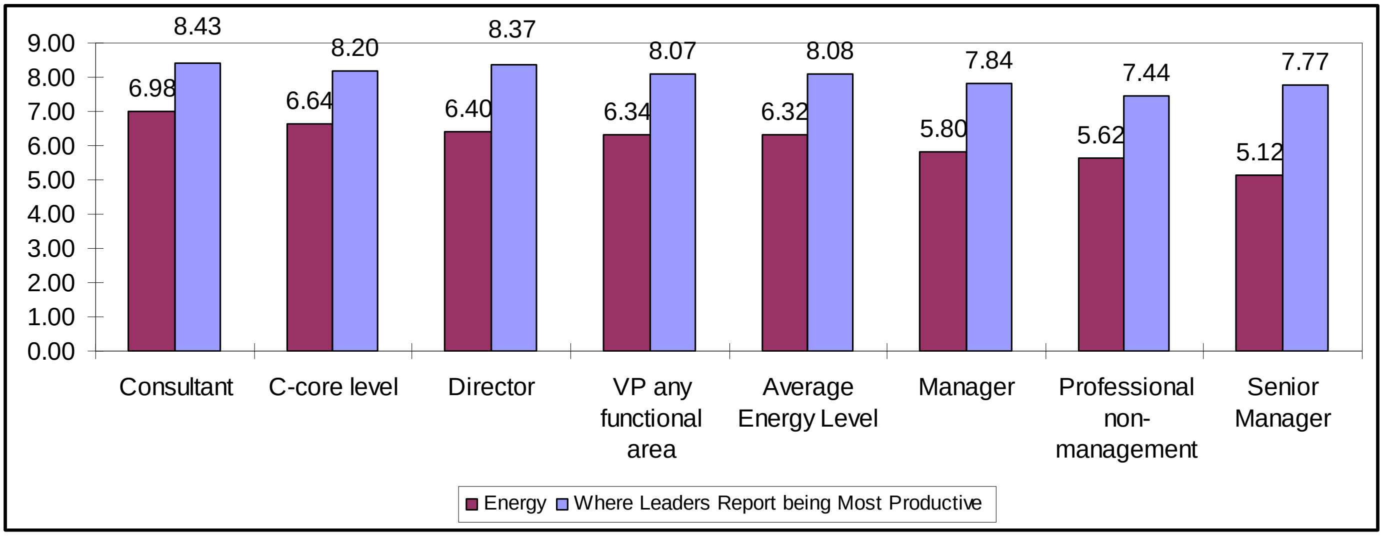


We also investigated whether the loss in energy from 3/18/07 to 6/23/07 was significant, and the results indicate a statistically significant decrease in leader energy ($t(307) = -3.28$, $p = .001$).

Energy Results by Job Title

While the overall results are informative from a macro level perspective, it might be of interest to our readers to see the energy data presented at other levels of analysis. Two views of interest presented below display energy data by job level and then industry level.

Figure 4. Current Energy vs. Where Leaders Report Being Most Productive by Job Level

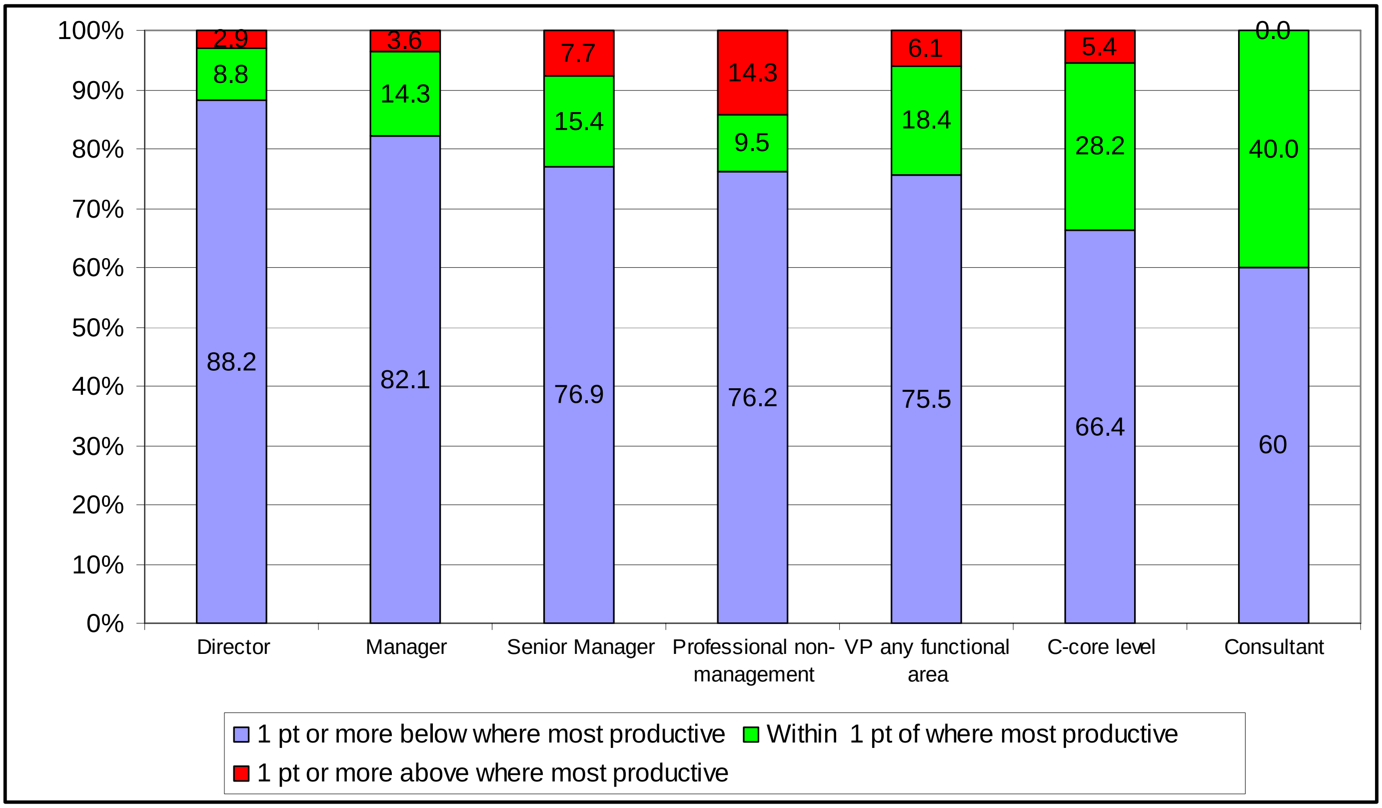


The figure above displays the average current energy level (maroon) and average energy where leaders report being most productive (blue) for each job level. The results reveal that leaders in all job levels are operating below where they report being most productive. Therefore, we can conclude that the overall energy level analysis does not mask any subgroup energy differences of the job level demographic.

It also is informative to review job level data using energy gap scores. An energy gap score of zero reflects no difference between current energy and the energy levels leaders report being most productive. Therefore, as one moves further away from zero, in either direction, the further the respondents' current energy is from the energy level they report being most productive.

Below is a figure that displays the percentages of those 1) within one point of where they report being most productive, 2) more than one point below where they report being most productive, and 3) more than one point above where they report being most productive by the job level demographic.

Figure 5. Percent At, Above or Below Where Most Productive by Job Level



The job level data above reveal that 40% of consultants' current energy falls within one point of the energy level they report being most productive; 28.2% of C-core leaders report current energy within one point of where they report being most productive, and 18.4% of VPs report being within one point. Only 9.9% of directors report being within one point of the energy score they report being most productive. Our experience is that a discrepancy of more than one point between current energy and the energy score one reports being most productive is a warning sign, and if the trend continues over time an intervention is required to avoid adverse impact to the organization, department, or team that these senior managers belong.

Energy Results by Industry

The follow table displays the energy results by an industry level view. The results reveal there is a great deal of variation in energy scores.

Table 2. Energy by Industry

Low Energy (0.0 - 3.74) · Medium Energy (3.75 - 6.25) · High Energy (6.26 - 10.0)

Group	Energy (SD)[a]		Change[b,g]		Zone[d]	PLow[e]	PHigh[f]	Energy (%) Low	Energy (%) Medium	Energy (%) High
All Industries	6.33	(1.97)	↓	-0.38	-1.24	7.57	8.59	10	36	54
Agriculture		NA		NA	NA	NA			NA	
Biotechnology	4.50	(2.83)			-3.07	7.57	7.93	50		50
Communications	6.64	(1.35)	↓	-0.44	-1.27	7.91	8.81		29	71
Construction	5.30	(1.86)	↓	-2.45	-2.53	7.83	8.37	20	60	20
Consulting	6.50	(1.95)	↓	-0.42	-0.91	7.41	8.63	7	33	60
Engineering	7.07	(1.95)	↑	1.32	-0.32	7.39	8.75	7	27	67
Finance, Insurance, and Real Estate	6.00	(2.14)	↓	-0.79	-1.50	7.50	8.42	12	46	42
Government	6.20	(1.89)	↑	2.07	-1.33	7.53	8.67	20	20	60
Health Care	6.26	(2.85)	↑	1.26	-1.13	7.39	8.41	18	18	64
Information Technology	5.98	(2.17)	↓	-0.19	-1.40	7.38	8.52	15	35	50
Manufacturing	6.35	(1.86)	↓	-0.22	-1.43	7.78	8.76	10	35	54
Mining	8.50	(0.71)				7.29	8.71			100
Not-For-Profit Agency	6.17	(2.13)	↓	-0.66	-1.92	8.09	8.91	10	50	40
Other	6.49	(2.21)	↓	-0.21	-1.02	7.51	8.48	12	33	55
Retail Trade	5.70	(2.05)	↓	-0.90	-1.51	7.21	8.19	20	40	40
Services (other than consulting)	6.13	(1.52)	↓	-1.62	-1.54	7.67	8.64	6	50	44
Transportation and Public Utilities	7.04	(1.22)	↑	0.29	-0.92	7.96	8.64		43	57
Web-based Technology	6.08	(2.25)	↑	0.25	-1.78	7.86	8.47	25	13	63

Reviews of the downward facing arrows in the change column indicate that 10 industries report energy losses when compared to the previous reporting period. The red arrows indicate a larger loss in energy, while the lighter arrows indicate less energy loss. Five industries indicate energy gains. A missing arrow in the change column indicates no previous energy score was available for that particular industry, thus no energy change score could be calculated.

Using the change column you can also review the amount of energy change from the last measurement period. The zone column displays the degree current energy is below, above or within the productivity zone (indicated by the thumbs-up). *Only mining is reporting energy levels within their productivity zone.*

Some industries are well below the lower bound of their productivity zone. Keep in mind that as a rule of thumb, energy scores less (greater) then one point are in need of closer scrutiny. Indeed, the longer a group is one point outside their productivity zone the greater the concern. *Current industries of concern are biotechnology and construction as they are more than 2 points below their productivity zones.*

Growth Opportunities in next 12 months

The second topic of the current Leadership Pulse was growth opportunities. Specifically, we asked leaders to share their thoughts on where the greatest growth opportunities lie within their own organizations. We asked leaders to rate the degree of confidence in six different departments' ability to drive growth within their organizations over the next 12 months and the current performance level of the same six departments. This section of the report reviews these results through a gap score analysis. The gap score is the difference between the confidence in potential for growth over the next 12 months and current performance level. The gap score is thus a reflection of perceived opportunity. The larger the gap score the larger the perceived future opportunity for growth within that department.

The following six departments and their definitions were presented to leaders in order to determine the degree of growth potential within their firms.

<u>Revenue generation (sales and sales support):</u>
Think about the group that brings in revenue. This may be the sales team, sales and marketing, senior partners, or a fund raising department.

<u>Manufacturing and delivery of your product:</u>
This is the group or groups that manufacture or produce your product and/or deliver it to the end user. Consider the entire production to end user process when thinking about this team, and rate whatever part of the team is applicable to your organization.

<u>Overall people and culture management:</u>
Think about the department responsible for the hiring, recruitment, compensation, training and overall culture management of the organization. In larger organizations it's the human resource management department; in smaller organizations, the job may go to the administrative team or a

few of the high ranking executives. If this is not a full-time job for the team you are thinking about, only answer this question in terms of the group's ability in people and culture management.

Finance and accounting:
Think about the team that is in charge of the finance and accounting department.

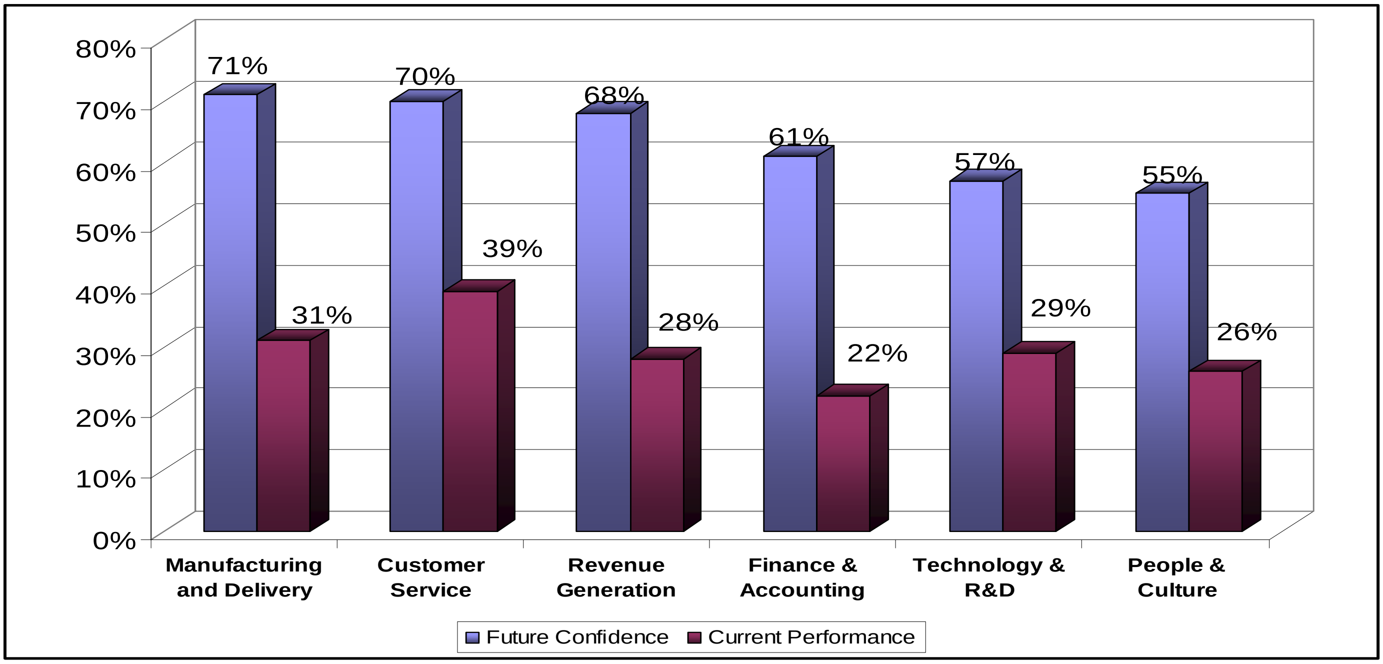
Technology, research and development, new product development:
Think about the team responsible for creating new products for your organization.
Customer service:
Think about the team responsible for working with your customer after the initial delivery. This would be the group that monitors client use, handles service problems, and takes care of requests.

In review, leaders were asked to 1) rate their confidence in each departments' ability to grow their business over the next 12 months and 2) assess the current performance level of these same departments. Ratings were done using a five-point scale. The anchors for the future confidence scale were *1 = Not at all confident* to *5 = Very confident.* The anchors for the current performance scale were *1 = Not delivering at all* to *5 = Exceeding all expectations.* Finally gap scores were created by subtracting confidence in future performance by current performance. The gap measure is used to draw attention to the areas that present opportunities for growth. Specifically, larger gaps indicate the areas that leaders perceive as holding the greatest growth potential.

Growth Opportunity Results

The results in the first figure presented below reflect the overall sample. However, we do break down results by various demographic cuts throughout the report and indicate the type of demographic view applied. The values below are the percent responding with either a 4 or 5 on the five-point scale assessing 1) current level of ability to promote organizational growth and 2) confidence in the areas ability to increase firm growth over the next 12-months).

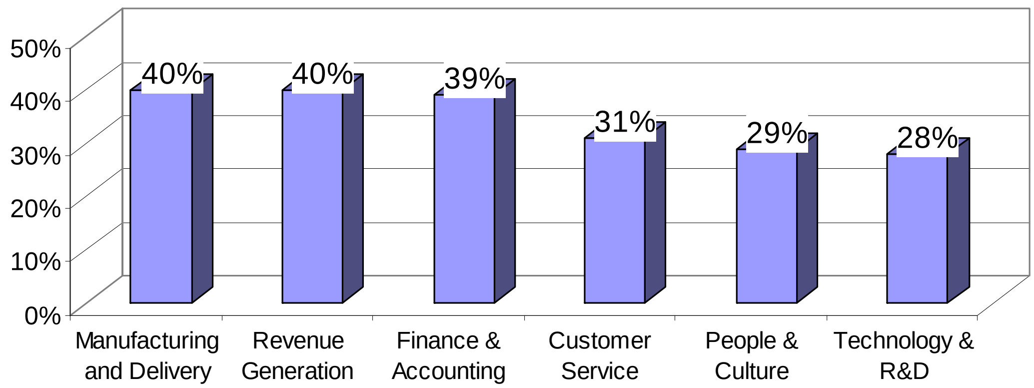
Figure 6. Future Confidence and Current Performance in Growth by Department



The highest confidence score went to Manufacturing and Delivery with 71% of leaders saying they were confident this group could contribute to growth in the next 12-months. However, when we asked the degree to which this group is currently delivering, the percent rating this groups' performance as positive drops to 31%. There is a 40-percent gap between confidence in what they 'can do' vs. today's performance.

People and culture management came in last place when leaders think about future business growth. Only 55% of leaders were confident that the resources within their organization that manage employees and the overall organizational culture could help drive growth in the next 12-months. Additionally, the percentage of leaders who rated the people and culture management team as currently performing at a 4 or 5 was 26%. There is a 29% gap between confidence that the people and culture management team can help drive growth in 12 months and their performance today. Below is a graphical representation of the gap scores by percent or the areas in which leaders see the most growth potential.

Figure 7. Overall Gap Scores by Department



Overall, leaders see the greatest opportunities in manufacturing and delivery and revenue generation (i.e., sales), and the least opportunity for growth in people and culture and technology and R&D. Of course, these results will vary by industry and other demographic cuts of the data. Two variables that may help clarify these potential differences are 1) job level and 2) industry. We start with a deeper look at the industry demographic as one would expect variation in the results by an industry view.

Industry Level Growth Results

We first present the results of leaders' confidence level in each departments potential to grow their businesses. The table below is sorted, from left to right, by the overall results for all leaders across all industries. This allows for a baseline measure to compare the industry specific leader perceptions. In addition, one could look at the percentages as an indication of consensus. That is, when a high percentage of leaders agree that a department is more (less) important in driving business growth we can reasonable argue that other leaders in the same industry may want to consider the competitive advantage this department could offer.

Table 3. Growth Confidence over Next Twelve Months by Industry

	Percent responding 4 or 5 or "Confident"					
Industry	Technology/R&D Future Confidence	Revenue Gen Future Confidence	People/Culture Future Confidence	Manufacturing/Delivery Future Confidence	Financial/Accounting Future Confidence	Cust Service Future Confidence
All Industries (Avg)	57%	68%	55%	71%	61%	70%
Biotechnology	100%	NA	NA	NA	100%	NA
Communications	60%	40%	40%	75%	60%	75%
Construction	60%	80%	60%	60%	80%	60%
Consulting	53%	55%	53%	71%	52%	77%
Engineering	69%	77%	69%	82%	31%	45%
Finance, Insurance & Real Estate	42%	58%	50%	70%	75%	72%
Government	40%	80%	60%	40%	60%	60%
Health Care	67%	90%	50%	70%	60%	90%
Information Technology	65%	67%	50%	88%	78%	72%
Manufacturing	61%	78%	56%	78%	64%	71%
Mining	NA	NA	NA	NA	NA	NA
Not-For-Profit Agency	90%	50%	70%	63%	60%	78%
Retail Trade	33%	75%	75%	75%	50%	75%
Services (not consulting)	44%	61%	56%	54%	59%	73%
Transportation & Public Utilities	50%	100%	40%	60%	80%	40%
Web-based Technology	71%	86%	43%	71%	57%	29%
Wholesale Trade	50%	75%	50%	100%	75%	75%

Green cell = highest % for associated industry, NA = Not applicable due to response numbers fewer than 5.

The overall or average results (in yellow) indicate that leaders are considerably confident that all departments have the potential to grow their businesses. Indeed, a quick review using the all industry view (in yellow), reveals that leaders' lowest confidence resides in the people and culture area 55% reporting confidence) and that confidence is highest for manufacturing and delivery at 71%. However, this pattern is not consistent across industries. For example, leaders from the not-for-profit sector clearly see technology and research and development as major drivers of future growth. Indeed, nearly 90% of leaders from this sector agree on this point.

Leaders from the retail trade sector report that all areas, with the exception of technology are important to future growth. Leaders from the health care sector report that revenue generation and customer service offer the most growth potential.

These results show that, as expected, there is a great deal of variability in the confidence levels of leaders across industries in regard to the department most likely to offer the greatest growth potential. Next, we review leaders' perceptions of current growth performance by industry.

It is interesting to note that web-based technology leaders appear not to view customer service as a vehicle to drive growth given the importance of customer satisfaction in a sector that offers so many service providers.

Table 4. Current Growth Performance by Industry

	Percent responding 4 or 5 or "Doing better than expected"					
Industry	**Technolgy/R&D Current Perf**	**Revenue Gen Current Perf**	**People/Culture Current Perf**	**Manufacturing/Delivery Current Perf**	**Financial/Accounting Current Perf**	**Cust Service Current Perf**
All Industries (Avg)	29%	28%	26%	31%	22%	39%
Biotechnology	100%	NA	NA	NA	0%	NA
Communications	0%	0%	0%	25%	0%	0%
Construction	40%	0%	20%	0%	40%	40%
Consulting	32%	20%	16%	36%	15%	45%
Engineering	46%	40%	31%	45%	23%	1%
Finance, Insurance & Real Estate	16%	27%	23%	17%	28%	40%
Government	60%	20%	20%	20%	40%	60%
Health Care	22%	20%	20%	50%	10%	20%
Information Technology	35%	17%	29%	31%	28%	28%
Manufacturing	35%	33%	31%	36%	19%	39%
Mining	NA	NA	NA	NA	NA	NA
Not-For-Profit Agency	10%	20%	40%	25%	10%	22%
Retail Trade	0%	50%	75%	50%	25%	50%
Services (not consulting)	22%	36%	33%	27%	37%	54%
Transportation & Public Utilities	0%	80%	40%	0%	20%	40%
Web-based Technology	43%	43%	0%	17%	43%	14%
Wholesale Trade	50%	25%	25%	50%	25%	75%

Green cell = highest % for associated industry, NA = Not applicable due to response numbers fewer than 5.

The results above suggest that the majority of leaders do not classify many departments as exceeding expectations. Only 39% of leaders overall rated those who provide customer service as meeting or exceeding performing expectations. Of all the ratings, across all industries, only six exceed 50%. These results indicate that leaders are not satisfied with current performance. In fact, the current performance levels suggest a near universal assessment of failure of departments to exceed current growth performance expectations. Next, we examine the differences between future confidence and current performance by each industry.

Table. 5. Gap Scores by Industry

Industry	Percent difference between future confidence - current performance					
	Technology/R&D Gap	Revenue Gap	People/Culture Gap	Manufacturing/Delivery Gap	Financial/Accounting Gap	Cust Service Gap
All Industries (Avg)	28%	40%	29%	40%	39%	31%
Biotechnology	0%	NA	NA	NA	NA	NA
Communications	60%	40%	40%	50%	60%	75%
Construction	20%	80%	40%	60%	40%	20%
Consulting	21%	35%	37%	35%	37%	32%
Engineering	23%	37%	38%	37%	8%	18%
Finance, Insurance & Real Estate	26%	31%	27%	53%	47%	32%
Government	-20%	60%	40%	20%	20%	0%
Health Care	45%	70%	30%	20%	50%	70%
Information Technology	30%	50%	21%	57%	50%	44%
Manufacturing	26%	45%	25%	42%	45%	32%
Mining	NA	NA	0%	NA	0%	NA
Not-For-Profit Agency	80%	30%	30%	38%	50%	56%
Retail Trade	33%	25%	0%	25%	25%	25%
Services (not consulting)	22%	25%	23%	27%	22%	19%
Transportation & Public Utilities	50%	20%	0%	60%	60%	0%
Web-based Technology	28%	43%	43%	54%	14%	15%
Wholesale Trade	0%	50%	25%	50%	50%	0%

Green cell = highest % for associated industry, NA = Not applicable due to response numbers fewer than 5.

The gap analysis results indicate a great deal of variability in leader perceptions in regard to growth opportunities. Overall, leaders report that the greatest growth opportunities lie in revenue generations and manufacturing and delivery. However, that is not the case for several industries. For example, leaders from the health care sector report the greatest opportunities lie in customer service and revenue generation. Similarly, a number of leaders (75%) from the communication sector report that customer service holds the greatest growth potential.

It is also useful to note the absence of a gap score (or zero). This indicates one or two possible causes. First, it could indicate that a department is currently exceeding growth expectations and the leader expects this trend to continue. But given the results presented above this explanation does not hold. It could also indicate that current performance is low and leader confidence in future performance is also low. To determine which case is present for any gap score of zero, one must review both current performance and future confidence tables to clearly understand leader consensus within the industry of interest.

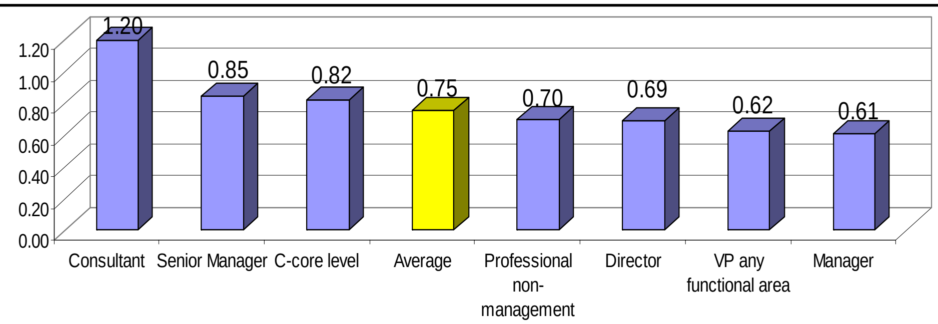
Job Level by Gap Score

The data presented in the following figure displays the gap scores by job level. The following analysis is conducted using the mean gap scores as opposed to the percent agree gap score method. The results are interpreted in the same manner – the larger the gap score the greater the perceived opportunity for growth in that area.

Revenue Generation (Sales) Mean Gap Scores by Job Level

The results reveal that consultants, senior managers and c-core level job holders see the most opportunities for growth through revenue generation (sales), while managers rate revenue generation the lowest.

Figure 8. Revenue Generation Gap Analysis by Job Level



In addition to collecting the quantitative data, we asked a growth opportunity related comment question. The question was worded as follows:

Reflecting on all the growth questions you just answered, which group(s) has the greatest potential to deliver more toward growth than you are seeing today? What actions would your organization need to take to support this growth opportunity? Below are some of the comments that are related to revenue generation.

Comment Suggestions - Revenue Generation

Hire and appropriately onboard more qualified sales people; hire qualified marketing professionals or secure qualified marketing consulting and adhere to their recommendations.

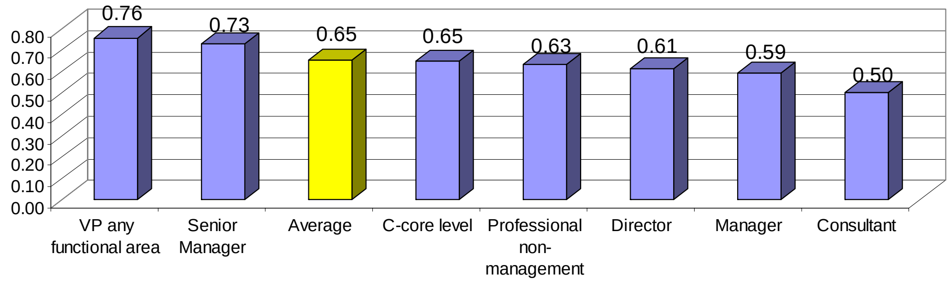
More client relationship building with personal visits.

Strategic sales initiatives to focus attention on the attainment of sales goals - possibly changes in the compensation methodology.

Manufacturing and Delivery Mean Gap Scores by Job Level

The results reveal that VPs and senior managers are more likely than all other job levels to perceive growth opportunities in the area of manufacturing and delivery.

Figure 9. Manufacturing and Delivery Gap Analysis by Job Level



Comment Suggestions - Manufacturing and Delivery

We lack "replacement players -- or a bench" for when cyclical demands increase, leaving us vulnerable for service delivery quality.

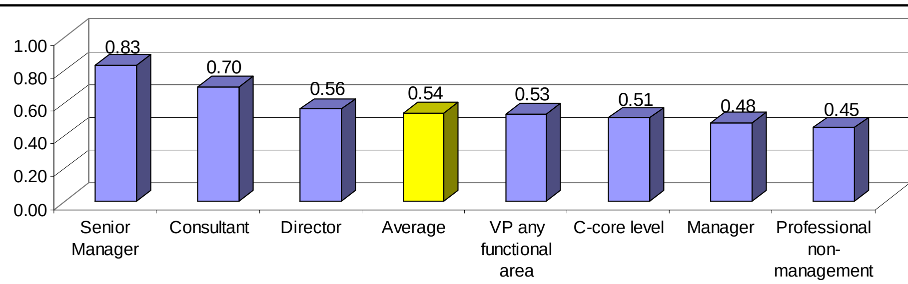
Big connection between mfg and culture/mgmt: can-do culture in mfg, where they understand mgmt goals and improved processes, will go a long way.

Improve forecasting and throughput efficiency

People and Culture Mean Gap Scores by Job Level

The results reveal it is senior managers and consultants who are most likely to perceive people and culture as a growth opportunity, while managers and professional non-managers are less likely to perceive these same factors as opportunities for growth. VP's and C-core level leaders rate this lower than the overall average.

Figure 10. People and Culture Gap Analysis by Job Level



Comment Suggestions – People and Culture

Our people in the trenches and management need more support in the form of training and backup help

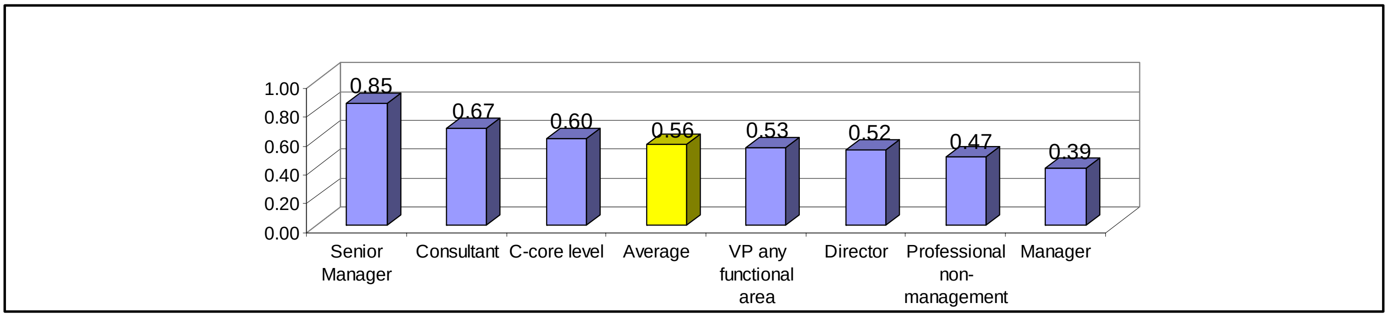
Hire some real leadership talent, apply the same integrity and high expectation of quality to people management that we do to product management

Real succession planning and real efforts at developing management talent

Finance and Accounting Mean Gap Scores by Job Level

Senior managers perceive more growth opportunities in the area of finance and accounting than any other job level category.

Figure 11. Fiancé and Accounting Gap Analysis by Job Level



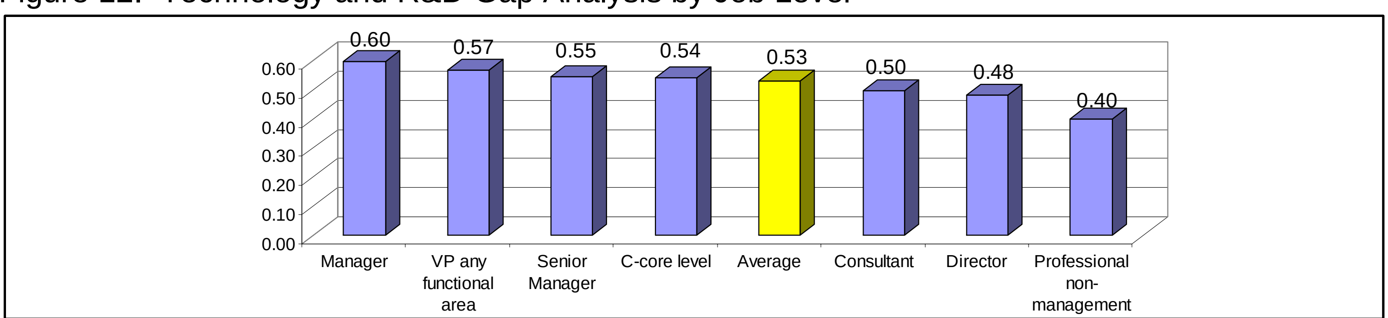
Comment Suggestions – Finance and Accounting

Hiring additional accounting expertise
R&D
Hire more support staff to do the work so that managers could focus more on the big picture and more strategic ways of doing business

Technology and R&D Mean Gap Scores by Job Level

Managers appear to perceive technology/R&D as high potential growth opportunities, as do VPs, senior managers and c-core level executives. Consultant, directors and professionals are less likely to view technology/R&D as a potential growth area.

Figure 12. Technology and R&D Gap Analysis by Job Level



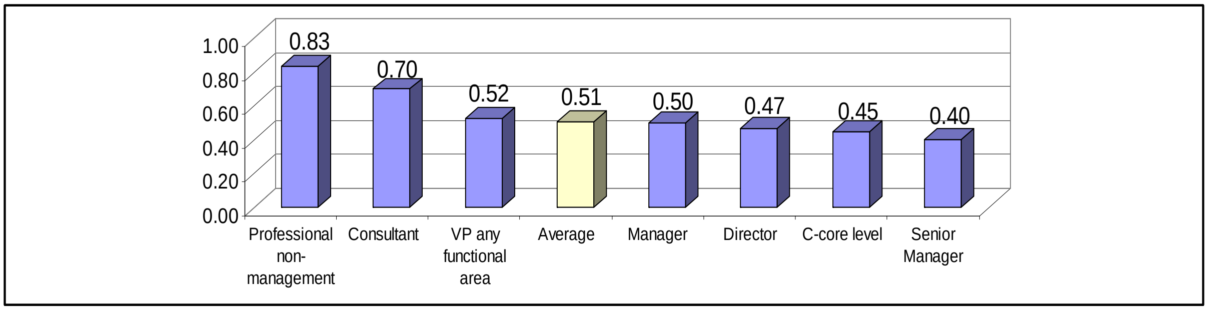
Comment Suggestions –Technology and R&D
IT issues continue to be rampant and are impacting both delivery and quality of service.
Management seems to be out of touch with the reality of what drives our bottom line.

We need to put more funding into technology. It has not been a priority and going forward it needs to be to grow our district.

<u>Customer Service Mean Gap Scores by Job Level</u>

The results below reveal that professional non-manages and consultants are most likely to perceive customer service as a growth opportunity when compared to all other job levels. C-core and senior managers are the least likely to view customer service as an area rich in growth opportunity.

Figure 13. Customer Service Gap Analysis by Job Level



<u>Comment Suggestions – Customer Service</u>

Listen to the customer -- go back to a true service model vs. striving for a cookie cutter process

Need to continue to focus front-line manager efforts on engaging team members who directly interact with customers and we need to lead the market in pay for the team members who directly interact with customers versus paying "middle of the road"

On the customer service side, just as we are concerned about bringing in new members, we are also concerned about retaining existing members. Even though we have a very high retention rate as compared to peer organizations, new and canceling members have just about canceled each other out for the last several years -- i.e., membership is "flat." We need to implement a stronger retention program which, in my mind, boils down to needing to enhance our delivery of customer service.

The People Paradox

The overall comments provide an interesting perspective on all of the data. Recall that we asked the respondents to reflect on the growth questions and tell us more about which groups had the greatest potential to impact growth and what their organizations should do to start supporting that growth. A total of 133 comments were received in response to this question (note that some people said “I don’t know”). ***Of those, a total of 100, or 75%, of the comments directly focused on people management issues.***
For example, respondents talked about hiring new people, replacing people, getting rid of certain people, providing training to employees, getting help for leaders so they can be better prepared to

lead, aligning employee behaviors with strategies, adjusting compensation, setting more difficult goals, demanding skills such as listening to the customers, teaching employees about quality, listening to employees to get more information about opportunities, changing the way teams work together, and more. The question this comment data begs is:

> ***If 75% of leaders' suggestions on how to jump start growth deal with people management issues, why are the people management department scores so low on both growth potential and performance?***

As someone who has spent most of her career in the human resource field, this finding, unfortunately, does not surprise me. Rightly or wrongly, in many cases the HR function continues to be perceived as a paper-pushing function that is not directly impacting the bottom line, or in our case, not seeking out growth opportunities and pursuing them with line management. This simply has got to stop.

Any organization that hires an HR executive should insist that the "function" or person seek out opportunities for growth and help line managers achieve their goals. It is not acceptable that so much growth potential exists that is going untapped. Look at the gap scores again (page 12) --- they range from 40% to 28%. This represents lost revenue. If we can work to increase the performance of these departments, then your organizations can improve growth.

Within the field of human resource management, we have ample knowledge about how to hire qualified talent, how to train employees, how to develop leaders, and how to align employee performance with an organization's strategic goals. This information is available to everyone. So why is it not being used? My guess is that the leaders of the organizations responding to our survey and in other organizations do not know that they have the gaps we measured in the June, 2007 pulse dialogue because they do not obtain this type of data from their own organizations.

Data and Dialogue Driven Leadership: An Answer to the Paradox

People data from employee surveys in organizations, based on our research, are often completely misused. Surveys often are score taking devices focused on employee satisfaction (most of the more sophisticated employee engagement surveys today, when analyzed, are still measuring satisfaction). Not only are we limited in what we measure, but we also measure too infrequently. This means leaders make decisions about people resources based on primarily word of mouth and "water cooler" assessments of the situation and/or rely on data from last years annual survey.

Employee data must be used to help drive business decisions. Consider having the type of data we just collected in the Leadership Pulse study from your own management teams. With this type of data, you could engage in healthy dialogue about driving business growth and then develop a strong set of solutions and actions. My own experience shows that a sophisticated data and dialogue process, embedded within a management team, using people data (data from employees about both themselves and about the business) can drive growth.
Organizations that I have worked with have used data and dialogue tools to obtain up to a 2,000% return on investment in one year from their employee data and dialogue programs. Leaders need

real-time, honest data from employees about their business and about the employees themselves. That data should be regularly (not once or twice a year) collected, analyzed and used to supplement other data we collect (sales, financial, production, and more) in order to continually understand the drivers of growth and productivity.

If you want to improve your own organization's growth in the next 12 months, I suggest the following:

Phase I -the leaders use their data, engage in their own dialogues and take action.

- Provide this report to your senior management team.
- Focus on your own industry results.
- Discuss the findings in general.
- Find 3 actions that you can take as a result of your learning.

Phase II - drive the data and dialogue process throughout your organization.

- Do your own research on the subject of energy and growth; obtain data from your employees.
- Use your own data to create dialogues among managers and employees and then each manager and employee team should work on their own 3 actions.
- Collect data on the actions; collect data on the results.
- Continue to have dialogue on the action and results.
- Continue to collect more data from employees and make the process one that is ongoing vs. a point-in-time.
- My general recommendation is that the data and dialogue process, if focused on business outcomes and process, should be monthly for most organizations.

Easy Way to Get Started: Leadership Team Pulse

For those of you thinking that using the data and dialogue tools may help your organization, I suggest you consider joining the Leadership Team Pulse. First, it fits your budget; you only need to commit time, no dollars are required to start the process (because it's research at this phase we can deliver it for free as part of the leadership team pulse program).
We have started a new program as part of the Leadership Pulse, and this allows you to add up to 100 of your leadership / management team into the study. In exchange for adding your team, you will receive on-line reports of your team's overall summary results compared to your industry and the overall data. You will have real-time data of your own to spur your own dialogues and leadership learning. We also will be delivering webcasts for participants so that we can continue the learning together. To obtain more information contact me at info@eepulse.com.

I am looking forward to seeing energy scores go up and growth opportunities pursued. If we all narrow at least some of the gaps in our growth metrics, then we all will experience more success in the next 12 months. I look forward to hearing your stories and to working with those of you who join the Leadership Team Pulse as well as those individual contributors who continue to participate in the Leadership Pulse process.

Appendix A: Sample Characteristics

Company Size	Percent of total
Less than 100 employees	39.6%
101 to 5000 employees	27.3%
Over 5,001 employees	15.3%
Not supplied	17.8%
Total	**100.0%**

Job Level	Percent of total
C-core job (CEO, CFO, CIO, CAO, etc.)	35.7%
VP level job (VP of any functional area)	15.9%
Director level job	11.0%
Senior manager level job	4.2%
Manager level job	9.1%
Professional in non-management position	6.8%
External consultant	3.2%
Not supplied	14.0%
Total	**100%**

Industry	Percent of total
Biotechnology	0.6%
Communications	2.3%
Construction	1.6%
Consulting	17.9%
Engineering	4.9%
Finance, Insurance, and Real Estate	8.4%
Government	1.6%
Health Care	3.6%
Information Technology	6.8%
Manufacturing	14.6%
Mining	0.6%
Not-For-Profit Agency	3.2%
Other	14.0%
Retail Trade	1.6%
Services (other than consulting)	10.4%
Transportation and Public Utilities	2.3%
Web-based Technology	2.6%
Wholesale Trade	1.9%
Not supplied	1.1%
Total	**100%**

Functional Area	Percent of total
Engineering	3.6%
Finance / Accounting	1.6%
General Administration	0.6%
General Management	29.2%
Human Resource Management	25.6%
Information Technology	4.9%
Manufacturing	1.0%
Marketing	4.5%
Other	6.8%
Public Relations	0.3%
R & D	2.9%
Sales	5.0%
Not supplied	14.0%
Total	**100%**