



## The Energy – Engagement Cycle: Is it broken in your organization?

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There is a lot of talk today about employee engagement and an equally large amount of money and time being invested in employee engagement programs. However, as much as the term is being bantered about, and multiple definitions are being proposed, one thing we can all agree upon is that if engagement is something that adds value to an organization, it must result in changes in employee behavior that lead to positive business results.

Through a number of large scale research studies that we (research team) have conducted over the last 18 years, we have been able to define the behaviors that are produced when employees are optimally energized (motivated) at work. Those behaviors, we define as engaging behaviors. They are behaviors that create company-specific synergy and assets, thus providing a firm with long-term competitive advantage. Rather than starting with engagement, our research started with firm performance and worked backwards to define what employees do to help a company outperform its competition and how to start that behavior within a group of employees.

The result of this performance-focused research was discovery of an energy-engagement cycle. It is a cycle of energy, engagement, job focused behaviors, “above the job” behaviors (e.g. team oriented, entrepreneurial, organization, and career focused), and ultimately firm performance. This entire cycle of performance starts at the top of the organization, and the spark needed to ignite the cycle is leadership energy. We propose, from our research, that employee engagement and long-term improved firm performance cannot be accomplished with a burned out, low energy, and low confidence leadership team.

But, even with all the new initiatives surrounding employee engagement, our latest Leadership Pulse research shows that across the board – leaders’ energy at work is going down, and their confidence is declining. With our zeal to engage employees, did we forget about leadership? Take a look at the following study and results.

### The Study

The research done via the Leadership Pulse comes from a large sample of executives (over 4,000 to date) who have agreed to participate in short, eePulse Surveys conducted every two months. We gather data on topics of strategic importance to leaders and then provide results to those who participate in this University of Michigan, Executive Education study. Our goal is to learn from real-time data, create a dialogue around the subjects we study and help leaders continually bring value to their organizations.

A total of 369 people participated in the May 31, 2005 study. Of those who responded, 31% were in C-core jobs (e.g. CEO, CFO, CIO, etc.), and 23% were VP level while 25% were at the Director level. The remaining respondents were in senior manager or manager-level positions. The industries they come from include the full range studied with 16% from manufacturing, 3.7% from communications, 8.6% from finance, insurance and real estate, 6.7% in health care, and 10% from information technology.

## The Scores

Compared to scores from last year at this time, the overall energy reported by executives dropped from 6.72 to 6.25 (see Table 1). The percent of people reporting to be in the overall, “high-energy” zones dropped from 62% to 53%.

We also asked five questions about various aspects of leadership confidence, and the trend data shows that confidence in all metrics declined. In the same way that consumer confidence is related to buying habits, leader confidence is related to leader energy *and* the energy levels of their employees. Thus, when we see confidence in all aspects of business go down, with the highest drop in the degree to which these leaders think their firms can change, we should begin to worry.

Variable	Summer, 2005 (June)	Summer, 2004 (July)	Points Change
Energy (mean or average)	6.25	6.72	-.47
Energy (% in high energy zone)	53%	62%	-9 points
Energy (% in low energy zone)	12%	8%	+4 points
Confidence in the overall leadership team of their firms (% saying they are confident)	73%	76%	-3 points
Confidence in economic climate of their business	63%	65%	-2 points
Confidence that they have the right people and skills.	59%	63%	-4 points
Confidence in their ability to execute on their company's vision	60%	67%	-7 points
Confidence in their firm's ability to change as needed.	56%	65%	-9 points
Confidence in their own personal leadership and management skills.	88%	92%	-4 points

It is certainly possible that part of the reason for the drop in scores is that the sample changed from time 1 (2004) to time 2 (2005). However, the data for the study can be calculated at both the overall, group-score level and at the “within-person” change level because scores are stored in the database as one line items over time. When the within-person-change scores are calculated, we find that they too show drops in the scores from 2004 to 2005, so for those people who answered both times, their scores were lower. Overall, our examination of the data, using multiple lenses, shows fairly steady and negative drops in scores for both energy and leadership confidence.

## HR Confidence

Additionally, we asked two questions about human resources. Unfortunately, the scores for confidence in the effectiveness of their HR department fell from 56% to 48% since last year. Also, scores in confidence in their senior executive team's abilities in HR went from 59% to 48% (see Table 2). If the most senior leaders are lagging in their people skills, and they know they have problems, then they need help. But note that the scores for confidence in their HR departments also went down.

HR Confidence Questions	Summer, 2005	Summer, 2004	Points Change
Confidence in the effectiveness of their HR department.	48%	56%	- 8
Confidence in their senior executive team's abilities in HR	48%	59%	- 11

## Something is Broken

Confidence and energy are leading indicators of firm performance. The larger research report on the May, 2005 Leadership Pulse study include part of a larger longitudinal analysis of energy and confidence in 2004 predicting firm performance in 2005 (see [www.eepulse.com](http://www.eepulse.com) – under Leadership Pulse, results).

In this longer research report, you will see some basic work on the relationship between confidence, energy, and firm performance. The predictive research (using regression analysis, control variables and longitudinal data) indicates that energy and confidence in 2004 predicts firm performance in 2005.

This is simply further evidence for the energy – engagement cycle, which appears to be broken in many organizations. Leaders are becoming de-energized and losing confidence in themselves and in their HR teams.

### What can you do?

1. Share the results of this study with your leadership team and engage them in dialogue about themselves.
2. Initiate your own research; where are your leaders on energy and confidence?
3. If you have a problem, do something tactical to solve it.

One of the biggest mistakes we see is the development of large programs that overshoot the current, immediate goals of the organization. Most organizations really don't need to spend a lot of money on new strategies or on implementing large-scale new "programs." Instead, they can find a few nagging problems that can be easily fixed and/or identify simple and new opportunities that can be pursued. HR can help managers accomplish these tasks, and after action is taken, HR can assist the management team in marketing and communicating the wins. One of the most important energy producers is a win; get one (even if it's a small win) and tell everyone about it.

So, where do you get the ideas for the one win? HR is responsible for employees; I strongly suggest that you go to employees for information. Envision HR for a moment as a group of reporters, interviewers, and internal market researchers. Consider HR to be always in the market for the latest breaking news stories within the organization. What can employees tell you about today's business environment that can lead to some short-term wins? Is there a client problem that can be solved? Do employees know about a new process that would improve production?

I have countless examples of HR departments helping leaders pull out of a downward spiral through very small wins. HR can do the following:

- Find out if there is an energy – confidence problem,
- Find a simple way to produce a win,
- Win,
- Brag about it – advertise the win.

I prefer not to analyze yet one more Leadership Pulse study with declining numbers. If we continue in this pattern, many businesses and jobs will suffer.

HR has a tremendous opportunity to change their organizations; it can be for the better or not. We need to take action, improve leadership energy and confidence, and along the

way confidence in HR will rise too.

### **Choose to OPT IN: The Leadership Pulse Learning Community**

You can register your leadership team to participate in the Leadership Pulse study (if they are not already a part of the process). Our goal is to expand leadership knowledge and theory by listening to the executives who are part of the study. You can sign up for the process and receive free reports by going to the following link:

[www.umbs.leadership.eepulse.com](http://www.umbs.leadership.eepulse.com).

**Join other HR Executives:** Through a collaboration with both Michigan State University and the Center for Effective Organizations at USC, eePulse is introducing the Learning Leaders Forum. Members work to improve the HR function and their organizations. Contact [theresa@eepulse.com](mailto:theresa@eepulse.com) for more information.