HUMAN PERFORMANCE™
INSTITUTE

The Leader in Energy Management Technology

THE BUSINESS CASE FOR:

Managing Energy

For High Performance in Organizations

The Link Between Energy Management, Employee Engagement, Performance and Extraordinary Business Results.

"The world will belong to passionate, driven leaders – people who not only have enormous amounts of energy, but who can energize those whom they lead."

- Jack Welch

Canadian Businesses are Facing an Energy Crisis

Crushing workloads, a 24/7 economy, and ever increasing expectations are cultivating a growing discontent amongst business leaders. In 1998, one third of Canadians aged 25 to 44 identified themselves as workaholics[1] and worried about the sustainability of their ability to produce results. "The 60-hour weeks once thought to be the path to glory are now practically considered part-time"[2].

Faced with relentless demands at work, many business leaders walk around with day planners and to-do lists, Palm Pilots and BlackBerries, instant pagers and pop-up reminders on computers - all designed to help them manage their time better. Yet, they often fail to deliver on objectives and are increasingly short-tempered and easily distracted.

Feeling forever starved for time, many assume that they have no choice but to cram as much as possible into every day. Many return home from long days at work feeling exhausted. They often experience their families not as a source of joy and renewal, but as one more demand in an already overburdened life.

According to an Ipsos Reid poll on June 25, 2005, nearly 75% of CEO's surveyed believe their employees face greater workplace mental health risks than they did five years ago.

This translates into increasingly higher levels of stress, poorer health, burnout, turnover, increased medical costs, and a diminished capacity for creativity and innovation. The hidden impact of these issues on an organization's bottom line can be staggering.

Time Management Alone is no Longer Enough

The time management movement of the 1980's and 1990's undeniably helped people to become more productive and more efficient. Yet Canadians are working longer and harder than a decade ago. According to a recent study, 26% of full-time workers worked more than 50 hours a week in 2001 – an increase of over 11% since 1991[3]. At the same time, Canadians are feeling less fulfilled, especially at work.

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[1] Statistics Canada, *General Social Survey: Time Use*, (November 9, 1999)
[2] Fortune Magazine, *Get a Life, Jody Miller & Matt Miller* (November 28, 2005)
[3] *Work-life Conflict in Canada in the New Millennium: A Status Report*, prepared for Health Canada (October 2003)

Managing time efficiently is no guarantee that leaders will bring sufficient energy to whatever it is they are doing. They may set time aside for the things that matter most to them personally and professionally, but be unable to bring their full and best physical, emotional, and mental energy to that time.

A growing body of research indicates that energy, not time, is the fundamental currency of high performance. The findings report some of the key drivers of energy alignment initiatives within organizations. It introduces a more holistic view of individual performance, the link to organizational results, and the resulting bottom line in organizations.

The Connection Between Personal Energy, Performance and Results

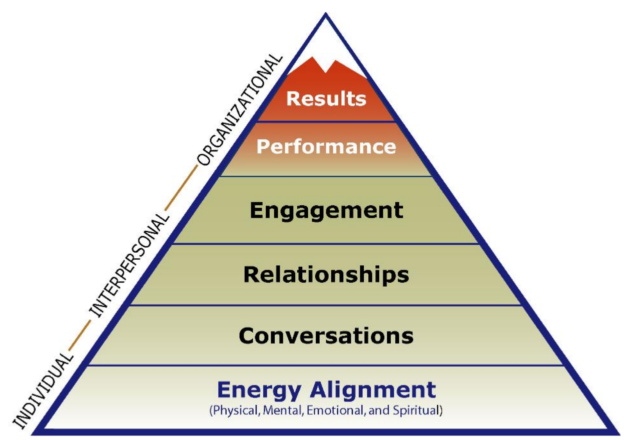
For the purpose of this report, energy is defined simply as the capacity to do work.

Just as we individually manage our own energy, leaders are the stewards of organizational energy. They inspire or demoralize others first by how effectively they manage their own energy and next by how well they mobilize, focus, invest and renew the collective energy of those they lead.

This is illustrated in a concept Tekara Organizational Effectiveness refers to as *The Tekara Results Peak*™.

Investing an organization's full and best energy requires that individuals become physically energized, emotionally connected, mentally focused, and fully aligned with the mission of the organization.

This individual energy flows through conversations in the workplace. Organizations become the sum of those conversations – positive or negative, healthy or toxic.



THE TEKARA RESULTS PEAK™

These conversations determine the quality of relationships within the organization. Leaders develop strong teams through the openness, honesty, and civility of those conversations.

Individuals and teams engage more fully when they feel valued and respected by their co-workers and managers - uniting around a compelling common purpose to which they are encouraged to contribute their energy. This flows into the performance and overall results an organization is able to achieve.

If you woke up tomorrow with more positive, focused energy to invest at work and at home, how would that change your life for the better, as well as the organization you work in? As a leader and a manager, how valuable would it be to bring more positive energy and passion to the workplace? If those you lead could call on more positive energy, how would it affect their relationships with one another, and the quality of service that they deliver to customers and clients?

The stewardship of energy both personal and organizational has become mission critical in high performing organizations.

The Ripple Effect of Personal Energy Crises

How does an energy crisis show up in organizations? It shows up personally first. The following case study illustrates a common scenario:

On the surface, Michael G. seems to be living the quintessentially successful life. At thirty-six, he is the senior sales manager for a large software company. He has a six-figure salary, responsibility for all of Western Canada, and six months ago was named a director, the fourth promotion in less than five years.

He met his wife, Mary, while doing his MBA, and they married ten years ago. They have two children – six-year-old Brenda and four-year-old Brendan – and Mary has her own busy career in advertising. They live in a suburb of Vancouver, on a cul-de-sac with eight other families; in a house they helped design.

Between their demanding careers and the challenge of raising two kids who have busy schedules of their own, life is very full. But it is the life they have worked hard to achieve.

So What's the Problem?

In his latest performance evaluation which included a 360 assessment with his direct reports, peers, and key customers, Michael received some troubling news.

Over half of his direct reports rated him "average" or "below average" in his ability to establish clear purpose and direction for the business unit.

His peers described increasing outbursts of anger and periods of moodiness. His key customers found him less attentive in recent months, slow to respond to e-mails and phone calls and distracted when talking with them.

In his own self-evaluation, he mentioned for the first time a sense of being overwhelmed by the growing demands of his job, leaving less time for family than he wanted. He also noted that a previous pattern of regular exercise and golf with a group of old college friends had fallen off dramatically and that his doctor was concerned about the impact of the stresses of his work on his health.

Michael was suffering from a personal energy crisis, and it was creating an organizational energy crisis. As a key manager and leader in the organization, seen by the most influential in his firm as having high potential, he was a key steward of organizational energy, with significant responsibility for recruiting, directing, channeling, renewing, focusing, and investing the energies of himself and his direct reports in the service of the corporate mission.

Quantifying the Financial Impact of Energy

Michael G's story illustrates the impact a single individual's energy crisis can have on an organization. Although the qualitative benefits of developing a fully engaged, high trust culture are widely accepted, the quantitative benefits are not always as easy to measure. However, research on this can be categorized around three key challenges organizations face:

1. Recruiting and retaining top talent – becoming an employer of choice.

2. Improving employee engagement, productivity, and workload management.

3. Minimizing the impact of employee health care costs.

Let's explore each of these challenges and the potential bottom line impact of each.

1) Recruiting and Retaining Top Talent

Recruiting and retaining key employees has long been a strategic imperative. But in today's increasingly competitive labour market, the prospect of continued labour shortages, and the changing expectations of workers themselves are motivating many organizations to take this issue even more seriously.

Organizations recognize that assisting their employees to build their energy capacity and align it with what matters most to them, and the organization, can be a powerful drawing card. It also has the potential to generate long-term loyalty.

Employee attrition erodes organizational profits and momentum without many leaders seeing the connection to their bottom line.

Attrition has surged by more than 25% over the past five years, while unemployment and joblessness rates remain quite low. According to research by Accenture in 2003, employee attrition, on average, costs an organization 18 months' salary for each manager or professional who leaves, and 6 months' pay for each hourly employee who leaves.

This does not take into consideration the cost of lost opportunities, impact on customers, or employee moral and stress during the transition. The qualitative costs of attrition render the impact to be far greater.

Research by Human Resources Canada estimates annual attrition rates in organizations are currently:

- 14% for clerical workers

- 12.5% for professionals
- 5.5% among managers

Let's put this into context. In a company with just 250 employees earning an average annual salary of $45,000 each, standard attrition rates collectively cost the organization more than a million dollars every year.

If this same company has annual revenues of $25 million and a profit margin of 10%, this attrition loss would represent 4% of total revenues – that's 40% of the profits.

Research also reveals that salary levels are not likely to have the greatest impact on employees' decisions to join, stay, or leave an organization. Instead, the data suggests that employees who are planning to leave are most likely to do so for:

1. Opportunities that allow them to develop fully;
2. Opportunities in a company with progressive leadership; and
3. Opportunities to reduce their workload.

Organizations that demonstrate a commitment to cultivating an environment where the whole person can thrive have achieved superior attraction and retention.

> *"Others can copy our business and operating model, but they can't copy our employees, and for over 34 years, the people of Southwest Airlines have been proving that statement true on a 24/7/365 basis. Our corporate culture is a big reason for that difference."*
>
> **- Collen Barrett**
> **President, Southwest Airlines**

2) Employee Engagement and Productivity

The Gallop Organization's ongoing research confirms the link between employee engagement and productivity. As levels of engagement increase performance, employee output also increases.

The impact of employee engagement on employee turnover, sales, client loyalty, and overall profitability indicate the growing need to enhance engagement levels in the workplace. In the United States, it is estimated that disengaged employees are costing the economy over $200 billion annually.

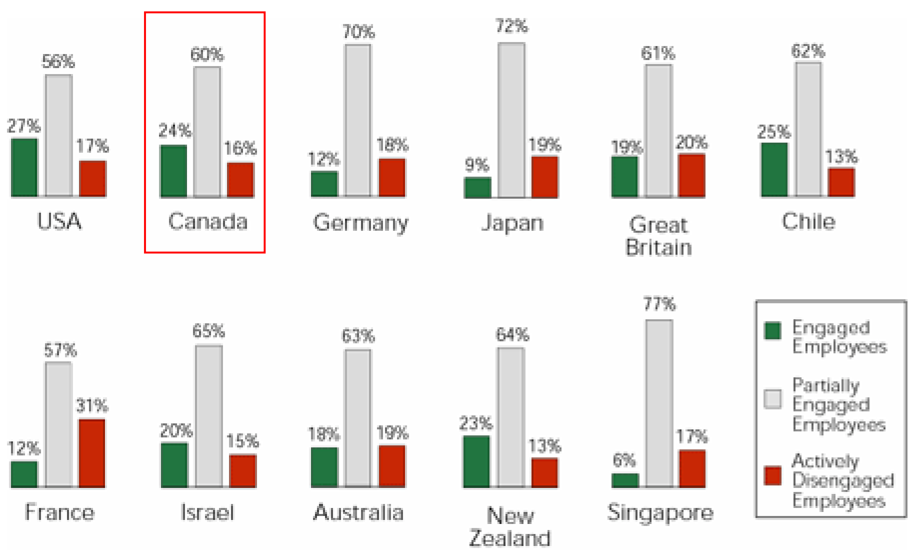
Consider these Canadian statistics:

- An Ipsos-Reid Poll on June 8, 2005, reported that half of both CEOs (53%) and working Canadians (52%) agree that their organizations are not as productive as they should be.

- In recent survey of the key leaders of Fortune 50 companies, less than 15% of those polled reported that they brought their best energy and full engagement to work. Twenty-two percent reported significant levels of disengagement.

- A recent Towers Perrin study (November 2005) shows that less than 1 in 5 Canadians are highly engaged at work. At a time when companies are focused on growth – and looking to their key talent to achieve that growth – the Towers Perrin study offers disturbing news: just 14% of the global workforce is fully engaged at work and only 1 in 5 (or 17%) in Canada. The study shows that companies have a vast reserve of untapped potential in their people, but are failing to create the workplace conditions needed to capture that potential.[4]

- A survey of nearly 60,000 individuals by The Human Performance Institute between 2001-2004 concurs with the ongoing research of The Gallop Organization on employee engagement. The chart that follows indicates the level of disengagement reported by country:



It begs a few important questions. *If 60% of the individuals in the average Canadian organization are partially disengaged and 16% are actively disengaged, how does this translate to the people in your organization? How much of an impact is this having on your bottom line?*

The reasons employees typically cite for being disengaged involve negative work conditions, such as excessive workload, insensitive bosses, divisive office politics, or lack of constructive performance feedback.

However, eliminating the causes of disengagement does not necessarily lead to higher levels of engagement. Removing toxic work conditions simply gets employees to a 'neutral' performance state.

[4] www.towersperrin.com/hrservices

A holistic approach to human development within the organization and the skillful mobilization of energy is required to achieve extraordinary results in any mission that really matters. Full engagement requires personal decision by employees to becoming physically energized, emotionally connected, mentally focused and spiritually aligned with this mission.

Rising Cases of Incidental Absenteeism

Disengaged employees are far more likely to take a day off due to a lack of motivation or anxiety about being at work.

A 2000 Statistics Canada Labour Force Survey showed that an average 7.4 days were missed by each full-time employee in Canada. For a company of 1,000 employees, with an average salary of $190 per day, this translates into $1,400 per employee per year for incidental absenteeism or a total cost to the company of $1.4 million per year.

According to research by the Canadian Policy Research Networks, the direct cost of absenteeism to the Canadian economy alone is an estimated $3 billion per year.

3) Rising Employee Health Care Costs

A growing body of research also indicates that taking care of the body is taking care of business. How employees care for their physical energy has a significant impact on their ability to perform in high stress environments.

The workforce in Canada is also aging rapidly and most businesses anticipate increased pressure on benefit programs and lost productivity if their employees do not remain healthy. Consider the following:

- A 1996 study by the Conference Board of Canada reported that between 1990 and 1994, employer's health spending grew by 26% and have continued to rise ever since.

- A 2005 Hay Group survey found that companies expect to devote more time over the next five years to creating incentives that encourage employees "to lead healthy lifestyles and combat chronic disease." Eighty-five percent of the 200 survey respondents expect to place greater emphasis on "wellness initiatives." At the same time, they also expect that employees will be required to pick up a larger share of the health-care tab as benefit costs soar.

- According to preliminary findings of the 2005 Watson Wyatt *Staying at Work* survey, 56 out of 100 major Canadian companies considered the continuing rise in employees' mental-health disability claims - the vast majority of which include stress as a key component - as their top concern. Seventy-five percent indicated that mental-health issues continue to be the leading cause of short-term disability claims in their organizations, up from 70% in a similar survey last year.

- A recent National Wellness Survey indicates that approximately 70% of an organization's benefit costs are preventable or at least modifiable through lifestyle/behaviour changes.

Proactive measures to minimize these costs are driving many organizations to begin initiatives that address the physical, emotional, and mental well being of their employees.

The Cost of Stress Related Illness:

Requests for stress leaves in Canadian organizations are skyrocketing and stress-related illness is costing employers billions of dollars every year.

- Based on responses from almost 700 senior HR practitioners, *The 2004 Stress in the Workplace* survey suggests that stress-related illness now accounts for around 11% of all sickness absence in Canada.

- According to a June 2005 poll by Ipsos-Reid, 66 out of the 114 Canadian CEOs reported that "stress, burnout or other physical and mental health issues" are having a negative impact on work force productivity - and the problem has escalated to the extent that they worry about their ability to pay future disability claims.

- Toronto-based employee assistance program provider Warren Shepell found that high stress was cited by 51% of the 41,000 people who sought assistance through one of its programs in 2003, up from 41% in 2000.

- In 2000, the most recent year for which estimates were done, Statistics Canada calculated the annual cost of work time lost to stress as $12-billion.

Tackling the Challenges

The organizational energy crisis is a growing concern for many Canadian organizations – and for good reason. The evidence is clear.

While organizations struggle with the challenges of attracting and keeping key talent, the impact of low morale and poor engagement on productivity and profitability, and the increasing costs of employee benefits and absenteeism, Dr. Jim Loehr and his team at the Human Performance Institute in Orlando Florida created a roadmap to help individuals, teams, and organizations address these critical issues through their ground-breaking research on human performance.

A more holistic perspective on managing the energy individuals bring into organizations will be a key strategy to tackle the challenges facing organizations. Documented in the best selling book, *The Power of Full Engagement*, authors Jim Loehr and Tony Schwartz outline how managing energy, not time, is the key to high performance and personal renewal.

Energy for Performance™ programs help individuals, teams, and organizations to:

- Mobilize the four key sources of energy: physical, emotional, mental, and spiritual;
- Balance energy expenditure with intermittent energy renewal;
- Expand capacity in the same systematic way that elite athletes do; and
- Create highly specific, positive energy management rituals.

How prepared is your organization to address the energy crisis?

Questions to consider:

As illustrated in this report, the impact of energy management in an organization supports or weakens your bottom line in a number of ways. Although the way each organization quantifies and measures success (ROI) is unique, the following questions will help you to assess the potential impact in your organization:

1. What is the financial impact of attracting or retaining just one key executive in your organization (consider cost of executive search fees, cultural impact, etc.)

2. What is the financial impact of winning or losing a key sales opportunity?

3. What is the financial gain of a single breakthrough idea, stimulated by enhanced mental focus that revolutionizes your company or industry?

4. What would the productivity impact be if everyone sustained their physical energy throughout the day?

5. What impact would aligning the personal values of all employees with the values of your organization have?

6. What is the bottom-line impact if you were able to increase employee engagement and performance by just 1%?

HUMAN PERFORMANCE™ INSTITUTE

For more information on energy management and the potential impact in your organization, contact the Human Performance Institute Canada at: 604-669-9045 or www.energyforperfromance.ca