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**LEADERSHIP CONFIDENCE: WHAT GOES
DOWN...KEEPS GOING DOWN.**

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The Leadership Pulse™ is done in partnership with The Conference Board, The Center for Effective Organizations at the Marshall School of Business, USC, and eePulse. Dr. Theresa M. Welbourne is the author and lead researcher on the study.

Leadership Pulse™ Research Results from Spring 2008 Pulse Dialogue™

**Leadership Confidence: What goes
down...keeps going down.**

**Research Study By:
*Theresa M. Welbourne, Ph.D.***

The title given this report is “what goes down, keeps going down” because we want to draw your attention to the declining leadership confidence data. What do you think happens if leaders’ confidence declines?

It has an impact on employee confidence, and it follows the same trend... it keeps on going down.

And if we were to repeat our survey today, what do you think it would show overall and within your own organization? The problem we find is that when leader confidence erodes, then employee confidence declines. Ultimately, it affects customers, and we see consumer confidence slide. When customers notice lack of confidence, they question the organization. When they have doubts, sales slump. When sales go down, employees and leaders start to become de-energized, disengaged, and the spiral of lower confidence and performance continues.

The average confidence index score in 2003 was 3.98, and today it is at 3.62. An examination of the questions that make up the confidence index show that the lowest confidence item or question score is associated with the organization’s ability to change, with only 56 per cent of respondents reporting they are confident in their firm’s ability to change. Taken together with another fact, that in the same survey about 75% of the participants say their organizations are going through a high level of change, it seems time to pay attention to the trend and create confidence interventions. Toward that goal, I became intrigued by the message hidden in the quote below:

*If you hear a voice within you say "you cannot paint," then by all means paint, and that voice will be silenced.
~Vincent Van Gogh*

What is the “inner voice” saying to all of your managers? It is telling them “you can’t manage; you can’t succeed; you can’t fix this?” Then the question I ask is whether the teachers, authors and educators of the world have contributed to managers feeling this way.

We teach them to ‘change;’ we lecture leaders about ‘managing change.’ Books, seminars, conferences, coaches, and consultants approach change as if we can see it coming, put up a magic ‘intervention,’ and then watch it slowly go away. Anyone living in the ‘real world’ would know this is not the case. Change has been a constant companion to most of us, and not only that, change is escalating at a more rapid pace every day. Change simply will not be over, and maybe that situation is just a bit depressing to managers and leaders. Lack of success is making them feel they ‘can’t change.’ If I take Van Gogh’s message to heart, then my advice to these managers would be to start making change happen ever faster. Keep your organization moving forward, master the art of change, and the lack of confidence ‘beast’ will be silenced.

Another question for us to seriously consider is what’s getting in the way of our ability to change. I have been reading Rosabeth Kanter’s book on Confidence (and I would

recommend it to any of you who have not read it). She talks about the problems of no confidence and over-confidence. And although I cannot in a paragraph summarize all that she has learned and shared in this book, there is one point that is important for those of you who are part of the leadership pulse process.

Kanter points to dialogue as a 'cure' for confidence-related problems. Leaders who are confident enough in themselves to engage in dialogue about problems, to hear the other side of a story, to listen, and to respond to changing business conditions will be more successful. This does not mean you have to respond to every comment you hear, but she suggests that we all engage in dialogue.

That is exactly what we are trying to do with the leadership pulse project. We report findings from our data that represent new opportunities and unsolved problems. This time around, the data spell danger because unchecked slumping confidence leads to lower firm performance.

If dialogue can help improve confidence, then please use this data to engage your leaders, managers and employees in your own dialogue. From Dr. Kanter (page 81), after she discusses the problem of denial in organizations:

“Dialogue – the capacity to discuss the undiscussable – is the antidote (to denial), and makes it possible.”

Going back to the issue of constant change, we need all employees to accept the fact that change is constant. That means we will not be comfortable in our jobs. It means leaders will never know all the answers. It also suggests that the dialogue you need to be in should be constant because at any time you can slip into a comfort zone of denial.

A reporter interviewed me a few weeks ago and asked me to define the most important characteristics of successful leaders. We went through all the models, talked about the things that have stacked up over the years, and in the end, we ended up discussing the concept of data and dialogue driven leadership. Successful leaders have data they can use to drive conversations, and the data and the dialogue, done on an ongoing basis, can create the environment needed to be confident doing business in an ever-changing world.

I have to practice what I preach, so I am continuing to try to engage all of you to dialogue about our data in order to find some practical tips to help not just leaders but all managers and employees improve in these unsettling times. If you are willing to be part of the conversation, log on to the following leaders forum site:

www.energizeengage.com

We named it energizeengage because our goal is to energize and engage leaders and employees to deliver learning and success to each other and to their organizations.

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Leadership Confidence

Leadership confidence is a lot like consumer confidence. When consumers are confident, they buy more. They go ‘above and beyond’ and spend money to purchase things they need, and then they start buying items they desire (beyond basic necessities). When employees and leaders are confident, they too go ‘above and beyond.’ They share ideas; they help others; they put in tremendous energy and hours to succeed, and they help their organizations grow.

We have been tracking leadership confidence since 2003 with the goal of further understanding what drives confidence, how confidence leads to outcomes, and to see if confidence changes match our patterns of consumer confidence and business growth. Table 1 below lists the questions we have been tracking in the leadership confidence index.

Table 1: Means, Standard Deviation and Percent Breakdown of Leadership Confidence Index Items.

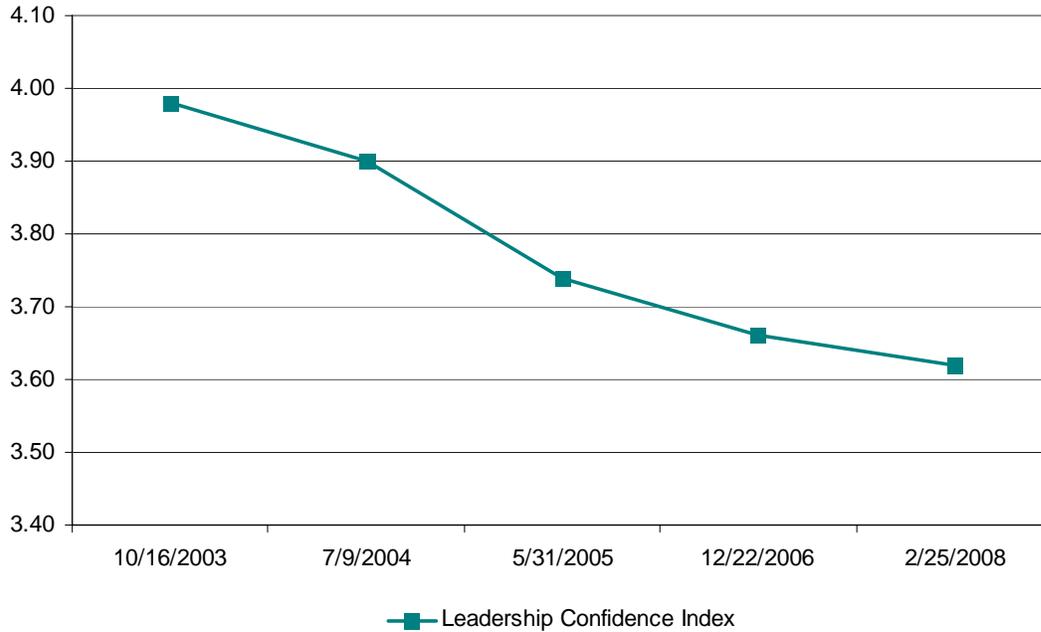
QUESTION SUMMARY			
Question	Mean (SD) ^a	Breakdown (%)	
Your own personal leadership and management skills.	4.12 (0.59)	92	7 1
Your organization's leadership team overall.	3.93 (0.91)	78	13 9
Your organization's ability to execute on its vision.	3.69 (0.88)	68	24 11
That your organization has the right people and skills.	3.51 (0.90)	61	22 17
The economic climate for your organization.	3.47 (0.93)	58	25 18
Your organization's ability to change as needed.	3.47 (1.01)	56	25 20

The breakdown in the far right column is the percentages of those who reported high confidence (Green bar: 4 (*Confident*) and 5 (*Very Confident*)), neutral confidence (Yellow bar: 3 (*Neutral*)) or low confidence (Red bar: 1 (*Not at all Confident*) and 2 (*Not Confident*)).

The data in table 1 reveal that leaders are most confident in their own personal leadership ability (mean – 4.12 and 92% reported 4 to 5 on the scale). High confidence in one’s own personal leadership skills is not a new finding. The trend data over the past three years confirm that confidence in personal leadership skills is consistently rated highest of the six confidence items. Table 1 shows that respondents are least confident in economic conditions and their organization’s ability to change.

Figure 1, on the next page, shows that leadership confidence, as measured by the Leadership Confidence Index, is continuing to decline. In fact, leadership confidence has been on the decline since we began tracking it in 2003.

Figure 1: Trend for Leadership Confidence Index



Below in Figure 2 is supplemental data showing the trends for each question making up the confidence index.

Figure 2: Trends for Leadership Confidence Index Items

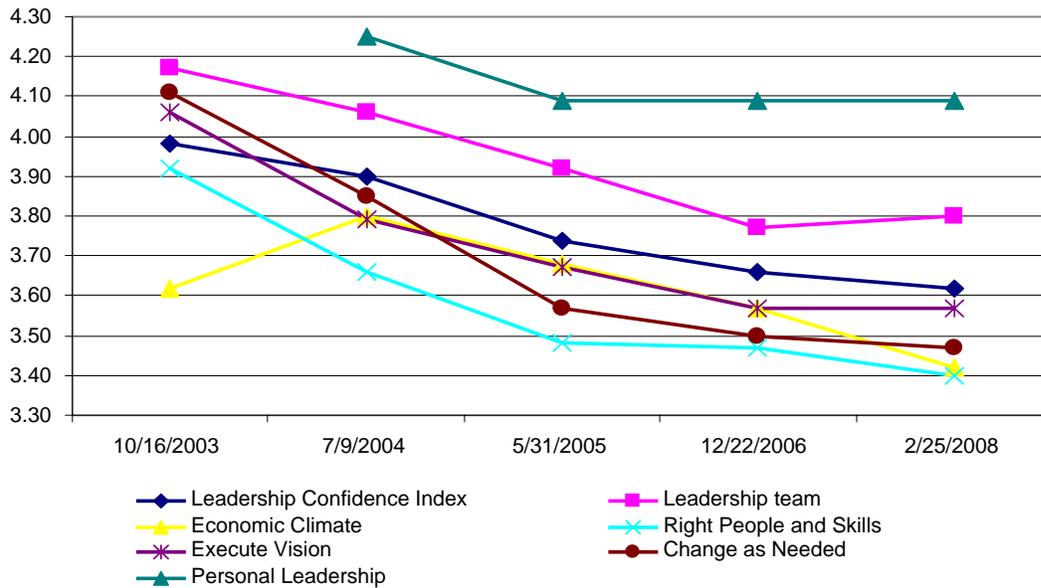


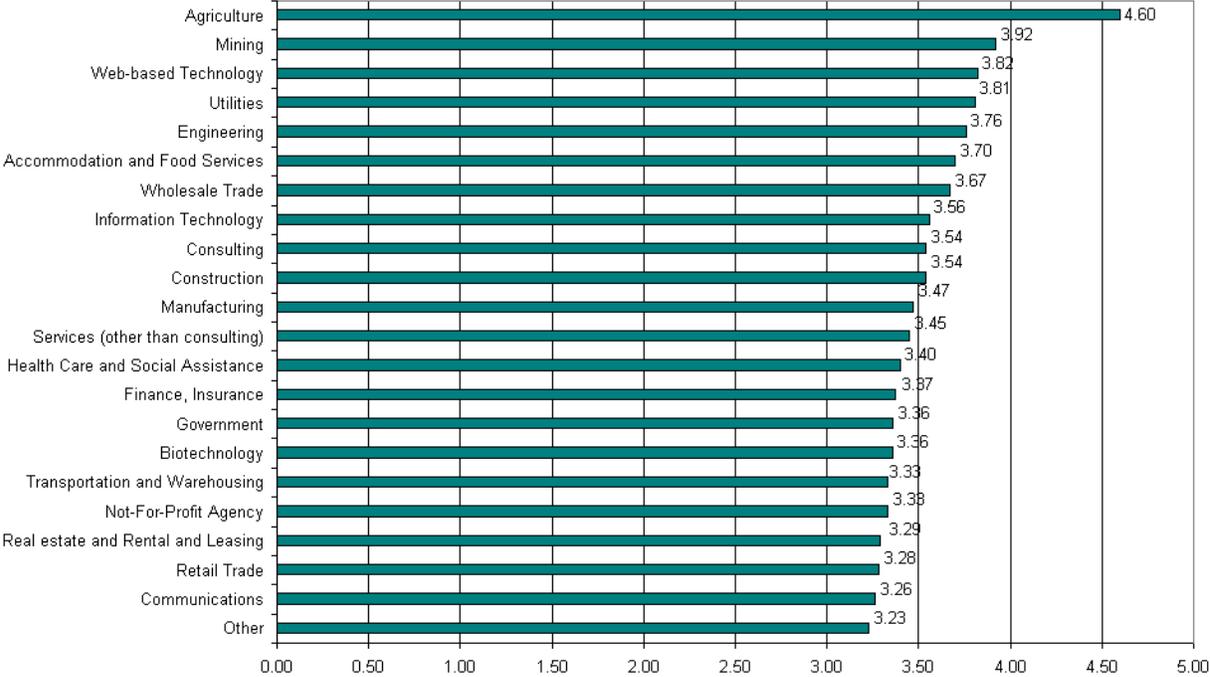
Figure 2 shows that, with the exception of personal leadership, a similar pattern of decline is evident for all the confidence items. Table 2, below, examines change in the last year in more detail. Items showed relatively small change, and where differences were significant, the numbers declined.

Table 2: Change in Leadership Confidence Items from 12/22/06 to 2/25/08

Leadership Confidence Item	Change
Leadership Team Overall	0.03
Personal Leadership	0.00
Ability to Execute Vision	0.00
Ability to Change as Needed	-0.03
Right People and Skills	-0.07
Economic Climate	-0.15

In the next section we address the three items that declined. Confidence in the economic climate of one’s company, a largely external factor, dropped by the greatest number of points (15). A review of economic confidence levels by industry shows which industries are more (less) confident in the current economic climate. Figure 3, below, reveals that respondents from agriculture; mining and web-based technology sectors are most confident in the current economic climate while leaders from the retail trade and communication sectors are the least confident.

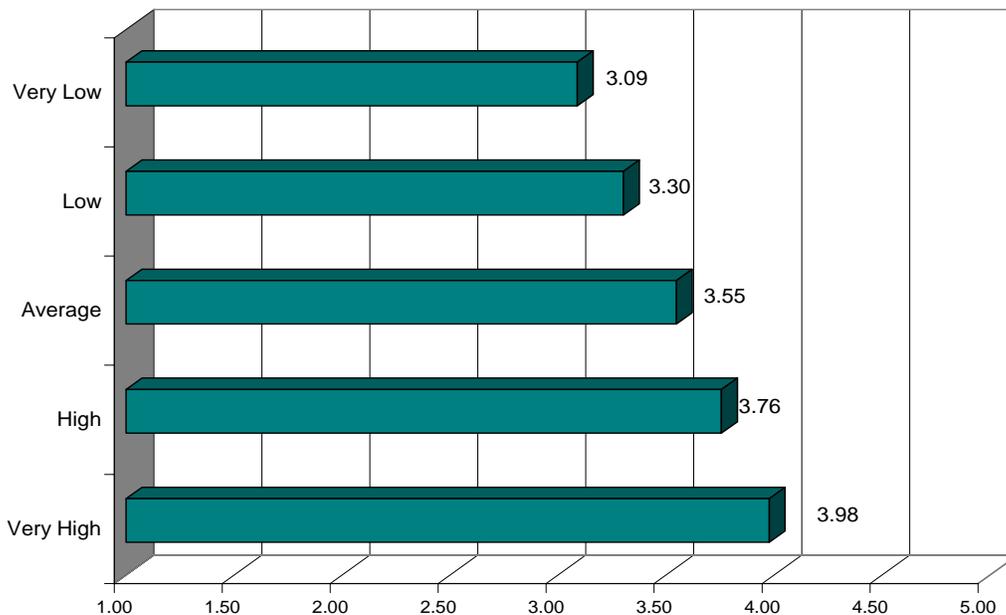
Figure 3: Economic Confidence by Industries



Demographic Differences in Leadership Confidence Index

Using the leadership confidence index as a dependent variable we tested all demographic variables to determine whether significant and meaningful differences existed. We first investigated the relationship between firm performance and the leadership confidence index. The results are displayed in Figure 4, below.

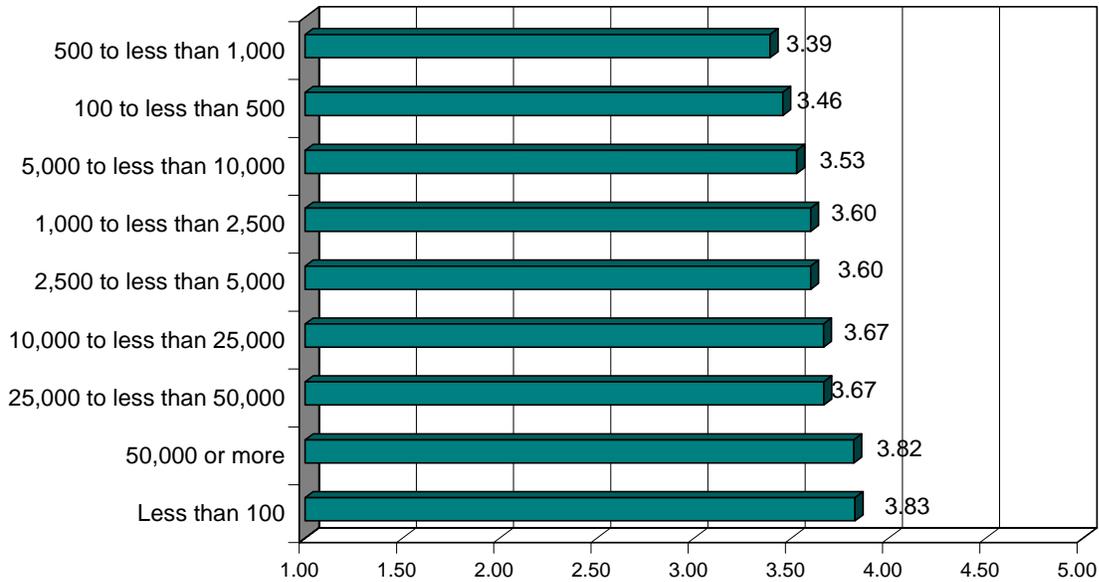
Figure 4: Leadership Confidence Index by Firm Performance (Very low to very high performing firms)



The results shown above reveal that respondents who say they are in higher performing firms also report higher leadership confidence. This suggests that leadership confidence is tied to firm performance even during difficult economic times.

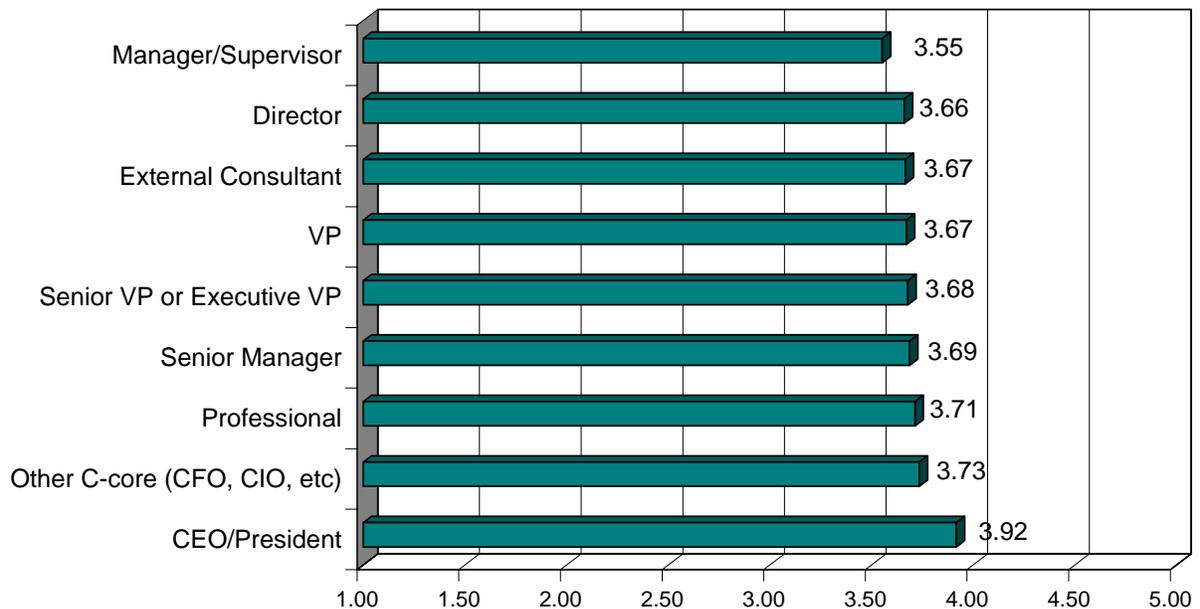
Next we investigated the relationship between firm size and leadership confidence. Figure 5, on the next page, shows that the largest and smallest firm size categories have the highest leadership confidence index scores.

Figure 5: Leadership Confidence Index by firm size (measured as number of employees)



Finally, we reviewed the relationship between job position and leadership confidence. The results of this analysis are presented below in Figure 6.

Figure 6: Leadership Confidence Index by Job Level



The results are not that surprising; presidents and C-core respondents have the highest degree of leadership confidence. Figure 7, below, examines the differences in perception between c-core and manager/supervisor job holders on each item.

Figure 7: Leadership Confidence Items: C-core vs. Manager/Supervisor



Only confidence levels for the economic climate and having the right people and skills were similar between c-core and manager/supervisor job holders. The remaining index items were significantly different, suggesting that managers/supervisors are less confident in their organization's ability to change as needed or execute on its vision. Moreover, managers/supervisors were less likely to view their own leadership skills as favorably as CEOs. Finally, managers/supervisors have significantly lower confidence in the leadership team overall. Given managers/supervisors proximity to the rank and file it is troubling that they are experiencing less confidence in senior leadership than would be desired.

Leadership Confidence Summary

Our most recent data indicate that leadership confidence, at the time of our survey, was at its lowest point since October 2003. The trend data clearly reveal that this decline is consistent and protracted. Knowing that the current economic climate affects many leaders we reviewed the index without the economic item. These results displayed the same pattern of decline (showing it is not economic conditions alone driving the decline).

We also found a linear relationship between firm performance and leadership confidence such that the higher the reported performance the higher the leadership confidence as reflected in the index score. Firm size also appears to have a relationship with leadership confidence. This relationship appears to be strongest for the smallest and largest firms.

Energy Pulse™ Results

In every Leadership Pulse we obtain data on respondent energy levels; it is the one question we trend each period. The results for the overall sample are shown in Table 4; they reveal that 81% of leaders report in either the “*Very energized*” or “*Energized*” categories. Our research shows that this level of energy is generally the ideal.

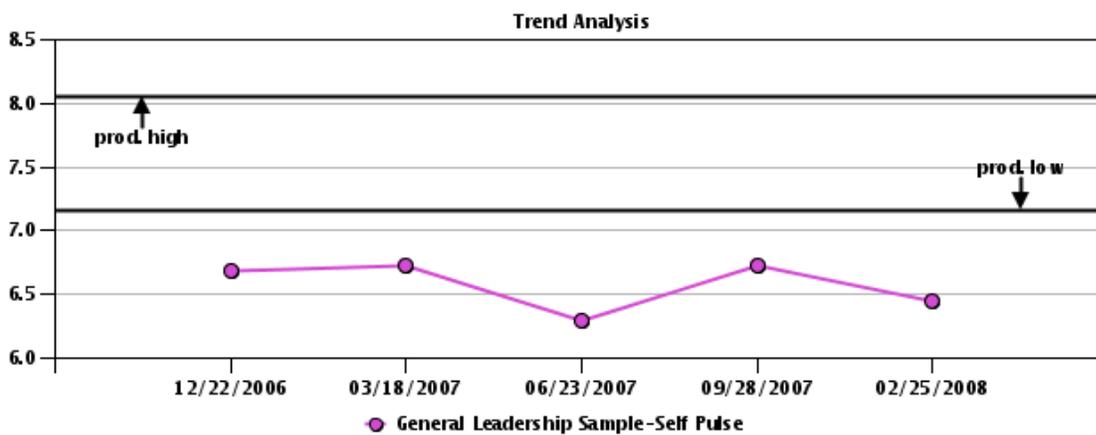
The remaining 19% of respondents fall into the three categories that make up what we call the “danger zone”. The danger zone designation is given to those who report being overly energized to the point of potential burnout as well as those within the somewhat or not energized categories, which can indicate potential apathy, turnover and/or low productivity. Keep in mind that leader energy predicts and influences follower energy, therefore, low leader energy can cascade downward having a multiplicative effect on followers.

Table 3: Energy Level Categories by Percentages

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	10%
6.26 - 8.75 Very energized	47%
3.75 - 6.25 Energized	34%
1.25 - 3.74 Somewhat energized	8%
0.0 - 1.24 Not energized	1%

Figure 8, below, reveals energy trend data for the past five leadership pulse dialogues. The trend data reveals that leader energy has once again began to drop from its previous year-long high point back down near its historic low in June of 2007.

Figure 8: Energy Trend

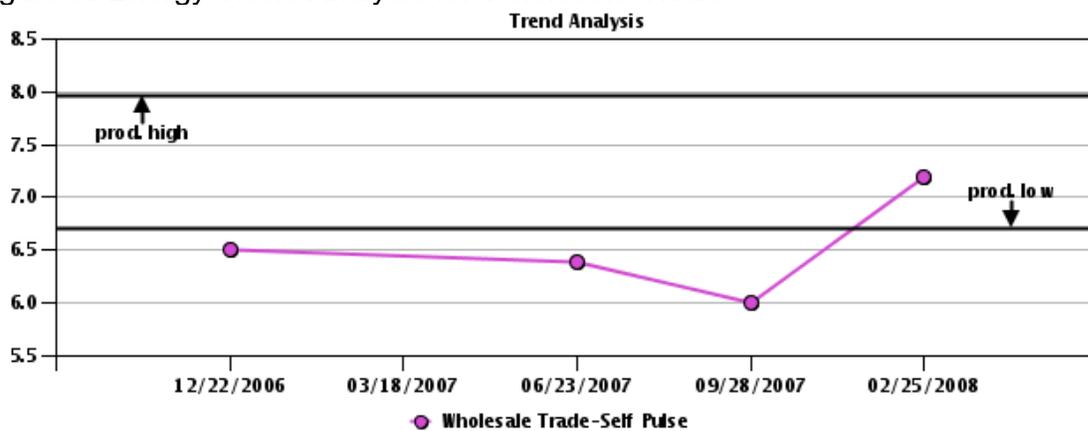


The trend analysis shows that respondents, overall, are operating below where they report being most productive (below two dark lines that represent the productivity zone, or the range where respondents say they are most productive).

Energy is not a maximization construct; higher levels of energy are not necessarily better. Energy is an optimization construct; therefore, the goal is to be at an energy level that is optimal vs. high. Energy levels are only part of the overall assessment process. We also measure “productivity” or the energy level people report being most productive, and energy levels over time (i.e., energy trends, variability). Industry data can be seen in Appendix B. There you will find current energy levels by industry. In addition, you will find a column for zone status (or where Respondents, on average, report being most productive) for each industry.

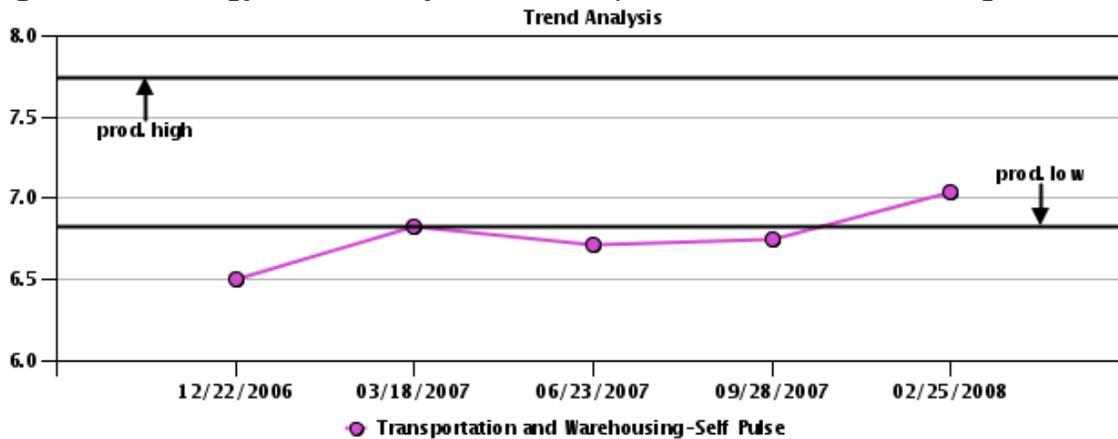
The energy by industry results reveal that only the transportation and warehousing and wholesale trade sectors are reporting energy levels within their productivity zones (thumbs up in zone column). A closer look at the wholesale trade responses can help interpret why they are operating within their productivity zone. Below, in Figure 9, is the trend analysis.

Figure 9: Energy Trend Analysis for Wholesale Trade



The trend analysis reveals that as a group wholesale trade respondents have been skirting their productivity zone for a while until the current data point when they shot up 1.17 points. We also took a closer look at the transportation and warehousing data. The trend analysis is presented below in Figure 10.

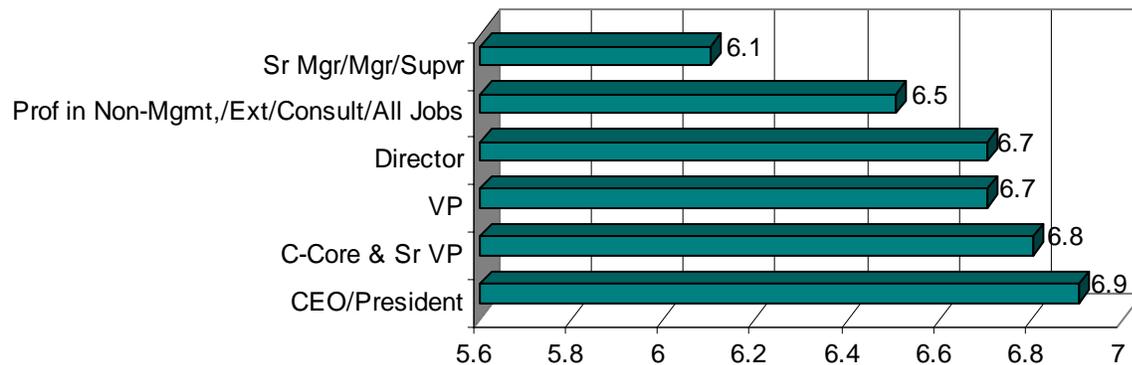
Figure 10: Energy Trend Analysis for Transportation and Warehousing



The trend analysis reveals that transportation and warehousing sector respondents have displayed relatively consistent energy scores across time and that these scores have been close to falling into their reported productivity zone. They currently are within their productivity zone and we again look to the comments to help us understand possible reasons for the energy increase.

Energy scores for all industries and where they fell in relation to their productivity zone can be found in appendix B. Next we review the findings of the demographic analysis of job level, in Figure 11.

Figure 11: Energy by Job Level



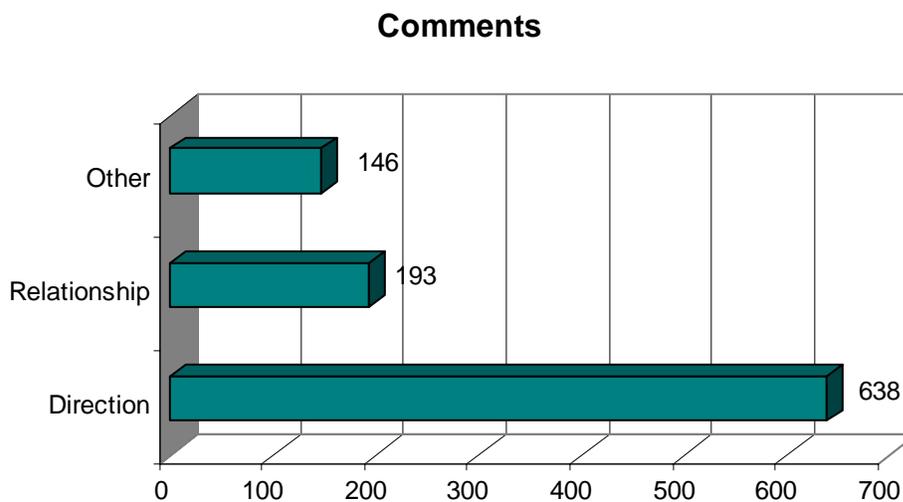
The results reveal that senior managers, managers, and supervisors are reporting the lowest energy levels of any job holder. The senior VPs and above report the highest energy levels.

Energy Comment Analysis

We reviewed the comment data with a specific lens to help organize the data. We were interested in determining whether comments could be placed into one of three categories (based on an ongoing analysis of the data we have been conducting).

As shown in Figure 12, below, these categories were: 1) Directional, 2) Relational or 3) Other. Direction issues focus on the need to know what to do at work or to understand how to focus ones time and energy; the relational bucket is about relationships at work. Our ongoing work on energy, with over 1 million data points, shows that these two variables continue to be significant in affecting both energy and confidence.

Figure 12: Comment Themes



Comments about problems associated with direction continue to affect energy. Below are a few sample comments that represent this theme:

Lowering energy:

“Lack of challenge and purpose in a new role.”

“Workload & competing deadlines”

“Energy is low due to ambiguity”

“Lack of clarity / conflicting roles & responsibilities with other Corporate functions or business units”

“Struggling to get everyone on the same page and focused on common actions, common understanding of what we should work on and what not.”

“Role confusion saps energy”

Improving energy:

“The work that I do is highly aligned to the corporate strategic direction. My team and I work closely with business unit teams and help them grow their business and increase their profitability. We can see the results of our work and get very positive feed back inside the company”

“I am energized because I believe the work that I am doing is strategically important”

The constant change that organizations are experiencing is leading to role confusion, lack of direction, and what I have been calling ‘stacking work syndrome’ (too many projects stacked up with no direction about which one is most important). When people have so many conflicting roles, goals, and projects, we find that they spend small amounts of time scattred on many things, with the result being lack of completion of any one project. Lack of successs is de-energizing.

Energy and Confidence: What Do They Mean?

These data say that leaders and participants in our study are not doing very well. They are losing confidence in themselves and their organization, and their energy levels at work are not where they need to be. These data, known to be predictive in other settings, indicate that unless something is done soon, firms will suffer.

Do you believe this? What does your own firm’s story say? I read the paper, watch TV, catch the news, and all I see are firms doing poorly. I find it hard to believe that confidence is going to go up any time soon unless someone does something about it. Going back to our introductory comments, we have one fast and easy action you can take.

Action Strategy

1. Copy and paste your favorite charts into a presentation
2. Do not include more than 5 slides.
3. Invite your leaders to a learning lunch.
4. Give them 7 pieces of paper. Ask them to rate their confidence in the 6 items we studied, and then ask them to rate their energy (no names, all secret – like a ballot box). You probably need to copy and paste the energy scale.
5. Gather the votes; let them eat.
6. Summarize the results.
7. Now- share the 5 slides from the leadership pulse.
8. Then put up their numbers.

9. DIALOGUE: Ask your group to discuss the following questions:
10. What do you think of our industry data? Why is our industry higher or lower than the overall scores? If you were to guess where we are today on this scale, do you think we (our team) would be higher or lower than our industry, firms in our size range, or in our performance category?
11. What one thing can they do before the end of the day to help raise our own confidence and energy? What one thing can they do by the end of the week to improve their employees' confidence in one of the confident items?
12. Attend the webinar we will be announcing. Let us know what happened. Share with us; dialogue, and let's turn around the negative spiral that is hitting too many of us today.

Appendix A: Leadership Pulse Study Background and Current Sample

The Leadership Pulse is an ongoing research study that taps into a large sample of executives (approximately 10,000 on the date of this survey) who have agreed to participate in short Pulse Dialogues (our word for short surveys) conducted every two to three months.

Who responded to the Pulse Dialogue? **A total of 898 executives** participated in the current Leadership Pulse. Below are sample demographics:

Company size:

Less than 100 employees (17%)
101- 500 employees (5%).
501 – 1000 employees (3%)
1001 – 2,500 employees (5%)
2,501 – 5,000 employees (5%)
5,001- 10,000 employees” (8%)
10,001 – 25,000 employees (12%)
25,001 – 50,000 employees (10%)
More than 50,000 employees (27%)
Did not provide company size demographic data (8%)

Their jobs:

CEO/President (12%).
Other C-core (CFO, CIO, etc.) (7%)
Senior or executive VP (9%)
VP (19%)
Director Level (25%)
Senior manager (8%)
Manager/supervisor (7%)
Professional in non-managerial role (4%)
External consultant (2%)
Did not provide job level demographic data. (7%)

Their industries:

Twenty-one industry sectors were represented in the current sample. The following industries represent the top 5 industry sectors for the current sample. For a complete list of industries please see appendix B.:

Manufacturing (19%)
Finance, insurance, and real estate (7%)
Health care and social assistance (5%)
Information Technology (5%)
Services (other than consulting) (3%)

Appendix B: Energy by Industry Details

ENERGY RESULTS										
Group	Energy (SD) ^a		Change ^{b,g}	Zone ^d	PLow ^e	PHigh ^f	Energy (%)			
							Low Energy (0.0 - 3.74)	Medium Energy (3.75 - 6.25)	High Energy (6.26 - 10.0)	
All Industries	6.62	(1.88)	↔	-0.11	-0.58	7.20	8.06	8	31	61
Accommodation and Food Services	6.70	(1.18)			-0.74	7.44	7.76		40	60
Agriculture	5.82	(2.46)			-1.33	7.15	8.85	20	20	60
Biotechnology	6.14	(2.03)	↓	-0.19	-0.95	7.09	8.05	14	29	57
Communications	6.62	(1.82)	↔	0.03	-0.64	7.26	8.23	8	42	54
Construction	7.21	(1.06)	↓	-0.42	-0.02	7.23	8.08	15		85
Consulting	6.83	(1.83)	↔	-0.12	-0.58	7.41	8.16	8	30	64
Engineering	6.12	(1.84)	↓	-1.20	-1.04	7.16	8.08	12	36	52
Finance, Insurance	6.46	(1.59)	↔	0.05	-0.76	7.22	8.05	8	47	44
Government	5.89	(1.56)	↓	-0.90	-1.60	7.49	8.05	9	55	36
Health Care	6.79	(1.15)			-0.46	7.25	7.75		43	57
Health Care and Social Assistance	6.29	(1.92)	↓	-0.40	-0.95	7.24	7.72	13	33	54
Information Technology	6.56	(2.18)	↔	0.12	-0.87	7.43	8.17	11	30	59
Manufacturing	6.72	(1.85)	↓	-0.31	-0.56	7.28	8.08	7	27	66
Mining	6.21	(2.06)			-0.76	6.97	7.93	17	25	58
Not-For-Profit Agency	7.01	(1.76)	↓	-0.91	-0.23	7.24	8.29		35	65
Other	6.67	(2.05)	↑	0.32	-0.66	7.33	8.04	9	27	64
Real estate and Rental and Leasing	8.64	(1.35)	↑	0.97	0.68	6.75	7.96			100
Retail Trade	6.88	(1.84)	↔	0.13	-0.19	7.07	8.05	9	24	68
Services (other than consulting)	6.49	(1.94)	↑	0.23	-0.65	7.14	8.11	9	33	58
Transportation and Warehousing	7.04	(1.52)	↑	0.29		6.83	7.74		33	67
Utilities	6.48	(2.31)	↓	-0.77	-0.34	6.82	7.89	13	32	55
Web-based Technology	5.67	(2.40)	↓	-2.66	-0.10	5.77	7.35	17	50	33
Wholesale Trade	7.19	(1.51)	↑	1.19		6.70	7.97		33	67

The first column includes a list of all the industries sampled. The second column heading, energy, is the average energy score for each industry. SD is the standard deviation of energy. The smaller the SD, the more similar are the scores of the respondents from that industry.

The third column shows overall change from the last time we ran the energy question. The associated arrow indicates whether the energy score has increased, decreased, or remained stable. The color of the arrow represents the amount of change

The fourth column, zone, represents the area in the energy distribution where leaders are most productive. Energy scores that fall between the upper and lower productivity boundaries are considered “in the zone” (research shows being in the zone positively predicts performance outcomes). Thumbs up is an indicator of being in the zone; blue and minus sign is below, and red and positive sign is above the productivity zones.

The fifth and sixth columns represent the lower and upper bounds of the productivity zone. ***Two industries, Transportation and Warehousing and Wholesale Trade, report operating within their productivity zone, respectively.***

Appendix C: Run the Leadership Team Pulse Study in Your Company

If you are currently not part of the Leadership Pulse study group, and you wish to participate (or sign up leaders within your organization), you can register at <http://www.umbs.leadership.eepulse.com>.

If any organization wants to run this study within their own organization, contact us at: info@eepulse.com.

NEWS FROM THE LEADERSHIP PULSE

Leadership Team Pulse is a unique, no-cost opportunity for you to receive real-time benchmarking data for your management team. Any Leadership Pulse member can add up to 100 people from their leadership / management teams and receive reports for their group compared to their industry and the overall sample. What's in it for you?

On-line reports for your own management team, showing your results and trend data (the group overall scores).

Your data compared to your industry (**real-time benchmarking**).

Individual participants from your management team will receive **personal reports** showing their own scores vs. their group score for the management team and their score vs. their industry score.

Access to **all technical reports and regional reports** as they start to become available (we will provide regional reports when we have enough organizations in a given region to warrant that reporting).

Web-based learning events and invitations to conferences and other networking events.

Invite other leaders in your network to join.
Tell them about the Leadership Team Pulse.

To learn more, go to: www.leadershippulse.com

To sign up or obtain more information about the Leadership Team Pulse write to info@eepulse.com and ask for information about the leadership team pulse project.