

LEARNING LEADERS FORUM TACKLES THE LEADERSHIP CONFIDENCE DOWNWARD SPIRAL

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In response to growing evidence of a leadership confidence and energy 'crisis,' a group of senior HR executives and universities are working together to form the Learning Leaders Forum™. This unique initiative, which is membership based, is creating a strategic learning environment for companies that want to help their senior executives solve today's business problems, take advantage of new opportunities, and learn from best and "next" practices.

The findings of the July 2004 Leadership Pulse, combined with data collected in other surveys since June 2003, provide compelling evidence that the Learning Leaders Forum is a much-needed initiative, one which may benefit many firms. The data also reveal how the Learning Leaders Forum can help organizations improve long-term competitiveness and bottom-line financial performance through high quality HR Leadership.

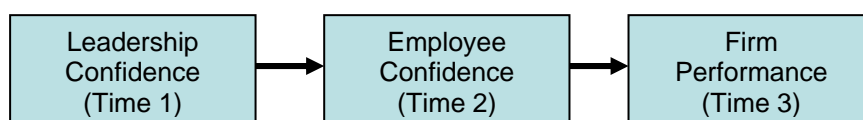
This article first discusses the findings from the most recent Leadership Pulse study and then draws some inferences based on that data. Lastly, the key components of the Learning Leaders Forum are presented.

July Leadership Pulse: Leadership Confidence

- Leadership confidence declined once again in July, 2004, with the most significant reduction (by 12 percentage points since October, 2003) in confidence that leaders have the right people and skills.
- A new question on confidence in one's own personal management skills was added in July, and respondents in the HR field scored lowest when compared to their peers (e.g. marketing, sales, finance, etc.).
- When asking executives about confidence in their senior teams' HR skills and in their HR department, executives in all functional areas rated confidence lower than those who responded from HRM. Sales and marketing executives gave HR confidence the lowest score.
- The biggest factor influencing overall Leadership Confidence was HR confidence, even when filtering out demographic variables and personal leadership skill effects.

Trends and Patterns Emerge

In the July 2004 Leadership Pulse study we assessed leadership confidence. This scale consists of five questions that measure the degree of confidence leaders have in their organization. A more sophisticated analysis of the data from June, 2003 to date shows that Leadership Confidence affects employee confidence, which both then affect overall firm performance. Thus, when leaders start losing confidence, organizations are in danger of a downward spiral of lost confidence spreading throughout their businesses.



- A total of 557 executives responded to the five, short questions regarding confidence levels in the July Leadership Pulse study.ⁱ

The table below compares the data from October 2003 to July 2004:

Dimension of Leadership Confidence	Percent reporting they are confident (vs. not confident). October, 2003	Percent reporting they are confident (vs. not confident). July, 2004	Number of percentage points change (and direction)
Economic climate	62%	66%	+ 4 points
Their own leadership teams	83%	78%	- 5 points
They have the right people and skills	74%	62%	- 12 points
Ability to execute on vision	77%	69%	- 8 points
Ability to change as needed	74%	67%	- 7 points

In order to further understand these findings, we analyzed the differences in leadership confidence for a variety of subgroups. Below are the results, showing differences in the mean (average) for the overall leadership confidence.

Criteria	Subgroup ⁱⁱ	Leadership Confidence Score ⁱⁱⁱ
Firm Performance	High performance organizations	4.00
	Lower performance organizations	3.49
Job Level ^{iv}	C-Level executives	3.93
	VP and directors	3.64
	Other managers	3.54
Annual Revenue ^v	LE \$5m	3.17
	\$5.1 - \$250m	3.64
	\$250m and more	3.67

HR Confidence and Personal Management Confidence

In addition to the traditional questions that we track in the Leadership Pulse study, in this particular month's survey, we added two questions that assessed HR confidence^{vi} (both confidence in the HR department and confidence in the HR skills of the senior executives) and one question that measured personal management confidence (each respondent's confidence in his/her own managerial skills. Below are the averages (means) for the questions used in this part of the study (1 to 5 scale; 1=not at all confident and 5=very confident):

Question	Confidence Scores
Overall effectiveness of your HR department	3.54
Your senior team's ability in HR	3.57
Overall HR scale (average of two questions above)	3.55
Your own personal management skills.	4.23

An in-depth subgroup analysis of the HR confidence scale and the personal management confidence question indicates statistically significant differences by respondent functional area. Below are the results:

Functional Area	HR confidence	Personal Mgt. Conf.
Sales and marketing	3.25	4.29
Manufacturing & engineering	3.45	4.30
Info Technology & R&D	3.46	4.39
Finance / accounting	3.52	4.39
General management & admin	3.54	4.18
HRM	3.78	4.09

The HRM respondents rated their confidence in overall HR (scale mean or average of the two HR related questions) higher than did their peers, and at the same time, they rated confidence in their own personal management skills (self confidence) lower than that of others in the study.

As a next step, we ran a regression analysis. Regression allows us to eliminate differences caused by subgroups and then see what effect both HR confidence and Personal Management confidence have on overall Leadership Confidence^{vii}. The overall regression equation proved to be statistically significant^{viii}. Additional measures, "standardized Beta coefficients" (in the table below) show that both HR confidence and Personal management confidence can increase overall leadership confidence because the relationship is in a positive direction.

Term	Direction	Standardized Beta ^{ix}
HR confidence	Positive	.33
Personal confidence	Positive	.15

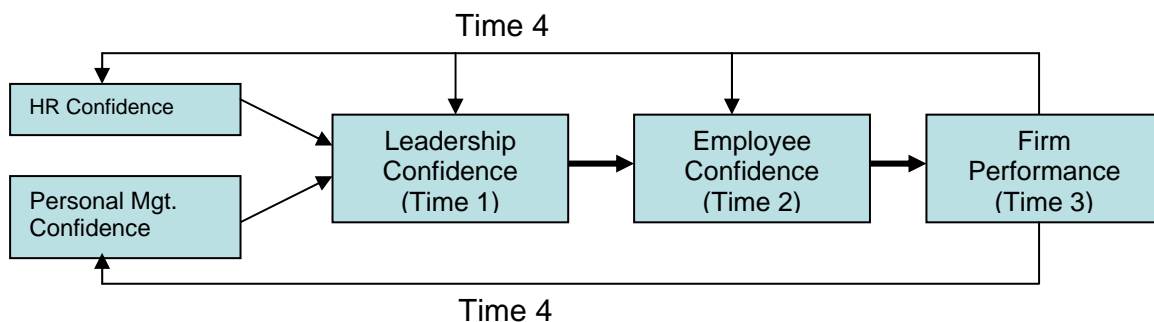
Note that the Beta coefficients indicate the overall effect of HR confidence is more than double (.33 vs. .15) the effect of individual managerial confidence. This means improving confidence in the HR department and in the HR skills of senior leaders can significantly affect overall firm performance.

Putting it all together: What Influences Leadership Confidence?

What the data and ongoing research studies demonstrate are illustrated in the diagram below. The overall Leadership Confidence findings indicate that regardless of firm size, performance level, or characteristics of the respondent, both HR confidence and personal managerial confidence can increase overall leadership confidence. And, based on prior research, leadership confidence can directly cause a downward or upward spiral that affects all employees and ultimately longer-term firm performance.

The overall trends in the July Leadership Pulse study show that leadership confidence is declining. If we do not create interventions to help leaders, many organizations will be at risk of lower performance via the downward confidence spiral.

It is a spiral due to the time 4 effects noted in the figure below. Confidence affects performance, but then performance, in turn, affects confidence. A positive spiral creates high levels of energy that are contagious and that breed innovation, sharing of new ideas and a positive culture – these are qualities that attract high quality employees to your organization. A negative spiral acts in the opposite fashion, spreading fear, risk averse behavior, lack of innovation, a negative culture, and an environment where high quality people start to flee. As good people leave the organization, long-term customers leave, product innovation slows down, and confidence continues to decline.



Stop The Downward Spiral

The moral of the July 2004 Leadership Pulse story is that HR is critical to firm success, with HR playing a tremendously important role in leadership confidence – in either causing it to plummet or lifting it up.

If leadership confidence is declining, as the Leadership Pulse indicates, HR leaders need to act NOW. HR executives should start working with their own HR teams as well as working with their overall leaders and managers. Remember, HR executives had the lowest personal managerial confidence scores of all those who participated in the study. Perhaps targeting the HR population for improvement and learning should be a much higher priority.

The regression analysis shows that factors influenced by the HR team can stop the leadership confidence downward spiral and help leaders improve their confidence. Below are a few suggestions for action:

1. Start with yourself. Take advantage of new opportunities that will enhance confidence in your own management skills.
2. Engage in activities that build HR confidence overall – this means your own team's HR skills in addition to the HR skills of those in the senior management team.

3. Help leaders develop their own managerial skills so that they improve their own personal management confidence.

Learning From The Best: Learning Leaders Forum

There are many ways in which you can attack this problem. We know that executives learn best from direct dialogue with each other. Consider the success of books written by people such as Jack Welch and Larry Bossidy; these are big hits with leaders. However, all of these books are written in retrospect – talking about what someone did years ago to be successful. It's not that these senior gurus do not offer key lessons that span the test of time, but we find that leaders need help with the business problems they are facing today, and given that today's business reality is indeed unique, sometimes the lessons of the past do not directly or readily apply.

Lessons learned from guru sources do not help your management team solve today's very specific business problems in a timely, targeted fashion. In fact, one may argue that reading about the great success of business heroes and heroines sometimes serves to reduce your leadership team's confidence due to the contrast effect ("why am I not as great as XYZ leader?"). Leaders of today need solutions to their current problems, and academics and business specialists (consultants, internal HR executives) are served well by being a conduit for "best" and "next" practices acquired from dialogue with every day leaders.

The Learning Leaders Forum is a consortium of universities and business leaders who are developing an ongoing learning process for today's leaders and managers who strive for excellence. The basic offerings of the Learning Leaders Forum are:

- Monthly information collection and sharing of findings immediately with the leaders and managers in the membership companies (knowledge sharing within-firms and across-firms).
- Real-time tracking of key benchmark data for samples of managers within organizations (leadership confidence and managerial confidence will be benchmarked in addition to other key metrics associated with research streams defined by needs of leaders).
- Extensive analysis of best practice and next practice "stories" as provided by leaders in the membership population.
- Sharing of intervention success with all members.
- Universities sharing key learning processes with member firms and with each other so that targeted executive learning programs can be developed for all levels of managers involved in the process. The goal is to deliver these programs to managers locally or regionally in order to expedite learning.
- Universities hosting learning programs for HR executives.

Get Involved Today:

If you are interested in learning more about the Learning Leaders Forum, now in its first stage of implementation, please write to me directly at: twelbour@umich.edu.

As this program evolves, we will be sharing more of our learning and best practice with the overall HR community. And as you find methods for positively influencing leadership confidence through your own company-based initiatives, please share with our team by either posting a comment to this article, writing to me at the e-mail address above, or participating in future Leadership Pulse studies.

End Notes

ⁱ A snapshot of the respondents follows:

- 45% C-level, 20% vice-president level, 13% directors and 22% managers and professionals
- 64% from firms with less than 500 employees
- 10% from firms with between 501-25,000 employees
- 26% from firms with 25,001 or more employees

ⁱⁱ The findings are only reported when differences between subgroups that are statistically significant at the .05 or less probability level.

ⁱⁱⁱ 5 point scale, with 1 = not at all confident, 5 = very confident

^{iv} Statistically significant differences between C-level and VPs; between C-level and Other; differences between VP and Other NOT statistically significant.

^v Significant differences between LE \$5m and other 2 categories; no significant differences between \$5.1-250 and \$250m and more.

^{vi} These questions were pilot tested in a prior study of HR executives only

^{vii} The regression analysis controlled for firm performance, size of the firm, functional area of the respondent, and level of the respondent, and then I added HR confidence and personal management confidence. Keep in mind that this is a very preliminary analysis on only the results from this one survey, and although this particular analysis does not prove causality, the analysis that I am conducting allows us to see whether, after accounting for the effect of the subgroups, other confidence variables (HR and personal managerial confidence) affect overall leadership confidence (the variables we have been tracking over time and for which I have been able to do more sophisticated analysis showing that this overall term does causally affect firm performance).

^{viii} The amount of variance explained by the equation is .41 (R^2)

^{ix} Both Beta coefficients are statistically significant at the .000 probability level.