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

Leadership Pulse™ Research Results

How to Win in Today's Economy:

Understanding what impacts business success from leaders' analysis of key business drivers

Research Study By:
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Who's Winning in the Recession? Lessons from NASCAR

How do you win in today's economy, in the middle of a recession? That's the topic of this leadership pulse. We learned that the highest performing firms do two things well:

1. These firms have a high level of what we call core strength. They have strong culture, products, brand, and process.

2. They also have speed. These firms are moving fast and staying ahead of their competition. They are innovating when others are not; they go beyond engagement to energize their people to focus on new and evolving strategies that help them win.

They are taking their lessons from NASCAR (well, maybe they don't know it, but NASCAR provides a great analogy for what's working). You might think of NASCAR and of the stars who win races, but winning NASCAR is not a one driver story. A short article citing the ways to win the NASCAR Sprint Cup Championships listed the following:

What you Need to Win a NASCAR Spring Cup Championship:

- Driving skill
- Lots of luck to avoid part failures and wrecks
- Smart crew chief to make the right calls
- Fast pit crew that can put on four tires and add fuel in 12.5 seconds
- Good sponsor(s) to pay millions of dollars for your expenses
- Teammates – no single-car team has ever qualified for The Chase

Note the last item, *Teammates – no single-care team has ever qualified*. What has changed over the years in NASCAR is the introduction of teams of cars (not just teams around one driver). These larger organizations sponsor multiple drivers. The strength in the bigger organization structure has benefits to the individual driver and his/her team that result in winning (per the notes in the box above).

We think the NASCAR recommendations work for most businesses. Even having a sponsor who will give you millions of dollars helps just about anyone (albeit not as easy to find for most of our businesses as those drivers in NASCAR events).

What we learned is that being fast is critical, but fast alone is not enough. We know that you never even get to the race if you are slow, but big wins take speed and strength through the bigger teams.   The term "Fast and Lasting" comes to mind (well, that's because I'm writing a book with this phrase as part of the title). The firms that win have speed, yes, but they also have a core strength that allows them to risk the speed. They have the people, the brand, the culture, and process to assure that when they use speed, they can go fast and win.

The language we use in the report is that the winning firms have strong core strength and momentum. Core strength and momentum come from leaders who are paying attention to the organization. They are not growing comfortable as core strength builds; they are always out there, ahead of the competition, looking for what's new. These leaders were not surprised by the recession; they anticipated it. And when they saw what lay ahead (because they were out there looking), they brought the lessons back home and implemented change.

This technical report provides the details of the findings from this leadership pulse. If you want to learn more, share your stories of success in the form of a case study, or work with our team to conduct a diagnosis of your firm's business drivers, contact our research team at info@eepulse.com to learn more.

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List of Figures and Tables

Introduction

The current business climate is one of the most challenging we have seen in recent memory. Numerous businesses all over the country have dropped by the wayside, while others are tightening their belts and looking to simply weather the economic storm. However, we found that while many firms are working hard to survive, some are not only surviving, but also growing and positioned to continue to expand. Some of these firms reported growth through acquisitions and mergers, while others reported careful management of cash flow prior to the current economic downturn. Given the ongoing downturn, this report is timely and we hope you will benefit from learning about how other leaders are operating in the current business climate.

In the Business Drivers Leadership Pulse™ we explored which key assets were viewed as the *most* and the *least* important in the current economic climate. The items used in the survey come out of a larger research stream that I started in 1993, where our researchers collected data from management teams in cohorts of initial public offering (IPO) firms. Looking at all the firms that went public over several years[1], we were able to study what the executive teams in these firms reported as the drivers of performance and then what the 'real' drivers of longer-term performance were[2]. Through this research we learned that what leaders thought drove success, actually did not. They were surprised by what they learned, which means if you understand what it really takes to win, then you will be in the minority. That equates to competitive advantage.

The extermination of the IPOs was only part one of the research. Since 2003, we have replicated this research with other samples of firms, through the leadership pulse and within organizations as an audit and consulting tool. We continue the learning journey and invite you to review what we learned in this leadership pulse. In the first section, we review the research basics. You will find details about the questions asked, response scale used (which is different from what you have seen in other studies), and then we look at different views of the data, taking you through our research journey. At the end of the technical report, we provide you with the conclusions we derived from a deep analysis of both the quantitative and qualitative data, using our research lens.

The Questions Asked and New Response Scale Used

The response scale we used is in Figure 1 below. The scale was designed to simultaneously capture the degree to which a business driver affected the organization and to evaluate whether that effect was positive or negative. Thus, responses ranged from positive 5 (+5) to zero (0) to negative 5 (-5). A response of zero indicated the business driver had no real impact on the organization. Descriptive statistics revealed that the full range of responses was used

[1] Thousands of firms were examined.
[2] Through research of the 3-year and 5-year stock price growth, growth in Tobin's Q, which is market to book, and earnings growth

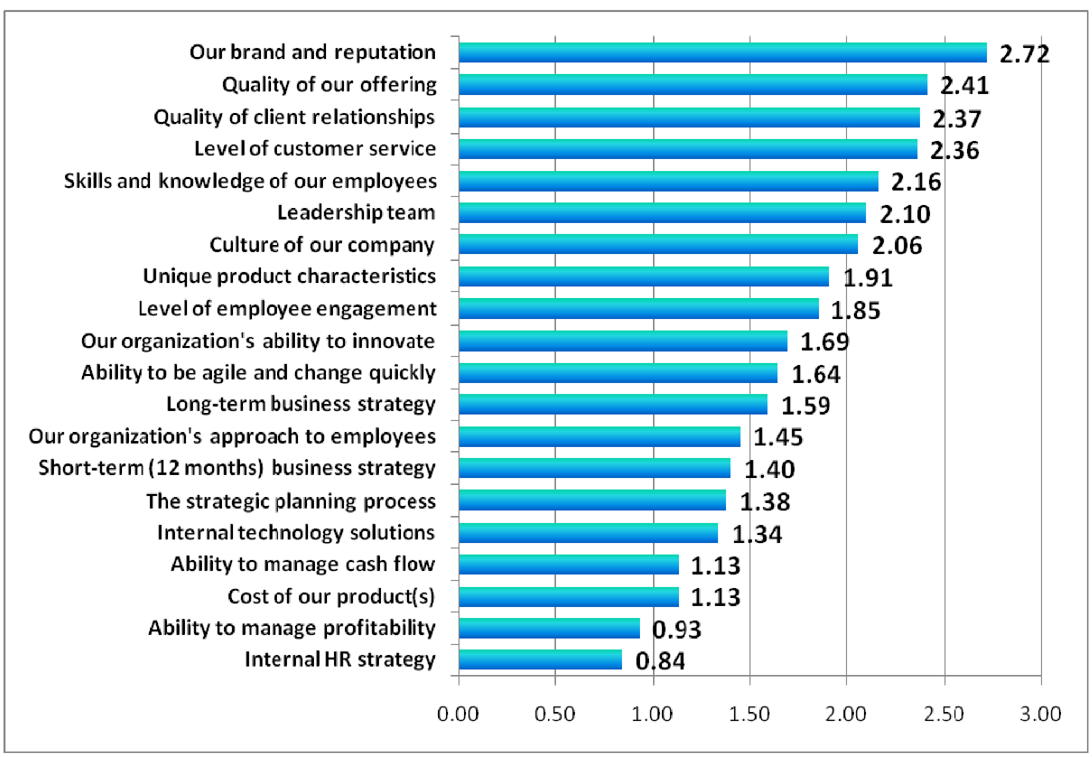
across all 20 business drivers' responses. This result indicated that the total response scale was utilized and that further analysis by various demographics would reveal distinct patterns across the demographics variables collected.

Figure 1. Business driver response scale

The instructions asked respondents to use the scale (to the left) to rate the degree to which each item that they were responding to (all the drivers) affected their business over the last nine months (positive – negative and strength). We used the combination response scale to shorten the survey. Before using it for the leadership pulse population, we tested it out with some small groups to assure that the meaning of the combined scale was clear.

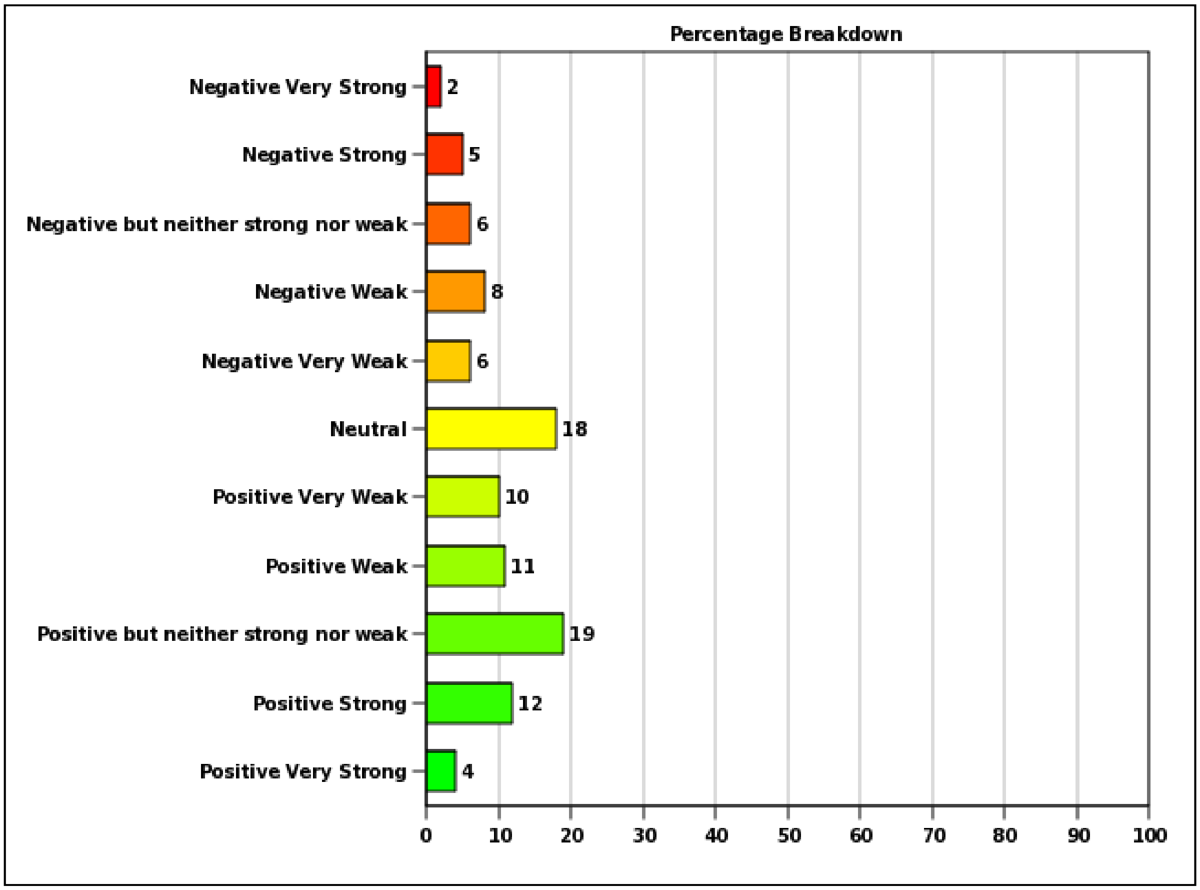
Figure 2 reports the overall means of the 20 business drivers ranked high to low. In each leadership pulse, we ask for a set of demographics from our respondents. The highest ranking items (top 4) are all focused on clients.

Figure 2: Mean scores for all business drivers (ordered high to low)



They are (*in order from highest to lower in the top 4*): (1) our brand and reputation; (2) quality of our offering; (3) quality of client relationships; and (4) level of customer service. The very lowest ranking item is the internal HR strategy of the firm. Below is the detail for the HR strategy item.

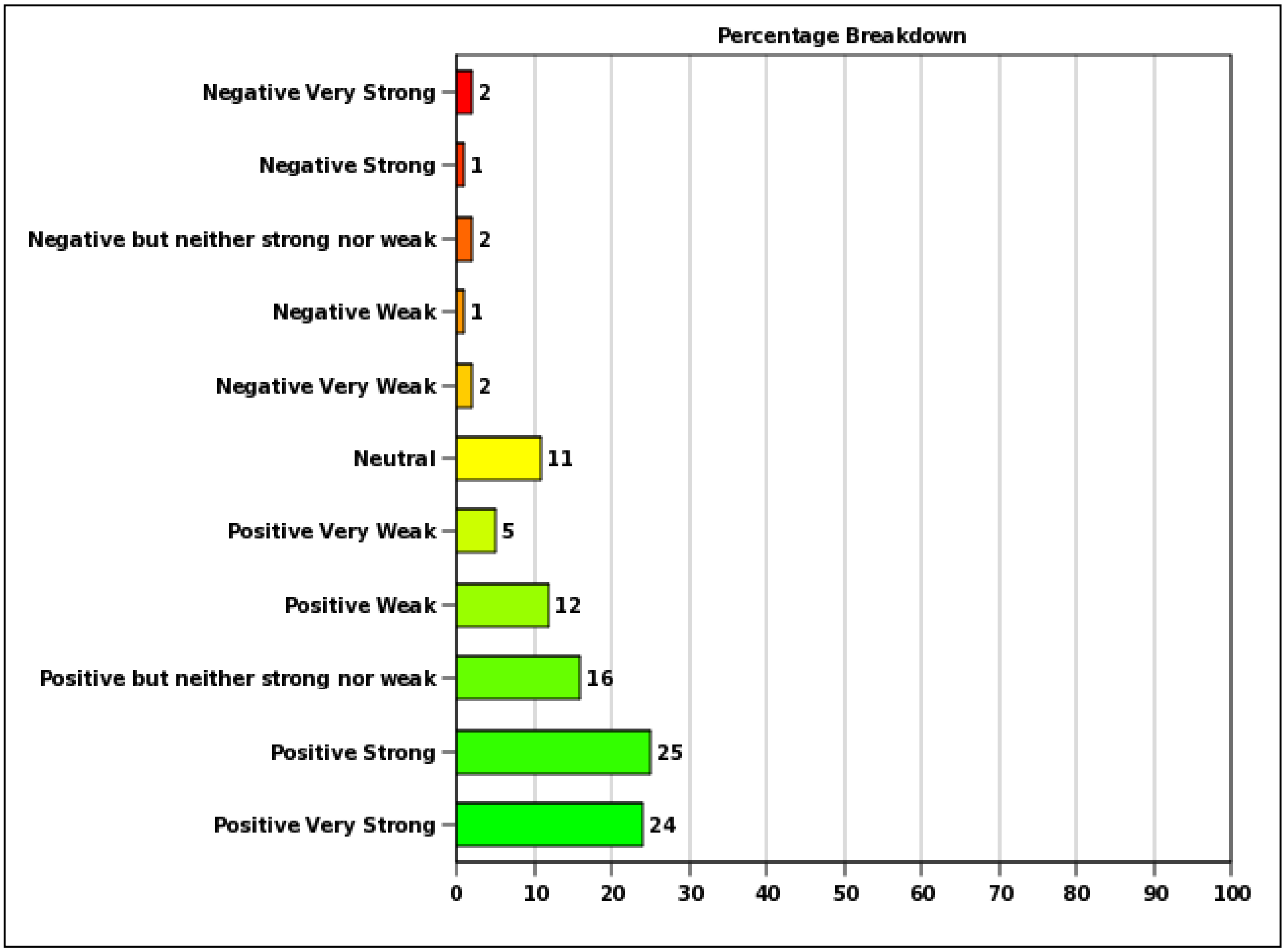
Figure 3: Detail for Internal HR strategy item (reports percentage for each response)



An examination of the details shows that 18% gave an overall neutral response, while 27% thought the internal HR strategy had a negative impact on the firm's performance and 56% were positive.

Compare this distribution to the highest scoring item, brand and reputation (see next page).

Figure 4: Detailed distribution for the business drive item "our brand and reputation"



The picture tells the story. For items where we see higher mean scores, there is more agreement that this particular driver has been important and positive for driving performance during the recession. In the next figure (see next page) the distributions for all items are presented. The red percentage is the number that represents the overall negative scores while yellow is the neutral scores and green is the positive scores.

Figure 5: Distribution for all business drivers (ordered high to low based on mean)

Green = percent positive; Yellow = percent neutral; and Red = percent negative

Business Driver	Mean (SD)	Distribution		
Business Driver: Our brand and reputation	2.72 (2.31)	82	11	7
Business Driver: Quality of our offering	2.41 (2.19)	77	15	8
Business Driver: Quality of client relationships	2.37 (2.32)	78	11	11
Business Driver: Level of customer service	2.36 (2.22)	78	13	9
Business Driver: Skills and knowledge of our employees	2.16 (2.22)	75	14	11
Business Driver: Leadership team	2.10 (2.50)	76	8	16
Business Driver: Culture of our company	2.06 (2.50)	74	11	14
Business Driver: Unique product characteristics	1.91 (2.30)	68	22	10
Business Driver: Level of employee engagement	1.85 (2.45)	74	9	18
Business Driver: Our organization's ability to innovate	1.69 (2.47)	70	12	19
Business Driver: Ability to be agile and change quickly	1.64 (2.60)	66	12	22
Business Driver: Long-term business strategy	1.59 (2.74)	66	13	21
Business Driver: Our organization's approach to employees	1.45 (2.72)	65	14	21
Business Driver: Short-term (12 months) business strategy	1.40 (2.85)	65	11	24
Business Driver: The strategic planning process	1.38 (2.48)	66	14	20
Business Driver: Internal technology solutions	1.34 (2.49)	62	19	19
Business Driver: Ability to manage cash flow	1.13 (3.12)	55	16	29
Business Driver: Cost of our product(s)	1.13 (2.49)	57	20	24
Business Driver: Ability to manage profitability	.93 (3.08)	58	10	32
Business Driver: Internal HR strategy (way we select, reward, develop)	.84 (2.56)	55	18	27

One of the items we ask is about firm performance. We ask the respondents to self rate their organization's performance compared to the performance of other firms of their size and in their industry.

Through several analyses validating this self -rating scale, we found statistically significant relationships with Tobin's Q (market / book) and overall profitability (for the subset of firms that are public). This self-report scale has been used in other studies (by other researchers). When we do our more rigorous data analysis in each leadership pulse, we find additional support for its use. Thus, in the next section, we use this measure of firm performance to examine the patterns of results by level of firm performance.

Business Driver Item Level Analysis by Firm Performance

In addition to the overall scores, we examined scores through the lens of firm performance. This view helps to decipher the strategies of the higher performing firms. These data have potential to help us learn what higher performing firm strategies were during the recession. The results of this analysis are in Table 1 below. The tables show the mean score for each business driver by level of firm performance.

The scores are ranked from high to low on the gap score or the product of the difference between the high and low performance mean scores. The gap scores can be used to understand how the highest-performing firms differentiate themselves or use the business drivers to become the highest-performing firms. The business drivers with the highest positive scores are the points of differentiation or competitive advantage.

Table 1. Business Driver by Performance Level and Gap Score (ordered by gap)

Business Driver *	1 = Low Performance (n=50)	2 = Average Performance (n=154)	3 = High Performance (n=304)	Performance Gap (High - Low)
Ability to manage profitability (1,3)	-0.68	0.32	1.51	2.19
Our organization's approach to employees (all)	-0.28	1.10	1.85	2.13
Culture of our company. (all)	0.51	1.59	2.58	2.07
Our brand and reputation (all)	1.21	2.30	3.19	1.98
Long-term business strategy (1,3) (2,3)	0.22	1.07	2.08	1.86
Leadership team (all)	0.65	1.83	2.44	1.79
Level of employee engagement (all)	0.53	1.55	2.16	1.63
The strategic planning process (1,3) (2,3)	0.15	1.01	1.73	1.58
Our organization's ability to innovate (1,2) (1,3)	0.43	1.49	1.98	1.55
Internal technology solutions (1,3) (2,3)	0.23	0.84	1.73	1.50
Ability to be agile and change quickly (all)	0.50	1.45	1.92	1.42
Ability to manage cash flow (1,3) (2,3)	0.32	0.61	1.58	1.26
Internal HR strategy (way we select, reward, develop) (1,2) (1,3)	-0.24	0.72	1.02	1.26
Quality of client relationships (1,3) (2,3)	1.59	2.13	2.66	1.07
Unique product characteristics (1,3) (2,3)	1.17	1.56	2.22	1.05
Short-term (12 months) business strategy	0.71	0.86	1.75	1.04
Skills and knowledge of our employees (1,3) (2,3)	1.56	1.85	2.43	0.87
Quality of our offering (1,3) (2,3)	1.87	2.08	2.68	0.81
Level of customer service (2,3)	2.08	2.05	2.57	0.49
Cost of our product(s) (1,3) (1,2)	0.98	0.69	1.42	0.44

* *All means all pairs (low vs. average, average vs. high, low vs. high) are statistically significantly different from each other. If only one or two pairs are significant, then the numbers in parentheses represent those pairs (using labels from row 1 in the table).*

The results in Table 1 show an overall pattern where the emphasis given to all the drivers goes up as performance increases. The biggest gaps between low and high performing firms (see performance gap column) suggest what drivers differentiate the high vs. low performing firms, allowing us to interpret the data as indicating which business drivers create competitive advantage during a recession.

Although managing profitability tops the list, cost of the product is at the bottom. Customer service does not make the top of the list either. Additional analyses will be done to evaluate this issue in more detail.

Business Driver Factors

The business drivers can be reviewed individually as presented above. In prior studies we bundled the individual items into scales. The six factors are:

1. Customer Relationships
2. Product Characteristics
3. Human Capital
4. Agility of Organization
5. Managing Resources
6. Strategy Making

Each of the items used to create the factors are displayed in the first column of Table 2 below. The second column is the label we applied to this higher-order factor. Finally the mean score for each factor is displayed by level of firm performance (low, average, high).

The results in Table 2, on the next page, are sorted high to low on the mean score for high performing firms. These results revealed that the number one reported factor across all performance levels was customer relationships. Product characteristics were ranked as the second most important and human capital ranked third, etc.

Table 2. Business Driver Capital Factor Importance by Firm Performance.

Items	Scale	Low Performance	Average Performance	High Performance	Gap (high – low)
Quality of client relationships; Level of customer service	**Customer Relationships**	1.84	2.08	2.62	.78
Our brand and reputation, Cost of our product(s); Quality of our offering; Unique product characteristics	**Product Characteristics**	1.22	1.66	2.38	1.16
Our organization's approach to employees; Culture of our company; Level of employee engagement; Skills and knowledge of our employees	**Human Capital**	0.59	1.52	2.22	1.63
Ability to be agile and change quickly; Our organization's ability to innovate; Internal technology solutions	**Agility of Organization**	0.41	1.29	1.87	1.43
Ability to manage profitability; Leadership team; Ability to manage cash flow	**Managing Resources**	0.09	0.90	1.82	1.73
Internal HR strategy; Long-term business strategy; Short-term (12 months) business strategy; The strategic planning process	**Strategy Making**	0.19	0.91	1.66	1.47

The results show the same pattern. Higher performing firms are using their resources, in general, more effectively in a recession. The data from the overall analysis appears fairly reasonable and intuitive. Where these data are of value is when they are used to study an individual firm. If we know the pattern of successful organizations, then using the data to compare how your own firm is doing today can create useful and important diagnostic discussions in your management team.

LEARNING LEADER DIALOGUE TIP

Provide your team with a list of the drivers. Ask them to use the scale that we used in the study to rate how they think your own organization has used these resources over a specific time period. Then compare your overall results to what you see in these data. Where are you falling short? What business drivers should you be utilizing more or less?

Rate of Change

Several research studies that I have conducted over the years speak to the topic of what organizations need to do as rate of change escalates. This topic is the subject of a book in progress, therefore, this particular technical report is a brief review of some insights that you can take to your own management teams for discussion.

In a study published in the *Academy of Management Journal*, Professor Linda Cyr and I found that for high rate of change firms, having an HR department that reported to the CEO, had a positive and significant impact on firm performance[3] .The relationship was such that the effect of the senior HR executive was more positive as rate of change escalated. However, for low rate of change firms, having HR report to the CEO had a negative effect on those same performance metrics.

The key for our interpretation was what a senior level HR department would do when rate of change increases vs. when it slows down. Our hypothesis, which over the years we have examined, is that as rate of change increases, organizations become more innovative and less reliant on the traditional, more bureaucratic HR methodologies and tools. We found this to be the case in high change, entrepreneurial firms, where things like traditional performance appraisal systems, pay systems focused on equality vs. performance, and tools like annual employee surveys were not tolerated. The systems used by high change firms were more fluid and non-traditional. Thus, by way of influence, the HR executive who reported to the CEO in high change firms was not promoting traditional HR tools.

However, in slow growth firms, the focus changes from leading the industry to following. We find firms focused on best practices, copying what their competition is doing, and relying on things like benchmarking (which by nature of the way the data are collected is a backwards-looking exercise). The road toward traditional HR tools, which many slower change firms followed, led to the types of culture and processes that stalled firm performance.

Therefore, in an effort to dig a bit deeper into the data, we looked at the high performing firms in particular to see if rate of change makes a difference in their approach to leveraging resources during a recession.

[3] Documented as change in stock price, earnings, and Tobin's Q over a 3-year period of time.

Below in Table 3, the means for each scale (*for all high performing firms*) are broken out by rate of change.

Table 3. Business Driver Factor Means by Rate of Change

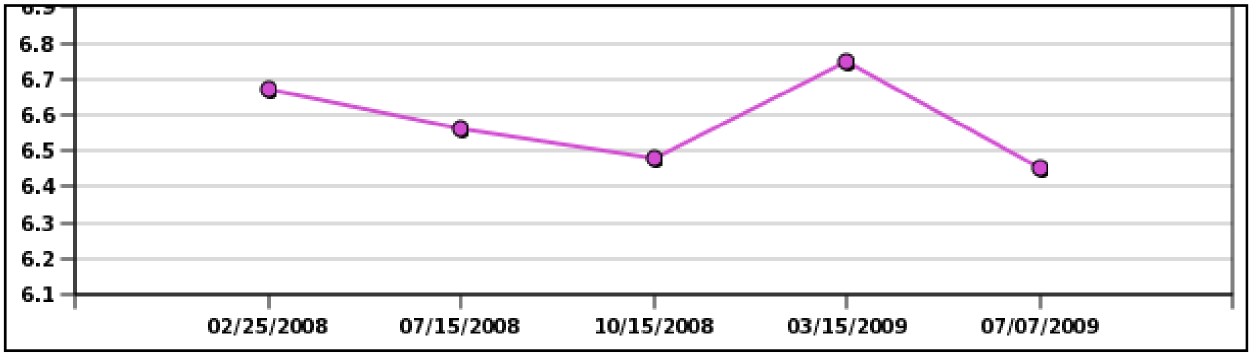
Scale	Performance Level	Rate of Change	Mean Scale Score	Gap between high and low rate of change for high performance firms
Product Characteristics	High	Highest	2.47	-0.05
		Low	2.52	
Human Capital	High	Highest	2.90	0.81
		Low	2.09	
Managing Resources	High	Highest	3.45	1.16
		Low	2.29	
Strategy Making	High	Highest	2.75	0.80
		Low	1.95	
Agility of Org	High	Highest	2.45	0.69
		Low	1.76	
Customer Relationships	High	Highest	3.28	0.48
		Low	2.80	

The results indicate with the exception of product characteristics, that as rate of change goes up, within these high performing firms, more importance is placed on the business drivers.

Energy Pulse™ Results

In every Leadership Pulse we obtain data on respondent energy levels; it is the one question we trend each period. Figure 6 on the next page displays the energy trend for the last five measurement periods.

Figure 6: Energy Trend for Five Time Periods



The current energy level of 6.41 is down -.30 points from March 2009. Current energy level of the sample is the lowest we have seen in the past 5 dialogues.

While raw energy scores are important, they only tell part of the story. We also collected data on productivity. The productivity measure allows us to determine whether the raw energy level falls within a band of energy where respondents report being most productive – what we call "in zone" status. Our research shows that when energy falls within the zone or is optimized, we see positive outcomes such as extra-role behavior, higher levels of engagement, higher performance ratings, higher customer satisfaction scores, and more. We now review various demographic cuts of the data by the zone scores.

Table 4 below, displays the zone scores by job level. A zone score of zero indicates that the group's energy is within +/- ½ standard deviation of the average productivity score or the energy level where they report being most productive. Our research shows that out of zone scores of less (or greater) than 1.0 are a concern and warrant closer scrutiny of the group.

Table 4: Energy and Zone Status by Job Level (sorted high to low on zone status)

Job Level	Energy	Std Dev	Zone Status
Director	6.12	1.99	-1.66
Professional in Non-Management Position	5.95	2.04	-1.19
VP	6.27	2.19	-1.14
CEO/President	6.67	2.11	-1.10
Manager/Supervisor	6.30	2.03	-1.05
Senior Manager	6.68	1.99	-1.03
Senior VP or Executive VP	6.82	1.82	-0.97
Other C-core (CFO, CIO, etc.)	6.95	1.75	-0.78

The results reveal all leaders, regardless of job level, are reporting energy below where they are most productive (i.e., negative zone score). Moreover, 6 out of the 8 job level subgroups are more than 1 point below where they report being most productive.

Next, we review industry sector zone scores. Table 5, displays the zone scores sorted from low (zero or in zone) to high by industry. The green cell indicates "in zone" status, while the yellow represent "out of zone" scores greater than 1-point. Note that all industries reported energy "out of zone" with the exception of the management of companies and enterprises sector. Also note that 17 industry sectors reported "out of zone" energy scores and one of those (Arts, Entertainment, and Recreation) reported "out of zone" scores of more than 2-points. These results highlight that while energy dipped only .30 point overall, it is important to drill down and look for extreme scores. This helps us identify which subgroups may require intervention or support before negative outcomes occur. Remember, energy is a leading indicator of organization health and performance and when measured regularly and monitored via trend data negative outcomes can be avoided. The green box indicates zone status is zero and that energy for this industry sector is within the productivity zone. The yellow cells indicates that the industry is reporting out of zone and the direction sign tells us if they are below (negative sign) or above (positive sign) where leaders report being most productive.

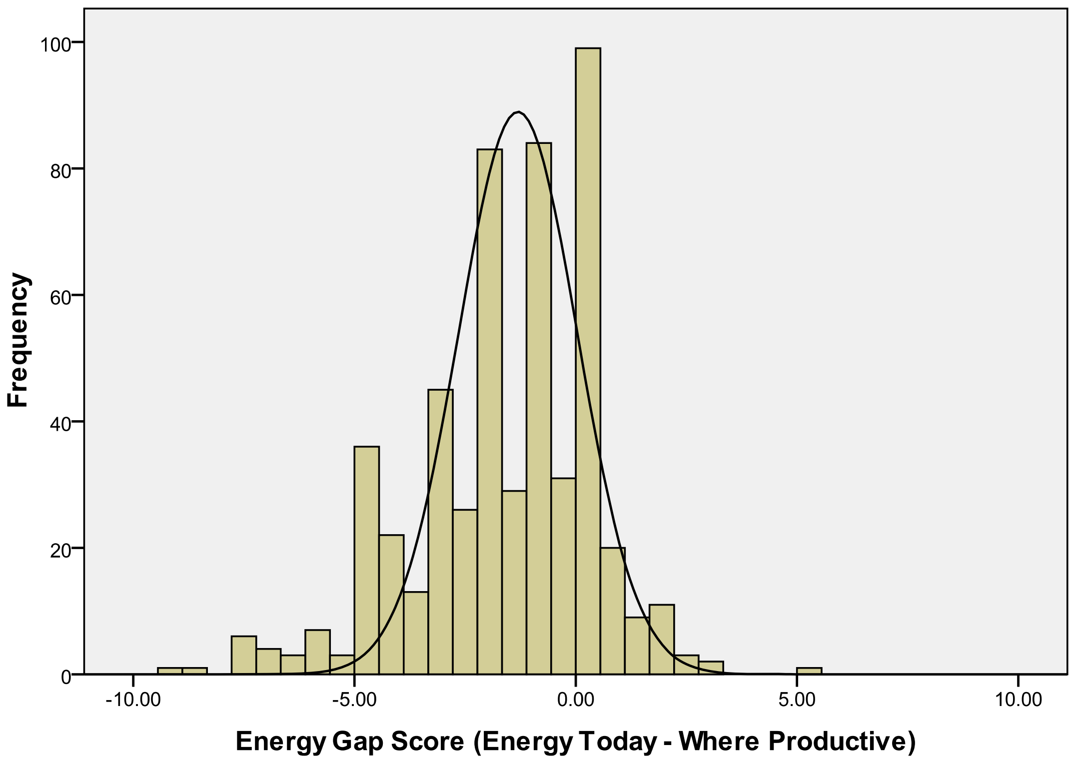
Table 5: Energy and Zone Status by Industry Sector

Industry Sector	Energy	Std Dev	Zone Status
Management of Companies and Enterprises	8.17	1.22	0.00
Public Administration	7.00	1.73	-0.64
Utilities	6.93	1.69	-0.89
Real Estate and Rental and Leasing	6.70	0.97	-0.91
Construction	6.13	3.01	-1.03
Information	6.42	2.18	-1.04
Health Care and Social Assistance	6.72	1.60	-1.05
Manufacturing	6.45	2.05	-1.07
Wholesale Trade	6.75	1.08	-1.09
Accommodation and Food Services	6.58	1.62	-1.12
Professional, Scientific and Technical Services	6.44	2.08	-1.27
Transportation and Warehousing	6.75	1.89	-1.27
Other Services (except Public Administration)	6.28	2.15	-1.37
Retail Trade	5.81	1.99	-1.44
Finance and Insurance	5.92	2.49	-1.46
Educational Services	5.41	2.12	-1.56
Agriculture, Forestry, Fishing and Hunting	5.83	1.44	-1.96
Unclassified Establishments	5.19	2.27	-2.11
Arts, Entertainment, and Recreation	6.00	1.41	-2.30

Energy Gap Scores

The analyses done earlier are all at the group level. We find it valuable to know how many individual leaders are working at their own productivity rate (where most productive, so zero gap between energy today and where productive) and how many are above or below. Figure 7., shows the distribution of gap scores calculated for all respondents.

Figure 7: Energy Gap Scores



A total of 90 respondents (or 17% of the sample) reported no gap between their energy today and where they are most productive while 73% of the sample had negative gap scores (reporting below where productive) and the remainder (10%) are above where productive.

Leaders Share Actions Taken in Current Economic Climate

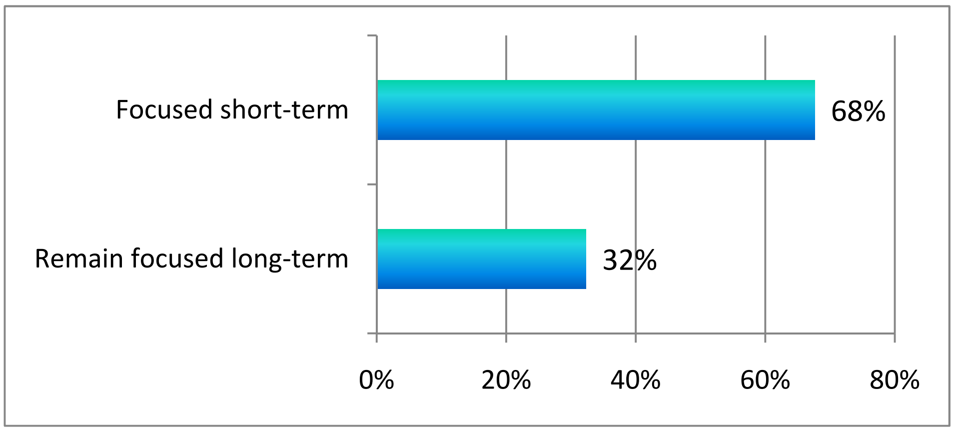
In the Leadership Pulse leaders were asked to comment on two questions related to the current economic climate. This next section covers the results of the comments provided.

We asked leaders to respond to the following question:

Please provide details about what your organization is doing in response to the current environment and why you are focusing the way you are on short-term operations vs. longer-term strategy?

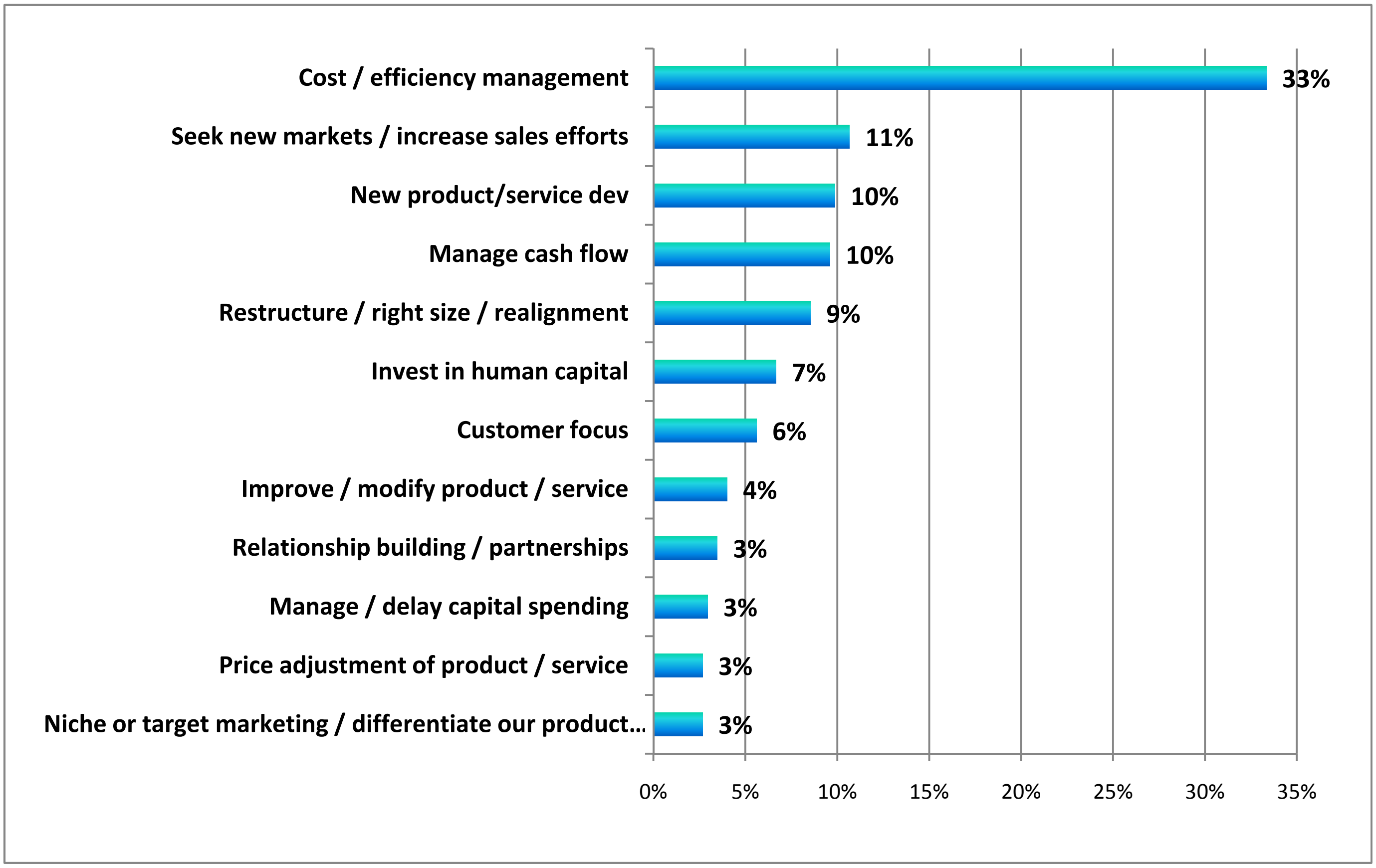
The results of the comment coding process are in figure five below. The data indicate that 32% of leaders explicitly stated they remain focused on their long-term strategy regardless of current economic conditions.

Figure 8. Short-Term vs. Long-Term Focus



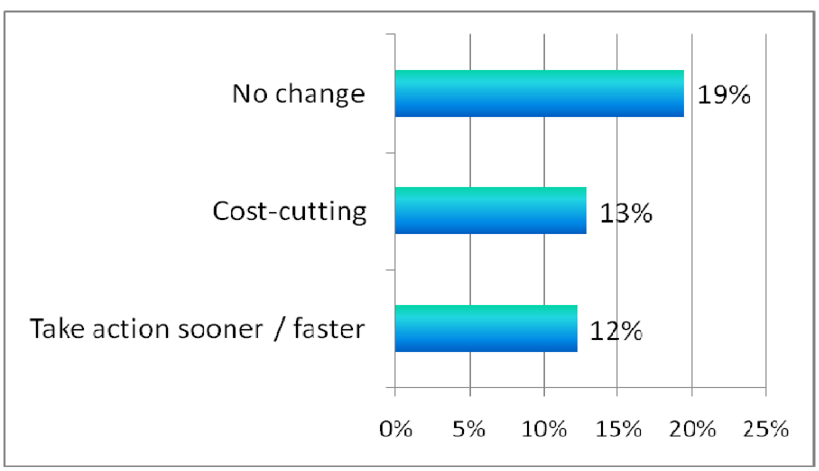
The next analysis reveals the comment themes by percentage. In this way we can see the actions leaders are taking to help their organizations in challenging economic conditions.

Figure 9. Comment Themes by Percentage



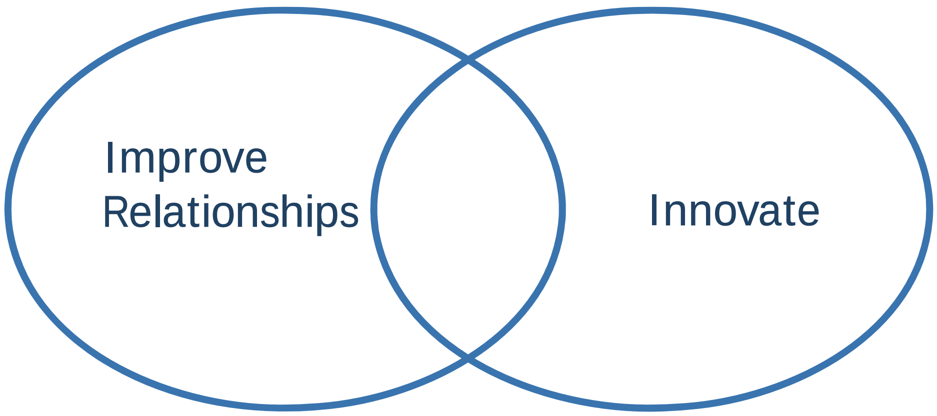
When leaders were asked what they are doing differently during this economic downturn compared to the last one they experienced we found the following top-three responses. These responses accounted for 44% of all comments provided. Remove from the sample the 10% for whom this was a first-time experience and the top-three themes represent 54% of all comments provided.

Figure 10. What Leaders' Report Doing Differently from Previous Economic Downturn



Redding through all the open-ended comment data, we find that there appears to be two intertwining actions, beyond cost cutting, that leaders are engaged in to gain traction in the current economic environment. These actions are displayed in Figure 11 below.

Figure 11. Leader Actions



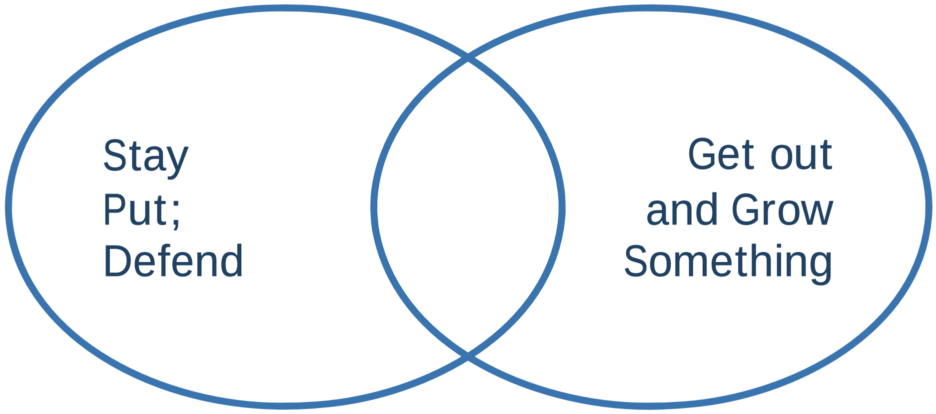
The relationship comments talk about improving client services, creating a more relationship-driven organization, aggressively reaching out to customers, creating integrated responses to customers, trying to be more agile and respond to customers, and strengthening customer relationships.

The innovation comments focused on the need to seek new clients in different places, creating original marketing campaigns, looking for new people with fresh ideas, innovating and trying to do better than the competition, improving all of our materials, spending more on R&D, changing product offerings, and more and different marketing. There was less discussion about inventing new products and instead focus detail and attention on doing more with what the company already has or making small innovations and/or innovation in delivery.

Reflecting on these comments, and looking at the data combined with the comments, we conclude that the leaders we sampled are tackling the recession using one of two strategies:

1. They are staying put and defending their turf.
2. They are getting more aggressive and growing their business, despite the risk and cost.

Figure 12. Two Strategies that Leaders May Take



We explored these ideas a bit more with the empirical data. We went back to the business drivers and ran an exploratory factor analysis. This process did not support the original factor solution (from page 11), which we found in other studies. In fact, it was more in line with the data from the comments. We saw a two-factor solution emerge. These two factors represent the two strategies that we found leaders talking about in the comment data. Put together, we could speculate that successful firms have both core strength and momentum.

Successful firms build core strength. Think of the big ship as the core strength (home base). However, if everyone stays on this slow-moving ship, the organization will miss opportunities. Now, it's more comfortable on the big cruise ship, and there is a natural tendency to choose the luxury and comfort that comes with staying there. But the successful firms, particularly in a recession, have a way to get past their core and learn. They send out teams in their speed boats to see what's ahead. They explore; they learn. These more successful firms were not surprised by the most recent recession. They knew it was coming, and they took that information and prepared. The most successful firms have core strength and momentum to go forward.

We tested this hypothesis with our data. We created two factors, using our exploratory factor analysis results, and then we organized the data in a 2 x 2, where a score could have a high or low score on core strength and a high or low score on momentum. Then we plotted firm performance (using the data from the leadership pulse). On the next page, in Figure 13, is the result of this analysis.

Figure 13: Strength and Momentum Analysis

	Core Strength Low	Core Strength High
Momentum High	Firm performance = 3.60 Energy = 6.12 Energy gap = -1.95	Firm performance = 3.97 Energy = 7.07 Energy gap = -1.11
Momentum Low	Firm performance = 3.43 Energy = 5.83 Energy gap = -2.20	Firm performance = 3.68 Energy = 6.48 Energy gap = -1.50

The highest performing firms (using coding scheme where very low = 1 and very high =5) and the people with the highest energy (and best in zone scores or smallest gap) were in the firms coded "high, high." These firms had high core strength and high momentum. Also, the 2nd highest performing firms were those with high core strength and low momentum. That says, if you have the choice to build only one, choose core strength.

The two factors, which share what is in each bucket follow:

- **Factor 1 = Core Strength -** Quality of offering, Unique product characteristics, Brand and reputation, Culture, Internal technology, Level of employee engagement, Leadership team, Our ability to innovate

- **Factor 2** = **Momentum** - Ability to manage profits, Short-term strategy, Ability to manage cash flow, Internal HR strategy, Ability to be agile and change quickly

Learning Leaders Tip #2

Working with your own team, think about firm's core strength and current momentum levels. What do you need to do to improve the one that is lowest? How do you assure your resources are not being allocated to build one and not the other?

Conclusions

In this leadership pulse, we built on a body of work that began in the early 1990s. That work has not been easy, as the data is always intriguing, with answers that are not easy to diagnose. As we continue the studies and as we work with individual companies, we continue to learn more.

Maybe, however, we will never crack the code on which business drivers work when, and this is because the world continues to change quickly. When I look at the data from the early 1990s (studying the IPOs) through today, I find significant difference in the findings. The early IPO work was done when small firms were attracting large investment dollars, stock price was in many cases very out of line with reality, and high growth was spurring lots of innovation. Today, we are in the middle of a recession that has slowed down many firms.

In the midst of all these situations, what remains is that some firms are doing better than others and we want to know why. We concluded this study with findings that are consistent with our other research on employee engagement, energy, change management and high growth.

The notion that two things drive performance, and that balance between these is key to success permeates a lot of our work. More energy will not make a firm successful. We also find that more engagement also does not drive high performance. In this study we find that additional core strength will not make a firm successful. Instead, greater core strength and momentum makes firms successful. Both strategies matter and firms that use both win.

Leaders who can do both, will win!

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.

A total of 581 leaders participated in the current Leadership Pulse. Below are sample demographics:

Company Size

- Less than 100 employees 22.4%
- 101- 500 employees 8.1%
- 501 – 1000 employees 16.2%
- 1001 – 2,500 employees 5.9%
- 2,501 – 5,000 employees 5.2%
- 5,001- 10,000 employees 4.6%
- 10,001 – 25,000 employees 8.3%
- 25,001 – 50,000 employees 4.1%
- More than 50,000 employees 16.5%
- Did not provide company size demographic data 8.8%

Job Positions

- CEO/President 14.8%
- Other C-core (CFO, CIO, etc.) 6.0%
- Senior or executive Vice President 7.9%
- Vice President 13.9%
- Director Level 16.9%
- Senior manager 7.9%
- Manager/supervisor 17.9%
- Professional in non-managerial role 5.9%
- External consultant 1.2%
- Did not provide job level demographic data 7.1%

Industries

Based on the two-digit level of the North American Industry Code System (NAICS), 20 industry sectors were represented in the current sample. The following industries represent the top 7 industry sectors for the current sample. For a complete list of industries please see Appendix B:

- Manufacturing 25.5%
- Professional, Scientific and Technical Services 13.6%
- Information 10.3%
- Other Services (Except Public Administration) 7.4%
- Finance, insurance, and real estate 6.2%
- Utilities 5.3%
- Health care and social assistance 4.8%

Appendix B: Energy by Industry Details

The **first column** is an alphabetical list of all the industries sampled. The **second column** heading, energy, is the average energy score for the industry. SD is the standard deviation of the energy score and is listed in the second column in parentheses. The smaller the SD, the more closely the mean represent that particular industry.

The **third column** reveals the overall change from the previous pulse dialogue 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 **forth column**, zone, represents the area in the energy distribution where industry leaders are most productive. Energy scores that fall between the upper and lower productively 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. ***Note that only leaders, as a group, from the management of companies and enterprises sector reported operating within their productivity zone.***

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	6.40	(2.05)	⇩	-0.31	-1.16	7.56	8.64	12	31	58
Accommodation and Food Services	6.58	(1.62)	⇩	-0.21	-1.12	7.70	8.25		33	67
Administrative and Support and Waste Management and Remediation Services	NA			NA	NA	NA		NA		
Agriculture, Forestry, Fishing and Hunting	5.83	(1.44)	⇧	0.16	-1.96	7.79	8.55		67	33
Arts, Entertainment, and Recreation	NA			NA	NA	NA		NA		
Construction	6.13	(3.01)	⬇	-0.45	-1.03	7.16	8.11	25	25	50
Educational Services	5.41	(2.12)	⬇	-2.13	-1.56	6.97	8.29	22	43	35
Finance and Insurance	5.92	(2.49)	⇩	-0.13	-1.46	7.38	8.51	23	20	57
Health Care and Social Assistance	6.72	(1.60)	⇩	-0.26	-1.05	7.77	8.92	4	35	62
Information	6.42	(2.18)	⬇	-0.49	-1.04	7.46	8.61	10	31	59
Management of Companies and Enterprises	8.17	(1.22)	⬆	0.62	👍	8.15	8.97		11	89
Manufacturing	6.45	(2.05)	⇩	-0.25	-1.07	7.52	8.55	12	32	57
Mining	6.33	(2.44)	⬆	0.47	-1.58	7.91	8.93	17	17	67
Other	6.48	(1.95)	⇩	-0.15	-1.04	7.52	8.79	12	28	60
Other Services (except Public Administration)	6.28	(2.15)	⇧	0.09	-1.37	7.65	8.67	15	29	56
Professional, Scientific and Technical Services	6.44	(2.08)	⬇	-0.50	-1.27	7.71	8.74	13	27	60
Public Administration	7.00	(1.73)	⬆	0.70	-0.64	7.64	9.16		20	80
Real Estate and Rental and Leasing	6.70	(0.97)	⬇	-0.80	-0.91	7.61	8.40		40	60
Retail Trade	5.81	(1.99)	⬇	-0.75	-1.44	7.25	8.51	17	42	42
Transportation and Warehousing	6.75	(1.89)	⇩	-0.19	-1.27	8.02	8.64	8	33	58
Unclassified Establishments	5.19	(2.27)	⬇	-1.44	-2.11	7.30	8.96	25	50	25
Utilities	6.93	(1.69)	⇧	0.26	-0.89	7.82	8.82	3	30	67
Wholesale Trade	6.75	(1.08)	⬆	0.67	-1.09	7.84	8.33		33	67

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.leadershippulse.com.

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

NEWS FROM THE LEADERSHIP PULSE

Leadership Team Pulse has both a paid membership and no-cost opportunity for you to receive coaching, shared leadership learning and real-time benchmarking data for your team.

What's in it for you?

Real-time learning – Use data to spur shared learning within your team. The data (and benchmarking) provide opportunities for your team to focus on a given topic, learn from global best practices, and then work with the data to drive what we like to call "next practices" in your own team. If you choose the paid membership model, you will work with a professional data coach, who helps the team leader learn the art and science of engaging teams in learning with the data.

On-line reports for you and your team members – Team leads get on-line group reports (where all data are aggregated; no individual identity shared). Individual members also get their own reports; however, they only see personal reports. The personal report shows one's personal score vs. the overall industry mean and vs. the overall team mean. Only personal comments show on a personal report. This allows individuals to come to learning sessions prepared by reviewing their own data, and it provides everyone a way to track his/her own scores over time (another learning opportunity).

Your data compared to your industry (**real-time benchmarking**) for the free leadership team pulse. If you participate in the paid membership, you receive additional benchmarking.

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 are also provided.

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

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