

LEADERSHIP PULSE
QUARTERLY REPORT
for Leadership Pulse Members

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BACKGROUND RESEARCH THAT LED TO THE LEADERSHIP PULSE

The Leadership Pulse is the result of a long-term research study on organizational growth and change. Approximately 11 years ago, I began a large-scale project that examined the factors predicting growth in several “classes” or cohorts of initial public offerings (IPOs). The years 1988, 1993, and then 1996 to the present were each studied individually, and several studies were run examining specific industries over time. In addition, over 50 companies were included in the research by conducting in-depth case studies. In all of these studies, I found that the key to long-term stock price growth, earnings per share growth, and survival improved with a culture that valued the ideas and learning that was resident within their employees and other stakeholders.

As the results of the research began to spread, several executives asked me to apply the learning in order to help them improve their own organizations. As I started working with executives around the world, I found that my research methods were not timely enough to meet the needs of these fast-paced firms and individuals. Through close collaboration with several CEOs and their teams, we created a new process using technology that allowed us to collect data from employees and other stakeholders more often than we could ever do with traditional methods. Not only could we collect data frequently, but also we reported results quickly. The frequency of data collection (weekly in the case of employee data) led to a new process of learning that we found was vastly superior to other methods. One result of our creating new technology is a commercial venture that uses a Pulse survey engine to collect frequent data from stakeholders and then deliver a set of leadership tools to managers. The process of developing the business model for our work led to my rethinking how academic research could be conducted and the role of the survey participants in the research.

With the Leadership Pulse initiative, the research process that began 11 years ago is coming back full circle. I am taking what I learned from the commercial venture back to the academic realm. The technology and implementation process that supports both the commercial venture’s work and what we are doing with the Leadership Pulse is called Data and Dialogue Driven Leadership©. This interactive learning takes advantage of real-time data collection and dialogue with stakeholders. The dialogue leads to new learning and enhanced performance of leaders and the companies they manage. We have used this process with managers, employees, and customers, and now we are using it with the Leadership Pulse members (those who are engaged in our monthly process). We are continuing the study through at least December 2004, and as the months progress, we will add new questions to the Pulse surveys and new samples to the membership. By December 2003, we should have approximately 75,000 senior executives from around the world in our learning group.

Dr. Theresa M. Welbourne

INTRODUCTION TO THE LEADERSHIP PULSE

Starting in June 2003, we sent Pulse surveys out to approximately 7,000 leaders. The sample was derived through a list of executive education alumni kept by the University of Michigan Business School and several other sources that include mailing lists of HR executives and people involved in prior research studies or seminars conducted by either myself or the eePulse team. We sent surveys out in June and July to the people in these samples. In August 2003, we purchased several mailing lists (consolidated lists obtained from multiple public data bases). With those new names, we added executives from the Fortune 1000, NASDAQ firms, and women business owners. The sample in August increased to over 25,000 individuals. In September we added one more data base and brought the sample up to 38,000 leaders.

DATA: The data that we are collecting includes several questions that are trended, questions that were posed by respondents, drill-down questions (questions that arise based on data from a prior survey), and new questions based on world events. Data are collected during the first week of the month (second week if there is a holiday), results are tabulated at the end of the data collection, executive summaries are written, and then the results are sent to everyone in the survey sample. In August we sent access to the survey reports to over 25,000 people.

DIALOGUE: Why are we sharing the data right away, and why would anyone share the survey results with everybody in the sample? We are sharing results immediately and with everyone because we have learned that this is necessary in order to engage our audience in dialogue. We want you to review the results, discuss with your own teams at work, and then participate in future Leadership Pulse surveys so that together we can continue to learn.

CONTINUOUS LEARNING: The academic community is often criticized for not being relevant, for teaching theories that have no value in the real world, and for being “behind the times.” We are trying to respond to those criticisms by being relevant, and we can only do that with your help. We can continuously learn if we continuously talk to each other. The scale of this project is such that the data we share with you will be cutting edge, helpful, and timely. But the data will only be high quality if we can continue to engage a thoughtful group of respondents. We envision what we are doing as being part of the future of executive development.

THE FUTURE: We hope that you will provide information, read the results of the research, and we would like some of you to work even more closely with us by attending briefing sessions that allow us to share more in-depth insights of the learning and then, as a group of senior leaders, discuss the data and learn from each other. We also plan to make other research opportunities open for members; in October you can elect to participate in an organizational strength and culture study sponsored by the Center for Positive Scholarship at the University of Michigan Business School.

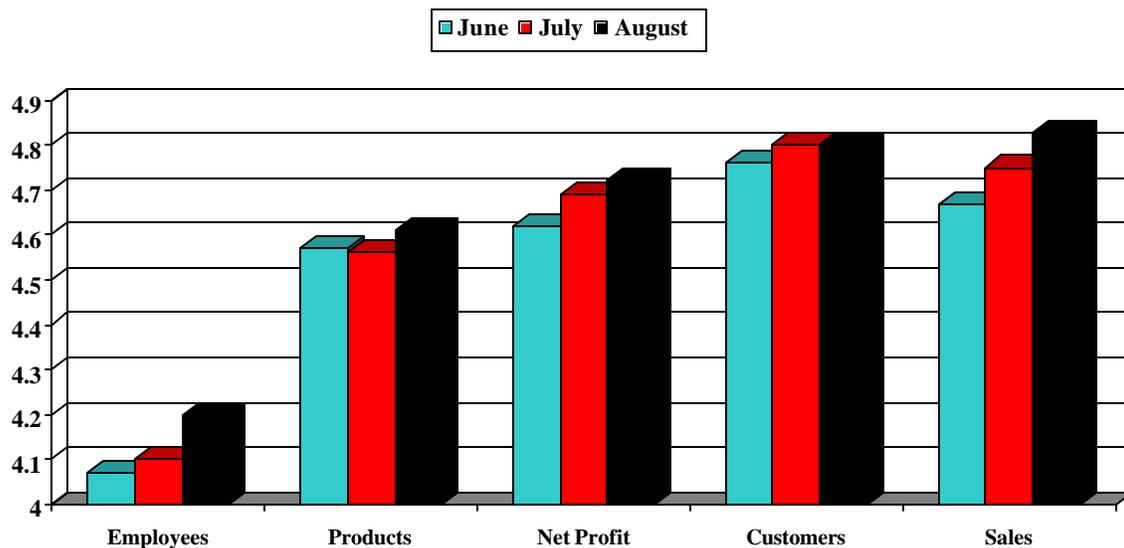
KEY VARIABLES: RESOURCE MOVEMENT AND LEADERSHIP CONFIDENCE

Both resource movement and leadership confidence were asked in June and August. In July only resource movement questions were asked. Below are the means and standard deviations for the questions that make up each of these scales.

Resource Movement Scale

Five questions that represent the Resource Movement scale were asked each month. By asking these questions monthly we will study the pace at which resources grow and what patterns predict subsequent firm growth and financial performance. Each month, respondents were asked to rate the degree to which five resources would grow, remain stable, or be reduced for the next month.

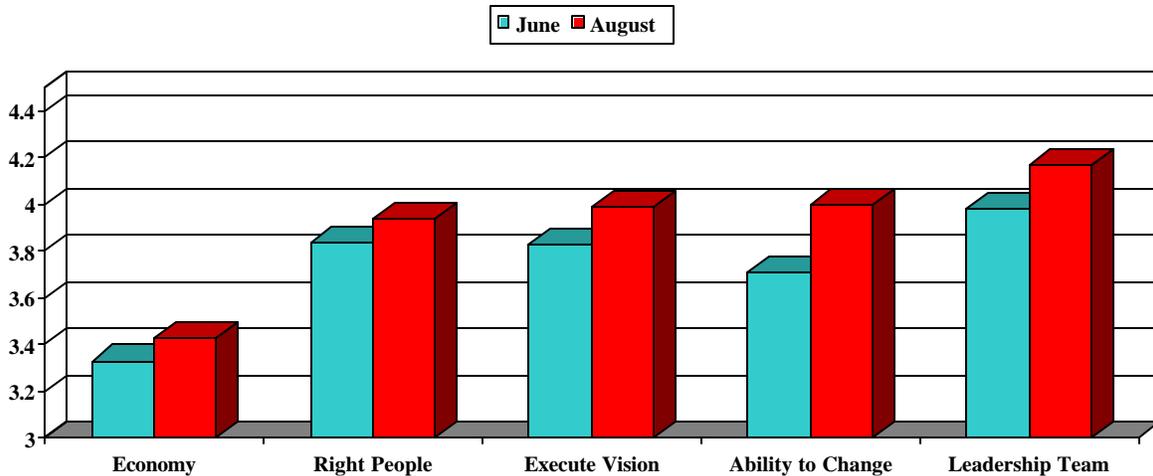
Below you will find a summary of the mean scores for each month. The response scale range from 1= substantially reduce, to 4= neither grow nor reduce, to 7=substantially grow.



Question	Mean (SD)		
	June	July	August
Number of employees	4.07 (1.04)	4.10 (.97)	4.20 (1.01)
Products / services	4.57 (.88)	4.56 (.90)	4.61 (.96)
Net profit	4.62 (1.14)	4.69 (1.05)	4.72 (1.19)
Number of customers	4.76 (.93)	4.80 (.89)	4.80 (1.01)
Gross sales	4.67 (1.12)	4.75 (1.05)	4.83 (1.16)

Leadership Confidence Scale

Five questions that represent Leadership Confidence were asked every other month (in June and again in August). Below you will find a summary of the means (average) for each month. The response scale range from 1= not at all confident, to 3= neutral, to 5=very confident.



<u>Question</u>	<u>Mean (SD)</u>	
	<u>June</u>	<u>August</u>
Economic climate	3.33 (.99)	3.43 (1.00)
Right people and skills	3.84 (.94)	3.94 (.96)
Ability to execute vision	3.83 (.98)	3.99 (.97)
Ability to change	3.71 (1.08)	4.00 (1.03)
Leadership team	3.98 (.97)	4.17 (.88)

TRENDS: Both resource movement and leadership confidence are trending upward.

RELATIONSHIP BETWEEN RESOURCE MOVEMENT (RM), LEADERSHIP CONFIDENCE (LC), AND FIRM PERFORMANCE

In the following analysis, I used the overall scores (means) for resource movement and leadership confidence to create low/high scores on each variable. First, I calculated a mean score for both overall variables (resource movement is the average of the 5 questions that are included in the measure, and leadership confidence is the average of the 5 questions that make up this measure). Second, I calculated the median (or 50th percentile) on each question and assigned a low/high ranking on both resource movement and leadership confidence. Thus, every respondent has a new score that shows whether that person's overall ranking on each variable (RM and LC) is either low or high. The resulting scores allowed me to plot the data using a 2 x 2 matrix that indicated the number of people whose scores fell into the low/high quadrants (see below).

With the overall quadrants for each participant's score identified, the demographic data was then analyzed to determine if there were statistically significant differences in any demographic variables based on their overall RM/LC rankings (or based on which quadrant they fell into). I checked industry, number of employees, revenue, and more, but the only variable that showed significant differences based on their low/high scores was firm performance. Although all we have now are self-reported ratings of firm performance (using the data from the survey that individuals reported), the results were replicated in both samples (June and August). Below are the results of the resource / confidence matrix analysis for August. Mean performance ratings for all respondents who are categorized in each quadrant are shown below (the performance ratings went from 1=very low to 5=very high, where we asked respondents to rate their performance compared to firms their own size with whom they compete):

FIRM PERFORMANCE PLOT¹

		Resource Movement	
		LOW	HIGH
Leader Confidence	HIGH	3.70	4.00
	LOW	3.24	3.44

¹ I ran an analysis of variance (ANOVA) on these data. The resulting F statistic is 38.19, with a significance level of .00. The subsequent Scheffe analysis (which pinpoints which pairs of numbers are significantly different from each other) indicated that all scores are significantly (at the .05 or less level) different from each other, except for the two lower scores (3.24 and 3.44); these two scores are not significantly different from each other, but they both are significantly different from the other two scores.

Analysis of the Resource Movement / Leader Confidence Matrix

It's not surprising that the highest performance ratings went to the firms ranked high on both leadership confidence and resource movement (4.00 on a 1 to 5 scale²). Those firms anticipate having more resources, and they are confident they can grow their firms.

What is surprising is what the analysis says about what's more important – resources or confidence. If resources were the key driving force behind performance, then you would expect firms in the high resource movement, low confidence quadrant to be higher performers than those in the low resource movement, high confidence category. Perhaps you would think that resources could make up for confidence.

But let's think about consumer confidence for a moment. As a consumer, you may have money, but you still may choose not to spend it due to lack of confidence in the future of the economy. We find the same reasoning occurs when employees think about confidence in their own organization. If employees are confident in their leaders, their business strategy, and ability to execute (e.g. leadership, product, ethics, fairness to stakeholders, etc.), then employees go "above and beyond" to help their firms succeed. When employees take the extra steps to do more than simply "do their job," they make their organizations more successful.

Thus, simply having more resources is not as important as confidence when it comes to firm performance. Firms with higher confidence scores, but low resources outperform (score of 3.70) those firms with higher resources but low confidence (score of 3.44).

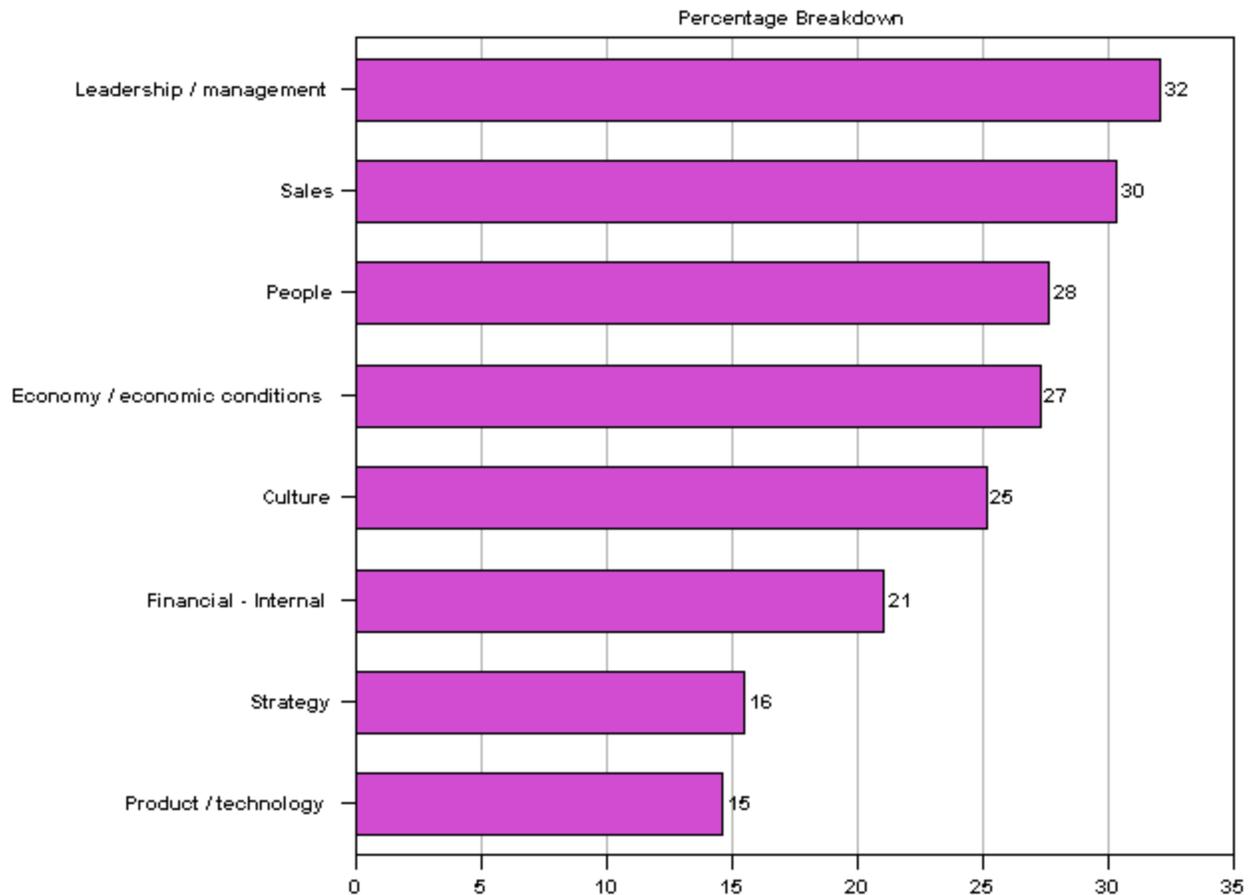
And, the lowest performance scores go to those firms that are scoring low on resource movement and low on confidence (score of 3.24)

What Builds Confidence?

In the June Leadership Pulse, we asked you the following question: What key factors influence your overall confidence in your firm's future and its growth potential?

An overall summary of the analysis of this question resulted in the following categorization scheme:

² The question that was used to rate performance follows: Compared to companies like ours (e.g. in the same industry, same size, same age, etc.), how would you rate your company's overall financial performance? 1=very low; 3=average; 5=very high).



The #1 factor that improves confidence is leadership. Closing in at second is sales. Thus, this tells me that you can promise and hope, but you need to bring in the sales to bolster confidence. There is an interesting pattern:

LOOK LIKE A SUCCESS

PROVE YOU SUCCEEDED

#1 Leadership

#2 Sales

#3 People

#4 Economic conditions

#5 Culture

#6 Financials

#7 Strategy

#7 Technology

Both looking successful and showing the results of success are important, but our analysis showed that confidence is more important than resources. However,

confidence will dwindle in the absence of resources; therefore, the dependency between the two over time is important to understand.

Below are some representative comments that were coded as both leader and sales related. You can see that both promising and delivering are critical to our respondents.

Leader Comments	Sales Comments
Owner/ CEO's vision and strategic planning ability	Booked future sales
The message given by executive management	New customers
Lack of strategic orientation	Lack of sales
Organization's culture matching management values	Ability to market; sales
Vision of leadership	Closing sales
Changes in senior team	Customer loyalty
Strong CEO with clear and dedicated strategy	Relationships with clients

You need to be able to execute what you promise. One respondent's comments about what it takes to be confident are, "Vision of leadership and the ability to execute and share with the staff. Ability to quickly adapt to changes. Willingness to look for new ideas."

What we learned from this overall analysis is that there is a **Cycle of Confidence and Performance**. Leadership starts the cycle; it's the fuel that starts movement, but confidence is needed to involve others because without others you can't do the job your company is in business to accomplish. A bus needs a driver (leader), but you can't do much when you get to your destination if only the driver arrives. You need passengers to do a job. Great leaders start the engine, but they bring people on board. You can only get employees "on board" when they are confident. No one wants to board the bus if you think the driver won't get you to your destination. If employees don't trust the leader, they'll watch you, but they won't climb on board.

Leaders start the engine, create an environment of confidence so employees get on board, let them do their work, and when they reach their goal, they share the results of joint success and then re-evaluate the route. You might just need to change direction, and every time you do, you need to build confidence again. Without confidence, you cannot get employees to do their part, and you will not succeed.

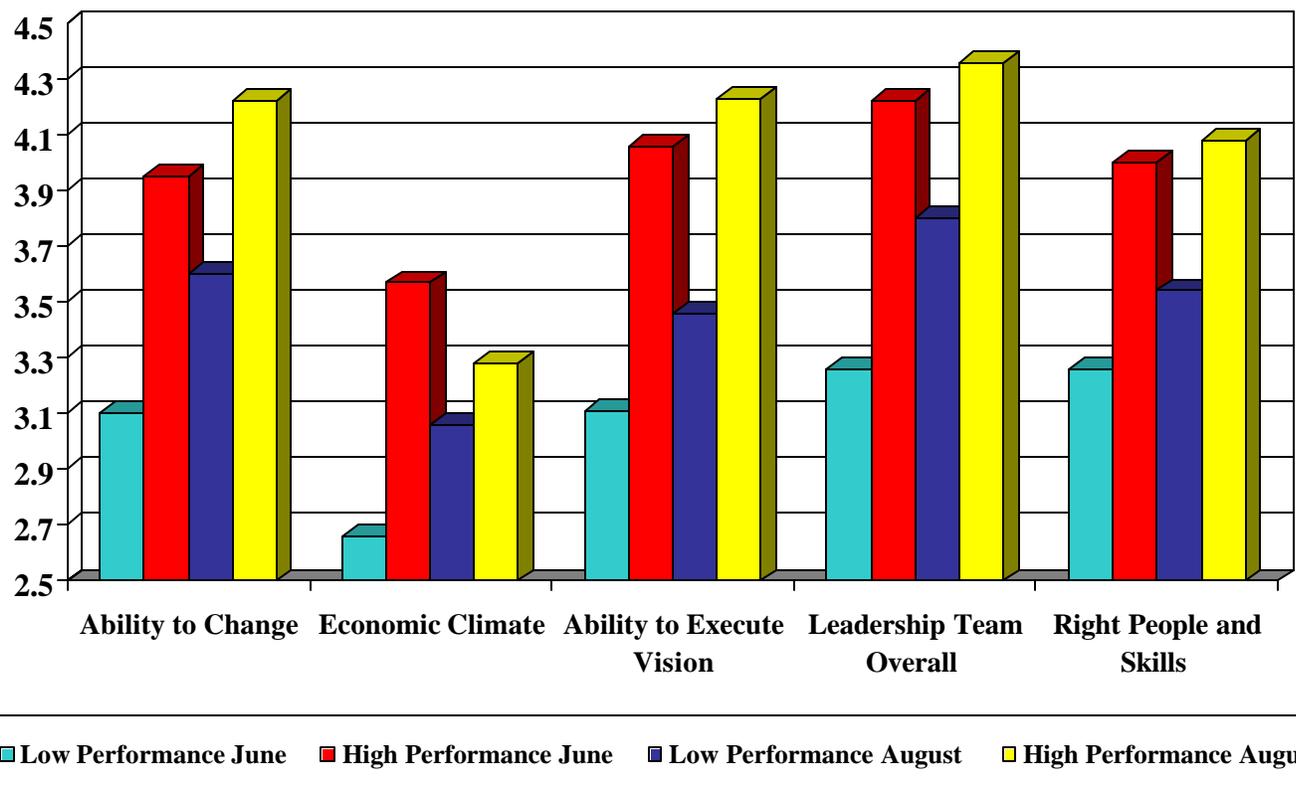
MORE ON THE PERFORMANCE DIFFERENCE

Next, the data were analyzed by studying several breakdowns that were developed by viewing results of various demographic sub-groups reported by survey respondents. In the next few pages you will see the results of the analyses that yielded both significant and what we deemed to be interesting results. This analysis will help you further understand the patterns in the data and learn where growth is most likely to occur over the next few months.

Performance: The Most Consistent Pattern

We have data on resource movement from June, July, and August. We collected information on leadership confidence in the June and August surveys. In both months, and for every question asked, we found one consistent pattern.

Higher performing firms had higher scores on every question and for every time period. Below is a chart that shows the results for leadership confidence; the same pattern exists for resource movement.



A note of caution: The data are all self-report; therefore, some caution in interpreting the data is in order. The results may be a function of something called common method variance. This problem occurs when all data are collected from the same source. You can imagine that people who perceive their companies to be low performers may have an overall sense of negativity and answer all survey questions with a low response. That problem may exist; however, with the collection of multiple data sets, and with our ability to analyze the data both for overall averages and using within-person change (analyzing change scores for people who respond more than once), the convergence of data leads us to have more faith in the results than we would have if the data were collected at only one point in time.

Analysis of Results

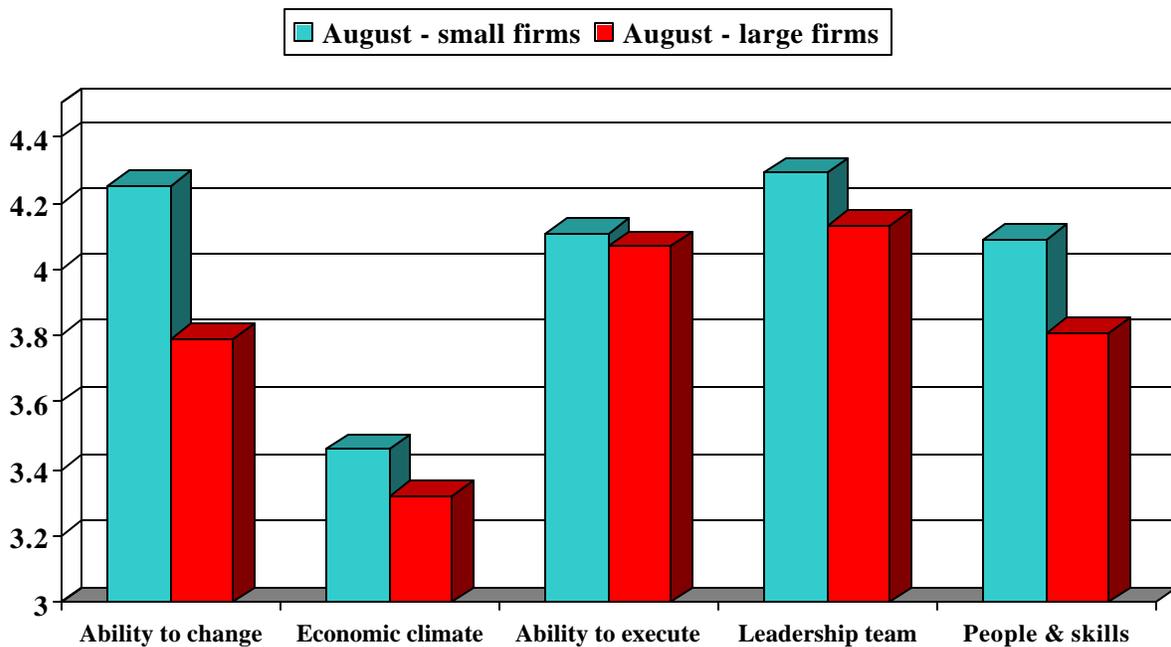
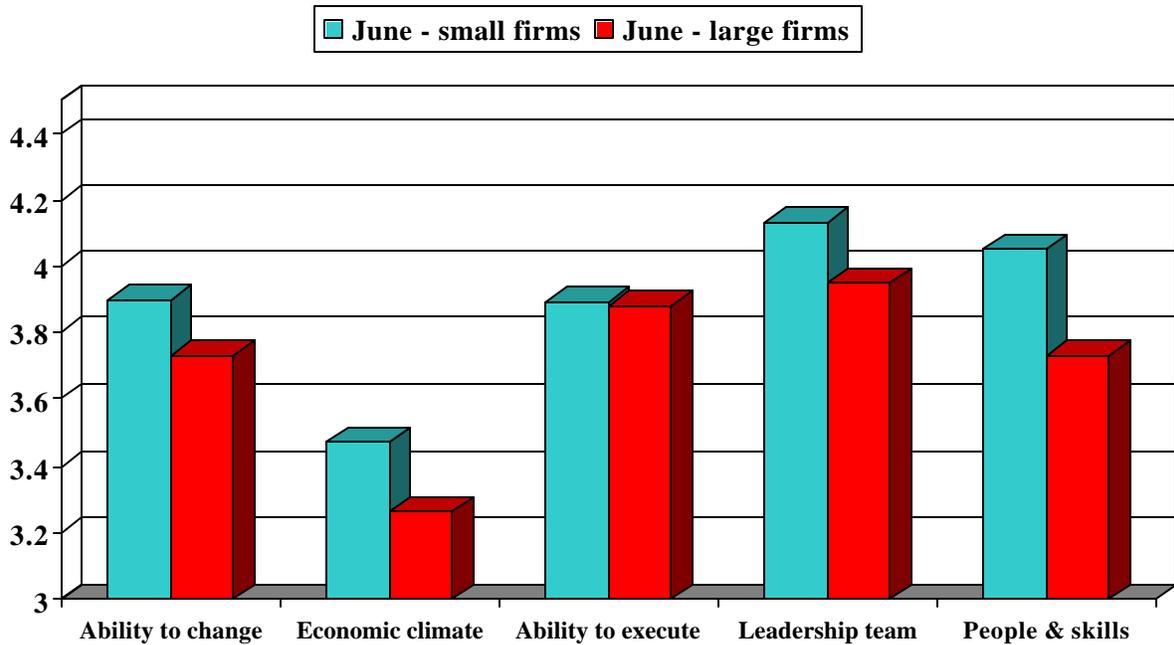
The interesting question to me is whether these results suggest a predictive pattern. Are the companies that score higher on these variables likely to be even higher performers six months from now? In the entrepreneurship literature, there is a body of work that talks about entrepreneurs being self-deceivers. This means that despite the odds against them, they cling to confidence that they can make it. Given hard work and the right circumstances, these ardent self-deceivers change their “deception” into reality with a process that I like to think is goal setting. There is ample research in the world of motivation that setting difficult but achievable goals leads to increasing the probability that you will, in reality, achieve those goals.

What if our highly confident firms are setting goals that they will be more likely to achieve because their employees believe in them? If your employees are more confident in your ability to obtain resources to grow and more confident in your ability to lead, execute on your vision, and more, then employees will give the “extra” amount of effort needed to make the dream a reality. Maybe confident employees too are self-deceivers.

Thus, the cycle of leadership, confidence, and success must specify the critical element of ALL employees being confident and keeping that confidence so high that employees believe they can do what needs to be done. This confidence leads to employee behaviors that drive results. If you get everyone acting like overly confident, self-deceiving entrepreneurs, then success may follow even faster.

BIG VS. SMALL FIRMS

In all of the data collected on leadership confidence, smaller firms have scores that are higher than those obtained from larger firms. Below is a graph that summarizes the results for Leadership Confidence:



Reviewing the resource movement scale results, we see a similar pattern for number of employees, number of customers, and for sales. In all cases, the smaller firms expect to grow these resources at a faster rate than do the larger firms.

However, on the question of net profits, smaller firms scored significantly lower than their large firm counterparts. Many small firms have downsized over the last year to the point that they simply cannot cut costs any more and still service clients. Therefore, they have fixed costs that may be keeping them from improving net profits at a rate comparable to their large firm counterparts. Over the next few months, if these smaller firms succeed in obtaining more sales and customers, we should see this pattern change.

There was no significant difference in the number of products or services that were being added. Both small and large firms have a relatively low score on this variable. As the economy, sales, and job growth start to move faster, we do hope to see energy in adding new product and service lines. This will be a key to long-term economic growth.

Ethics: The Small Firm Benefit?

In August, we asked a question on ethics and trust. The question was suggested by one of our respondents, and it was worded as follows:

“How are the problems with ethics, lack of credibility, and lack of trust affecting your business?”

A review of the results showed that, although both small and large firms are touched by the problems of ethics and trust, the most emotional and specific comments came from people reporting to be in larger firms. Examples of comments from respondents in larger firms are below:

SAMPLE COMMENTS FROM LARGER FIRMS (over 5,000 employees)

“A lack of trust and credibility results in backtracking of or retracing decisions made, redoing research and work without much added value, all causing delays in and continued mistrust of key decisions which affect being “first, fast and best.”

“Lack of trust affects morale, commitment, and quality in service.”

“Extreme integrity program being implemented”

“Current climate has resulted in more cautiousness and less risk taking”

“Employee trust levels are dangerously low.”

“Ethical lapses, posturing and lack of credibility among some top executives hampers local managers”

“The primary impact has been on our stock and the valuation of the business”

“The workforce has become more and more difficult to deal with in regards to credibility and ethics”

“We are hiring more internal auditors”

“We aren’t being honest with our customers because we have cut staff to the point where we no longer have the corporate competencies to deliver the work we sell”

Compare those comments to those obtained from smaller firms:

SAMPLE COMMENTS FROM SMALLER FIRMS (less than 500 employees)

“These are currently no issues”

“Not an issue in our company”

“These have not been a problem for us”

“We have no internal problems, but we see enormous lack of ethics in competition and our customers”

“I go the extra mile in my line of work because trust is essential in my company. I go above and beyond when needed.”

“I hold myself and team to a high standard of performance and behavior expectations internally and with our clients.”

Conclusion

The above comments are only a sampling, and certainly I can find comments from small firms with ethics and trust problems, and I can find many comments from larger firms that say they have no problems. But the overwhelming results show that more problems are being reported in the larger firms. If lack of trust and ethical problems are causing delays, risk averse behaviors, poor employee relations, problems with clients, and more, then I can understand why smaller firms may be more confident and be, overall, more positive than those leaders from larger firms.

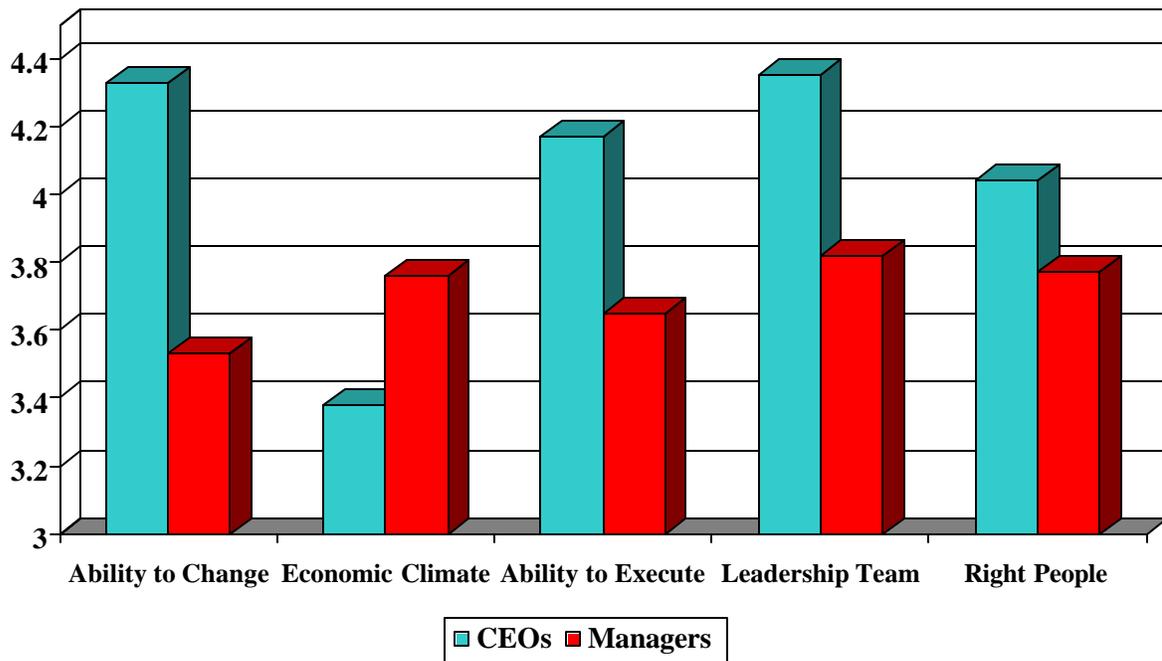
HUMAN RESOURCES vs. CEOs

A rather interesting pattern emerged when comparing the data for HR executives and for CEOs. Overall, we found that compared to scores from executives in other functional areas such as finance, marketing, sales, etc., HR executives had lower rankings on everything but the economic condition question in leadership confidence and resource movement questions on net profit and new products / services. Below is a summary of HR vs. the overall mean of one specific sub-group, which is General Managers (CEOs, COOs, Plant managers, GMs, etc.).

Question	Mean Score for HR	Mean Score For GMs
Leadership Confidence (1 to 5 rating scale)		
1. Ability to change	3.75	4.17
2. Ability to execute on vision	3.86	4.12
3. Leadership team overall	4.07	4.26
4. Have the right people and skills	3.84	3.98
Resource Movement (1 to 7 rating scale)		
1. Number of employees	4.13	4.29
2. Number of customers	4.76	4.78
3. Gross sales	4.78	4.85

What about CEOs? We broke out scores for only CEOs and another interesting pattern emerged. CEOs are more optimistic than all other groups on all but net profits (VPs scored highest) and product / services (no discernable differences).

Below is a summary of the leadership confidence scores for CEOs vs. managers. Although we only plot the difference for the management group, the CEO group had higher scores than VPs, Directors, and Senior Managers.



Is This a Big Firm Phenomenon?

After reading the section on big vs. small firms, you may wonder if the lower scores for HR are a function of most HR executives being in larger firms (because larger businesses reported lower scores). I ran the analysis for the sub-set of firms that reported to be smaller (less than 500 employees), and even within small firms only, HR continues to come out with the lowest scores.

Why Is This Interesting?

As someone who works extensively with both HR executives and with CEOs, I found these results interesting. Why? CEOs often complain about HR, and many HR executives continue to report that they are not being taken seriously. HR leaders want to be “strategic,” but many continue to report not being able to win the respect of their peers. This has been a problem for many years. Even though we know that employees are key to any change initiatives, merger, or growth plan, in many firms, the HR team continues to be absent from the important decision making processes. Maybe these results give us a glimpse of one of the problems that may be causing the disconnect between HR and the executives who run the organization, in particular, the CEO. If the CEO is the most positive, and the HR executive is the most negative, well, these attitudes are going to definitely show and manifest themselves in ways that are not too pretty for HR.

Positive Organization Scholarship

The University of Michigan Business School has recently started a new Center for Positive Organization Scholarship³. An impressive group of academics and practitioners have rallied around concepts from psychology, sociology, and other disciplines that basically call for a change in how we conduct business and research, to focus on the positive rather than the negative. Although I am dramatically simplifying the message of this important work, the researchers conclude that a positive orientation is overall just better.

So, HR, what does it mean when we learn that the HR team is always more negative than the CEO, and for that matter, more negative than all of the other senior colleagues? Does it matter if HR is completely justified in its negative view? I can understand why HR would have lower scores. Let's face it: HR did the layoffs, they know there's going to be a layoff probably before anyone else, they're the person who listens to employee complaints, they negotiate difficult labor contracts, and they are the group most likely to get downsized first. But, is it OK to be more negative just because a good case can be made for it?

I think not. In order to influence the C-core team (e.g. CEO, COO, CFO, and more), HR must be able to talk to them. And when the CEO is positive, and HR is negative, HR will not be welcome at the table,

³ For further reading on this subject, see: Cameron, K.S, Dutton, J.E, Quinn, R.E. (Eds.), 2003. Positive Organizational Scholarship: Foundations of a New Discipline. Berrett-Koehler Publications, San Francisco. Dutton, J.E. (2003). Energize Your Workplace. Jossey-Bass.

THE NOT-FOR-PROFIT SECTOR

First, I want to sincerely thank all the participants from the not-for-profit sector. Since the beginning of the Leadership Pulse we have heard from 146 leaders in not-for-profit businesses. Those individuals who have participated were (and continue to be) very patient in translating the terms used in this survey into their own language (e.g. gross sales was a hard one as many do not bring in cash, but they were creative in developing parallels that worked for them and for the study). I do appreciate their efforts because I think there is much to be learned from the leaders of the many and varied businesses that operate in the not-for-profit arena. These not-for-profit organizations bring in customers and often have revenue (although often limited or from different sources, such as grants vs. paying customers). The leaders in these organizations still need to motivate employees, and many have the added challenge of working with volunteers. Theirs is a tough job that we can all learn from, and again, I want to thank you for engaging in this study.

In exchange for your participation, I prepared a separate analysis on how the not-for-profit businesses compared to their for-profit counterparts. The first thing I did was run an analysis of variance (ANOVA) to determine if the means on the questions asked each month were significantly different for not-for-profit organizations (when compared to the sample of for-profit companies). Below are data on those questions where statistically significant differences were found:

Ability To Change As Needed

In both June and August, the scores on the Leadership Confidence question that asked you to rate your confidence in your organization's ability to change as needed were lower. The pattern below shows that the not-for-profit firms rank lower on this question.

Ability to change⁴

Month	Mean(SD) Not-for-profit	Mean(SD) For profit
June	3.49 (1.13)	3.73 (1.07)
August	3.59 (1.07)	4.03 (1.02)

There were three other areas where significant differences were found. The first is in the resource movement question that asked about anticipated growth in number of employees. The not-for-profit sector reported higher scores; however, the differences was only significant in June. Below are the means and standard deviations for both groups of employers.

⁴ Significant at the .05 level for June and the .00 level for August.

Resource Movement: Number of employees (1 to 7 scale)

Month	Mean(SD) Not-for-profit	Mean(SD) For profit
June ⁵	4.29 (1.11)	4.04 (1.03)
July	4.13 (1.08)	4.09 (.96)
August	4.23 (.97)	4.19 (1.02)

The second variable where significant differences were noted was on net profits. June and July results are significant, and August numbers reflect the same pattern although the analysis was not significant at the .05 or less level.

Resource Movement: Net Profit (1 to 7 scale)

Month	Mean(SD) Not-for-profit	Mean(SD) For profit
June ⁶	4.36 (1.03)	4.67 (1.16)
July	4.36 (1.02)	4.73 (1.06)
August	4.51 (1.09)	4.73 (1.20)

Lastly, there were significant differences in gross sales for both June and July. Below is a table that reports those numbers.

Resource Movement: Gross sales (1 to 7 scale)

Month	Mean(SD) Not-for-profit	Mean(SD) For profit
June ⁷	4.41 (1.15)	4.70 (1.12)
July	4.45 (1.12)	4.79 (1.03)
August	4.64 (1.02)	4.85 (1.17)

⁵ Significant at the .04 level.

⁶ June significant at the .02 level, July significant at the .01 probability level.

⁷ June significant at the .02 level; July significant at the .01 probability level.

SUMMARY

The data we collected over the last three months show important and interesting trends in both resource growth and leadership confidence. Although the trend data and the various analyses of the numbers are of interest, the key to this learning seemed to come from a combination of quantitative and qualitative data. The comments made the numbers come alive. As we continue the study, my guess is that we will continue to see the importance of the interplay between numbers and words.

In addition, we will see major learning come from the weaving of data and dialogue. Through future Leadership Pulse surveys we will dialogue with all of you. When you answer questions and provide data, you dialogue with the research team and your peers in the Leadership Pulse. As we explore other ways to dialogue, learning will evolve even more.

It is my hope that some of you will agree to be participants in more in-depth case study work, sign up for briefing sessions that the University of Michigan will be holding, involve other leaders and employees in your firms in our research work, and continue to challenge us and ask questions that evolve this work even further.

I started out the quarterly report by explaining how this project evolved from a cycle of academic learning to commercial venture and back to academic learning. There may be many more cycles. Being a very positive (and you might say also self-deceiving) entrepreneur myself, I believe that we are only at the beginning of another journey of learning. I am quite excited about what this project offers. And like all positive self-deceiving entrepreneurs, I hope to give you enough data to continue to stay engaged and to expand the participation and learning opportunities.

Thank you again for your interest and participation in this project.

Dr. Theresa M. Welbourne

ADDITIONAL LEARNING OPPORTUNITIES

Thank you for reviewing the results of our first quarterly analysis of the Leadership Pulse data. Over the next few months, we will continue to expand our sample, collect data, and report our findings to you. We hope to provide you with even more opportunities to participate in the learning. For example, over the next few months, you will have opportunities to participate in the following types of activities:

THROUGH MICHIGAN BUSINESS SCHOOL

Briefing sessions. Over the next few months we will be asking respondents if they would be interested in attending a one-day briefing session that reviews the data we have collected to date, allows you to interact and dialogue with other leaders participating in the project, and then work with the data to develop actions that will help you grow your own business and build leader confidence. If there is enough interest, we will take what we learn in the briefing sessions and develop a set of executive development programs geared for the various interest groups represented in the study.

Organization Strength and Culture Study. In October and November you will have an opportunity to participate in a study of organizational strength and culture. You can choose to participate as an individual or to have a group of employees within your firm participate, thus obtaining a broader understanding of how internal strength drives performance. Dr. Robert Quinn, the Margaret Elliott Tracy Collegiate Professor of Organizational Behavior and Human Resource Management (OBHR) and Dr. Kim S. Cameron, also a professor in Michigan's OBHR group, are running this project. Because the study is being conducted through the Leadership Pulse initiative we will have a unique opportunity to merge our learning from both studies and help you apply the findings within your own firms.

THROUGH THE LEADERSHIP PULSE SURVEY AT YOUR FIRM

Monthly Benchmark Data. You can elect to add up to 50 leaders from within your own firm to the Leadership Pulse study. You would then receive a personalized report that would show the results for your own team vs. the other groups reported in the monthly survey results. Sign up at: www.umbs.leadership.eepulse.com.

You also can elect to add additional leaders and managers from your organization to the monthly Leadership Pulse process. The results for up to 50 people can be delivered at no cost to you, but if you want more than 50 people included, there would be a small set up and processing fee.

MORE INFORMATION

For more information, you can contact Dr. Welbourne at 734.996.2321 or via e-mail at: twelbour@umich.edu. Access to all reports and press releases at www.eepulse.com, under Research and News.

APPENDIX A: Sample Characteristics and Survey Process

The Leadership Pulse survey was sent to over 25,000 people in August. The process of successfully sending out surveys involves several steps. First, the lists of email addresses that we obtain must be “cleaned.” These types of lists often contain email addresses for generic accounts rather than for people. Therefore, prior to loading the data into the software product, we delete any e-mail addresses that have generic addresses⁸ (e.g. sales@XYX, jobs@ABC, etc.). We then “load” the data into the software that sends out the e-mail notifications, points people to surveys, builds surveys, collects data, and then creates reports from the data. The loading process also removes duplicate emails (we may have someone in the University of Michigan executive development alumni group who is also a Fortune 1000 executive).

When the e-mail notifications are sent, the process has one more step that further “cleans” the data. Any bad e-mails (e.g. sent to people who may no longer be at an address, invalid company names, etc.) are returned and then taken out of the data base. Respondents can “opt out” of the survey; thus, their responses must be processed (take those names out of the data base)⁹. After cleaning the data in these different steps, the September sample went from 60,000 people to 38,000 people. We are now beginning to have people ask us to change their e-mail addresses when they move from one company to another, therefore, we hope that our final group of respondents will continue their involvement in the study even if they change jobs or companies.

Data Collection Strategy

Given that we are trying to reach a very busy group of leaders, the goal of this study is to retain a large base of users (people who get surveys and reports) but not expect high response rates each month. In order to get a higher response rate, I would need to leave the survey open longer, send even more reminders, and then the data would not be as timely, and our trending would not be as valuable. Therefore, I have chosen to pursue the goal of a representative sample monthly and creating a very large base so that even with a lower response rate each month, the sample will still provide valid and interesting data. You will continue to see that the quarterly reports will have more detail than the monthly data because all responses are collected and different types of analyses can be conducted.

⁸ A very special thanks is due to both Jason Cohen and John Masters at eePulse. They continue to be the master minds responsible for all the organization of the data sets, setting up surveys, making sure data are collected correctly, answering help desk questions from users, and assuring that all participants have immediate access to reports. I also want to thank the entire team at eePulse for their invaluable help in getting this research project off the ground and for keeping it moving forward over the next year.

⁹ You may notice that behind my name in the e-mail notification is another e-mail that reads eepulse@eepulse.com. This is done so that bad emails and other help desk problems do not go to my personal e-mail account. Therefore, if you want to contact me, you simply need to submit an e-mail to the original address, which is always listed in the notification. It is twelbour@umich.edu. That is my University of Michigan e-mail address.

June Leadership Pulse

In June, we sent the survey out to about 7,000 individuals. A total of 780 (or 11%) of those individuals responded to the Leadership Pulse survey, and 19% of the respondents were from the UMBS Executive Group while 81% were from the General Leadership population.

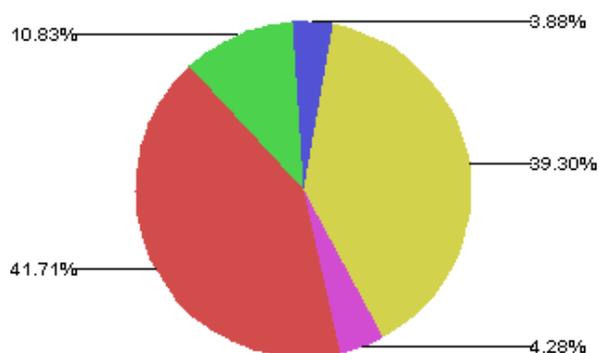
July Leadership Pulse

In July, the survey went out to the same population, and we received responses from 609 individuals. The cumulative response (unique people who responded at least once) went up to 1,100. That means between June and July we added another 320 people to our membership.

August Leadership Pulse

In August we added three new data sets to the sample: (1) a list that has a large group of Fortune 1000 senior executives, (2) a list with the names of NASDAQ firm top executives, and (3) a large data set of women business owners. A total of 748 people responded in August, improving our cumulative response number to 1,601. Thus, in the first three months of conducting the Leadership Pulse we have heard from over 1,600 unique individuals.

Distribution of Respondents for August:



LEGEND

Red = Women Business Owners: 41.71%
Green = UMBS Leadership Sample: 10.83%
Blue = NASDAQ Executives: 3.88%
Yellow = General Leadership sample: 39.30%
Purple = Fortune 1000: 4.28%

The August response rate was lower than I expected. Several people wrote to us and said they missed the survey due to vacations, blackout, and virus-related problems. Also, for the new samples, the mailing might be perceived as “junk mail,” thus we hope through seeing results the leaders will understand that this is a joint learning process and agree to participate in the future.

Discussion of Sample Distribution

Below are data that reveal some of the demographics of the respondents. All data are reflective of the sample of people who responded at least once as of August 2003. A total of 1,601 people are in this sample.

1. *Number of employees.* As of August, 33% of our sample was from firms with less than 500 employees, a total of 42% had between 501 and 5,000 employees, and 25% of the 1,601 respondents had 5,001 or more employees.

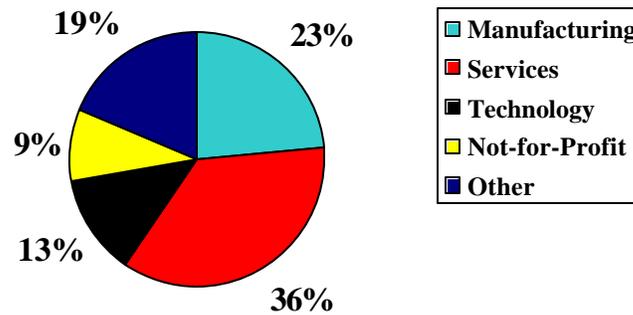
Revenues. A total of 409 or 27% of the population in August had revenues that were reported to be up to \$5m in 2002 while 37% or 569 people were in firms with between \$5.1 – 250m in revenues, and 36% reported having \$250.1 or more in revenues for last year.

2. *Who's responding?*

<u>Job Level</u>	<u># People</u>	<u>Percentage</u>
C-core (CEO, COO, CFO, CTO, and more)	404	25%
Vice president levels	298	19%
Director levels	350	22%
Managers	516	32%
Consultants / educators	27	2%
<i>TOTAL</i>	1,595 ¹⁰	

3. *Industry distribution.* Below is a pie chart with industries grouped. Some specific sub-group examples include the following: Under technology: 130 firms in information technology; 37 companies in web-based technology, and 38 firms in biotechnology. Within not-for-profit, 94 firms are non-government while 52 report being government agencies. Smaller groups include mining with 5 organizations, 4 in agriculture, 53 in transportation and public utilities, construction with 20 firms, financial, insurance, and real estate with 38 firms, and 39 companies reported in engineering firms.

¹⁰ This number is smaller than the 1601 total reported earlier because some people did not answer this question on the survey.



Summary: Based on several analyses of the distribution statistics, the data represent what we think is a high quality representation of senior executives. The presence of so many C-core executives and Vice Presidents give us confidence that the data are representative of senior leaders' attitudes. However, the over-representativeness of human resource representatives is a short-term problem for the study. The samples we are adding through the end of December, and the result will be a sample that better represents the overall population of leaders.

APPENDIX B: Measurement Quality

In order to understand more about the quality of the resource movement and leadership confidence questions, I ran two analyses that assess the quality of the questions. The challenge in this research is to use questions that can be highly reliable and valid, but at the same time, limit the number of questions so that the survey is short. If I expand the survey to optimize my chances of obtaining very good statistics, then I may alienate my sample with a survey that has questions repeated over and over and that is too long.

In reviewing the data, I ran two analyses that will be reported here. The first is the result of a factor analysis of all questions, and the second is an analysis of the reliability coefficients. The factor analysis tells us which questions “hang together.” It helps us assess the degree to which these separate questions are actually measuring something that I am calling resource movement. The reliability analysis also addresses the ability of the questions to, as a group of questions, measure one underlying construct.

The factor analysis was done for June and August (when we asked both resource movement and leadership confidence). For both months, the results are a two factor (or two scale) solution. Below are the results, showing the rotated factor matrix for both time periods (note that RM = resource movement questions and LC = leadership confidence questions).

Question	Factor loadings June		Factor loadings August	
	RM	LC	RM	LC
1. RM: Gross sales	.85	.13	.85	.11
2. RM: Net profits	.80	.11	.81	.12
3. RM: Number of customers	.79	.00	.81	.11
4. RM: Number of employees	.68	.10	.71	.00
5. RM: Products / services	.62	.00	.53	.15
6. LC: Economic climate	.52	.32	.60	.26
7. LC: Ability to execute vision	.13	.87	.17	.88
8. LC: Leadership team	.16	.81	.18	.80
9. LC: Change as needed	.11	.81	.16	.81
10. LC: Right people / skills	.00	.77	.00	.77

What does this tell us?

For the measurement to look “good,” we want all numbers in each set of shaded space (these are the numbers associated with questions that we hypothesized would represent our variable of interest, either resource movement or leadership confidence) to be at least .60, with scores higher than .60 being better. When you look at the results for resource movement in June, questions 1 to 4 all have loadings (the number in the shaded area) over .60, and they have low numbers in the unshaded area (loading for leadership confidence). This means that these four questions are all behaving in a way

that indicates they are part of the same underlying concept (in our case, resource movement).

You want the loadings to be high and fitting together with the questions that we suspected “go with it.” Question #6 is a problem because it has a relatively high loading with the resource movement questions (.52), but it “belongs” with leadership confidence (LC), and that loading for LC is only .32. This item is not acting in a predictable manner. But I must say I’m not surprised. Economic condition is something that managers don’t have much over, thus, having this question not “fit” with the other questions (e.g. ability to change, execute on vision, leaders, etc.) is not entirely surprising.

In August, economic climate continues to “misbehave” as an item. It loads only at .26 with the other leadership questions, but the loading with resource movement is a bit higher. And in August the product/ service question has a lower loading with the resource movement questions than desired. But due to the changing nature of the sample, all questions continue to be included.

Reliability analyses

The second analysis of scale quality that I will report is the reliability analysis. In this process, a score (reliability coefficient) is calculated for each set of questions. The higher the number, the better the quality of the scale. For each month and each scale, the results are listed below:

Monthly Reliability Coefficients

<u>Resource Movement</u>			<u>Leadership Confidence</u>	
June	July	August	June	August
.82	.80	.83	.80	.81

These results are very good.

With the overall positive results from the factor analysis and the positive results from the reliability analysis, it is reasonable to say that the questions being asked monthly do a good job of representing an underlying variable. As we continue to collect data, do more rigorous analyses, and understand the ability of these questions to predict outcomes of interest, differentiate firms (e.g. low and high performers), and more, our confidence in what we are measuring will improve. But, with what we have to date, the results of the analysis of the measurement traits of these questions are very positive.

FOR MORE INFORMATION

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If interested in expanded participation for an organization,
please visit the following web site: www.umbs.leadership.eepulse.com.

For more information about the study or how you can get involved,
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