



October Leadership Pulse Results

Theresa Welbourne

When you think about Leadership Confidence, your thoughts probably go to how employees feel about the senior leadership team. But have you thought about what leaders feel about themselves or about their own teams lately?

Your senior executives set the tone for the entire organization; employees, customers, partners, shareholders, and suppliers all listen and learn from your senior executive team. Your stakeholders worry when the executives worry; they celebrate when the management team looks happy. Leadership “aura” is catchy.

Therefore, you may want to take the results of this month’s [Leadership Pulse research](#) to your senior teams and ask them what they think. How are their confidence levels today? And how does the level of confidence exhibited by your leadership team affect the attitudes and behaviors of your employees and other stakeholders?

Confidence in Economy Up

The October results of the 2003 Leadership Pulse indicate that senior leaders are growing more confident in the economy. The Leadership Confidence metric has been collected every other month starting in June, 2003. In October, responses were received from 1,035 senior leaders. The sample contains 47% C-core executives (CEO, CFO, CIO, etc.), and 83% are a Director level or above. The sample also contains a broad range of industries from mining and agriculture to technology, transportation, communication, to retail trade, and more.

In June, 14.3% of the senior executives polled expressed confidence in the economy, and in October, that number rose to 22.8% (this percentage is the total number of people who responded either 4 or 5 on the response scale; this reflects answers that are confident or very confident).

Confidence in Themselves Down

The Leadership Confidence research tracks four other metrics, and it is interesting to note that although confidence in the economy improved in October, leaders in our sample expressed less confidence in other aspects studied. Scores on confidence in their leadership team, ability to execute on their vision, that they have the right people and skills, and their ability to change either remained the same or decreased from June.

Perhaps with the economy picking up even slightly, executives are feeling more pressure to drive financial results quickly. This pressure

can lead to unrealistic expectations that may reduce internal confidence. It's important for all leaders to stay focused and realistic because our research shows that confidence levels have significant impacts on future performance. Even though the economy is improving, there may still be a long road to full recovery, and it will take hard work and patience to continue to climb out of our economic slump. Shareholders do not want their organization's employees losing hope or confidence so early in the recovery journey.

Learning from Consumer Confidence

Why do senior business executives and government leaders all care so much about consumer confidence? They track consumer confidence because consumer spending fuels approximately two-thirds of the U.S. economy; thus, consumer confidence predicts economic growth. When consumers are confident in the economy, they are more likely to spend money today on goods and services. Spending today spurs business activity in the future.

Your employees are responding to their own confidence in your firm's vision and strategy in the same way that consumers respond to confidence in the economy. When employees are confident in their organization's strategy and ability to execute on a new vision, they behave in ways that drive the company toward the future. Similar to how consumers spend money on goods and services, employees spend time and energy to move their companies forward toward new visions. But when employees are not confident in the future at work, they engage in behaviors that parallel those of consumers.

Consumers with low confidence levels choose to save money rather than spend it. Even worse, consumers may choose to sell volatile assets such as stock or real estate in order to be safer (cash in the bank). Employees engage in similar types of behaviors. Rather than exert energy to move a company forward toward a new vision, employees that lack confidence in their vision will withhold effort in moving forward, and instead, work to keep the company right where it is (saving what they have today). In the most unfortunate case where the creation of a vision reduces employee confidence in the future, they may choose to exert energy to return a company to its former state.

Behaviors that result from high and low confidence states

Consumers		Employees	
<i>Confidence</i>	<i>Outcome</i>	<i>Confidence</i>	<i>Outcome</i>
High level of confidence in economy and ability to personally make money	Spend money and support economic growth	High level of confidence in company strategy and ability of everyone to execute	Engage in supportive behaviors
Low confidence in economy	Save money – don't spend; play it safe	Low confidence in strategy or ability to execute	Don't take risks; do what you've always done; play it safe
Significant lack of confidence turned to fear – lost all confidence they might have had	Save money – get money back; sell stock – reserve cash – risk averse behaviors	Significant lack of confidence in strategy or ability to execute- strategy made employees lose confidence	Try to get things back to the way it used to be; not only avoid change but move backwards

The Role of HRM

As a strategic HRM executive, assessing and monitoring confidence levels are key to helping your business thrive as the economy starts to trend upward again. The lesson learned from this month's Leadership Pulse data is not simply that confidence in leadership matters; it's that confidence starts at the top.

Take Action Today

Take the Pulse of your own leadership team; learn about their confidence levels, their concerns, and their worries. If there are things getting in the way of their confidence, help them articulate the issues and develop an action strategy to solve their problems. Taking action builds confidence and then communicating action being taken spreads confidence to others in your firm.

No one company is perfect in everything it does; as the economy picks up, demands on your leadership team will change but will be just as intense as they were when the economy headed downward. The pressure of trying to make quarterly numbers and to be part of the economic "upturn," all while continuing to be economically frugal (not spending money too quickly on new employees, marketing, etc.), will strain your leadership team. HRM executives can help be the confidence makers and spread energy and confidence throughout the organization.

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Author



Theresa M. Welbourne, Ph.D. is the founder, President and CEO of eePulse, Inc. as well as an Associate Professor of Organization Behavior and Human Resource Management at the University of Michigan Business School.

Prior to summer, 1999, she was on the faculty of the Human Resource Studies Department (from

Theresa Welbourneprpro@chartermi.netwww.eepulse.com

1992 to 1999) and the Entrepreneurship and Personal Enterprise Program (from 1993 to 1999) at Cornell University. She received her Ph.D. in Business from the University of Colorado, Boulder in 1992. Prior to that, she spent approximately ten years working in the field of human resource management as a practitioner and as a consultant. Dr. Welbourne's expertise is in the area of employee management in high

growth and high change organizations. Her particular focus is on understanding how various human resource, communication, leadership, and rewards strategies affect the longer-term performance of organizations and the employees within those firms.

As CEO of eePulse, Inc., she leads a technology and research business that is delivering web-based Pulse surveys powered by the company's proprietary software called Measurecom™. The measurement and communication tool was developed based on Dr. Welbourne's research and consulting. She conducted a number of studies with initial public offering firms and large firms undergoing large-scale interventions.

In these studies, she demonstrated the direct effects of leadership and human resource management strategies on firm survival and financial performance (e.g. stock price growth, earnings growth, etc.). Her research has been featured in popular publications such as Inc. Magazine, The Wall Street Journal, Business Week, The New York Times, and Entrepreneur Magazine. Her work has been published in several books and in journals such as the Academy of Management Journal, Journal of Management, Human Resource Planning, Executive Talent, Compensation and Benefits Review, Journal of Applied Psychology, and Journal of High Technology Management Research. She is currently writing a book (publisher is Jossey-Bass) that summarizes all of her research to date.

For more information, please contact eePulse, Inc. at 734-996-2321.

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