

Leadership Pulse™

Business Drivers and their Importance



Dr. Theresa M. Welbourne
Preliminary Report
July, 2007

Leadership Pulse Introduction

- **Monthly Leadership Learning**
 - Over 4,000 executives around the world are part of the Leadership Pulse Dialogue since it began in June, 2003
 - All individuals in the study receive Pulse Dialogues™ (our term for Pulse Surveys) every two months and all dialogue results (both on-line reports and executive summaries)
- **July Topics**
 - Report current energy data and update energy trends. Additionally, we investigated the relative importance of 22 business drivers and leaders' insight of undervalued drivers in select industries.
- **Why do the study?**
 - Data and Dialogue drive learning; we are providing real-time learning to our stakeholders.

Sample Characteristics: July, 2006

Sample size:

- 256 respondents

Job Levels:

- 61.6% Director level or above. 30.5% C-core (CEO, CFO, CIO, CAO, etc.), 15.2% VP, and 16.4% Director level.

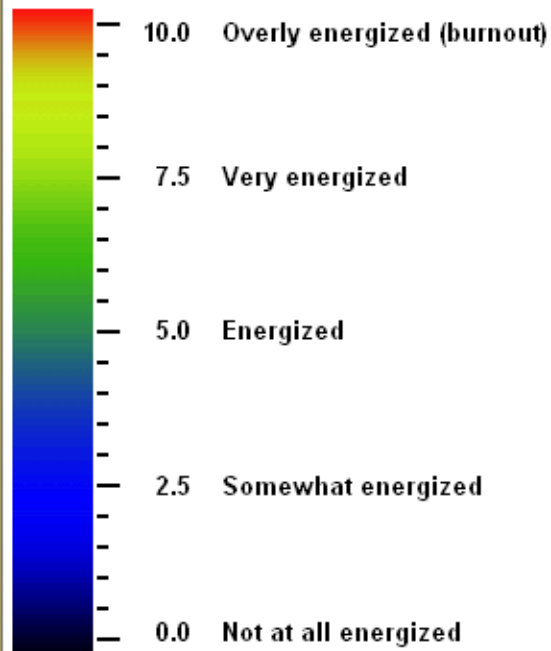
Industry Sectors:

- 17 industries were represented, ranging from manufacturing (19.1%) to information technology (9.0%) sectors.

Organization size ranged from “less than 100” (38.3%) to “more than 25,000” (8.6%) with 12.9% reporting “between 501-5000 employees.”

Energy Pulse™

Using the 0 to 10 scale below, rate the degree to which you feel energized by your work. Think of energy as the degree of motivation or internal drive you are experiencing at work. You can respond with any number on the scale, from 0 to 10 (it's ok to use decimals such as 5.5, 6.8, etc.).



SECTION I: ENERGY PULSE

1. Using the scale on the left, please rate your overall Energy Pulse.

2. Using the scale on the left, how would you rate the Energy Pulse of others in your work group?

3. Please take time to tell us about factors affecting your work. What things are working well? If there are obstacles getting in your way, let us know. And, if you have suggestions for improvement, please pass on your ideas.

SECTION II: PRODUCTIVITY QUESTION

4. Using the scale on the left, at what Energy Pulse level do you feel most productive?

As a reminder, we are tracking leadership energy – a proven and predictive metric (predicts performance at the firm, team and individual levels).

Results: July Leadership Energy Pulse™

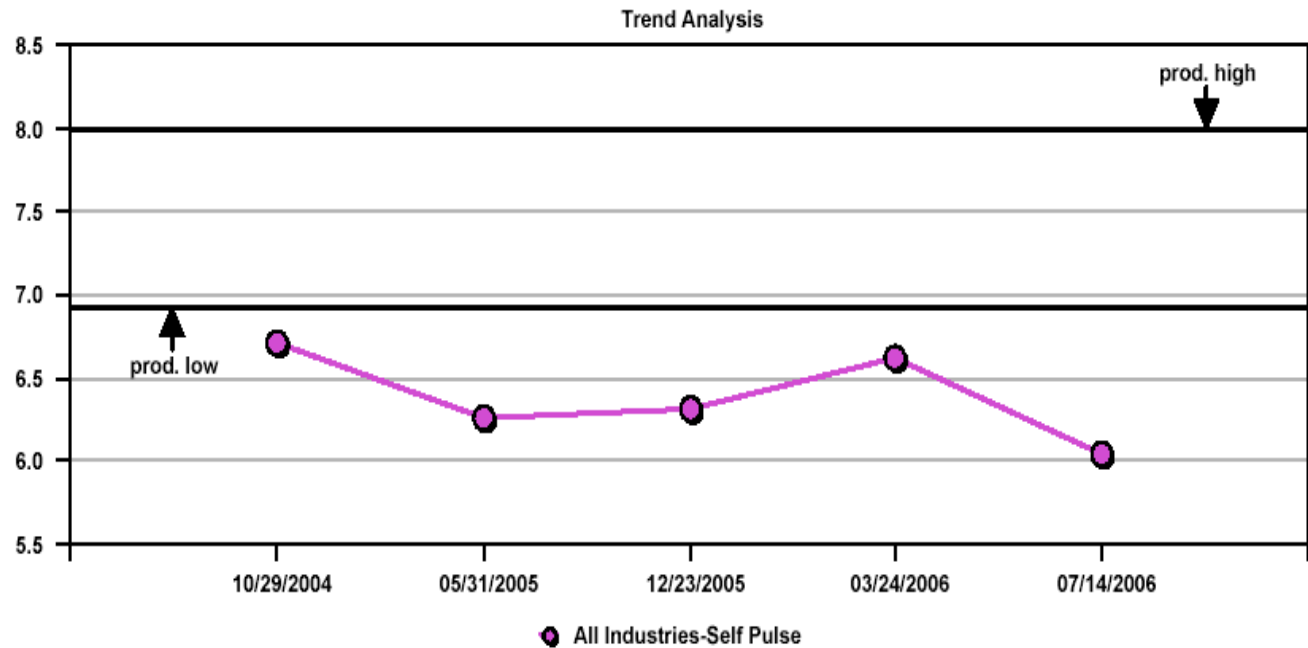
Question Details

Overall, how would you rate your current energy level at work? (Enter a number from 0 to 10 using the Energy Pulse scale on left.)

Response Scale	Percent
8.76- 10.0 Overly energized	10%
6.26- 8.75 Very energized	43%
3.75- 6.25 Energized	29%
1.25- 3.74 Somewhat energized	17%
0.0 - 1.24 Not energized	2%

Note that within our sample, 12% of the respondents are reporting in what we call the “danger” zones (either overly energized to the point of potential burnout or not energized, reflecting low productivity).

Energy Trend

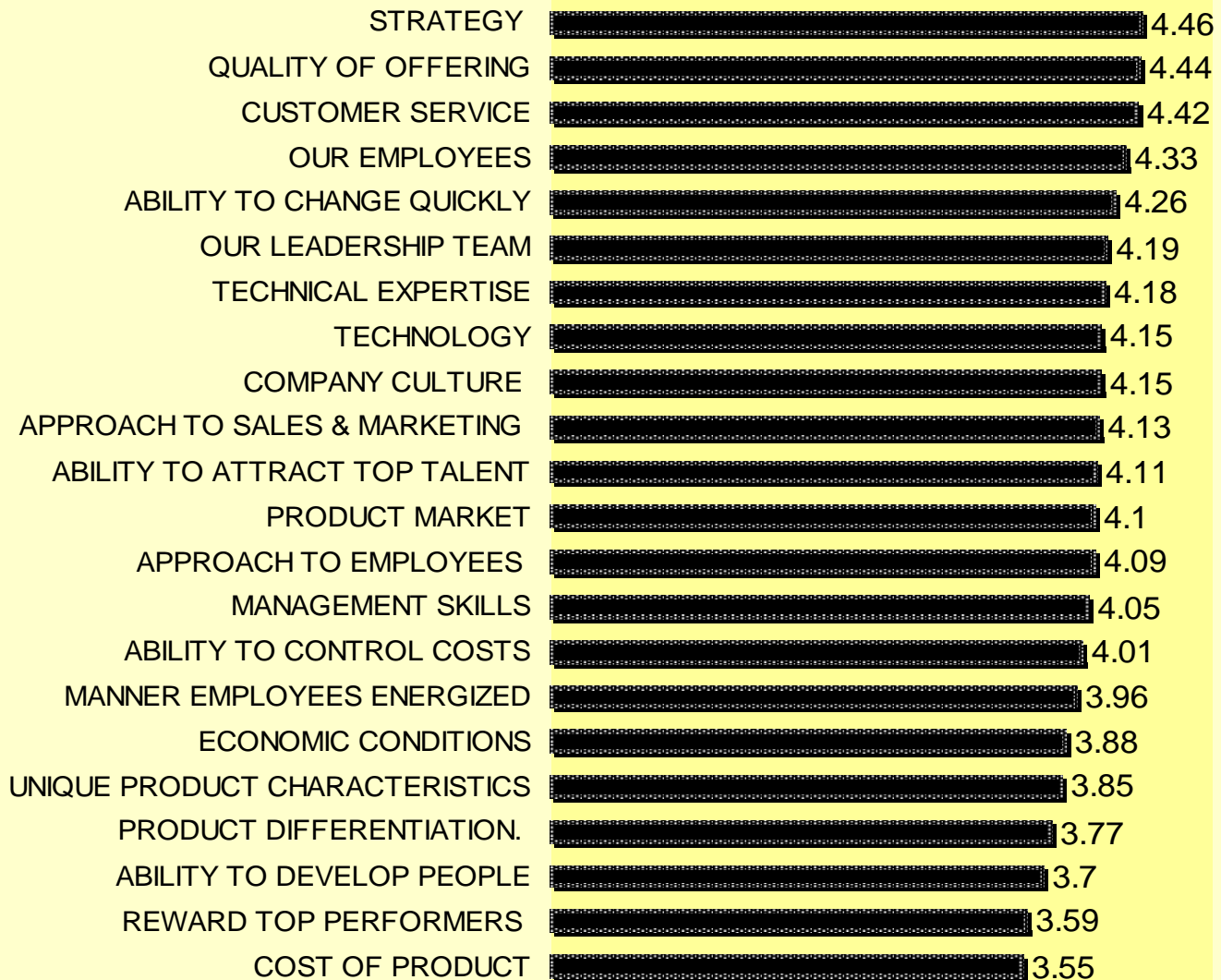


Overall results indicate a downward trend in energy

Business Drivers

- We asked executives to rate the importance of 22 different business drivers to the success of their business.
- The business drivers were identified through an ongoing study by Dr. Welbourne, where long-term stock price and earnings growth were predicted based on a larger set of drivers

Results: Mean rating of 22 Business Drivers Across Industries



1 to 5 scale used, where 1 = not at all important and 5= very important

Industry Analysis Next:

- **The following two summary tables breakdown the results in two ways.**
 - The first summary table offers a comparison of the top and bottom 3 business drivers by selected industries. Note: tie scores lead to identifying more than 3 drivers in some cases.
 - The second summary table offers a comparison of each driver's relative importance (highest vs. lowest) directly to other industries.

Most (green) and least (red) important drivers by Selected Industries



Business Driver	Industry Sector Sample									
	All	Biotech	Consult.	Eng.	Fin, Ins & Real Estate	IT	Man.	Not-for-profit	Services (not consult.)	Web-based Tech.
Our company's strategy.	4.46	4.60	4.38	4.00	4.81	4.48	4.53	4.43	4.33	4.67
The quality of our offering.	4.44	4.40	4.61	4.20	4.50	4.41	4.38	4.54	4.31	4.67
Our level of customer service.	4.42	4.00	4.73	3.80	4.63	4.48	4.45	4.61	4.22	4.33
Our employees.	4.33	4.80	4.36	3.90	4.27	4.19	4.16	4.57	4.28	4.67
Our ability to be flexible and change quickly.	4.26	3.80	4.27	3.90	4.20	4.32	4.42	4.21	4.17	4.44
Our leadership team.	4.19	3.80	4.23	4.00	4.50	4.13	4.06	4.07	4.28	4.33
Our technical expertise.	4.18	5.00	4.19	4.60	4.06	4.43	4.18	3.85	3.67	4.55
Our company's technology.	4.15	4.80	3.85	4.30	4.12	4.41	4.24	3.78	3.94	4.55
Overall culture of the company.	4.15	4.20	4.27	3.89	4.12	4.04	4.16	4.50	4.00	3.87
Our approach to sales and marketing.	4.13	3.67	4.08	3.90	4.47	4.32	4.08	3.22	4.22	4.00
Our ability to attract top talent.	4.11	4.20	4.19	3.80	4.13	4.26	3.89	4.43	3.78	4.44
Product market.	4.1	4.40	3.84	3.78	4.43	4.09	4.23	3.60	3.87	4.22
Company's approach to employees.	4.09	4.60	3.96	3.89	4.00	3.86	4.15	4.36	4.11	3.88
Management skills in the company.	4.05	4.00	4.08	4.11	4.12	4.09	3.94	4.15	4.11	4.11
Our ability to control costs.	4.01	3.80	3.58	3.10	4.47	3.82	4.12	4.15	4.33	3.78
The way employees are energized at work.	3.96	3.60	4.30	3.70	3.94	3.78	3.81	4.00	3.94	4.11
General economic conditions.	3.88	3.60	3.69	3.80	4.19	3.82	3.84	3.93	4.17	3.78
Unique product characteristics.	3.85	4.40	3.72	3.88	3.54	4.16	4.06	3.90	3.53	4.11
Product differentiation.	3.77	4.20	3.80	3.30	3.50	3.95	3.81	3.90	3.44	4.11
Our ability to develop people.	3.70	3.40	3.64	3.44	3.87	3.54	3.73	4.00	3.61	3.55
The way we reward top performers.	3.59	3.60	3.69	3.33	3.60	3.68	3.57	3.43	3.72	3.22
Cost of the product.	3.55	3.20	2.96	3.20	3.46	3.83	3.89	3.10	3.83	3.75

READ THIS CHART FROM TOP TO BOTTOM: Green = top 3 drivers per industry; red = bottom 3 drivers per industry (if more than 3, tie exists).

Direct Industry-to-Industry Driver Comparison



Business Driver	Industry Sector Sample									
	All	Biotech	Consult.	Eng.	Fin, Ins, & Real Estate	IT	Man.	Not-for- profit	Services (not consult.)	Web- based Tech.
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The way we reward top performers.	3.59	3.60	3.69	3.33	3.60	3.68	3.57	3.43	3.72	3.22
Cost of the product.	3.55	3.20	2.96	3.20	3.46	3.83	3.89	3.10	3.83	3.75

READ THIS CHART FROM LEFT TO RIGHT: Green = highest industry score on that question; red = bottom industry score on that question.

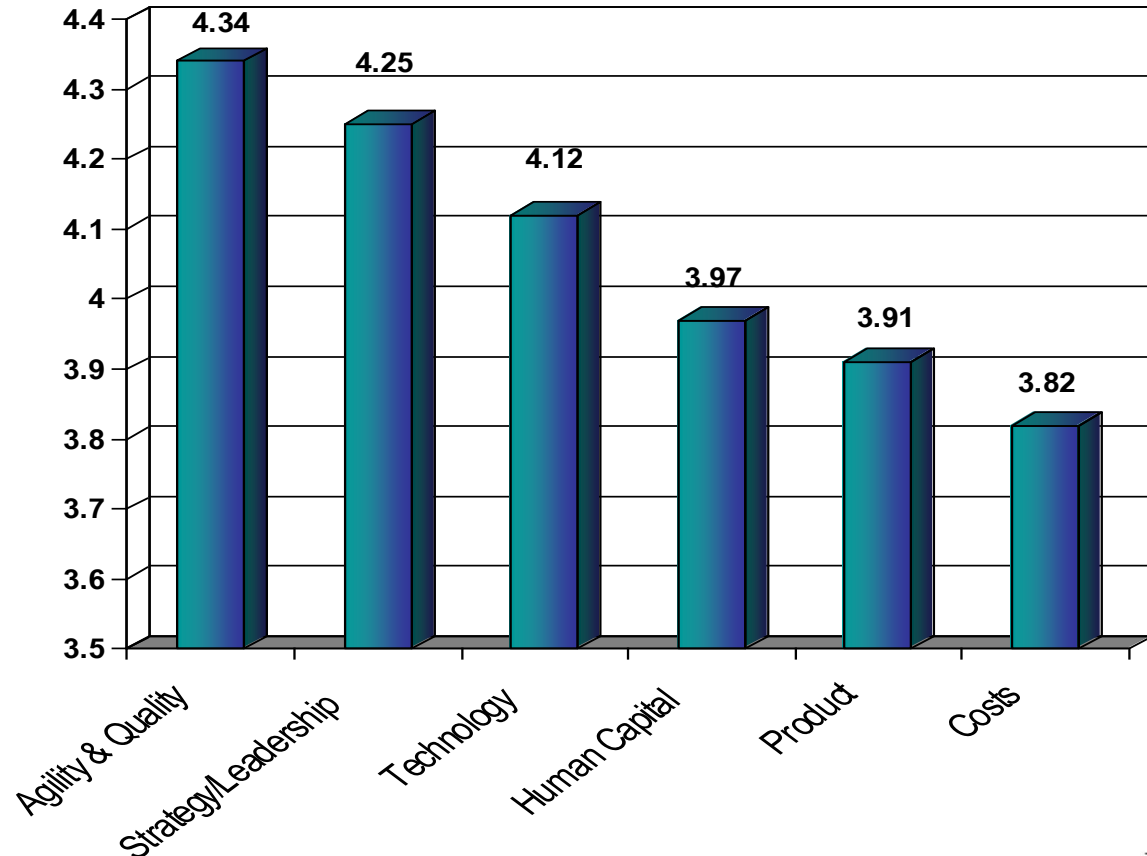
Resulting Six Categories of the Original 22 Business Drivers

We used factor analysis to group the individual items. The result is six “higher-order” categories:

1. *Human Capital*
2. *Product*
3. *Costs*
4. *Agility and Quality*
5. *Strategy and Leadership*
6. *Technology*

Higher-Order Business Drivers

- The following table captures, across industries, the relative importance of the 6 new higher-order business drivers.

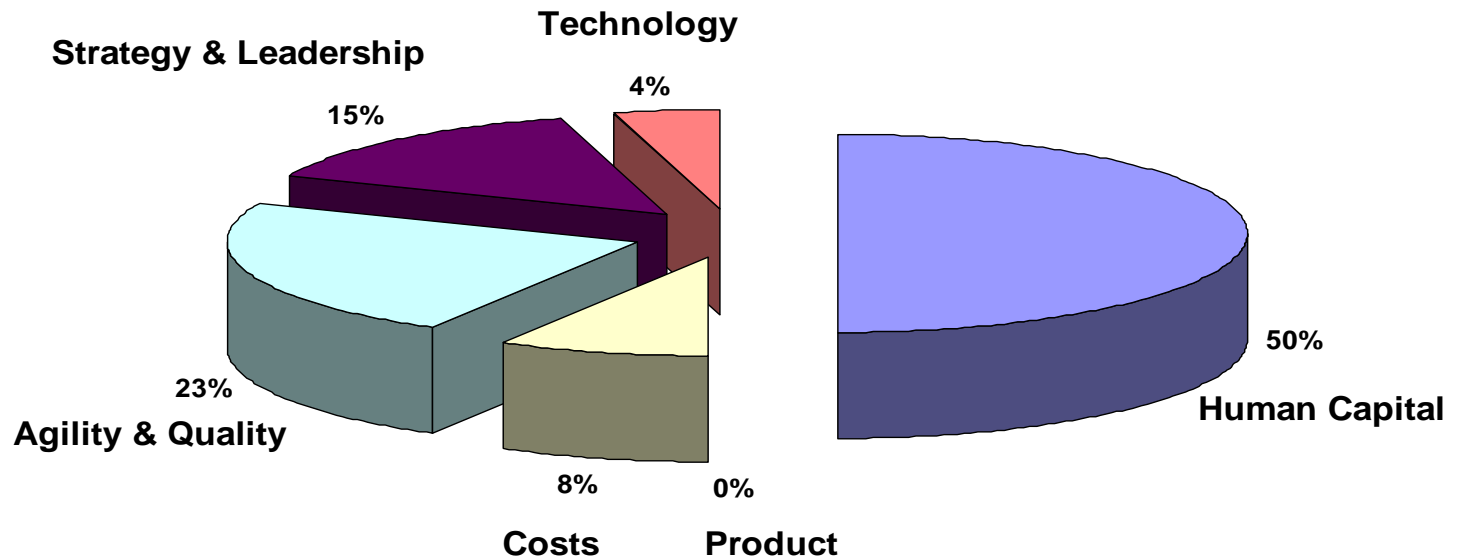


Underrated Business Drivers

- We asked respondents to tell us in their own words, which business drivers they considered most underrated.
- Using the six factors as “buckets”, we coded each open-ended comment and then placed it into one of the empirically derived higher-order factors.
 - 1. *Human Capital* 2. *Product*
 - 3. *Costs* 4. *Agility & Quality*
 - 5. *Strategy & Leadership* 6. *Technology*
 - The following pie charts reflect the percentage of open-ended comments that fell into each higher-order factor above. The results are displayed by industry.*

Underrated Drivers: Production

Underated Drivers: Production

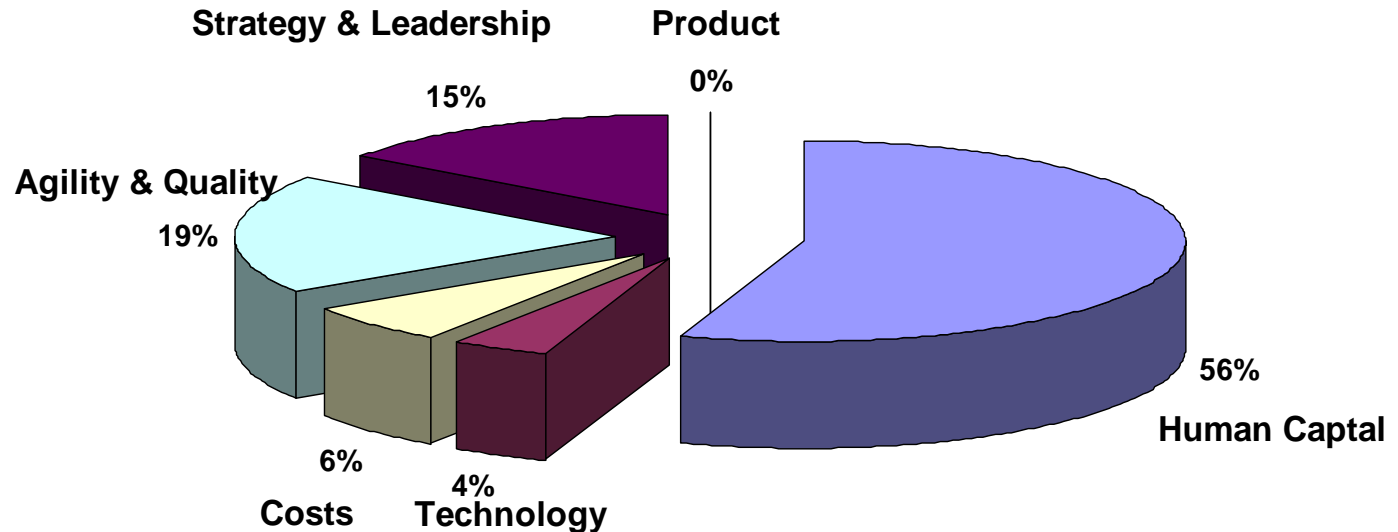


- Agility & Quality example:

“Our ability to be flexible and change quickly has led us to many new emerging markets. We give our customers what they want not what we have.

Underrated Drivers: Science & IT

Underrated Drivers: Science & IT

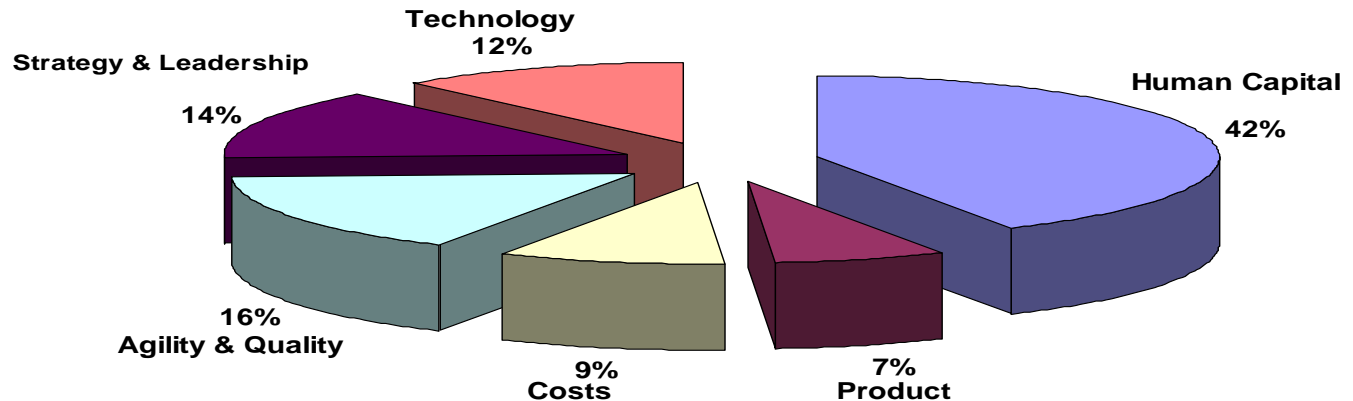


- Human Capital example:.

“As an organization, we need to concentrate on developing better managers and leaders. The more capable they are in managing and leading, the more they can develop their staff and we can maintain a very positive cycle.

Underrated Drivers: Professional Services

Underrated Drivers: Professional Services

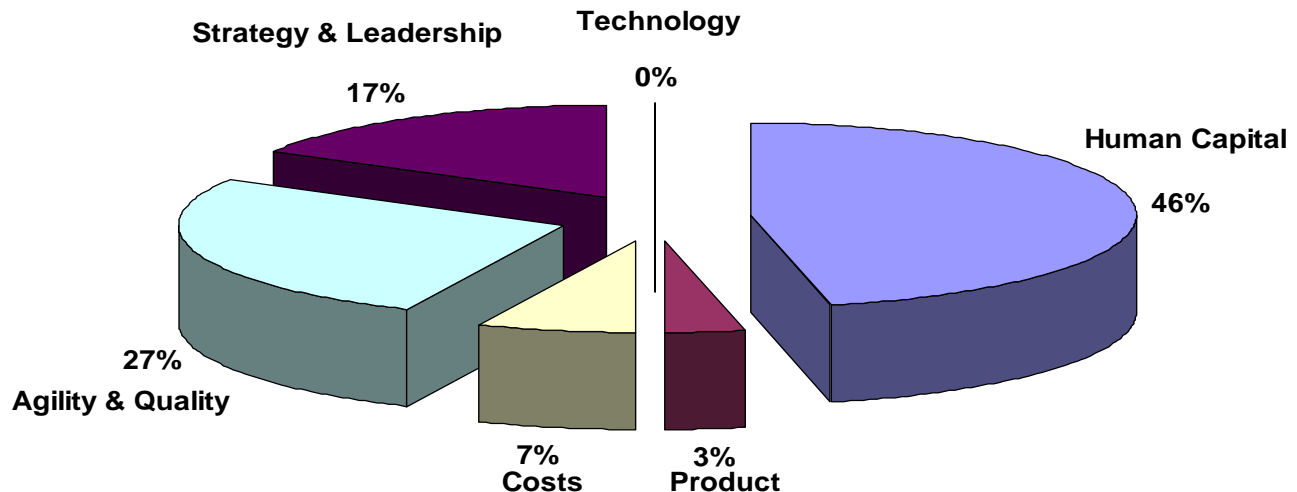


- Human Capital example:

“I think ability to develop people is underrated. Assessing talent and developing talent has proven to be a necessity to a firm's success. Succession planning is getting visibility at the Board level and I think firms will continue to recognize that...”

Underrated Drivers: Services (not consulting)

Underrated Drivers: Services (not consulting) & Wholesale/Retail

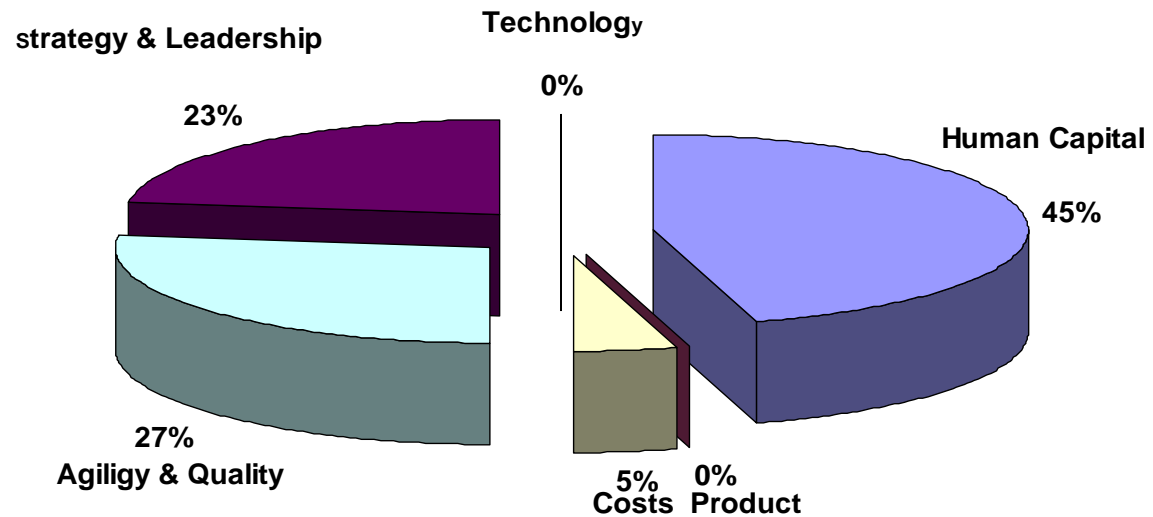


- Human Capital example:

“The way our employees are energized. It is important that we are 180 people strong and pulling in the same direction, with the same intensity. Providing employees with career opportunities help them stay focused and energized.”

Underrated Drivers: Government & Not-for-profit

Underrated Drivers: Government & Not-For-Profit



- Agility and Quality example:

“We learn a lot from our customers and they tend to treat us the way we treat them.”

Underrated Business Drivers

- **The results reveal that across industries, the most underrated business drivers fall into the “Human Capital” bucket.**
- **The human capital bucket represents a belief that human capital drivers (e.g., employee development practices, the manner people are energized, overall culture and rewarding top-performers) are perceived as important, yet underutilized and/or underrated business drivers.**

Next Steps

- eePulse research team is working on the full report; it will be available on the web site within the next few weeks
- If you want to diagnose how your leaders compare to the trends in this study, contact the eePulse research team at info@eepulse.com

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