

# leadership *pulse*



## LEADER CONFIDENCE AND ENERGY IN 2022

Dr. Theresa M. Welbourne created the Leadership Pulse in 2003.. The Leadership Pulse helps managers learn from each other, in real time using Energy Pulsing and executive learning with the Center for Effective Organizations.

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**CEO** USC MARSHALL **CENTER FOR  
EFFECTIVE ORGANIZATIONS**

## CONFIDENCE AND ENERGY IN 2022

In this report we examine data collected on leadership confidence and energy in early 2022 compared to the end of 2022 to uncover what changes occurred in the year. While Covid fears decreased for much of the world, inflation took hold, and a major land war in Europe pushed energy costs even higher. Though we obviously did not foresee the events that defined 2022, we were able to see their effects in our leaders' individual energy levels and their confidence in the areas that help lead and define their organizations. We also take a deep dive on how things changed for higher and lower performing firms in our study. While, in general, we find that higher performing firms seem to withstand large changes better than lower, when unexpected events occur like they have in the last few years, everyone has to contend with significant challenges that, regardless of a firm's performance standing, can have negative impacts on employees. Thus, learning how to recover quickly and to understand the effects of various challenges on employees are important regardless of a company's overall financial performance.

### Leadership Confidence

The Leadership Confidence Index is the average of 7 individual confidence items on a 1 to 5 scale where 1 is not at all confident and 5 is very confident. The index looks at the leadership team, the organizations people, and the respondent's leadership skills. It also looks at the leader's confidence in the strategy making process, the ability to execute that vision, and the ability to change when needed. The final item is the leader's confidence in the economic climate.



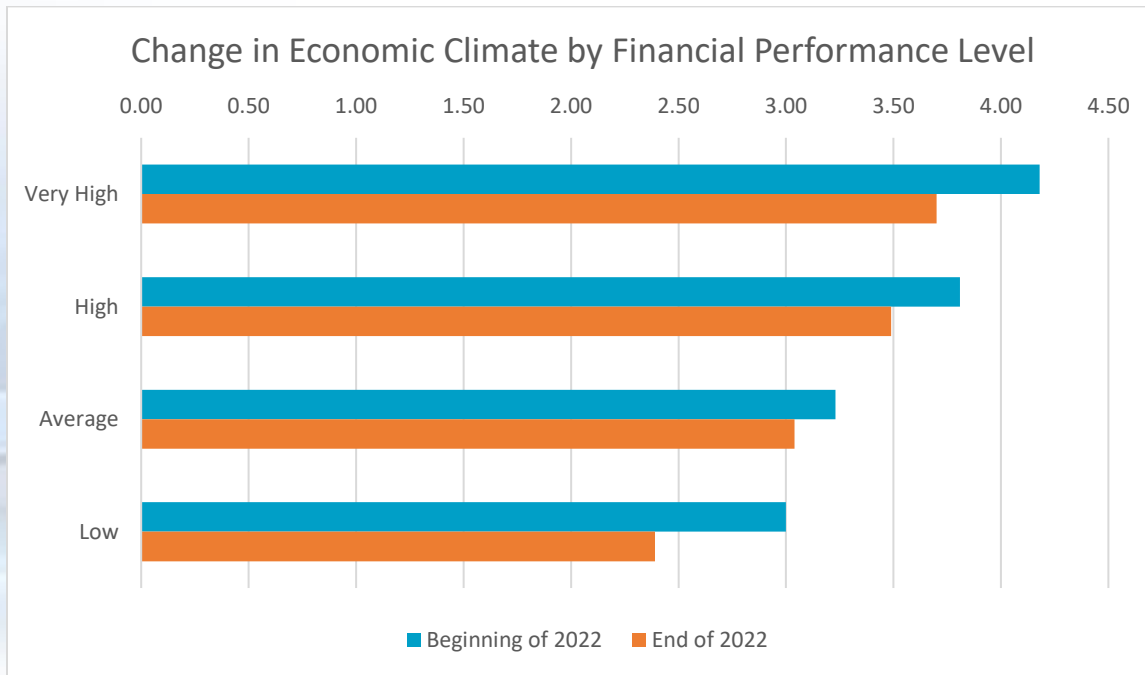
The Leadership Confidence Index did decline over the course of 2022 from 3.62 at the beginning of the year to 3.52 at the end of the year. While this is not a large change overall, when we look at the individual items, we can see which factors were driving the overall drop in confidence.



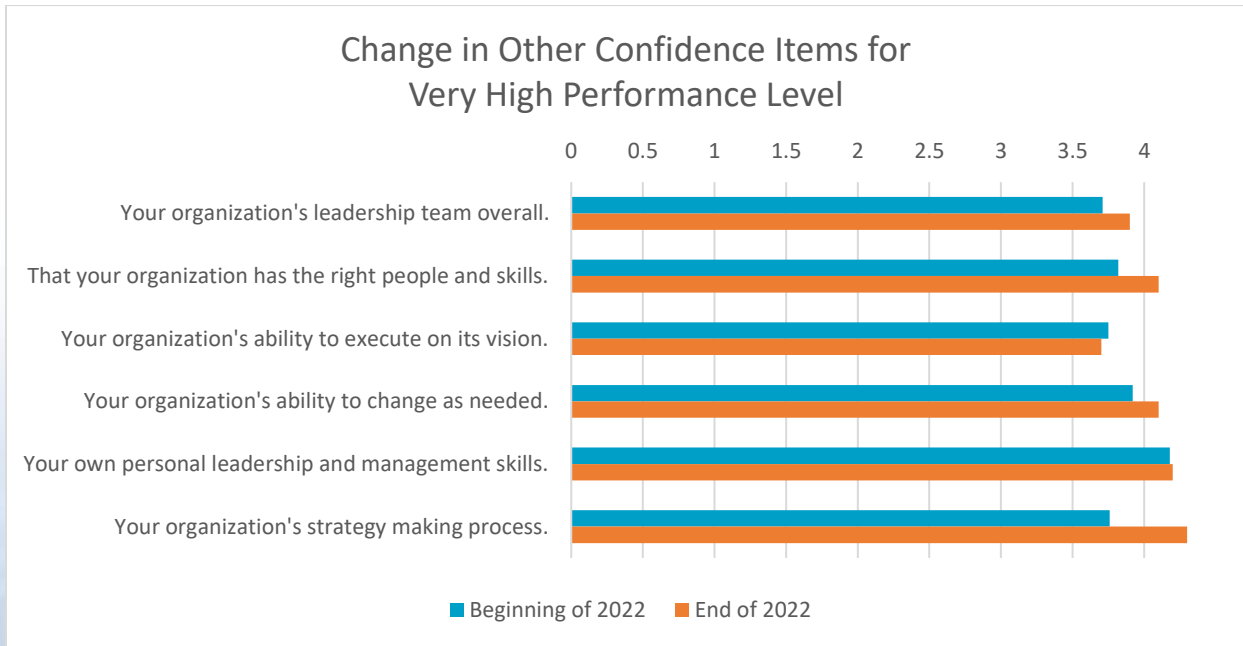
Except for confidence that your organization as the right people and skills, which did not change, the score of all of the individual confidence items declined at least somewhat. Confidence in the economic climate went down the most, ending the year 0.24 points lower. Confidence that your organization could execute on its vision fell 0.15 points, and confidence in the leadership team overall fell 0.13 points.

## Leadership Confidence Items by Financial Performance

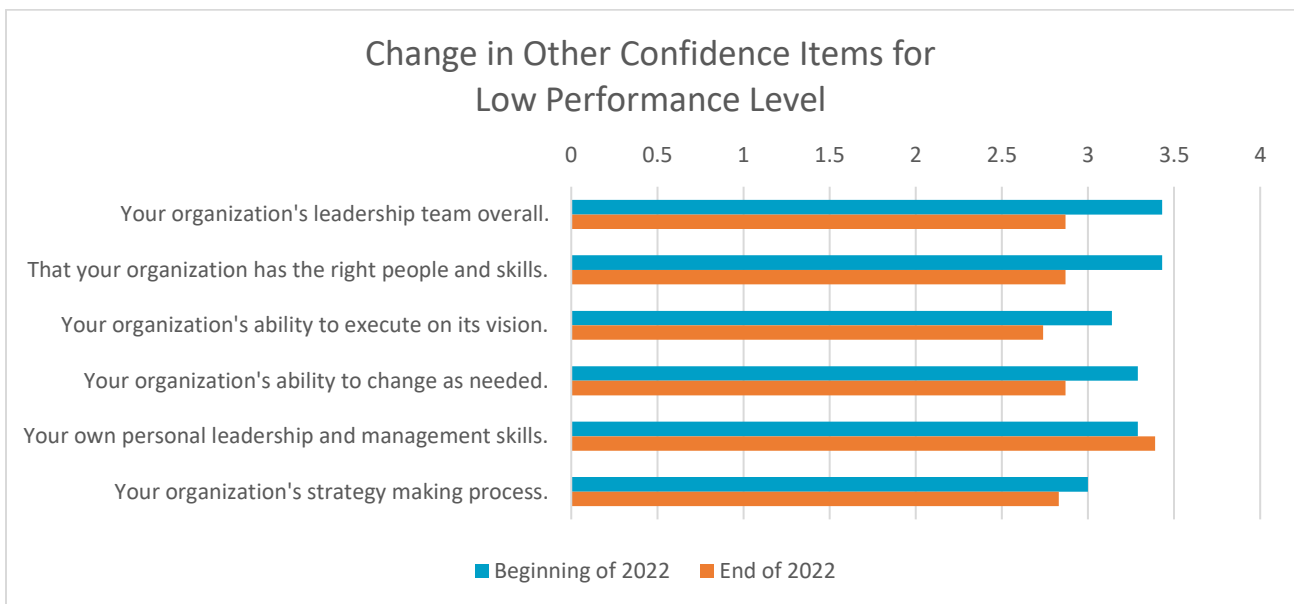
With confidence in the economic climate having the largest drop over 2022, we wanted to take a deeper dive into our financial performance demographic. We usually see a clear difference in leadership confidence with the highest performing firms scoring the highest and having the least volatility and the lowest performing firms scoring the lowest and having the most volatility. This, combined with the large rise in energy for the very high financial performance organizations, seemed to point towards a smaller drop in the confidence in the economic climate for the very high financial performance groups.



However, when we look at the change in the confidence in the economic climate across all performance levels, this pattern doesn't quite hold. The low financial performance level did drop the most, down 0.61 points over 2022, the very high financial performance level had the second largest drop at 0.48 points. Average performing firms saw the smallest drop at 0.19 points. So over 2022, while confidence in the economic climate decreased across all financial performance levels, it is both the highest and lowest performing groups that were affected the most. This is likely because an economic downturn and interest rate increase mean that the highest financial performing groups are likely not going to be able to sustain their current level of performance, while the same conditions for low financial performing groups mean that it will be harder for their organizations to make gains financially and could make a bad situation worse. But having a declining confidence in the economic climate is where the similarities between these two groups ends.



When we look at the changes over 2022 in the remaining Leadership Confidence items for the very high financial performance group, we see that most of them increased. Confidence for in their strategy making process, up 0.54 points, and that they had the right people and skills, up 0.28 points, show large rises in key areas that will help very high performing firms navigate economically difficult times. Additional confidence increases in the leadership team overall, up 0.19 points, and the organization’s ability to change as needed, up 0.18 points, show clearly that leaders in very high financial performance companies feel they can succeed even when the economic climate may not be favorable for them. This is also supported by the increase in energy level shown earlier.

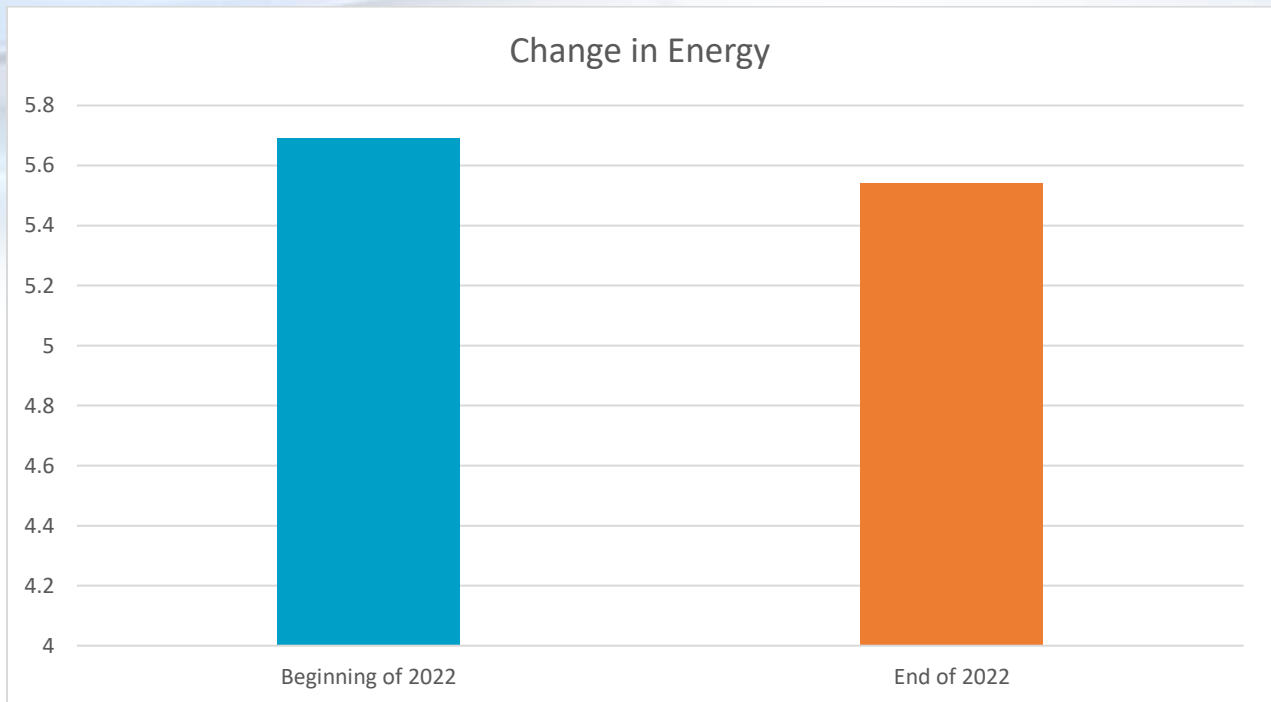




In contrast, the outlook for the low financial performance organizations is not nearly as positive. Over 2022, there were large declines in confidence in the people in the organization with the leadership team overall and that the organization has the right people and skills both down 0.56 points. There was also confidence declines for the low financial performance groups in the direction and resiliency of their organizations with the ability to change as needed down 0.42 points, the ability to execute on their vision down 0.40 points, and the strategy making process down 0.17 points. Only the individual’s confidence in their own leadership and management skills went up, with a small increase of 0.10 points. This is reflective of individuals losing confidence in their organizations overall and individuals having to increase their reliance on themselves.

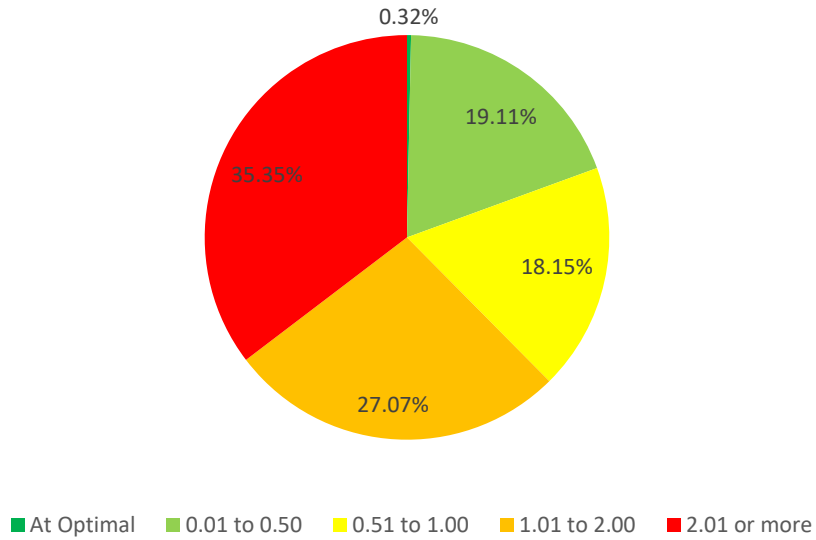
### Energy Levels and Trends

The Leadership Pulse Energy metric uses a 0 to 10 optimization scale, where 0 is no energy and 10 is referred to as “dangerously high energy” --an over-energized state that can reduce productivity and lead to burnout. We ask leaders to rate both their current working energy level as well as their optimal energy level, the level at which they are at their best.



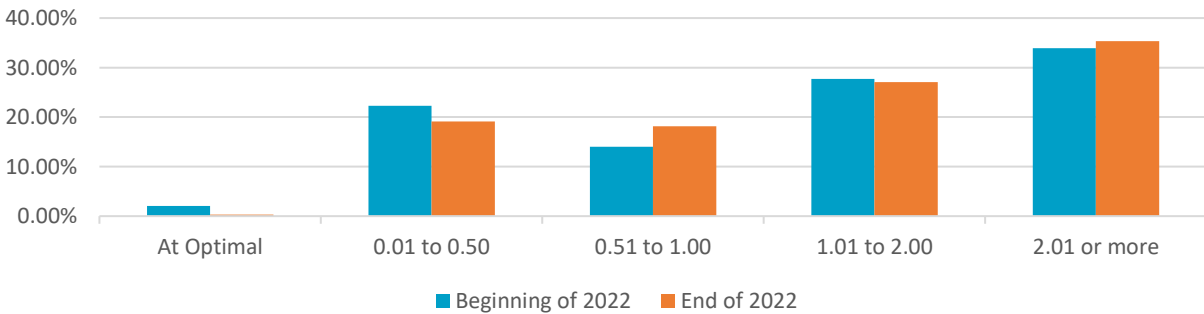
Energy at the beginning of 2022 was low at a level of 5.69, and by the end of 2022 fell even further to a level of 5.50. For context, 2022 was the first time in the 20-year history of the Leadership Pulse that leader energy dropped below 6.0. Energy is a predictor of both individual and firm performance, and this leads us to the conclusion that the business challenges of the past few years have had a very real effect on the physical and mental energy levels in our organizations.

### Points Away from Optimal Energy at the End of 2022

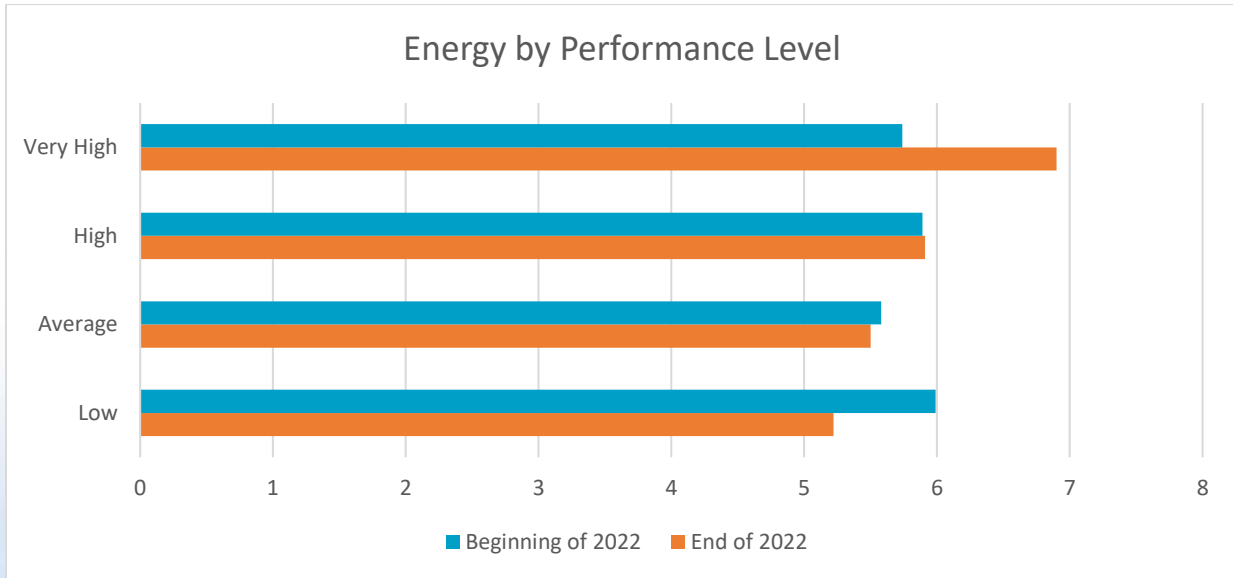


Since we also ask leaders what their optimal energy level is, we can determine the gap in energy from where they are to where they are at their best. Our energy data has consistently shown that a gap of more than 1-point leads to a higher risk of loss of efficiency and productivity. At the end of 2022, 62% of leaders who responded were more than 1 point away from their optimal energy level.

### Points Away from Optimal Energy

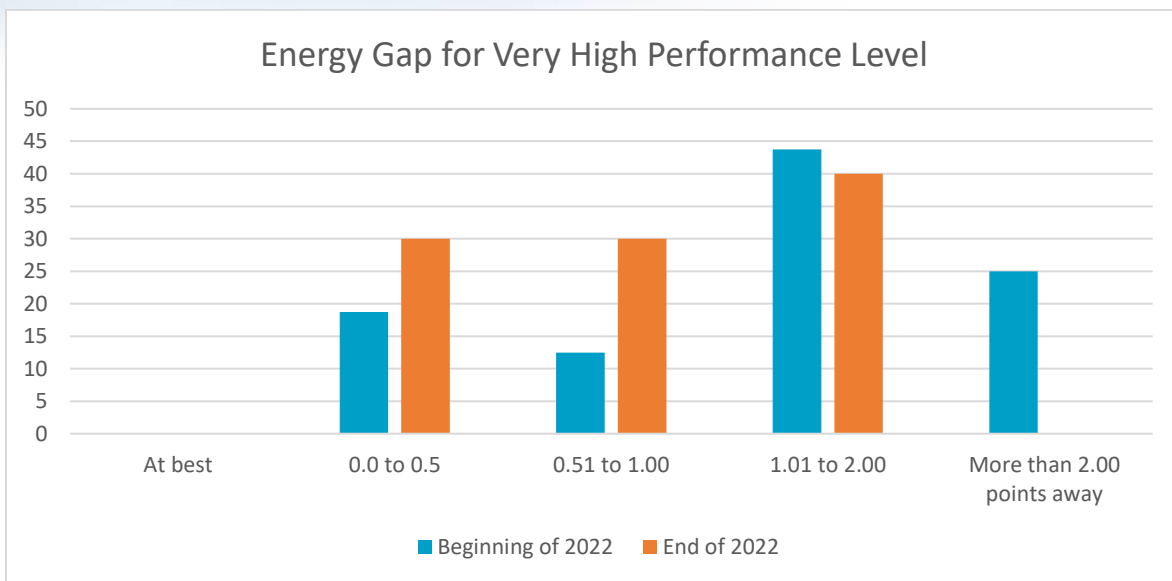


While this is only slightly down from, the 61% more than 1 point away that we measured at the beginning of 2022, when we compare the energy gap groups for the beginning and the end of 2022 we can see that the biggest movement is actually in the decreasing percent of leaders at or near where are at their best and the increasing percent and the increasing percent that are between 0.51 to 1.0 points. While this group is not the highest risk level, it highlights the slow shift of leaders who are not working at their best.



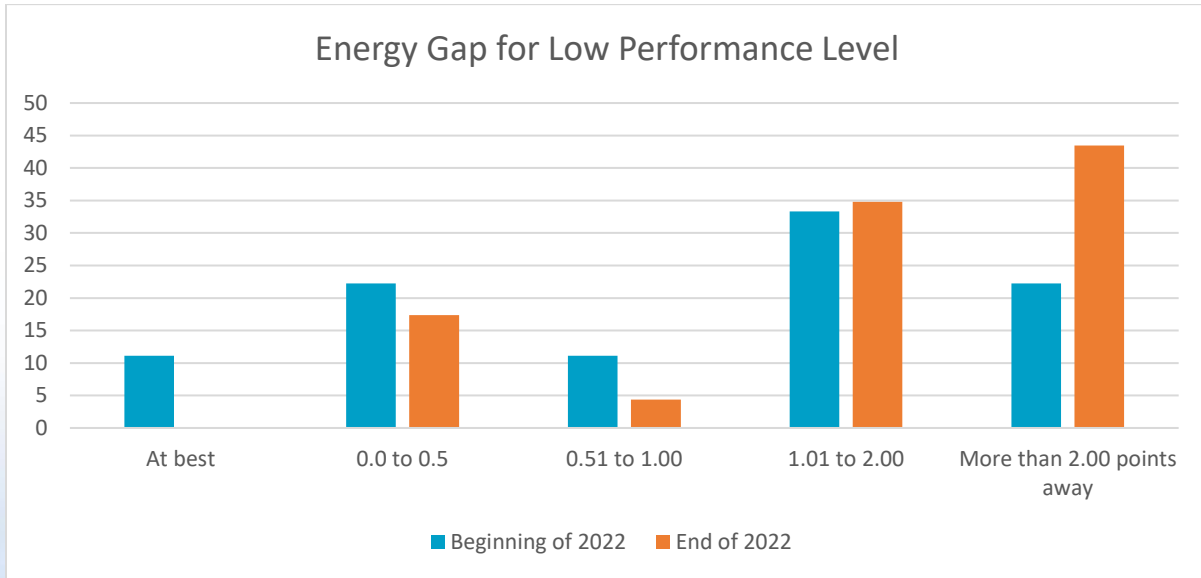
### Energy Level by Financial Performance Level

When we look at the change in Energy broken down by financial performance, we actually see some very revealing information. The very high financial performance group actually saw a substantial increase in energy levels from the beginning of the year to the end of the year and have rebounded to an energy level close to 7. High and Average performance groups did not see much change, but Low performing organizations seem to be driving most of the drop in energy levels.



When we compare the difference in energy gaps over 2022 for very high financial performing firms, we see that while they do not have any respondents at their best energy level, they also do not have any respondents more than 2 points away from their optimal energy level. Further, the percent of individuals who are more than 1 point away from their best is just 40%.





When we compare that to the changes in 2022 for the low financial performance group, we see a stark difference with nearly 5% of individuals being more than 2 points away from where they their optimal energy level, which is almost double what it was at the beginning of 2022. In addition, over 75% of the low financial performance group are more than 1 point away from their optimal energy level.

## Good Energy and High Confidence

To further understand the relationship of Leadership Confidence and Energy in the very high financial performance and low financial performance groups, we created a distribution comparison using a 4-quadrant cross-tabulation. Individuals in both financial performance groups were categorized as either “High Confidence”, an individual Leadership Confidence Index score of 3.5 or above, or “Not High Confidence”, an individual Leadership Confidence Index score of 3.49 or below. We also categorized the same individuals as having “Good Energy”, where their energy level was 0.5 points or less from their optimal energy level, or as having “Not Good Energy”, where their energy level was 0.51 points or more from their optimal energy level.

**Low Performance-End of 2022**

	Not High Confidence	High Confidence
Good Energy	13.0%	4.3%
Not Good Energy	73.9%	8.7%

**Very High Performance-End of 2022**

	Not High Confidence	High Confidence
Good Energy	0.0%	30.0%
Not Good Energy	10.0%	60.0%

For the low financial performance group, we see that at the end of 2022, nearly ¼ of individuals did not have high confidence levels and were not close to their best energy level. In contrast, 90% of the very high financial performance group had high confidence levels and one third of those were working within 0.5 points or less of their best energy level.

### Low Performance-Beginning of 2022

	Not High Confidence	High Confidence
Good Energy	14.3%	14.3%
Not Good Energy	42.9%	28.6%

### Very High Performance-Beginning of 2022

	Not High Confidence	High Confidence
Good Energy	0.0%	18.8%
Not Good Energy	18.8%	62.5%

When we compare those percentages to the beginning of 2022, we see that just under 43% of individuals in the low financial performance group were neither at a high confidence level nor at a good energy level. For the very high financial performance group, we see that under 19% of them were both at a high confidence and good energy level.

### Low Performance-Previous 10 Years

	Not High Confidence	High Confidence
Good Energy	7.8%	11.7%
Not Good Energy	55.5%	25.0%

### Very High Performance-Previous 10 Years

	Not High Confidence	High Confidence
Good Energy	2.9%	28.3%
Not Good Energy	16.2%	52.7%

In order to determine what the norms are for this, we aggregated data from the previous 10 years (2011-2021) of leadership confidence and energy data and applied the same analysis. This shows that at the end of 2022, the low financial performance group is well below expected levels for the percentage of high confidence individuals. For the very high financial performance group, the high confidence group was slightly below normal levels at the beginning of 2022, and slightly above normal levels at the end of 2022. This further shows that the very high financial performance group is building confidence and energy, while the low financial performance group is losing it.

## Summary

The events of 2022 resulted in an economic climate that is not favorable for most organizations and affected the energy levels of many of our leaders, impacting their ability to consistently do their best work. However, the story is quite different for organizations with very high financial performance. They have strong pillars for success which include their people and their strategy making process. This in turn seems to be having a strong positive effect on their leader's energy levels. Those in low performing firms are seeing the opposite effect. Their organizations lack these strong pillars, and they are forced to rely increasingly on themselves. This in turn has a draining effect on their energy levels making it much harder for them to be at their best at work which is not helpful for their individual or their organization's ability to perform well in tough circumstances.