



7 October 2011

## CONFIDENCE - YOUR DOUBLE-EDGED SWORD

### Showing and testing confidence

1. What can you do to appear more confident? First, having clear evidence for your position is likely to fill you with increased confidence. Also, it is likely to be a useful counter to those who are confident but have nothing to back their assertions with. In complex contexts, it may be useful to consider different scenarios.

Second, once you've gathered your evidence and developed your argument, practise delivery. If possible, test your ideas with someone who won't be in the discussion.

2. What if the team always seems to gravitate to the solution of the first speaker, even if it considers others? First, vary who starts the discussion. In particular, ensure that you don't start with the thoughts of the person who carries the most authority and whose views may sway others.

Second, state the problem and ask members to independently write down questions and solutions that spring to mind. Then, over time, have different people open the discussion. Invite colleagues to read their written contributions for the greatest chance of diverse opinions. It's a great platform for those who might be less confident to share their ideas.

### *Unbelievable!*

"Investors were left reeling as the abrupt demise of the Lehman Brothers investment bank sparked the biggest shake-up on Wall Street in decades", wrote the Economics Editor of The Sunday Times on 16 September 2008. The 158 year-old institution, having withstood many tumultuous financial crises, collapsed.

Many regard the Lehman Brothers collapse as a pivotal event in the GFC. Pretty much the final straw or tipping point. According to Andrew Clark of the Guardian in 2009, it "pushed capitalism to the brink".

Some of the worst market swings in recent times coincided with 9/11 remembrances. This prompted another Guardian journalist, Michael White, to compare the GFC with the collapse of the twin towers. "The 2008 financial crisis is likely to be seen", in the long run, "as more significant than the fall of the twin towers", he said.

### *Collapse of the bastions of confidence*

The collapse of Lehman Brothers was a shock. And the collapse of the World Trade Centre, shocking and tragic! Both events profoundly impacted our world in many ways, one of which was shaking confidence. Think back to the days before each of these events. Few would have forecast their collapse? Instead, suggestions to that end would have been scoffed at. Why? Because of confidence in their longevity.

These examples of failed confidence help challenge a fairly pervasive 'love of confidence'. According to Harvard Psychology Professors, Chris Chabris and Dan Simons, while confidence is itself not a problem, the love of confidence is. They point to the 'extraordinary' value that Western society places on self-confidence. They also present compelling evidence suggesting confidence is an illusion more often than people would like to admit, with less than ideal outcomes.

### *Some discomfort in challenging confidence?*

It's rather awkward writing about this topic! It seems an affront to all we believe about doing a good job and getting ahead. Surely we need more confidence in the world, not less? At face value that's surely correct? How confident are you in reaching a similar conclusion? Let's take a closer look at some evidence to assist decision making.

First, you've probably chuckled at the numerous studies where a large majority of a population thinks they're more competent than average. If 50% need to score below the average, how is it that in these studies upwards of 70% of respondents self-assess as being "above average"? Misplaced confidence!

Until December 2008 you might have valued being among the many high-profile investors in Bernard L. Madoff Securities LLC. It was one of Wall Street's top market maker businesses. But, even before his sentence in June 2009 to 150 years in prison for fraud, it became clear that Madoff was the consummate confidence trickster. The one-time non-executive chairman of NASDAQ had built his empire on a lie, made believable with a huge amount of confidence.

Finally, reflect for a moment on the very high rate of failed mergers. Few would want to involve themselves in an enterprise likely to destroy much more value than it creates. Yet, confidently believing they will create greater value, companies spend huge amounts acquiring and merging. Research indicates that over 70% of these initiatives fail to deliver intended value. Misplaced confidence!

None of these three accounts are as epic as the collapse of Lehman Brothers or the twin towers. However, they are additional reasons for thinking more carefully about the effect of confidence.

### *Confidence in perspective*

Confidence is vital to getting ahead. UGM's research, and other studies, shows that leaders often gain selection because they speak first or early and often. Usually, it's their ideas that teams choose to back. These contributions often precede promotion and career development opportunities.

But, just how good are the solutions that these 'leaders' offer, compared with others overlooked or discarded? As it turns out, being extremely confident about a particular course of action doesn't make it any more likely to be correct or superior. The leaders may be most convincing (and confident) but they often aren't any more accurate than everyone else.

### *Confidence as a double-edged sword*

There's simply no avoiding the fact that people place greater trust in those who are confident. If you want to get ahead, you'll need to find contexts where you exude confidence that you can do the job. If you are an employer, that's likely what you'll be looking for.

But, you might also like to know that research spotlights ignorance (or lack of context-relevant skills) as a common source of overconfidence. Experts are more likely to express doubts when they arise, for example, possible sources of error. Less skilled or experienced people may be completely unaware that these probabilities exist.

In a non-complex environment, first thoughts and early action might deliver sufficient benefit, often enough. However, complex environments are more demanding. Confidence in a course of action should not preclude checking that it's also the best option.