

Confidence: A Vicious Cycle

By Andrew Tilin

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Scholars, business leaders, scientists, and the dictionary all have their own nuanced definitions of the word. Rosabeth Moss Kanter, the celebrated **Harvard Business School professor** and author of *Confidence: How Winning Streaks & Losing Streaks Begin & End*, offered a pithy and useful definition when she wrote that confidence is “the expectation of positive outcomes.” This is a great way to conduct business, of course, but most of us know that living by these words is a difficult practice. Confidence is a complex quality that plays tricks on us, which is why we sometimes lack confidence when we shouldn’t, or become overconfident at times when we should show some humility. In short, maintaining confidence takes work.

In good times: Confidence swells.

We all know what happens when the economy hums: A lot of what businesspeople try works. AIG discovers a profitable market in insuring dicey securities. General Motors sells lots of gas-guzzling sport utility vehicles. Innovation and entrepreneurialism flourish because the odds of success rise. And confidence climbs higher — often, as we can now see so clearly, dangerously high. “There’s evidence that in good times, suddenly everyone thinks that they’re better than everyone else,” says Don Moore, an associate professor of organizational behavior and theory at Carnegie Mellon’s Tepper School of Business. “On average, that’s just not true.”

Our problem? We can’t easily view our achievements with anything approaching objectivity. In a study on confidence published last year, Moore gave participants 18 computer-based trivia quizzes and then asked them how well they did. Turns out, most were horrible at assessing their performances — about 90 percent of the subjects guessed wrong about how they did.

Hubris and delusion, as you might imagine, are a dangerous combination. When things are going gangbusters, the truth is we get too full of ourselves. Our confidence has us looking at our businesses through rose-colored lenses.

In stable times: Overconfidence dictates.

When business is OK but unspectacular, we get conservative. We lean on practices that served us well during the earlier boom. Our confidence lies in the fact that we know what works, and we stick with it.

But that confidence can lead us astray again, as we adopt the false belief that experience can replace effort. Veteran cops do this: Moore cites well-known research in which seasoned policemen frequently erred in determining whether or not suspects were telling the truth. The related study, titled "[Who Can Catch a Liar](#)," proves that few folks really can. Experience, it turns out, counts for little. "If I teach the same class for 10 years and start failing to prepare, then my performance suffers," Moore says. "You have to find that sweet spot: sufficient poise to work with what you've already got, and sufficient anxiety to invest time and energy into your work."

In downturns: Confidence evaporates.

Here's where we are now. The economy has tanked. People are paying off mortgages worth far more than their homes; folks are out of work. Those still on the job, including company management, walk around office hallways with their heads down, in part because they fear becoming the next casualty.

Again, Moore says that confidence — really, the lack thereof — is misleading, slightly out of whack with reality. Yes, the national unemployment rate is a sobering 8.5 percent, but that means the employment rate is still 91.5 percent. Real estate is cheap, certainly compared with a few years ago, when those looking for homes bemoaned the sky-high prices. Weaker businesses are ripe for acquisition.

You have to look at the proverbial glass as half-full. "These days, I bet there are a lot of managers imagining that they're not doing well, and that others are doing better," says Moore. "On average? That's untrue."

Confidence experts say that in these stressful times, leaders need to be level-headed and courageous. Be brutally honest with yourself and others, and get comfortable with making changes and even going against the grain. Marriott, for instance, recently took what could be viewed as a leap of faith when it agreed to buy West Virginia's [iconic and bankrupt Greenbrier resort](#). In the long run, the hotel's estimated \$130 million price tag could very well represent a bargain. "This is a time to do things even if you don't want to do them," says Marina Gorbis, who runs the [Institute for the Future](#), a Silicon Valley think tank. "This is a time for heroic actions."
