A test of leadership

What makes a good leader? **Dennis Tourish** stresses the importance of listening to opposing views and highlights the dangers of hubris, showing how it can lead to bad management decisions

Imagine that you are a professional tennis player preparing for the first Grand Slam final of your career. Which of these mindsets is most likely to be of help? You could feel pessimistic about your chances: you have never done this before while your opponent has won several tournaments. Or you could feel "just" confident: I have prepared well, my opponent may have a better record than me, but I have practised hard and, on the day, who knows? I might be lucky. Alternatively, you might feel "over" confident: this is my day and my time. Victory here is my destiny.

It should be obvious that mindset three is the one most likely to be of help. A great deal of research, much of it reviewed by Phil Rosenzweig (2014), shows that what psychologists call "positive illusions" help us to cope with adversity, survive tough times, be less willing to concede defeat, and be more likely to persevere in the face of competition. When such illusions are absent, we are more likely to fail, to become unhappy and even depressed. Rosenzweig goes on to argue that such forms of over-confidence are also vital in business. When you are competing in a tight marketplace, it pays to believe that success is the most likely outcome, or even that it is inevitable. In that way, you put in your best effort, encourage others to do the same and increase your chances of success.

But everything has its limits. I am particularly interested in hubris and its effect on how leaders make decisions. Hubris can be described as over-confidence on steroids. Guy Claxton and his colleagues characterise it in their book, *Hubris in Leadership,* as "excessive self-confidence, exaggerated self-belief and contempt for the advice and criticism of others". Hubristic leaders become intoxicated with power, develop a messianic manner of talking to other people, disregard facts and evidence that go against their predetermined wishes, and become overly convinced of the rightness of their decisions. Confident and even over-confident people remain tethered to reality. Hubristic people increasingly inhabit a fantasy world of their own imagination.

Imagine, once more, that you are a tennis player facing that Grand Slam final. Events will soon let you know whether your self-belief is justified. You will either win or lose. While success is welcome, top players dissect the reasons for defeat after each match. They then sit down with expert coaches to devise minute changes to their training regime, diet and racquet strokes to squeeze out improvements for the next performance. But hubristic leaders insulate themselves from such critical feedback. They are helped to do so by the organisational contexts, management practices and leadership theories to which they are exposed. In particular, as Pasquale Picone and his colleagues have argued in their paper "The Origins of Failure", hubris "emerges when the individual claims a centralisation of structural power for an extensive period of time".

What are the characteristics of such centralised power structures and what can be done about them? I have interviewed people who have extensive experience within banking and financial services to address these issues and asked them to identify significant situations where a range of hubristic behaviours have become apparent, and to consider how they became entrenched. Some examples are given below.

My own research suggests that many of us are far too enthralled by what has become the dominant theory of leadership during the past few decades – transformational leadership. In reviewing what I call its "dark side" in my book, *The Dark Side of Transformational Leadership*, I have argued that some leadership theories overstate what leaders can accomplish. They depict them as paragons of virtue and oracles of wisdom, able instantly to size up any business challenge and come up with the right strategic response – secular miracle workers to whom all decision-making responsibility must be entrusted.

This has two effects that encourage hubris. First, those convinced that they are such leaders tend to underestimate the importance of feedback from others. After all, the theory suggests that they already know most of the answers and that their job is simply to communicate this to "subordinates". Second, those who do not hold formal leadership positions are more likely to feel over-awed by authority and suppress whatever critical sentiments occur to them.

> One manager became abusive and began wielding a baseball bat

The evidence on both points is overwhelming. In one study, three-person student teams were engaged in a joint writing exercise. More precisely, two people were engaged in the task while one had the job of evaluation – in essence, the last one was allocated the role of a boss. When, at a certain point, a plate of biscuits was provided, the evaluators were more inclined to take a second one, while also chewing with their mouths open and spraying crumbs in all directions.

Bob Sutton in his book, *Good Boss, Bad Boss*, sums up the leadership implications as follows: "When people (regardless of personality) wield power, their ability to lord it over others causes them to become more focused on their own needs and wants; become less focused on others' needs, wants and actions; and act as if written and unwritten rules others are expected to follow do not apply to them." Hubris follows.

Nevertheless, we regularly put people in social situations where they have considerable power, often experience the buzz and rewards of success, and are tempted to engage in risky behaviours, since the pay-off is so great. Most leadership theories pay far too little attention to the need for counter-balancing mechanisms, in which, for example, leaders receive much more critical "upward" communication on their behaviour and where clear limits are placed on their power.

My interviewees have offered many fascinating examples. One held a senior position in a financial services company. Her chief executive, also female, installed a key system in the lift outside her office, which was naturally on the top floor. This enabled her to descend to the basement where her car was parked without stopping at any other floor. At one fell swoop, the opportunity,or danger, of informal interaction with a variety of employees was removed. It is not hard to imagine the feelings of entitlement and superiority that this developed.

As an illustration, my interviewee met her chief executive queuing at the check-out desk of a local supermarket and exchanged some pleasantries with her. But the following day, she was summoned by her line manager and reprimanded for doing so. Clearly, over-confidence had become an exalted sense of specialness that deserved treatment different to that given to other mortals.

This constrains the willingness of people to provide critical feedback because contempt for such feedback is one of the characteristics of hubris. Organisational systems reinforce this problem. Ingratiation theory shows that when there is a power or status difference between people, the person with the lower status exaggerates how much they agree with the higher-status person in order to acquire influence with them. The catch is twofold. Communication consists increasingly of praise and flattery. In addition, given that most of us exaggerate how well we perform in roles with which we are familiar, this defective feedback is taken at face value. Eventually, the recipient becomes like a rock star surrounded by a sycophantic entourage: they believe their own publicity. Their grasp of reality dims and nurturing ground for hubris is created.

Many of my interviewees had painful experiences of this process. They described financial leaders who often overtly discouraged critical feedback or else dismissed it as obviously incorrect. The behaviour could be extreme. One interviewee, a former senior HR manager in a large bank, discussed the actions of a senior manager who went on to become its chief executive. When a colleague challenged a decision, he quickly resorted to abusive language and then wielded a baseball bat in a threatening manner. No action was taken.

Nor is the financial sector renowned for minimising reward and status differentials between its senior managers and other staff. This further fuels the ingratiation practices so central to the development of hubris. The average chief executive in the US now earns 350 times the salary of the average employee in his or her company. Twenty years ago, the ratio was 40 to one. This is fertile ground for magnified status differentials, distorted relationships, ingratiation, a sense of entitlement beyond all reason – and hubris.

Other routine organisational practices are culpable here, too. The Royal Bank of Scotland, under Fred Goodwin, imported "rank and yank" into its appraisal process. This system of forced curve measurement required managers to classify employees into three categories: those that performed well, who received huge rewards; a middle group who were deemed to be satisfactory; and a "bottom" group alleged to be under-performing, who were targeted for dismissal.

The same system was used within Enron, whose bankruptcy in 2001 was at that time the biggest in US history. The culture of fear seen at Enron, which discouraged dissent, was also seen to take root at RBS. High sales targets were set and became the ultimate criteria for promotion and bonuses.

Many side effects proliferated, including attempts to poach customers from other banks who were often poor credit risks and needing further loans, which their existing banks would not provide. But persuading them to switch enabled individuals to meet high targets for new business, and so prosper under the system in place. Senior managers, deprived of critical feedback and too removed from the front-line to know better, fortified their self-belief with the conviction that good-looking numbers proved that their business strategy was sound.

Confidence, over-confidence or hubris? In my view, it is definitely evidence of the last. It would be difficult to argue that the mind set of senior people at RBS was sensible, or to defend the management systems that produced it.

What, ultimately, is the way forward? I offer several suggestions. The first is that we become much more critical of theories that appear to suggest that those in formal leadership positions are somehow uniquely qualified to articulate a way forward. They do, of course, have insights that matter, but so do many others. Leaders need to take advantage of the intelligence that surrounds them, rather than subordinate it to their own preferences and prejudices.

Flowing from this, I believe that the most effective leaders encourage an attitude of dissent and open debate. This does take time and effort but it is vital. As Manfred Kets De Vries noted in his book, *The Leadership Mystique*: "Effective organisational functioning demands that people have a healthy disrespect for their boss, feel free to express emotions and opinions openly, and are comfortable engaging in banter and give and take." Without this, when leaders make mistakes, there is no corrective voice to say so, and no opportunity to change course. RBS, Enron and many other large organisations are sobering examples of where this mindset can lead.

Jonathan Swift, author of *Gulliver's Travels*, put it best: "The only benefit of flattery is that by hearing what we are not, we may be instructed what we ought to be." Management meetings should combat the tendency to bask in positive feedback and instead focus on questions such as the following.

- What problems have come to our attention recently?
- What criticisms have we received about the decisions we are taking?
- Are the criticisms valid, partially or completely? What should we change in response to them?
- How can we get more critical feedback into our decision-making processes?
- How can we reduce status and reward differentials quickly?

There are benefits from being confident and even, in certain circumstances, from being over-confident. There are none to be gained from hubris. Many of our leadership theories have been complicit in the latter rather than the former. Many of our management systems, and the designs of our lifts, are also at fault. Organisations, employees, societies and, for that matter, many leaders have not benefited from this. It is time to rethink and redesign what we do.

References

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