When executive confidence and competence diverge

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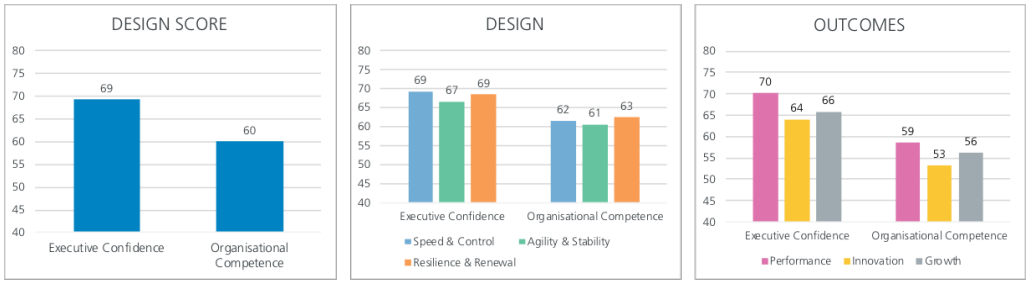
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Many advisory colleagues may recall coffee conversations after social and business events with executives about management. Conversations stall after the first question. No need to further discuss management. It feels like management is a sort of «holy grail» that is off any casual conversation. The message is clear «we know what we are doing».

From our diagnostic work on agile management, we know: Executive confidence and organisational competence differ. It's known as the Dunning-Kruger effect. The gap between confidence and competence has far reaching consequences for businesses: missed opportunities, lack of team alignment, faulty development decisions, and more.

The ongoing research compares the scores from single executives taking the survey and labelled that as executive confidence as compared to when entire teams answer the questions which we label as organisational competence. The survey reviews agile management and organisation through a variety of elements which in combination we call the agile design score.

The following graphs show the differences between executive confidence and organisational competence on a variety of organisational dimensions. The overall design score differs by 15%. Performance and innovation scores show the biggest differences, each 20%. With other factors such as performance indicators, performance feedback, strategic management, cleverness, and motivation, the difference is 15% and higher.



Source: AGILITYINSIGHTS research 2017/18

In 1999, Cornell researchers David Dunning and Justin Kruger studied the relationship between confidence and competence. They found that people with limited skills and information in a specific area tend to believe that they are much more competent than they actually are. The Dunning-Kruger effect explains that the little bit of information and training humans get makes us feel like experts. And, experts believe that they know and are able to judge their own competence and the competence of their organisation.

"*Reality proves, that doing all well is nearly impossible.*"

Executives do whatever it takes to make their organisation perform well. They make decisions, implement decisions and review action be it on issues related to customers, employees, suppliers, and owners. They are likely very capable of handling these tasks and believe that they are good at it. Reality proves, that doing all well is nearly impossible and the chances are high that they overestimate their own competence and the competence of their organisation. Why otherwise would it make sense to delegate work into the organisation?

The challenge for most executives is to recognize what they and their organisations are doing well and what needs work. Our natural bias for success distorts our awareness for reality.

From our work with executives we learn that asking a few questions as a team helps them to close the confidence – competence gap. Here are some questions to get started:

- How are we engaging our employees? Why do we do it the way we do it?
- How are we coordinating work? Why do we do it the way we do it?

- How are we directing our energy? Why do we do it the way we do it?
- How are we adapting to change? Why do we do it the way we do it?
- How are we making decisions? Why do we do it the way we do it?

When executive confidence and organisational competence diverge, then why not simply perform a reality check with these questions with the team. Furthermore, it may help to engage your team in conversations about the right design of management.

For more information, follow our research.

It is time for the entire management community, scholars, practitioners, advisors and writers, to push the reset button on what they know about management and rethink it entirely, starting with reality in organisations.

Justin Kruger, David Dunning: Unskilled and unaware of it. How difficulties in recognizing one's own incompetence lead to inflated self-assessments. In: *Journal of Personality and Social Psychology.* Band 77, Nr. 6, 1999, S. 1121–1134

For detailed descriptions of the elements, see: *The Performance Triangle*: Diagnostic Mentoring to Manage Organizations and People for Superior Performance in Turbulent Times. Lukas Michel, LID Publishing, London, October 2013.

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