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LOL: Able or Arrogant? The Dangers of Overconfidence

Warning: this blog may be offensive to narcissists.

Is overconfidence standing in the way of your firm's progress? Quite possibly. Many investment professionals are innately confident. Using popular personality assessments, the most common investment type is:[1]

Personality Assessment Tool	Most common investment Type	Attributes common to all three
Myers-Briggs	E/I NTJ	• Assertive • Confident • Goal driven
Enneagram	3	
DiSC	D (Driver)	

Of course, investors must be confident given the nature of their task: winning in hyper-competitive markets. Some might say they have to be overconfident given the daunting odds. The relevant question for all investment professionals is: Are you overconfident? Have you cultivated a "beginner's mindset" or a "been-there-done-that mindset." The latter can crush continuous improvement (CI).

That's a problem, because CI is recognized as crucial for success. It's become a top value in both the investment world and the business world in general (38 industries).[2] Here are measurements for existing and aspirational levels of CI.

Values Survey Results	Investment Industry	38 Industries Globally
Existing Rank for Continuous Improvement	10	14
Aspirational Rank for Continuous Improvement	2	8

In each universe, the importance of CI goes up dramatically. People get it: the world is becoming more competitive, so to stay relevant you must up your game. You must learn and improve.

Confidence is an important ingredient for CI. But it must be blended with humility. Yes, the two can co-exist. You can be very confident of the research you've done on a given investment but still be open to feedback. After all, maybe you missed something. The danger is confidence without humility. This mixture creates arrogance. Underlying the arrogance is usually a streak of insecurity. All the personality types mentioned above have a strong need to appear competent, to appear as winners. They will often mistake humility as a sign of weakness. They see humility as an absence of conviction. In their view: humble people should take lessons in table pounding.

The overarching problem is the "smartest-guys-in-the-room" syndrome. FCG encounters this weekly as consultants to the industry. Our offerings are dismissed by clients as something that "we can do internally." Whether it is leadership development, business strategy, culture building, or investment enhancement, prospects

[1] From FCG research, using all three assessments with clients
[2] Barrett Values Survey: https://www.valuescentre.com/resource-library/covid/

and clients regularly tell us, “We got this.” But often they don’t. The research is clear on this topic: people unfamiliar with a given activity tend to be overconfident. For example, someone who has never played golf may view it as easy. After all, the ball is stationery and all you must do is hit it straight ahead. Simple. But as those who have played golf know, it is anything but simple. (For me, golf is a water sport…)

I recently had a clear example of my arrogance. I used to play tennis at a high level: national tournaments, varsity in college, teaching pro. When I resumed playing after a long layoff, I assumed that I would play well without any coaching. After all, I was a pro myself. Why would I need to hire one? Well, eventually I was playing so poorly that I succumbed to lessons. Utter failure to the ego. But within a short period, I got better. Improvement required humility.

The question I put to you, dear reader, is: Has your ego gotten the better of you? Where are you resisting help? Where is your firm resisting help? In the area of culture, this phenomenon of overconfidence is almost laughable. Leaders who have been unable to develop strong, healthy cultures over long periods still insist that culture is a high priority for the firm. Furthermore, they have made it clear to HR that culture is a top strategic initiative. (Right, that will get it done.) Is this not like the underperforming portfolio manager who sticks with the same losing process? Or how about the leader who resists coaching even after their 360 reveals a “failing grade?” Failing students sign up for tutoring; failing leaders should sign up for coaching.

So, here’s my tip. Look at your career and your firm through the lens of objective reality. (You may need a colleague to help you with this…) Ask yourself: Am I/are we succeeding on our own? Or, is it time to bring in help? The 80/20 rule can be useful here. Take the culture example above. If a firm can achieve 80% success using internal resources (vs. 100% going outside), then by all means stay inside. But too often—back to our theme—arrogance gets in the way of objective reality: “We may be failing at improving our culture, but nobody outside is going to do any better.” Implication: we ARE the smartest guys in the room. If we can’t solve it no one can. Arrogance wins again. (Ego high-fives itself) The answer is forming an objective view via measurement. In my tennis example, I was hitting almost 50% of my forehands on or near the frame of the racket. After the coaching, I was down to less than 10%. Measurable. Review your work and take an honest look at where your ego is holding you back. If you’re anything like me, and I know I am, you’ll find something worth exploring.

The best leaders we know ask for all the help they can get. And take it anywhere it’s available. So, instead of looking for reasons to dismiss outside help, look for areas where it could pay dividends. Find ways to measure improvement. And do so. Don’t let a smug attitude of “we got this” derail actual improvement. Or your career could take a turn for the worse: you might find yourself humbly asking the next customer, “Do you want fries with that…?”

Humbly yours,

Jim