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THE CONFIDENCE FACTOR

THE DYNAMICS OF SUCCESS AND DECLINE IN BUSINESSES AND NATIONS

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Rosabeth Moss Kanter is the Ernest L Arbuckle Professor of Business Administration at Harvard Business School, specialising in strategy, innovation, and leadership for change. She advises major corporations and governments worldwide, and is the author or co-author of 15 books.

Professor Kanter's current work focuses on leadership of turnarounds – how winning streaks and losing streaks begin and end – which she is examining in businesses, major league sports, inner-city schools, and countries whose economic fortunes have changed.

Professor Kanter has been named in lists of the “50 most influential business thinkers in the world” (ranked #11), the “18 business gurus to watch,” the “100 most important women in America” and the “50 most powerful women in the world.”





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By Professor Rosabeth Moss Kanter

For many years, my advice to policymakers has been consistent, regardless of the issue *du jour*. Whether I focused on career opportunities for women and men, conditions for innovation, corporate competitiveness in global contests, strategies for communities and economic regions to become world class, or organising for success in the digital age, I have reiterated certain fundamentals that underlie effective social systems in the modern world: support for enterprise and innovation; the flexibility and teamwork to address new challenges; investment in people's capacity to learn and contribute. Some aspects of my empowerment propositions were once controversial to stifling bureaucracies and quasi-monopolists enjoying dominion over dependent populations. Today, as intangible assets increasingly create more value than natural resources or physical goods, exhortations to invest in scientific discoveries, entrepreneurial ideas, or people's capacity to learn sound familiar. But easier said than done. Investments of any kind, let alone in unknown, uncertain, or uncontrolled activities, require confidence – an expectation of a positive outcome resulting from investment of time, money, or emotional energy.

It is much easier to have confidence when things are already going well. It is more difficult to maintain confidence when things are deteriorating. The human tendency to extrapolate from recent performance and turn luck into trends helps shape economies of boom and bust. When things are heading up, it seems like they will always be up. Booms create sunny spirits and economies powered by momentum. But eventually, booms can also induce investors to turn into gamblers, leaders to neglect fundamental disciplines, policymakers to neglect repairs and renovations. When things are down, it seems like they will always be down. That's how depressed people feel; that's why recession-dominated economies find recovery elusive.

Winning streaks and losing streaks are familiar in politics – the Labour Party turning from moribund to a winning streak, the Conservative Party on a losing streak – and in sports. When I was a young baseball fan, the New York Yankees always won, the New York Mets always lost. In cricket (a game I've tried to comprehend via my British-born researcher,





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Emma Herbert), the West Indies enjoyed a long winning streak in international test matches, then slid into decline; Australia is now on a long winning streak; and English cricket is known for its long losing streak. My forthcoming book, *Confidence: How Winning Streaks and Losing Streaks Begin and End* (New York: Crown; London: Random House; Fall 2004) explains the differences between cycles of success or decline in sports as well as business and government – and how leaders can create structures and institutions to shift the cycle. I conducted surveys of 1,200 businesses and 1,500 secondary school sports teams; examined turnarounds in 21 banks, media companies, technology companies, energy conglomerates, consumer products companies, school systems and hospitals in North America, Europe, and Asia; and compared winning streaks, losing streaks and turnarounds in 20 university and professional sports franchises.

Winning creates a positive aura, a halo effect that encourages productive behaviour and attracts investment (of money, talent, votes, press notice, public attention) to facilitate further wins. Success makes people feel more engaged with their tasks and each other. It makes them want to spend more time with each other and help each other succeed. Respect grows, and so does security, so people are more willing to take responsibility and admit mistakes. This makes it more likely that problems will be caught and solved, as people want to pull together and find solutions. Overall, winning is associated with larger external investment, longer leadership continuity, and greater self-determination (empowerment) for the successful group or organisation.

Losing – whether in sports, business, politics – is associated with dis-investment, disengagement, and other dysfunctional behaviours. Communication decreases. Criticism increases. People shift blame to others, rather than take responsibility themselves. Respect decreases. Withdrawal increases. People's focus turns inward, to securing advantage for their own group at the expense of others. Rifts widen, and inequality increases. Initiative decreases. Aspirations diminish. Negativity spreads. A feeling of powerlessness eliminates the accountability, collaboration, and initiative winners use to solve problems and get on with the next round. Instead, everyone expects the worst of everyone else – and then act to make





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those expectations come true. At the extreme, powerlessness corrupts, producing conspiracies and cover-ups by small cabals; autocratic managers clinging to control; selfishness and petty turf battles; plots to punish 'enemies'; and the temptation to cut corners, skirt rules, make excuses, and blame someone else.

The fundamental task of leaders is to deliver confidence – and that means establishing norms and institutions that ensure behaviours of accountability, collaboration, and initiative.

- Jim Kilts began his turnaround of Gillette (whose underlying weaknesses were masked by one strong productline) in 2001 by opening dialogue, putting abundant facts on the table, setting norms that blame could no longer be shifted to anyone else, and giving people frequent performance information.
- Gordon Bethune and the turnaround team at Continental Airlines (which had gone through two bankruptcies and ten CEOs in ten years), got the 'abused children' to work together across functions by promoting a collective definition of success – ontime arrival – and offering the same \$65 reward to every person in the company if the company finished in the top group in the industry in a quarter. It took one month to move from last to the top.
- Greg Dyke and his colleagues steered a new course for the BBC by shifting resources to programme makers and broadcasters (instead of bureaucrats); establishing teamwork across divisions that had been resentful of each other, resulting in productive new collaborations under the 'One BBC' umbrella; engaging 10,000 people in small group discussions and 17,000 people in a 'big conversation' about shaping the BBC's future, live and through a webcast.

Life isn't perfect in any of these organisations. But by adopting winners' behaviours, they have generated greater resiliency and capacity to solve problems.





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There's a Catch-22 in turnarounds. Restoring people's confidence in themselves and each other requires small wins, such as the broken windows' philosophy that reduced crime in New York City. But investment is required ahead of victory. That's why new leaders are often required to lead turnarounds. When Dr Craig Feied and Dr Mark Smith joined Washington Hospital Centre to turn around the emergency department, before they would come, they insisted on funding for permanent staff jobs (instead of contract physicians) and a pioneering digital communications network. They gave people a voice and acted on their ideas, built collaborative relationships with the rest of the hospital, and used the digital network to 'empower with information' those responsible for patient care.

These principles apply beyond business and professional organisations. When Nelson Mandela became the first democratically elected President of South Africa, he had to lead the turnaround of a country from a decline cycle to the development of winners' habits. (I saw this through two pairs of eyes, my own and those of my South African collaborator, Euvin Naidoo.)

Although the events leading up to Mandela's election had ended international economic sanctions against South Africa (protesting apartheid), potential investors were aware of the risk of retaliation by an enraged and now politically enfranchised black majority against the white population. The legacy of apartheid was a legacy of decline: suppression of information, hostility of racial groups towards one another, economic inequality and lack of enterprise. Many at the bottom of the economic scale lacked confidence in their ability to improve their circumstances, especially those in settlements with no electricity, running water, libraries or computer access.

Mandela had to move the culture from secrecy to dialogue, from anger and blame to respect and accountability, from isolation to connection, and from helplessness to initiative and empowerment. Under his leadership, a new constitution was created with widespread public dialogue and participation; press freedoms were increased, the Truth & Reconciliation





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Commission allowed facts about the past to be voiced without blame or retaliation, new institutions bridged the racial divide, and investments in black empowerment began slowly to open economic opportunities. As a national symbol, Mandela modeled the message. To demonstrate accountability, he enabled black as well as white atrocities to be revealed. To promote communication across racial divides, he wore the colours of the South African championship rugby team – an all-white (with one 'coloured') legacy from the apartheid regime – in a memorable moment that brought the nation together as a large group cheering for their country as well as their team.

Whether at the helm of countries, companies, or teams, policymakers can lead their systems to a winning path by enhancing accountability, collaboration, and initiative. Through messages, personal models, and formal programmes, they can establish:

- widespread, fact-based dialogue;
- individual and group performance metrics available to people to monitor their own performance, not to sort and punish;
- resource allocations to develop and support those actually playing the game – those whose performance delivers the product or service;
- collective definitions of success and a determination to show mutual respect and solidarity;
- productive collaborations within and across groups;
- seed capital and encouragement for small wins that demonstrate the value of initiative.

Formal structures and processes undergird confidence, but what also matters is the willingness of leaders to believe in people and give them opportunities to shine. Behind every winning streak are leaders who care about the team. Then, as confidence grows and investment builds, success can become a self-fulfilling prophecy.

