



# Breaking the Good-News Bubble

AskYourTeam insights on the gap between leaders' and employees' perceptions of their organisation's effectiveness and how to bridge this gap.

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“Silence guarantees the status quo. Speaking up opens the opportunity for change.”

– MARGARET HEFFERNAN

## In uncertain times, leader – employee alignment is critical

Leaders face uncertain situations every day, and the most challenging circumstances are often completely unexpected. Today's environment means accessing information that challenges assumptions and allows opportunities and threats to be recognised is critical for leaders' success. Yet by virtue of their position, leaders' risk living in a good-news bubble and being insulated from warning signals for two reasons. Employees tend to tell leaders what they think they want to hear or are fearful of telling them the truth.

When uncertainty arises, leaders typically respond with their assumptions about 'how things are done' or the 'way things work' using heuristics. Heuristics are mental shortcuts that allow us to make decisions quickly but often without all the relevant information.

This judgement is useful and important for taking action in unpredictable situations. But it can also be limiting as cognitive biases can cloud leaders' own judgements. The risk is that leaders fail to recognise faulty thinking, and their bubbles become Teflon coated.

Our experience of working with New Zealand organisations over the past 7 years has shown that the view out of the leadership window is quite different to the view of the employees. This paper looks at the gap between leaders' and employees' perceptions of their organisation's effectiveness. It finds that building self-awareness can allow leaders to create greater psychological safety within workplaces, successfully challenge their own assumptions, and improve their ability to deliver on strategic initiatives.

# Are New Zealand leaders trapped in a leadership bubble?

Leaders' greatest responsibility is to recognise when actions need to be taken. Today's leaders are faced with a daunting task – their organisations have to be more adaptable and innovative. They have to move quickly, and leaders are charged with thinking systematically about processes, to experiment with alternatives and to be creative.

To be effective and identify unanticipated risks, leaders need information – updates on the knowns and clarity on the known unknowns. But if they are to be attuned to early warnings of the unknown unknowns,<sup>1</sup> know when long-held practices are ineffective,

and be aware of when they might be (albeit unexpectedly) wrong. In short, they must break the good-news bubble.

In the course of conducting over 1100 surveys across more than 190 local government, state and private sector organisations over the past 3 years, results from AskYourTeam data show New Zealand leaders have consistently created enjoyable workplaces and provided their employees with the clarity they need to effectively contribute to their team's objectives. But our leaders also have an Achilles heel – blind spots.<sup>2</sup>



USED BY OVER  
**190**  
Organisations



OVER  
**1100**  
Surveys



TIMELINE  
**2018 –  
2020**

<sup>1</sup> The phrase "unknown unknowns" was coined by US Defense secretary Donald Rumsfeld in 2002 to describe unanticipated risks. He explained that there are *known knowns*; being the things we know we know. We also know there are *known unknowns*; we know there are some things we do not know – but we're investigating. But there are also *unknown unknowns*; the things we don't know. These are threats that seem to come from nowhere, and as such they can be the most problematic.

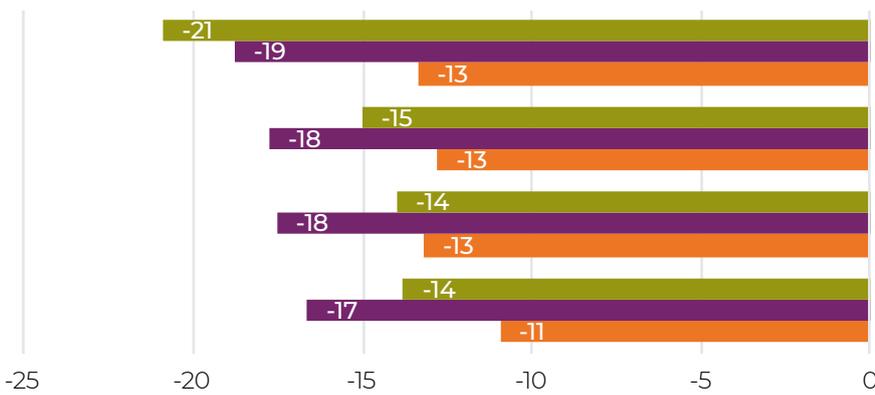
<sup>2</sup> Blind spots are traits or areas we don't know about or have insufficient awareness of, that may limit the way we behave, believe or react. While reasonable to expect leaders would naturally apply a positive lens to their organisation's effectiveness, a blind spot is when that positive lens becomes distorted, and leaders have a very different perception of their effectiveness relative to that of their employees. This misalignment risks the organisation's business objectives not being met and employee motivation and commitment being undermined.



Our data shows leaders overestimate their effectiveness at communicating their organisations' vision and changes in strategic direction. It also suggests that employees believe their contribution and input into how to improve the organisation is not always valued. The risk is that New Zealand leaders think they have already created cultures of involvement to gather and hear their people's insights. Their team members disagree.

### Cultures of involvement blind spots across New Zealand organisations

- State Sector
- Local Government
- Private Sector



I am motivated by the way our Senior Leadership Team communicates

I am confident that our Leadership Team is leading us in the right direction

The contribution of individuals is recognised

People in the organisation are asked regularly for feedback on how to improve the business

Alignment score (difference between employees' and leaders' average score)

**Comparing leaders' and employees' responses to the question:  
I feel safe to tell the truth even when it is unpopular**

- State Sector
- Local Government
- Private Sector



In addition and critically, our research reveals another common blind spot among New Zealand leaders across all sectors that undermines the potential innovativeness, collegiality, and effectiveness of their teams. This blind spot shows employees are reluctant to speak up and are less willing to share their open and honest views than their leaders. This result has persistently emerged over the past 3 years.

**Leaders must bridge these gaps to build more open, trusting and effective organisations.**

“The greatest leaders of today are social architects. They build organisations that are collaborative places, where everyone feels empowered to participate in running the business. When the leader is able to unleash the power of many, they create collective genius”.

– PROFESSOR LINDA HILL,  
HARVARD BUSINESS SCHOOL

The leadership blind spots in our data suggest that a disconnect between leaders and their team members is making organisations less adaptable and less able to harness the collective genius of their people.<sup>3</sup> This is likely compounded by employees believing that, even if they do speak up, their feedback is not valued, and their concerns will not be heard.

Perhaps most worryingly, leaders' blind spots imply only good-news is being shared. Employees' reticence to speak up and leaders' tendency to rely on heuristics in the absence of data will undermine the effectiveness of decisions being made. In addition, the failure to recognise employees' disenchantment risks undermining their motivation and commitment to helping the organisation find new paths to success..

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<sup>3</sup> Hill, L. A., Brandeau, G. Truelove, E. & Lineback, K. (2014). *Collective genius: The art and practice of leading innovation*. Boston, MA: Harvard Business Review Press.

“If you’re a leader, you can put yourself in a cocoon – a good-news cocoon. Everyone tells you, ‘It’s all right, there is no problem.’ And the next day, everything’s wrong.”

– NANDAN NILEKANI  
CO-FOUNDER OF INFOSYS

# Burst the bubble: A strategic imperative

Leaders are, of course, human, and like everyone else, we can never completely shrink our blind spots. We need to accept the fact that we all have blind spots and that most are not caused by bad intentions but rather by a lack of awareness.

Today, however, it is more important than ever that leaders burst their bubbles and confront their blind spots if their organisations are going to succeed. Leaders must ask the questions that create the opportunity for the unknown unknowns to emerge. To do so, they must unleash the collective genius in their organisations.

The starting point to bursting the leadership bubble is getting exposure to a broad variety of feedback and creating environments that inspire employees to speak up, and leaders must provide the psychological safety for them to do so.<sup>4</sup>

Psychological safety enables openness, common goals and challenges to be shared, colleagues to trust and respect each other to be candid, and employees to feel safe to respond constructively and productively without fear of ridicule or retaliation.

The next step is to consciously focus on developing self-awareness. Self-awareness and sensitivity to others are key leadership traits that are especially important if leaders are to successfully challenge their assumptions, allowing them to perceive opportunities or identify looming threats. But self-awareness can be elusive. This comes down to the way our organisations are structured as well as the three cognitive biases – attribution, confirmation and hindsight – we carry around every day.

<sup>4</sup> Edmondson, A. C. & Lei, Z. (2014). Psychological safety: The history, renaissance, and future of interpersonal construct. *Annual Review of Organizational Psychology and Organizational Behaviour*, 1, 23–43.



- > **Organisational structure** can have the perverse effect of preventing employees from speaking up and leaders actually hearing them. For senior leaders, by virtue of their position, there are fewer people above them who can provide honest feedback. The intrinsic motivation to maintain harmonious peer relationships influences the honesty of their peers' feedback. People working at lower levels in the organisation can be less comfortable providing constructive feedback for fear it will hurt their careers. As a consequence, employees are reluctant to point out problems, will soften bad news, or don't pass it on at all. As a result, the status quo within leaders' bubbles is reinforced, the opportunity for change missed and preventable failures become inevitable.
- > **Attribution bias** is our tendency to apply different rules to evaluating the appropriateness of our own actions in comparison to that of others. We tend to judge ourselves by our intent, not the impact. We attribute our successes to our own abilities, and failures to external factors. In contrast, we judge another's behaviour based on its impact and our perception of the individual's personality rather than on the social and environmental forces that influenced their actions. This self-serving bias protects our egos, but it makes us blind to others' perceptions of us and inhibits our ability to receive constructive feedback, particularly from those who had previously shared bad news.
- > **Confirmation bias** is our tendency to seek and interpret information that supports our position and deliberately ignores information that disconfirms those beliefs. For example, if you believe Parisians are rude, you will find examples on your trip to the French capital that validate your hypothesis but when you encounter a friendly waiter or a helpful shop assistant, you're likely to view these as exceptions to the norm.
- > **Hindsight bias** is our tendency to look back at an event and realise it was easily predictable once the actual outcome is known. This bias impairs our ability to draw the right conclusions as we imagine a past decision was simpler, a situation avoidable, or an outcome obvious or inevitable than it actually was at the time. It can cause us to blame others more than they ought to be blamed and can lead to an overconfidence in our ability to foresee the implications of decisions, and oversimplification can distort our ability to learn from past mistakes. For example, researchers found that 77% of entrepreneurs in charge of failed start-ups believed that before failure, their company would grow into a successful business. After they failed, only 58% said they had originally believed their company would be a success.<sup>5</sup>

<sup>5</sup> Yamakawa, Y., Peng, M. W. & Deeds, D. L. (2015). Rising from the ashes: Cognitive determinants of venture growth after entrepreneurial failure. *Entrepreneurship Theory and Practice*. 39(2), 209–236.



# Four strategies to help leaders understand their biases and develop self-awareness

> **Test implicit assumptions.**

One way to question assumptions and challenge our thinking is to take our blinkers off and invite feedback from a variety of sources who may see the problem in a fundamentally different way. To do so, leaders must foster psychological safety where colleagues trust and respect each other to be open and honest, and employees feel safe to speak openly, contribute ideas, share information and raise concerns without fear of reprisal.

> **Take steps to counter confirmation bias.**

Take an iterative approach to decision making. Gather all of the information rather than jumping to conclusions. Test inconsistencies and present data to a colleague for review. Search for evidence that disproves your theory and, finally, circle back to consider alternative solutions.

> **Take steps to counter hindsight bias.**

Keep a record. Our memory is notoriously fallible, selective, and cherry picks from a body of data. Taking notes of the discussions, why decisions were made, the data used to make the decisions and the alternatives considered, this provides a valuable reality check and offers insights to refine future decision processes.

> **Take steps to counter attribution bias.**

Put yourself in other people's shoes and focus on the positives. It's easy to blame others' actions on a personality trait, especially when we view the behaviour negatively. But if the roles were reversed, you would want them to recognise the mistake as unintentional and consider the external factors that impacted your decision and contributed to the outcome.

# In summary

The leadership bubble is every leader's dilemma. All leadership roles are subject to the isolating bubble fuelled by position and power. As soon as there are layers between leaders and employees, and employees start worrying about speaking up, the likelihood of a Teflon bubble forming increases. The risk is that preventable failures become inevitable and leaders miss the opportunity to harness the genius of their employees to lift organisation performance.

If leaders are to surface the unknown unknowns, self-awareness and psychological safety are the key drivers. Asking for feedback, challenging assumptions, and consciously addressing biases will help leaders burst their bubbles.



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