



# Research: Competent Leaders Know The Limits of Their Expertise

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## Accurately gauging what you know — and more importantly, what you don't —

can mean the difference between success and failure as a manager.

For example, a study of 36,000 firms started in France in the 1990s found that entrepreneurs venturing into novel areas were more overconfident, such that their sales growth and hiring underperformed relative to their expectations. It is easy to picture a CEO, emboldened by past successes in consumer goods, entering the tech industry only to watch the company's value crash because they underestimated the complexities of software development. Similarly, think of how many mergers and acquisitions failed not because of flawed logic but because leaders believed they understood markets or technologies far better than they did.

Warren Buffet famously said, **“Know your circle of competence, and stick within it. The size of that circle is not very important; knowing its boundaries, however, is vital.”** But knowing one's circle of competence is easier said than done. Our recent research reveals that *feeling* like an expert makes people especially prone to draw overly generous boundaries around their competence. We also find that truly *being* an expert sharpens the ability to define these boundaries more accurately.

### Overclaiming and the Danger of Self-Perceived Expertise

How is your financial acumen? If someone asked you about “annualized credit” — what would you say? Perhaps the term sounds a bit familiar. In fact, although it sounds technical and plausible, this term lies outside your circle of competence — or anyone else's, for that matter. Annualized credit does not exist. We made it up in the office.

In one of our studies, we slipped in three such made-up terms as participants rated their knowledge of otherwise real financial items. Asserting knowledge of nonexistent terms — by definition outside anyone's circle of competence — is a phenomenon called “overclaiming.” Of our respondents, 91% overclaimed some knowledge of at least one bogus term, and 60% claimed to know something about all three. Perhaps surprisingly, those who regarded themselves as finance experts rated their knowledge of them the highest.

This finding highlights a critical disconnect: **feeling like an expert is often uncorrelated with being one.** People's sense of expertise is influenced in part by factors unrelated to actual knowledge, such as the expertise of the peers around them, the prestige of their education, and even the familiarity of the words in questions they encounter. If people feel like experts, they are more likely to profess knowledge of topics in their zone of ignorance.

### The Value of Genuine Expertise

Confidence is valuable, but it must be tethered to reality. Our research shows that genuine expertise — grounded in actual knowledge and experience — confers an advantage not only in competence but also in knowing the circle around it. Although self-belief in expertise encourages overclaiming, we find that genuine expertise — reflected by superior performance on knowledge tests — helps people avoid this trap.

We saw a similar pattern when we asked medical professionals to assess their familiarity with a list of medical terms, some real and some not. Practicing doctors with their wealth of real-world experience were less likely than pre-medical students to claim they knew the fictional drug *mebamectin* or the invented condition *acute diatresia*. Professors of developmental psychology similarly did not report as much awareness of pseudo-psychological terms as did their undergraduate students.

One caveat: The protection that genuine expertise offers is modest compared to the emboldening effect of self-perceived expertise. Experts are in less danger of claiming illusory terms are in their circles of competence, but they are not immune.

## How to Recognize Expertise in Others

No one can be an expert in everything, and effective leaders understand this. When you reach the limits of your knowledge, identifying and the expertise of others becomes essential. Andrew Carnegie captured this sentiment perfectly when he said, “I wish to have as my epitaph: Here lies a man who was wise enough to bring into his service men who knew more than he.” But choosing the right experts can be a challenge.

Imagine serving on a hiring committee, choosing between two final candidates for a technical role. The first walks into the room with confidence, speaking fluently about past achievements. The second, equally qualified on paper, is more reserved, occasionally pausing to think before answering.

Many of us are drawn to the first candidate, finding confidence a convincing signal of competence. Yet our research suggests that confidence, if not backed up by true expertise, will predispose people to stray outside their circle of competence.

The key, then, is to focus on what people have done rather than what they say. The first candidate’s rhetoric might overshadow their less relevant experience. Meanwhile, the quieter candidate may possess past achievements that better predict success in the role. As Carnegie himself said, “As I grow older, I pay less attention to what men say. I just watch what they do.”

In practice, this means evaluating advisors, team members, or partners based on tangible outcomes rather than on confidence or eloquence. Past is prologue to future performance. This lesson was compellingly illustrated in *Moneyball*, the famous book-turned-movie about leaning on statistics to choose baseball players for the Oakland A’s. A college player with pretty good career stats was a better bet than a high-school Adonis without a history to judge.

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## **In management, where decisions are often made in high-stakes, complex, and uncertain situations, overestimating your competence can lead to costly mistakes.**

The trick to adhering to Buffet’s dictum is telling genuine expertise from its flashy but false variant, both in yourself and in other people.

**This is a surprisingly challenging task.** One piece of advice is to be wary of relying on confidence — even your own. Instead, put yourself and others to the test to reveal true expertise. Follow the data of a proven track record or ask detailed questions that require in-depth explanations. Recognize your limits by continuously challenging your own assumptions and abilities. Knowing your circle of competence means understanding what you truly know, identifying areas where you need growth, and seeking out those who have demonstrated their expertise.

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