The Tyranny of Optimism

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ABSTRACT

America culture emphasizes upbeat thinking, cheerfulness, optimism, and other manifestations of positive affect in its aphorisms, songs, religion, books and magazines, medicine, business, and psychology. This has led to the often unchallenged idea that positive thinking is always a good thing. This belief has caused the power that negative thinking and affect hold, in terms of realistic appraisals of the self and the world, to be not only underestimated, but often shunned as well. It is dangerous, however, to lose sight of unpleasant realities. The downfall of losing sight of realities is illustrated with examples. Costs and benefits are reviewed as they relate to positive and negative thinking and positive and negative affect. This paper presents a curvilinear, inverted U-shaped model that suggests that an optimal range of affect is most adaptive and that extremes in either positive or negative affect are less beneficial.

**"Almost everyone is overconfident—except the people
who are depressed, and they tend to be realists." [32, p. 149]**

The American way of life is replete with appeals to be encouraging, cheerful, and upbeat. We are told that looking on the bright side is good for us because positive thoughts realize themselves in the form of good health, prosperity, and success [27]. The common view that people should always feel positive about themselves and to think positive has created the perception that negative thinking should be shunned by society. This rejection is dangerous since negative thinking promotes truthful and realistic appraisals: "Truth matters to people, even if it is at the expense of feelings of well-being, self-satisfaction and social adjustment" [69, p. 541]. Furthermore, Woolfolk [156] commented that: "... negative thinking is not only valuable, but indispensable, and suggest that we give much too little attention to acknowledging, confronting, accepting, and perhaps even embracing suffering and loss" (p. 20).

The positive optimists are uplifted and the negative pessimists are demeaned. The latter are frequently seen as depressing, defeatist, the timid and anxious who are slow to action while the former are depicted as decisive doers who make things happen. But, as Voltaire once noted, they may simply reflect a mania for maintaining that all is well when it is not [77]. In sum, American culture overemphasizes the benefits of positive thinking while minimizing the contributions of negative thinking. The authors suggest there needs to be a greater balance in the

workplace between optimism characteristic of positive thinking and realism characteristic of negative thinking, and thus this paper was developed.

The discussion of optimism and realism is presented within the context of a model of affect (more commonly known as emotions). As organized psychobiological responses, emotions link physiological, cognitive and motivational systems [119]. Additionally, there is a history of a number of theories ascribing a central role to affect (emotions) in determining goal-directed behavior and self-regulation [26; 97; 139]. Thus, because of its integrating role, affect appears to be a worthy factor.

Affect is an overreaching construct that encompasses emotions, feelings, moods, and temperament [153; 13] that permeates organizations. Interest in and research about affect in organizations has expanded dramatically in recent years and this concept will allow us to examine the effects of positive affect (subsuming such terms as optimism, hope, positive illusions, mania, enthusiasm, pleasantness, happiness, cheerfulness, confidence) and negative affect (including pessimism, hopelessness, depression, displeasure, sadness, distress, anxiety, doubt). First, a model of affect is presented that provides a more balanced view of the role of emotion and adaptiveness and suggest that extremes of both positive and negative affect are problematic and that there is a margin of affect ranging from slightly to moderately negative affect to slightly to moderately positive affect that is most adaptive. Positive thinking in America is then discussed with its motivational emphasis followed by a review of negative thinking with prominence given to reality assessment and implications, followed by a summary and conclusion.

A Model of Affect and Adaptiveness

Applied researchers have become increasingly concerned with affect at work in the last decade [e.g., 8; 13] in part because of the assumption that emotional processes influence performance [7; 114]. Further, a number of reviews have pointed to a prominent role for affect in a range of organizational processes [39; 18; 12], and in the last three decades an "affective revolution" [13, p. 36] has taken place, in which academics and managers alike have begun to appreciate how an organizational lens that integrates employee affect provides a missing perspective.

Based on such considerations, the discussion of realism and optimism is addressed within the context of affect which can be thought of as an umbrella term encompassing a broad range of phenomena including emotions, moods, feelings, temperament, to dispositional traits ("She's so upbeat;" "He's such a negative person"), to meta-emotional abilities, such as emotional intelligence ("My boss is very good at understanding how team members feel") [13; 153; 154]. Although distinctions have been made between affect, emotions, mood, and feelings [31], these subtle distinctions were not considered critical to the aims of this paper; thus, we use the term affect because of its more general nature.

Dispositional affect is viewed as a pleasantness trait on a continuum from high to low consistent with other researchers [e.g., 6; 138]. As indicated in Figure 1, the relationship between adaptiveness and affect is characterized by an inverted-U shaped function with optimum adaptiveness (performance) located between low to moderate negative affect and low to high positive affect. More extreme levels of positive or negative affect result in sub-optimal adaptiveness and performance. On Andreasen's "Thermometer of Mood" scale [6, p. 223] which ranges from -10 thru 0 to +10, with "-10" being major depression, "0" being neutral, and "+10" being mania, the optimum range of performance will occur from -3 (slightly negative) to +3

(slightly positive). Those who distort less than the optimal level have too realistic a view, which is depressing. Behaviorally, this may cause them to be hesitant to take on the more challenging projects that could lead to significant successes. Those who distort more than the optimal level would suffer from inflated views of themselves, which might lead them to undertake projects beyond their capabilities resulting in failure and posing a threat to themselves and their organization.

Figure 1
Relationship Between Adaptiveness and Affect
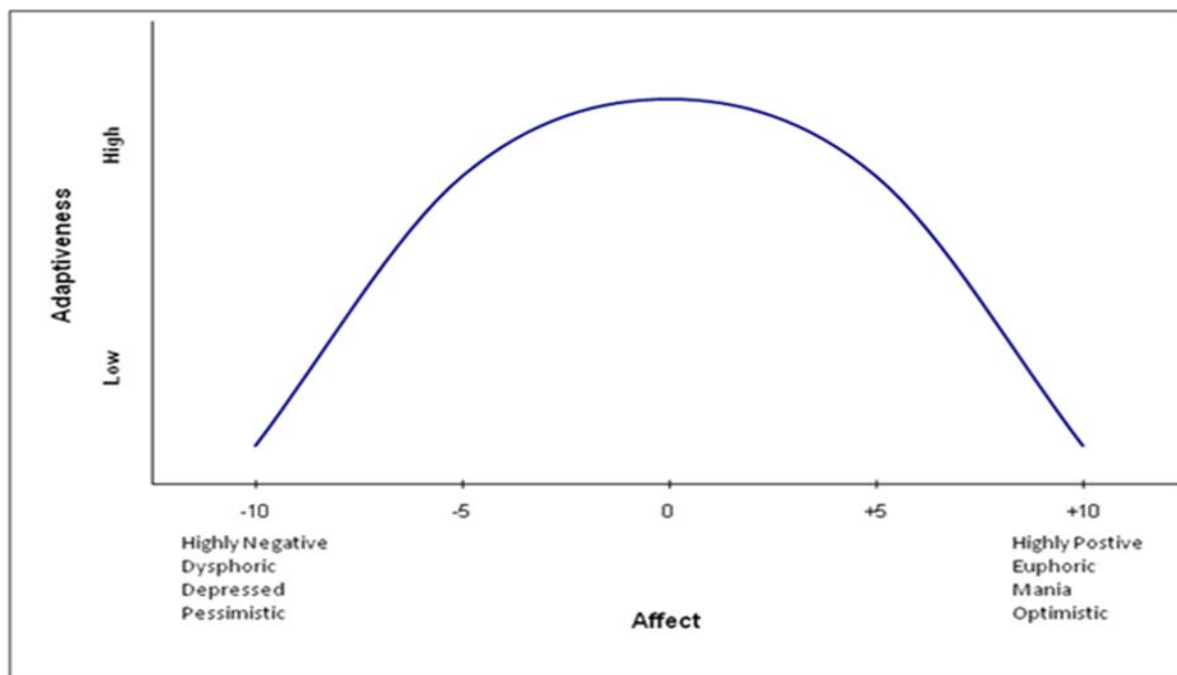
Slightly positive emotions appear to be the ambient state for most people at most times; that is, in a wide variety of activities, people's expectations of what their own performance is, was, and will be are an overestimate of reality [46; 100]. These mildly distorted positive perceptions have been referred to as positive illusions [144] and include overly positive self-conceptions, an exaggerated perception of personal control, and an overly optimistic assessment of the future [142; 143]. Such positive illusions tend to be expressed by nondepressed, nondysphoric individuals. These slightly positive distortions of reality have been found to be related to good psychological adjustment and are adaptive [141; 144].

Positive illusions provide a sense of agency. By perceiving themselves and their world in a positive light, people feel empowered as causal agents in effecting changes in their environment [131]. In this regard, social psychologists have concluded that most people have an "illusion of control" about themselves [1; 4; 58; 78].

There is a limit, however, to the beneficial effects of positive illusions [133]. Researchers have noted that the illusions are adaptive when they are in the slightly to moderately positive range, but they decrease in adaptiveness as they move into more extreme positive ranges [13; 92; 132]. Baumeister refers to this as the "optimal margin of illusion" [14, p. 176]. At high levels of

positive affect and optimism individuals become overly confident, filled with hubris, and narcissistic thinking leading to problematic scenarios.

On Being Positive

The push to be optimistic and upbeat in America abounds. Positive attitudes have been expressed in American aphorisms and music. Consider the following maxims: "Cheer up, things could be worse;" "Smile, look on the bright side;" and "Stop complaining, it's not that bad." In our music we have been told to "Ac-cent-tchu-ate the Positive" [99], to "Put on a Happy Face [3], and "Don't Worry, Be Happy" [101]. Additionally, evangelical mega-churches preach the good news that one has only to want something to get it, because God wants to "prosper" people. The medical profession prescribes positive thinking for its presumed health benefits and cancer is often reframed not as a health crisis but as an "opportunity of a lifetime," and "a makeover opportunity." Academia has made room for the new disciplines of "positive psychology" [129], "positive organizational behavior," [86], and "appreciative inquiry" [30], and new courses in happiness (at Harvard such a course routinely draws almost 900 students). Indeed, the peer-reviewed *Journal of Happiness Studies* [113] is devoted to the scientific understanding of subjective well-being and addresses the conceptualization, measurement, prevalence, and study of happiness.

Many parents raise their children to see the glass as half full, to recognize that every cloud has a silver lining, to make lemonade out of lemons, to smile and look on the bright side, to keep their chins up, and to have a nice day. Americans expect optimism in its leaders and politicians compete to be seen as the sunniest candidate. For example, President Ronald Reagan promoted the idea that America is special and that Americans were God's chosen people, destined to prosper, much to the envy of everybody else in the world. Similarly, President George W. Bush thought of himself as the optimist-in-chief, as the cheerleader—which he once was in college—and did not want to hear bad news [76]. Recall the rosy predictions of a short conflict in Iraq because the citizenry would gladly welcome American forces, or the "Mission Accomplished" banner that was displayed on the aircraft carrier USS Abraham Lincoln on which Bush landed on May 1, 2003 and proclaimed an end to major combat operations in Iraq.

This is very similar to how CEOs are coming to think of themselves: as people whose job is to inspire others to work harder for less pay and no job security. Historically, the science of management was that in a rational enterprise, where spreadsheets were developed, decision-trees created and decisions based on careful analysis. However, all that was swept aside for a new notion of what management is about. The word used is leadership—particularly the charismatic and transformational leadership models [157]. The CEO and the top people are not there so much to plan, analyze, and make rational and logical decisions but to inspire!

The optimism bandwagon continues to prosper as magazines and television offer feature stories illustrating how thinking positively can turn poverty into riches. Additionally, there has been a long tradition in the U.S. of "self-help" books promising people success if they only think positively [136]. From Eleanor Porter's Pollyanna "The Glad Game "[110] to Watty Piper's The Little Engine That Could "I think I can, I think I can…"[107] to Dale Carnegie's How to Win Friends and Influence People ("believe that you will succeed, and you will" [25] to Norman Vincent Peale's The Power of Positive Thinking ("the man [sic] who assumes success tends already to have success," [105] to Spencer Johnson's Who Moved My Cheese? ("accept layoffs with a positive attitude" [68] to Rhonda Byrne's The Secret ("think positive thoughts because you become or attract what you think about the most") [23], people are surrounded by supporters—promoters?—of the value of a positive and optimistic outlook. The theme appears to

be that a person obtains what they wish for—as Jiminy Cricket explained when he sang about wishing upon a star—and that if they do not have the things they want, it means that they did not have enough faith and that the universe is really on their side and that a person can actually have whatever they want, if the wanting is focused enough.

Thus, across many arenas, the counsel to be positive is offered. However, as indicated below, there are costs in addition to benefits of being positive.

Benefits of possitivity. The central claim of such positive thinking is that "positivity is good and good for you; negativity is bad and bad for you" [64] and that happiness—or optimism, positive emotions, positive affect, or positive something—is not only desirable in and of itself but actually useful, leading to better health, enhanced achievement, and greater success.

Individuals high in optimism exhibit confidence in a way that is both broad and diffuse, and it encourages them to approach challenges with enthusiasm and persistence [26]. Research findings indicate that as a result, individuals high in optimism tend to experience better physical and psychological well-being than individuals low in optimism [108].

Nowhere has positive thinking taken firmer root than within the business community where in the last two decades it put down deep roots in the corporate world. Cultural norms and beliefs about good business practice stress looking at the sunny side and de-emphasizing the problematic. Other research in a business context by Seligman [127] provided evidence of the impact of measured optimism on desirable workplace outcomes, reporting salespersons' high performance and retention at a life insurance company. Likewise, Luthans and his collaborators [85; 86] found that their concept of psychological capital, key components of which include confidence and optimism, is positively related to performance outcomes in the workplace, lower employee absenteeism, less employee cynicism and intentions to quit, and higher job satisfaction, commitment, and organizational citizenship behaviors.

In summary, from a number of arenas, the idea of positive thinking entails the (often erroneous) belief that a person will get what they want, not only because it will make them feel better to do so, but because thinking about things, "visualizing" them—ardently and with concentration—actually makes them happen. Many popular business books sound similar to these self-help books when they argue that a company can choose to be great, that following a few key steps will predictability lead to greatness, that its success is entirely of its own making and not dependent on factors outside its control [e.g., 28; 106]. Faith in positive thinking has become so ingrained in American society that positive seems to many Americans to not only be normal but also normative—the way things should be.

Costs of possitivity, While modest positive illusions provide a sense of agency and are adaptive, having high illusions is no more desirable than having none at all. Very high levels of optimism may indeed constitute too much of a good thing. For example, individuals who engage in reality distortion to the extent that it becomes delusional sometimes suffer from debilitating mental disorders (e.g., schizophrenia, delusional disorder, mood disorders with psychotic features [133]). Perhaps somewhat less dramatic, Mader and Leibner [88] suggested that a leader's supreme confidence is toxic and can erode organizational commitment of subordinates. Leaders who exude confidence at all times, Mader and Leibner [8] say, tend to minimize problems or discourage them from being discussed (often unconsciously) for fear it will reflect poorly on the them. Such confidence sends off signals that the leader is not open to feedback or criticism, and making him or her virtually unapproachable—particularly when they are wrong. Other investigative studies have noted that overly optimistic self-referential views can lead

people to engage in risky behaviors (e.g., not wearing seat belts or condoms [152]). The near unanimous optimism of the financial community seems to have contributed to the recession in the middle to late first decade of the twenty-first century, but so did the wildly upbeat outlook of many ordinary Americans. Former Treasury Secretary, Robert Reich, noted that "Optimism also explains why we spend so much and save so little.... Our willingness to go deep into debt and keep spending is intimately related to our optimism" [27, pp. 61-62].

At the organizational level crisis consultant Eric Dezenhall has indicated that "a lot of corporate types don't want to hear what I have to tell them.... Corporate America desperately wants to believe there's a positive outcome and message" [37, pp. 184-185]. When called in by companies to deal with a crisis, he starts by telling them, "I'm going to tell you something you're not going to like: 'A crisis is not an opportunity'" [37, p. 185].

Such optimism in organizations may lead to technological arrogance and hubris—the belief by those in charge that they are the experts and that they know what they are doing is safe—which seems to be a contributing factor to disasters because it too often lulls people into complacency, ill-fated shortcuts, and problems being ignored [17; 29]. The Titanic may be understood as an overwhelming example of excessive confidence on the part of many individuals in that era. It was able to inspire in many, from designers and builders to the hundreds of thousands of men and women who participated in her glory, a false sense of confidence and belief in her capabilities which caused a disaster that need never have happened. This has led to Borenstein's [17] observation that "People don't spend enough time thinking about what could go wrong" (p. 4D), a sentiment echoed by Landau and Chisholm [77] who argued for "… the assignment of high priority to the probability of error, of failure" (p. 73); that is, a sensitivity to failure in the interest of protective action.

Because people become so sure of themselves, so confident in the safety of their processes, equipment, and procedures, they tend to ignore warning signs and presume that they have got things under control. Consider NASA and the Challenger. Feynman, a member of the Rogers' Commission investigating the tragedy observed that NASA was a picture of an organization that fooled itself and of officials who fooled themselves [38]. They did not want to hear the truth, he stated, and they ignored warning after warning, disregarding even the clearest sign that something was wrong. Their optimism was of such high order that when erosion of the 'O' rings was detected after earlier shuttle launches, a condition that was not supposed to occur, they dismissed it out of hand. "It's hubris, arrogance and indolence" [17, p. 4D], says Robert Bea, a University of California at Berkeley engineering professor who has studied 630 disasters of all types and consulted with the presidential commission investigating the British Petroleum 2010 offshore oil rig catastrophe in the Gulf of Mexico.

Thus, despite such an endorsement for all things positive and optimistic it is important to note that there have been difficulties associated with excessive positive affect. It is dangerous to always assume the best possible set of facts since optimism comes with a cost if it is excessive—the denial of reality. Popular business writer, John Maxwell [91] indicated that the belief of "You're only a dream away from success. …If you can believe it, you can achieve it" (p. 18) is improper and that "you cannot disconnect attitude from reality and expect success" (p. 18). That is why optimists are sometimes equated with ostriches that hide their heads in the sand.

Constant striving for control over events without the resources to achieve it can also take a toll on the individual who faces an objective limit to what can be attained regardless of how hard he or she works. If not, people will channel their efforts into unattainable goals and become exhausted, ill, and demoralized [107]. Pursuing a dream of enduring greatness may divert

attention from the pressing need to win immediate battles. More generally, optimism in the form of wishful thinking can distract people from making concrete plans about how to attain goals [104]. Unrelenting optimism precludes the caution, sobriety, and conservation of resources that accompany sadness as a normal and presumably adaptive response to disappointment and setback [102].

Despite all the benefits of being positive, research suggests that requiring employees to put on a happy face can be psychologically costly in terms of stress, burnout, and job dissatisfaction. The mortician, the airline ticket agent, the toll collector, and the store clerk all operate under "display rules" where they are asked to smile and be positive, even in the face of unkindness from customers. This phenomenon refers to the idea of emotional labor found in the organizational behavior literature [57; 111] which involves the management of emotions for paid employment. "Emotional labor may involve enhancing, faking, or suppressing emotions to modify the emotional expression [57, p. 95]. Clearly, organizations have a right to expect friendly behavior from their employees because it is good for business, yet an enlightened manager might weigh this organizational right against the possible cost to employees.

Other problems with excessive optimism include groupthink, the planning fallacy, the winner's curse, leader hubris and narcissism, problematic decision making and entrepreneurial activities, and goal setting which we now discuss.

Overconfidence sometimes strikes whole organizations. In his book *Groupthink*, Janis [67] reviewed well-known fiascoes like the Japanese attack on Pearl Harbor, the bugging of Democratic headquarters in the Watergate Hotel in Washington, and the U.S. conduct in the Vietnam War and noted that many of these poor decisions could be traced to overconfidence pervading organizations. Groupthink is the tendency for members of highly cohesive groups to minimize conflict and reach consensus without critically testing, analyzing, or evaluating ideas [67]. The problem is that members of such groups may exhibit illusions of invulnerability creating a sense of invincibility and excessive optimism that encourages extreme risk taking that may lead to mistakes and misjudgments.

Large-scale planning debacles abound, supplying poignant public illustrations of overly optimistic plans gone awry [43; 59; 123]. This is such a common occurrence that it has been labeled the "planning fallacy [21]. For example, the Sydney Opera House, begun in 1957, was originally estimated to be completed in 1963, but a scaled-down version actually opened in 1973—a decade later. Warren Buffet, one of the world's most successful investors, cautioned against such "cock-eyed optimism" [22, p. 5] in planning and warned that lofty predictions not only spread unwarranted optimism but also corrode CEO behavior:

> "... I have observed many instances in which CEOs engaged in uneconomic operating maneuvers so that they could meet earnings targets they had announced. Worse still, after exhausting all that operating acrobatics would do, they sometimes played a wide variety of accounting games to 'make the numbers.' These accounting shenanigans have a way of snowballing: Once a company moves earnings from one period to another, operating shortfalls that occur thereafter require it to engage in further accounting maneuvers that must be even more 'heroic.' These can turn fudging into fraud" [22, p. 6].

This is precisely what happened to computer maker Dell Inc. It paid $100 million to settle civil charges with the Securities and Exchange Commission that it fraudulently used payments from Intel Corporation to pump up its profits to meet Wall Street targets, and thus falsely portrayed

the means by which the company met or surpassed earnings targets from 2001 through 2006 [56]. Interestingly, company Chairman and CEO Michael Dell also agreed to pay a separate $4 million civil penalty as part of the settlement.

Excessive optimism has also been implicated for the well documented phenomenon called the winner's curse [62], an occurrence akin to a Pyrrhic victory in which individuals bid above an item's (e.g., an acquisition or merger) true value and thus are "cursed" by acquiring it [83]. By exaggerating the likely benefits of a project and ignoring the potential pitfalls, executives often lead their organizations into initiatives that are doomed to fall well short of projections. This can be costly in terms of money, jobs, prestige, or even lives [121] when overly optimistic expansions and acquisitions lead to bankruptcy and layoffs [103].

Another problem with high degrees of self-confidence is the conviction that one's performance is quite adequate even though evidence suggests the opposite conclusion. Such hubris is the "dark side" of overconfidence which has many documented negative effects [29; 60; 61; 63]. Throughout history, hubris defined as exaggerated pride, unbounded self-confidence, or arrogance [75], has been cited as a common reason for leadership failure. Hubris derives from an overbearing sense of grandiosity, need for admiration, and self-absorption—in a word, narcissism. Narcissism is commonly found in many successful people, and it often compels them to seek leadership positions, with their accompanying power, status, and self-affirmation. Narcissism can drive executives to use their leadership roles to create a reality that further reinforces their narcissism [120]. Hubris may set businesses and their leaders down a perilous path in term of corporate acquisitions. For example, Roll [117] has suggested that all too frequently takeover attempts result from an executive's belief that he or she can greatly improve the target firm's efficiency. The executive rejects feedback from others and believes that despite the often overpayment premium for the targeted firm [60] he or she believes they will be able to overcome all the obstacles and make the acquired business far more successful than its incumbent management. Compelling research evidence shows that corporate acquisitions driven by managerial hubris are often financially harmful for the shareholders of acquiring firms [15; 81].

Kroll et al. [75] explain why such actions are common among executives by arguing that hubris can result in a drive to dominate others and engage in empire building for its own sake. Similarly, Kets de Vries and Miller [72] have made the case that CEOs' belief that they will achieve positive outcomes can often lead them to experience delusions of grandeur. Such excessive optimism can cause executives to stubbornly persist in behaviors that have worked well for them in the past and undervalue new or dissenting information [75]. In short, success often breeds failure because leaders that have tremendous successes begin to believe in their own invulnerability, become arrogant, and lose their competitive edge [34].

Leader hubris is also a contributing factor to the well documented decision-making error of escalation of commitment which involves the irrational continuance in a project or plan due to time, money, and energy which has previously been "sunk" into the project [137]. Because many executives are overly optimistic about their strategies and reluctant to face reality, they are hesitant to back away and look for new alternatives [19]. Such decision biases cost these leaders and their organizations much time, money, and energy which could better be spent on other options. A similar finding was made by Finkelstein who conducted a six-year, in-depth examination of 51 companies and published his results in *Why Smart Executives Fail* [41]. A key finding was that executives of failed companies clung to an inaccurate view of reality that consistently underestimated obstacles. Blind adherence to "positive thinking" became a

dominant corporate value that was often at the foundation of organizational failure" [42], pp. 2-3). Their view of the future got in the way of the realities of the present. When reality surfaced, it was often whitewashed for reasons of face-saving and hubris. Optimism, when carried to extreme, can obliterate adequate risk evaluation and reality checks and lead to organizational self-deception.

In decision making individuals' overconfidence usually leads to wrong decisions, shrinking profit margins, firings, or bankruptcies [118]. Research findings have suggested, overall, that high levels of optimism often have significant detrimental effects on judgment and decision making [9; 10]. Moreover, highly optimistic individuals often hold unrealistic expectations, discount negative information, and mentally reconstruct experiences so as to avoid contradictions [49]. In contrast, individuals who are moderate in optimism tend to possess a more balanced view [134]. They are more sensitive to negative information and less likely to gloss over discrepancies [135], less easily persuaded by positive information [49], and less likely to have an attentional bias in favor of positive stimuli [125], and they hold more realistic expectations when engaging in high risk situations than those higher in optimism [52]. Considering the consistency of such findings in the extant literature, it seems likely that highly optimistic managers may be prone to make less than optimal strategic decisions.

Such excessive optimism has been cited as a primary reason for the high incidence of failure among start-ups [48]. Entrepreneurs, who are highly involved in start-ups, also tend to be very high in optimism and confidence [e.g., 45; 82; 84]. Ironically, findings from Hmieleski and Baron [65] suggest that entrepreneurs' dispositional optimism is negatively related to firm performance (revenue and employment growth). This may be because highly optimistic individuals often hold unrealistic expectations, suffer from overconfidence, and discount negative information—tendencies that can seriously interfere with their decision making and judgment [50; 65; 126].

Additionally, when optimism reaches very high levels, entrepreneurs may fail to assess potential opportunities carefully, and show a strong preference for heuristic decision making [122], and come to experience high levels of overconfidence that interfere with their performance of key tasks (e.g., full assessment of potential opportunities). Such tendencies adversely affect the success of their new ventures. Finally, of particular relevance to entrepreneurs, positive expectations often lead to goal conflict, in that optimists tend to see new opportunities everywhere they look [126]. This tendency can generate significant problems for individuals who cannot easily decide which goals to pursue and therefore may become seriously overextended as they seek to exploit more opportunities than is realistically feasible. In contrast, moderate optimists tend to be more realistic in their choice and pursuit of opportunities; moderation is important because entrepreneurs must be able to decide which goals they can realistically accomplish in order to maximize the potential for survival and long-term success [95].

A final problematic area involves goal setting. Extremely optimistic individuals tend to set unrealistically high goals and are overconfident that their goals will be attained. Further, they focus primarily on positive information, which supports their belief that success is likely. These tendencies often interfere with effective performance. As a result, they tend to attain only average levels of performance in many contexts [70]. More generally, optimism in the form of wishful thinking can distract people from making concrete plans about how to attain goals [104].

Taken together, existing evidence suggests that across many different tasks, performance increases with task performers' optimism, but only up to a point; beyond this point, further

increments in optimism actually generate reductions in performance [20]. Relatively small positive distortions of reality enable one to look at the facts in a more optimistic way. Giving the facts of a situation a positive spin often allows one to function more effectively. Although illusions involve a degree of self-deception, they often provide us with a sense of mastery, which in turn fuels a sense of well-being.

On Being Negative

The alternative to positive affect is, of course, negative affect (see Figure 1). This condition is associated with feeling of anger, pessimism, guilt, fear and nervousness and has been suggested as a major feature of anxiety and depression. According to Jamison in her autobiography *Touched with Fire* [66], the power of these states is that they allow one to see oneself and one's world in a more realistic (although most often pessimistic) way. Society, however, tends to eschew negative thinking, often doing so at the expense of reality. There is a true danger in this, for negative thinking has an integral role in reality, and, furthermore, in true mental health and fulfillment. Some happenings and circumstances in life are inherently negative, and need to be taken as such. To remove negative thinking from the spectrum of human thoughts, as may seem to be desirable based on the emphasis on positive affect, is extremely hazardous, because it removes from people not only truths, but also reality, mental health, and true fulfillment.

The Benefits of Negative Affect. As illustrated in our model in Figure 1, a little negative affect may be highly adaptive. Negative emotions can have benefits particularly as they relate to depression. Recall the rejoinder, "I'm not pessimistic, I'm just realistic"? Writers as diverse as Sophocles, Nietzsche, and Freud [107] have argued that positive thinking prolongs human suffering and that it is better to face the hard facts of reality. Being accurate typically means that one has arrived at a position that is truthful or captures the reality of the situation; that information be represented as it actually is in the environment [96].

There is a substantial literature indicating that depressed people are more realistic than their more optimistic colleagues and that individuals with depressive symptomatology have fairly accurate perceptions of themselves and the world around them (see opening quote and 4; 53; 79; 80]. Layne [79], for example, documented that across a number of phenomena including expectancies, perceptions, memory, self-monitoring, and attributions, that depressives are more rational and realistic relative to their nondepressive counterparts. They tend to be highly accurate and matter-of-fact in their perceptions [115]. Overall, then, normals are irrationally optimistic and depressives are more rational than nondepressives.

There are a number of areas in which depressed individuals appear to be more realistic than non-depressives: in predicting their performances on tasks relative to others; in understanding the limits of their control over the outcomes of games of chance; in monitoring and assessing their own skilled social behavior; in judging themselves equally responsible for previous successes and failures rather than seeing themselves as more responsible for their successes than for their failures [79]. While making accurate decisions is important, being positive may actually be a disadvantage. It may be that people who are depressed or more negative in general are, in fact, sadder but wiser in making certain judgments [70]. Even Freud noted that the depressed individual "seems to us justified in certain other self-accusations; it is merely that he has a keener eye for the truth than other people who are not melancholic" [47, p. 246]. Suffering may ultimately be the source of a kind of reflective wisdom [140] which is not available to a person immune to psychological distress because of positive affect.

The need to make realistic, objective assessments based on facts was recently voiced by Collins [29] who outlined the process of corporate decline and developed a five stage model to describe how great companies fall. Of importance here is Stage 3 which involves "Denial of Risk and Peril." In this stage, management discounts negative data, amplifies positive data, and puts a positive spin on ambiguous data. The vigorous, fact-based dialogue that characterizes high-performance teams dwindles or disappears altogether. Such an emphasis on the importance of reality has been noted by Jack Welch, former Chairman and CEO of General Electric, and current management guru, who in one of his six rules of management encouraged executives to accept reality as it is instead of what it was or what they may wish it to be [130]. Positivity promoter Martin Seligman [127] also noted that negative thinking has value. Basically, he suggests that pessimism can keep individuals from taking risky, optimistic actions in areas where the downside risks are unacceptable. Warren Bennis [14] believes a good executive demands dissent and wants employees who are capable of discussing the truth and that "too much accord within a corporation is always perilous and usually false" (p. 9). Thus, many executives must, to some extent, be professional pessimists since they must weigh risks that could result in devastating loss to the organization with the attendant harsh personal consequences for employees, owners, partners, and customers.

Finally, studies consistently show that being in a depressed mood facilitates performance on some tasks, especially those that require the detection of co-variation [149]. People in non-depressed moods tend to overestimate the degree of contingency between their own actions and outcomes, and feel that they are more in control that in fact is the case. Depressed affective states tend to elicit a more systematic and data-driven processing strategy [149] and to more concentrated, detailed, and analytic processing [see 124 for a review], while positive affect often leads to more heuristic processing [98; 87]. If a current environment is problematic, then paying attention to the co-variation of acts and outcomes would be adaptive. For example, a group that is on the verge of bankruptcy may seem to be good learners under the assumption that they are more motivated to avert disaster and therefore they will work harder at learning but it could also be said that the prospect of bankruptcy induces sadness.

The costs of negative affect. While a little negativity may be adaptive, much negativity is bad. The key problem with depressed individuals is that the realism they bring to the assessment of their limits and abilities is maladaptive in the extreme. Look at the left side of the model in Figure 1. As can be seen, mild depression is adaptive but at higher levels of dysphoria benefits are limited. Our model resonates with Ackerman and DeRubeis' [2] view that while severe depression may be characterized by negatively biased self-views individuals with some—but not too many—depressive symptoms are the ones who can form accurate self-judgments. Thus, the depressive realism hypothesis [4; 5; 35], holding that the perceptions and judgments of depressed people are often more realistic or accurate than their nondepressed counterparts, may hold only at low levels of depression. Consistent with this proposal and our model, a handful of other studies have found evidence that depressive-symptom level is related not only to degree of bias in self-perceptions but also to the direction of the bias. For example, in recall of self-evaluative information, nondepressed students showed positive distortion, ''mildly'' dysphoric individuals showed relative accuracy, and moderately dysphoric persons showed negative bias [33; 155]. Similarly, McKendree-Smith and Scogin [94] found that nondepressed participants were positively biased, individuals with mild depressive symptoms were neutral, and moderately to severely depressed participants were negatively biased in their

interpretations. Interestingly, Whitton et al. [155] and McKendree-Smith and Scogin [94] both found a positive bias in self-perceptions of those with low depressive symptoms but not with those having severe depression.

Additionally, individuals who have high levels of negative affect tend to lack motivation because they assume that no matter how hard they try, failure is likely to result. In addition, they have a propensity to focus on negative information, which reinforces their view that disaster awaits them. For these reasons, they often attain relatively low levels of performance. Those who distort less than the optimal level have too realistic a view, which is depressing. Behaviorally, this may cause them to be hesitant to take on the more challenging projects that could lead to significant success.

People with high levels of negative affect/depression also lack the belief that they have the power to exert influence on the world around them. As a result, people with major depression tend to be less active and more vegetative [133]. Additionally, Donegal [36] found negative affectivity (pessimism) to be predictive of performance deterioration and accuracy in experimental tasks. Others confirm a link between pessimism and failure [101] and impaired judgment [71]. Furthermore, individuals having high negative affectivity use coping strategies such as self-rumination, denial, and disengagement from problems which are often ineffective means for handing life stresses [116]. This lack of motivation results in the individual not gaining reinforcement through goal-seeking behavior. Hence, depression becomes a downward spiral of negative affect, low motivation, lack of goal pursuits, and low performance.

Organizations often exert political pressures to downplay the negative [148]. This impacts both the deliverers and the intended receivers of negative information. The bearers of bad news tend to become pariahs, shunned and ignored by other employees and are often brushed off. Such employees are unpopular, make others uncomfortable, and are seldom welcome. It is annoying to be warned of imminent or future difficulties. People dislike and usually resent being told of impending problems and want to maintain a positive atmosphere: "A lot of upper level managers only want to hear the good news. No one wants to be the bearer of bad news. The messenger gets shot a lot" [11, p. 17). Frequently, executive coaches and motivational consultants advise companies to purge negative people from the ranks. One such martyr to the cause of financial realism was Mike Gelband, who ran the real estate division of giant financial services firm Lehman Brothers. At the end of 2006, Gelband was getting nervous about what looked increasingly like a real estate bubble. According to Ehrenrich [37], Gelband told then Lehman CEO Richard Fuld that "The world is changing" (p. 187) and "we have to rethink our business model" (p. 188). Fuld promptly fired the bearer of bad news and two years later Lehman went bankrupt. Those top leaders who receive information are also disadvantaged because they receive predominately positive information rather than honest reports, leading one CEO to complain that "I'm the most lied-to man in the world" [128, p. 189].

Moreover, "negative thinkers" are persuaded to think of themselves as odd or ill because of their reluctance or failure to look on the bright side—to give an optimistic gloss to issues [40]. Being negative is especially objectionable because it is enervating and deflating and frequently interpreted as disloyalty [82]. Leaders, consistent with America's positivity *zeitgeist*, are told to be enabling, involving, empowering, nurturing, positive, and optimistic. Those who are not especially encouraging are told to improve their attitude and are encouraged to revise their communication: "The message is correct, but it is too pessimistic" or "You need to look for a way to tell the story more optimistically" or "You have to give those working on the XYZ

project some hope of success." Thus, consideration of anything negative, it seems, is anathema and pessimists are "losers on many fronts" [128, p. 178].

IMPLICATIONS

There appear to be a number of implications for the model presented here. Optimism may be too much of a good thing especially when carried into the extreme. When there is no negative aspect identified for any situation this should immediately raise a red flag as an indicator that a rational approach is missing. In any logical argument a balance between optimism and realism must be noted and discussed openly to assist in avoiding errors in decision-making, planning, and other critical aspects such as strategy. As Collins [29] explained we must be able to live with the consequences. This includes the "upside" even if everything goes well, as well as the "downside" if everything goes terribly wrong. In the case of potential catastrophic outcomes as represented by the Challenger disaster, the burden of proof needed to be on the side of safety. That is, without the ability to prove "… beyond a reasonable doubt that it is safe..." (p. 74) to launch, it is necessary to delay - we might have been spared the disaster. The second point is that a balance is necessary between optimism and realism. This would require leadership to acknowledge differences between the wish list and reality, what they would like to accomplish and a sound assessment of their chances based on the current situation. This may also reflect on the ethical responsibilities of organizational leaders as demonstrated by Enron when management deliberately misled employees and stockholders. At some point before severe consequences are looming, leadership may need to realistically assess their own goals and motives. The third point is that optimism may be best described as the two-edged sword, and balancing both optimism and reality is critical so neither side is damaged beyond repair, one side is not advanced at the cost to the other, and that realistic assessments become a necessary part of organizational life. Negativity should not be avoided at all costs, and if negativity is not included with discussions and assessments, this should be a clear indication of risky planning, defective strategy, and inaccurate evaluations.

SUMMARY AND CONCLUSIONS

Positive thinking is endemic in American culture and the common notion that people should always feel good about themselves has caused the power that negative thinking holds, in terms of realistic appraisals of the self, to be not only underestimated, but often shunned as well. Living in a world without negative thinking is living in an illusory world, one that does not promote mental health or lead to true fulfillment. We believe, as our model suggests, that a range of slightly negative affect to slightly positive affect is optimal because it provides individuals with positive illusions necessary to motivate us tempered by reality assessments that assist in developing adaptive goals in the first place. Thus, both positive and negative affect can be beneficial. This is not to say that depression should be sought and glorified, but only that it has a true power in seeing reality. On the other hand, if one lives in the "protective bubble" of positive illusion described by Jopling [69], any sharp jab at that bubble can pop it and leave the inhabitant vulnerable and broken. The world is full of both danger and opportunity—the chance of great happiness as well as the certainty of death. Across a wide range of activities and tasks, affect has a curvilinear relationship with performance consistent with Brown and Marshall's [20] finding that individuals having high levels of positive affect (i.e., highly optimistic, unrealistically

optimistic, or overly confident) and high levels of negative affect (severely depressed, dysphoric, or negatively biased self-views) have lower levels of adaptiveness relative to those having slight to moderate levels of positive or negative affect. Too much negative thinking wrapped in negative affect causes people to resist, attack, or avoid its source to ease the pain they feel. It creates discomfort, frustration and wasted movement, or no movement at all. On the other hand, too much positive affect, which arises from an unrealistic belief that all is well and an unfounded expectation that the good times will continue unabated, leads to excessive risk taking, narcissism, and the tendency to minimize problems or discouraging them from being discussed all together. Thus, both extreme optimism and pessimism are unhealthy and are to be avoided and what is needed is moderation and balance.

This review offers support for Lovallo and Kahneman's [82] suggestion that "there needs to be a balance between optimism and realism—between goals and forecasting. Aggressive goals can motivate the troops and improve the chances for success, but outside-view forecasts should be used to decide whether or not to make a commitment in the first place" (p. 63). Such a view was similarly voiced by positivity guru, Martin Seligman who, in his book *Learned Optimism* [127], wrote that one should not be a "slave to the tyrannies of optimism.... We must be able to use pessimism's keen sense of reality when we need it" (p. 292) and that "optimism may sometimes keep us from seeing reality with the necessary clarity" (p. 291). Holding such a duality—the adaptiveness of both reality and optimism—suggests that the ideal business person, as indicated by Russo and Schoemaker [118], is a realist when making decisions but an optimist when implementing them.

Managing overconfidence means that when executives gather intelligence or make a decision, they should be careful to think in a realistic mode which involves considering options, specify ranges or probabilities, and weigh the possibilities—downside as well as up. But when the time comes to implement the decision, think positive. Go all out for success (within realism). Persuade others to get on board, to work enthusiastically. When managers put overconfidence to work for them in this way, then they are managing it.

This view is similar to the Confucian guiding principle of the mean (or the Golden Mean) that one should never act in excess. According to the doctrine of the mean, the correct or right course of action is always some middle point between the two extremes of excess (too much) and deficiency (too little). Take for example exercise: exercise too little or not at all and a person does not have much energy, becomes weak and unfit, and increases their chances of having heart disease, poor digestion, and even major depression. Similarly, the person who runs 50 miles a week, lift weights 5 days a week, and plays basketball 3 days a week, will in time notice that they are feeling tired all the time, having joint pain in their knees, and not sleeping well. Both levels of exercise are problematic and somewhere between the extremes of under-exercise and over-exercise is the right amount to produce health and happiness. In a similar way in India, the Buddha taught that the right course is the "middle way" [51].

We are likewise reminded of the classic text, and one of the greatest works of fiction ever published in the Western world, *Don Quixote*, by 17th century Spanish author, Miguel de Cervantes [112]. Don Quixote and Sancho Panza, the two main characters of the novel, are quite different from one another. Cervantes seems to be saying that one must combine the romanticism and optimism of Don Quixote with the practicality and realism of Sancho Panza [74]—an ideal view of the world (as enchanted and idyllic) and the brutal facts of the actual world (as material and sad). The basic message from Don Quixote is to encourage both discipline and passion, both realism and optimism. Some four hundred years later March and Augier [89] echoed a similar

sentiment in discussing leadership when they succinctly noted that, "Leadership involves plumbing as well as poetry" (p. 173).

This is similar to the paradox expressed by Collins, in his phenomenally successful book, *Good to Great* [28], who observed that every good-to-great company faced significant adversity along the way to greatness. In every case, according to Collins, the management team responded with a powerful psychological duality. On the one hand they stoically accepted the brutal facts of reality while on the other hand they maintained an unwavering faith in the endgame, and a commitment to prevail as a great company despite the cruel facts. The path to greatness, then, started with the right mix of optimism and a willingness to confront the facts of reality. Collins [28] called this two-element state of affairs the Stockdale Paradox (see Figure 2) after Admiral James Stockdale, one of the most highly decorated officers in the history of the United States Navy, who survived eight years as a prisoner of war in Vietnam and was tortured over 20 times. In interviewing Stockdale for *Good to Great* Collins asked the Congressional Medal of Honor recipient how he dealt with the atrocity of his imprisonment. Stockdale responded that "I never lost faith in the end of the story. I never doubted not only that I would get out, but also that I would prevail in the end and turn the experience into the defining event of my life, which, in retrospect, I would not trade" [28, p. 83]. Collins then asked Stockdale who were those who did not survive their captivity. "Oh, that's easy," he said, "the optimists. They were the ones who said, 'We're going to be out by Christmas.' And Christmas would come, and Christmas would go. Then they'd say, 'We're going to be out by Easter.' Easter would come, and Easter would go, and then Thanksgiving, and then it would be Christmas again; they died of a broken heart" [28, p. 84]. At that point Stockdale turned to Collins and said, "This is a very important lesson. You must never confuse faith that you will prevail in the end—which you can never afford to lose—with the discipline to confront the most brutal facts of your current reality, whatever they might be" [28, p. 83; see Figure 2]. Collins [28] indicated that he carries a mental image of Stockdale admonishing the optimists: "We're not getting out by Christmas; deal with it" (p. 85)!

Figure 2. The Duality of the Stockdale Paradox.

The Stockdale Paradox

Retain faith that you will prevail in the end, regardless of the difficulties	AND at the same time	Confront the most brutal facts of your reality, whatever they might be
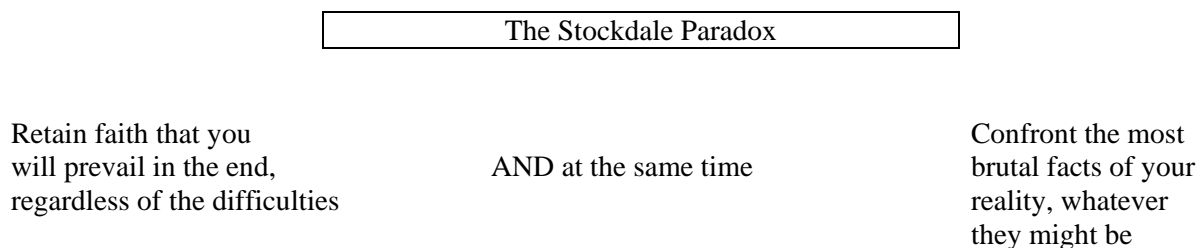
The Stockdale Paradox, then, seems to be a balance between an unwavering faith in the endgame in combination with a stoic acceptance of the brutal facts of current reality. Such a duality can serve to attenuate the dangers of excessive optimism and lead to survival.

The Stockdale paradox is similar to famous psychotherapist and holocaust survivor Viktor Frankl's experience in *Man's Search for Meaning* [44]. He observed that the death rate in the concentration camps increased close to Christmas because many people who believed they

would be spending it with their family died of disappointment. He developed the concept of "... tragic optimism, that is, an optimism in the face of tragedy ..." [44, p. 139]. Different from positive illusions, tragic optimism refers to the capacity to hope in spite of and because of tragic experiences. Tragic optimism is predicated on the defiant human spirit, the belief that what cannot destroy a person makes them stronger. It has no use for wishful thinking or positive illusions and is based, in part, on acceptance that enables one to confront the reality of what cannot be changed.

The point both Collins and Frankl make is that it is maladaptive to have high optimism under certain circumstances. Future hall of fame professional football player, Bret Favre, indicated quite succinctly that "I think it's OK to be confident. I don't think it's OK to be overconfident. Doubt to me at times is a good thing" [24, p. C1). Blind optimists who think that everything will be fine if they just sit back and have positive thoughts and wait will be bitterly disappointed. At the same time, they should never lose hope that they will overcome adversity in the end, no matter what fate has presented.

We believe with Peterson [107] that people should be optimistic when the future can be changed by positive thinking but not otherwise. We are comfortable in adopting what Seligman [127] called a flexible or complex optimism, a psychological strategy to be exercised when appropriate as opposed to a reflex or habit over which we have no control.

In closing it should be noted that America's fascination with all things positive may be specific to Western cultures and U.S. society in particular. In other times and places, great cultures incorporated in their worldviews elements of negative thinking. One obvious example of such a worldview is that of Buddhism. Buddhism begins, famously, with a declaration of the existence of pervasive human discontent and misery, misery that is universal and not limited to retributive consequences for the iniquitous or to maladies of the unfortunate. Buddha's First Noble Truth which forms the foundation for the Buddhist *Weltanschauung*, is that consciousness in interaction with the universe inevitably entails dukkha, often translated as suffering but also as pain, sorrow, unhappiness, dysfunctionality, dissatisfaction, frustration, angst, and even stress [156]. Dukkha is ubiquitous, persistent, and unavoidable. From a Buddhist standpoint, it is not a cognitive distortion to see the world and human existence as dangerous, unsatisfying, painful, and meaningless; rather it is irrational not to see the world this way. Such negative appraisals can be thought of as the beginning of wisdom [73].

The Buddhists are not the only non-Westerners who appreciate negativity. Muslims, in general, see grief, sadness, and other dysphoric emotions as concomitants of religious piety and correlates of the painful consequences of living justly in an unjust world. The ability to experience sorrow is regarded as a mark of depth of personality and understanding. In Iran, for example, sadness, grief, and despair are central to the Iranian ethos. Sadness for Iranians is associated with maturity and virtue. A person who expresses happiness too quickly often is considered socially incompetent [54].

The experience of sadness is valued also in Japan. There during the Tokugawa period, roughly between the fifteenth and nineteenth centuries (1603-1868), one of the principal cultural projects of Japanese historians and literary scholars was that of interpreting ancient Japanese texts with the aim of identifying essential aspects of Japanese national character. Motoori Norinaga (1730-1801) fashioned the concept of *mono no aware*, sometimes translated as "the persistent sadness that inheres in all things." This concept was postulated to define an essential ingredient of Japanese culture and meant to characterize both a certain aesthetic and a capacity to understand the world directly, immediately, and sympathetically [90].

We need to teach each other how to have dreams but not fantasies; illusions without delusions and to more effectively balance the two-edged sword of optimism. We can begin by examining our own workplace cultures. Do we shoot the messenger who delivers bad news, or is the messenger subject to more subtle ways of punishment? How to we treat people who bring up alternatives or raise concerns at any time? Do we practice productive conflict management or do we ignore, ostracize, stereotype or demonize people who dissent or who have alternative ideas? Do top executives surround themselves with "like-minded people" and "yes men" to avoid dissent and perceived challenges to power, or do they invite differing opinions and different views of issues? In the workplace, do we balance the positive with a negative or does one outweigh the other? In our own lives, are we realistic or do we live with too much illusion? The sooner we determine where and how we are relative to the facts, the sooner we can begin to move forward personally and professionally with confidence based on realism instead of delusion.

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