

February 8, 2015

LOL: Appreciation: Can you stand just a little more?!

Last week's LOL—"FCG's Secret Weapon"—got a surprising response from readers, with several saying it was the most important piece they'd read in years. Hey, thanks for that appreciation! (Keith Robinson finally intervened at the airport and told me to stop showing these emails to strangers...) Now that I've composed myself, let me dig in a little deeper on this topic.

Appreciation is indeed a secret weapon. Secret because the belief system in the investment world is so skewed towards criticism as the tool of choice. Being critical is important to investment success, so any card carrying CFA must have honed her critical skills. The problem occurs when we become the proverbial "hammer" that sees everything as a nail. The reasoning goes: "if my critical skills are so useful in stock selection and strategy sessions, then they must be useful in managing my team as well." FCG works with leaders who are convinced that if they just criticize the underperforming analyst enough, the performance will turn around. It's really not far from the old joke: "The beatings will continue until morale improves." We laugh at that joke because the logic is so warped. And yet we behave--manage our people--that way all the time. How do I know this? Because I do it all the time! "My name is Jim and I'm a recovering critic." (How many can relate?)

Appreciation is the antidote. Experts in the field of relationships (John Gottman) and coaching (Phil Jackson) agree that 5-to-1 is a good ratio for appreciation-to-criticism. Note: they don't eliminate constructive criticism, but they do keep it in the proper measure. And lots of research on coaching indicates that the best way to coach is not to harp on the negative but to show the coachee the right method. A simple example. If you are a poor bowler—which I am—it helps to be given the instruction: "finish with your thumb pointing towards the pin you want to hit." Rather than, "hey, bonehead, stop throwing gutter balls!" In the first case, I'm given a concrete suggestion to work with and practice. In the second, I'm merely criticized. We've seen PMs rail at analysts for bad stock picks without giving any constructive feedback about the process. What did they miss? How could the thinking be improved? Often when we give PMs this advice they respond with, "I shouldn't have to coddle these people!" And, presto, we're back to the belief system: "I can beat them into better performance."

So, let's talk accountability. Because that is a fair question when we are talking about performance and appreciation. "What!? I'm supposed to praise these people when they put howling dogs in my portfolio?!" No, not at all. But in our experience the best accountability begins with clear agreements around what you expect from your team members. Once you've agreed to performance standards, then write them down! It should be very clear to all what good performance looks like. The accountability piece is handled through feedback. An example? Let's say the PM and her analysts have agreed that the requirement is one new idea per analyst per month. By June, one of the analysts has only brought in 4 ideas, rather than the 6 that were agreed to. So, the feedback would look like the PM stating the facts—all analysts are expected to bring in one idea per month—and then the additional fact that the analyst in

question has only delivered 4. The PM would then get curious about the shortfall. The analyst would too. Together in a constructive dialogue (read: appreciative inquiry) they would explore how to close the gap. At year-end, if the gap has been closed, great. If not, then the second accountability lever may need to be pulled: compensation. If the analyst has fallen short by 25% (only 9 ideas, not 12), then perhaps pay is cut accordingly. The third and final lever is: employment. If the analyst continues to fall short after both feedback and compensation have been used as levers, then the conversation shifts to suitability of the role. Does the analyst have the “will” to do the work (properly motivated?) and does she have the “skill” (properly trained?)? In our experience, appreciation and accountability can live well together in a high performing shop.

Returning then to appreciation as a way to lead a firm or manage people, it may be helpful to spell out the underlying beliefs that support an appreciative approach.

Appreciative Principle	Description/Comment
Topics Create Outcomes	What we choose to study makes a difference. How we frame questions determines what we inquire into and what the outcomes will look like. If Henry Ford had framed his question about “How to make faster horses” he would have created a very different solution.
Inquiry Creates Change	Asking questions is very powerful. So, ask good questions. Not: “why is he so bad?” but rather, “how can he improve?” Our minds are like Google search engines, they will dutifully go off and answer the question we ask. So, be careful. Ask appreciative questions.
Pictures Inspire Action	Humans move in the direction of their images of the future. The more positive and hopeful the image of the future, the more positive the movement towards it. Vision is important.
Live the Future Now	Be the change you want to see in your firm. Don’t wait. Acting “as if” is self-fulfilling. This works both ways. Act as if nothing will change and guess what? Nothing does!
Autonomy Liberates Power	People perform better and are more engaged when they have the freedom to choose how, what and when they contribute. The more you trust your employees with autonomy, the more they commit to you and the firm.
Words Create Worlds	The culture of a firm is created through language and conversations. Leaders should be careful to encourage positive stories about the firm, and “correct” the negative ones. Many negative stories in a firm (read: gossip) are simply inaccurate. Leaders must be aware of them and manage them constructively. Often the best approach is to meet the negative stories head on.
Strength leads to Success	Identify and build on strength. Both for individuals and for firms: leverage your core strengths.

In our experience, firms that understand these principles and begin to work them into their management style and firm culture create a sustainable advantage. So, to remember these principles, remind yourself that if your firm wants to reach the tip of the summit, then they must practice “TIPLAWS” (rules for reaching the top).

After writing the last LOL, FCG had another very positive experience using the appreciative approach. We were working with a common situation: the older founders of the firm in conflict the younger “new” talent. The story line usually goes like this: (and the current situation was largely the same)

Older founders: “We have given you a platform on which to perform. We bet on you when you had no track record. You should be grateful to us.”

Younger staff: “We have worked hard to create a winning track record, which allows for future success. You should be grateful to US!”

Note: the underlying request in both cases is—yup—appreciation! Dammit, appreciate me for what I did! We have seen these conflicts degenerate into wrestling matches in which both sides try for a headlock, submission, and final pin: “You’re right. I’m wrong.” And, of course, that never happens! 😊

In fact, the case in point had reached what we call the “nuclear option” with each side’s finger hovering above the “red launch button.” The young talent quits, and the founders shutter the firm.

But thanks to the appreciative approach, we got both sides talking in a more positive and hopeful manner by asking constructive questions and finding common ground. Everyone in the discussion could rally around the goal of making clients happy. They could also rally around the idea of making themselves happy by: 1) doing the work they love and 2) being treated in a respectful and appreciative way.

We also created a positive picture of the future. Specifically, that owners and talent both imagined a future scenario in which the PM and his team could operate largely independently once the current situation had stabilized. There was a palpable easing of tension in the room when all the participants realized that the preferred future was possible for all parties. Of course, the devil is in the details, so there’s more work to do. But FCG is very hopeful for a good outcome, IF the dialogue remains constructive. That is, appreciative.

Ok, that’s the update on our secret weapon. Please send more compliments, and don’t be afraid to use adjectives.

Stay curious and appreciative,

JW