

March 1, 2016

LOL Journal - Who Keeps You Honest? Really.

A recent LOL on “Willful Blindness” lit up our phone banks. The basic response from concerned readers was, “Yikes! Are you trying to lose all your clients?!” The theme of the piece was that all of us have blindspots. Especially as it relates to our breadwinning activities. We quoted Upton Sinclair on this point:

“It is difficult to get a man to understand something when his salary depends upon him not understanding it.”¹

Given both the level of interest and the importance of the topic, I offer this antidote to Willful Blindness: **Someone who keeps you honest.** In many client engagements, FCG will ask the CEO this question, “Who keeps you honest?” Sometimes the question is met with a quizzical stare, and the response, “What do you mean?” So we explain that everyone needs a person who will call *bullshit* on them. Given the nature of Willful Blindness and Sinclair’s quote above, we need someone who is not afraid of us and who is quite willing to challenge our thinking...or lack thereof.

FCG’s experience shows that many CEOs do NOT have someone who keeps them honest. Like Warren Buffett, we all need a Charlie Munger to call foul. If I go through my mental rolodex and picture CEOs who don’t have a “BS whistleblower,” there is a common denominator: Ego. Insecurity and Ego are opposite sides of the same coin. The biggest Egos that we’ve experienced at FCG are masking the greatest insecurities.

Andrew Lo (MIT) wrote a recent piece in which he commented on Willful Blindness and how it leads to disastrous consequences.² Lo uses the fictional character Gordon Gekko to illustrate how Ego-driven, greedy leaders can create toxic cultures. Lo then asks, what is the best way to immunize against the Gekko effect? Lo’s answer is:

The psychologist Philip Zimbardo [who did the prison guards experiment at Stanford]³ put the answer succinctly: resist situational influences. Zimbardo was lucky enough to have a dissenting opinion [e.g. his wife!] that he implicitly trusted before his prison experiment spiraled out of control. Since that time, Zimbardo has investigated how good people can be influenced into

¹ The Investment Challenge by FCG, 2015, pg. 8

² “The Gordon Gekko Effect: The Role of Culture in the Financial Industry.” Andrew Lo. January 4, 2016. Special thanks to Tom Brakke for bringing my attention to this paper. Lo opens the paper by stating “Culture is a potent force in shaping individual and group behavior, yet it has received scant attention...” I couldn’t help it. At gunpoint, my Ego made me send Andy an email indicating the FCG has produced 3 books, 15 white papers, 37 blogs, and over 200 speeches on the topic...but who is counting?

³ Zimbardo asked Stanford students to participate in an experiment where some students were prison guards and others were prisoners. Within a few days, the experiment devolved into “Lord of the Flies” behavior and Zimbardo ended the experiment early.

doing evil things by their surrounding culture, much as the character Bud Fox was seduced by Gordon Gekko's culture in "Wall Street".⁴

What Lo—and Zimbardo—are saying is that situations can influence us to behave poorly so we all need a reality check. We need someone we trust—possibly outside the environment—who can give us candid feedback about our decisions and behavior. Zimbardo's list of antidotes to Willful Blindness includes the following:

1. Someone who will keep us honest
2. Willingness to admit our mistakes
3. Willingness to challenge authority
4. Ability to prioritize the future over immediate present (e.g. instant gratification)
5. Adherence to the values of honesty, responsibility, and independence of thought

Returning to #1 above, ask yourself: "When was the last time someone blew the BS whistle on me?" For many of us, the answer is: a long, long time! Like when we were in grade school and told the teacher, "My dog ate my homework." And we got busted for telling a lame whopper. Some CEOs are still telling whoppers and going bust-free.

Zimbardo rightly identifies "situational influences" as the real culprit in Willful Blindness. I confess to sitting in more than one strategy session in which I said nothing while the leadership team discussed ways to push questionable products on unsuspecting clients. Why was I silent? Situational influence. It seemed so uncomfortable to speak my conscience when the whole room was aligned around the "vibe" sell, sell, sell. Like I would be the world's biggest spoil sport to ruin everyone's fun. (Frank Burns in MASH, the classic wet blanket.) And, of course, remember Sinclair's caution that interfering with someone's salary is never a popular choice.⁵

Assuming you have the wisdom and courage to welcome a bona-fide BS whistleblower into your life, how do you avoid situational influences? Very simply, work around them. In other words, don't expect your "keep-you-honest" partner to operate in public settings, like staff meetings. Instead, meet with him or her privately and solicit feedback.⁶ Ask specifically, "What possible blindspots did I have in that meeting?" Note, the question is not, "Did I have any blindspots?" because that makes it too easy to receive a one word answer: no. Rather, assume you have a blindspot—we all do—and ask for feedback on what it looks like.

⁴ The Gekko Effect, pg. 34.

⁵ Kudos to my partners Keith and Michael, as they frequently will call BS on clients when appropriate. Michael by nature has a healthy dose of conscience, courage and skepticism which makes him an excellent whistleblower.

⁶ "Better yet, form what Eisenhower called a "kitchen cabinet," composed of people who will speak the truth to you in private. I adopted that idea years ago from Fred Martin, CEO of Disciplined Growth Investors.

A common blindspot that FCG observes is blaming. Most investment leaders recognize that blame is toxic in organizations.⁷ But then they subtly—or not so subtly—turn around and blame someone in a staff meeting. If you have an honesty partner, they can provide feedback after the meeting. This awareness would allow you to then use Zimbardo’s #2 point above: admit your mistake. Far too many leaders allow their egos to tell them: don’t admit mistakes. Why? It makes you look weak. One of my favorite TV heroes, Jethro Gibbs on NCIS, is guilty of this same stupid advice to his team:

Rule 6: "Never say you're sorry. It's a sign of weakness."⁸

This may be one of the dumbest “rules” going in the corporate world. We are all human and we all make mistakes, so why pretend that we don’t? So, let’s all get this one straight: appropriate apologies are a sign of maturity, humility, and respect. Not weakness.

Of course, if your career is an unending series of apologies, then something else is wrong. That’s different. We are talking about the occasional, sincere apology when you screwed up. In FCG’s experience, the willingness to take responsibility for a mistake—and apologize—is nearly always met with appreciation. People realize it takes courage to apologize.

So, what are we suggesting in this blog? Here’s the simple checklist:

1. Establish someone in your professional life who keeps you honest. (Your own personal BS whistleblower)
2. Acknowledge that you have blindspots and ask your BS whistleblower to point them out.
3. Do this in private, so that “situational influences” don’t overpower the whistleblower.
4. When you get feedback that you have screwed up, admit your mistake. And when appropriate apologize.

This seems simple enough. Why don’t we do it? Ego. The simple prescription above is the LAST thing that Ego wants. Ego loves to be in control, to look good, and to be right. Ego hates humility. Ego is constantly on the lookout for whistleblowers, so that it can root them out and crush them. If Ego reads this blog it will tell you, “this is the dumbest thing you’ve read all week. Ignore it!”

Of course, many readers will react to this blog by thinking, “I don’t need this coaching, but so-and-so definitely does!” OK, first off, ask your BS whistleblower if that is really true: that you don’t need this coaching!

⁷ See the paper we co-authored with Jason Hsu, “The Folly of Blame” on our website www.focusCgroup.com

⁸ This rule has been mentioned throughout the series, but it given a specific number until [Flesh and Blood \(episode\)](#). The rule is also a direct reference to John Wayne's catch phrase in *She Wore A Yellow Ribbon* (John Ford, Director). Wayne said: "Never apologize, mister, it's a sign of weakness" to subordinates in a military situation. DiNozzo notes the connection in [Hiatus Part 1 \(episode\)](#). Mark Harmon's career has paralleled John Wayne's. They both were quarterback of their southern California college football team, both went into acting. (Harmon's father, Tom Harmon, was a [Heisman Trophy](#) winner and actor & announcer as well.) Note: This is continuously told to Tony, Ziva and Tim through a smack to the back of their heads.

Then, if you must, print this piece and leave it on so-and-so's desk, with the appropriate parts underlined! 😊

Meantime, I want to thank my whistleblowers.⁹ My business partners, who don't seem at all afraid to call me on my BS. (Clearly I have been way too lenient in my leadership...) And my ultimate whistleblower, my wife. She is not the least bit intimidated by me. I can't get away with anything.

Curiously and humbly yours,

JW

⁹ Fred Martin, quoted earlier, is one of my whistleblowers. In reviewing this blog, he added these good thoughts: "Please be specific about your own kitchen cabinet. You were too cavalier about your wife's influences. I was left wondering what kinds of specific decisions she helped you with. You also should be more specific about your associates. What specifically have they done to help you deal with your blindspots? Are there any other members of your kitchen cabinet?" *JW: Fred makes a good point. I think the response is long enough to constitute another LOL blog. Which I intend to do.*