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LOL: Self-awareness: FCG research supports its value

“If you have a 150 I.Q., sell 30 points to someone else. You need to be smart, but not a genius.” Warren Buffett

No surprise, many investment professionals resist the “soft stuff.” Many prefer a bout of Montezuma’s revenge to a discussion of emotional intelligence (EQ). At offsites, EQ provokes predictable responses: eye-rolling, finger tapping, cavernous yawning, and wristwatch glancing. I feel as welcome as Jack Bogle at a hedge fund conference.

Although predictable, this response is counterproductive. The research is clear: IQ gets you in the door, but EQ get you to the winner’s circle. Because many in our audience are data driven, I want to present some findings from our 360 data base. We’ve done hundreds of 360 reviews on investment leaders around the globe. The process involves a participant being assessed by direct reports, peers, and bosses. (Hence the term 360) The assessment contains both objective scores on various competencies—strategic thinking, effective decision making, client focus—and written comments on a participant’s strengths and weaknesses. (Each 360 assessments contains 20-25 competencies from three leadership categories: leads the self, leads the team, and leads the firm.)

My hypothesis going into the analysis was that self-awareness would be a key factor in overall scoring. Specifically, if a person demonstrated high self-awareness, then their overall score, for all the competencies measured, would be high. Conversely, those with low self-awareness would do “poorly” on their 360.

The data confirmed this hypothesis. We ran a correlation to look at the relationship strength between total average score and the competencies. The two competencies showing the strongest positive correlation to total average score were:

1. Provides Direction ($r=.88$)
2. Self-awareness ($r=.87$)

The top competency, Provides Direction, squares with our recent white paper results (Teaming Effectively¹) in which we showed that “Clear Purpose and Direction” was the number one factor in explaining team success. Great leaders—with high 360 results—understand that providing clear direction is crucial to team performance. Makes sense.

But right behind Provides Direction was the variable in question: self-awareness. In our 360, self-awareness is defined as:

- Knows their own strengths and weaknesses
- Seeks feedback and attempts to always learn and improve themselves
- Consistently practices self-reflection

¹ For a copy of this paper, follow this link: [Teaming Effectively](#)

The results of our analysis confirmed our hypothesis: individuals who score highly on these measures also tend to score highest on overall 360 results. Additionally, we found a strong positive correlation between self-awareness and the following three competencies:

- Reading people (r=.77)
- Builds effective collaboration (r=.80)
- Integrity and trust (r=.77)

For people familiar with Emotional Intelligence (EQ), these results should not be surprising. Dan Goleman—the father of EQ—divided the basic skills of EQ into these four quadrants:

	What I see	What I do
Personal Competence	Self-awareness	Self-management
Social competence	Social awareness	Relationship management

Using the findings from our research, we can drop our results directly into Goleman’s model:

	What I see	What I do
Personal Competence	Self-awareness	Integrity and Trust
Social competence	Reads people	Builds effective collaboration

Goleman agrees that self-awareness is the starting point. It drives the other EQ competencies. Further, self-awareness—and emotional intelligence (all four boxes)—seems to drive success in the remaining 360 competencies as well. As we stated above, IQ gets you in the door, but EQ gives you the competitive advantage. Looking at the difference between the top scorers on the 360s and the bottom ones, we see a significant difference in Self-awareness scores: (1 to 5 scale with 5 as top score)

Top 360 scores: average self-awareness score	Bottom 360 scores: average self-awareness score
4.24	3.08

Let’s look at a real example. Consider two investment professionals from the same firm. They each participated in a 360 review with the same group of raters. (Apples to apples comparison) The results confirmed that each one is seen as a gifted investor, and highly regarded for their technical skills. In addition, my interviews with their raters revealed that each one is a good person, with good intentions. In short, neither is a Red X, i.e. a jerk.

Interestingly, when we move away from technical skills and IQ, their 360 results are very different. One had a high overall average (4.6), the other low (3.3). Looking at our hypothesis—that self-awareness will determine overall competency scores—we see it confirmed in these self-awareness scores:

	Self-assessment on self-awareness	Peer-assessment on self-awareness
High scorer on 360	4.0	4.4
Low scorer on 360	3.5	2.5

Digging a bit deeper into these self-awareness scores, one of the questions on self-awareness reads, “I seek feedback and attempt to always learn and improve myself.” This question captures a key competency studied by the Center for Creative Leadership (Greensborough, NC) which they call “Learning Agility.” Basically, Learning Agility means that a person is open and receptive to feedback and makes good use of it. CCL’s research found that this competency was the number one determinant of executive success. Here is each person’s score on Learning Agility:

	Self-assessment on seeks feedback, committed to learning and improving	Peer-assessment on seeks feedback, committed to learning and improving
High scorer on 360	5.0	4.9
Low scorer on 360	4.0	2.1

The results for these two individuals are a microcosm of what we found overall. Good leadership skills depend on high self-awareness. When I debrief 360 results with individuals, I can tell pretty quickly if they are open to learning and improving. High self-awareness scorers lean in to the results. They pay attention. They ask questions. They want to improve.

Unfortunately, many low self-awareness scorers have the opposite reaction. One case in particular stands out. The PM in question resisted the whole 360 process. He was so convinced that the results would be biased that he requested two different sets of raters: one that he picked, and one that was picked at random. He was quite sure that the two rating groups would show markedly different results. (In the process, the PM did not fill out his self-assessment.) In fact, the two groups were similar. Both groups scored the PM poorly. The results are as follows:

	Self-assessment scores	Peer-assessment scores
Self-awareness (overall)	(did not complete)	2.3
Seeks feedback, attempts to learn and improve	(did not complete)	2.0

When it came time to review the 360 results with me, it was evident that this PM had not read the report. In our debrief, he spent most of the time asking questions that were unrelated to his 360. In fact, we never did open the report and review it. Afterwards, he refused any follow-up coaching, and to this day I’m quite sure he’s never reviewed the report. This firm loses analysts on a regular basis because they don’t want to work with this PM. (At last count, the firm had lost nearly 50 analysts over a 5-year period.)

My reaction to experiences like this is both sadness and compassion. I would like to see all people learn and improve. These individuals who have low EQs are not bad people. In fact, they are good people with great technical skills. No question, they could learn and improve. Unfortunately, they choose to be defensive and closed, rather than curious and open.

The good news is that some of them “get it.” The light turns on. They see that their defensive stance is harmful to reaching full potential. In time, they do open up and begin to learn. A success story in this regard involves a COO who initially showed all the resistant, defensive signs. He challenged our process, our credentials, and our motives (“consultants just want to find weaknesses so they can get hired”). And when he saw the results, he questioned them as well. They were poor. Here were the COOs scores on self-awareness and learning agility:

	Self-assessment scores	Peer-assessment scores
Self-awareness (overall)	4.7	3.1
Seeks feedback, attempts to learn and improve	4.0	2.9

The turning point for the COO occurred when we asked him to show the results to his family. We said, “If they agree that the results are bogus, then we won’t ever mention the 360 again.” He followed our suggestion. He showed the results to his wife and adult children and they responded nonchalantly: “Yes, that’s you.” The COO was shocked. He had no idea that he was impacting people this way. He decided then and there that he wanted to change his image. Several years have passed and he has become a model for collaboration, respect, and fairness. Colleagues of his have told us many times that the COO has changed remarkably for the better. And, importantly, this COO was in his late 50s. (Many of the 360 resistors use the excuse, “I’m too old to change.” Or the broader statement, “people don’t change.”) They are wrong. People can and do change. But only if they are open to feedback and committed to learning.

The story above always encourages me to give every effort to coaching people who initially resist. People in this industry are exceptionally bright and basically good natured. If they are willing to drop the Ego’s goal of resisting change, then self-awareness and EQ can improve significantly. It’s a choice. And some of my favorite coaching experiences involve individuals who made the choice to learn and change.

If you found this blog useful, stay tuned. We are writing a more detailed white paper on our 360 experiences. For now, the takeaway is clear: IQ opens the door, but EQ provides the competitive advantage. Drop your Ego defenses and learn all you can.

Curiously,

JW