

October 4, 2016

LOL Journal - Values-Driven Leadership

Returning from a conference on values-driven leadership, I share these insights on the investment industry. First, let’s define terms. Many readers may be thinking, “Aren’t all leaders value-driven? Even the ones driven by profit, competition, and winning?” Well, yes. “So, if all leaders are values-driven then what’s the point of the conference? Just to affirm this fact?”

For me, the big distinction is which values? And, are they positive and full-spectrum? In this regard, Richard Barrett, founder of the conference, has provided a useful framework.¹ He has taken Maslow’s hierarchy, which is familiar to most of us, and reframed it this way for firms:



As you can see, values like “shareholder/profit” are included in this list; they are perfectly valid. But if done to excess, they become harmful, like “greed (read: Wells Fargo)” or “corruption.” Similarly, the second level of values includes those relating to relationship. They also are positive, unless they drift into manipulating and blaming.² Investment leaders are especially keen on level 3: self-esteem. They

¹ Barrett has written a number of good books on these topics. See website:

<https://www.valuescentre.com/about/richard-barrett>

² See FCG’s paper published in the Journal of Portfolio Management, “[Does a Culture of Blame Predict Poor Performance for Asset Managers?](#)”

are a competitive bunch and love to win. Many firms we survey have more values at this level than any other level. All investment firms must succeed at levels 1-3 if they are to grow and prosper.

In FCG language, the first three levels are “below the line” because they are often command-and-control driven. Whether overtly or covertly, leaders at these levels often use fear to achieve results. They want the firm to survive and thrive, so they push for open communication and mastery. Lance Secretan, founder of Manpower, spoke at the conference and provided a useful distinction between motivating and inspiring. Command-and-control leaders try to motivate the staff. And there is extensive literature available about motivating employees. (346 million Google hits) Secretan’s point was a subtle one: motivation is often externally driven—by rewards and punishment—and can be coercive. Secretan then offered an alternative: inspiration. Good leaders inspire their teams. Instead of lighting a fire UNDER them, they light a fire INSIDE of them. They use a pull strategy instead of a push strategy. At the root of pushing is often fear: “If I don’t push them, we’ll fall behind. We won’t win. We won’t improve. We’ll fail.”

Many conference speakers emphasized that today’s top leaders have moved beyond command-and-control/fear-based leadership to conscious leadership, or values-driven leadership. The chart above helps us understand what that means. As a conscious leader, I have mastered my own needs for survival, relationship and self-esteem, so that I can lead from the higher values, such as:

- Accountability
- Trust
- Integrity
- Compassion
- Humility

Remarkably, many of the successful leaders today speak openly about compassion/love in the workplace. Mulally, the Ford CEO who led the highly successful turnaround, told his Executive Committee that they needed to go beyond simply tolerating the dealership managers. They needed to love them. (!) Mackey, CEO at Whole Foods, showed this slide at the conference:



Mackey provided powerful examples from his leadership journey, including one from his encounter with the SEC. Mackey said his guiding principle is always to act from a place of love. And he said he always looks for “win/win/win” solutions. If a staff member brings him a solution that looks like win/lose, Mackey asks the person to reexamine it and try for the triple win.³

Notice the third bullet in Mackey’s slide: Seek to eliminate fear. In FCG’s model of over/under the line, leaders are constantly challenged to choose between fear-based vs. trust/compassion-based actions. Fear takes us to scarcity mindset, where we fight for our share of the pie. Trust moves us to ask: what’s the right and compassionate thing to do. And how do we all win? Obviously, the actions we take will be very different depending on our state of mind.

The final bullet on Mackey’s slide promotes appreciations. The investment industry suffers from ADD in our view: Appreciation Deficit Disorder. In culture surveys, we see repeatedly that staff members feel underappreciated. Appreciation is a way—without getting mushy—to show love and care in the workplace. Mackey advocates for the simple practice of starting meetings with one appreciation for a team member.

Secretan also advocated powerfully for the importance of love in the workplace. He spoke about the extensive research reported in the book, Triumphs of Experience: The Men of the Harvard Grant Study.⁴

He showed this chart to summarize the findings from the longest longitudinal study of human development ever undertake:



1. Love is really all that matters
2. It’s about more than money and power
3. Regardless of how we begin life, we can all become happier
4. Connection is crucial (joy)
5. Challenges – and the perspective they give you – can make you happier

No surprise that the top two findings are 1) Love is really all that matters, and 2) It’s about more than Money and Power.

³ A triple win is a win for all three stakeholders: customer, shareholder, employee.

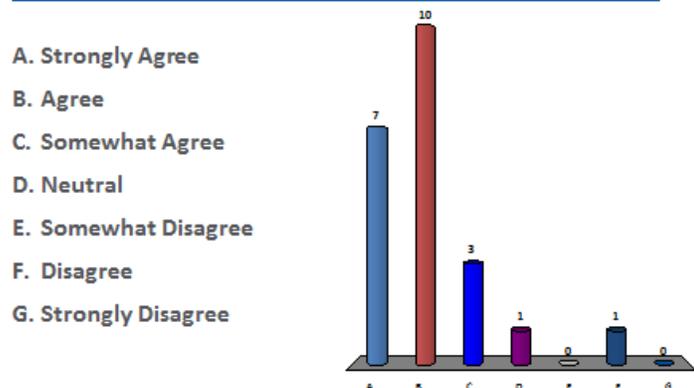
⁴ [Triumphs of Experience: The Men of the Harvard Grant Study](#)

ethical decisions. In Fred’s case, his firm had discovered an error in the last 24 hours which could cost his firm \$2 million. Without hesitation, Fred said that he immediately decided to make the clients whole, even though the clients would probably never have known that an error had been made. In discussing the incident, Fred’s main concern was mostly about the woman who had found the error and felt deeply upset about it. Fred reassured her that he and all the staff members shared responsibility for it. Additionally, this incident gave Fred a chance to talk about his four key principles that he has instilled at DGI, one of which is forgiveness. Fred was able to remind the woman in question that we are all human, we make mistakes, and we let them go. The other three principles are: integrity, compassion, and responsibility. The dialogue between the two CEOs and the audience was very open and reaffirming that the leadership values being discussed in the conference were alive and well in these two investment firms. The most humorous moment occurred at the end of the session when one participant asked, “Are you two representative of the industry at large?” Spontaneous laughter erupted as we all sensed the underlying disbelief. I reminded participants that Fred and Michael represented Focus Elite firms and that “no, not all investment firms have built strong cultures like Mawer and DGI.”

Having said that, I will add that 97% of investment audiences around the world agree with the statement: “strong, positive culture is important to an investment firm’s success.” So, there is general awareness that culture is important. The difficulty, as many speakers at the conference acknowledged, is that strong, positive cultures can only be built by leaders who have started to operate from trust rather than fear. In other words, they have personally evolved up the Barrett hierarchy. Barrett would say, “Conscious leaders are operating more from soul than ego.”

My major takeaway from the conference is a deeper commitment to writing and speaking about a new investment vision. Conscious leaders are vision-led and values-driven. So, for the investment industry the vision would start with a broader and more global view of the purpose of investments. In FCG’s recent CEO roundtable in Chicago, we asked our 22 guests to respond to this purpose statement:

VOTE: “Positively influencing people’s financial lives” is a good purpose statement for the investment industry.



There were only a couple of dissenting votes, which were largely resolved by the ensuing dialogue. FCG is encouraged that the investment leaders are moving away from the business school mindset that “the only purpose of a business is to shareholder maximization.” Investment leaders are embracing a bigger dream. Additionally, in our large database of investment culture surveys, we know that the core values for the industry are: 1) Client Satisfaction, 2) Ethics/Integrity, 3) Teamwork, 4) Excellence/Continuous Improvement, and 5) Accountability. These five values represent a good spectrum from the Barrett hierarchy shown above. My hope is that more and more investment leaders will realize the truly joyful experience of the triple win: clients, employees, and owners. And then dream even bigger: community, country and the world.

Curiously and humbly yours,

JW