Linking Strong Culture to Success:
Findings from FCG’s Elite Culture Firms

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Linking Strong Culture to Success: Findings from FCG’s Elite Culture Firms

What is the link between strong culture and success? This is a frequent question that we get at Focus Consulting Group (FCG). Or, more pointedly, what is the link between culture and investment performance? On this latter point, FCG has always argued that there is simply no way to prove that culture drives top fund performance. A recent article by Bill Gross argues our position:

- “Investors should be judged on their ability to adapt to different epochs, not cycles. An epoch may be 40-50 years in time, perhaps longer.
- Bill Miller may in fact be a great investor, but he’ll need 5 or 6 more straight “heads” [coin flips] in a future epoch to confirm it. Peter Lynch is a “party pooper.” [quit while he was ahead] Warren Buffett is the Oracle, but if an epoch changes will he and others like him be around to adapt to it?”

Gross argues that it will never be possible to prove “skill vs. luck” because we will never know if “it was the epoch that made the man as opposed to the man that made the epoch.”

Defining success in the asset management world is simple but not easy. Simple in that success is about making money for your clients. “Not easy” because defining that goal precisely is tricky. Moreover, success for most firms goes beyond just the investment track record. So, in this white paper, we want to explore success and culture:

1. How do the Focus Elite firms define success? (Because culture matters only in so far as it supports success, in our view.)
2. Does strong culture link to success? (We won’t set out to prove anything, but we will provide data that shows a strong link between culture and success.)
The Focus Elite: Strong Cultures

Each year Focus Consulting Group (FCG) surveys hundreds of asset management firms to see which ones have the top cultures. We use criteria such as:

1. Are employees rallying around a core set of values?
2. Is there a low incidence of negative behaviors (“sludge”) in the firm?
3. Do employees feel a strong loyalty to the firm?
4. Do employees feel proud to work at the firm?

Typically less than 5% of the industry (based on our sample) makes the cut. In other similar research outside the asset management industry, a similar number is reported: 3%.

What we know about culture in the asset management industry is that over 95% of investment professionals view it as important to their firm’s success. And more specifically, the benefits from strong culture are as follows:

- Attract top talent
- Retain top talent
- Improve decision making

Because the top firms depend on good people to execute a good process, the benefits of attracting and retaining the top talent are evident. Contrary to the popular myth that money-is-everything in the investment business, we hear reports weekly of top talent moving for LESS money because their working environment is poor. In one case, a PM moved for 1/3 of his current compensation.

What are the core values of these Elite firms?

Strong culture is made up of purpose, trust, and values. The Focus Elite firms have all three. The values that are shared by the Focus Elite are as follows:

- Client Satisfaction
- Ethical/Integrity
- Professional
- Collaboration/Teamwork
- Excellence/Continuous Improvement

The point to be made here is more about focus and execution, rather than a “secret formula” that these firms have discovered. Indeed, these same values make up the core of most investment firm’s DNA. But the Focus Elite commit to and execute on them better than most.
In what follows we will share the thoughts and data from our Focus Elite winners. First, we’ll introduce the 2013 winners and offer congratulations on building superior investment cultures:

### 2013 Focus Elite Winners

<table>
<thead>
<tr>
<th>NAME OF FIRM</th>
<th>LEADER</th>
<th>LOCATION</th>
<th>EMPLOYEE COUNT</th>
<th>AuM $</th>
<th>OWNERSHIP</th>
<th>CLIENT BASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AJO</td>
<td>Ted Aronson</td>
<td>Philadelphia, PA</td>
<td>41</td>
<td>20 B</td>
<td>Employee Owned</td>
<td>Institutional</td>
</tr>
<tr>
<td>AMERICAN BEACON ADVISORS</td>
<td>Gene Needles</td>
<td>Fort Worth, TX</td>
<td>92</td>
<td>50.6 B</td>
<td>Privately Owned</td>
<td>Institutional, Mutual Funds, Corporate Pensions</td>
</tr>
<tr>
<td>DISCIPLINED GROWTH INVESTORS</td>
<td>Fred Martin</td>
<td>Minneapolis, MN</td>
<td>17</td>
<td>3.1 B</td>
<td>Employee Owned</td>
<td>Institutional, Private Client, Endowments and Foundations</td>
</tr>
<tr>
<td>FOREST INVESTMENT ASSOCIATES</td>
<td>Michael Kelly</td>
<td>Atlanta, GA</td>
<td>48</td>
<td>3.9 B</td>
<td>Employee Owned</td>
<td>Public and Corporate Pensions, Endowments, Foundations and Family Offices</td>
</tr>
<tr>
<td>GREYSTONE MANAGED INVESTMENTS, INC.</td>
<td>Robert Vanderhooft</td>
<td>Regina, SK, Canada</td>
<td>122</td>
<td>33 B</td>
<td>Privately Owned, controlled by Employees</td>
<td>Institutional</td>
</tr>
<tr>
<td>KEMPEN CAPITAL MANAGEMENT</td>
<td>Paul Gerla</td>
<td>Amsterdam, The Netherlands</td>
<td>164</td>
<td>38 B</td>
<td>Owned by Private Bank</td>
<td>Institutional, Private Client, Mutual Funds</td>
</tr>
<tr>
<td>MAWER INVESTMENT MANAGEMENT, LTD</td>
<td>Michael Mezei</td>
<td>Calgary, AB, Canada</td>
<td>92</td>
<td>16.4 B</td>
<td>Employee Owned</td>
<td>Institutional, Private Client, Mutual Funds</td>
</tr>
<tr>
<td>XYZ CAPITAL (Anonymous)</td>
<td></td>
<td>East Coast</td>
<td>90</td>
<td>35 B</td>
<td>Employee Owned</td>
<td>Institutional</td>
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Defining Success

As simple as it seems, defining success is NOT easy for most investment firms. (Interestingly, few of them respond, “Happy clients.”) Instead, most go immediately to a metric like “top quartile performance.”) Ted Aronson, CEO of AJO, comments, “Fundamentally, our job one is dollar added value.” And many would agree. However, when pushed to answer the next question, “How do you define ‘added value?’” the answers aren’t so clear. Many firms spend hours in discussion and debate about benchmarks, risk adjustments, peer groups, time periods and the like. So, how do our winners answer? Here are some definitions of success from our Focus Elite leaders:

Fred Martin, CEO at Disciplined Growth Investors (DGI), says, “We use four quantitative measures for our company:

1) Seven-year trailing investment results relative to our fixed internal benchmark and relative to our external benchmark
2) Annual client turnover
3) Employee turnover
4) Portfolio turnover (We want our portfolio turnover to roughly match our investment time horizon.”)

Frank Hart, President of Greystone Managed Investments, says that the following indicators are used to measure success:

- Client satisfaction
- Client turnover
- Percent of clients with multiple products (cross sell)
- Investment performance
- Staff turnover
- Ability to attract and retain top talent
- Firm profitability
- Position/ranking in the industry

Michael Kelly, President of Forest Investment Associates (FIA), defines success in this way:

“Investment returns, while often quite good, have never been the best measure of our success, as timber is a long-term and relatively illiquid asset class. Our performance is fairly tightly tied to housing, which, as you may know, reached an historical low after the financial crisis and remains very depressed. Therefore, our composite returns have been low for the past several years, and we even have had one negative year. But, our clients understand the asset and are truly long-term investors, so they stick with us. We started in 1986 with two clients, and those same two are still with us today, 27 years later. We gained three more in 1991, and those three remain with us as well. In our 27-year history, we’ve only “lost” six clients, and none of them due to poor investment performance or unhappiness. Even in this low-return period, we’ve gained three new clients in the last two years, and have also inherited two clients (with their existing timberland portfolios) from another manager.”
We also have an excellent employee retention record. In our 27-year history, excluding secretarial and administrative turnover, we’ve only lost five employees to other business opportunities, and two of those later returned to FIA and remain with us today. “

Another Focus Elite winner, Paul Gerla CEO at Kempen Capital Management (KCM), defines success with these four metrics:

1) Exceptional long-term Investment Results
2) Client Satisfaction
3) Strong alignment and low turnover of staff
4) Firm profitability

Summarizing the views of our Focus Elite winners about success, we can safely say that all of them—like Kempen above — are concerned with their three main stakeholders:

1. Clients (measured in value added returns, clients satisfaction and retention)
2. Employees (measured in engagement surveys and turnover data)
3. Owners (measured in profitability and equity appreciation)

So then, does strong culture contribute to success in these three areas?

**Strong Culture and Success**

The evidence from our 2013 Focus Elite winners is a resounding YES! Starting with KCM, here is their track record with regard to these three main stakeholders:

**Clients:** Paul Gerla states: “Kempen firmly believes that in the long run a strong investment culture is the most important differentiator between asset management firms. To preserve and grow wealth for our clients we need to be long-term focused and create alignment of interest between all stakeholders. We are convinced that there is a strong positive correlation between culture and investment results. More than 80% of our flagship funds have delivered on their performance targets since inception. We focus on small caps, REITs, credits, high dividend and hedgefunds. All our niches are capacity-constrained and we execute that in a disciplined way. The annualized alpha of the five equity funds ranges between 2%-6%. The annualized alpha of the 4 fixed-income funds ranges between 0.5%-2.5%. The annualized alpha of our fund of hedgefunds ranges between 3%-3.5%. Only the two listed real estate funds lagged their benchmarks until 2011 but are now strongly improving.

A crucial metric of success is of course satisfied clients. As management we speak to all our clients at least annually. We continuously get very good feedback from our clients how to improve our service. This way we have been able to get away from short-term salesmanship and move to long-term stewardship. That’s especially being recognized by our fiduciary clients. We are happy to say that the average client stays more than 8 years with us.”

**Employees:** Our goal is to have stable teams, strong alignment and low turnover
of staff. Although we have grown a lot in staff over the last 5 years we are happy to say that the number of people leaving the firm is low. The average turnover across all tribes is 11%, i.e. the average staff member stays 9 years with KCM. In the front-office the average staff member stays longer than 10 years. Furthermore we are proud that 90% of our senior staff is a long-term shareholder in KCM and co-invest significantly with our clients in our funds.

**Owners:** Given all of the above we have been able to grow our business substantially over the last 5 years. AuM has grown from 10.2 billion euro in 2008 to 28.2 euro in 2012. The profitability of the firm has substantially improved. Our cost-income ratio has declined to 55% in 2012.

Another Focus Elite firm, American Beacon Advisors has also shown excellent results for all three “C-E-O” metrics. When asked how culture has helped achieve this admirable record, Gene Needles (President and CEO) says, “With fewer than 100 employees, American Beacon is small for a global mutual fund company, but that size allows us to nurture a highly professional, teamwork-driven corporate culture. Surveys show that the terms that American Beacon employees apply most to our company are “ethical/integrity” and “professional.” In our exceptionally close-knit working environment, American Beacon employees know they must depend on each other, and that they are being relied on in return. We feel that interdependence helps foster our highly professional atmosphere, and ultimately enhances our investment performance.

At the same time, individual initiative is encouraged and rewarded. As a nimble, boutique-sized financial services firm, American Beacon offers opportunities to its employees that may not be as available at larger institutional companies. Because of our size, our employees are encouraged to be creative, resulting in both innovative solutions for our clients and growth opportunities for our employees.

American Beacon embodies a “connection culture,” where employees feel connected to their company’s identity, their colleagues and supervisors, and most importantly to their roles within the organization. This atmosphere has led American Beacon to have a sterling record of employee retention, with many people remaining with the firm for decades; the result is an unusually cohesive office that strengthens both our employee satisfaction and our client relationships.”

Fred Martin at DGI puts it succinctly: “For asset managers we believe there are three key elements to developing a sustainable competitive advantage. First is culture. FCG has done pioneering work at identifying and measuring the cultures of investment firms and we have used their methods in developing a strong culture. The second element is the integration of business objectives with investment objectives. Critically, investment objectives must take priority over business objectives. Third is the client base. Purposeful clients will provide the basis for the manager to achieve superior results.” DGI has worked hard for several years now to define and strengthen its culture. To their credit they have been willing to largely put their egos aside and commit to learning (and feedback) about how
to build a cohesive team. Their strong culture contributed to helping the senior team through a rough patch last year. Despite excellent performance and strong client satisfaction, the DGI team still faced some internal turbulence. (Contrary to the popular belief that good performance eliminates all problems.) The trust and respect for one another which had been built over the prior years allowed them to address and resolve an issue that might well have sunk other firms. To DGI’s credit, the team is stronger than ever now and continuing to post strong results.

Michael Kelly at Forest credits the firm’s strong culture with both client success and employee success:

“I suspect our excellent client retention record is related to our culture.” And more strongly linked is the employee success: “I believe our employee retention record is definitely a direct result of our culture.”

At Greystone, the goal is to stay relevant to clients and employees of the firm, the “C” and the “E” part of the C-E-O formula for success. (And because the firm is employee owned, the “O” piece is implicit).

The following 5 core values drive the behavior and Greystone argues that they contribute to the consistent success of the firm. These five core values are:

- **Client Satisfaction**—striving at all times to meet our clients’ needs and exceed their expectations
- **Accountability/Responsibility**—taking personal accountability and responsibility for our actions
- **Collaboration/Teamwork**—a belief that teamwork and collaboration produce the best results
- **Community/Social Responsibility**—giving back to the communities in which we live and work.
- **Responsibility, Ethical/Integrity**—taking responsibility and acting ethically and with integrity in everything we do.

The above five values have consistently ranked in the top five as seen by all Greystone employees since they began monitoring them about 7 years ago. There is a high degree of alignment and behavior amongst all Greystone employees around these five cultural values.

With regard to Greystone’s indicators of success (stated earlier), the following commentary describes both their results and their perspective on the influence culture has on these results:

1. **Client Satisfaction—Greystone** uses an annual survey conducted by Greenwich Associates each year to measure client satisfaction relative to competitors and peers in the industry. In 2012, Greystone was ranked as top quartile in Canada for client satisfaction overall. With the exception of 2010 and 2011 when the firm ranked second quartile in client satisfaction, Greystone has consistently ranked top quartile in client satisfaction against its peers in Canada.

2. **Client Retention—Greystone**’s annual client retention rate is typically about 95% per year. In other words, we would on average, retain 19 of every 20 clients annually.
3. **Percent of Clients taking multiple products—Greystone** is fortunate to have many clients who take more than a single product. Two thirds of Greystone clients who began as a single product client now have more than one Greystone product in their portfolio. Since 2006, over one quarter of the firm’s clients have taken more than one of the firm’s investment products.

4. **Investment Performance**—Five out of seven key products have a top quartile performance ranking for their four-year track-record. Of the two that are not top quartile, one has a 200bps value added to the benchmark. They define key products as those contributing 4% or greater of firm wide revenues.

5. **Staff Turnover**—staff turnover is very low, typically 3% or less per year. In recent years, voluntary employee turnover has been less than 1% per year.

6. **Ability to Attract and Retain Top Talent**—Staff increased by over 10% in 2012. They use a thorough ‘hire for fit’ process to select and screen candidates before making offers of employment. In the past two years, they have hired some of the industry’s top investment consultants, investment advisors, risk management professionals and others. When asked what has attracted these top candidates to Greystone, the answer is virtually always, ‘the firm’s reputation and culture’. For young professionals in particular the value of giving back to the community is ranked very highly as a cultural feature attracting them to have a career at Greystone.

7. **Firm Financial Success**—Greystone has participated in Greenwich Associates’ Financial Performance Benchmarking Survey. For 2012, fifty firms, collectively managing $1.2 Trillion of AuM participated in the 2012 study. Of these 50 firms, 16 were selected as financial peers of Greystone based on comparable sized revenue, expense, pre-incentive EBIT, EBIT and net income. Greystone ranked top decile amongst this peer group on EBIT and top quartile on 5 year asset growth by distribution channel. They achieved these results in spite of the fact that fees charged by Greystone to its clients were lower than peers. Greystone’s culture strongly influences cost control and fairness to clients in terms of fees charged.

8. **Position Ranking in the Industry**—Each year, a list of the top 40 pension fund managers is published for Canada. Greystone has continued to improve its ranking in this category. In 2006 Greystone was ranked as the 9th largest pension fund manager in Canada. In 2012, Greystone had risen to the 6th ranked in terms of size.

**XYZ Capital** (which chose to remain anonymous) agreed that culture and success—for clients, employees and owners—are linked.

**XYZ** can boast one of the top fund performance records in the equity space: they have achieved a 500+ basis point relative outperformance for 5 years in their flagship strategy. Their 10 year
number is equally impressive and puts them in the top decile versus peers.

XYZ describes the importance of culture and its link to success in this way. “At XYZ Capital, we believe that our culture is the bedrock of our success. Embedded in our culture is our commitment to fulfilling our mission to add value and enhance the wealth of our clients with prudence over time. To ensure that we sustain and build our culture, we focus on alignment. We hire staff members whose values align with ours, we engage with clients whose investment philosophy aligns with ours, and we invest in businesses that align with our investment strategy.

Our people are our greatest asset and are the champions of our culture. History has proven that people who are committed to excellence, who embody integrity and trust, and who have the courage to think independently yet work collaboratively tend to thrive at our firm. Our staff members choose XYZ Capital as a career and we believe that our low turnover is a testament to the strength of our culture.

We have a strong investment culture. Without a solid track record, nothing else matters. We are keenly aware of that fact. We think that the best way to achieve a strong track record is to stay true to our culture and consistently apply our investment strategy and philosophy. As part of our culture, we are also client-centric in everything we do and are always acting in the best interest of our clients. We think that a positive “can do” attitude among all of our staff members is key to providing a world-class service to our clients. All of our staff members, regardless of their function, understand who our clients are and how their work enables us to deliver on our mission.

We think that by having the right people in the right roles--who understand and live our culture--we can build important relationships/partnerships with our clients and deliver on our mission. “

Case Study: Culture’s Impact at Mawer

Like the other Culture winners, Mawer Investment Management defines its success around the three major stakeholders and has enjoyed good results in each case. A fair question is: What impact does culture have such that an investment firm enjoys more success? How is culture helping?

Mawer answers the question in this way.

“At Mawer, we believe that our strong culture is a key competitive differentiator and one of the most important drivers of our success. An organization that has shared values and practices, combined with an empowered and engaged team, is in a much better position to succeed over the long term.

For this reason, we place a significant amount of emphasis on building and sustaining our culture. We are hard-wired at the firm to focus on our values, our clients and our people. The metrics that we use to measure our success thus relate to these three areas, rather than to AUM and financial metrics, which we believe, is the output rather than the input to a strong culture. For example, we pay close attention to:

- Client Retention
- Client Satisfaction Scores
- Employee Engagement
• Staff Turnover
• Attracting/Retaining Global Talent

The strength of our culture contributes to the firm’s success in a number of significant ways. It positively influences:

• Our investment approach
• The strength of our client relationships
• Our ability to attract and retain exceptional employees

In turn, this leads to excellent long-term investment performance that drives business success through new and retained clients.

Investment Approach

The culture of our investment team supports a collaborative, team-based approach that facilitates the sharing of ideas and feedback. Candor, openness of thought and healthy debate are key elements that allow the team to critically evaluate ideas without defensiveness and rigidity. The pursuit of excellence is also reflected in our culture—all team members are expected to continually elevate their individual performance as well as the performance of the team at large. Our goal is to have each person spend at minimum 80% of their time on their respective area of genius. We have linked compensation to achieving this goal so incentives are aligned with our culture. The result of these common values is continually better ideas, clear decision-making and improved results.

This shared process has led to strong performance in each of the eight balanced, fixed income and equity asset classes we manage. For example, over the last three years, our performance is ahead of the benchmark in all of our mandates, and is first quartile in seven out of the nine mandates while the other two mandates are in the second quartile (first quartile if you refer to the retail universe).

Client Relationships

We believe the quality and strength of our client relationships is related to a strong culture. The entire organization follows the same mandate: to “do the right thing” for our clients. Doing the right thing means that asset capacity takes precedent over asset growth, in order to ensure continued performance excellence. For example, we have limited the available capacity (through soft or hard caps) in four out of the nine mandates we currently manage.

Our success is also demonstrated through client retention rates that have held steady at 99% for the past 11 years. Our client satisfaction is measured by an external firm through a proprietary affinity rating that measures the strength of the bond between the client and Mawer. It is a composite measure based on an overall rating of service performance and a measure comparing Mawer to its competitors. According to the customer satisfaction measurement firm, “all three client types (institutional, private client and mutual funds) have excellent ratings with the majority of clients considering Mawer to be better than its competitors...virtually no one considers Mawer to be worse.” In addition, when we asked our clients the question, “What do you value most about Mawer?” the following responses is indicative of the overall sample...

“The quality of the people that we are working with. How it is totally consistent with their...
reputation and professionalism. It’s consistently the same which is a good thing.”

“I think it is trust, that we trust the firm and the company to make the right decisions.”

“Their honesty and integrity. I trust them.”

Finally, we believe strong client satisfaction starts with highly engaged employees. In order to facilitate this goal, we conduct an annual engagement survey with those employees that interact with our clients. The ratings for the team have consistently been at least 4 out of a 5 point scale that asks for their level of agreement on a series of questions related to their level of engagement.

Attracting, Selecting, and Retaining Exceptional Employees

The Mawer culture is critical to our ability to attract, select and retain exceptional employees at the firm. Over the last 5 years the number of resumes received in any given year has been 400 to 700 depending to a certain degree on economic conditions. One of the interesting trends over that time period has been the ability to recruit people from outside Alberta and outside of Canada: we have been able to successfully recruit talent from Asia, Europe and North America.

“From the first phone call on, it was clear that Mawer thrives to live the best culture possible. In fact it was the culture and the people that convinced me to join.”

Christian Deckart, Ph.D., Equity Analyst — formerly a Portfolio Manager for a European Family Office in Zurich, Switzerland. Joined Mawer in March 2013.

Our culture also plays a significant role in our employee selection process. Within our hiring model, cultural fit is equally as important as ability. This culture-based approach means a lengthy selection process, but it has proven to be highly successful for Mawer as our 17 year cumulative employee retention rate is over 90% and close to 100% for investment professionals.”

Devil’s Advocate: Don’t strong results always create strong culture?

All of the Focus Elite winners can boast strong results (read: success) based on their three stakeholders (Client, Employees, and Owners). Doesn’t this level of success create good morale and therefore good culture scores? Would you ever find a firm that is enjoying great success but shows poor morale?

These are fair questions. Indeed, people who are winning usually feel pretty good. But two points should be made in this regard.

First, FCG has seen many examples of firms that are winning where morale was low and culture was fragmented. Sludge metrics (i.e. incidence of bad behavior) at two firms we know of were off the charts (bad) and morale was awful, despite strong investment track records. Often the very same professionals who create stunning track records are horrible at managing people. So, no, success does not invariably lead to happiness—or strong culture—within the ranks.

Second, strong culture and morale are different. Culture is a set of values and behaviors that staff members embrace and practice. Morale is how you feel. Greystone is a good example of
this difference. Despite the firm’s overall success, their flagship equity fund had a long period of underperformance following the 2008 global financial crisis. The morale on the team—and in the firm—was affected by this underperformance. Staff members were clearly not happy about the impact they were having on client portfolios. But Greystone’s culture remained strong. And we would argue that the strong culture allowed them to weather the storm until returns improved.

Having studied and written about investment culture for decades, FCG would argue that strong culture is necessary but not sufficient for success. In addition to strong culture, successful investment firms need talent, excellent philosophy and process, and a bit of luck never hurts! And of course this whole discussion is framed by the concept of sustainable. Any firm can achieve short term success just by being in the right place at the right time. Long term, sustainable success is built on strong culture, and our Focus Elite winners add considerable weight to this argument.

**Conclusions**

The Focus Elite winners allow us to study the link between culture and success. The eight firms that FCG identified as having superior cultures also have superior success records, when success is defined as satisfying the three major stakeholders: clients, employees, and owners. We draw the following conclusions from this analysis:

1. Strong culture can be measured, evaluated, and enhanced. It is one of the variables that firms can control, as compared to markets, competitors, economics, politics, and the like.
2. The most tangible benefits of strong culture are: attracting talent, retaining talent, and improving decisions.
3. In the increasingly competitive landscape of active investing, strong culture is a legitimate way for firms to differentiate themselves.
4. Strong culture is not about employee morale or engagement but rather about defining the values and behaviors that are central to the way work gets done at a firm.
5. Culture contributes to the three-fold definition of firm success: clients, employees, and owner satisfaction. Weak culture is linked to failure for one or more of these stakeholders.

Strong culture is not easy. Like most meaningful things in life, it requires commitment and resources. But if you really are dedicated to C-E-O (happy clients, employees, and owners), culture is one of the levers you can use in reaching those goals. We know this from our experience with the Focus Elite.
**OUR MISSION:** To help investment leaders leverage their talent worldwide.

**OUR APPROACH:** Customized; we discuss the engagement with your firm’s leadership, design a custom approach, and use our expertise in the following areas:

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<th>OUR SERVICES:</th>
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<td><strong>ORGANIZATIONAL</strong></td>
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<td>• Foundational offsites (vision, values, strategy)</td>
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<td>• Strategic planning</td>
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<td>• Succession planning</td>
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<td>• Compensation &amp; incentive structure</td>
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<td>• Firm integration: eliminating silos</td>
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<td>• Acquisition and team lift out due diligence for cultural fit</td>
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<td><strong>LEADERSHIP</strong></td>
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<td>• Assessments (360, psychometrics)</td>
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<td>• Development &amp; coaching</td>
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<td>• Onboarding of new leaders</td>
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<td>• Personality typing &amp; application</td>
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<td>• Genius and strengths</td>
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<tr>
<td><strong>CULTURE</strong></td>
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<td>• Analysis &amp; management</td>
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<td>• M&amp;A analysis, integration, implementation</td>
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<td>• Culture sustainability and process</td>
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<td><strong>INVESTMENT PHILOSOPHY &amp; PROCESS</strong></td>
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<td>• Effective post-mortems</td>
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<td><strong>TEAM</strong></td>
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<td>• Assessments &amp; dynamics</td>
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<td>• Personality typing &amp; application</td>
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<td>• Marketing/sales strategy</td>
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<td>• Branding</td>
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<td>• Client service</td>
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James Ware, CFA is the founder of Focus Consulting Group, a firm dedicated to helping investment leaders leverage their talent. James is also a highly acclaimed industry author and international speaker on the subjects of investment leadership, culture and building high performing teams. A frequent keynote speaker at CFA Institute, Mutual Fund Educational Alliance, Investment Adviser Association, U.S. Institute and other major industry conferences, James is recognized for his insightful, inspiring and entertaining presentations. His recent books, “Investment Leadership: Building a Winning Culture for Long-Term Success” (Wiley, 2003) and High Performing Investment Teams (Wiley, 2006) identify those elements of leadership and teamwork that lead to sustainable success for investment firms. James has 20 years’ experience as a research analyst, portfolio manager, and director of buy-side investment operations. He has been a guest lecturer on the topic of investment firm management at the Kellogg Graduate School of Management at Northwestern University. His educational background includes a Masters in Business from the University of Chicago and a degree in philosophy from Williams College, where he graduated Phi Beta Kappa.

Keith Robinson is the Managing Director of Focus Consulting Group and brings over 27 years of global investment experience to his consulting and coaching work at FCG. As an expert in human resource and talent management at Allstate Investments, UBS, and Marsh & McLennan, he was selected to develop a cutting edge leadership development program for Northern Illinois University. His specialties include: Management and Leadership Development, Education and Training, Organizational Design and Performance, and Business Strategy. He is the co-author of the highly acclaimed white papers, “Investment Tribes” and “The Red X – Managing the Outliers in an Investment Firm” co-written with Jim Ware, and was recently published in Smart Biz magazine for his work on “Managing the Human Portfolio.” Keith holds an MBA from University of Illinois and graduated Summa Cum Laude with a business degree from Western Connecticut.

Michael Falk, CFA, is a partner of Focus Consulting Group and is passionate about the singular principal of providing value-added asset consulting. He is also partner and chief strategist on a global macro hedge fund, and was a former CIO in charge of manager due diligence and asset allocation for a multi-billion dollar advisory. His background includes extensive asset allocation research and portfolio development expertise along with a multi-faceted understanding of behavioral finance and retirement issues. The asset consulting perspective acknowledges that the wisdom of crowds can denigrate into madness at times. Assets should be managed with the serenity to accept the market’s realities; the courage to pursue its opportunities; and the ongoing pursuit of wisdom to understand the difference. Aside from his consulting work, Michael is part of the CFA Institute’s Approved Speaker List, a contributing member of the PDDARI group within the Financial Management Association (FMA), the Vice Chair of the Profit Sharing 401(k) Council of America’s Investment Committee, teaches as an adjunct professor at DePaul University in their Certified Financial Planner (CFP) Certificate Program as well as on behalf of the CFA Society of Chicago and is frequently quoted in the financial press. He graduated from the University of Illinois with a B.S in Finance. He also holds the Certified Retirement Counselor (CRC) designation.

Elizabeth (Liz) Severyns, LCSW, has been working with individuals and groups for over 20 years. An expert in psychology, she manages all FCG diagnostics tools and is certified in Enneagram Personality tool. Clients frequently comment on her “can do” attitude and quick study ability. She has a natural genius for reading people and situations. These natural talents combined with her training in the area of assessment allow her to quickly identify developmental issues and problem areas for leaders and managers at all levels in organizations. In addition, her specialized skills in crisis intervention enable her to get dramatic results in short periods of time. Liz uses her specialty in helping clients focus on key development areas, leverage strengths in their organization and themselves. Prior to joining Focus Consulting Group, she held various management roles in both the public and private sectors, focused on crisis intervention and counseling. Liz has a BA in psychology from the University of Wisconsin-Madison and a MSW from Loyola University-Chicago.
1. **Effective Decision Making agree >=66%**. The statement relates to a culture that supports good decision making. In general, investment professionals believe that one of the benefits of strong culture is improved decision making. Indeed, the Focus Elite firms support this hypothesis by showing that their employees strongly agree that culture has enhanced decision making.

2. **Financial Incentive to leave top 2 categories (raving fans and happy campers) >=80%**. This factor examines the loyalty factor of employees. Turnover of key personnel is a warning sign to consultants and clients, so FCG studies the “stickiness” of a firm’s culture. Has the firm created an attractive environment such that employees are reluctant to leave, even for more money? In the case of Focus Elite firms the answer is “yes.” 80% or more of the Focus Elite employees indicate that they are loyal to their firm and are not “shopping” for other opportunities.

3. **Ability to attract top talent => 75%**. Another measure of a top firm is its ability to attract top talent. The investment industry is a talent industry and, hence, firms must be able to attract top talent. This is the case with the Focus Elite. Over 75% of employees of these firms agree that they can do this.

4. **Number of shared existing and preferred top 10 values/behaviors =>5**. The FCG survey asks employees to identify the existing values and behaviors that they experience in the culture, and then—from the same list—to identify the values and behaviors they WISH were evident in the culture (to reach the firm’s goals). The results must show that 5 of the values/behaviors are present in both lists.

5. **Sludge behaviors in top 10 existing list is 0**. FCG labels dysfunctional behaviors (e.g. gossip, bureaucracy, blame, etc.) and requires a Focus Elite firm to have none of these in their top 10 existing values vote.

6. **Total Sludge =<7%**. In addition to showing no sludge in the top ten values list, a Focus Elite firm must have less than 7% of all votes cast for sludge values. The investment industry average is currently around 11%.

7. **Cohesion => industry average**. Cohesion is calculated by first deciding which are the top ten values/behaviors within a firm’s existing culture. Then the number of votes cast for these top ten values/behaviors is divided into the total number of votes cast by all employees. For a firm to be Focus Elite it must have a cohesion factor at least as high as the industry. (Higher is better.)

8. **Participation rate => 75%**. For a firm to qualify for the Focus Elite, at least 75% of the employees must complete the survey.

9. **Firm size =>15 employees**. Firms must have at least 15 full time employees to be eligible for Focus Elite status.

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1. A Man in the Mirror by Bill Gross, Advisor Perspectives, April 13, 2013
2. The criteria for choosing these firms are listed below. Each of the percentage scores refers to “what percent of the firms’ employees agreed with the statement.” The average response rate for the firms that have taken the culture survey is 89% of all employees. A description and rationale for each factor is given here.

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iv. All quotes from Focus Elite Winners were received from interviews and emails received in May, 2013.