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LOL: Creativity Conditions: The Big 5 (Creativity volume 2)

Creativity is crucial to investment firm success. Or so we argued in our first creativity blog (8/18). Why? Pressure on investment research, management fees, and business models, will undoubtedly increase. One response is to come up with new ways of doing these things. In other words, let's get creative!

Our working definition of creativity is:

[The ability to produce work that is novel \(that is, original, unexpected\), high in quality, and appropriate \(that is, useful, meets task constraints\).](#)

Today we are going to focus on that first part of the definition, "the ability to produce work that is novel..." What conditions encourage creativity?

While it may seem that creativity is a subject that defies categorization or systemization, it turns out that psychologists, neuroscientists, and educators have spent over 100 years exploring the subject. Fortunately, they have brought structure and much needed insight to the conversation. An important facet of their work is to identify necessary conditions for creativity. Put these in place and science says that your creativity is more likely to improve.

At Focus, we have further synthesized these conditions into what we call (cue dramatic music) **The Big 5 Necessary Creative Conditions** that we investment professionals and our firms can put in place to increase our creative output. Yes! Here briefly are The Big 5, in no particular order.

Sustained Attention

Ring-ring...ring-ring...ring-ring. A familiar sound in the modern working world is the constant notification of an e-mail received, a text message received, an instant message received, a phone call coming in. And on and on. Yes?

For example, [95% of the U.S. population reports media multi-tasking each day.](#) Furthermore, [adults report checking their phones about 150 times each day, or every 6 minutes that they are awake.](#) In other words, we live in a world of unsustained, and probably unsustainable, attention. Sound familiar? Yikes!

Sadly, these interruptions also destroy creativity. How? Scientists have identified that [our brains need sustained attention](#) for creative fruits to flow because [an essential part of the creative process is introducing competing ideas into the pre-frontal cortex](#) for sorting and consideration. Thinking in this way can be tediously slow and taxing. Consequently, if we shift our attention constantly then we are directly hampering our creativity because we are exhausting the pre-frontal cortex. So, congratulations, you read that stock alert, but you have made it more difficult for you to find the next great investment idea. Ouch.

IQ/Expertise

In our creativity definition above, notice the "novel," "high in quality," and "meets task constraints" bits. We need expertise to judge whether our creative inspirations are novel, high in quality, and meet task constraints. Furthermore, as one form of creativity is re-combining existing knowledge into new permutations it helps to be

working with expert-level raw material. Yes? After all, if you want to improve your investment idea generation, it is helpful to know history and current reality. So, [expertise in your subject is crucial to fruitful creativity](#). (During the drafting of this blog, Jim commented, “Regardless of how many hours of sustained attention you gave me, I couldn’t design a beautiful new automobile, or even a scooter for that matter...”)

All of this said, we want to caution you that expertise is also frequently the source of our biases. It is tempting after spending a lifetime attaining our expertise to stop learning and stop evaluating new things. After all, we do the things we do because we think they work.

As an example, we know firms that stopped refining their analysis models over a decade ago and have fenced them up with, “Our investment process.” But this view of our knowledge risks being incomplete, outmoded, and possibly flawed. Hence, bias, and hence, our next of The Big 5.

Curiosity/Cognitive Flexibility

At its core creativity is about newness. We discover new permutations from existing knowledge, or we invent entirely new stuff from across the frontiers of possibility. What leads an investment professional forward out of the known and comfortable into the unknown and possibly uncomfortable? Curiosity, of course.

Curiosity is the desire to learn new things, to consider different viewpoints, and questing to make the unknown known. Also, it is the willingness to reconsider our sacred cows: how we calculate the cost of equity, our business model, how we hire, how we interact with clients, or whatever. In short, [curiosity and cognitive flexibility](#) are also necessary conditions for creativity.

Note that the root of the word question is quest. A firm with “all the answers” and few questions is not curious. It is not questing. [At Microsoft, they want “question-it-all” not “know-it-all.”](#)

EQ/Emotional Safety

Without the safety to explore, take risks, and make mistakes, very little creativity will occur. Emotional safety is therefore a must. Safety must replace fear in the culture.

To create safety, leaders and followers must have developed Emotional Intelligence (EQ). People with high EQ are self-aware. They reflect on their own behavior and are aware of their biases. They read others well. They understand how their attitudes and behaviors affect colleagues. They are open to feedback and use it to course-correct. When they recognize that safety is crucial to creativity, then they watch themselves to see if they are contributing to a safe environment. They track their own impact on others and modify as needed. They can manage their behavior.

Workers in a creative environment, need to have courage and conviction that their new and crazy ideas are worth pursuing. They need permission to fail and try again. Without that permission then the edges of what are possible are not just frontiers, but walled off, barbed-wired, and mined frontiers. The skills of EQ help create emotional safety, which allows for the exploration of what is possible.

Support

Finally, support is necessary. Two kinds of support: from within and without. At a personal level—within—if we are judgmental of ourselves and unwilling to forgive our personal failings, for example, then we likely won't support ourselves in taking the risks that creativity requires. We will kill our own ideas.

Additionally, creators need to take care of themselves. If we are stressed, sleepless, or hung over, we are not supporting our biology. Poor self-care hinders creativity.

Support from “without” comes from factors outside yourself. If I am introverted and require a quiet space, does the firm provide it? Do I have the equipment I need? The resources? No one does their best work with unfunded mandates. Does your talent have access to continuing professional development opportunities? Is your talent supported in exploring new expertise in non-investment related disciplines, say in cultural anthropology? Are vacations encouraged, or actually frowned upon? Does the firm provide education in creativity? If I expect someone to be a great pianist, it might help to give them lessons!

Conclusion

These conditions encourage creativity. Like the gardener who finds the right soil, good seeds, proper fertilizer, and ideal sunlight, he will likely achieve his goal: to grow beautiful flowers. Of course, there is no guarantee. Creativity is not an exact science. But like baseball—or investing—you don't need success with every swing. If you bat 300 in the major leagues, you are a super star. Put these conditions in place and you have every likelihood of creativity flourishing in your firm. Ignore them, and you will limit any chance of real creativity. Future success in the industry demands that you make the right choice.

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