

Culture, Coffee, and Conversation, 5/11/2020

### Culture Tradeoffs: Choose or Lose

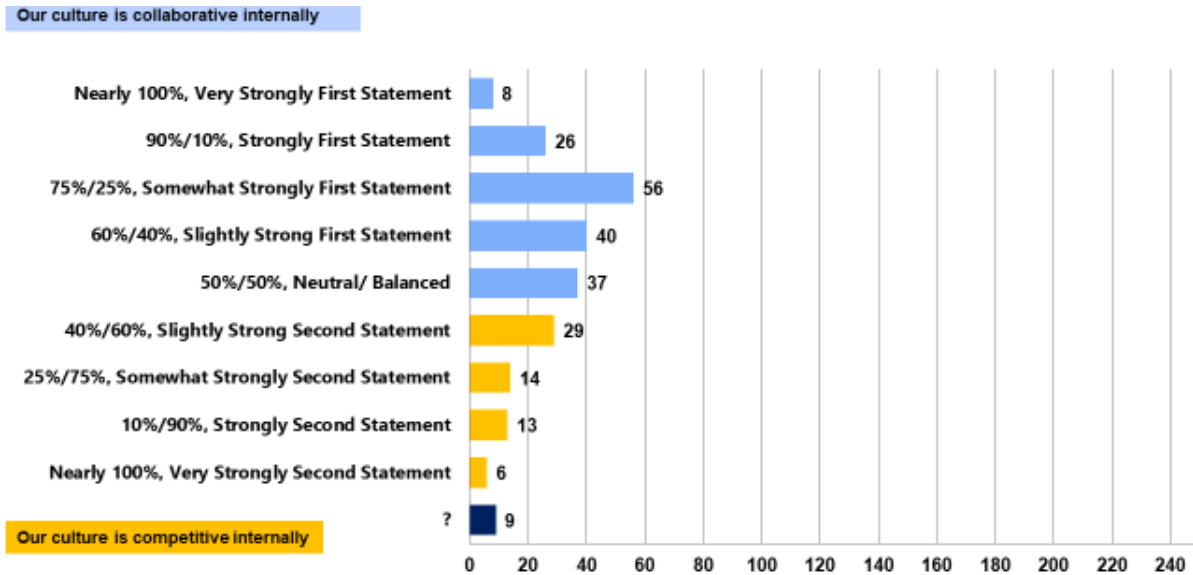
Tradeoffs exist with all businesses. Short term vs. long term, centralized vs. de-centralized, and flat vs. hierarchical are common ones. Some tradeoffs are especially relevant to investment firms, such as “investment centric” vs. “sales centric.” FCG has identified eleven investment tradeoffs which all investment leaders must confront and manage. Note, the goal is not to “solve” the tradeoff issue but rather to manage it successfully. In the example above, there may be times when a sales centric culture may want to shift to a more investment centric culture. And vice versa. The tradeoffs don’t involve a “right” answer. (“More taste, Less filling.”) Some successful firms choose sales centric, others investment centric.<sup>1</sup> (Often, however, their definitions of success differ.)

The eleven tradeoffs that FCG assesses in our culture survey are as follows:

	Choice A	Continuum	Choice B
1	Leaders are mostly focused on asset gathering (sales-centric)		Leaders are mostly focused on fund performance (investment-centric)
2	Our culture is collaborative internally		Our culture is competitive internally
3	Our reward system has large differences between high and low performers (meritocracy)		Our reward system has small differences between high and low performers (favors equality and community)
4	Our culture emphasizes relationships, connection, and a sense of belonging		Our culture emphasizes achievement, goals and winning
5	Employees are trusted to do their work		Employees are managed to get work done
6	Motivation is achieved by extrinsic factors (“carrots and sticks”)		Motivation is achieved by intrinsic factors (purpose, autonomy, continuous improvement)
7	Leaders seem focused on the short-term results		Leaders seem focused on the long-term results
8	Focus of employees is mainly on their compensation		Focus of employees is on nature of the work; job satisfaction
9	Leaders seem to favor transparency and openness of information		Leaders approach information on a “need to know” basis
10	Our team is direct on discussing tough issues, even if it creates friction		Our team is diplomatic in discussing tough issues, sometimes avoiding the problem
11	Leaders believe that time in the office will lead to better outcomes		Leaders believe that focus on results (i.e. autonomy) will lead to better outcomes

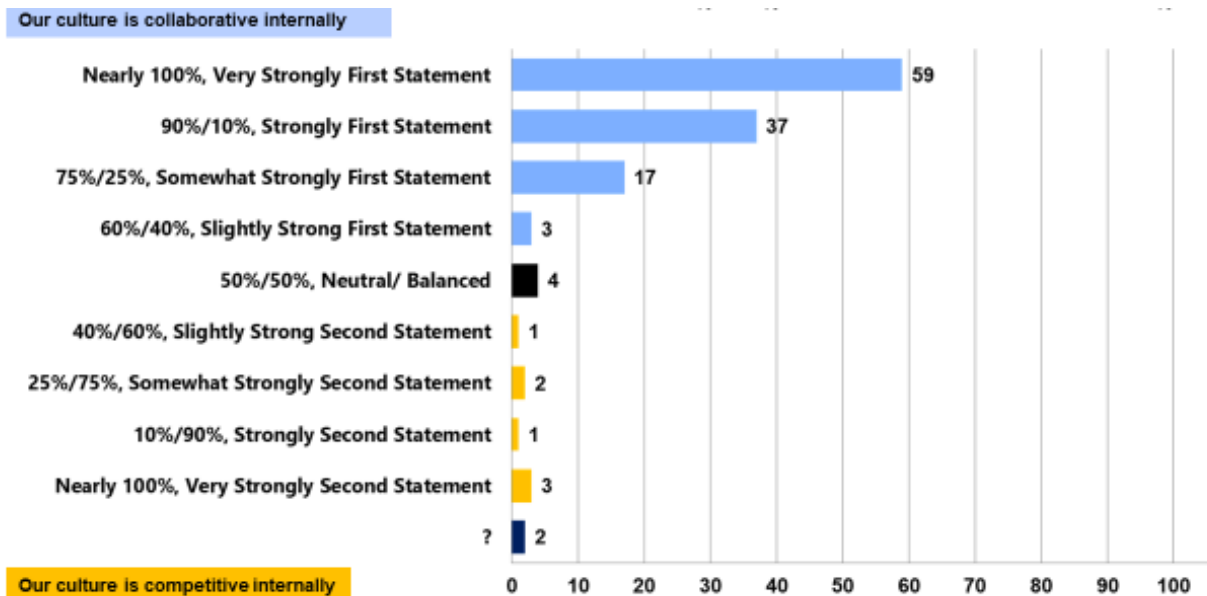
<sup>1</sup> As FCG gathers more data we will run statistics to see if there is a pattern with any of the ten tradeoffs relating to success. Do successful firms make the same choice in one or more of the tradeoffs? Interesting to explore.

While tradeoffs don't involve a "right" answer, they do require leaders to identify, choose, and manage them. For example, in number 2 above, if leaders are trying to create a collaborative culture and the survey shows many employees feel it is competitive (internally), then there's a problem. That's the situation with the firm below:



The blue bars represent employees who experience collaboration. But the gold bars indicate that 62 employees (summation of the gold bar votes) do not experience the culture as collaborative. (9 people weren't sure.) Thus, the leadership of this firm must ask themselves, "Is it okay that nearly 40% of our employees don't experience a collaborative culture?" Not unless those people enjoy frustration.

By contrast, look at the same tradeoff for a highly successful firm.



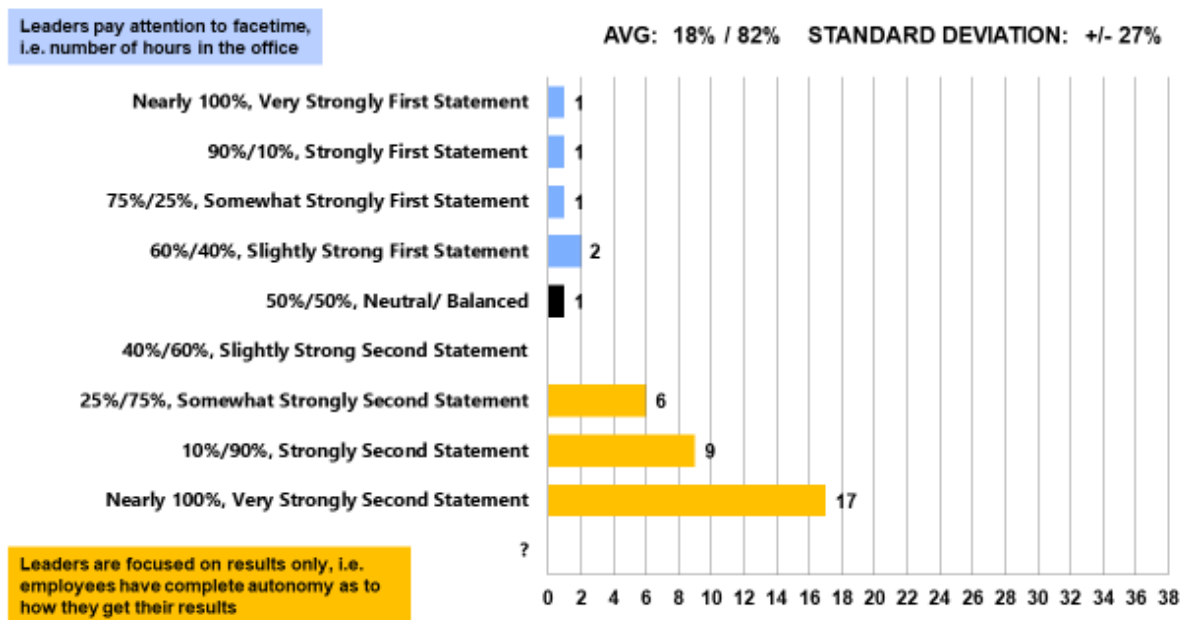
Note that nearly all the employees experience the culture as collaborative. If the first firm wants to claim victory around collaboration, they will need to improve. As stated above, though, the job is never done. The second firm has experienced hiccups along the way—where the collaborative score dipped—but the issues were addressed and resolved quickly.

In the virtual world, the most relevant tradeoff may be Face Time vs. Results Only. In the former, culture emphasizes time in the office. In-person collaboration (when possible) is considered superior to remote collaboration. Results Only is a newer approach in which leaders believe that workers will engage and produce more if left to their own devices. They can choose where, when, and how to achieve results. (“Every day is Saturday.”<sup>2</sup>) Again, neither approach is definitively better.

Here’s the point: a firm should align around a single approach. Leaders should define the culture clearly, one way or the other. If they don’t, conflict arises. For example, Results Only employees in a mixed culture may show up at noon (presumably with their work done) only to be met by snarky comments like, “Glad you could join us today.” In a clearly defined Results Only work environment, these comments—and the mindset that creates them—disappear. They’re irrelevant. Time in the office doesn’t matter. Leaders should agree on the overall philosophy so that they can state clearly how the culture works. In the charts below, the first firm has completely shifted to Results Only. (Note: even before COVID occurred) The second is split between the two approaches and is dealing with the friction described above.

Results Only Culture:

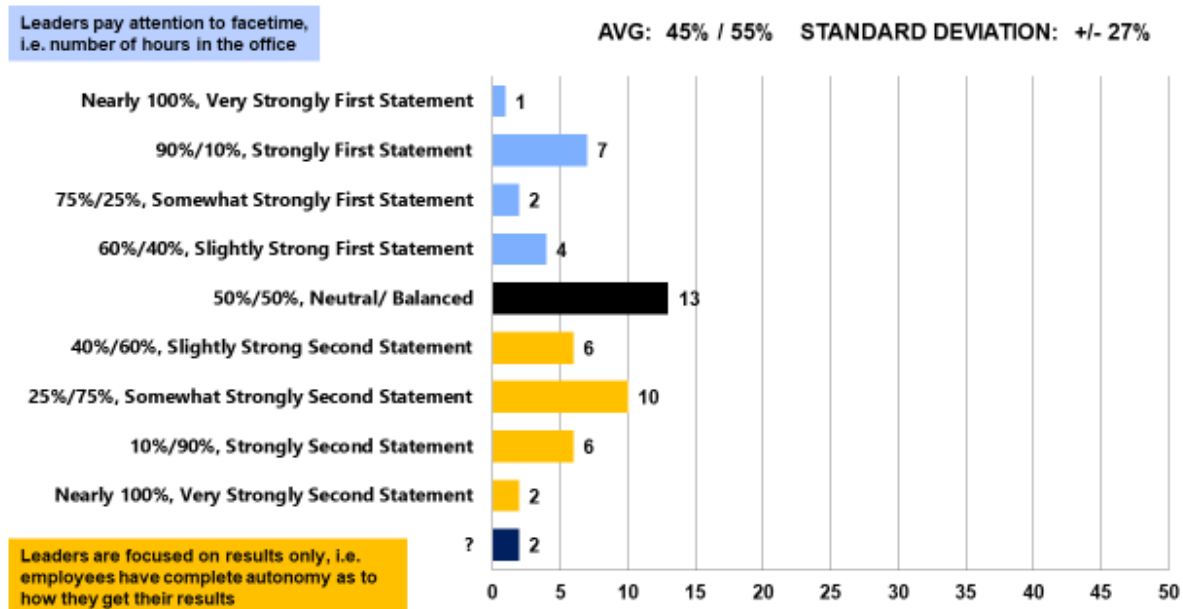
### Focus: Face Time vs. Results Only



<sup>2</sup> From Jody Thompson, author of “Work Sucks and How to Fix It,” the definitive book on Results Only

Split Culture: Results Only and Face Time existing simultaneously:

## Focus: Face Time vs. Results Only



Each of the eleven tradeoffs described above detracts from a strong culture if not clearly defined and implemented. Consider communication: the “Direct” vs. “Diplomatic” approach to debating issues or providing feedback. Ray Dalio at Bridgewater has created a very direct approach. He says, “If you think it, say it.” (My marriage would have ended years ago...) Almost one third of new hires leave in their first two years. Their egos can’t take it. Conversely, many successful firms practice the diplomatic approach, which aims at candor but in a gentler fashion. The approach that does NOT work is combining the two. Direct people get frustrated, diplomatic ones get offended. (“Your work sucks” does not go over well in a polite firm.) Friction erodes productivity.

The middle of the continuum can work for some tradeoffs. For example, a firm could be equally committed to sales and investments. But the evidence should back up this claim. Some firms claim that they are investment centric, but if you speak to investment people they say, “No way. Sales people are revered in this firm. The good ones make twice what we make.” Obviously, this situation creates friction. (Investment professionals grouse about their second-class status and sprinkle salt in the sales coffee pot.)

Summarizing, leaders are faced with unavoidable tradeoffs. To handle them effectively, leaders must collect data, analyze them (data is plural, just FYI...), then make decisions about where they want the culture to be on the continuum. Finally, they must communicate the decision and work within the culture to make it a reality. If you say the culture is collaborative, then make it so. If it’s Results Only, then turn ‘em loose. If you favor direct communication, be prepared to lose some people.

Don’t expect water and oil to mix. Choose or lose.

See you Monday, 9 am CDT to discuss these ideas. Here’s the link: [Join Zoom Meeting](#)