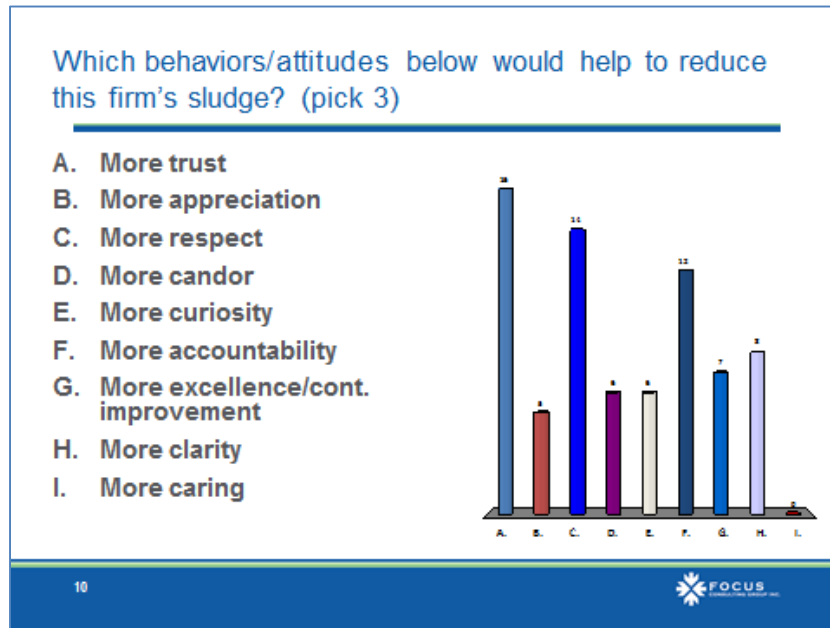


August 3, 2015

**LOL Journal: Respect: Is it practiced at your firm? Really?**

All CEO’s endorse respect as a core value at their firm. And FCG would agree with this choice. Respect is key to strong culture and good performance. In fact, when we ask investment staff members to select the anti-dotes to “sludge” (i.e. bad behaviors) in their firm’s culture, we get these results consistently:

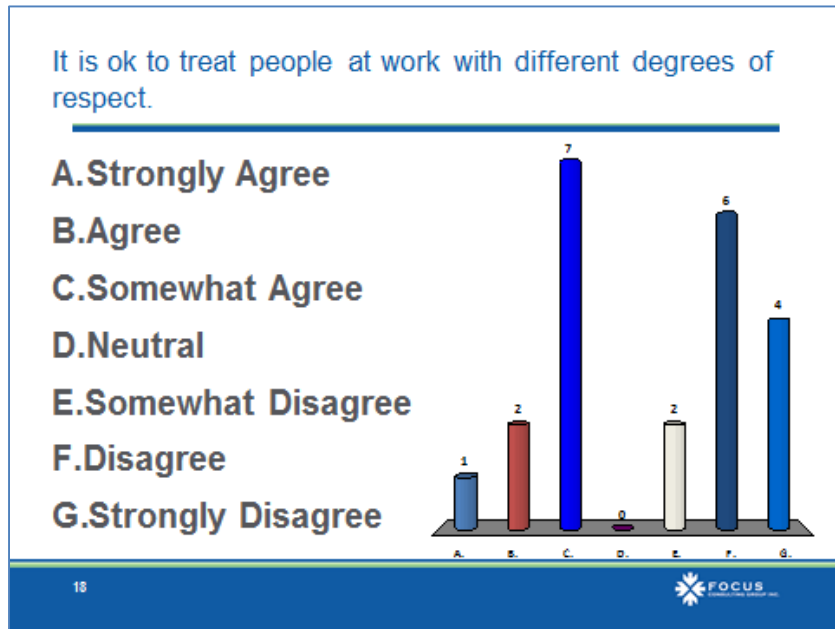


More trust and more respect will reduce bad behaviors. We’ve already written on trust (see previous LOL), so here we’ll focus on respect.

**The “Say-Do” Gap for Respect**

Despite paying lip-service to respect, many firms experience a big “say-do gap.” That is, they say one thing (“we deeply believe in respect”) and they do another (“disrespect is okay if you are a big enough contributor”). For many firms, a more accurate culture statement would be: Our first priority is making money, after which we’d like our people to be respectful. An example: a CEO spoke at length about the importance of respect and immediately after the meeting publicly chewed out his PA for a minor mistake in scheduling. When I asked him about it privately, he rolled his eyes at me and said, “C’mon, I’ve got a business to run.” That’s the “say-do” gap at its finest.

Let’s examine respect a little more carefully. To be clear, there is a difference between respecting someone and showing respect for someone. The former suggests a genuine high regard for someone’s character or work product. The latter is simply a choice that we all make to treat someone with respect, regardless of their abilities or performance. Before discussing this difference, we asked a roomful of investment professionals to respond to this statement:



As you can see from the results, nearly half the room felt that it WAS ok to treat people with different degrees of respect. We discussed this voting outcome for a moment, and some of the participants got animated about it. “Really!? You think it is ok to treat people with less respect?” When we unpacked the meaning behind people’s votes, it became clear that some voters were saying, “I have different levels of respect for co-workers.” A reasonable statement. Whereas others were saying, “Regardless what level of respect I have for them, I will treat them with respect.” When we defined the word respect more precisely, we voted again, with this result:



All participants agreed: regardless of how much I respect someone, I should **treat** everyone with respect. This distinction is important because many people operate from the view that: “if I don’t respect them, then I don’t have to treat them with respect.” But as we see in the votes above, when the distinction is examined and made clear, all the participants agree: even when you don’t fully respect someone, it is still important to **treat them** respectfully.

### **Structures, Processes and Respect**

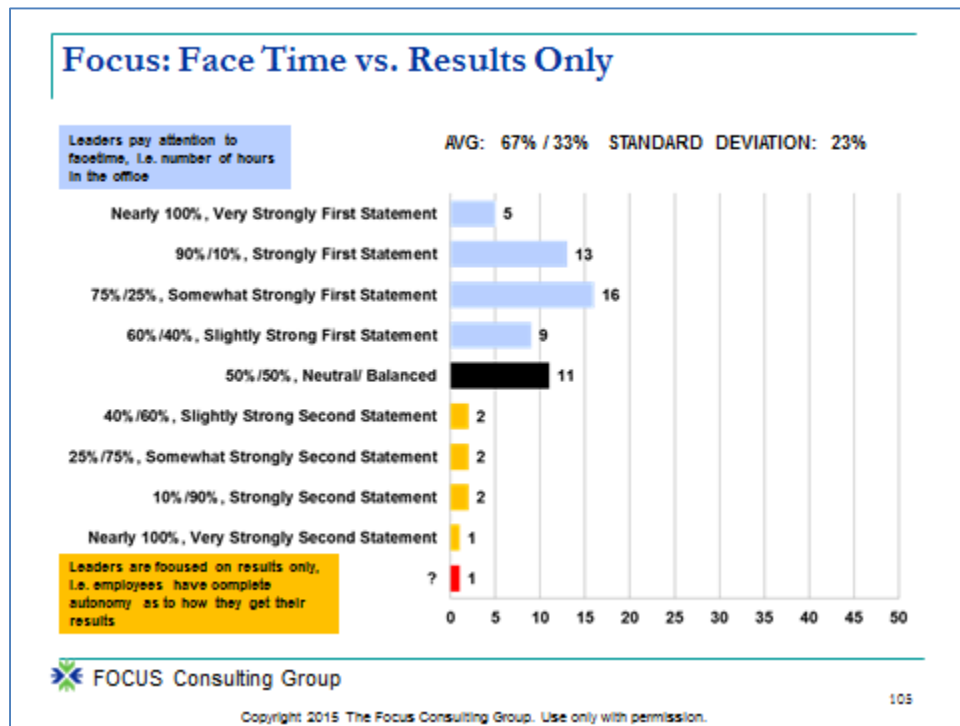
In many ways old-fashioned mindsets still govern the core structures and processes of firms. Specifically, the way that leaders think about facetime or the way they handle compensation and succession issues. If your firm truly endorses respect as a fundamental value, then it is worth considering new approaches.

### **Respect and Facetime**

In FCG’s view, the whole mindset of facetime is disrespectful. It implies that workers can’t be trusted to be productive on their own. They must be at their desk to get “credit” for being productive. (Coincidentally, here is today’s Dilbert strip, showing that Scott Adams is aware of the facetime dilemma:)



In last week’s LOL journal, we went into some detail on this subject. We showed that even some of the best firms we know of still emphasize facetime, as the chart below indicates:



The firm in question has a great culture and great performance in the markets, but still retains a strong emphasis on facetime. As our last LOL piece discussed, FCG views this as a disconnect. If you really trust and respect your staff, you will NOT value facetime. Instead you will move to a results-only work environment, in which you trust people to get their work done in whatever fashion they choose. My point here is that if one of your firm’s chosen values is respect, then why aren’t you practicing it with regard to eliminating facetime? The answer for most firms is: “we’ve always done it that way.” In other words, we’ve always respected people who get in early and work long hours. Fine. But in the modern workforce, most staff members can work long hours from anywhere! If you trust and respect your staff, you’ll shift the mindset from “work is a place you go” to “work is something you do.” And facetime will evaporate as a measure of productivity. Leaders and workers will focus on what really matters: results.

**Respect and Compensation**

Another practice that often promotes disrespect in the workplace is compensation. The traditional approach to comp design and execution is to collect industry data from the well-established vendors, study it behind closed doors, then decide and announce what is “fair” to the workers. Occasionally this process works. Far too often, the workers feel—you guessed it—disrespected because they were not part of the process. In FCG’s view, the respectful way to design a comp package is to involve the staff members in the discussion. (When FCG explained this approach to one CEO, he instinctively responded, “Whoa! That means you’re letting the inmates run the asylum.” We waited a moment, and this CEO—a normally wise and compassionate person—smiled and said, “I can’t believe I just said that.”) Well, he did. And many CEO’s have the same knee jerk reaction: “We have to retain control of comp. God

forbid we'd include the staff members in the discussion!" Rest assured, if you include the staff members, the process works better, not worse. They feel respected, and are much more likely to buy into the outcome when they've been consulted.

### **Respect and Succession**

Yet another practice that promotes disrespect is succession. As with compensation, many firms discuss and decide key promotions at the senior level behind closed doors, with very little input and very little transparency. FCG has had great success in using a completely different model, in which all the relevant staff members are included in the design of the position in question. For example, if the firm's CIO is nearing retirement (which could mean 3 years in advance), then the firm's CEO would begin the discussion of the job description for the next CIO. Often, the nature of the position has changed due to markets, products, maturity of the firm, etc. So, the old adage, "what got you here, won't get you there" becomes relevant. When FCG facilitates these succession discussions, we ask all the investment staff members to debate and weigh in on which competencies are most important in the future. Perhaps the retiring CIO was mostly an internal figure—championing the investment philosophy and process—whereas the new CIO must be much more an external figure, excellent at selling and marketing the delivery of investment outcomes. By including the investment staff in the design of the new role, you show them a high level of respect. And, from FCG's experience, you get a much better picture of the competencies required of the new CIO. Wins for everyone involved.

### **Key to Respect: Treat Adults as Adults**

The common denominator of all these suggested improvements in "treat adults like adults." It's good to remember that people live up—or down—to the expectations placed on them. (For the best documentary on expectations, watch Eye of the Storm: <https://www.youtube.com/watch?v=olPz-Y8ckM> ) If you treat people like adults, you'll be surprised: they act like adults! So whether the issue is work schedules, compensation or succession, assume that your staff members are adults and treat them that way. They will feel respected, and the firm will get better results.

No advice on respect would be complete without the simple reminder, "Practice good listening." People identify listening as the number one ingredient to feeling respected. Giving people your undivided attention is one sure way to show respect. Not always easy in our hyperactive, multi-tasking world! 😊

Curiously,

JW