

August 13, 2015

### **LOL Journal - Meaning and Money: finding your white-hot “why”**

Dan Pink tells us that purpose is one of the three big motivators for knowledge workers, along with autonomy and mastery. He writes:

“Autonomous people working toward mastery perform at very high levels. [As we’ll see, this characterizes many investment professionals.] But those who do so in the service of some greater objective can achieve even more. The most deeply motivated people—not to mention those who are most productive and satisfied—hitch their desires to a cause larger than themselves.” (Drive, pg. 131)

So, what is your firm’s purpose? And does it speak to a cause larger than yourself? Stop and think about that for a second before reading on. What is the mission of your firm? For many investment firms, it sounds like this:

“The mission of our firm is to provide superior investment performance for our clients.”

Some firms add in “service” as well because they have read—or intuitively know--the Greenwich research that asserts performance and service are about equally weighted in the clients’ mind. Ok, so if that is roughly the mission statement of your firm, does it make your socks roll up and down? Does it make you feel like you’ve hitched your desire to a cause larger than yourself?

Probably not. FCG has the unique opportunity each week to talk confidentially with investment professionals from around the globe and we’ve asked many of them directly: does the purpose statement of your firm motivate you? Many cannot remember the purpose statement of their firm which pretty well answers the question. Others who do remember it are luke-warm at best.

So, what DOES motivate investment professionals, if not some larger purpose? FCG has statistics on this question. When we do culture surveys with investment firms, we ask a question developed by McKinsey that examines “meaning in the workplace.” There are five possible motivators, and we ask survey participants to pick two. The aggregate results of 6 firms are given below:

## Motivation: What has most meaning in daily experience?

N=968, from 6 firms. 3 US, 2 European, 1 Canadian

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|---|-----|
| The work serves a larger purpose, doing something positive in the world (such as allocating capital property in the markets.) | 8%  |
| The work contributes to a sound and sustainable financial future for our firm.  | 15% |
| The work benefits our clients, and I enjoy happy clients most of all about my job.  | 23% |
| The work allows me to spend time with bright and engaging colleagues. I like these team interactions best of all.             | 22% |
| The work is interesting, challenging and intellectually stimulating.  | 32% |

QUESTION: Please choose the TWO (2) factors that are the most meaningful in your daily experience.

Interestingly, and not surprising, the biggest motivators for investment professionals is the nature of the work. And that completely aligns with FCG's experience in the industry. Investment pros do find their work fascinating. Some love collecting data, others love analyzing it, others love making decisions, still others love the macro view of thinking about the global markets. It is rare to find an investment person who is so-so about his career. Even more interesting, only 15% of respondents indicate that money is the main motivator. FCG knows this from our work in compensation, but much of the industry still embraces the myth: *It's all about the money*. It's not. Clients and colleagues each garner about 20% of the vote. In the world at large, McKinsey discovered that each of these factors is roughly equal weighted. So, if you had a large enough sample from a variety of industries, we'd see about 20% for each factor.

And now for the punchline, "larger" purpose only gets 8% of the vote. And none of the firms in this sample voted it as the top choice. (Note: each of the other factors was chosen as the top factor by at least one of the sample firms. But not "purpose.")

Summing up what we have covered so far: Investment professionals love the nature of their work, so they have lots of passion for their daily tasks. But they are generally NOT motivated by the firm's purpose, that is, a larger cause in the world. (Personally, I love doing crossword puzzles but my doing them is not serving a larger purpose! Now, if someone would PAY me to do crossword puzzles...☺)

So, I found it interesting last week that leaders at a global summit spoke often and passionately about "larger purposes." One leader called them "white-hot why's." In other words, what is the burning reason behind doing what you do? What is the reason that goes well beyond just the money? (Note: I realize that this discussion is somewhat age-dependent. Younger workers are appropriately motivated

by money to pay off school loans, buy a nice house, pay the mortgage, etc. But seasoned workers in the investment industry are well paid and can broaden their view of “purpose” beyond money.) But even younger workers can have a white-hot why. Jim Collins spoke at the conference and told about his two-year stint at West Point. He said the feeling of purpose was palpable among the young cadets. They were wearing the “cloth of their country” and were willing to fight and die for it. And they clearly weren’t in it for the money! Many millennials are also expressing an interest in meaningful work versus simply earning a wage.

Another speaker was Ed Catmull (CEO of Pixar and author of ***Creativity, Inc.***) Clearly, Catmull loves his work and has since his high school days. But there is more to it for him than simply creating 15 winning films in a row, the latest of which is ***Inside Out***. Ed explained how his movies have a purpose beyond financial success. They are designed to teach important messages to the public. (***Inside Out*** had a profound effect on my 12 year old daughter, so thumbs up Mr. Catmull!) As an aside, the creative process that Catmull described at Pixar was completely relevant to the investment process: bringing out the best thinking of each team member. I highly recommend the book for investment teams that collaborate, which should mean ALL investment teams! 😊

So, back to the “white-hot why.” What is yours? And does working at your firm align with it? The creativity guru, Csikszentmihalyi (famous for describing the “flow” state), said this about purpose:

“One cannot lead a life that is truly excellent without feeling that one belongs to something greater and more permanent than oneself.”

One way to frame this discussion of purpose is Maslow’s hierarchy. It is appropriate to focus on the “lower needs” first: security/safety, community/belonging, and competency/mastery. Once accomplished, there is a natural desire to move up to purpose and values. Investment leaders have presumably achieved the lower needs, so they are in a position to lead purposeful and values-driven lives. And this should translate into purposeful and values-driven firms. Note: the ego needs diminish as one evolves up the hierarchy. Evolved leaders should care more about clients and employees than about themselves.

Before I go any further, let me practice an FCG principle: walking our talk. In this case, what is MY white-hot why? In what way do I belong to something greater and more permanent than myself? A fair question. Here is my white-hot why:

**Teaching and promoting conscious leadership.**

Which leads naturally to...

- a. a better **investment industry**. One that serves the client and fulfills an honorable role of stewardship through ethical practices. Raising the level of public trust from the lowest of all industries (Edelman data) to the highest.
- b. **healthier work environments** where investment pros can thrive. Challenging leaders to go for the “triple win”: clients, staff, and shareholders...in that order. Creating

purposeful and values-driven workplaces. (There are still way too many fear-driven cultures where “everyone is scared of the boss, so do what he says.”)

- c. More **personal development** for staff. Mentoring younger staff members, leading by example, and teaching that traditional spiritual values like integrity, responsibility, compassion and forgiveness are better motivators than ego and fear. Helping workers feel connected to one another and the firm’s mission rather than self-seeking (ego), i.e. “every man for himself.” (Or woman for herself.)

Those are my white-hot whys and they truly motivate me to give my best efforts to clients. For me, doing the above feels like a spiritual calling.

Interestingly, Charles Ellis in his most recent FAJ piece, “In Defense of Active Investing”, also talks of the spiritual implications of doing investments the right way:

“The best long-term benefit of active investing—and all its many benefits—is not just economic but also spiritual.” (FAJ, July/august, 2015, pg. 6) I am happy to see one of the recognized pundits in our industry acknowledge that investments plays an important part in spiritual evolution. I know many investment leaders of deep faith, and it disturbs them greatly to see our industry so far from its noble calling.

So, what are examples from our industry of organizations led by strong purpose? They do exist. For example, FCG has had the privilege of working with Texas Teachers in Austin. If you ask their staff why they chose to work at TRS instead of a higher paying job on Wall Street, they will tell you without flinching, “I want to serve the teachers of this state...who teach our children.” **That** is purpose. Or, if you ask workers at TIFF<sup>1</sup>, they will point to their mission statement: TIFF exists to provide investment excellence on behalf of endowed non-profits. And then they point to the rest of the credo, which is prominently displayed on the office walls. When FCG asks TIFF staff members, “why do you work here?” they frequently state their passion for the mission of the firm.

Still another moving example of mission was Marc Mayer’s<sup>2</sup> description of the analysts’ role in the capitalist system, which I had the pleasure of listening to him deliver to an audience of analysts. He used the classic “4 why’s” method:

1. *Why does Sanford Bernstein exist?*

*To provide superior global research*

2. *Why?*

*To know more and make better decisions*

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<sup>1</sup> The Investment Fund for Foundations

<sup>2</sup> formerly the leader of Bernstein’s sell side research department, now with Schrodgers

3. *Why?*

*To create better long term performance*

4. *Why?*

*To provide peace of mind for our clients*

After digging into the deep “why’s” of Bernstein’s mission, Mayer went on to compare the investment process to his 100 year old watch, which he removed and showed the audience: precision and quality at its core. Then he described the firm’s legendary researcher—Lew Sanders—as the best research analyst ever. And he cited Greenwich data: #1 in 8 different research categories, with a performance record over 30 years of 415 basis points of outperformance on average each year. 68% of the largest pension plans were Bernstein’s clients. And finally, Mayer ended with this quote:

*“I draw strength from this record. You are part of the greatest research organization in the history of capital markets.”*

I have never heard a more motivating description of the research role before or since. (The audience maintained quiet reserve. They were, after all, research analysts.) But clearly, Mayer knew his white-hot why.

On a purely practical level, it is important for individuals and firms to find their deep sense of purpose. Dr. Edward Hallowell, Harvard Medical Staff, has researched the importance of purpose at work, using these questions:

- Do you feel a sense of mission at work?
- Do you feel a purpose larger than just taking home a paycheck?
- Would you continue with your work even if you were independently wealthy?

People who could answer strongly “yes” to these questions, were described by Hallowell as being more connected to their work. And the benefits of connection were profound:

*“The protective value of connection showed, under statistical multivariate analysis, to be present at all ages...statistical advantage of living longer was enjoyed by the highly connected group.”*

People who feel purposeful in their work are less likely to burnout, suffer stress symptoms like migraines and ulcers, and are generally happier and more productive. The researchers at Gallup know this and have developed a survey question in their famous “Gallup 12” to measure it:

**Does the Mission/Purpose of my company make me feel my work is important?**

FCG uses a similar question in its “Team Scorecard” assessment: *I feel that my work is important to reaching our firm’s goals.* Not surprisingly, this factor is rated “Very Important” by the hundreds of teams that have taken the survey.<sup>3</sup> Teams that rate themselves highly on this factor tend to be high performing teams. Purpose motivates.

My hope for the industry is that leaders become increasingly aware of the link between purpose and their firms. First, search inside yourself. What is your white-hot reason for being in the industry? Go beyond the obvious ones—like money, power, status—and search for what Ellis calls the “intangibles.” When Ellis allowed himself to think about this, he concluded, “I had enjoyed contemplating the satisfaction that professional investors could take in doing good, however indirect it might be.” And then he adds, “To the extent investment experts continue to do the important work of advising clients on investment policies to achieve their true objectives and values and sustain their commitments through various markets, our profession will be appropriately admired and well rewarded.” (FAJ, pg. 7)

To the extent that investment professionals can define purpose more deeply—and execute on it—the industry will reclaim its rightful position as a noble calling. And we’ll see more investment professionals choosing the first of the “meaning” factors in the FCG survey<sup>4</sup>:

***The work serves a larger purpose, doing something positive in the world (such as allocating capital property in the markets.)***

Leaders in the investment world should help themselves and their staff members find the white-hot whys that serves a larger purpose. They should be asking themselves: “is my firm driven by purpose and values?” This is the path to reclaiming greatness.

Curiously,

JW

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<sup>3</sup> The 5 point scale is: 5 = crucial, 4 = very important, 3 = important, 2 = neutral, 1 = unimportant

<sup>4</sup> From the chart shown earlier in this blog