

November 9, 2014

LOL journal: Introverts and investing, lessons from the book, “Quiet”

Investment leaders should know about introverts. After all, you probably ARE an introvert. And about 80% of your staff is too. In her book “Quiet,” Susan Cain has given us—yes, “us”, I am introverted too—some fine tips on being more productive as investment thinkers. (For those of you still stuck on my self-disclosure of being an introvert, I can understand it. You see me jumping around—Tony Robbins style—in front of large audiences and think, “Introvert? Really?” Here’s the catch. I love the topics that I talk about, so my passion carries the day. After the talk, I’m bushed. Get me to my hotel room and a good book. No clubbing for me, thanks. ☺)

Let’s define our terms. What’s an introvert? According to the Myers-Briggs personality test, introvert and extrovert would be defined as follows, with slightly more than half the population being introverted:

<b>Extrovert (&gt;50% U.S.)</b>	<b>Introvert (&lt;50% U.S.)</b>
Talks to think	Thinks to talk
May act before thinking; action-oriented	Thinks before acting
Directed toward people and activities	Directed toward concepts and ideas
Needs to get others involved	Prefers to work alone
Procrastinates about being alone to think	Procrastinates about large meetings and social events
Easily distracted by outside world	Gets involved and forgets deadlines
Procrastinates and invades others’ time	Lets other invade time
Good communicator	Good at concentrating
Relaxed, confident	Listens and asks questions
Active, assertive, energetic, high initiative	Cautious, reserved, reflective, silent
Broad interests	Interests have depth
Wants to change the world	Wants to understand the world

Here are Cain’s conclusions about introverts in the workforce:

*If you’re a manager, remember that one third to one half of your workforce is probably introverted, whether they appear that way or not. [80% in the investment world, according to FCG data.] Think twice about how to design your organization’s office space. Don’t expect introverts to get jazzed up about open office plans or, for that matter, lunchtime birthday parties or team-building retreats. Make the most of introverts’ strengths—these are the people who can help you think deeply, strategize, solve complex problems, and spot canaries in your coal mine.*

*Also, remember the dangers of the New Groupthink. If it’s creativity you’re after, ask your employees to solve problems alone before sharing their ideas. If you want the wisdom of the crowd, gather it electronically [FCG note: think clickers!], or in writing, and make sure people can’t see each other’s ideas until everyone’s had a chance to contribute. Face-to-face contact is important because it builds trust, but group dynamics contain unavoidable impediments to creative thinking. Arrange for people to interact one-on-one and in small, casual groups. Don’t mistake assertiveness or eloquence for good ideas. If you*

*have a proactive work force (and I hope you do), remember that they may perform better under an introverted leader than under an extroverted or charismatic one.*

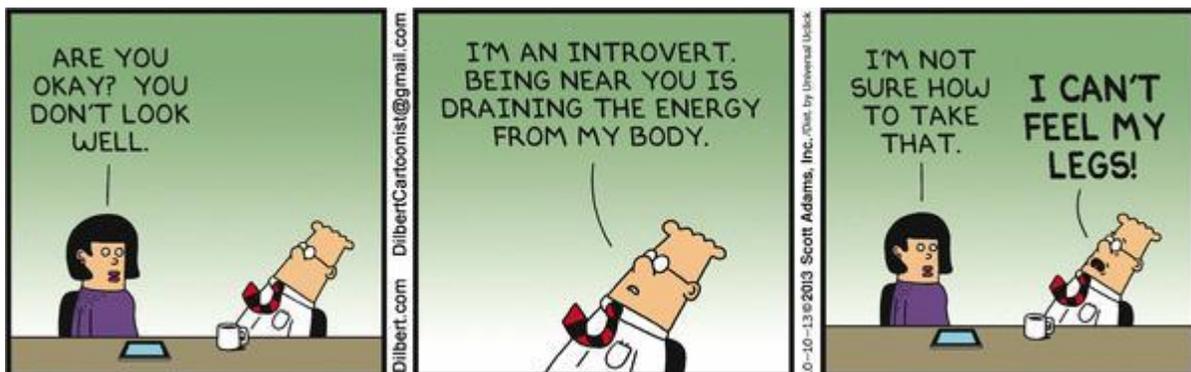
Okay, so there are several juicy points here. Many of the famous PMs in investment history are introverts, so indeed they can lead as well or better than extroverted ones. A sampling of the most famous: Warren Buffet (“if you want to make money, close the door.”), Jeremy Grantham, John Rogers (CEO/CIO at Ariel. My first meeting with John: he was so quiet for so long that I wondered if he was mute.), Gary Brinson, Bill Miller, and Charlie Munger just to name a few. But there are famous extroverted investors as well: Peter Lynch, Rob Arnott, Britt Harris, and Mark Mobius to name just a few. The biggest problem we find is an extroverted Research Director managing introverted analysts. The RD keeps pushing for meetings and group discussion, until finally there is a “palace revolt” in which the analysts say, “for God’s sake, please let us close our doors and work.” When the RD finally understands the nature of introverts—how they like to work—he can relax and give them their privacy.

A recent Harvard Business Review article on workspace design states that “today more than 70% of employees work in an open office environment... and people feel a pressing need for more privacy, not only to do heads-down work but to cope with the intensity of how work happens today. The open plan is just one of the culprits assaulting our privacy. The increased focus on collaborative work means we’re rarely alone.” The number of people who say they can’t concentrate at their desk has increased by 16% since 2008, and the number of those who don’t have access to quiet places to do focused work is up by 13%. The ability to manage distractions is one of the key factors that separates satisfied from dissatisfied workers today.

Cain weighs in as follows: “open-plan offices have been found to reduce productivity and impair memory. They’re associated with high staff turnover. They make people sick, hostile, unmotivated, and insecure. Open-plan workers are more likely to suffer from high blood pressure and elevated stress levels and to get the flu.” Scary when you think 70% of the U.S. workforce is in open office.

Recently, I had the opportunity to ask an analyst, who had left a typical office setting to work remotely, how he evaluated his efficiency in the new arrangement. Without hesitation he said, “100% more output now than before. Without all the interruptions and meetings, I can really get work done.”

Scott Adams understands the plight of the introvert:



So, what are the recommendations for investment leaders? “Top performers overwhelmingly worked for companies that gave their workers the most privacy, personal space, control over their physical environments, and freedom from interruption.” Is that how you’re set up?

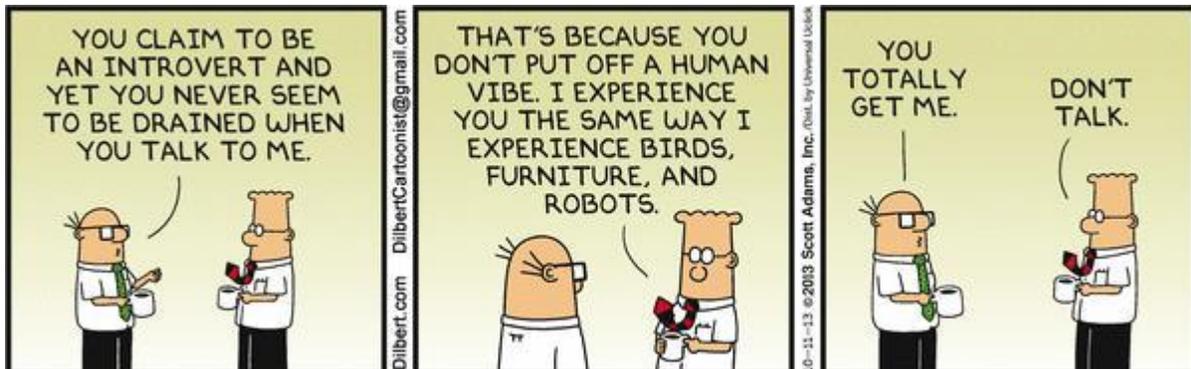
Office design experts are busily rethinking and redesigning work spaces for the future. In an article in HBR called “Workspaces that Move People” the author offers this beginner’s guide to space design:

<b>Flexible Seating</b>	<b>Rapid prototyping:</b> Iterative creativity, brainstorming, and small-group idea refinement.	<b>Cross-pollination:</b> Silo-busting, increased creativity, and more innovation
<b>Assigned Seating</b>	<b>Individual productivity:</b> Personal productivity, focused individual work, and deadline work	<b>Group efficiency:</b> Team productivity, focused group work, and project development
	<b>Private Offices</b>	<b>Open Plan</b>

Obviously many PMs and analysts would choose the bottom left quadrant. But given the importance of good communication (for trust and efficiency), the “Allen Curve” still holds true in the digital era: physical distance and communication are linked. Out of sight, out of sync. As it relates to introverts and quality work, leaders will have to think carefully about the best environment. Introverts need both privacy and human interaction. The physical space must accommodate both. The simplest, smartest solution for investment firms is a nice, centralized coffee area. Morningstar offices all have this important feature. (Well stocked with free goodies.)

Another good point that Cain makes is around conviction. Don’t mistake it for accuracy. She provides lots of research to show that quiet, deep thinking conclusions can be far more accurate than table-pounding, passionate thinking. Loud does not equal right. (The world is full of noisy idiots, just go to a Bears’ football game.) Too many extroverted (and, I imagine, some introverted) leaders still advocate for conviction as a means of showing an ideas’ merit. I have it on good authority that Warren Buffett does not call Charlie Munger shouting and weak in the knees from excitement about a new investment idea.

Okay, so introverts need privacy to do their deep thinking. What does Cain say about collaboration? Should introverts shun their colleagues? Or their bosses/colleagues, as in the cartoon below:



Collaboration is still important, but it must be done wisely. Research by Mercer in the investment industry shows that fund performance decreases as the team size increases. Optimal is 5 persons on a portfolio team. This research matches exactly what Cain suggests: “some forty years of research has reached the same startling conclusion. Studies have shown that performance gets worse as group size increases.” Cain concludes, “If you have talented and motivated people, they should be encouraged to work alone when creativity or efficiency is the highest priority.” One CEO was so thoroughly convinced of this finding that he advocated, “Cancel your next meeting. Don’t reschedule it. Erase it from memory.” This same CEO suggests, “No-Talk Thursday, one day a week in which employees aren’t allowed to speak to each other.” (I can imagine some investment analysts positively drooling over this suggestion...)

Clearly in her book Cain is praising introverts and the power of solitude. She drops in quotes from luminaries like Einstein:

“I am a horse for single harness, not cut out for tandem or teamwork. Full well do I know that in order to attain any definite goal, it is imperative that one person should do the thinking and commanding.”

This quote could easily have come from dozens of PMs we know. And so, I imagine that many PMs will read this and take solace. Indeed, they believe that the job of running a portfolio is ultimately that of one person. Others must help—analysts, strategists, economists—but the decisions are made by you and you alone.

Cain’s account of Steve Wozniak lends credence to this notion that greatness is the product of solo effort. In Wozniak’s own words:

“Most inventors and engineers I’ve met are like me—they’re shy and live in their heads. They’re almost like artists. In fact, the very best of them ARE artists. And artists work best alone where they can control an invention’s design without a lot of other people designing it for marketing or some other committee. I don’t believe anything really revolutionary has been invented by committee. If you’re that rare engineer who’s an inventor and also an artist, I’m going to give you some advice that might be hard to take. That advice is: Work alone. You’re going to be best able to design revolutionary products [and portfolios?] and features if you’re working on your own. Not on a committee. Not on a team.”

Yikes! FCG is in business to help investment teams work more effectively. (Teamwork/collaboration is a core value in the investment world based on FCG surveys of hundreds of firms.) Should we return all the fees and apologize that we got it wrong: teamwork does not help!?

Should we all just work alone? In a single harness?

Not so fast. There is still a role for teamwork. In my own case, I’m totally dependent on my colleagues and clients for stimulating ideas and new resources. (I learned about “Quiet” from a client!) Obviously, each of us needs to experiment with finding the right mix of privacy and collaboration. Cain calls this “finding the sweet spot.” For me, the process is: 1) meet with one or two bright colleagues/clients and brainstorm a topic, 2) retreat to my private space to reflect and write on it, and 3) get feedback from my colleagues/clients. It’s iterative. And I am getting better at determining when my best work will be done

with someone else or if the time has come to separate and work on my own. So, yes, I believe that collaboration is crucial to my best thinking and best output. But only if I also have the time for quiet reflection as well.

(I know PMs and analysts who are extroverted and do their thinking out loud, often on the phone or with a colleague. Introverts should respect that the extrovert process is different, as opposed to thinking, “Extroverts talk until they have something to say.” No, extroverts talk to refine their thinking and work towards the best decision.)

This back-and-forth process—meeting, then separating, then meeting again—is the core of most good decision making. And finding the best mix is a big part of getting the “sweet spot” equation right. Good PMs and analysts have experimented and found it for themselves. The extrovert will likely spend more time with others, the introvert less. The goal remains: what works best?

So, what are the big takeaways from Cain’s book?

1. Recognize that the brain chemistry of introverts and extroverts is different and affects the way we process information, make decisions, and communicate.
2. Understand yourself: are you introverted (most likely if you are an investment expert) or extroverted (possibly if you are a trader or sales or a support function)?
3. Introverts can be overly cautious, missing opportunities. Extroverts can be overly aggressive, running off the cliff, holding hands with other extroverts. (“Keep dancing until the music stops” is the famous quote from the 2008 debacle.)
4. Find your “sweet spot.” How much time do you need alone, with the door closed, so that you can do quality thinking? How much time and in what ways can you leverage your colleagues? The goal of any investment leader is to help each staff member find this sweet spot. After all, your product is decisions, and whatever contributes to better thinking is going to help.
5. In meetings, use the technique of writing responses. First, so that the opinions are unbiased by other’s views. Second, because introverts are much more comfortable writing than speaking in groups. Once you have given the group a few minutes to write ideas, then simply ask people to read what they have written. This process levels the playing field for introverts and extroverts, helping leaders get the best from each.
6. Use the “clicker technology” that FCG is now known for. This simple process allows for straw polls as the team debates various ideas. It allows introverts to participate in a very easy way. (Polling is now free if you have a smart phone and download the app called, “Poll Everywhere”)
7. If you’re extroverted—leader or not—try to avoid the logic of: “well, they should just be more like me!” Introverts are wired differently. The neuroscience is clear! So, rather than wish they were extroverts, instead leverage their natural talents for deep thinking, persistence, focus, and creativity.
8. If you are an introverted leader, remember that the staff cannot read your mind. You may have to push yourself to share ideas—written or spoken—so that people are well informed.

And always remember the test for whether an introvert likes you: she stares at your shoes instead of her own! And for the spiritually inclined, this blog by an introverted Christian was really funny:

<https://inadequateimages.wordpress.com/2012/04/27/the-top-5-things-introverts-dread-about-church-andor-church-camp/>

Our next Webinar promises to be a good one: Adam Grant, Wharton Professor and author of “Give and Take” at noon central on November 21. Adam will address the question, “What is the role of generosity in the investment business?” Follow this link if you’d like to register for the webinar:

<https://www1.gotomeeting.com/register/374206921>

Stay curious,

JW