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### **LOL: What is your Belief System?**

Everyone has a belief system that drives their behavior. To be successful, it's useful to understand the major beliefs that affect your work. For example, if you believe that equity markets are largely efficient, you might not choose a career in active management. If you believe that money is the root of all evil, you might not choose investing at all!

The tricky thing about beliefs is that they are invisible. Like the fish who's asked his view of water, many of us are perplexed when asked about our "beliefs operating system." It's running in the background continuously, like Windows on a PC, but we don't see it. However, if our PC gets a virus that attacks the operating system, then it could slow down or completely disable our computer. Likewise, people have viruses—or negative beliefs—that attack their operating system and make them less than effective in their work.

FCG's coaching work helps people uncover their key beliefs and then explore the impact on their work. Positive beliefs, like "I'm a talented and capable person," support our work efforts and should be encouraged. Negative beliefs, like "Only suckers put in extra time at work," probably won't serve you well.

We can't surface and evaluate all our beliefs, as we have thousands of them. Many are irrelevant. (I personally don't believe in the Loch Ness Monster but that hasn't impacted my career very much.) The key is to surface and prioritize the ones that do impact your work. Address the negative ones, replacing them with healthier beliefs. Or address the ineffective ones, replacing them with effective ones. For example, many active investors believe, "We can win by hiring smart, hardworking people." Evidence suggests that superior performance requires more than this. (After all, how many firms hire dumb, lazy people?)

Another key investment belief involves your investment edge. If winning takes more than smart, hardworking people, then what is your edge? What do you believe gives you a competitive advantage? Some might argue that a competitive edge is more a strategy than a belief. But underneath the strategy lies a belief about how the markets and investors work. For example, some investors believe that quantitative methods are superior to fundamental analysis. Some investors believe that a mix of both is optimal. It's very useful for a CIO and his investment team to surface and formalize these beliefs. FCG worked with a fundamental equity team that included one quant. The quant was convinced—his belief—that fundamental value analysis added no value over and above what the quant screens delivered. Eventually, he and the team parted ways because he was like the Buddhist attending Christian worship service. The two belief systems were incompatible. (Note: we have seen quant and fundamental co-exist, but in this case they clashed in an unproductive way.)

So, what beliefs surface as important to investment professionals? For active investors, they should be clear about their market and investing beliefs. Things like:

- How efficient is the market you trade in?
- What do you believe is your competitive edge?
- Do you believe that collaboration with team mates is important to success?

- Is investment skill learned, or is it a natural gift to some individuals? Can you teach it?
- Is superior performance achieved with dedicated teams or centralized research?
- What do you believe is the maximum number of companies an analyst can follow?
- Are decisions best made by one person or a group?
- Do you believe that diversity on your team will improve performance?

This list is nowhere near exhaustive, but it gives you the feel for the exercise. Surface and address the key beliefs that underlie your investment philosophy and process. Debate them and then formalize them.

On the personal productivity front, there are some key programs that drive us. Belief systems is a big topic, but you might begin with: What do I believe I'm entitled to? Or, put another way: What do I expect in life? For most of us, the list is long. As all of us at FCG travel a lot, we could isolate that one aspect of our lives and make a list:

- Flights will be available at convenient times
- Upgrades will be available on those flights
- We will GET those upgrades
- Security lines at the airport will be reasonable
- The airport lounge will be available and un-crowded. (Recently, the Toronto lounge was closed for renovation, I got a real taste of my entitlement belief.)
- Flights will leave on time
- Flights will not be cancelled
- People will behave reasonably on flights
- The person next to me won't DIE! (This happened to a colleague on a cross-Atlantic flight!)
- Etc. etc. etc.

As a survival mechanism, I've learned to let go of most of these travel expectations. If not I'd go crazy. (I still do expect the person next to me to remain alive during the flight...) Beliefs about what the world "owes" you are good ones to assess and winnow down. The fewer, the better.

Another useful set of beliefs to examine are the ones that cause emotional drama. FCG subscribes to the belief that three major fears drive much of this behavior: security, approval, and control. When we feel that one of these is threatened, we become fearful and reactive in predictable ways: dramatically. The table below shows the beliefs that we've uncovered in our coaching of investment professionals:

<b>Fear: something has threatened my...</b>	<b>Underlying belief</b>	<b>Possible resulting action</b>
Security	I believe what is happening threatens my security and that I may lose my (life, job, health, home, wealth, etc.)	I may get belligerent and blame others or try to intimidate them.
Approval	I believe what is happening threatens my being approved of or accepted by the group. I may lose their (respect, trust, positive regard, acceptance into the group.)	I may work hard to gain back their approval: suck up, lie, offer false praise, make excuses.
Control	I believe I am losing control of the situation and the results will be (poor, sub-optimal, unacceptable)	I may double my efforts to be in control, I may micromanage, I may decide “it’s my way or the highway” and become unreasonable.

In each case above, the better choice is to remain level-headed and accept what is happening so that you can respond appropriately. Instead, we often buy into our beliefs and react in a suboptimal way: bullying, accommodating, or micromanaging.

We all experience these fears to varying degrees, often with a preference for one. In my case, it’s approval. I’ve learned that I have a deep-seated belief that the way to successfully navigate relationships is to win people over as friends. Sometimes it’s useful. I’m not arguing against friendliness. But often it’s irrelevant. And ineffective. I learned this years ago when I asked an investment professional if he liked his boss. The person looked at me with genuine confusion and asked, “Why would that matter?” This response caused my own belief system to skip a beat. I believed that approval mattered to everyone, that all people everywhere were concerned about friendship with their boss: does he/she like me? And vice-versa. Since then, I’ve had to disabuse myself of that belief, in order to be more effective. The opposite belief can be just as harmful. People who believe that relationships don’t matter in the office can find themselves marginalized if their team values relationships. In either case, understanding your own operating system—and that of the people around you—is important.

In this rather vast topic of beliefs, another useful tool is the Enneagram. It is a personality system that divides people into nine basic types. Each of the types has a different world view, a different set of beliefs about what is true. If a person can identify their type—done with an assessment and follow-up interview—then they can learn about their world view and how it affects the way they navigate life. The usefulness of this exercise ranges from helpful to life-changing. Some of FCG’s coaching clients have transformed the way they approach work based on understanding their type. The table below lists the nine basic personalities, their basic world view (i.e. belief system) and the strategy they typically adopt to navigate life.

Enneagram type (% of industry)	Belief (world view)	Life strategy
<b>1 The Perfectionist (13%)</b> <ul style="list-style-type: none"> <li>Precise</li> <li>Accountable</li> <li>Timely</li> </ul>	People are not accepted as they are. Good behavior is expected. Bad behavior is judged harshly and punished.	Be good, conscientious, work hard, do things the right way, set and achieve high standards.
<b>2 The Giver (5%)</b> <ul style="list-style-type: none"> <li>Helpful</li> <li>Diplomatic</li> <li>Friendly</li> </ul>	To get, you must give. To be loved, you must be needed.	Learn what others need and make yourself indispensable to them.
<b>3 The Performer (20%)</b> <ul style="list-style-type: none"> <li>Efficient</li> <li>Competitive</li> <li>Adaptable</li> </ul>	Success depends on effort. Rewards are for doing, not simply being.	Gain approval by being successful, maintaining a good image. Win.
<b>4 The Individualist (1%)</b> <ul style="list-style-type: none"> <li>Creative</li> <li>Artistic</li> <li>Emotional</li> </ul>	Painful losses occur in life, leaving one feeling abandoned.	Search for the ideal love or perfect circumstance to feel complete again. Sometimes done through works of art.
<b>5 The Observer (11%)</b> <ul style="list-style-type: none"> <li>Logical</li> <li>Intellectual</li> <li>Private</li> </ul>	The world demands much from people, often leaving them depleted.	Protect yourself from intrusive demands by becoming self-sufficient, limiting your desires, accumulating knowledge.
<b>6 The Loyal Skeptic (19%)</b> <ul style="list-style-type: none"> <li>Planful</li> <li>Skeptical</li> <li>Insightful</li> </ul>	The world is unpredictable and hazardous, hence developing trust is hard.	Be ever vigilant. One of two strategies: challenge authority or submit to it. Charge into fears, or back away.
<b>7 The Enthusiast (9%)</b> <ul style="list-style-type: none"> <li>Visionary</li> <li>Energetic</li> <li>Multi-tasking</li> </ul>	The world limits and frustrates people, causing pain that can be avoided.	Continually search for new pleasures and use your active mind to imagine possibilities.
<b>8 The Challenger (10%)</b> <ul style="list-style-type: none"> <li>Controlling</li> <li>Powerful</li> <li>decisive</li> </ul>	The world is hard and unjust, and the powerful take advantage of the weak.	Become strong and hide your vulnerability. Power is respected.
<b>9 The Mediator (12%)</b> <ul style="list-style-type: none"> <li>Inclusive</li> <li>Stabilizing</li> <li>Easy-going</li> </ul>	The world requires people to blend in, so they can achieve belonging and approval.	Forget your own agenda and merge with others. Look for small wins, ignore major priorities.

This roadmap for beliefs can be useful. It helps explain your own behavior, and that of co-workers. Specifically, why they behave in seemingly odd ways. When we understand the underlying belief system, then we gain awareness about their behavior. For example, we often coach 1's, the Perfectionist. Their belief system drives them to be concerned with getting things just right. The upside of this behavior is obvious: wonderfully precise

and accurate work products. But the downside can be a leader who has a rigid and controlling approach. Perfectionists tend to believe that their way is the right way. For this reason, they often have trouble delegating. None of their team members will do it the exact right way, so perfectionists tend to avoid delegating or when they do, they micromanage. It's a big step forward when a perfectionist can accept 90% accuracy on a delegated task.

Another example is 8's, the Challengers, and their belief in being strong. Unaware challengers can intimidate co-workers without any intention of doing so. Challengers are very direct and passionate, so they can come off as angry even when they aren't. Challengers who strike a balance between their hard side and their softer side can be much more effective than the one-dimensional challenger. The belief system of the challenger—that only the strong survive—can be modified to be more situational. There is a time and place to be strong, direct, and decisive. But there are also situations that call for patience, forgiveness, and reflection.

The underlying belief system of the 9, the Mediator is interesting. It calls for blending in, not making waves. Reading other's agendas is important. Mediators are the most easy-going of all the types. As leaders they are typically well-liked, patient, and thoughtful (because they try to understand all points of view). However, their fear of conflict (i.e. not blending in) causes them to procrastinate and avoid tough decisions. It also causes them to be lax around accountability. Unlike the challenger (8), who can be overly decisive and stern with accountability, the mediator errs in the other direction: too soft on these issues.

For all nine types, their belief systems have shaped the way they navigate their lives. The path for development is to surface and understand one's belief system, so that there is choice in the matter. The mediator who has become more self-aware can begin to recognize their patterns of avoidance and then make a conscious choice. Do I want to delay on this decision because it will deliver a better outcome? Or, do I need to over-ride my automatic pilot and decide sooner? In my case, I may need to over-ride my natural inclination to people-please, which might look like sugar-coating a message, and decide what is most effective. What does the client need to hear?

Because belief systems are invisible, it's a good practice to discuss this topic with a trusted friend or colleague. Often, they can tell you quickly about your operating system because they have the advantage of being "outside" it. Clients often tell us humorous stories about the ability of their spouse to provide such feedback. One client said to his wife, "Honey, my co-workers believe that I'm a my-way-or-the-highway kind of person." To which she responded nonchalantly, "Oh yeah, that's you. You believe it has to be your way." So, if you really want to explore your beliefs, avail yourself of feedback. It may be both illuminating and surprising.

Beliefs is a big topic. But if you can isolate the ones that are truly influential in your professional work, you stand the chance of improving your success rate significantly. Keep asking yourself, "What do I believe is true? And how is it affecting my decisions and behavior?" If you do this, it will be hugely helpful. That's my belief, anyway.

Curiously,

JW