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LOL: The Astonishing Absence of Purpose

Imagine asking a doctor about his/her career choice and receiving a quizzical, "Hmmm. I don't know. It pays well. The work is interesting. My mom is proud of me. Beyond that, I'm not sure." You would be surprised, right? Maybe shocked. How about, "saving lives" or at least "improving people's health" as obvious responses.

In the investment world, however, the most common response from practitioners is, "I'm not sure." And no one seems particularly shocked. A survey from the CFA Institute[1] showed that investment professionals do have passion for their work—70% said yes—but the same survey indicated a very low percentage who identified a strong purpose: 17%.

Ahem. I suspect this response does not warm the hearts of clients. They surely must be thinking, "So, the people investing my money don't see my financial well-being as meaningful?"

This point was brought home powerfully in a recent conversation with a friend in the industry. He spoke about his young son. Paraphrasing, he said, "I've learned a lot about hospital attitudes since my son was diagnosed with leukemia. Everyone in the hospital, from doctors to nurses to the cleaning staff, seems singularly focused on the recovery of my son. It's evident that his health is the single mission of all the staff. I don't understand how the investment world has lost sight of our mission: to help people with financial health."

Staff members in the medical world seem to understand clearly their mission: providing patients with a ***clean bill of health***. Why is it so hard for investment professionals to realize that their mission is providing a ***clean bill of wealth***? (Of course, neither the patient nor the client can be assured of a clean bill of health or wealth, but the intention is clear. And meaningful.)

Investment leaders seem unequal to the task of stating a meaningful purpose for their firm. In a presentation to CFAs recently, I asked 50 professionals about their firm's Purpose Statement. The responses were:

Level of Motivation from Purpose Statement	Responses
Very motivating	8
Somewhat motivating	15
Not very motivating	9
Not sure what ours is	18

Interestingly, this real-time polling produced almost identical results as the extensive CFA study cited above: less than 20% found their firm's purpose statement to be "very motivating."

[1] Discovering Phi, by CFA Institute and State Street Center for Applied Research

To cite another example, here are the results from an intact investment team:

Level of Motivation from Purpose Statement	Responses
Very motivating	1
Somewhat motivating	5
Not very motivating	2
Not sure what ours is	17

Okay leaders, your task is clear. Connect the dots for staff members. The investment profession is essential to people's wealth, in the same way that doctors are essential to people's health. That seems fairly straight forward and yet it's not happening. What the big deal? Millennials. They will be 75% of the workforce in 2025 and they are very concerned about your firm's purpose. You'd better be in the "very motivating" category above if you wish to attract and retain top talent.

But there is a second powerful purpose as well. And thought leaders are writing about it. Not only is the industry's mission to take good care of clients—the clean bill of wealth part—but also to allocate capital properly in the economy. Even putting aside the important fiduciary role of investors, this other mission is hugely important. Michael Porter, famous for his book "Competitive Advantage: Creating and sustaining superior performance" (the 5 forces), has recently written:

> *I believe the fundamental purpose of investing is to deploy capital to productive uses in the real economy. It's the ability of businesses to use capital well to meet needs at a profit and grow that creates all the wealth in society. Government and NGOs don't create wealth, they utilize taxes and donations to meet societal needs. Directing capital to companies that can use it productively to create economic value, and thus wealth, is ultimately the most profound benefit investors can have on society.*
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> *Beyond allocating capital, investors also play a vital role in monitoring what companies are doing, pushing for transparency, and intervening to catalyze change if the capital employed isn't generating the economic value it should. All of this raises the fundamental wealth that is being created, and this kind of wealth creation does not come at the expense of other investors. The concern is that it seems like the vast majority of energy and effort in investing has become about other things. It's about indexing. It's about momentum. It's about program trading to capitalize on tiny movements in share prices. It's about locating your servers closer to the exchange so you can trade in and out a little faster. I'm all for price discovery and liquidity, but improvements here have diminishing returns for fundamental wealth creation. One investor's gain is often another investor's loss.*
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> *As more investors walk away from fundamental investing, the need and the opportunity grows for value investors who focus on understanding companies, industries and competition. Such investors can do well for themselves, for their own investors, and for society. This is creating shared value. I'd like to see more investors with that sense of purpose, and more rules, regulations and incentives put in place that lead investing in these directions rather than those that create limited societal returns.*

Porter seems spot on in this description of the important role of investing. And many investment firms have taken Porter's point above about "pushing for transparency" and allocating capital not just for wealth creation for also for the double win of wealth creation and social good. Social investing is alive and growing. And many millennials are drawn to these firms for that very reason: to do well and do good. They are not mutually exclusive. Sakir Nusseibeh, chair of the 300 Club[2], wrote in an article called, "The Why Question":

> *I suggest that the role of equity markets has evolved since the capital raising period in the C19th and that it should be redefined as a method for owners to control the companies that control their destiny. I proposed that investing the $75 trillion pool of assets should have a dual purpose of stewardship as well as wealth creation and that all investments should look at 'both sides of the ledger' for any investment for the long term. This is holistic return. It is a rational way to invest and to assess the success of our investments, and by applying it we will manage to bring back the financial world from the virtual dislocated place it occupies at present to become relevant to our lives and our future.*

Given the importance of both goals—client wealth and proper allocation of capital—it seems astonishing that investment leaders cannot craft powerfully motivating purpose statements.

Doesn't it?

Curiously yours,

JW

[2] The 300 Club is a group of CIOs who are dedicated to changing the ills of the investment world. For more on this organization and the paper quoted above: https://www.the300club.org/