



FOCUS CONSULTING GROUP

## WHAT TYPE OF INVESTOR ARE YOU? Using the Enneagram for Improved Results.

*Jim Ware, CFA*

*“If you don’t know who you are, the market is an expensive place to find out.”*

-Adam Smith

At Focus Consulting a core belief is that self-awareness helps a person be a better investor and a better leader. For many years we have used Myers-Briggs personality assessment to help individual investors and their teams enhance performance. And while we continue to endorse the Myers-Briggs tool, we have found that a second tool—The Enneagram—has proven unusually effective with investment professionals. This paper describes the tool and provides examples of how it has been useful. Also, we list resources if you have further interest.

The name *Enneagram* refers to nine basic personality styles (v. 16 for the Myers-Briggs). Each of the nine types is differentiated by the focus of their attention. In this sense, the Enneagram posits that every person’s mind is hard-wired to focus their attention differently. For example, the first Enneagram type (called simply, “The One”) places his/her attention on, “What is flawed or imperfect?” In this sense, the One has also earned the name, “The Perfectionist.” Ones get great satisfaction out of paying attention to the details and getting things “just right.” Of all the types, ones have the most active Inner Critic, the voice in our heads that is constantly telling us where we could improve. The other types will be described shortly, but first an explanation of why the Enneagram is so useful with investment professionals.

The Enneagram provides useful distinctions among investment professionals that the Myers-Briggs often lacks. Specifically, most investment professionals are “rationalists” in the Myers-Briggs system. This means that they have a preference for analyzing the big picture (v. the details) and that they have a preference for making decisions via “thinking” rather than “feeling.” (That is, a more detached, objective approach to decisions v. a more involved, subjective approach.)

In short, many investment professionals are “NT’s” (Intuitive Thinkers). In fact, over 50% of the investment professionals seems to be NT’s or Rationalists, based on our surveys. This number compares to the population at large, in which only 10% are Rationalists. Even more striking,



most investment professionals are not just NT, but NTJ. The “J” at the end means that they prefer an organized, disciplined approach to life v. a “go with the flow,” flexible approach. NTJ’s represent less than 5% of the total population.

So the investment community is over-represented by a factor of 10: 50% NTJ’s v. 5% in the general population. This statistic is significant because we encounter investment teams that are entirely NTJ. (They may vary as to whether they are introverts or extraverts, though the investment world favors introverts by a ratio of 75:25 v. the reverse in the general population.)

The Enneagram is useful because a team of NTJ professional investors is usually NOT made up of the same Enneagram types. For example, a team of three we worked with recently—all NTJ’s—we all different Enneagram types. We will return to that example later in some detail. For now, here is a brief description of the nine Enneagram types:

Enneagram Type	Focus goes to...	Characteristics
One: The Perfectionist	What is flawed or imperfect	<ul style="list-style-type: none"><li>• Worried about getting things right; unusually sensitive to criticism</li><li>• Striving for perfection</li><li>• Responsible</li><li>• Postpones pleasure</li><li>• Repression of impulses/desires</li></ul>
Two: The Helper	The needs/wants of others	<ul style="list-style-type: none"><li>• Gives to get approval and acceptance</li><li>• Sometimes feels taken advantage of</li><li>• Hard to express own needs</li><li>• Selfpresentation alters to please significant people</li></ul>
Three: The Achiever	Accomplishing goals	<ul style="list-style-type: none"><li>• Leisure activities are also results-orientated</li><li>• Focus on goals not means.</li><li>• Product over process</li><li>• Primary identification with accomplishment and success</li><li>• Seeks approval and acceptance based on performance</li><li>• Image is important.</li><li>• Looking good; super-mom</li></ul>



Four: The Individualist	Longing for what is missing	<ul style="list-style-type: none"> <li>• Push/pull phenomena; what’s available here and now; what’s distant and hard to get</li> <li>• Feels special and elite. Suffering sets you apart from others</li> <li>• An abandonment theme.</li> <li>• “I’m not loveable”</li> <li>• Empathetic, especially for the suffering of others</li> </ul>
Five: The Observer	Observing and learning	<ul style="list-style-type: none"> <li>• Marked need for privacy</li> <li>• Attention goes to observing rather than participating</li> <li>• Intellectualizes</li> <li>• Detached from feelings</li> <li>• Limits intrusion from a world that wants too much</li> </ul>
Six: The Loyal Skeptic	Dangers and problems	<ul style="list-style-type: none"> <li>• Active imagination; amplifies questionable areas</li> <li>• Safety and security concerns</li> <li>• Doubting mind, contrary thinking</li> <li>• Sees implications, inferences, and hidden meanings</li> <li>• Questions authority</li> </ul>
Seven: The Enthusiast	Positive; future possibilities	<ul style="list-style-type: none"> <li>• Optimistic; sees multiple options</li> <li>• Difficulty with commitment</li> <li>• Does not want limits</li> <li>• Pleasureseeking; life is an adventure</li> <li>• A glutton for experience and enjoyment</li> </ul>
Eight: The Protector	Power, dominance, control	<ul style="list-style-type: none"> <li>• Concerned with strength and protecting the weak</li> <li>• Denies own vulnerability and weakness</li> <li>• All or nothing polarities; things are black or white</li> <li>• Believes in absolute truth, justice</li> </ul>



Nine: The Mediator	Secondary activities; others	<ul style="list-style-type: none"><li>• Nonessentials may get equal attention with the essential</li><li>• Sees all sides of an issue</li><li>• Peacemaker/harmonizer; overly adaptive</li><li>• Pleasing and caring; has difficulty saying no</li><li>• Participates; joins in</li></ul>
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Each of these nine types is associated with a particular leadership style—with predictable strengths and weaknesses—and with an investment approach. When individuals identify and understand their type, they are more effective as managers and investors. The client example below will help illustrate this point.

As mentioned above, we worked with an investment leadership team that was comprised of three portfolio managers, all “NTJ” on the Myers-Briggs. Despite their same typing using Myers-Briggs, they were three different Enneagram types: 1, 6, and 9. The lead Portfolio Manager (in our parlance, the one who had “decision rights”) was the 9, the Mediator. We were called in to work with this team because performance had been suffering for 18 months and the CEO decided it was time to “look under the hood” and see if something was broken. These three PM’s had a team of six analysts reporting to them.

As we interviewed the team and learned more about the investment process, the leadership dynamics—and the dysfunction—became increasingly clear. Again, this is where the Enneagram can be so useful. (The Myers-Briggs analysis, given that they were all NTJ, would not have suggested a solution). By contrast, the Enneagram perfectly explained the dynamics that were causing the dysfunction.

Starting with the PM who was a 6, he had been faithfully living up to his type (looking for what is dangerous or problematic) and was driving most of the team crazy with his “sky is falling” attitude and continuous attention to the glass being half empty. Several analysts told us they had “written him off.” They no longer paid attention to his views on stocks. In response the 6 PM had become more reclusive and withdrawn mostly to his office.

The 1 PM, in keeping with his type, became highly critical of the 6 PM and reinforced the team’s inclination to shun the 6. Rather than trying to support the 6, as a senior colleague, the 1 made matters worse by siding with the analysts and during investment meetings openly criticizing the 6’s cautious view of the world. In private conversations with us the 1 confessed to being sarcastic and dismissive of the 6.



The 9 played his part perfectly, too. 9's love harmony and peace. They want everyone to get along. And they hate conflict. Essentially the 9 did nothing to resolve this situation. He never confronted the two senior PM's with an order to "work out their differences." Nor did he bring in outside help to resolve the problem. (Again, it was the CEO who brought us in). He studiously avoided conflict and the situation spiraled down.

The 9 PM also allowed another problem to emerge. Instead of playing to his strength as a genuinely bright investor, he allowed his schedule to become filled with administrative tasks which he disliked. In a given week, he said he was spending about 30% of his time on investment thinking. (Our experience tells us that a minimum of 80% occurs on the top teams). The 9 allowed this to happen because they hate to say "no" to anyone and they naturally tend to place their needs and priorities at the bottom of the cue. True to form, the 9 had eclipsed his passion—investing—and was becoming increasingly depressed with his worklife. To the point where he discussed privately with us the possibility of quitting due to burnout.

The first step in fixing this investment team was to convince the lead PM (9) that he needed to hire a COO. He needed to bring in someone who enjoyed running the back office and managing people. (Yes, there ARE such people...) The 9 jumped at this suggestion, which of course begged the question, "why haven't you done this already?" And we know the answer: because 9's are not naturally assertive. Their attention goes to blending in and not being noticed, rather than to a healthy, "hey, I need something here!" It was a tremendous relief for the 9 boss to have us recommend to the CEO that the 9 definitely needed some help. Within two months they had a person in that role, which helped ease the 9's load and once again aligned him with what he loved.

The 9 then had to address the feud that was raging between the aggressive 1 and the passive-aggressive 6. This involved several sessions with the three of them first learning their Enneagram type and then seeing how they were trapped in the weakness of their type. They had created a perfect "drama triangle." The 1 was squarely in the role of the villain, twirling his moustache and pointing a critical finger at the 6. The 6 had collapsed into the role of victim, moping around the floor or hiding out in his office in a posture of "poor me." And the 9 had landed directly on "Hero." Tah-dah! I'll save the day, I'll smooth over this feud by privately talking with each of them, reassuring them, hearing their side of it. He was putting a bandaid on the cancer and not doing anything to resolve it.

Very quickly in our session these three PM's clearly grasped their roles in the drama and—because they are naturally quite smart—created a plan for adopting different attitudes and behaviors to end the drama.

This example ended very happily with performance turning around dramatically and the CEO praising all parties involved for a meaningful improvement. (We were quite aware that the performance improvement may have been pure luck, but did not disabuse him of his view...) Importantly, the senior three PM's learned something about themselves that will be useful for



the remainder of their careers, both personally and professionally. And while it was nice that improved performance happened to coincide with our intervention, the real victory was an admission by all parties that the investment process was on much more solid footing, with the addition of a COO and a healthier dynamic in the senior team.

Another example comes from a firm that had a 7 leader (both CIO and CEO). In this case, the 7 had created a strong performance record that allowed him to start his own firm. He had done this with the help of an older, mentor-like 3, who functioned as COO. 3's are achievers and love to compete and win. They often see negotiations as a contest with a win/lose outcome. In the negotiations with a third party financier, the 3 had bargained hard and "won." He was proud of his victory. The 7 was relieved that he didn't have to battle the financier; the 3 was happy to do it. 7's are optimistic by nature and avoid potentially painful situations, like a major negotiation. Unfortunately, though, the 7 needed to have a positive working relationship with the financier, based on some marketing they had agreed to help with. It was clear after the 3's negotiation that the third party had adopted a competitive attitude toward the 7's firm. They were in "payback" mode. This was a problem for the 7 and his firm.

Additionally, the 3 was driving the investment team crazy. He was not technically involved in the investment decision making but his attitude in the small office—especially towards secretaries and support staff—drove two analysts to say to the 7 boss: "Him or us. Take your pick."

The 7 boss found himself in a painful dilemma. He was genuinely appreciative of the 3's early efforts in creating the new firm—tackling the tough, gritty, thankless jobs—but deeply committed to her investment team and its future.

Interestingly, in our first offsite with the entire professional team (7, 3 and entire investment staff), which took place before we had introduced the Enneagram, we had stalled out in our attempts to surface and resolve the conflict. The 7 leader had pulled us aside during the first break and informed us that he was not happy with the direction that the offsite was taking. "We've been through a stressful period of starting this firm and I want this to be a positive experience for everyone. I'm concerned that we're bogging down on negative stuff." If we had known at this point that the leader was a 7, we could have anticipated this reaction and dealt with it proactively. In fact, we learned from this experience that knowing all the Enneagram types of key players at the outset is very helpful. We now recommend this to all new clients.

After the offsite, we began a coaching relationship with the 7 and 3, using the Enneagram. In a short period of time, we were able to coach them into an amicable separation. The 3 left feeling appreciated and with his dignity intact. (3's are achievers and very conscious of their image. They do not ever want to look like losers.) The 7 was able to refocus her attention on the investment team and resume having fun doing what he loved: thinking creatively about markets and possibilities.



Given these sorts of success stories, we continue to encourage investment teams to add this to their toolkit of mental models. So far, we have encountered little resistance. And we often learn of investment teams that, quite independent of us, have already been using the tool. Worldwide, in Canada, Britain, and South Africa, we know of teams successfully using the tool.

As promised, we include below some book recommendations and websites for learning more. Obviously, we would be happy to discuss working with your team to learn and benefit from this tool. 

#### RECOMMENDED BOOKS ON THIS SUBJECT

:

Lapid-Bogda, G. (2007). *What Type of Leader are You?* New York: McGraw-Hill

Palmer, H. (1995). *The Enneagram in Love and Work: Understanding Your Intimate and Business Relationships*. New York: HarperOne