

A leading investment

Andrew Frankling looks at two new books about investment leadership and high performance investing.

Investment Leadership: Building a Winning Culture for Long-term Success (IL) by Jim Ware, Jim Dethmer, Jamie Ziegler and Fran Skinner
(New Jersey: John Wiley, 2004)

High Performing Investment Teams (HPIT) by Jim Ware, Jim Dethmer, Jamie Ziegler, Fran Skinner and Michael J. Mauboussin
(New Jersey: John Wiley, 2006)

While management consultants are both common and a staple of modern business life, the Focus Consulting Group (Focus) is possibly the only one in the world to work exclusively with asset managers. This has allowed it to clarify many of the general and peculiar issues relating to managing asset managers, which should be of wide interest in the investment industry.

The staff at Focus have written two books looking at the management of investment firms, the first of which, *Investment Leadership: Building a Winning Culture for Long-term Success (IL)*, has been helpfully summarised in the first chapter of this new book, *High Performing Investment Teams (HPIT)*. The executive summary of IL alone, with its analysis of health asset management corporate cultures, could justify purchasing HPIT.

What are the factors that make asset management firms special from a management perspective? One of the co-authors makes the colourful assertion that even Forrest Gump could have run an asset management firm well during the 1990s, but of course down markets are another issue.

The writer of the foreword makes the related observation that asset management leaders are not penalised for poor practices during bull markets. And a case is made for most investment professionals having high conventional intelligence but poor (before training) emotional intelligence.

The main body of HPIT deals with seven personal behaviours that Focus

believes leads to optimally performing investment management teams, these being curiosity towards learning/developing, accountability, candour, authenticity, awareness and genius. The book is liberally and appropriately sprinkled with examples from Focus's consulting work, the more problematic of which are left anonymous.

The case studies, while interesting, do take up much of the book, so the time-pressed will be reasonably well served by reading the well organised summary and next steps sections at the end of most chapters. Various references to third-party tools and resources, such as the Center for Creative Leadership and the Getting Things Done methodology, have been thoughtfully added.

But the proof is in the results: Focus's clients have apparently reported a number of benefits from employing these behaviours, including less chance of compliance issues, lower staff turnover, improved creativity and more effective decision making. Perhaps more interesting are the factors the authors say prevail when the seven behaviours aren't present; such as defensiveness, blame, gossip, drama and demarcation disputes. Which brings me to HPIT's most serious flaw in that it is considerably less interested in quantifying the value of the soft skills it teaches than its predecessor, IL. It could mean that the analytical left-brain types that dominate the investment industry will unfairly discount the book and its findings or probably not even read it.

Secondly it is not clear whether Focus

has any non-North American clients from the examples given, so the potential to investigate cross-cultural differences between asset managers isn't touched upon. My third concern is the lesser focus on addressing issues peculiar to asset managers compared to the consideration of issues which prevail among knowledge workers in general. A fourth issue, generic to this kind of book, is that readers may want to independently judge the value of the assertions and proposals made since Focus is both the author and a major part of the content.

So who is this book for? It is an obvious purchase for the target audience, line managers in asset management firms, especially those without the support of buoyant markets. There are also nuggets of interest for investment researchers and asset consultants as they decide what factors are important in their manager research process. As suggested above managers in other professions could also find HPIT surprisingly useful.

Focus is performing a valuable service for the investment world. As they themselves say, their work is different from 99% of what investment professionals read because it requires personal commitment to change. I await with interest their future work integrating their research with behavioural finance and the forthcoming book on integrity. **J**

Andrew Frankling F Fin returned to Australia earlier this year after spending a number of years undertaking asset consulting and investment research in the Channel Islands, and is currently reviewing opportunities in the local investment industry.