A culture study of 60 asset management firms, mostly from the U.S. and Canada, revealed six clear winners emerging from the chaos and challenges of the financial crisis. These winners, the top decile of the firms studied, were chosen because their firm-wide survey responses indicated superior results in these areas:

- Stronger, more cohesive culture: the team rallied around a core set of values and behaviours
- Loyal, engaged employees: at least 60 per cent identifying themselves as “raving fans” of their firm
- Successful results: more than 60 per cent of employees rated their firm as a top decile competitor
- Low ‘sludge’: very few employees reporting negative behaviors in the firm (gossip, politics, etc.)
- Effective decision-making: on average 73 per cent of the employees reported that their culture supported effective decision making

The six firms in the Focus Consulting Group study that exhibited these characteristics (The ‘Focus 6’) also showed, to a statistically significant degree (95 per cent confidence level), superior results in the factors listed below:

- As an organization, we have the ability to attract top talent
- We are free from silos in our organization
- We have strong talent management which includes career pathing and succession planning
- We have an ownership mentality, our employees think like owners of the business
- We are good at executing plans
- Our senior team communicates well (clear and transparent)

Additionally, the cultures of the ‘Focus 6’ firms supported the following attitudes and behaviours (again, to a significantly greater level than the average investment firm in the study):

- The culture of our organization supports:
  - full engagement and employee development
  - initiative and risk-taking
  - competition and high performance
  - efficiency and loyalty
  - clarity, order, and good communication
  - effective decision-making

Importantly, audiences of investment professionals around the world make the connection between strong culture and effective decision making. Survey questions asking investment professionals to choose from a list of benefits associated with strong culture (such as “hiring for fit more effectively” and “branding more effectively”) consistently reveal decision-making as the top benefit. In our view, investment firms are in the business of analyzing information and making good decisions, so this connection with strong culture is critical.

**Beg The Question**

These findings beg the question, ‘What is happening at these firms that allows them to have such strong results, even during a financial crisis?’ In a word, it’s leadership.

The study included a culture survey given to all the employees to measure the overall climate in the firm, but it
also included a leadership diagnostic given to the senior team (those reporting directly to the CEO). This ‘micro’ view of what was happening in the senior ranks of the firm provided compelling evidence that leadership, strong culture, and top results all go hand in hand.

Specifically, the top five differentiating factors – Focus 6 vs. the Industry – were as follows:

• I feel fairly compensated for my contributions
  Focus 6 – 65.99
  Industry – 5.18
  Difference – 0.81

  Incentives and rewards are important in the ‘money’ business and the ‘Focus 6 firms execute this well. We agree with the work of Dan Pink (author of ‘Drive’) who says that three key motivators drive knowledge workers:
  • autonomy
  • mastery (getting better and better at something)
  • purpose (meaning in our work)

  Pink also argues that firms should get the money formula right, then get it off the table. We agree. The top firms collaborated to reach fair compensation schemes, and then ‘got them off the table.’

• We have the right team members to accomplish our goals
  Focus 6 – 6.15
  Industry – 5.41
  Difference – 0.75

  ‘Focus 6’ firms followed Jim Collins’ advice from ‘Good to Great:’ get the right people in the right seats on the bus. Nothing motivates a competitive team like having all ‘A’ players at the senior level. These firms look around the table at the senior leaders and give them a ‘thumbs up.’ Not so with many firms in the industry. We once asked a room full of CIOs, ‘How many of you wish one of your senior team members would leave?’ Over half the CIOs responded affirmatively using remote voting devices.

• There is a high level of trust among team members
  Focus 6 – 5.98
  Industry – 5.30
  Difference – 0.68

  No surprise here, the top teams have high levels of trust and respect amongst senior leaders. The high levels of absolute trust allow them to execute efficiently and make decisions rapidly. Furthermore, the high trust levels allow them to be candid with one another, which leads to the next differentiating factor:

• Our team openly debates issues
  Focus 6 – 5.79
  Industry – 5.21
  Difference – 0.58

  Effective decision-making involves fully vetting ideas. ‘Focus 6’ firms tend to live by a meritocracy of ideas. The best ones win out because it is not important ‘who is right,’ but rather ‘what is right.’ Candor and curiosity reign in the top firms.

• As a team we value and appreciate one another
  Focus 6 – 6.08
  Industry – 5.55
  Difference – 0.53

  Finally, the ‘Focus 6’ all demonstrated a high level of appreciation and respect for their team mates. Research indicates that a five-to-one ratio of positive/supportive exchanges (versus negative/critical ones) must occur to maintain high levels of engagement and goodwill in a relationship. Leaders in the ‘Focus 6’ firms create positive environments by balancing the constructive feedback with lots of appreciation and recognition.

Separates The Best

What separates the best from all the rest? It is leaders who recognize that their true competitive advantage comes and goes each day through the front door. They embrace the values and behaviours that lead to strong culture and leadership.

The study does not provide a shocking new insight about leading the investment firms, but rather provides solid evidence that our intuitions – things we have assumed all along – are indeed correct. Leadership built on trust and talent creates strong cultures that deliver results.
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1 7 point scale: 7 – Strongly Agree to 1 – Strongly Disagree