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MONEY, MEANING, AND MINDSETS

An Interview with Jim Ware, CFA®

By Mark Harbour, CPA, CIMA®, CFA®



INVESTMENTS & WEALTH INSTITUTE®
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I had the pleasure of chatting with Jim Ware, founder of Focus Consulting Group, regarding his recent book, *Money, Meaning, and Mindsets: Radical Reform for the Investment Industry*.¹ Ware has been an active provider of educational programs, many of them through CFA Institute-sponsored events. He is a contagious and energetic advocate for our industry and supports principled leadership development through his writing and consulting.²

In the book, Ware shares his view of the industry by using an adaptation of the Spiral Dynamics model, which maps major developmental mindsets over the evolutionary stages of human consciousness (see table 1).³ Note that table 1 describes cultural evolution from the bottom up, in parallel with Maslow's hierarchy of needs, with the impulsive and egocentric Red at the foundation and the integrated Yellow at the summit.

Ware suggests our industry is substantially Orange—that is, very competitive and win, win, win at any cost. Indeed, the theme of this mindset is, “Act in your own self-interest by playing the game to win.” However, an Orange mindset can create problems if it's reflected in institutions and leadership, because the overriding goal is to win—regardless of cost.

Ware would like to see our industry go more Green, which embodies “peace within, and harmony in community.” Examples of a greener financial industry include environmental, social, and governance (ESG) factors getting significant

consideration in investment decisions; the growing perspective of the millennial generation, which seems attuned to this theme; and adopting a “let's contribute to a better world” mindset. Indeed, Green is the next stop on the way to Yellow, where the theme is “Live life fully and responsibly, with little fear, and with appreciation of all previous mindsets.”

Ware says that paying attention to these mindsets, particularly in organizational leadership, is key to the appropriate evolution of our cultures and communities. The following is an edited version of our conversation:

Harbour: What do you see as potential catalysts that would help us encourage more Green and Yellow in the financial industry?

Ware: There seems to be a lot of public pressure for industry change these days. Perhaps it's emerging from scandals such as Enron, Wells Fargo, the Bernie Madoff scam. But also, millennials are a growing proportion of the investment professional population and they are more interested in Green values such as service to others, deeply held personal values that influence their perspective, and the sense of being part of a community, as opposed to the standard Orange tendencies to pursue personal goals.

For example, I know a chief executive officer who has a clearly articulated vision for his firm to eliminate genocide on the planet. His firm contributes a great deal of time and a proportion of its

profit to a specific foundation aimed at supporting that cause. More investment firms are rethinking their vision and mission statements to reflect a desire to contribute value to the world. As people age, there's a natural inclination to more actively consider how to “give back.” Perhaps the aging of senior leadership will see greater openness toward this mindset, thus helping move us in that direction. For many investment leaders the way to talk about this topic is to use the word “legacy,” because legacy is a deep concern for investment leaders.

Harbour: What's your opinion in general about the growing presence of robo-advisors? Do you think they are disruptive or transformative?

Ware: Robo-advisors are useful increasingly for efficiency, but they are not fully sufficient to complete a plan and support client decisions. Thus, they will be transformative, but they need to be integrated with the human approach in order to add true value.

Harbour: Do you think robo-advisors will help or hurt the industry move through the model?

Ware: Automation will motivate us to become better communicators. That includes what I call “household alpha,” which describes the value of a holistic approach to investing. Are you saving enough to make it through your retirement years? Are you positioned to support your dependents and, if not, what should you do about it? These are examples of household-alpha topics.

Table
1

SPIRAL DYNAMICS MODEL (SDI) DEFINITION

A MODEL THAT MAPS OUT THE MAJOR DEVELOPMENT MINDSETS OVER THE COURSES OF HUMAN COGNITIVE EVOLUTION

Stages of Cultural Evolution (personality style)	Key Features	Theme	Key Values	Investment Examples	Maslow Level
Integrator YELLOW	Integral Self: • Personal freedom to all without harm to others or the physical environment. • Limit the excesses of self-interest. • Focus on self-expression and systemic approaches.	Live life fully and responsibly, with little fear, and with appreciation for all “previous” mindsets.	• Purpose • Service • Ethics • Common good • (high SQ,* e.g., spiritual intelligence)	Just emerging now. The firm of the future.	• Higher purpose • Service • Greater good • Relatively little fear
Communalist/ clan GREEN	Rational Self: • Collaborative. • Share resources among all. • Reach decisions through consensus. • Liberate humans from greed and dogma.	Seek peace within, and harmony in community.	• Trust and respect • Collaboration • Communication • Development (high EQ)	Bridgeway Boston Common Polen, and ESG firms	• Transformation, moving past prior levels, seeing past “me” to “we.”
Rationalist ORANGE	Rational Self: • Search for success and enhance living through strategy and technology. • Seek independence and autonomy. • Play to win and enjoy competition.	Act in your own self-interest by playing the game to win.	• Success • Winning • Competing • Excellence (high IQ [†])	Hedge funds, many traditional active managers	• Mastery • Autonomy
Guardian BLUE	Guardian Self: • Bring order and stability to all things and control impulsivity through a higher authority. • Sacrifice now for later rewards. • Laws and discipline builds character.	Life has meaning, direction, and purpose with pre-determined outcomes.	• Organized • Principled • Practical • Detailed • Loyal	Vanguard, traditional bank trust departments	• Connection • Belonging • Loyalty
Impulsive/ Egocentric RED	Power Self: • World is a jungle, full of threats. • Proud and defiant, expects attention, demands respect.	Be what you are and do what you want, regardless.	• Power • Control	Founder-run firms with a strong personality in charge	• Security • Safety
Tribal Groups, Hunters and Gatherers					Survival

* SQ: Spiritual intelligence is a term used by some philosophers, psychologists, and developmental theorists to indicate spiritual parallels with IQ (intelligence quotient) and EQ (emotional quotient).

† EQ: Emotional intelligence (EI), also known as emotional quotient (EQ) and emotional intelligence quotient (EIQ), is the capability of individuals to recognize their own emotions and those of others, discern between different feelings and label them appropriately, use emotional information to guide thinking and behavior, and manage and/or adjust emotions to adapt to environments or achieve one’s goal(s).

‡ IQ: An intelligence quotient is a total score derived from one of several standardized tests designed to assess human intelligence.

Source: Beck and Cowan, *Spiral Dynamics* (1996)

Harbour: How can we effectively measure the value of the human consultant and those services that you put in the household-alpha category?

Ware: Household alpha sounds like a squishy category of benefits, but it can be measured in dollars and cents—the bottom line, if you will, for clients and for consultants. You can identify specific monetary value attached to the household-alpha aspects of service, such as tax savings, estate planning value, and reduced costs related to insurance counseling.

Harbour: How might we more effectively include ethical perspectives in our organizations?

Ware: Hiring needs to involve purpose.⁴ Intrinsic versus extrinsic motivation is important. Are candidates interviewing because they heard you can make a lot of money in the investment industry or because they have a genuine desire to add value and be of service? On the ethics front, more-evolved Orange leaders understand that in the long run your firm will be more successful if it maintains high ethical standards, because

trust is the most important factor in success. Warren Buffett has always known this and speaks about it often.

Harbour: How might advisors measure the level of trust their clients have in the services they are delivering?

Ware: I am a big fan of surveys that assess a client’s trust in an advisor. Administer the survey, then follow up. Ask what you can do to improve. All advisors should be trained in emotional intelligence so

Continued on page 67 →

AN INTERVIEW WITH JIM WARE

Continued from page 65

they can read client concerns and modify their own behavior appropriately.

With a potential retirement crisis in this country (because of extended longevity and lack of sufficient long-term lifestyle funding), investment professionals should question their industry's lavish rewards. Perhaps there should be some "skin in the game" with clients. In other words, if you are charging for alpha that is not achieved, is that fair? If not, perhaps you should have an automatic fee adjustment that is tweaked up when your advice succeeds (and adds value) or tweaked down when it does not. The issue is value. If you're not providing it should you still be rewarded?

Harbour: In view of the survey indicating that our advisor demographic has a

relatively significant proportion of retirements coming, what's the importance of more active succession planning activity in firms?

Ware: Firms still struggle mightily with seamless succession. Orange mindsets build their identities around success and status, and they want to hold on to that. Many firms are run by founders who have outlived their usefulness but can't see it. The industry is a long way from excellent succession practices. Focus Consulting Group is doing what we can in this regard—because it is hugely important to get good leaders in place—but progress is slow. In our experience, Green/Yellow firms handle this transition much better than pure Orange firms. ●

Mark Harbour, CPA, CIMA®, CFA®, has served in various volunteer roles with Investments & Wealth Institute®, the CFA Society of

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ENDNOTES

1. See Jim Ware with Keith Robinson and Michael Falk, *Money, Meaning, and Mindsets: Radical Reform for the Investment Industry* (2017), Focus Consulting Group, available at <http://www.focuscgroup.com/wp-content/uploads/2015/11/Money-Meaning-Mindsets.pdf>.
2. See additional information about Ware at <http://www.focuscgroup.com/wp-content/uploads/2015/11/Coaching-Bio-JW-2015.pdf>.
3. Ware cites *Spiral Dynamics* by Don Edward Beck and Christopher Cowan (Blackwell Publishing, 1996) and *A New Psychology of Human Well-Being: An Exploration of the Influence of Ego-Soul Dynamics on Mental and Physical Health* by Richard Barrett (London: lulu.com, 2016).
4. For more about purposeful hiring, see *Motivation as the Hidden Variable of Performance*, a study from the State Street Center for Applied Research and the CFA Institute, https://www.cfainstitute.org/learning/future/Pages/motivation_the_hidden_variable.aspx?PageName=searchresults&ResultsPage=1.



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