

INVESTING & WEALTH



CFA SINGAPORE INSIGHTS

By Jason Voss and Jim Ware

IDEAS to improve creativity within firms

Everyone can be creative and here are five conditions to restore it: IQ, discovery, EQ, attention and support

WHAT will investment firms need to thrive, probably even survive, in the years ahead?

Creativity – both possessing it and harnessing it – will be essential. How do we know? Because we asked, and at the recent Focus Consulting Group (FCG) Leadership Forum on Creativity, investment leaders gave us an unequivocal answer: 85 per cent said you need to get more creative in order to survive and thrive.

We also queried staff from over 100 firms about whether creativity and innovation were either present or desired values within their firms. Currently, about 7 per cent of staff members believe their firms have a culture of creativity. When asked what values are essential to success, one in four identified creativity. The gap between what these professionals have and what they want is a statistically significant 18 per cent.

The results are clear: Investment leaders recognise the need for creativity, and staff members affirm its value. So what is creativity and how can we cultivate it? For our purposes, we define creativity as “The ability to produce work that is novel (that is, original, unexpected), high in quality, and appropriate (that is, useful, meets task constraints).”

One compelling data point from our forum: Many of the leaders believe creativity is a talent that not everyone possesses. You either have it or you don't. Some 60 per cent of respondents felt that way.

We don't buy it. We believe everyone can be creative.

Yet the majority was right in a certain sense. For many of us, maybe even most of us, our creativity decreases over time. Various influences – school, work, family experiences, and society at large – can stifle or otherwise curtail our creative instincts. So nearly all of us do have creative ability. But by the time we embark on our professional careers, nearly all of us have lost it!

The good news is: Creativity can be restored. Life and circumstances may tamp it down and rein it in, but with the right conditions, it can be revived.

But that takes leadership: Leaders must create cultures that support creativity. We've identified five conditions that support creativity:

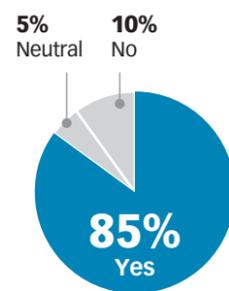
- IQ/expertise
- Discovery/curiosity/mental flexibility
- Emotional intelligence (EQ)/psychological safety
- Attention
- Support

■ IQ/expertise

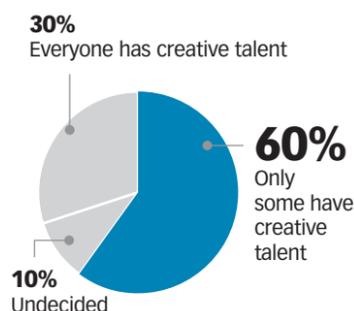
We enhance creativity by integrating existing bits of knowledge into new ideas, techniques, tools, and so forth. The more knowledge and expertise at our disposal, the greater the likelihood we will generate new ideas. Consider, for example, the price-to-earn-

Think about it

In order to survive and thrive, will you need to get more creative?



Does everyone have creative talent?



Source: Focus Consulting Group Leadership Forum on Creativity

Diminishing marginal creativity?

	5-YEAR-OLDS	8-YEAR-OLDS	44-YEAR-OLDS
Laughs per day	113	93	11
Questions asked per day	65	41	6
Percentage with creative potential	98%	32%	2%

Source: Chic Thompson, What a Great Ideal

ings (P/E) ratio in stock investing. Why not apply the concept in other domains? In real estate investing, for example, price-to-funds-from-operations (P/FFO) is a standard measure.

IQ and expertise also help us judge the appropriateness and novelty of a new idea. That said, when applied unconsciously, IQ and expertise can also contribute to our undoing. How? All of that “know-how” and the methods and models we use to deploy it can be the source of behavioural bias and otherwise put us on autopilot.

But just how well are investment firms fostering these values? In our survey, 60 per cent of investment executives agree that their firm's culture supports IQ/expertise. But a full 30 per cent express only partial conviction. Just one in 20 disagrees and believes their firm does not value these qualities.

■ Discovery/curiosity/cognitive flexibility

Everyone wants to be right and look good at all times. These traits are major deterrents to creativity. A genuine openness to discovery and curiosity requires that we shrink our egos so that, like five-year-olds, we ask questions and wonder openly about how things work. We have to avoid settling on a narrow way of doing things. When cognitive flexibility is coupled with expertise, we can not only leverage our existing knowledge to confront new-to-us problems but also switch into explorer mode and ex-

pand our capabilities. In our survey of industry executives, however, nearly half said that their culture did not strongly support discovery and curiosity.

■ EQ/emotional safety

Research demonstrates people with high EQs, or self- and other-awareness, tend to be more creative too. So how can we develop and sharpen these qualities? Meditation can help. Studies show that meditation increases self- and other-awareness as well as creativity.

But emotional safety is essential. To be creative, we need to feel secure and unthreatened. If our environment is a fearful one where mistakes are punished, new ideas can generate eye-rolls or worse. If the only way to achieve safety is to colour within the lines, there is no incentive for us to be vulnerable and explore new possibilities. Leaders who intimidate or blame will create fear. Everyone must be willing to

look at their behaviour and modify it when needed. They must also work to read and understand their colleagues from a place of empathy. Some of us have thicker skins than others. More sensitive people may be brimming with creativity but are afraid to unleash it.

In our survey, nearly all the leaders believe their cultures support EQ and emotional safety. These self-assessments strike us as a bit optimistic, particularly since they run counter to what we hear from staff members.

Of course, it is something of a truism that if you don't have high EQ, you won't know you don't have high EQ!

■ Attention

How many interruptions have you had while reading this article? How many times have you checked your phone? By attention, we mean sustained attention.

In our recent work with industry leaders, only 5.3 per cent say their culture strongly supports attention. In fact, 49.7 per cent rate their support of attention as below neutral.

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