

PRAESTA



PRAESTA INSIGHTS

Leading investors

LEADERS IN EXECUTIVE COACHING

Praesta Partners is the UK's premier firm of executive coaches, based in London but operating both nationally and globally. We coach senior leaders including CEOs, main board directors and management team members and other key senior executives. Our clients range across several hundred organisations in the private and public sectors, including FTSE 100 and 250 companies, private equity owned businesses, leading professional services firms and all areas of financial services.

All of the Praesta team have had senior level business careers before becoming coaches - many were board members, CEOs, partners or managing directors of major organisations in their first careers. Thorough initial training, continual professional development and regular supervision are integral to how we work. As well as one to one coaching, we offer team and organisational coaching and board effectiveness reviews. We are also leaders in working with executive women.

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Leading investors

Here you are, the new team leader, head of investment or CIO. You feel justly pleased by having been given the chance to show your skills at managing people as well as investing assets, and pleasure at being acknowledged by the company as a key member of the overall team. But now what?

Many people when they take over new leadership roles find that the initial aura of elation and congratulation ends pretty quickly – often within 24 hours! It can soon feel like they are taking on “all the dross that no one else wants” and, before long, a sometimes overwhelming sense of responsibility rises in them, an anxiety that they may not be able to deliver to people’s expectations. They also often discover issues and conflicts between colleagues that require their time and that drain their energy.

At Praesta Partners we have been coaching senior executives in ‘people’ businesses since 1994. A large proportion of the work we do with clients focuses on their leadership style and is often at its most effective when top performing practitioners are stepping into leadership roles. Our experience spans across the leading professional services firms of lawyers, accountants and management consultants as well as all areas of financial services.

Although each client, each situation and, in some ways at least, each company is unique, we have been able to identify a number of actions that are generic to the successful transition from practitioner to ‘practitioner leader’. We call these ‘disciplines’ as they are different to the skills it takes to be a successful analyst, portfolio manager or strategist. We believe these disciplines are transferable and could be useful pointers for investment managers who take on leadership roles. In this pamphlet we outline the disciplines and highlight their relevance in a number of examples from a variety of sectors.

What makes the difference?

From working with people who are new in leadership roles, we have distilled six “disciplines” that seem to ease transition from team member to team leader and beyond. The overarching theme is to consciously make the move

Practitioner leadership

Many investment firms rely on their best investors to lead their people as well as their investment ideas. Investors like to be led by investors, not by managers. This often involves:

- | | |
|--|---|
| <p>1.
.....
Managing the expectations of peers and subordinates</p> | <p>2.
.....
Taking responsibility for other people's performance as well as your own</p> |
| <p>3.
.....
Dealing with clients, consultants and other advisors more than before</p> | <p>4.
.....
Taking a business perspective as well as an investment view</p> |

from being an investment specialist to being a leader. All of the disciplines are important from the start, but number one below is the top priority:

1. Getting clear about what needs to be achieved

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Those who step up successfully into a leadership role quickly get clear where they want to take the team, group or department. They can articulate what issues need addressing and can imagine where the group might be in 12-18 months time. The issues maybe about any of the five Ps of investment – philosophy, people, process, price or, of course, performance. All five will rarely require radical change, but having a clear vision for those that do improves the chances of bringing about substantive change and making progress.

As they develop a plan, they speak to their colleagues to get to know their hopes and expectations. They particularly will seek out the CIO, CEO and senior client facing heads to understand what they want and how success will be measured. They will clarify how the firm-wide strategy relates to their own part of the business. In the hurly burly of the early days of leadership, it is so easy to make assumptions about these things. That is why it is important to talk to people. In addition, effective new leaders:

- Set some clear markers for success early on
- Have an outline plan but are clear with all that it will not be 100% right

- Change tack as they gain new knowledge and suggestions from their colleagues
- Know who, amongst the team and beyond, needs to be brought along to make the intended changes possible.

Global communication

A recently promoted practitioner leader in one of the Big Four audit firms, with 150 reports around the world, blended three forms of communication:

1.

A simple voice mail message to all senior colleagues – to break news, make requests or send out reminders

2.

Regional face-to-face quarterly meetings

3.

Monthly “same time” webcasts to all senior colleagues on updates and “state of the business” reviews

2. Building trust, credibility and respect

On appointment, new leaders usually have a degree of goodwill and respect from their colleagues. The most effective ones maintain the level of goodwill in a number of ways – they:

Do what they say they will do!

This seems simple enough but it is easy to over promise. It is better to under promise and over deliver.

Handle the matrix

A new leader operates in a matrix in which many people, from global heads to local peers, all want to have influence. Effective leaders work out who is going to need most attention and then actively manage the matrix. Relying on emails and formal meetings is not enough – it requires one-to-one time too.

Connect to the firm's "bigger picture"

A team leader, head of investment or CIO forms the connecting point between their new team and the firm's management. Sometimes this can feel like playing "piggy in the middle". The best leaders use this position to: (i) make "the big picture" meaningful to their team in the light of everyday reality, (ii) reflect back their team's challenges to senior management, and (iii) protect their team or teams from as much of the detail of matrix management as possible – leaving them to concentrate on managing money.

Actively build relationships with key individuals

In large firms it is hard to make real contact with all the senior investors. They are often with clients; they may be located in other offices around the world; and when they are around they want to be meeting companies and watching markets.

Moreover, with full diaries, it can be hard to find enough time to spend with each individual. Effective new leaders dedicate time to be available to listen openly to senior colleagues in special forums. These range from a series of breakfasts / lunches / dinners with small groups of colleagues, to one-to-one meetings spaced throughout the year. There is no single right approach – it depends what suits the new leader's personal style and the size and culture of the team or department. It is particularly important not to let this tail off when market pressure increases – this is a time to stay more connected, not to become more remote from colleagues.

It is especially important to develop a credible relationship with the colleagues who drive investment performance and manage key client relationships as they are clearly important to the success of the team or department and the firm. A respectful relationship means supporting their efforts while ensuring they are not solo practitioners to the detriment of the firm.

Make decisions clear and transparent

New leaders find themselves party to decisions on a wide range of topics, including hiring, firing and promoting staff, client management, business development strategies, fee levels and new fund launches. Effective leaders let their colleagues know about each decision and the reason(s) for it. For a new team or department leader, consistency, fairness and transparency are vital.

3. Developing a team

The third discipline for new leaders is about understanding the skills and strengths of the people around them, and thinking through what is needed in the top team. It may take time to assemble the team – time to identify internal moves and, if appropriate, bring in fresh talent from outside the firm. Here, some self knowledge is very helpful – drawing people into the team who will complement the new leader's own strengths and weaknesses improves the overall balance of skills.

Top priority is putting in place individuals who can be trusted to run specific portfolios, strategies or teams. The next task is to delegate. This sounds simple enough, but may require a shift of attitude.

It is easy to underestimate the time it takes to build a team that works well together. Investment management firms are full of very bright, independently minded people. It often takes patience, skilled listening and sensitivity to bring them together to work collaboratively. But failure to do this will take a heavy toll on performance and on team morale.

In global firms keeping teams focussed on the need to work collaboratively can also be tough. It is easy for people to fall back into their local office, country or regional silos unless they are regularly reminded of the benefits of working globally. Calls and emails help, but need to be supplemented by face-to-face sessions too.

The will to delegate

One recently promoted divisional head of an international law firm found his biggest challenge was to free himself from the detail of his own specific work. This was essential to give him time to focus on leadership; but it also helped others to get engaged and take responsibility within the team.

The new leader had to shift his attitude – he:

- Stopped believing he needed to have all the answers himself; instead he recognised that leadership is more about enabling others than being personally responsible for all the ideas
- Came to care less about what people thought of him; instead he dedicated time to building the relationships that would enable him to do the right thing for the business

4. Developing leadership presence

Many senior practitioners who assume management responsibilities for the first time ask “what kind of leader should I be?” Our work suggests that successful leaders address this point by:

Building on their own strengths

It is often tempting to look around at what others do and to seek to copy them. While others have good advice and tips, we find the best managers and leaders spend time thinking through their own strengths, values and priorities, gradually developing a sense of the leadership approach that will serve them and the firm well.

Integrating key roles

It is tempting to assume that a head of investment or CIO must choose between their leadership roles and staying involved in markets. Often new leaders find it difficult to succeed in both: in investment firms, retaining market responsibilities takes you away from your internal leadership role; but on the other hand, giving up involvement in day-to-day investment may mean losing credibility with clients and colleagues and foregoing the enjoyment of doing what attracted you into the business in the first place. Successful leaders develop strategies for staying connected to markets by remaining involved in key functions such as asset allocation, portfolio strategy and research meetings or in business development – or taking on a quality review role with existing clients. This enables them to retain an involvement in markets and a client focus while delegating most specific investment and client responsibilities to their colleagues.

5. Choosing battles

New leaders want to bring in positive changes, but sometimes they also uncover unresolved or festering issues. The most effective individuals focus on just three to four themes, topics or goals. Facing up to problems that have been left unresolved by previous leaders can be particularly powerful in building credibility. They choose which battles are most critical to the performance of their team or teams and do not waste time on the unnecessary ones.

First 100 days

A newly appointed function head within a global asset management business undertook a 'Listening & Learning' exercise in the first one hundred days in his new post. He wanted to gather the views of external and internal clients as well as of his team members and peers before making some radical changes. He:

- Announced the exercise to the firm on his first day, making it known that no major changes would be made until he had a clear view of the firm's competitive position
- Visited a dozen key clients to get their feedback on all aspects of the service they were receiving. As well as providing an opportunity to introduce himself to this important group, the gesture impressed the clients and the exercise provided rich data on the firm's performance
- Interviewed decision makers and opinion formers within the major consulting firms. This covered their experiences of seeing the firm in action and their views on the strengths and weaknesses of all the major strategies and teams
- Met with all relevant senior colleagues in the investment and client facing functions
- Presented his findings to the executive committee and all relevant functions

The affirmation of his diagnosis of the firm's challenges that he gained from the Listening & Learning exercise allowed him to make some radical changes in people and process with far less resistance than would otherwise have been possible.

Some new leaders have found that dealing with underperforming or disruptive colleagues who have been allowed a free or loose rein in the past, sometimes due to their importance to particular funds or clients, is a particularly effective way of establishing their authority and building respect. This can involve changing the individuals' responsibilities, transferring them to other areas or arranging their exit from the business altogether. These are never easy

decisions or ones to be taken lightly. But new leaders who fail to confront such issues risk sending out negative signals about their leadership style and how they will handle poor performance.

6. Finding oxygen

Every new leader faces days of stress. We have found that those who cope best are those who know how to maintain their own mental, physical and emotional vitality. They build time in their schedules for outside interests, for keeping fit and healthy and for their families and friends outside work. These keep them refreshed and energised. For some, it is tempting to think that spending more time in the office than anyone else is a badge of commitment and success. The reverse is more often the case – colleagues respect leaders who keep their work in perspective. Keeping work and outside interests in balance can be thought of as a form of “enlightened self interest”, providing a space for renewal in the hectic business of leadership, that also sets a positive tone for others.

Concluding thoughts

The set of disciplines suggested here may sound like simple common sense. Nevertheless, our conversations with clients tell us these principles are profoundly important and easier said than done. That is why we call them “disciplines”.

As people take on leadership roles they typically find themselves under pressure to make difficult choices and decisions from day one, in the midst of many competing demands. Moreover, many find the new role to be a lonely one and they may by nature not be used to asking for help or support. If new leaders are to develop the disciplines suggested here and make a success of their new role, what they need is reliable support – which invariably means trusted people.

Leading investors was adapted for the investment management industry by Robin Hindle Fisher from **Coming into Leadership** by Heather Dawson & Praesta colleagues. Robin can be contacted at robin.hindle_fisher@praesta.com

Further Reading

Thriving in a Faster Faster World, Heather Dawson, Praesta 2007, *Riding the Rapids*, Peter Shaw and Jane Stephens, Praesta 2008, *The Power of Coaching Top Teams*, Jacqueline Scholes-Rhodes and Hilary Lines, Praesta 2009, *Seizing the Future*, Peter Shaw and Robin Hindle Fisher, Praesta 2010

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