

Ignore Dissidence at Your Own Peril

By Ed Oakley

I just read Warren Buffet's annual letter to the stockholders of Berkshire Hathaway, his company that has outperformed the S&P 500 consistently for over 40 years. It was fascinating reading, and I recommend it to everyone. I immediately bought more of their stock!

I want to focus on one element of leadership of the many that come from that letter. It is the importance of being open to other perspectives. If looked at openly, dissidence, or differences of opinion, can be valuable. They can be disastrous if ignored.

Mr. Buffet talks of a gentleman, Walter Schloss, whose investments in approximately 1,000 lackluster stocks dramatically beat the results of the S&P 500 for all 47 years of his active investing career. I now quote Mr. Buffet:

"I first publicly discussed Walter's remarkable record in 1984. At that time "efficient market theory" (EMT) was the centerpiece of investment instruction at most major business schools. This theory, as then most commonly taught, held that the price of any stock at any moment is not demonstrably mispriced, which means that no investor can be expected to over perform the stock market averages using only publicly-available information (though some will do so by luck). When I talked about Walter 23 years ago, **his record forcefully contradicted this dogma**. And what did members of the academic community do when they were exposed to this new and important evidence? Unfortunately, they reacted in all-too-human fashion: Rather than opening their minds, they closed their eyes. To my knowledge no business school teaching EMT made any attempt to study Walter's performance and what it meant for the school's cherished theory. Instead, the faculties of the schools went merrily on their way presenting EMT as having the certainty of scripture. Typically, a finance instructor who had the nerve to question EMT had about as much chance of major promotion as Galileo had of being named Pope. Tens of thousands of students were therefore sent out into life believing that on every day the price of every stock was "right" (or, more accurately, not demonstrably wrong) and that attempts to evaluate businesses – that is, stocks – were useless. Walter meanwhile went on over performing, his job made easier by the misguided instructions that had been given to those young minds. After all, if you are in the shipping business, it's helpful to have all of your potential competitors be taught that the earth is flat. Maybe it was a good thing for his investors that Walter didn't go to college."

Isn't that a powerful and awakening story! How many times have we done the same thing as leaders and managers that those universities have done in ignoring different perspectives that people around us in business and personal life have tried to tell us? How well do we really listen - even though intellectually we know what a critical part of effective leadership that listening is. There is a wake-up call here to listen to what others are saying! The Framework for Leadership(tm) is a great tool for inviting discussion around the right questions. While it provides some specific focus, it also invites different perspectives to surface in ways that are easier to hear. Let's review the generic questions:

1. What's already working?
2. What makes it work?
3. What are we trying to accomplish?
4. What are the benefits of meeting those objectives?
5. What can we do more, better or differently to move closer to the objectives?

Really listening can be a very healthy thing! Asking the right questions is a powerful way to invite honest perspectives within a context that can be heard. Use the essence of the Framework today and LISTEN to the responses in a deeper way than your norm.

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