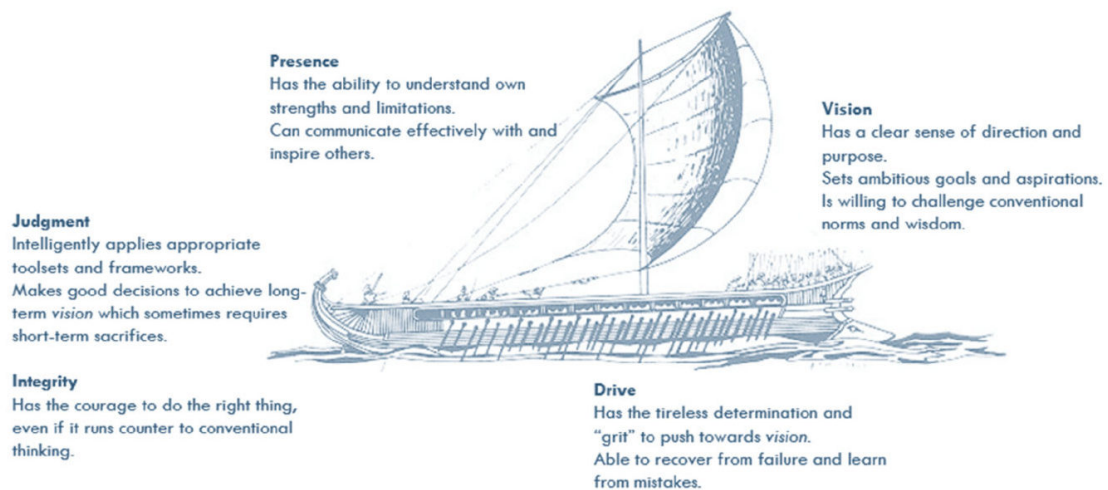


## I'm on a Boat: Five Core Attributes of Leadership

*This article is authored by MOI Global instructor Michael Lee, portfolio manager at Hypotenuse Capital Management, based in Los Angeles.*

Before we begin, if you're like me you might be thinking that the world needs another article on leadership like I need a hole in the head. That said, this is an extensively researched and discussed topic because it is so profoundly important. Good leadership is a foundational ingredient to the success of any organization. There are tens of thousands of published books, articles and case studies on the subject and it can be overwhelming to sift through such a large body of material.

I've spent considerable time over the past eight years trying to develop a better process for how to analyze the quality of a leader because I believe that good leaders produce better business and investment outcomes. There are dozens if not hundreds of metrics, character attributes and personality traits that one could use to measure the quality of a leader. I have attempted to distill these into a simple and easy to remember mental model; a shorthand visual checklist that makes up the core components of a fundamentally sound and strong leader. Picture a boat sitting on the ocean, and the boat is trying to get *somewhere*. This boat must possess the following five core attributes to be able to reach its destination.



### 1. Vision

Without a guide star, a boat will just wander aimlessly in circles. Organizations inherently crave a well-defined purpose and objective. Human beings like to know that their blood, sweat and tears matter and will make an impact upon the world. Exceptional leaders inspire their team with a clearly outlined goal that unites the entire crew to pull in the same direction towards a shared mission. In my experience, the best organizations have these objectives very clearly stated, often on their public websites. Here are a few memorable examples:

- “Connect the world’s professionals to make them more productive and successful” —*LinkedIn*
- “To organize the world’s information and make it universally accessible and useful.” —*Google*
- “To connect People to what’s important in their lives through friendly, reliable, and low-cost air travel.” —*Southwest Airlines*
- “Better food accessible to everyone.” —*Chipotle*
- “Committed to those linked to the land.” —*John Deere*

Notice that each of these examples states very clearly why the work undertaken is important; they spell out how the organization’s products and services can meaningfully improve the lives of their customers and make the world a better place. For maximum effect, mission statements should not be wordy or ornate; the best ones are very succinct and written in plain and simple language. Mission and vision statements should be very easy to remember and recite for everyone in the organization.

Importantly, none of these example mission statements mentions making money as a primary objective. Although it is naturally understood that businesses aim to be profitable and generate a return for their stakeholders, making *profit* the *primary* goal smacks of greed and can lead to undesired incentives and outcomes. However, an organization that executes its mission well and meets the needs of its customers will ultimately have plenty of economic rewards to reap. As Henry Ford said, “A business absolutely devoted to service will have only one worry about profits. They will be embarrassingly large.” This has certainly proved to be true for the five organizations listed above.

## 2. Drive

It would be very difficult for any vessel to reach its destination without deliberate propulsion. Exceptional leaders recognize that it takes dedication, resilience and grit to accomplish their objectives. They are willing to put in the hours that it takes to perfect their craft; they are willing to take an oar and pull harder with the crew when others would falter. They show a willingness to lead by example. Consider the sergeant who charges into the breach at the front of the platoon or an airline CEO who runs out onto the tarmac in the middle of December to help the ground crew unload luggage during a winter storm. Leaders who are willing to inspire their teams in this way earn respect and credibility; they get the buy-in from all levels of the organization which energizes the team to execute the vision and mission. Importantly, great leaders understand that failure is an opportunity to learn from mistakes and improve upon them. A commitment to resilience and persistence sets a strong drumbeat for the entire organization to follow.

## 3. Judgment

On any given voyage, obstacles will come up along the way. A boat that blindly drives in one direction will eventually hit an iceberg or rock and sink. Good leadership requires a rudder of good judgment to steer the organization around these obstacles in a thoughtful way. A leader must intelligently apply appropriate toolsets and frameworks to make good decisions in timely fashion. Steadfastness must be balanced against hyperactivity; latent indecision could result in a catastrophic collision while manic oversteering will make everyone seasick and question if the captain really has a grip on reality.

Sometimes leaders must make tough decisions that go against conventional thinking. For example, the best route might not be the shortest path, but a longer, more arduous journey with a more rewarding ultimate outcome. They might have to make a short-term sacrifice in order to achieve a much better long-term result. For example, consider a company that makes the deliberate decision to invest cash flows into additional people or R&D; this negatively impacts profit margins in the short-term but sets the company up for bigger and more sustainable success down the line. On other occasions, it is necessary for the captain to instruct the crew to buckle down and plow through the storm. The right answer oftentimes is not the easiest answer.

#### **4. Presence**

Exemplary leaders have a strong interpersonal presence that draws people together and inspires team members to get the job done. They are beacons of hope and inspiration that the team rallies around, not because they are forced to, but because they choose to do so. They earn the devotion of the hearts and souls of those around them. They have excellent communication skills that allow them to steer the crew towards common objectives without micromanaging. They can provide constructive feedback to team members who need improvement without shaming or damaging pride. They know how to lift their crew's spirit up, and not stifle dignity and creativity. They create an engaging, motivated and fun culture that people want to be a part of. They are effective at resolving conflict within their teams. They cultivate an environment where people feel at liberty to share ideas, explore creative solutions, take calculated risks, and even if they fail, learn and improve from their mistakes. They know how to listen to their team and make everyone in the organization feel like their contributions are important; great teams flourish when everyone feels like they have a meaningful impact. Great leaders can set aside their own egos and build strong teams around them who will take ownership and initiative over the actions necessary to achieve the mission and vision. Without strong presence, employees become indifferent, demotivated, disenfranchised, or embittered towards their leader; crew members will jump ship at the next possible opportunity, or worse, mutiny and throw the captain overboard.

#### **5. Integrity**

Integrity is what holds the ship together, without it, the ship just falls apart the moment it hits rough water. Leaders who lack integrity will end up making poor decisions down the line that can jeopardize the future of their organization. Failure to live up to legal, ethical and moral standards will attract the ire of politicians, regulators or law enforcement. This will erode the confidence of an organizations various stakeholders, including customers, employees, suppliers, community, and investors. Consider the cautionary tales of Valeant Pharmaceuticals and Enron. Sacrificing integrity eventually dissolves the organization's moral fabric and evaporates its fortunes as well.