

"Will Your Personality Create Wealth For You And Your Company?"

Dr. E. Ted Prince
Founder and CEO
Perth Leadership Institute
www.perthleadership.org

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The common view of a new company is that its success is usually due to having a great new product. If the company creates great wealth it is because of this product, maybe with some good management. But what if its success is nothing to do with the product and everything to do with the personality itself of the founder or the key managers?

We now have new disciplines of behavioral economics and behavioral finance. Unlike traditional economics and finance these assert that much of our behavior is based on irrational factors. Their view is that many if not most of our decisions are based not on rational analytical factors but instead are based on unconscious irrational drivers of which we are not aware. The idea that most of our decisions are based on irrational and unconscious factors casts totally new light on the factors behind the success of new companies and how wealth is created.

Findings from the new disciplines of behavioral economics and behavioral finance are opening up totally new insights into the reasons for company success and wealth creation. Some of these include:

- High intelligence, at least as measured by IQ, is probably inversely correlated to wealth creation; in other words, the smarter you are, as measured by IQ, the less likely you are to create high wealth. The effect seems to kick in particularly above an IQ of 120.
- Higher degrees also seem to be inversely related to wealth creation; that is the more and the higher ones you have, the less likely it is that you will create wealth. Think Bill Gates, Michael Dell and Mark Zuckerberg, all who dropped out of university.
- If this seems to be counterintuitive remember that there is a difference between income and wealth. High IQ and high academic qualifications are almost certainly directly related to high income; however making a high salary is not the same as creating a new company or creating wealth.

These new behavioral disciplines focus on our deep cognitive biases that are unconscious filters that lead us often to make bad or even stupid decisions, even when we are smart and well-informed.

One of these cognitive biases is called the overconfidence bias. This bias is due to people thinking they are smarter than they actually are because they are senior, powerful, highly educated or very intelligent. This frequently causes them to do dumb things.

A good example is the US economic crisis where Wall Street bankers made incredibly stupid decisions because they thought that their high intelligence and great academic qualifications from the best universities meant that they would only make the best decisions.

So if wealth creation isn't due to great products, high intelligence, great academic qualifications, what is it really due to? The emerging evidence from the behavioral disciplines and from research by my own company is that it is due to personality. And the emerging evidence is that certain types of personalities make more money than others while other types make less. There appear to be specific personality types that determine which is which. Here are some of them.

The Personalities that Make Big Money

There are four personality types that make big money. These are:

The Visionaries: these are big thinkers with expansive ways of looking at things and who are ambitious. However if they are too altruistic or too self-centered they won't make the big money since their expenses will be too high, either on themselves or on social or personal causes that they believe in. Steve Jobs is a good example.

The Geeks: These are extremely introverted people who, although highly intelligent, are very distrustful of formal logic and analysis; they have an intuitive not an analytical style. Think Bill Gates, Mark Zuckerberg or Michael Dell.

Canny Salespeople: These are extroverted but not too much so, and they are frugal and cost-sensitive. If they are too extroverted they focus too much on helping the customer rather than their own company and so they pass the implied subsidy to the customer rather than themselves so then they won't make money. Think of Sam Walton of Wal-Mart.

Selfless Planners: These are strong and disciplined planning people who are extremely detail-oriented who do not try to over-control or allow too much democracy in their company; if they try to control too much they don't make a lot of money because they tend to reject good ideas and if they are too democratic, expenses tend to rise and product tend to be slow in being released so that they can't make a lot of money then.

The Personalities That Consume a Lot of Capital

There are six types of personalities that consume a lot of capital or lose money. These are:

Conservative-self-centered: These types avoid major risk but are self-centered so tend to spend a lot of money on themselves on their own personal interests. So they don't generate the great products with the great margins they need in order to afford their expensive tastes.

Conservative-altruistic: In this case these types are still conservative but in their case they want to help society and others, which they do liberally. But the problem is their natural conservatism doesn't allow them to develop the great products and margins they need to be able to be so charitable. So they end up losing tons of money.

Extroverted analytical: Extroverts invest in relationships rather than products so they tend not to develop great products and margins. However their highly analytical capabilities lead them to over-invest in plans and to trust ambitious schemes which cost money. So their high expenses can never be recouped by their products or services.

Sales operational: These types focus their energy on sales rather than product development which means they get good growth but low margins. But their focus on quality and operations leads to high costs which cannot be recovered from their low margins. So they lose lots of money.

Fast-acting control freaks: This type makes ultra-fast decisions which are often wrong so that keeps quality and margins low. This speed also leads to a lot of mistakes which increases expenses. But their desire to control others means they won't listen to better ideas so the possibilities for different behaviors which would increase margins but reduce costs are not open to them. So they waste a lot of time and money.

Fast-acting consensualists: These are fast decision-makers with the opposite problem. Their fast action leads to low quality and margins and high costs. However in their case they like to hear everyone's ideas which leads to lots of different strategies and directions which leads to confusion and even more waste. So that leads to them losing a lot of money too.

What is the Proportion of Money-Makers to Money Losers?

There are very few people in the category that makes the most money, probably around 1% of all people. So the good news here is that this article is giving you the information on what sorts of personalities makes lots of money. The bad news is that it is highly unlikely to be you or most of the people around you.

There are a lot more people in the category that loses the most money than there are big money-makers. In fact there are around 10% of all people in this category vs. the 1% in the big money-making category. So you are 10 times more likely to be a big money-loser than you are a money maker.

However I have only told you about the biggest money-winners versus the biggest money-losers. What about all money-winners versus all money-losers?

Our research shows that around 12% of all people and managers will make money or create wealth. That compares with around 50% of all people and managers who will lose money or consume capital. So you are statistically about 5 times more likely to be in the money-losing group than the money-winning group.

There is a group in the middle. These are the people who neither make money nor lose money. That's about 38% of all people and managers.

Can You Change Your Personality?

So the obvious question becomes can you change your personality? Of course, the answer is no. But you can change your behavior. The issue is how hard is it to do that? The second issue is, even if you can, what do you change it to in order to compensate for your own particular personality vulnerabilities that are leading you not to make as much money as you want to?

Changing your behavior is possible. But to do so requires a lot of mental agility. Some people have high agility but most people don't. So even if they know what changes they need to make, they might still not have enough agility to do it.

It's kind of like exercise. You may know that you need to exercise and you might even know the exercises you need to do in order to get the right muscles to be stronger. But it takes a lot of effort to keep exercising and even when people start, most people soon stop. Changing behavior is the same but even harder.

But if you have a certain level of agility you can change your behavior, but you need to be very determined. And you need to be able to sustain that level of determination over a long time. In fact it must become part of your life.

Some Ways to Change Behavior

Still, there are some techniques you can use to change your behavior. The most common is to find a partner who has the characteristics you need but do not possess. Then you can work with the partner so that he not only acts these behaviors for you, but also teaches you how to act them as well.

Another way is to set up processes to make you act differently to what you would otherwise act. For example, if you are very salesy so don't like doing product work, you can set up a product committee meeting every week for two hours at which you have to attend, even if you don't really feel like it.

Another way is to develop a takes list of the things you need to do that you usually avoid doing, and following the takes list even if you don't feel like doing it. Many successful people do this.

But the basic thing is that you must first acknowledge to yourself that you have a personality vulnerability that is leading you not to achieve the things you want to achieve. Following this you need to set up a plan to do it. That approach is not just for changing behavior so you can make money; it's the same for any behavior you want to change. The dynamics are the same for any type of behavioral change.

Choosing the Right People

Of course another way to create wealth for your company is to choose people who have the right personality even if you don't. There are countless examples of founders who later realized that even if they could create a company or develop a product, they didn't have the right personality to make money.

In many of these cases they hired a person who did have the right personality. In some cases such founders even drop the role of CEO to allow that person to become the CEO themselves while the founder becomes, for example, Chairman and Chief Technology Officer. Such a move reflects a high degree of maturity and wisdom.

What this teaches us is that the true issue is not whether you have the right personality to create wealth yourself. The true issue is whether you have the level of wisdom to acknowledge you might not have the right personality to create wealth. In that case it is the maturity to realize that others may have what you do not and can move to allow them to operate freely so that their behavior will compensate for your own vulnerabilities.

Most people do not have the right personality to create huge amounts of money. But many people do possess the agility and wisdom to choose people who can act to compensate for their own behaviors which might act to reduce the amount of wealth they themselves can create.

Understanding what your personality can and cannot achieve is the first step in wisdom. The second step is making the right decisions to find people whose personality can complement yours. This is a much surer route to success than assuming that you have the correct personality to succeed on your own without any help from others.

Dr. E. Ted Prince, the Founder and CEO of the Perth Leadership Institute, located in Florida in the US has also been CEO of several other companies, both public and private. He is the author of 'The Three Financial Styles of Very Successful Leaders (McGraw-Hill, 2005) and numerous other publications in this area. He is a frequent speaker at industry conferences. He works with large corporations globally on leadership development programs and coaches senior executives and teams in the area of financial leadership. He holds positions of Visiting Professor at the University of Florida in the US in its Graduate Business School and also at the Shanghai University of Finance and Economics in China.