

Chapter 13

Coaching

Why Coaching Is a Waste of Time and Money

A rather odd title given that I now spend a great deal of my time “coaching” clients, but it’s true. Coaching at every level and in every field is, by and large, a farce. I don’t care where they were certified or how many initials come after their name on a business card, the overwhelming majority of coaches and trainers fail their clients. Even worse, they know it.

Let’s look at the role of the fitness trainer because almost all of us have had some experience with one making it easily relatable. According to the Bureau of Labor Statistics there are 279,100 fitness trainers in the United States, with the ranks swelling by approximately 8% per year, or 10 times faster than the overall population. They typically sport fantastic physiques, have the “hero pose” down pat and throw around terms like *transverse abdominis* with great confidence. In addition, they often possess at least a cursory understanding of how our bodies process proteins, fats, and carbohydrates, as well as which exercises will have an impact on each body part. They genuinely know what is required for you to get in shape and to shed those extra pounds. Meanwhile, the Centers for Disease

Control estimates that a full 70% of Americans meet the qualifications for being overweight or obese. Over the past seven years alone the obesity rate has risen 10% to include an astounding 28% of the population. The nation's fitness trainers are failing us and they know it. I say that because commercial gyms require 10 times more members than they can handle just to break even. That means they must be okay with signing up new suckers as members, because they know we'll likely only show up a few times before disappearing forever.

Interestingly, even those coaches who know they are failing their clients don't necessarily know why. However one of them, a "fitness coach to the stars", asked me that very question recently. Following a successful career in finance she decided to pursue her true passion, fitness, as a profession. Over the past seven years, she has developed a terrific business, catering to a diverse clientele including time-starved CEOs, entire student bodies at elementary schools, *real* housewives, high-performance athletes, recovering addicts, and everyone in between. She has been able to thrive in a field with tremendous turnover and low success rates, and yet even she struggled to understand why it is that so many clients come to trainers for help and leave without realizing their goals.

The answer relates to every type of coaching and every industry, including ours. One of the fundamental assumptions made by most coaches is that the problem will be solved if they simply transfer their knowledge to the client. For example, fitness trainers typically see their jobs as developing exercise routines specifically suited to help their clients achieve their objectives: 15 leg lifts, 20 squats, 20 crunches, 30 minutes on the treadmill ... four times a week. They help them perfect their form, count down the last few in a set and track their reps on a neatly organized clipboard. A recipe for success, flawlessly executed.

As anyone who has ever attempted to re-create something they saw on Pinterest knows, simply possessing and following a recipe to the letter does not guarantee success. The same goes for coaches. It begins innocently enough with the client needing to skip a session for their child's school play or to catch up on work. Then it happens again. Before you know it, they've joined the ranks of 80% of the trainer's clients. Just another name in the contact list. The trainer blames the client for the

failure, and it's likely that the client does too. "If they would have just done what I told them they would have lost the weight." That's how they console themselves, and absolve themselves of the blame, but every time they do so, it practically guarantees it will happen again and again.

In a way it is true that the client is to be blame. The overwhelming majority of clients are liars. We lie to our trainers, but more insidiously, we lie to ourselves. We hire a coach because we want to achieve results we've failed to on our own. When we reach out for help we make ourselves vulnerable, admitting that we have had a hand in our shortcomings, and that can be uncomfortable, but also empowering. That moment is like drawing a line in the sand. From here on out I will change my ways and do what is necessary to realize my dreams. *That* is the lie. You've said it while praying to the porcelain god too many times to count. You swore it as you wolfed down your sixth slice of pizza on the Sunday night before your tenth diet began. And you're doing it again now as you bare your soul to your new trainer. To her detriment, and yours, she believes you and in that moment you both fail.

To know why that is the case it's helpful to review the key components of a decision. First, there is the outcome. It is what you are attempting to achieve. You don't directly control the outcome. Instead, you must understand the factors that affect your ability to achieve that outcome, but that you also don't control. These are known as *states*. This information is vital in selecting *acts* that will provide a high probability of achieving the outcome you desire. Here's the tricky part that very few people understand or are willing to acknowledge. Your habits are factors that impact your ability to achieve the outcome you desire *and*, for all intents and purposes, they are beyond your control. Therefore, you must account for them when choosing the most appropriate acts. In other words, your own behavior patterns are *states*.

The reason we fail is because in that moment when we are telling our trainers that we will do whatever it takes to succeed we are pretending that we are in control of our habits, and they believe us. So they put together a regimen that requires an adjustment to our habits which assumes we will cease prioritizing our actions in the same way we have been, and reorganize everything in that very moment. It's a lovely thought but carries a very low probability of success. Instead

of pursuing this time-honored tradition of failure, good coaches will take the time to understand not just their client's goals, but everything relating to their habits, passions, schedule, priorities, and demands on their time and attention, because together, they make up the *states*. Only then can coaches choose the acts that provide their clients with the greatest odds of success.

Why Even the Best Seek Coaching

It's very likely the name David Cutcliffe doesn't ring a bell, and with good reason. He's been a football coach for almost 40 years, but never in the NFL. He ran the program at Ole Miss for a few years before being fired after his first losing season. Since 2007, he's been turning around the football program of perennial loser Duke University, leading them to their first bowl game in almost 20 years and their first-ever division title. Cutcliffe has developed an incredible track record for turning around programs and developing talent. He coached six quarterbacks who have gone on to play in the NFL, including two Super Bowl MVP's, and two who went on to careers in Major League Baseball. Unfortunately for Cutcliffe, neither turning around programs nor developing future stars tends to result in a frenzy of attention and accolades from the press (unless it directly results in a Super Bowl win or National Title). It has, however, earned him the respect of those who understand just how difficult it is to achieve the results he has delivered.

In June 2011, after struggling to regain the form that earned him a Super Bowl MVP years earlier, Eli Manning sought "Cut's" expertise to recalibrate his footwork and fine-tune the mechanics on his deep balls. The following season Eli enjoyed his most productive season ever and a second Super Bowl win.

The next year, Eli's brother and arguably the greatest football player who ever took the field, Peyton Manning, called on Cutcliffe as well. He'd just undergone his third and most serious neck surgery in just 19 months, and the Indianapolis Colts, the team he'd led to two Super Bowls and with whom he'd earned four MVPs, had just chosen Andrew Luck, the top quarterback in the draft. This was a challenging moment

for Peyton, with many experts, including his own doctors, questioning whether it was possible for him to ever return to form, or to even play the game again.

A free agent at the time, he wanted to work with somebody he trusted to oversee his rehab and return to the NFL. More than a coach, though, he sought a teacher.

“I was in rehab state where I needed a quarterbacks coach,” Manning told *The Times-Picayune*. “I needed a weight room. I needed physical therapy. But a big part of rehab was on the field. There’s only so much a physical therapist can know as far as quarterback work on the field.”¹

Cutcliffe sent Manning through hour after hour of tedious drills, catching shotgun snaps, taking snaps from center, footwork, and hand drills. Day by day, throw by throw, Manning gradually started to regain his form. Then Cutcliffe introduced a radical idea. He had Manning run a play-by-play simulation of the Colts 30-17 AFC Championship win over the New York Jets from two years earlier, even flying in his former teammates and offensive coordinator to authenticate the simulation.

One teammate flown down was Colt’s center, Jeff Saturday, who could see immediately how seriously Peyton was taking this, and he said everyone tried to match the energy expenditure and speed of the game.

Manning called plays in the huddle and made checks and hot reads at the line. When the script called for a run, they ran it. When it called for four wide receivers out of the shotgun in no-huddle, they did that also.

No detail was overlooked during the three-hour workout. Each play was run at full speed from the exact yard line and hash mark as the real game. The receivers ran the same route trees and Manning completed the passes to the same targets. When the script called for the Jets to be on offense, Manning and company retreated to the sideline and waited for the exact time of possession to expire on the play clock before retaking the field. They even scripted a 12-minute break for halftime. The only thing they didn’t have were defenders.

It was an exact replica of the game.

In addition to providing a prime evaluation tool of Manning’s mechanics and fundamentals, Cutcliffe said the game was a crucial

¹ Quoted in Jeff Duncan, “Duke Coach David Cutcliffe Played Key Role in Peyton Manning’s NFL Comeback,” *NOLA.com* and *The Times-Picayune*, October 26, 2012.

physical conditioning test. It had been more than 14 months since Manning had played an NFL game and this was the closest he could come to simulating a real experience.

“Afterward, he was sweaty and worn out, but he had a big ole smile on his face,” Cutcliffe said of Manning.²

The Duke video crew recorded the game from both sideline and end zone angles. Cutcliffe and Manning then evaluated the game film from the workout and compared it side by side with the 2009 game, gauging his footwork, the velocity and trajectory of his throws, and the speed of his drop-back and release.

It was clear to everyone who participated that Peyton was back.

Four days later the Colts released Manning. In making the decision to sign Peyton to a five year, \$96 million deal, Denver Broncos Head Coach John Fox and VP of Football Operations John Elway put a lot of stock in Cutcliffe’s scouting report and the film of the simulated game.

Their confidence was well founded, and Cutcliffe’s unconventional methods were once again validated. That year, Manning took the Broncos to the playoffs where they lost to the eventual Super Bowl champs. The following year, Manning earned his fifth MVP and the Broncos returned to the Super Bowl.

What stands out to me in stories like this has less to do with David Cutcliffe and more with Peyton Manning. Here is a man who has set just about every record for which he is eligible, who has accomplished more than almost every other athlete will ever dream of, yet he still believes he can improve, that he has more to learn, and knows that in order to do so he must rely on the expertise of others. What’s really interesting is that he didn’t go to Jon Gruden, the man who the media has anointed as the guru of quarterbacks, but instead he sought out a man whose name is almost unrecognizable to most in the business. Not only did he seek his guidance, he went all in, showing complete faith in the process, even when Cutcliffe suggested a most radical approach, and he was rewarded for it.

I don’t know why it is but for some reason this same belief in coaching and teaching for top investment managers and allocators is reserved

² Ibid.

for the rare few. Sure, many employ “psychologists” or even spiritual guides, but how many do you know who enlist the expertise of coaches in the same way that Eli, Peyton, Serena, Roger, and other world class athletes do? How many are willing to forgo protecting their ego to invite the kind of deep analysis and detailed critique of *the very process that got them to the pinnacle of their success*?

Even when I am approached by portfolio managers for coaching, there is often a hesitance to truly reveal the company’s inner workings. It’s easy to feign humility, to say “I know I have room to improve and want to learn,” but far more difficult to push our own ego out of the way. I’ve worked with whole teams, with each member visibly excited to get started, only to discover down the road that what they were each secretly expecting was for me to fix all the *other* guys.

This isn’t especially surprising. One of the indisputable truths discovered through research in the field of cognitive science is that when we read about bias, more often than not we see evidence of it in everyone around us, but very rarely in ourselves. In my experience, simply accepting that you too are vulnerable to systematic errors in judgment opens the door to a spike higher in your learning curve, the likes of which you haven’t experienced since your first day on the job.

The Power of Confronting Fear

Many of my coaching clients pay for our services out of their own pockets. Some say they do so because they see us as a competitive edge and don’t want others to know about us. Others do so because they don’t want others to know that they need our help. We are talking about people who, on average, directly manage \$1.15 billion in AUM and have been in the business for 16.7 years. In other words, these are professionals who are well established in the business and have proven themselves to be exceptional at what they do over the course of many years. They openly take meetings with analysts, subscribe to data and research services, attend conferences, and seek guidance from salespeople for structuring ideas. Why then is there a

stigma when it comes to seeking help with investment process and decision analysis?

Perhaps the belief is that our investment process and ability to make decisions is what defines our expertise. Therefore, as an expert, we shouldn't need help with those aspects of the job. If we do, maybe our bosses or investors will think we aren't the right people to be guiding the business or portfolio. What's ironic about this is that almost unanimously, at some point in our discussions, allocator clients float the idea of making it mandatory for managers with whom they invest to be coached by us. In other words, what some managers fear may be perceived as a weakness is overwhelmingly viewed as a strength by the very people whose opinion they value.

Despite this, there can still be a stigma attached to seeing a coach, especially in the financial industry. Hollywood portrayals of performance coaches and trading psychologists can seem pretty absurd. The character of Wendy Rhoades in Showtime's *Billions* is one example. Imagine my surprise in finding a *Fortune* article titled "Inside the Secretive World of Hedge Fund Psychiatrists and Performance Coaches." The writer had interviewed several of them who concluded that the *Billions* character "isn't too far off."³ I couldn't believe what I was reading!

I can see how some might now lump me in with the trading psychology/performance coaching (TP/PC) crowd. I guess I bear some responsibility. After all, I did voluntarily choose to call what I do *coaching*.

I'd like to explain what I do when working with portfolio managers and CIOs as compared to what TP/PCs do. The distinction is important, because what lies at the heart of the difference between our approaches is what I see as the reason this industry perennially fails to generate returns reflective of the brain power dedicated to the task.

Performance Coaching versus Decision Architecture

Nearly everything we've come to take as gospel in the business of investment management is, by its very nature, reactive. Risk management,

³ Clarie Groden, "Inside the Secretive World of Hedge Fund Psychiatrists and Performance Coaches," *Fortune.com*, February 4, 2016.

manager selection, asset allocation, and so much more, are all deeply rooted in reactive decision-making. Regardless of the disclaimer regulators make us add to our returns, most of what we do and think is a function of past performance. It's understandable that this would be the case; after all, it is how we are hard wired as a species. We are designed to maximize efficiency, which is another way of saying that we don't like to expend energy or effort unless it's absolutely necessary, both physically and mentally. As a result, we are designed to achieve and maintain a state of cognitive ease whenever possible. In this state, we don't feel threatened or at risk, so we don't have to mobilize the part of our brain that is in charge of thinking hard or deeply. Instead we can rely on our intuition and gut feel. It's how we live the majority of our lives, and make the majority of our mistakes.

In doing so we are attempting to avoid cognitive strain, and it turns out we are quite adept at it. We prefer to put out fires after they ignite rather than putting in the effort up front to reduce the odds that a fire will occur in the first place. We use mental shortcuts known as heuristics to help us avoid cognitive strain. Armed with scarcely more than a cursory glance we will make broad assumptions about correlations and causation, develop narratives and leap to conclusions with little concern for evidence supporting any of it.

When a performance coach gives you a "Rah-Rah" speech to get your head back in the game, it may feel good in the moment and appeal to your intuition. After all, if you could just shake those negative feelings then you will see things clearly again, right? Wrong. To prove it, you need only consider the premise from start to finish. Let's assume you were at one point on a fantastic roll, experiencing tremendous success. In that moment, you were likely feeling extremely confident in your abilities as an alpha generator. If all that is required to generate positive returns, to see things clearly, is confidence and having your head on straight, then how could you have gotten from there to a place that requires a coach to remind you of how great you are? In other words, once you're successful and confident it will breed more success and confidence, indeed resulting in a never-ending cycle of success and confidence. Therefore, if the TP/PC's approach is valid, you will never require their assistance. Their approach, like most in this industry, is reactive. It is about putting out

fires. Clients seek immediate relief from what ails them and the TP/PC's approach is designed to deliver just that.

Technically speaking, I am not a trading psychologist or a performance coach. I am a decision architect. As such, my job is to close the gap between how my clients should make decisions and how they actually do. Behavioral psychology plays a significant role in helping us understand why we tend to deviate and when we are most likely to do so. It allows us to recognize what makes us vulnerable to mistakes. A TP/PC believes that by simply being aware of your mistakes and/or being aware of what you should do, you will do it. In other words, if they can get you to "snap out of it," you'll do what needs to be done. That approach ignores the decades of research produced by cognitive scientists which has gone a long way to explaining why smart people make poor decisions.

Trading psychology/performance coaching pretends that we don't have flaws, that there aren't moments when even the most disciplined among us will be undisciplined, and that even the smartest, most highly educated people can't behave irrationally given the right circumstances. Decision architecture does not. My job is to recognize an individual's vulnerabilities, to identify those moments when the mistakes are most likely to occur, and devise a process that reduces the probability that they will. It is about shifting from a reactive, belief-based decision-making process to one that is proactive and evidence based. Rather than propping up my client's egos, we develop an approach that reduces the likelihood that Rah-Rah speeches will ever be necessary.