



COMMUNITY FOR CHANGE

PIP COBURN

Foundational Ideas Series

STUDENT-MINDED THINKING



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cvcommunityforchange.org

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Student-Minded Thinking

Community for Change: Foundational Ideas Series



June 22, 2015

A NOTE FROM PIP:

At the beginning of 2015, I decided I wanted to pull forward some of the writing we have done over the past ten years to re-examine the thinking, internalize it as a group, add to it, subtract from it and consider in what ways our own thinking has developed and how we might apply it. So this is a brief lead in followed by a note I wrote in 2013.

Here is a thought...

Open-mindedness may be the very first quality established money managers would like to cultivate in their rising stars.



In our recent gatherings in Tallinn, Estonia and Sundance, Utah the idea of “open- mindedness” nearly stole the show from the main theme of disruption.

If there was just one piece from our library that I would want a new investor – or an interviewee – to read it is likely this one.

I suspect that mindsets that are dexterous and flexible and adaptable and constantly seeking out new ways to function more effectively are likely to do better in occupations where – like investing – we must contend with being wrong so so often.

But for now what the heck is open-mindedness anyway? This past week we crafted this working definition for a start:

Being completely unattached to any specific thoughts and available to fully consider the utility of any new thoughts that arise without becoming in anyway attached to those new ones either. By “attached” we mean unwilling to let go no matter what.

There are a few more notions I want to share today to contextualize “open-mindedness.”



#1: CONVICTION WITHOUT CONCRETE

Open-mindedness does not mean being wishy-washy in the least. What it means that in a situation where your conviction is absolutely the highest you have ever experienced you are STILL absolutely willing to change your mind with zero “friction” when better thinking leads to a different conclusion.

#2: DELAY THE CRITICAL MIND – IT’S SAFE TO DO SO

To us “open-mindedness” does not mean surrendering critical thinking at all. It MAY mean delaying critical thinking such that the opportunity set can expand dramatically before you begin being “critical”. For us, we are helped in that we have eight rounds of investigation before a stock might be included in the portfolio. So in rounds #1 and #2 we can be pretty darned “open- minded” and expansionary in our thinking because we have ZERO concern that something might accidentally get into the portfolio!! We can be a tad liberal in the first few rounds because the process to actually get into the portfolio has rounds and rounds of examination still ahead.

#3: DELAY NEGATIVITY IN MEETINGS

We have one client that instituted a rule that when an analyst presents a new idea no one is allowed to say something negative for 30 minutes. That sounds like a good start. Probably nothing more suppressing to the exploration of new half-baked ideas being offered by analyst than a senior member of the investment hierarchy of a firm destroying it inside five minutes!!! SO if you truly want new thinking it is a good idea to cultivate an environment that would celebrate such.

#4: INTERVIEW FOR OPEN-MINDEDNESS

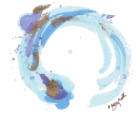
There are a number of ways to examine open-mindedness in an interview process. Here is just one question to perhaps throw into the mix: “Can you tell me a circumstance in the past two weeks where you were wrong about something – personal or professional -- and had to go tell someone about it?” I have had a number MBA students across time really struggle to come up with anything that they were wrong about...not a great starting point for a career in investing.

Finally... we do think open-mindedness can be cultivated systematically and we work with many to do just that.

– PIP



Mindsets... Pursuing the Benefit of Diversity in Thinking



Community for Change: Foundational Ideas Series

November 13, 2013

FROM PIP COBURN

I am sitting here in Dave's wonderful home; I have settled in on this Monday morning and am in the right "mindset" to write about a topic that has captured more of my attention lately: "mindsets".

About three months ago, I was reflecting on my experience at Brown University - which was largely awesome - especially because I met my wife Kelly there and that clearly, absolutely biases me to see beauty in anything about Brown.

I am guilty of that thanks to Kelly.

But... I was recollecting the BIG lead sales item for Brown at the time (aside from John F. Kennedy Jr., who graduated a few years ahead of me) and that lead sales item was "*diversity*". Oh, it was "diversity" even above the notion that you could take any class (or even all of your classes) "pass/fail".

DIVERSITY

Brown was saying DIVERSITY well before it became a corporate mantra in hiring practices to expand endlessly about the virtue of "diversity".

My thought is that DIVERSITY without OPEN-MINDEDNESS is like dropping a nuclear bomb into an environment... and if OPEN-MINDEDNESS doesn't exist you may be much better off in letting group-think rule the day - as depressing as THAT might seem.



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My experience at Brown was that little deep benefit came from “diversity”. My experience was that “diversity” meant separation.

My experience was that there WAS diversity, but it didn’t lead to the greater learning that, in theory, it could have.

My experience was that different groups stuck to themselves. Left to our own devices we didn’t “mix in” together for the benefit of one another.

Perhaps, today, my experience would be quite different.

Let’s suppose my experience of Brown University in relation to “diversity” is “accurate” as in there was a lot of potential in learning from one another and to break up group-think, but that it largely didn’t happen.

If that is “true” why might it be so?

Maybe the answer is in mindsets. And maybe the answer provides thoughts about group learning and individual learning and result generation. Maybe there is something to contemplate before your organization either embarks on “diverse thinking” or gets frustrated as to why it isn’t working,

In theory, “diversity” provides additional salient points of view to consider. But Yogi Berra once said, “[In theory, there is no difference between theory and practice... but in practice there is.](#)” What that means here is that unless there is ample open-mindedness, you might not want to go for “diverse” thinking.

If I have a “closed mind” there is NO room for new views from different mindsets than the one I already possess.

Let’s back up...

What is this “mindset” thing anyway? Well, a working definition might suggest a metaphorical “it’s a lens that a person COMES to see the world through”.

Why the words “comes to” here, as in the sentence above, “comes to see the world through”?

Why do we require the development of a mindset? Aren’t we all born with this and do others REEEEEAAAALLLYYYY see life differently because of factors such as culture? What is MY



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mindset? Isn't my mindset "right" and the world would be better off if everyone adopted my mindset?

Well, we are supposed to say "the world is better off with many mindsets" right? That is THE politically correct answer... but digging a tad deeper...

If I don't actually think it would be best for everyone to adopt MY mindset, why do I keep mine instead of adopting a different one... or at least actively look to enhancing my mindset?

These last few questions I suspect are extremely important.

I am gonna stand up and stretch and take a couple breaths before I continue, so out of courtesy I will stop writing for a moment... in case you would like to do the same...

Ok... I am back...

Why do we have mindsets?

Well... One school of thought is the following:

At some early age, we humans want to develop certainty about the world. The universe is just impossible to "know" and "explain". It is unknowable, uncertain, constantly changing in unpredictable ways and there are no instructions.

AND those "Truths" are really scary to humans.

We seek certainty at every turn. The observation is that uncertainty is a scary human experience.

And so we each in our very own way chose ways to explain the world and life. We chose ways to explain the unexplainable and we chose ways to predict the unpredictable because it reduces our fear. We develop mindsets that may be inaccurate and limiting but they are a heck of a lot better than the perceived alternative of not having one.

This view of mindsets suggests that we pick a preferred and seemingly less scary path, rather than living with the experience of total unknowingness. We explain things through mindsets. We achieve pockets of certainty which we largely crave.

And we each develop our own unique mindsets.

And we hang on to them for dear life as we consider that SO MUCH is at stake.

We develop a mindset to keep our deep fears at arm's length - so GIVING up one's mindset



would be a terribly painful experience.

We cling to them like a security blanket guarded by a crazed and angry pit-bull.

Dave noted that there is a savage mythological dog Cerberus that guards the gates of the underworld. Imagine trying to get a security blanket away from Cerberus without losing your limbs... THAT is what it is like to have a human change their mindset. The thinking goes that the attachment to mindsets is so deep it is as if one's very life was at risk.

AND the mindsets DO INDEED help much of the time -- they seem to explain at least some stuff and prove to be valuable in many ways toward having what we want in life... Mindsets often lead to decisions that lead to greater personal happiness and satisfaction.

And then at other moments they don't explain the world AT ALL and those moments where mindsets fall short are extremely extremely painful. There are all sorts of outcomes that seem horrendously unworkable through our lenses. There is family strife and divorce and suffering and children that don't "turn out" quite like we "planned" who might not speak to us much as teenagers and seem rebellious and there is loss of jobs and clients and businesses and there is war and crime and suffering.

If our mindsets TRULY worked then why would all that "stuff" happen?

Again, we have BUILT UP or perhaps, better said, LOCKED ONTO a mindset that is set into concrete early on in life and we stick with it more or less for a lifetime. With each year we may become MORE locked into that mindset and less and less flexible.

We then are apt to pick friends and acquaintances that either share a similar mindset or at least who don't attack our mindset.

Too much at risk to hang out with the "other-types".

OPEN-MINDEDNESS AND DIVERSITY

So if diversity promises the benefit of seeing THROUGH many lenses to then USE many mindsets (as opposed to juuusst our own) to solve a problem more effectively, then the challenge might be that IF all these mindsets are LOCKED IN (as everyone



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considers THEIR mindset truly “right” after the political correct “speak”) there will only be contention!

So... We have developed a little spectrum to remind ourselves of this framework of mindsets.

IF mindsets are full closed there will be ZERO benefit of diversity. So it isn't good enough to assemble diverse thinkers IF they each have closed mindsets. They won't hear one another.

So a “closed” mindset would be to the far left on the spectrum and the school of thought we have been alluding to would suggest that most of the time most all of us conduct ourselves very close to the “closed mindset” end of the spectrum as if it was a magnet... Which metaphorically it is.

In the middle of this spectrum is “open minded”. Here is an example of true “open- minded”. On day X you decide to sell all of your holding in XYZ after ten years of holding XYZ. The very next day an analyst says, “Susan, could I speak to you? I have a new idea... I think we should BUY XYZ.”.

And you respond “Sure! Come on in!” as if the decision of the prior day's sale has zero psychological grasp on you.

In a closed minded environment Susan might shoot daggers from her eyes.

“Don't you know that when we exit a position - especially if it ends poorly - the protocol is NOT to speak of this company again for at least nine months????!!!!?????”

Open-minded suggests that one's mindset doesn't have the person limited in their thinking. Instead, for some reason THAT person's mindset INCLUDES some facet that at least on THAT day could contemplate fully the idea of re-purchasing a stock JUST sold. “Open-minded” is a more effective framework as it is able to consider additional answers in a decision set. An open mindset can fully consider any idea and then decide what works best. A closed mindset considers that even contemplating an idea might in itself be dangerous for some reason.

OK...

Back to the spectrum: Way over to the right on the spectrum is a “student-mind”.

Imagine the previous example but in this case Susan comes in the next day and says to the group “I sold all of XYZ yesterday after ten years and today I am going to SEEK out all thinking on whether to buy it back today...”



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If open-minded is passive then student-minded in our working definition is active. If “open” is “willing” then “student” is an active pursuer.

Are we all any one of these elements?

I don't think so.

I suspect we all have our openings when we let down our guard and are more open-minded than at other times. And if we consider that a “student-mind” will allow the widest range of ideas to be truly considered, via the benefits of using many mindsets, then one goal might be to see under what conditions a specific human might be student-minded (or open-minded) and to use those situations extraordinarily well - and aim to increase the time we spend in that condition. In that way, more and more about life might be somehow understood.

That may be the core working definition of a “teacher”.... Someone who inspires and facilitates student-mindedness.

I consider that student-mindedness can be awoken. Perhaps some people have more space for being an active student than others and contemplating student-mindedness could be a critical part of hiring to make diversity effective.

Finally... back to Brown...

Ironically, Brown is filled with people classified technically as students. :)

But just because you can carry such a title as “student” doesn't mean you necessarily at all are “student-minded”... But maybe it would be a good thing.

**CHEERS,
PIP**

