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EPISODE 142:

Identifying the Hidden Signals in Manager Research with Dr. Dali Ma

Robert Morier: Welcome to the Dakota Live! Podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, educators, and other important players in the industry, who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and our Dakota Live! content, please check out our website at dakota.com. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes, and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker, who is not affiliated with Dakota. Not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. Well, I am thrilled to introduce to our audience Dr. Dali Ma. Dali is the management department head at Drexel University's Lebow College of Business and a colleague of mine. I'm very proud to host him here on the desk. Dali, welcome to Dakota Live!

Dali Ma: Thank you so much.

Robert Morier: Well, thank you for being here. It's not often that I get to have a colleague on the desk two times before. Kathy, our chief investment officer of the endowment, and Matt D'Angelo, our deputy CIO, joined the show before. So our audience is getting an interesting insight into Drexel. I talk about Drexel often. We have a lot of students who come on the show as well. I usually bring them on at the tail end to ask some special questions of our allocators, more from a career perspective. But I'm thrilled to talk with you today. I think we're going to grab a lot of insights as to what's going on underneath the surface of all of these decisions that are being made by allocators and asset managers. Before we get started, I am going to read your biography for the audience. Dr. Dali Ma is the management department head at Drexel University's Lebow College of Business. Dali's scholarship sits at the intersection of organization theory, entrepreneurship, social networks, and the sociology of science and technology, with a particular focus on both the United States and Chinese organizations. His quantitative projects explore topics ranging from the role of supporting actors in collaborative tie formation to knowledge diversity and its paradoxical impact on team performance and business survival. His qualitative work has examined some of the most critical organizational moments in modern history, from Boeing's framing of the 737 Max to sense making after the Apollo Challenger and Columbia accidents, to the Cold War social processes that enabled the Apollo-Soyuz space collaboration.

His research has been published in leading journals, including the Academy of Management Journal, Social Forces, Social Networks, and Social Studies of Science. He currently serves as senior editor of Management and Organization Review, published by Cambridge University Press, where he has twice received awards for his editorial leadership and reviewing. Dali's work has been widely recognized. He received the Louis Pondy Award and the William Newman Award from the Academy of Management, the MOR Young Scholar Award for his research on the restructuring of the Chinese Academy of Sciences, and the Responsible Research Award for his study of Boeing's framing prior to the 737 Max crashes. He has held fellowships at the University of Virginia's Darden School of Business and at Princeton University. Dali earned his PhD in sociology from the University of Chicago, and we're fortunate to have him leading the management department here at Drexel University in Philadelphia, where we're sitting today. Dali, thank you for joining us today. Congratulations on all your success.

Dali Ma: Thank you very much.

Robert Morier: Well, you're joining us at a very fascinating moment in the markets. AI is racing in all sectors it seems at this point, no matter where we go, whether we're in the classroom or at a conference. It seems to be integrating itself into every workflow. Private markets are opening up to a broader audience, the democratization of private markets to retail investors, and these pockets of deregulation that are starting to blur into competitive lines. So from your vantage point, what does strong leadership look like right now, particularly in this landscape? And what's going to remain static?

Dali Ma: Not just now, even over the past 2,000 years, I think, basically, great leadership, the standard really doesn't change all that much. So that is probably, as you said, it's like something timeless. So in the leadership, in terms of how to define a vision, and how to define a company's position, and how to communicate with people, and how to really build an organization. So I think these core leadership characteristics, they don't really change much. But it is true that now the advancement of artificial intelligence, it really presents a lot of new challenges, but also lots of new opportunities for us to think. So nowadays, I think the leadership, they need to have greater attention to data accuracy. Because in the past, when we think about strategic management, for example, we tend to think about bigger picture. But a lot of times we don't have enough data to help us fine-tune that decision-making process. But now with this massive amount of data and advanced data analytics, it is more likely than before that we could use some evidence to help us verify, test some of our assumptions before we put a decision into action. I think that might be something relatively new for some of our current leaders to consider. And with regard to the financial service industry, I do agree with, for example, Jonathan Gray, who is leading Blackstone, and he said, I think he emphasized that multiple times that it's for asset management. We, at all levels, we need those change agents. So you, no matter what your level, you need to think about, ok, what can I do to really make the organizational unit? It could be a team. It could be a department. It could be a division. It could be a company. What can I do to drive my unit towards some positive change? So that kind of engagement and leadership probably is even more desirable, because AI is, believe it or not, AI is going to replace lots of technical work. And if you are only good at techniques, you are going to run a higher risk of losing your job. But you'll have to focus on something that can hardly be replaced by artificial intelligence. So you need certain decoupling from that technology. So that means you need some kind of leadership skills, which is really irreplaceable. So I think being a change agent, being able to craft a vision for a company, and being able to really mobilize people, get things done. So I think these things probably would be more desirable in today.

Robert Morier: Thinking about some of those attributes that make leadership qualities timeless, if you think about today's environment and the pace of change, how quickly things are changing for organizations, teams, management cultures, in some cases, it begs the question whether people are getting enough time to make the change. Do they have enough time to become the change agent? And does the organization and the people around them have the patience to go through mistakes, speed bumps, particularly as things are moving so quickly if they feel like they're in a race? So how do you address things like impatience as it relates to the business of understanding that mistakes do happen? They're part of organizations, but it can lead into potentially some breakthroughs.

Dali Ma: Yeah, I think that's a challenging question. And it may take more time to answer maybe then today's podcast. Yeah, I teach a class called Strategic Change Management, and we address that in a 10-week basis. I actually agree with you that in this kind of rapid change scenario, actually, patience may be even more important than before. I call that strategic patience sometimes, because when we look at some great companies, how they deal with change, it is actually, they tend to be more patient instead of rushing into changes. Lots of companies, what we see is when there are changes in the outside environment, they kind of get into this panic mode. They want to change, and they think change is the solution to respond to those environmental threats. But actually, when the environment is turbulent, it is even more important for you to really, really step back for one second, then think about, ok, what my company is really good at, what is my unexploited capability? And what could be the novel direction for this company in this highly competitive industry? So these are the questions that are fundamental questions. They don't need a year to answer. So the decision-making quality is not defined by how much time you spend on a decision, but how deep you spend on that decision. So these questions you have finished with your executive team within a day. But it has to be patient. You have to spend enough time, dive deeper into the fundamentals rather than rushing into change. Usually, the outcome wouldn't be that good.

Robert Morier: That's a good reminder for our asset managers who listen in, as well as our asset allocators, particularly in times of performance turbulence, that sometimes waiting is the best solution.

Dali Ma: That actually relates, partly relate at least to the senior management… how you measure performance. If all your measurement about performance is based on short term, and then inevitably, your people will run into this panic mode, and they will try everything to really boost up the short-term performance. And sometimes bad things may happen together with that. So if you are leading a firm or leading a division, you'll want this company, this division to be innovative and to be more competitive in the long term. You need to think about maybe at a certain moment I could leave a certain space for my people to try something new, and if they fail, it's ok. Because I always tell my students, when we think about executive decisions, whether they are responsible for a strategic decision, we don't just look at performance. We look at the context. At that time, given the information the executive has, whether he or she makes the best decision based on that information, it may turn out to be good and it may not be good, but as long as they make the best decision at that moment, that's ok. There are some decisions, looks like based on the information they have… for example, IBM's decision of doing this open architecture design. It gave them short-term market share growth to 70%. But in the longer term, basically, they lost the whole PC business. Based on the information back in that time in the 1980s, it is well likely that IBM could foresee this longer-term trajectory. But the executive didn't do that for the long-term health of the company. Then those kind of decisions are questionable. I would say the executives should be responsible for those kind of decisions. I gave you…you have the information, but you choose a decision for the short term instead of long term. Then you are responsible. But sometimes, based on the information, maybe you truly want to balance short term and long term. It's just market. Some market conditions we cannot see. Like COVID just happens. You may have the best plan for the company, but suddenly, people don't come. That's not your fault. However, if, from a senior management perspective, you just look at performance, and then you punish people for trying new things, if innovation doesn't matter for this industry, that's ok. But if innovation, creativity and innovation are critical for this industry, then if you punish people based on that, sooner or later, you will run into your punishment, too.

Robert Morier: Now you're asking people to come back. And whether they do or not is a different story. Interesting. Thank you for sharing that. I'm already regretting that we've only allocated one hour for this conversation, because we could probably go for several. But you touched on something in your first response around data accuracy, which had me think about governance and governance burdens as they rise in environments where things are changing dynamically. So where do you see leadership during these types of change opportunities getting the responsible part right? So maintaining that responsibility, that you mentioned. And what are the early signs that you know that the culture is working, that things are moving effectively in the way that you set them out?

Dali Ma: You mentioned this interesting notion called early warning sign. And that is there are two ways of understanding that. One is from a strictly scientific way that is related to complexity theory. So when we look at systems, then there are early warning signs of system collapse. So for example, in the financial market, so if you see the market dips and then recover, dips, recover, dips, recover, but if you see it takes longer and longer time for the market to recover, then it could be an early warning sign for the market to run into deep problems. But it applies to other fields too, like engineering and other ecosystems. So this is kind of a frontier research by nitro scientists, but in a more broader sense about the early warning signs, maybe as a more qualitative way. So if your culture is having deep problem, you will see people tend to use culture to cover inefficiencies, for example. They get lazier and they are no longer engaged. And those are the signs that your company is having problem. Incentives is it could be simple because if you lose people, you lose good people because someone else pay them better, then that's an incentive issue. So that's monetary incentive. But people are not only motivated by money. And if they leave for some other reasons, and then you need to think about whether that reflects your culture. People may just… they're not happy. They are not happy because they don't have good growth opportunities. They are not happy because the boss treats them really disrespectfully. So Wall Street has changed and getting better. But if you remember the old times, the Wall Street spirit is pretty brutal. So people may just not be happy. So that could be… you remember during the dotcom period, investment banks, they lost lots of employees because they hated the environment and they would rather join a startup. So I think that's a culture issue.
As you can see that, and as long as you pay attention to how your employees feel, how they behave, you could pretty much see those early warning signs.

Robert Morier: As it relates to incentives. You've been in the classroom now, I won't date you, but you've been in the classroom now long enough to have seen a few generations of different incentive expectations, and how companies, as you just referred to, looking back at dotcom era, relative to today, how do companies manage those generational expectations? Because it seems like… at least in the classroom, we're teaching 18 to 22-year-olds. You're teaching master's students. I know you have some children in high school as well. So how should company leadership be thinking about those generational differences while still maintaining the same continuity in culture?

Dali Ma: Yeah, just like leadership, I think for young talent, the key standards, they don't change all that much. Basically, you need to think well. You need to communicate well. You need to have good work ethics. But for the new generation, younger people, we do see that some of them, actually, they want to have a bigger social impact. That's, relatively speaking, that may be new. And in the older generations, probably people, the mentality is, ok, I get my first job done well before thinking about something bigger. But now we do see that some younger people, they tend to really make a bigger impact. I think in the Wall Street Journal article, there is an article a few days ago basically talking about the Silicon Valley younger people, and they don't feel the need to stay in college for too long because they really want to just go out and make a bigger social impact. I think that probably is… I don't know whether that applies that much to asset management or financial service industry, but broadly speaking, we do see this kind of mentality amongst some of the younger generation students. Yeah.

Robert Morier: It's interesting. I think there was an article this morning in the Wall Street Journal that also talks about those same early stage workers in Silicon Valley are also forgoing fun. So they're not going out as much. They're not doing as much as they did maybe back in the early 2000s, because they feel like the race is on, that if they're not there, that they're not at the office, that they're not building their company, they're going to miss it. So it's a lot of pressure as well. So it's interesting to see both happening at the same time, the importance of social change and that being something that drives people, I think particularly from a values perspective, while still wanting to succeed.

Dali Ma: That is, I think, is related, these two. Because what motivates people? The easiest, simplest indicator is money. Compensation. Ok, I compensate you well and you'll work harder. So that's the one way of thinking about that. But for the younger entrepreneurs you mentioned, they want to make an impact. And they know it is not easy. And that could motivate them to work a lot harder than their peers. So that logic may be translated into a financial service tool, because sometimes if we narrowly focus on things like social investing, sustainability, we may think about that from a performance perspective.
Ok, I don't see a superior performance for social investing. But if you think about that from the impact perspective, maybe certain younger people, they would rather work in the sector of social investing for long hours for less pay than working in some sectors, like tobacco industry, which they don't like. They think it's not ethical. So from that perspective, you can see how the same logic could apply in financial services.

Robert Morier: How about social capital? Asset management in the industry, it's often framed as a very technical business, but it's also very relationship based. We hear that time and again from the asset allocators who come on the show. If I ask them, what are the core criteria that you look for before you make an allocation to an asset manager? Usually the first answer is the people. So evaluating the people.
But it's also a fundraising business as well. So you've got to raise money. How do you think about social capital as a core leadership asset in financial services?

Dali Ma: Yeah, I think you mentioned trust is very important, and it is based on relationship. But I do want to articulate that a little bit. So I think there are three types of trust. One, I call that interaction-based trust. We talk about weather. We talk about pets. We talk about sports. And then we find some common ground, and then we may connect. Second, I think is the expertise-based trust. Ok, I know your knowledge. I know you have good tracking record. And then, so I trust you. So the third one, I call that vision-based trust. You have a new product, which, it's an innovation. And then how to communicate your vision with your clients. Right? Because inherently, it comes with risk, but it has a future. How to articulate that future. So that part of the third one, the vision-based trust building skills, I think it might be better developed among the professionals, because it's not just a fundraising in asset management. In all fundraising business, both for profit and nonprofit, you see those lots of professionals, they tend to focus on the interaction-based trust. They spend tons of time going to concert, going to sports together with their clients. You can do it. I can do it. There are tons of people who can do it. Then you don't have a competitive advantage. Then the expertise trust, relatively speaking, it is harder to get to that edge. But still, if you come from JPMorgan, I come from Morgan Stanley, and someone from Goldman Sachs, technically speaking, we are very comparable. But why that person could get the deal done and you cannot get the deal done, that's, I think, the third part, that vision-based trust. That is… the founder of Blackstone is Steve Schwarzman. And he said it's a focus on hard problems because the harder the problem, the fewer the competitors. So focus on those vision-based trust building. If you can really do that well, I think you'll have less competitors.

Robert Morier: Very interesting. Thank you for sharing. How do you convey that vision-based trust to an audience? So for example, if I'm a boutique asset manager, I'm sitting across from an investment committee, and there are varied levels of financial sophistication across the desk. So there might be a corporate lawyer who understands M&A and everything that has to do with a certain sector or industry that I might be investing in, and there might be a police officer who has never made an investment before, but represents that pension fund. So when you think about conveying that vision-based trust, when your audience isn't always technically fluent, but cares deeply about what that vision may be, how do you strike that balance?

Dali Ma: And you mentioned a good example. I think the vision-based trust in your example, actually, it works, maybe works better for a diverse audience. All right? So if everybody is super technical, you just focus on expertise-based trust because you speak the same language. Let's just talk about that. But you are going to have lots of competition. But you may have different people, right? You talk about police officer. Sometimes maybe it's a rich family, and their family head is there. Or the CEO of a family business is there. They know a little bit of finance, but not much. Maybe they care about something different. And maybe the future you present of this fund matches what they think, and that kind of articulation would speak to their heart better. And then you'll have less competition.

Robert Morier: Another thing that our allocators increasingly talk about is cognitive diversity. So when, again, using that same example, you're sitting across from an investment committee, what the investment committee is hoping to see from you is cognitive diversity, the ability to make decisions cohesively, but having different inputs. And then the same goes with the asset manager. They're trying to build a team with what they hope is also reflective of cognitive diversity. But that can also cause some friction. It can slow down decision-making in some cases. So how do you see the balance being struck as it relates to cognitive diversity? And how should leaders think about it when conveying it, or trying to reflect it, or trying to build it?

Dali Ma: I think that diversity sometimes costs more time because the decision-making process could be more complicated. But in general, my understanding is for industries with higher risk, it is better that you keep certain redundancy. Diversity may be seen as a redundancy, but it could help you reduce risk.
As an asset manager, the last thing you want to do is to lose money for your client. So then you need to specifically, based on my research, I think you need to really pay attention to those frontline analysts. They analyze the data. They probably know something goes wrong. So they know the red flags. But if you as a manager or as an executive, you have a certain preference and you let your preference dominate this team discussion process, and maybe the junior analyst, those are 20 years old, younger people, they may be afraid of speak up. And then you miss what you call early warning signs. Data tells you the early warning signs. Most of the times, there is no something that is totally unexpected in the financial process. So there got to be some early warning signs somewhere. And those lower level people, because they spend so much time on data, they are more, as long as they are capable enough, they are more likely to catch it. The thing is, lots of companies don't give them enough opportunities to speak up, which we call that psychological safety. So you want people to feel safe, comfortable to speak up. That goes back to your question about culture. Right? If you are running a company, a financial company, and you see people, younger people, they are not that comfortable

expressing their opinions, challenging senior people, you are going to have a problem.

Robert Morier: I'm thinking about the teams that I've represented over the years that have had analysts turnover, and how many questions we would receive from allocators about turnover and why we had a hard time holding on to analysts. And it's interesting, as I think back now and I do the math, I think a lot of those portfolio teams don't exist anymore. So it is a leading indicator. It's interesting that you bring that up. And I think having the confidence in your younger employees, not just to put a stock forward as a potential inclusion into the portfolio itself but being able to potentially challenge an idea from senior leadership.

Dali Ma: And that kind of challenge spirit, that's an indicator of future leaders. If you want to have good change agents for the company in the future, you'll want them to be active. You'll want them to be engaged. Otherwise, if you just pay them money, get them to that work… and these are smart people… they could go elsewhere and have a happier life. Why do they stay with you?

Robert Morier: Yeah, absolutely. We have a colleague, a mutual colleague, Dr. Barrie Litzky, who talks a lot about and researches virtue ethics. And one of her discussion points is always around courage, the importance of courage, and how important it is to be courageous in those moments. So this analyst has mustered up the courage to challenge the senior portfolio manager. But to your point, it's then giving them the runway.

Dali Ma: Courage raise a reason. So I have to qualify this. So we highlight courage. We highlight communication skills. We highlight all these things. But there is a big condition we cannot miss… that this person has to be able to see the right direction. Because in my view, if you think about 2 by 2 matrix in terms of two dimensions, one is communication skills, the other is vision. And then, actually, the worst kind of people is they don't have a vision, but they are very good at communication, because…

Robert Morier: I've met a lot of those people.

Dali Ma: Yeah, they are a lot, because they are capable. They can use their power. They can use their influence. They can use their communication. Then, eventually, they gave the company wrong decision. That company, then that actually accelerate the company's process running towards disaster. Because if someone doesn't have a vision, but is not good at communication, it's no harm. They just stay there, do their work. That's ok. If someone, they have vision, but they don't have communication skills… lots of technology people are like that… that is ok. We can build it. We can grow them. And certainly, we want people who have both. But the most dangerous group of people is those people who don't have a clear vision, they don't how to find a vision for the company, find the right direction for the company, but they are so good at communication. These kind of people, if you ask me about the number one warning sign for a company, I would say this is the number one warning sign. If you have too many people like that… and I advise my students… it's time for you to find a different job.

Robert Morier: How do you know though? Because the problem that you have is these communicators are very good at communicating. They know what to say, when to say it, and how to say it. So how do you decipher the reality from the fiction of whatever story, the vision they think is there, but it isn't, but they're just great at communicating something else?

Dali Ma: That is something that is… no matter how the environment changes, the leadership of the company, you need to have the capability to identify people. Because for a senior leader only have two things to do. One is to see the direction of the company. Second is to find good people to do it. So these kind of people, if you engage in deeper conversation with them, you will see they don't have critical thinking skills. They cannot see the bigger picture. They tend to use those kind of big, general, high-level language to cover up their analytical weakness. Sometimes if you talk to ChatGPT, ChatGPT like that. They tend to give you high level abstract knowledge that is so detached from the reality. I was talking to an executive VP, and he was just promoted to the CEO of an engineering consulting firm, and he told me that they are not going to give raise to one of their engineers, because that guy just use ChatGPT so much. And at the end of the day, the language is so abstract. It's so detached from the engineering process. So they see that. The same logic applies to executives. So because now you have this challenge of AI thing, people are using AI, and you need to be able to tell what is the true intelligence of your employee. So then, engage in some casual conversation, give them a kind of informal case interview. Ask them, ok, this is the case, how do you solve it? You can use this exercise across levels. You can use that for middle level managers. You can use that for new hires. Let them just talk. You will see. It's very easy to see. If you cannot see that, then it's the time for you to question your own executive capability.

Robert Morier: Excellent advice. Another thought I was thinking is it relates to the asset management industry. I think what tends to happen is you're growing as an organization, so assets are accumulating, typically because of positive performance or outperformance. But then assets plateau, performance plateaus. And then usually, there's a decline in alpha. So performance starts deteriorating. And in the industry, we say that's when the tide goes out. And you start to see or identify more of those types of employees who weren't necessarily adding as much value as you thought they were on the way up. And then things flatten, and you're starting to realize, well, maybe that person or that team isn't as important as you thought initially. And then as you start to go through stress, significant stress in some cases, asset losses, client losses, having to shut down offices, whatever it looks like, you'll start to identify some of those challenged people or teams.

Dali Ma: True, but better not run into that moment. Because that is like… because it's just like our children, right? From a company's management perspective, it's better that you train people so that they get to a good stage, so they won't be that kind of people that is not desirable, as we discussed. It's better that you, before you have to pay the lesson, pay the tuition, let the market teach you the lesson, you'd better really identify those people. Either train them or invite them to leave rather than, ok, let the market crash, and then let's tell who is naked swimming.

Robert Morier: Absolutely. I think you're bringing up a really interesting point about the importance of onboarding people, when you're onboarding employees. Because as you know very well, this point of the cycle where you're growing, you're scaling the business, you're sprinting. So it's difficult to slow down and go through those exercises, because you're just trying to go on to the next thing. We're trying to launch the next product. We're trying to add the next analyst, whatever the case may be. And to your point, which I think is excellent, you want to get ahead of the catastrophe because something might happen. You'll have a blow up in the portfolio, or your largest client terminates their mandate, whatever it looks like. And I think that's what's so interesting about how and what you studied in Boeing's 737 Max framing, and how organizations make sense of catastrophe after the fact. So translating that to the world of asset management, what lessons can allocators and investment committees apply when they evaluate a manager's leadership culture? And going back to catastrophe risk management.

Dali Ma: I can briefly touch upon your point about how to onboard people in this fast-pacing industry. It's doable. So I think the senior executive, especially the chief executive, you really shouldn't spend too much time on operational details. Unfortunately, many of them are. So you really should think about, what is the direction of the company? What is the innovation? What's the uniqueness of the company? How to train our people. What is the model to train our people? What's the model to provide incentives?
You are basically an architect for the company. You want to be the architect. You design it. Make sure that it is built well. Ok. So that said, the Boeing case I think is… actually, I want to talk less about the framing part, because we know Boeing frame, their component as something that is trivial. And then it's kind of… FAA was misguided. And then as a result, we have two crashes. And that's catastrophe.
But as we dig deeper into the data, we also noticed that it's actually in that period of time, about 10 years before this crashes, we see the FAA is using this what we call delegated regulation system. Basically, they delegated lots of tasks to Boeing. But in this process, there was also kind of a pressure on initiative of doing cost-cutting. So I mentioned earlier that in high-risk environment, it is better to keep certain redundancy. I think as FAA was trying to make this system more efficient,

some of the redundancies were cut. As a result, you don't have those multiple checking points of the potential catastrophes. So I think that is the lesson for us to think about, especially for us to manage. For those who manage high risk companies in high-risk industries, keep some redundancies so that multiple lines could check the same problem. It won't be perfect, but it could reduce your chance of running into a catastrophe.

Robert Morier: Again, regretting that this is only a one-hour conversation. We'll have a part two, I hope, after the new year when you have time. Slightly change topics, still framing it around how we think and make decisions. But when you think about the university environment today, and specifically liberal arts training and the future of liberal arts, you had flagged prior to our conversation Steve Schwarzman's path in building Blackstone as someone with a liberal arts background. What is his trajectory, and other folks who are either going the root of a liberal arts background or have a liberal arts training as it relates to leadership and the directionality of a company in this AI-accelerated world?

Dali Ma: At a very shallow level, liberal arts education could help you engage with diverse clients. Because some clients, they enjoy talking about philosophy. They enjoy talking about history. And the liberal arts education could help you do that better. But at a deeper level, with regard to that vision-based trust, and then the liberal arts education could help you better articulate your vision, see that better. And I have a friend who is running one of the largest foundations, and he used to hire those students from MIT, from Stanford, all engineering or finance students because he thinks investment is a technical process. He wants those best technical talent. But at one point of time, he decided, ok… he's the chief investment officer. And at one point of time, he decided, ok, why don't we give it a try. Try some liberal arts students. Then they hired students from history, political science, anthropology. And then he sent those young kids to Silicon Valley, gave them a week. Let them learn what is going on as AI like those [? metaverse. ?] So all these things, that was years ago. And he said it was astounding. Those young kids, they came back from California. They crafted much, much more beautiful presentation than those technical cases. And they clearly articulate what the future will be. So very much what is going to be AI, what is going to be the future, what is going to be the Internet of Things, they learn that, they understand that so well, and they put that into the context of global trend. Then, my friend instantly decided, ok, I'm going to talk to the committee. We are going to really increase our investment in all these areas you guys identified. These are just 20 years old. And think about today, how much return they got versus just purely technical analysis. So I think that's one piece of information I can share with you.

Robert Morier: I appreciate that. Thank you so much. We also talked about service culture. So thinking about the client service experience for the customer. You cited that in the 1960s, Goldman Sachs had differentiated itself with an unconventional service model that ultimately helped shape its reputations for several decades after. I worked with Goldman Sachs during the financial crisis. So we were talking to clients, but the conversations were very different. But what should today's leaders take from that history about service culture? How should you show up for clients? Especially when you talk about the very little differences between trust, interactive trust, expertise trust. So maybe as much as it's vision, vision-based trust, maybe it's also some client service.

Dali Ma: Yeah, actually, I do agree with you. And let me just talk a little bit about that story about Goldman, and maybe you can ask Goldman for some PR fees, because we are doing that for free for them.

Robert Morier: I think knowing Goldman, they'll find a way to charge us.

Dali Ma: Ok. So I think that was in 1968. And Goldman's future, basically, equity executive, I think is his name is Lewis Eisenberg, and he was just started at Goldman, and is pretty young. And one day he received a call from an institutional trader. And that guy said, ok, we will sell certain equity for 5,000 units. And that was a pretty big amount of sale. And he was very excited. And he just talked to his manager, and they set a price, and then asked the institutional trader. That trader said, ok, go. And then they just sold it. He was very happy, and grab lunch, and feeling that he would be kind of a star analyst in the bank. And actually, before he went out for lunch, I think it's Gus Levy, the future CEO of Goldman, came to his desk and lightly pat on his shoulder. He was super excited. And then after he came back from lunch, the trader called him. I made a mistake. We should actually buy instead of sell. Even worse, it should be 500, and I add a 0 to make it 5,000. Now he was just he was just devastated because suddenly, everything changed. And he didn't what to do. So then, Gus Levy called him to his office, asking him what happened. He said, ok, they actually wanted to buy, but they asked us to sell.

Then Gus said, so it's their mistake. He said, yes. And then Gus said, do you think that trader, is he really stupid or is he just a crook? And Eisenberg said, I think he just made a big mistake. And Gus said, ok, Goldman will take the loss. So yeah, because if they buy at that time, there will be a loss. But Goldman took the loss. It's a big loss. So Eisenberg still thought, ok, he may not be able to keep his job. But one week later, the institutional trader and his boss invited him for lunch. And his boss said, Goldman Sachs truly demonstrate what is top-notch customer service in this industry. We really appreciate that. I cannot promise you anything else, but I can promise you that we will be your long-term partner. And they will maintain that relationship for decades. Why is it vision-based? Because at that time, the vision of this bank is, in order for us to get to the top-tier of Wall Street investment banks, we have to have outstanding, extraordinary customer service. And that is the vision that drives this decision. Because if you just focus on short term, you just focus on technical, you shouldn't. You don't need to do anything. It's not your mistake. But if you think about vision, you think about long term, then you can make some non-conventional decisions, which could benefit the company in the long term.

Robert Morier: Absolutely. I'm thinking about all those client service conversations I had over the years. And the most valuable ones, the ones that have stayed with me for these decades in and out of the industry were the conversations that I had with clients during the most difficult periods, the times where there were mistakes, or the times where there were significant drawdowns or a crisis or a closing. And more often than not, that's when the relationship was really forged. Whether they stayed with you or not, that's when it was forged. So that's a great example.

Dali Ma: Yeah, yeah, yeah. That's a good example. Another story is there was a community bank, and they had a small sports team. And the small team, they need money. They talk to several large banks. They want to get some bank loans. Nobody wanted to give them money. But the community bank feel, ok, you're part of our community, and you help us. You add value to the community. And even though your business model may not be that strong, and there are also risks, but we appreciate your contribution to the community, so we give you money. And it turned out that small sports team became a much bigger one years later. And then all these big banks, they went after the sports team. They want to give them money. And then the CEO said, sorry, I don't want to do it because when we were in the most difficult time, you guys all turned us down. And here is this small community bank. They gave us the money in the time that we needed the most. Sorry, we don't change.

Robert Morier: You've also researched power and identity dynamics, specifically in venture capital, which, as you know, are the courses that I teach at Drexel. So I'm just curious how those dynamics shape who gets funded, and who is seen as a leader, and which ideas are framed as credible based on the research that you've done.

Dali Ma: Mm-hmm. Yeah, just very quickly, I think in financial services industry, status or prestige is critical. And venture capital industry, too. So you can imagine the case that you have a superstar like Kleiner Perkins or Sequoia Capital. They work with you, but there would be different scenarios. One is those highly prestigious venture capital firms, they put in lots of money, so they take good equity in this investment. And then they also have their reputation or prestige there. So that is easy. But the difficult case is sometimes they may just put a little bit of money into that. They have a very small ownership stake. However, because of their standing in the industry, people respect them. And when it is in the room of discussing some financial decisions, managerial decisions, people listen to them. But they only put in a small equity stake, which means they don't have enough time or willingness to do careful due diligence, but they still offer their opinion. And you listen. As a result, we found if a VC syndication deal had more cases like that, large, reputable, highly prestigious VC firms put in a small equity, it actually could be detrimental for the syndicate performance in terms of their portfolio company's exit. So that's I guess is one. We think about financial decision. It is not just purely ownership-based decision, right? On paper, who put in the most money should take the lead. But in reality, there is a social standing there. And sometimes people listen to them. And you have to be careful whether the advice they gave you is truly based on solid due diligence.

Robert Morier: One of the things that I've become most proud of with this show is that it started out as a show for asset managers, and it quickly grew into a show for asset managers and allocators. And then before we knew it, educators and students were tuning in and sending us questions and asking to be a part of the show. So when you think about your classroom experience around responsible leadership for the students who are listening in, and what you hope that they carry forward, if they commit to these habits now, these one, two, three habits, what do you think would compound the most over a 20-year career arc?

Dali Ma: You and I talk about that. I think you mentioned, ok, what would be the three habits you recommend for your students? And I thought about that. So my pick of the three is number one, do one new thing every week. It doesn't have to be business. It could be a new way of cooking, a new path of learning, and just anything new. That keeps your mindset open. Because in most industries, innovation is important. You need to build that kind out-of-the-box thinking based on your daily routines. Second, read and think. So if your company, maybe you are just a junior analyst, but your company make decisions, sometimes their decision is against what you see from the data. Or you read a Wall Street Journal article, you see, ok, Microsoft, invest in OpenAI. Think about that. Does it make sense? What is your conclusion? So you are not still at the position of making those big decisions, but it doesn't preclude you from thinking about that. That's your practice of executive thinking. So if you keep doing that, and if you see the way you make the judgment is getting closer to the reality, let's say 70% of the time your view matches the eventual outcome, then you are getting to a very good shape. Third one is to think about something that is bigger than yourself. Because if you only focus on your narrowly defined self-interest, which is job compensation, all these things, they are important, but that's just for you. But if you think more about, ok, my colleagues, and you think about my community, and that kind of mindset will be translated into, ok, when I talk to a client, I'm not only focusing on the technique part. I also think about, ok, what is their family and what they care about? Ok, what can I do for them? So that kind of client engagement, right? So typically, it's not just, ok, let's make money together, but it's, what can I do to help you help your life better? So these kind of things, that is I think I always want to emphasize.

Robert Morier: So let's give the universities a little bit of advice as well while we're here. We might as well. So when you're looking ahead, what should universities double down on in the next decade or so to prepare students for much of what we talked about today? When you think about finance, technology, entrepreneurship, where should universities be spending their time? How should they be looking forward?

Dali Ma: To me, the university needs to seek a balance between what you mentioned at the beginning, something that is more static, something that is more changeable, because the world is changing a lot, and it's changing almost on a daily basis. So on the one hand, we need to really listen to what the industry needs, because that concerns our students… jobs, employment. But on the other hand, companies, industries, they are constrained by short-term performance and they are constrained by shareholder pressure. Sometimes what they want may not match the trend of the industry, the trend of the environment the best. So those skills, for example, leadership skills, those skills you need to keep reinforcing and enhancing. So that goes back to my earlier comment. That is, the bigger, greater, faster technological change is, the more we need to think about what kind of things can be decoupled from technology, because those are the things that can let us survive and grow. I think leadership is one of them.

Robert Morier: Thank you for being here today. This was a wonderful conversation. I wish we had another hour. Let's do it again.

Dali Ma: Thank you so much.

Robert Morier: Thank you for being here.

Dali Ma: Thank you.

Robert Morier: If you'd like to learn more about Dali and his work at Drexel University, please visit our website at lebow.drexel.edu. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We're also available on YouTube if you prefer to watch while you listen. And for more content, please visit our website at Dakota at dakota.com. Dali, thank you again for being here. And to our audience, thank you for investing your time with Dakota.