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## Your Life Capital

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# **Your Life Capital**

## *An actuarial perspective on your investment in life*

**Ian Pollard**

### **Abstract**

**This paper highlights the interrelationships between your human capital (who and what you are), your social capital (who and what you are surrounded by) and your financial capital (what you own) – collectively your Life Capital. These are the things which generate for you meaning, opportunity, income, contribution, satisfaction or pleasure. There is a powerful analogy between how an investor grows financial capital (long-standing actuarial practice) and how you build your human and social capital. Understanding and applying this analogy will change the way you see conversations, relationships, learning and decision-making and will empower you to identify more effectively the big opportunities to build your Life Capital.**

*Keywords: Life Capital; opportunity; engaged conversation; human capital; social capital; behavioural change*

### Introduction

*To most people, capital means a bank account, a hundred shares of IBM stock, assembly lines, or steel plants in the Chicago area. These are all forms of capital in the sense that they are assets that yield income and other useful outputs over long periods of time.*

*But these tangible forms of capital are not the only ones. Schooling, a computer training course, expenditures of medical care, and lectures on the virtues of punctuality and honesty also are capital. That is because they raise earnings, improve health, or add to a person's good habits over much of his lifetime.*

– Gary Becker, Nobel Laureate Economic Sciences, 1992

The purpose of this paper (and my book titled *Investing in Your Life – Your biggest investment opportunities are not necessarily financial* published by John Wiley Australia) is to give you an additional prism through which to view your life, and potentially also the lives of those around you. It is the prism of an investor (and implicitly therefore the prism of an actuary) – one which will assist you to identify and understand better many of your biggest opportunities.

I introduce the concept of your Life Capital – your personal capabilities and other aspects of your life that generate meaning, opportunity, contribution, income, companionship, satisfaction or pleasure. Your Life Capital broadly comprises your human capital, your social capital and your financial capital. In summary my thesis is:

**1. *Your life is a process of investing in your Life Capital and enjoying returns from that investment***

Your personal development, indeed your whole life, is a process of investment - building and benefitting from your Life Capital. A powerful analogy can be drawn between the highly measurable world of financial investment (where investors like Warren Buffett show that the sky is the limit) and the relatively unquantifiable world of building human and social capital. (Refer Part One)

**2. *It is important to identify the big opportunities to invest in your Life Capital. Those opportunities offer far bigger returns than you realise.***

The application of investment thinking to all aspects of your life will help you better identify the big opportunities for investment in your Life Capital. As a result, you will invest more aggressively in the best opportunities, and make your life more meaningful, satisfying and rewarding – whatever journey you are on. (Refer Part Two).

**3. *You can most effectively grow and develop your Life Capital if you strategically leverage off other people's Life Capital. The most effective way to do this is through engaged conversation.***

Engaged conversations are among the principal catalysts for building your Life capital. Their power is significantly underestimated and therein lies major opportunity loss. (Refer Part Three)

**4. *Building of your Life Capital is your responsibility.***

Be empowered by your individuality, your interdependence with others and the power of reciprocity and take a long term view so you don't feel you have to achieve everything in the short term. (Refer Part Four).

**5. *Identifying and changing limiting behaviours is an important investment in your Life Capital.***

Limiting behaviours have an annuity of impacts on your Life Capital. The odds of sustainable behavioural change can seem low but you can stack them in your favour. If you do you are more likely to make the necessary investment of time and energy and reap the rewards. (Refer Part Five)

## Your Life Capital

### Part One - Your life is a process of investing in your Life Capital and enjoying returns from that investment

#### 1.1 Your Life Capital

As Figure 1 sets out, your Life Capital comprises your human capital, your social capital and your financial capital.

**Figure 1**  
**Life Capital**

<b>Human capital</b> Who and what you are (unique to you)	<ul style="list-style-type: none"><li>• Cultural capital</li><li>• Emotional capital</li><li>• Intellectual capital</li><li>• Physical capital</li><li>• Sensory capital</li><li>• Spiritual capital</li><li>• Symbolic capital</li></ul>
<b>Social capital</b> Who and what you're surrounded by (partially unique to you and partially shared with those around you)	<ul style="list-style-type: none"><li>• Your family</li><li>• Network capital (both personal and professional)</li><li>• Institutional and community capital (both bonding and bridging capital)</li><li>• Environmental capital</li></ul>
<b>Financial capital</b> What you own or control (arguably a commodity)	<ul style="list-style-type: none"><li>• All your financial assets (such as shares, bonds, property, cash or businesses) less your borrowings (such as bank or credit card debt).</li></ul>

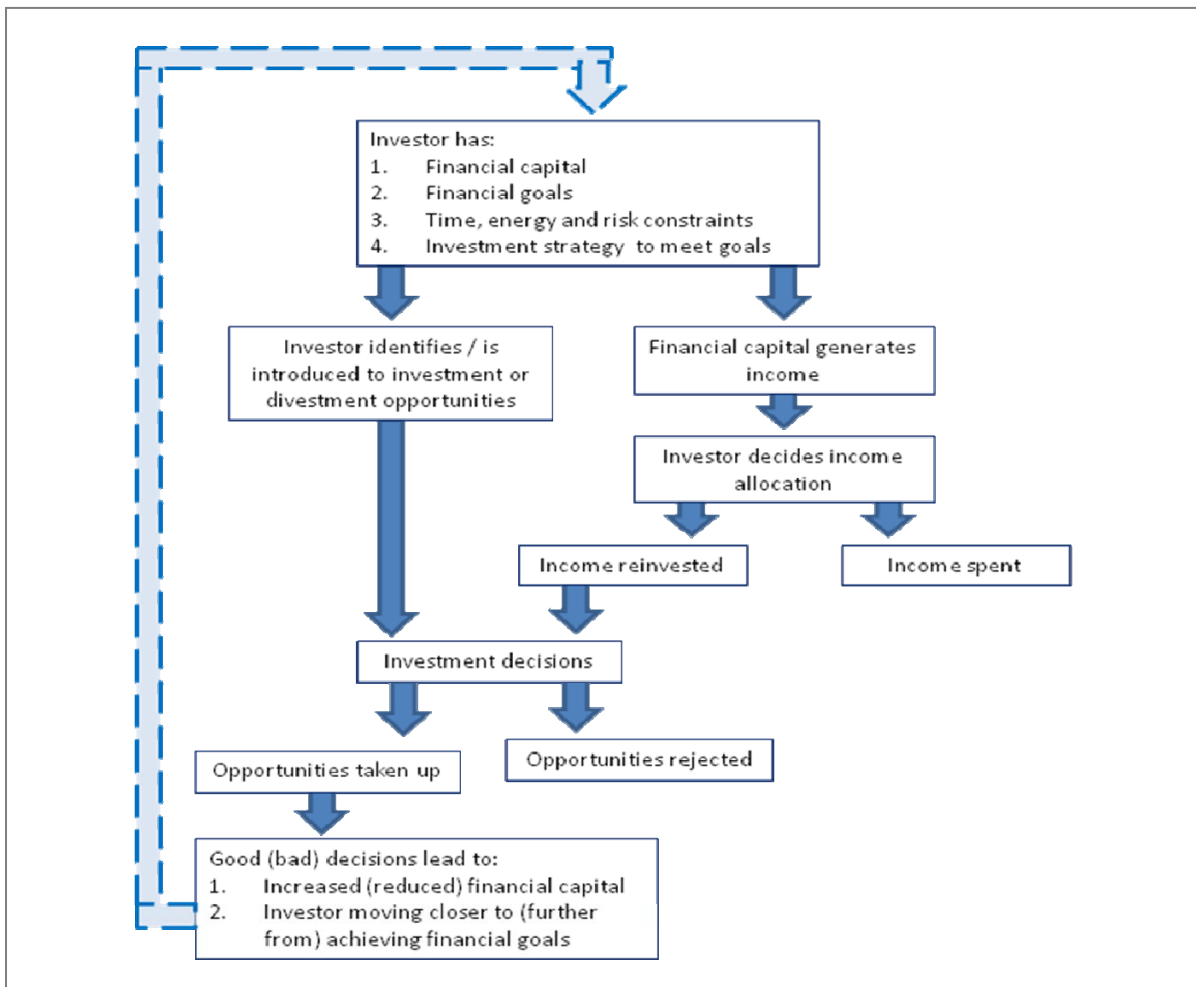
The capital of a business is made up of its assets (which generate income) less its liabilities (which reduce or absorb income). Your Life Capital is analogous: life assets are those things that generate opportunity, contribution, pleasure, satisfaction and income, while life liabilities do the opposite.

Some life assets are relevant to everyone, regardless of their occupation or interests, and many are easily taken for granted until they deteriorate – such as your physical and mental health, your ability to get a good night's sleep, your memory and your five senses. A list of life assets is presented in Appendix A. Though not comprehensive, this list gives some indication of the breadth of factors that positively impact on your Life Capital. There could be an almost mirror-image list of potential life liabilities.

### 1.2 The analogy between the way an investor builds financial capital and the processes you use to build your Life Capital

Figure 2 shows the processes by which an investor builds financial capital and Figure 3 shows the processes you use to build your Life Capital. The detail of the two diagrams is less important than the analogy between them, and the observation that the same key words appear in both diagrams: capital, goals, time, energy, opportunities, income, investment, decisions and building.

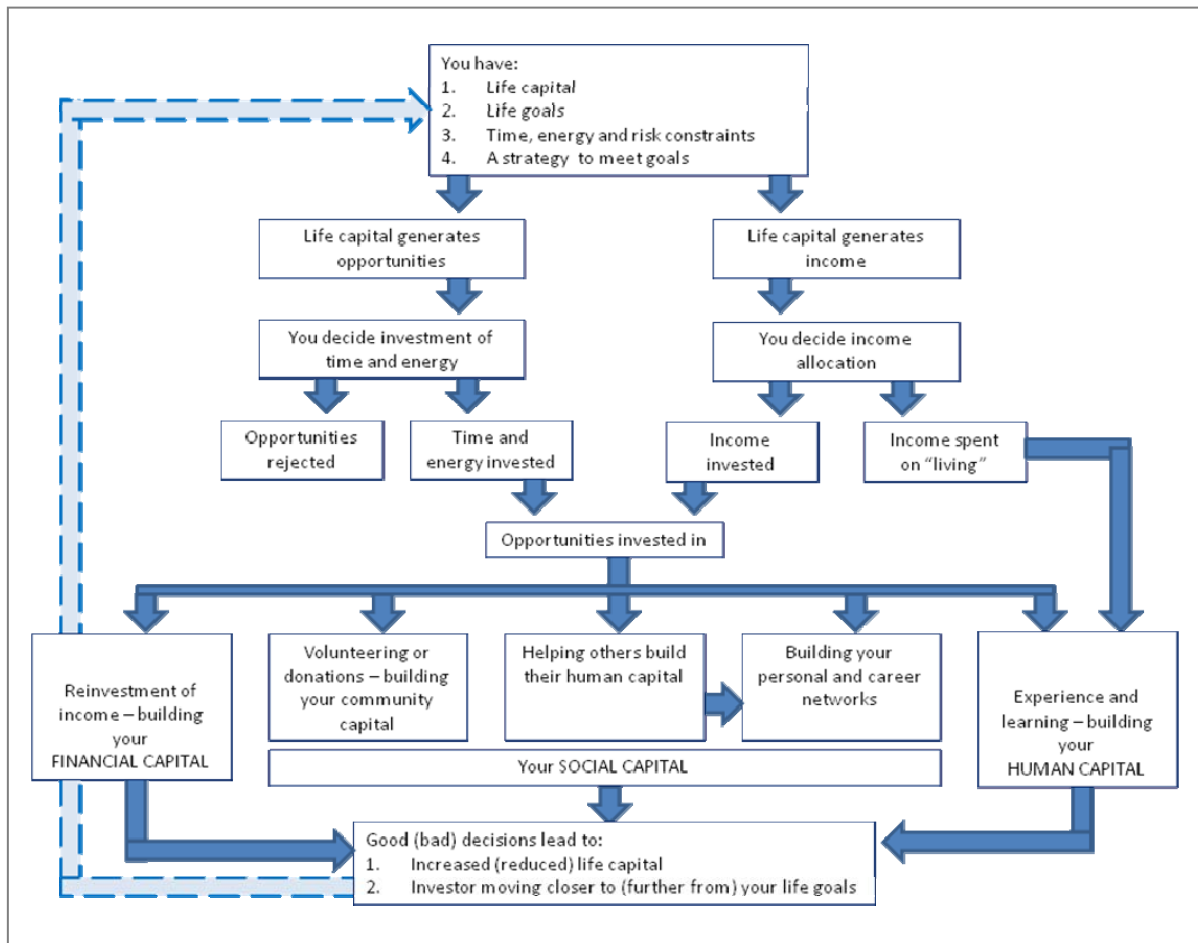
**Figure 2**  
**An investor building financial capital**



In Figure 2 the “income spent” shows the ultimate link of financial capital accumulation to consumption. The equivalent of consumption is not directly included in Figure 3 because the rewards from our life experiences come in so many forms (like meaning, pleasure and satisfaction) and at almost all points in the diagram. In respect of financial capital, reinvestment and spending are mutually exclusive – income you spend is not available for reinvestment. In life the distinction is not nearly as clear. Actions often involve contemporaneous investment and consumption. (eg enjoyment and meaning in combination with the building of your intellectual, physical, social and/ or emotional capital). It doesn’t always have to be “no pain, no gain” – a common adage at gyms.

## Your Life Capital

**Figure 3**  
**Building your Life Capital**



Financial capital offers the following insights:

- Its measurability enables you to see that capital can grow to be very substantial. You can, for example, marvel at Warren Buffett building each \$1 invested in Berkshire Hathaway in 1965 to around \$5000 (in market value) today – evidence that, assuming strategically sound investment, the sky is the limit in building financial capital.
- Its measurability also enables you to calculate rates of growth – in Berkshire Hathaway’s case, compound growth of 21 per cent per annum over 44 years.
- Because of the amount of publicly available information and objective commentary surrounding financial capital, you can see roughly how top investors achieve such financial growth.

If you can identify opportunities to apply the same wealth-building principles to your human and social capital, then surely the sky is the limit there also – even though human and social capital aren’t as neatly measurable as financial capital.

This paper demonstrates how this can be done. For example, virtuous circles in building relationships or in building knowledge and experience are analogous to *compound interest*; recurring benefits from a skill or a change in behaviour can be viewed as *annuities*; opportunities in life are, in financial parlance, akin to *options*; and engaged conversations are opportunities to *leverage* off others’ Life Capital. On the negative side, opportunity loss in life is akin to opportunity cost in investment. Numerous wealth-building and wealth-protecting principles relevant to this analogy are listed in Appendix B.

**Part Two – It is important to identify the big opportunities to invest in your Life Capital. Those opportunities offer far bigger returns than you realise.**

**2.1 Size matters**

In my coaching and mentoring of senior executives, there has been one consistent determinant of the success of the assignment – the level of buy-in by the client to their personal development. My belief in this is so strong that I now apply one key measure of the success of each coaching session – the extent to which it increased or decreased the client’s buy-in to their own development.

Three things are fundamental to such buy-in:

- the client identifying an opportunity
- the client working out how to capture that opportunity, and thereby believing they can achieve it
- the client believing the opportunity is big enough to be worth the trouble (ie big enough to justify the investment of those scarce resources of time and energy).

Similarly, your perception of the size of your potential return from an investment in your Life Capital matters because:

- it will be a major factor in your decision whether to make the investment;
- it will also be a major factor in your commitment, not only to completing the investment but also to maximising your return on it.

The better your ability to objectively assess the size of your potential returns on an investment, the better your investment decisions will be; and when you choose to invest, the better your ability to assess whether you are achieving the returns you anticipated.

My ultimate objective is that your assessment of the size of the returns available from an opportunity becomes an automatic, almost subconscious discipline. It is not an exercise in mathematics or arithmetic; rather, as will be shown in 2.4, it is an exercise in logic to identify the full dimensions of your potential return.

**2.2 You underestimate the potential returns from investment in your human and social capital and hence you systemically underinvest in them**

Surveys in many fields (including car driving, personal relationships, investment performance, prediction of the future and learning) have shown that most people overestimate their current capabilities. In my view they also underestimate their potential because they just don’t realise how much there still is that they can learn or capitalise on. The consequence is that they materially underestimate their potential for improvement. For example, on a scale of 1 to 10, figure 4 compares estimated versus actual capabilities:

**Figure 4**

	<i>Current grade</i>	<i>Potential grade</i>	<i>Potential for improvement in grade</i>
<i>Your estimation of your capabilities</i>	6	7	1
<i>Actual capabilities</i>	4	9	5

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In this example, you estimate you have a potential for improvement of 1 grade, whereas your potential for improvement is actually 5 grades. Whilesoever you significantly underestimate this potential for improvement, you are less likely to invest in it, especially if it currently demands hard work for a result that will be achieved only in the medium to long term.

This is exacerbated in situations where your potential investment in your human or social capital is competing with investment in your financial capital, because the latter is so highly measurable (for example, where you have a choice between a job that will pay more and one where you will learn more or meet more interesting people).

Further, even when you invest energy and time in developing your capabilities, you tend to hope for quick, or at least consistent, growth. Instead, growth comes in fits and starts, and you may lose patience with the inconsistent returns on the investment and cease investing before the big returns are achieved. The time horizon for the achievement of your goals should therefore take this into consideration. The big returns over the medium and longer term are obtained by those who are patient, even though the short-term returns may be inconsistent.

### *A personal example: Attending a course*

Attend a well-presented specialist course in just about any subject and you will find it both a humbling and enlightening experience. At a recent conference, we were asked to form a semi-circle – those rating themselves one out of 10 in ‘selling’ were asked to stand at one end, and those rating themselves nine out of 10 at the other. Initially, I stood in the seven or eight section, but later realised that I had so much to learn that I was really a three or a four. My potential may have been seven, eight or even nine, but I had never formally learned the key tricks of how to sell strategically. My experience at an excellent negotiation course 20 years ago was similar and I’ve since enjoyed 20 years of benefit from attending that course. The core messages from such experiences are very simple:

- skills (such as negotiation or selling or lots of others) can be really important – they can have a big impact on your life, so treat opportunities to build them seriously!
- there are some fairly simple principles and techniques that you can acquire for minimal investment, which will enhance your skills and performance
- your enhanced skills can be to your advantage for the rest of your life (life annuity of benefits)
- if they are skills you use regularly thereafter, minimal additional investment will be required to maintain them.

### **2.3 You can use the analogy between Life Capital and financial capital to identify the size of opportunities for investment in human and social capital**

Any of life’s significant journeys – career or business endeavours, travel, adventure, romance, hobbies, health and fitness - involve the investment of your resources, and so your approach to them will benefit from the analogy with building financial capital. By thinking in investment terms, you will increase:

- your awareness of opportunities or options
- your appreciation of their magnitude and therefore the consideration you give to the big opportunities
- your confidence that you have the ability, the opportunity and the tools to change your prospects.

You will then be more likely to invest more of your limited resources – your time, money, energy, attention and risk – in capturing those opportunities. You’ll also invest more strategically, recognising when the size and nature of the opportunity more than justifies the investment of those resources.



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### *An example of sizing an opportunity: performance feedback*

One classic opportunity that everyone can take advantage of is performance feedback. How you handle this feedback can be a major determinant of your future performance and ultimate success. This applies whether you are the boss/teacher/coach/parent or employee/pupil/child. Even though performance assessments are becoming the norm in well-managed companies, their value is vastly underestimated.

A commonly held view is that performance reviews are solely a review of your current performance, and how that performance might be improved in the period ahead. Let's call those immediate period-ahead benefits Level 1. This one-dimensional view ignores the benefits that are potentially available to you at higher levels, assuming you take the constructive feedback positively and work to improve your performance.

Level 2 represents an *annuity* of direct benefits in your performance:

- your improvement in performance may be permanent and thereby offer recurrent performance benefits (an annuity of higher contribution and higher reward)
- your view of constructive performance feedback and therefore your reception of it will be positively reinforced.

If you focus principally on your own issues and decisions, it's easy to overlook or underestimate the impact that your constructive response will have on the person who gave you the feedback and your relationship with them – Level 3. For example:

- by taking the feedback positively, you will distinguish yourself from others who react to critical feedback as though it is a personal attack
- the person who offered you the feedback will watch to see if you put it into practice, will note your efforts and will probably offer more coaching until you master it
- that person will probably offer you more (solicited or unsolicited) feedback in future in other contexts
- over time, you will get better at 'managing up', which in turn may give you a stronger base for managing your own team – better resources, clearer objectives, performance expectations and information; it also increases your circle of influence and hence your ability to impact the organisation positively
- over time that person will become one of your 'champions' – and you never know where that may lead.

These indirect, but nevertheless substantial, Level 3 benefits will *compound* with each other in a virtuous circle and compound with the *annuity* of direct benefits of improved performance (Level 2). Given this immense potential, the integrity of a company's performance review system is vital to ensure such discussions are undertaken in the right spirit.

The above analysis relates to just one performance review in a work context. The impact will be much greater still when the analysis is applied to the 'annuity' of regular performance reviews at work – formal or informal – as well as other constructive feedback at work or at home. This step involves a number of assumptions:

- that you have regular performance reviews and receive other feedback, and that they are constructively presented (arguably both factors are outside your full control but within your influence)
- that your response will be habitually positive if the feedback is constructive
- that you will achieve the progress or changed behaviour that is suggested by the review.

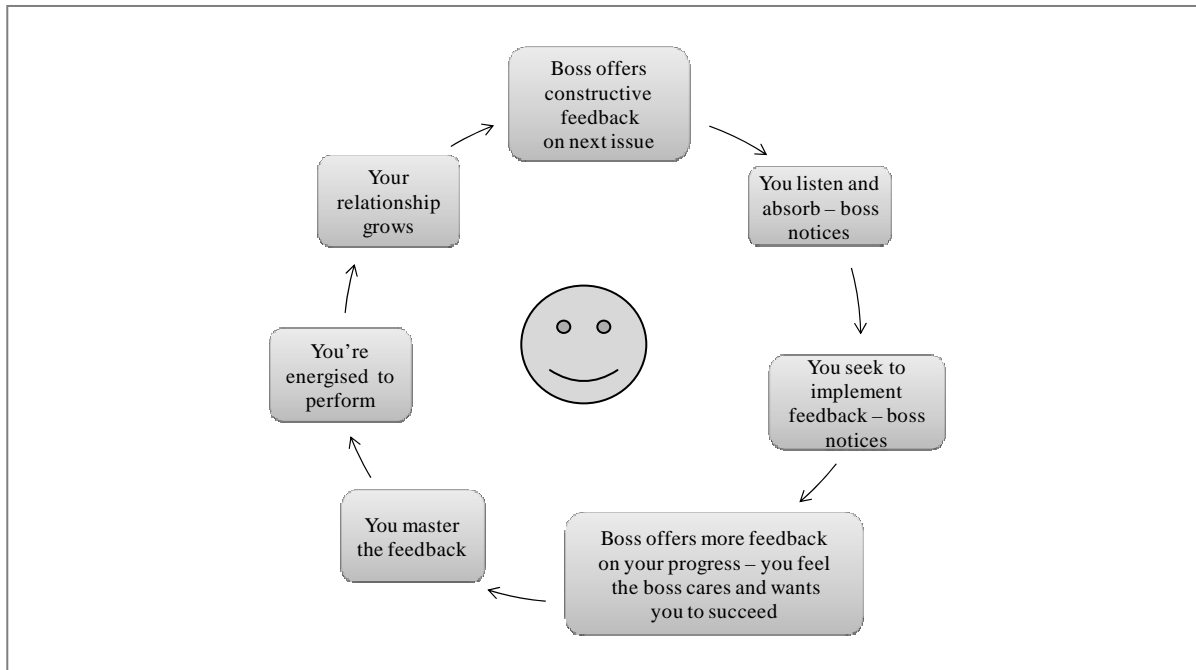
If your response to performance feedback is typically positive, you have before you a lifetime of such valuable opportunities. If, however, you are habitually negative and defensive in such situations, you have a lifetime of *opportunity loss*.

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### *Virtual and vicious circles*

An alternative perspective on compounding positives in performance reviews is the concept of 'virtuous circles', as shown in figure 5 below:

**Figure 5**  
**A virtuous circle in performance feedback**



The reciprocity in performance feedback is fundamental. My positive analysis of valuable annuities and powerful compounding is based on key assumptions: firstly, about your positive response to the performance feedback; and secondly, about the positive ways your colleague/boss frames and communicates the feedback and, in turn, responds to your responses.

It's easy to envisage a 'performance feedback' scenario of compounding negatives if the person offering the feedback has preconceived views or is not objective, frames the feedback badly or communicates it destructively, resulting in a vicious rather than virtuous circle. The almost inevitable outcomes are accelerating declines in both your performance and your relationship with your boss.

### **2.4 Assessing the size of an opportunity is more an exercise in logic than in mathematics**

The better your ability to objectively assess the size of your potential returns on an investment, the better your investment decisions will be; and when you choose to invest, the better your ability to assess whether you are achieving the returns you anticipated.

One of my objectives is that your assessment of the size of the returns available from an opportunity becomes an automatic, almost subconscious discipline. It is not an exercise in mathematics or arithmetic; rather, it is an exercise in logic to identify the full dimensions of your potential return. You can reasonably achieve this by asking yourself a few basic questions, for example:

- If I make this investment, what are the direct benefits to me – in my performance, in the size of the success, the probability of success or in my increased human or social capital?
- Are those benefits one-off or recurrent? If they are recurrent, for how long will they benefit me?

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- What are the indirect impacts on my human capital? On my confidence, my enjoyment or my capacity for risk-taking?
- What are the indirect impacts on my social capital? On my relationships with others? Does it impact on one relationship or potentially on many?
- What are the indirect impacts on the future opportunities that might be brought to me or which might be open to me?

The answers to these questions can then be “sized” using tools from the analogy with financial investment: principally, the power of compound growth, the value of an annuity, the value of options, the power of leverage and multiplicity – and, on the negative side, opportunity cost.

To give the analogy a little more colour through examples, I think of:

- *the power of compounding positively* when I think of virtuous circles in relationships; or the application of our enhanced human capital to the wider networks from our enhanced social capital; or the development of fluency in a language through the compounding benefits of improving vocabulary, improving grammar, improving ear, improving accent and increasing confidence and therefore more effective engagement; *and negative compounding* in the deeper holes we dig when issues are hidden and not dealt with; or the vicious circles of burnout leading to poor decisions, more pressure and more burnout;
- *the value of annuities* when I see people exhibiting habits/traits/skills which typically lead to an annuity of opportunities (habits/traits/skills such as effective listening, empathic behaviour, an open mind, negotiation or selling skills, a keenness to help others);
- *opportunity cost* when I see those whose behaviours which will lead to an annuity of opportunity loss (poor listening, closed mind, seeing others’ problems as an irritation)
- *the power of leverage* when I see someone engaging very well in a conversation and thereby leveraging very effectively off someone else’s human or social capital (eg professional collaboration); when I see someone delegating very effectively;
- *the value of options* when I see people having a number of choices of potential employer and others who have only one option; or a person deriving from a conversation (at no cost other than their time and engagement) new ideas, a vision, valuable contacts or learnings about themselves.

One of my aims in writing *Investing in Your Life* was that by the time readers have finished the book, they will somewhat automatically “size” opportunities to invest in their Life Capital. To facilitate their development of this valuable discipline, I included ‘sizing exercises’ relating to a number of the most common problems raised by my coaching clients – in other words, opportunities to invest in their Life Capital. A summary of these exercises is included in Appendix C. (A number have not been filled in to retain the option of using them interactively at the presentation of the paper).

**Part Three – You can most effectively grow and develop your Life Capital if you strategically leverage off other people’s Life Capital. The most effective way of doing this is through engaged conversation.**

*The notion that our lives succeed or fail one conversation at a time is at once commonsensical and revolutionary. It is commonsensical because all of us have had conversations that, for better or worse, profoundly altered our professional or personal lives. It is revolutionary because a course on conversations won’t be found in an MBA curriculum.*

– Ken Blanchard<sup>1</sup>

**3.1 Engaged conversation and leveraging off others’ Life Capital**

I distinguish conversation from other forms of communication principally by the level of engagement rather than the content or motivation. My definition of conversation is therefore:

*communication between people that offers opportunity for genuine engagement beyond any narrow functional purpose of the communication.*

A communication with a clear objective, such as arranging a meeting, conveying information or making a decision, can arguably be considered a success if that objective is achieved efficiently. A seemingly successful outcome may, however, leave unrealised many other opportunities, which may have emerged through face-to-face rather than email contact, a little more planning or a little less rush. Deeper engagement may have offered to all participants the chance to raise other issues, to give or receive feedback on ideas or to enhance their relationships.

Conversations offer significant opportunity to leverage, shamelessly but with due appreciation, others’ generosity with their Life Capital – their ideas, contacts, market knowledge and experiences, their judgement ..... and their knowledge of you.....and to do so across a number of relevant subjects of your choice!

In this context there are two concepts of leverage at work:

- multiplicity of issues - the greater the engagement, the wider the agenda and the greater the upside; and
- leverage off another person’s Life Capital - as in borrowing, the greater your Life Capital, the greater your ability to leverage off others’ Life Career capital because of your greater ability to reciprocate.

**3.2 Some habits minimise your ability to leverage off others’ Life Capital**

It can be easy to underestimate the potential from leveraging off others’ Life Capital. If you do, you are likely to suffer recurrent opportunity loss because of your failure to participate strategically in life-enriching conversations.

Other habits that may minimise your ability to leverage off others’ Life Capital include always being in a rush, not listening or not having an open mind. Your ultimate loss of Life Capital from such habits can be vast if not detected or if no effort is made to change them.

You are regularly presented with a conflict between efficiency and opportunities for engagement. Your response to this conflict can materially impact the opportunities you enjoy. A few examples demonstrate this point in practice:

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### *Issuing an invitation*

The simple invitation ‘Would you like to come to our box at the football on Saturday as my guest?’ presumably merits a simple answer. It can be achieved in a few seconds or minutes through personal assistants, a letter or a brief email or text or through your firm’s very efficient marketing department. Alternatively, through the positive engagement of a personal phone call, the conversation may be extended to include more wide-ranging subjects. Some of those subjects you may plan or anticipate; others may arise serendipitously in the ensuing conversation.

If you already know the person well, this maximises the opportunity for some serendipitous outcome from the conversation. If you don’t already know them well, it often helps in developing the relationship, increasing the chance that they will accept the invitation and increasing their awareness of you in the context of the upcoming function.

### *Reporting to the boss*

One of the standard challenges/opportunities for executives is ‘reporting up’ – the effectiveness of the reporting relationship between an executive and their boss. A core part of such a relationship is the frankness of the feedback and encouragement provided by the boss, and the enthusiasm with which the executive responds. This is understandably challenging in some multinationals, separated by oceans and time zones – misunderstandings are easier to fix when you’re only across the corridor!

It is easy to report very effectively and efficiently to a boss about your operations but to fail to really develop your relationship and achieve effective engagement. You can provide most of what your boss needs by email responses or over the phone but if you don’t have regular face-to-face conversation, your relationship is unlikely to develop. By meeting you have greater opportunity to explore more open-ended subjects, thereby developing a better understanding of each other’s expectations and problems and how you can help each other and capitalise on each other’s experience.

### *Arriving for a meeting*

If you always arrive on time for meetings and depart immediately they finish for the next one, you can feel you are fulfilling your commitments well and efficiently. However you may be missing the opportunity for some deeper, different or more personal engagement which might be possible if you arrive five or ten minutes early or stay afterwards for a drink.

### *Calling a friend as part of your job search*

If you’re contacting a friend as part of your search for a new job, you have the choice of a brief but efficient telephone conversation, a brief chat over a cuppa or a fully engaged conversation in which you explore the very many dimensions of your situation and various opportunities. In choosing between those three, head wherever possible for the third. For it to work it involves you taking two important steps. The first and more obvious is preparation. The second, sometimes less obvious, is to recognise that your friend, like you, is delighted if they can be of assistance and is happy to spend whatever time is necessary to canvass the issues. Let them tell you when they’ve run out of time, rather than you saying “I’ve taken up enough of your time already. I’d better let you get back to ....”

## **3.3 Development of your conversational skills**

Your conversation skills are probably underdeveloped and underutilised. In life, major assumptions are made about the development of your skills in listening, talking, questioning, debating, persuading or joking. The education system assumes that you automatically develop these skills from experiences in the home, playground and classroom, in your social life and from the hard knocks of life. You might be ‘getting by’ but you’re probably a long way from really capitalising on the gift of conversation until an event, most likely career-related, prompts you to hone your skills – perhaps it’s a new job in sales, public speaking responsibilities, media training or promotion to management.

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Writers have responded with dozens of effective ‘how to’ books on specific forms of conversation – negotiation, handling tough conversations, conflict resolution, networking, job seeking, selling, storytelling ... Nevertheless, most people, even those who spend a high percentage of their time sharing some form of verbal exchange, don’t recognise the highly leveraged role of conversations. They remain unaware of opportunities they never saw coming, and continue that way until someone with a less impressive or less relevant CV gets a job or opportunity they were sure had their name on it.

### Part Four: Building your Life Capital is your responsibility.

In the introduction to *Investing in Your Life*, I relate the story of Bono, the U2 frontman and campaigner for third world equality. His life epitomises the building and application of Life Capital and conversations have been important catalysts for him to do so. Bono spots opportunities and capitalises on them. He builds relationships across many fields. He understands his own strengths and weaknesses. He asks big questions and looks for big answers – with an open mind and a capacity for learning. I could equally have chosen a politician like Barack Obama, an entrepreneur like Richard Branson or an investment banker like James Wolfensohn.

You might rightly say that you aren't Bono, Obama, Branson or Wolfensohn. You aren't, but the Life Capital approach can work for you just as it works for them. Knowing that I can't match Warren Buffett's investment performance doesn't discourage me from learning from him and applying his investment principles to the best of my ability.

Most importantly, responsibility for your career doesn't lie with your employer; responsibility for your retirement savings doesn't lie with your employer's pension fund; responsibility for your health and fitness doesn't lie with your doctor or your personal trainer. It's all in your court, as is the decision to grow and develop your Life Capital and to embark on any necessary behavioural changes.

In taking responsibility for your life, you can be empowered by:

- **Your individuality:** you can cherry-pick from my or others' approaches whatever you find valuable and consistent with your preferences, dreams, goals, interests or profession.
- **Your interdependence with others and the power of reciprocity:** for simplicity, my focus is on *your* life opportunities and the building of *your* Life Capital. However, life and conversations are not one-way streets. Your life is enriched by the myriad people who contribute to it on a daily basis. You have many opportunities to talk with family, friends and colleagues about their interests, opportunities and challenges, and to introduce them to others. Anything you can do that may help them to enhance their lives may enhance your own. Firstly, if you help them, they are more likely to want to help you. Secondly, if you help them and their Life Capital grows as a consequence, they will be better placed to help you. Finally, working through others' challenges can be valuable in anticipating or solving some of your own.
- **Your relief that Life Capital is not an exact science:** nor does it need to be. You won't need a calculator or complex formulae to spot the big opportunities.
- **Taking a longer-term view** so that you don't feel you have to do and achieve everything in the short term. If you build your expectations of or for yourself too high in the short term, you're likely to place unreasonable pressure on yourself and to disappoint both yourself and those who share your expectations. As Australia's first female Governor-General Quentin Bryce often says to young women: *You can have it all, but not all at the same time.*

## **Part Five: Identifying and changing limiting behaviours is an important investment in your Life Capital**

### **5.1 The annuity impact of limiting behaviours**

We all have behaviours which limit our ability to build some aspects of our Life Capital. Thinking solely in a career context, these could range from a reticence to negotiate on our own behalf, to poor listening habits or a closed mind, to an inability to manage our own time and energy with the consequence that we are always in a rush and running late for commitments. In a life context it may be our inability to say “no” at work and therefore the consequent imbalance between our work, pleasure and family time. Alternatively it may be our general pessimism or our unwillingness to experiment or depart from our comfort zones.

The significance of our limiting behaviours is that, unless changed, they have an annuity impact in limiting the growth of our Life Capital. Hence the rewards from changing such behaviours can be substantial. The rewards need to be stacked up against the investment required to achieve and sustain the behavioural change and the probability of success in doing so.

### **5.2 The odds seem stacked against behavioural change**

You would think that a big prize (for example, an annuity of benefits) would be a sufficient incentive to drive and sustain behavioural change. Not necessarily so. Even your own life, the biggest prize you can possibly envisage, is apparently not enough to overcome some behaviours.

In 2004 Dr Edward Miller, dean of John Hopkins University medical school, reported that 600,000 people had heart bypass surgery in the US each year, and of these, 90 per cent had not succeeded in changing their lifestyle two years later. What bigger incentive to change could there be? These alarming figures reflect the efforts of doctors to motivate patients with ‘fear of death’. It works for a few weeks but then mortality becomes too frightening an idea, so their denial returns and they fall back into their old ways.<sup>ii</sup>

Success rates with behavioural change are inevitably low when people tackle the wrong problem; for example, tackling the symptom rather than the cause:

- if you spend to counter depression, you are unlikely to curb your spending habits if you don’t address the cause of your depression
- if you drink to relieve stress, you are unlikely to change your drinking habits if you don’t seriously focus on the problem causing you stress (for example, your excessive workload).

### **5.3 Restacking the odds in your favour**

Although the odds seem to be stacked against behavioural change, there is cause for optimism as there are many ways to improve your chances.

It can be rewarding to start with those high return opportunities where your chances of success are greatest. For example, you are more likely to succeed in adding or improving a behaviour (an easier challenge) than in changing a behaviour (much harder).

However, even with major behavioural change your odds of success in sustaining the change are enhanced if you:

- stop to understand yourself and the best ways you learn
- don’t expect to achieve lasting success overnight



## **Your Life Capital**

- get help so you don't have to do it all on your own
- find a good role model
- make a public commitment (eg to your partner or to friends or colleagues while accepting inner responsibility)
- draw a clear line (eg no cigarettes rather than no more than 5 per day)
- make binding decisions in advance (eg ordering a lunch consistent with your diet the day before rather than leaving the decision to the moment before lunch when your temptation and weakness are heightened).

If you can take such steps to maximise the probability of success in behavioural change, you are more likely to make the investment and also more likely to succeed and get the rewards which come with that success.

## **Conclusion**

Adopting an investor's approach to your human capital and your social capital, may materially change your approach to everyday life, including, for example:

- your view of conversations and the opportunities which may arise from them;
- your view of relationships and networks and your investment in them;
- your approach to keeping others (especially your champions) informed regarding your aspirations or your professional services;
- your view of your colleagues and your investment in their development, including your approach to performance reviews and other feedback;
- your allocation of your time and energy, especially your allocation of time to thinking (both reflection and planning; both about yourself and about others);
- your capacity for dealing with things once, fully and promptly, rather than procrastinating;
- your commitment to understanding yourself, your awareness of your own potential and hence your commitment to behavioural change; or
- your approach to learning, decision-making, taking risks and experimentation.

Many of these will affect the way you balance some of the competing forces in your life – efficiency in conversations versus engagement; reflection versus action; speaking versus listening; inquiry versus advocacy; work versus leisure and family; judging others versus keeping an open mind; taking risks versus staying in comfort zones; strategy versus spontaneity and serendipity.....

Good luck on the journey.

## **Acknowledgement**

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## APPENDIX A – SOME LIFE ASSETS

### A1 - Life assets regardless of your interests or career

#### *Social assets*

- the family and community into which you are born
- an enriching family and social life

#### *Human assets*

##### *Spiritual assets*

- understanding what makes your life meaningful at the deepest level, your personal mission
- your experiences and learning as you search for and think through the ultimate meaning and motivation in your life

##### *Physical assets*

- health (physical and mental) and fitness
- work/life balance and feeling good
- energy levels, including the ability to have a restful night's sleep, to handle stress, to relax and to concentrate

##### *Intellectual assets*

- being observant or inquisitive
- a good memory (including for names)

##### *Intellectual and emotional assets*

- a sense of humour – the ability to have a laugh and tell a joke
- experience, self-knowledge and self-awareness
- clarity of direction and focus
- the ability to recognise opportunity and to make decisions
- communication ability – to listen and to talk
- the independence of judgement needed to say “no” – even to those in authority
- the ability to ask for feedback effectively

##### *Emotional assets*

- self-awareness and empathy
- self-belief and self-reliance
- the ability to absorb, even to welcome or seek, constructive criticism
- the ability to move on and not overemphasise bad events
- (last but far from least) the ability to bounce back from adversity – resilience and the related trait of optimism

### A2 - Other career assets which might be more selectively relevant to an individual's specific interests or careers:

#### *Social assets*

- your personal contacts/networks/relationships/colleagues/partners/champions – the people you choose to surround yourself with
- your human information channels
- your reputation and brand
- your Circle of Influence
- deal or opportunity flow and client introductions
- having a coach or mentor you can work with
- having a good tax advisor

#### *Financial assets*

## Your Life Capital

### ***Human assets***

#### *Intellectual assets*

- your technical and professional qualifications
- ideas generation capacity and intellectual property
- your ability to talk or work across multiple disciplines
- ability to manage a large amount of assets or businesses

#### *Intellectual and emotional assets*

- your current job and previous experience
- knowledge and competence in your immediate work environment
- objectivity and judgement
- ability to identify good people
- ability to lead and manage large numbers of people
- ability to deal with ambiguity, uncertainty and contradiction

#### *Emotional assets*

- a worldly mind-set and the ability to adapt

#### *Physical assets*

- ability to move around freely and internationally to follow opportunity
- the ability to handle an arduous travel schedule or to handle stress (without becoming ineffective or unbearable)
- and, if you've got them, good looks! According to Robert Cialdini, "Research has shown that we automatically assign to good-looking people such favourable traits as talent, kindness, honesty, and intelligence. Furthermore, we make these judgements without being aware that physical attractiveness plays a role in the process....attractive people are more likely to obtain help when in need and are more persuasive in changing the opinions of an audience."<sup>iii</sup>

#### *Cultural assets*

- your artistic preferences
- your mastery and use of your language
- your grasp of grammar, spelling and self-expression
- your manners
- your qualifications

#### *Symbolic assets*

- your reputation, prestige and honour
- your right to be listened to

## APPENDIX B – TABLE OF WEALTH INSERTS

The Wealth Inserts illuminate the following opportunities for building your Life Capital:

### *Frameworks for understanding your own situation*

- Accepting responsibility for your own investment strategy
- Asking yourself what type of opportunity you've got
- S-curves and stall points

### *Your flow of opportunities*

- The power of leverage
- Leveraged conversation
- The value of options
- Qualified deal flow

### *Answering the question “Is this a significant opportunity?”*

- The power of compound growth
- The value of an annuity
- Charlie Munger's “latticework of mental models”
- Opportunity loss
- Anything of the form  $(A = B \text{ minus } C)$  is a special opportunity
- Turning losers into winners
- Contested takeover bids bring bigger premiums
- Expected value

### *Maximising your probability of success*

- The circle of competence
- Benjamin Graham's “margin of safety” concept
- Thorough analysis distinguishes investment from speculation
- Diversification to spread risk
- Put all your eggs in one basket only if you control it
- Phillip Fisher's “scuttlebutt” and the business grapevine

### *Maximising the size of success*

- Warren Buffett's “If you were only allowed 20 investments in your lifetime”
- Up the ante when the pricing or odds are favourable
- Loss aversion - you can go broke taking profits
- Investors who seek higher returns must accept more risk
- Taleb's strategy for profiting from extreme events
- Peter Lynch's two-minute monologue telling the story

### *Learnings/building confidence*

- Focus on the decision-making process, not the short term outcome
- Benchmarking
- Performance attribution
- Confirmation bias
- Influence – weight of competence and preparation versus weight of money

## APPENDIX C – SUMMARISED SIZINGS OF BENEFITS FROM SELECTED OPPORTUNITIES TO INVEST IN YOUR LIFE CAPITAL

### C1 - Constructive feedback and reporting relationships

#### 1. *Benefits from receiving constructive feedback positively*

- Some one-off performance benefits in the immediate future
- Some recurring performance benefits (*annuity*)
- You get better at receiving and dealing with feedback and consequently you will be given more feedback (virtuous circle - *compounding*)
- Your constructive response is reciprocated by the other person and the relationship grows (virtuous circle - *compounding*)
- With the stronger relationship numerous other aspects of your life become easier or more effective – eg reporting, access to information, access to resources (virtuous circle - *compounding*)
- The other person ultimately becomes one of your champions and introduces opportunities to you (*free options*)
- As you get better at receiving feedback and think more about how feedback is given, you are likely to get better at giving it (virtuous circle - *compounding*) - see 2 below
- Each of the above performance and relationship benefits is potentially applicable to feedback in all of your domains - home, work and leisure - and in all of your major relationships (*multiplicity*).

#### 2. *Benefits from giving feedback constructively*

- For each person you leave the potential of the many virtuous outcomes identified in 1. (options) If, however, you give feedback lazily or destructively you destroy that potential (*opportunity cost*)
- If you are giving feedback to a number of people, the above impacts are in total proportionally bigger (*Multiplicity*)

#### 3. *Benefits from more effective upwards reporting*

An *annuity* for the term of the reporting relationship of the following benefits:

- Better information flow for you and your team
- Better knowledge of and input to strategic issues
- Better access to proper resourcing
- Better capacity to influence outcomes because of better knowledge base
- Greater resilience because of your better understanding of the tough decisions others have to make
- More effective problem-solving
- More constructive feedback (see 1. above)
- Less wasted time and energy, less micromanagement, greater effectiveness, better performance and more satisfaction
- More opportunities for networking and learning (*options*)

If you master how to report upwards effectively then these benefits may also extend to other future reporting relationships

## **C2 - Work/life balance – time - energy**

### ***Benefits from more effective negotiation with others***

May be discussed/presented at the convention session

### ***Negative impacts of an absolutely full diary***

May be discussed/presented at the convention session

## **C3 - Successful behavioural change**

### ***Benefits from increasing the probability of successful behavioural change***

May be presented/discussed at the convention session

### ***Benefits from being able to identify the low-hanging juicy fruit***

May be presented/discussed at the convention session

### ***Benefits from identifying and dealing with a blind spot which is causing serial opportunity cost***

May be discussed/presented at the convention session

## **C4 – Pessimism and flexible optimism**

### ***Negative impacts from pessimism***

- You are less likely to see opportunities or to be shown opportunities or to take on and persist with opportunities – including many of the opportunities identified under other headings in this appendix (*annuity of opportunity loss*)
- Your pessimism will impact on the perspective of others who engage with you and on their desire to team with you (*vicious circle – negative compounding*)

Achieving a change from pessimism to flexible optimism may help you overcome these negative impacts.

## **C5 – Resilience**

### ***Benefits from building resilience***

- Your downside from events which go against you will be reduced (*you avoid an annuity of vicious circles – an annuity of negative compounding*)
- You are more likely to be prepared to take on risks / experiment because the downside for you from a failure has been reduced (*avoid an annuity of opportunity loss*)
- People are more likely to want you on their team if you are more resilient and are more open to pursuing opportunities (*annuity of options*)
- You are less likely to be pessimistic (see C4)

## **C6 – Your circle of competence**

### ***The benefits of widening your circle of competence***

May be presented/discussed at the convention session

## C7 – Your life assets and liabilities

### *The benefits of understanding your life assets and liabilities*

- Understanding when you can best use your assets increases your opportunity set (*annuity of options*) and reduces the risk that you use your strengths inappropriately and they become liabilities (*avoids loss*)
- Knowing your liabilities enhances your ability to work around them (*annuity of avoidance of loss*)
- Knowing where you can improve them or where you can learn from others gives you opportunities to enhance your Life Capital (*annuity of options*) as well as offering a greater chance of converting liabilities to assets
- Realising how you need to invest in your assets to preserve and build them

## C8 – Learning methods

### *The benefits of using your optimum learning methods*

- Your human capital will grow faster
- Your engagement gap will be shorter – you'll be more effective sooner (*leverage*)
- You will know sooner the things you really need to know and not feel you have to be seen to know everything (see C9)
- You will derive more pleasure and be more likely to persist and more likely to succeed and gain more confidence (*virtuous circle – compounding*)
- Others will be more impressed with you and your progress so your relationships will benefit (see also C1)
- You are likely to be a better teacher

## C9 – Thinking you have to be seen to know everything

### *The negative impacts of thinking you have to be seen to know everything*

This may be discussed/presented at the convention session

## C10 – Conversation

### *The benefits of more engaged and leveraged conversation*

- You will identify more opportunities (*annuity of free options*)
- You will have more qualified deals at decision time (*leverage*)
- You will make better decisions because of better information (*higher expected value*)
- Your relationship building will be enhanced (*virtuous circles – compounding*)
- You will learn more (*annuity*)

## C11 - Collaboration

### *The benefits of being an effective collaborator*

- More opportunities come your way (*options*)
- These opportunities are in wider and wider fields and with better and better co-collaborators (*virtuous circle – compounding*)
- Collaboration is easier and more enjoyable (*the investment is less onerous*)
- More success and wider learning from the collaboration
- The leveraged impact on your relationships of under-promising and over-delivering – leading to more potential relationships and more potential champions (*further options*)

## C12 - Decision making

### *The benefits of applying good decision-making techniques*

- You are more likely to take measured risks so you will capitalise on more opportunities. Your probability of success is also higher (*These compound to produce a significantly higher expected value of the outcome*)
- Your decision-making will be respected by others and this may help build relationships (*options*)

You will enjoy an annuity of the above benefits

## C13 - Benchmarking

### *The benefits of benchmarking*

- You have a measure of the size of change which is possible
- You see more objectively what is possible and what may not be, helping you set your goals more realistically
- Seeing the size of the potential change gives you energy for improvement
- You will have a better understanding of where and why you fell short this time (performance attribution) so your learning will be accelerated.

These are potential benefits each time you apply sound benchmarking.

## C14 – Not dealing with issues

### *The negative impacts of failure to deal with a significant medical discomfort (eg persistent neck problems or headaches)*

This may be presented/discussed at the convention session.

## ENDNOTES

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<sup>i</sup> Foreword to Susan Scott's *Fierce Conversations: Achieving Success at Work and in Life, One Conversation at a Time*, 2002.

<sup>ii</sup> Alan Deutschman, 'Change or Die', in *Fast Company*, Issue 94, May 2005, p. 53ff.

<sup>iii</sup> Robert Cialdini *Influence* p. 171.