

# Top 10 things they won't teach you in college

Einstein story.

We'll discuss what it takes for a successful career in finance...career-related lessons they won't teach you in school...lessons I learned over my 20+ years, not in college. We'll cover some of the best advice I received after I graduated, some of the biggest mistakes I've made. Etc.

- Most of this are things I can say now that I'm looking backwards. Didn't know any of them looking forwards. And most BlackRock rookies don't know any of them either, so perhaps you don't.

But first context.

- UCSD decision...didn't come because of quality of school, department. Rather quality of beaches and palm trees.
  - First year at beach (OB was my favorite). Wife marvels at photos with blond hair.
- Univ of AZ
  - Parts were great...freedom and fences story. No boss.
  - Did ok, had a paper that was ranked in top 100 most cited papers in all of the social sciences...ever.
  - But a couple of problems eventually arose...(a) found my own research boring and (b) students annoyed me. Grad student in doorway story, and realization of need to take break, to spend a year outside of academia applying what I'd learned.
- So went to BlackRock for sabbatical. Now a "recovering academic."
  - Story about \$8b trade, versus positive semidefinite.

How'd this career path work out for me?

- Started as researcher, by the time we announced my retirement the teams under me were responsible for about \$400b in active assets, including everything multi-asset and almost everything systematic/quant.
  - Define multi-asset
  - Define quantitative/systematic... strategies that are run using models, computers and algorithms more than seat-of-pants.
    - Have a hunch, buy a bunch, go to lunch.
    - versus...big data stories...text mine social media in Asia to identify what investor sentiment is, and buy/sell all the stocks with positive/negative sentiment.
  - On various management committees...BLK's global OpCo and Global Exec Committee and other committees that I never attended.

So that's me...that's who you're being forced to listen to for the next three or four hours.

## Top 10 things they won't teach you in college

Let's open with two unrelated foundational principles, on which most of the other lessons are built:

**#1: Your career is a three-act play.** Each act has a different purpose. Don't confuse them.

- Act I: Build human capital.
  - The first 10 years of your career is all about building your human capital...your skill set, your network, your knowledge base...ultimately, your *potential* to add value and generate wealth.
- Act II: Build financial capital.
  - It's not until your second decade that you should even think about the things that impact your financial capital (wealth). This is the stage where you're adding most value to your employer and getting rewarded for it.
- Act III: Pay it forward

Pay attention to this, because ignoring this is consistently one of biggest mistakes I've seen rookies make...despite my advice, they continue to focus on Act II while they're living in Act I. And many senior people ignore Act III altogether.

What did this look like for me?

- Act I, part 1: Academia...no better way to build human capital.
- Act I, part 2: Then I joined a team at BGI in which I was the low man on the totem pole. This allowed me to ask the stupid questions (like "what's the difference between DB and DC?" or "You mean I'm allowed to ask the sell side researchers about proprietary research?"). Everyone helped me because they all knew I had no relevant industry experience. Building human capital was easy.
- Act II: Built and ran hedge fund, turned it into a HF business, then eventually BLK's GEC and \$400b in assets.
  - Key: Absolutely no way Act II could have happened without the time I put into Act I. If I'd insisted on managing money ("owning risk") in Act I, that's probably all I'd be doing today. Many examples of colleagues like that.
- Act III is still being written.

The second foundational principal:

**#2: No such thing as a disposable relationship. Value of relationships.**

- Fired Malcolm. I'll never be on his Christmas card list, but...
- RBG: "Only reason I'd quit is if I had to report to this guy in Australia." Tough relationship. Cancel most Thursday meetings. Changed when we were forced to work closely together during a market crisis. Became great colleagues, and I owe much of my success to him. Close friends to this day.
- While talking about relationships, a corollary: RJB: If everyone you work with is an idiot, you're the only common factor.

Much of the following advice builds on these two basic principles...could even be considered corollaries to these foundational principles.

### #3: Importance of hair color.

Surfing, Hawaii emergency room...attending physician looked your age, had all kinds of fancy degrees all over his wall. Gladly trade all them in for one grey hair. Why?

- Best education (even UCSD) won't teach as much as old-fashioned experience. Remember when I first learned this...hotshot Engle/Granger trained econometrician... German market return...couldn't believe how naive his advice was, this guy was supposed to be smart!! So I blew him off and threw my years of Nobel-level high-powered econometrics at it...
- Asked him how he knew. "Ken, I've been doing this for 30 years. Very few questions I haven't already examined."

Lesson: You want to build your human capital, look for a mentor with grey hair.

- In other words, pick the professor, not the class. I picked Rob Engle (who went on to win Nobel Prize) and Richard Grinold (who went on to win James Vertin Award).
- Think about the classes you learned most from. The professor, not the topic of the class, was the primary determinant of how much you learned. Same at work. So ask
  - How much will you learn?
  - Who's going to teach you?
  - Is s/he respected by peers?
  - Is s/he accessible?
- Act III people have grey hair. Act I people don't. So your next coffee should be based on hair color, not on friendships.

Speaking of coffee, this leads us to the second tip to building human capital:

### #4: Importance of caffeination. (i.e., build your network)

- Perhaps one of the biggest mistakes of my career, one I didn't even realize until after I'd retired. I'd built a great internal network, but a weak external network.
- Internal network: Networks *and not the chain of command* are how things happen in corporate life. Hence the need to build it.
  - Examples: Dennis leaning on SAE for investment process upgrades and data science insights. Working with technology partners to get them to focus on our PM systems. Working with legal to get them to open up a new fund.
  - How? Caffeination. Have coffee/lunch every day with someone different.
- External network: Here I failed. Luckily, I spent my career at one firm so didn't need to rely on an external network for any career-related support (like a new job).
  - Reasons for external network: In case you decide you need a different job; makes recruiting easier; learning from others makes you better.

**#5: How to pick your first job.** Direct corollary of the above principles: Your first job(s) are all about making the most of Act I. Therefore, pick the job in which you'll build the most human capital.

- Common mistakes graduates make:
  - #1 select it based on how much it pays (no link to human capital development),
  - #2 select job based on the firm ("BlackRock will look good on my resume"),
  - #3 select it because it's a springboard to another job.
  - To summarize, like I said before, biggest mistake many make is to focus on Act II while living in Act I.
- Instead,

- Pick the one you'll enjoy the most because that's where you'll probably learn the most
- Pick the one where you'll be mentored by someone with grey hair (pick the professor, not the class).
- Pick the one where the culture permits coffees, lunches, drinks with people from outside of your immediate team.

While we're talking about my mistakes, what are some others?. What's some advice I wished I'd received?

- Flying BA (2.8m miles on UA, 1.2m on BA)
- Not learning more about the industry. Regulatory issues dominant topic of GEC, I feel lost.
- Not being forceful enough around risk exposures.
- Turkey, World Bank and dissertation story.
- SWC email mistake.

So you've built your network, and you've selected a job that'll build your human capital and you picked the professor not the class. Now what?

**#6: Don't diversify.** Now you go all in.

- You've learned about the benefits of diversification. But that's only a benefit in investing. It's a liability in career management, especially early in your career.
  - No Plan B; grass NOT greener on other side of fence.
- Two stories:
  - Grinold telling me to get off the fence. (best advice I ever received)
  - Even fired someone for this (EBS story...including lunch two weeks later).
- Doesn't matter whether you like your job or not....you go all in. What's this look like?
  - Time with colleagues. Drinks, coffees, lunches. Get to know them.
  - Don't be a nine-to-fiver. Not saying that you sacrifice family time for career, but you do whatever it takes to get the job done. If that means working from home after you've put the kids to bed, that's what you do.
  - Learn...evening classes, CFA, etc.
  - Don't cultivate alternative job opportunities

**#7: A career happens over a lifetime, not over a night.** It happens over three acts, not one.

- Be patient. No career is a monotonic upward-sloping line. They all have disappointments. How you respond is key. Always take the 10-year view...as I look back at this decision in 10 years, what's the right thing to do? It's not always the best short-run decision.
- Two stories of promotions not granted: WFNIA colleague (myopic view of career) and mine (Campagna).
  - Learn
  - Be curious
  - Gather information
  - Build your network

**#8: Use an alarm**

- Zurich hedge fund conference story.

### #9: Actually, no, you're not that important

- My biggest career regret: Not spending more time with my family when our kids were young. We planned on various ways for this to happen (half-days on Wednesdays; every other Friday off in the summers; two-week vacations; etc.). But invariably, I couldn't take that Friday off because I had too many meetings that would have to be moved, or there was an important meeting that I'd miss, or I just had too much work to do, or....
- As I look back it's clear that my career would have ended up in the same place (managing hundreds of billions of dollars, ExCo position, etc.) if I'd taken those Fridays off earlier in my career. I wasn't that important.
  - Nothing should have been as important as spending a long weekend with my family. I fooled myself into thinking that I was needed at work.
- So my advice is simple: You're going to work long, hard hours no matter what you do. Sacrificing some of those hours to spend with your family is something that you will never regret. Take every other Friday off in the summers. Take two-week vacations. Take half-days when your kids have sporting events. Etc.

#10: How to count. There are only 9 lessons in a 10-lesson speech. Obviously, they didn't teach me to count in college.

## Conclusion

Why are you here? To make money? Or to make a difference? What's important to you? Wealth? Income? Status?

I'll never forget the employee whose goal in life was to own a Ferrari by the time he was 30. Succeeded, but a few months later both the Ferrari and his wife were gone. Wife eventually returned, but the Ferrari never did.

- Story about my dad...that's why I'm here.

Things to work in:

- Favorite story about famous people...RFE at Vancouver airport...Nobel prize buys you very little in the real world.

Lesson #5b: How to find that position? You're about to make one of most important decisions you'll ever make. Should put more effort into your job search than into any class you've ever taken. This means

- Get input from your professors, your parents, your friends and people in the field.
- Attend career fairs to learn about your options.
- Take applications seriously. Show it to your friends before you show it to me.
- Cold-call people from the firms you're applying to.
- Follow up on your applications.
- Take advantage of contacts and network...that's how it's done.

What I look for when hiring and recruiting

1. Passion for finance (books, newspapers, morning TV)
2. Curiosity

3. Success at something...anything. (KPK – judo, water polo, Ph.D.)

NOT: Modeling skills, knowledge of finance, grades received or internships worked at, how much money you made in your personal investments.