LIBERTY AND SOLIDARITY
Living the Vocation to Business

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What are some practical challenges with living the vocation to business?

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A WORK IN PROGRESS
There is a speech that I wish I could give. I wish I could tell you that you can embrace your faith and your work, intertwine the two and everything will go swimmingly. I would, of course, provide some appropriate examples from my life, showing that your faith will not cost you success in business, and add that while your colleagues may not always share your faith, they will respect the depth of conviction with which you hold it.

And, as uplifting as this would be, it is not exactly true, at least not in my experience. Instead, what I’m going to tell you is a little more complicated. I’m going to tell you that it will be incredibly difficult to bring your faith into your place of work. That you will likely be challenged if your faith entails truth claims. And, if you are in leadership, you will have to openly make the case for what you believe.

But, despite these challenges, because we believe that business is a calling and not a burdensome means to an end, we must try to intertwine our faith and work.

We must try because even though the business world may not embrace us, they need us. They need people of faith, and they increasingly realize it. For, there is a growing sense that business without values does not work. And, in particular, there is a growing sense that finance without values does not work—that financial firms organized around no purpose other than making money over time corrupt themselves and their employees and do not serve society.

THE FIRST HALF OF MY STORY
My own journey in finance began 20 years ago when I took a job at Equinox Partners, a hedge fund in New York City. Equinox was a start-up at the time, and an unprofitable one at that. We didn’t make money for the first six years. But, I stuck it out. I worked my way up to partner and eventually president. Today, we manage $1.5 billion dollars, have great clients and have generated a 16% return for 20 years, during a period when the stock market returned 9%. In short, the business has been a remarkable success.

But, it is the challenges I’ve faced not the success of Equinox Partners that I want to talk about today—specifically, the challenges a Catholic faces leading a partnership of highly talented Christians, Buddhists, Muslims, Jews, Hindus, and atheists in New York City.

And, as interesting as I hope this story proves, I want to admit that managing a religiously plural work place was the last thing I was thinking about when I began my career. When I graduated from college, I wanted to work at a successful hedge fund. I wanted to make money for our clients and for myself and I wanted to move on to a more meaningful activity.
And, as straightforward as this plan was, from the outset, I had a very large and very mundane problem. We were losing money hand over fist shorting the technology bubble of the late 1990s. Happily, once we solved this admittedly serious problem, the other elements necessary for building a successful business fell into place.

And, it wasn’t until 2005 that the next critical path decision presented itself. That was the year we faced a serious ethical dilemma. That was the year that we bought three Internet gambling companies: Gaming VC, Bet on Sports, and UK Betting.

Now, I had been to Vegas. I had gambled. And, to be honest, gambling struck me as one of the least bad things that happens in Vegas. But, when I looked into the business model of these Internet gambling companies, I came to understand that they didn’t target the social gambler. They needed heavy users. In fact, their business model only worked if their users were betting very large amounts of money on a very regular basis. The economics simply did not work with people that played occasionally. So, the whole business model of these companies was oriented towards keeping heavy gamblers gambling and getting light gamblers to become heavy gamblers.

I understood this dynamic and, accordingly, was viscerally opposed to these investments. But, I could not convincingly articulate my opposition in financial terms. Over the weekend, I explained this situation to my wife. My wife in turn distilled the issue for me.

If you know that these firms are intentionally harming people, and if this harm cannot be corrected but is intrinsic to their business, you cannot invest. So, the following week, I marched into work and objected. This objection was met with surprise, and, I was overruled. After all the investment case was compelling. The companies were very cheap. The returns were very high. And, after all we were trying to make money.

Then it happened. Within months of my curious and unsuccessful moral objection to these investments, the CEO of one of these company’s, Bet On Sports, was arrested in transit from the UK to Costa Rica. The company’s stock went to zero. And, one of the other companies stock’s declined 60%. These events were a Godsend. Rarely is one proven so right so quickly in the investment business. These Internet gambling companies were corrupt. They were skirting U.S. law and got caught. The arrest and investigation crystallized the case for avoiding businesses oriented towards unethical activities.

Drawing from this experience, my partner and I agreed not just to avoid investment in gambling companies, but more generally we agreed “not buy businesses that we find ethically objectionable.” In sum, we decided not to check our values at the door.

While I didn’t know it at the time, the incredibly modest statement we agreed upon that excludes maybe 1% of the potential investments out there, set Equinox Partners on a very different path from our peers.

**ASIDE ABOUT FINANCE**

You see, gambling is not just a problem in Vegas. Gambling is a problem in finance, and our unwillingness to invest in gambling companies would truly prefigure the business trajectory of Equinox Partners.

Now, let me explain why the temptation to gamble is so pervasive on Wall Street. There are basically two choices that finance professionals have today.

Their first choice is to insist that all financial transactions make sense. To think them through. To make sure all parties benefit and that a bad acting is discouraged. (This is not the most popular option.)
The second choice is to treat finance like a game. Every financial product has a willing buyer and seller. For the players in the game of finance money equals winning. Those in search of more meaning, argue that by playing this game they are actually making society better off. (This is the more popular option.)

The problem with the game metaphor is that it encourages you to treat your customer like an opponent rather than a person. And it does not require a particularly nuanced understanding of Catholic social teaching to explain that this runs counter to it.

But, there is a second, more worldly problem with reducing the vocation of business to a game. Over time, the idea of work as a game will break apart firms that do business this way.

You see, the relationship that a firm has with its clients tends to be the model relationship that is replicated over and over again throughout the firm's activities. It is like the firm's DNA. It guides all of the relationships in the firm.

Following this logic, if you treat your clients like a means to an end or an opponent, your employees will treat your firm and their job as a means to an end, and the firm will divide against itself and break down over time.

To be clear, this is exactly what has happened at many of our largest financial firms. They are playing against rather than serving their clients and internally divided amongst themselves. More systems, more rules, more technology, are not going to fix this problem. In fact, the number of rules and regulation in finance has increased in tandem with the cultural decline of Wall Street.

While rules and regulations are intended to work against the problematic essence, the DNA, of these firms, they do nothing to change this DNA. In fact, they are actually aggravating the problem by presuming the moral inferiority of financial professionals to their regulators. The predictable result of this process is that finance remains a game, just one with more and more rules.

The estimated 30,000 pages of rules stemming from Dodd Frank should give you a sense of the dynamic to which I'm referring. We're far beyond an attempt to reign in bad actors. Rather, we are knee deep in an attempt to create the perfect systems that will force good behavior without changing the hearts and minds of the financial professional themselves.

And, we are ignoring the reality that for finance to work, we need highly ethical people in finance, more so than most other professions. And, we need to give these professionals freedom to act and to decide. We need to encourage these ethical people to put their values above profit. And, undoubtedly, a very important part of this is going to be a reacceptance of religion in the work place.

If you are in leadership, you will have to openly make the case for what you believe.

RETURN TO THE STORY

Returning to my career, a lot has changed since 2006 at Equinox Partners. We survived the financial crisis, and I became president. While I didn't fully appreciate it at the time, this leadership role has put an enormous incremental focus on my faith. In my case, this increased dramatically after we turned down a client that was a major sponsor of abortion shortly after I became president.

While we didn't turn this client down on religious grounds, my partners understandably wanted to know how my faith was going to affect my work. We were no longer just avoiding unprofitable investments, we were actually sacrificing.

From their perspective… “your faith can't impact my work because that would make this a Christian firm and that's not acceptable to us.” In essence, this is the age-old problem that so many Catholics have faced.

From my perspective, I couldn't say that my faith doesn't affect my work. I knew that I could not wall off part of my life from God.

And, this simple refusal to segregate work and faith has set me on an interesting journey. God has given me an opportunity not to create a Catholic firm, nor a firm of believers…but, to plot out a viable path for a religiously plural financial partnership in New York City.
CONCLUSION
Having been on this journey for the past few years, I’ve come
to a few conclusions. First, the strategy of allowing my faith
to gently permeate my work, a strategy that worked fine as
a co-worker, is not viable for a leader asking others to sacri-
fice. My partners felt like they were being controlled by an
unseen force that was affecting their work.

What were the limits of this force? Was I favoring one in-
vestment over another because of my faith or my analysis?
How could they know?

So, I had to make the case for how what I believed im-
pacted my work. In these conversations, I distilled social
teaching down to the simple idea that people are made in
the image and likeness of God and must be treated with
their God-given dignity.

Having made the case, I then had to show my partners
that I was not going to force them to adopt my position.

That is part of treating them with their God-given dignity.
This means not only making the case in the clear-cut in-
stances, but also making the case when there is ambiguity
and room for judgment.

The decision, for instance, not to invest in a good busi-
ness with objectionable management has been a recurring
theme. Is the objectionable behavior contained, or are we
necessarily the same person at work, at home, with the
clients, with your employees?

In the money management business, these decisions come
up over and over again, giving me an opportunity not just to
make the right choice once but to validate the right choice over
and over again. My hope is that in this process if we are able
to treat others with their God-given dignity and insist on the
same of the companies in which we invest then this way of
thinking will become part of our firm’s DNA. ★
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“It was a great joy for me to share ideas with colleagues already given to our Christian anthropology and to do so in the spirit-centering (and mind-expanding) context of daily prayer and sacrament. I’ve never been party to such fruitful exchanges.”

— LLOYD SANDELANDS, Professor of Management and Organization, Stephen M. Ross School of Business Administration, University of Michigan

“The conference was profound because of so many fundamental shifts in perspective. Amazing quality of speakers.”

— LOUIS KIM, Vice President, Hewlett-Packard

“This is a very important topic of integration of business leadership and faith. It’s always a great joy for me to be around people who are excited about incorporating their love of God into a passionate business world.”

— ANDY LAVALLEE, Founder & CEO, LaVallee’s Bakery