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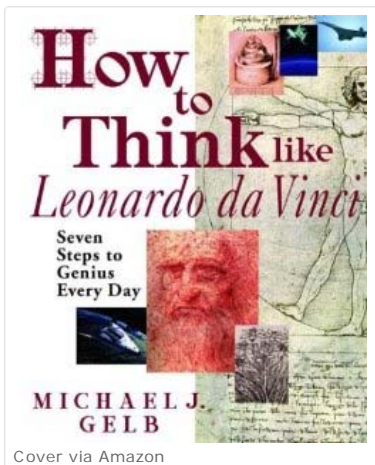
INVESTING

Investing Lessons From Da Vinci And Edison

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posted by **JASON APOLLO VOSS, CFA**

As I discuss in my book *The Intuitive Investor: A Radical Guide for Manifesting Wealth* in my almost two decades as a successful investor I have discovered that the most important investing skill is: understanding information. This is because information is the basis for investment evaluation and investment decisions.



Understanding information well equips investors to recognize when they don't have enough information; to rapidly sift through unimportant information; to see what other investors miss; to more artfully respond to crisis or panic as it affects investments; to properly evaluate the management team of a business to know when it is time to either buy or sell an investment; to uncover hidden risks; and to avoid herd mentality.

In keeping with this important theme I interviewed Michael J. Gelb,

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author of the New York Times Business best seller *How to Think Like Leonardo da Vinci: Seven Steps to Genius Every Day* (Bantam Doubleday Dell, 1998) who specializes in applying lessons from geniuses like Da Vinci to improve our thinking. Hopefully this leads to a greater understanding of information so that we can accomplish great things as investors. Mr. Gelb is also renowned for his seminars and consulting for a number of global investment firms based on his research.

Jason Apollo Voss (JAV): Which of Da Vinci's principles do you feel are important for investors to know about to improve their understanding of information? How may someone apply these principles to make better investment decisions?

Michael J. Gelb (MJG): All of the principles are important. Each one sets the stage for the one that follows and together they form a system for thinking like Leonardo.

The Da Vinci Principles are:

- **Curiosità** – An insatiable quest for knowledge and continuous improvement. The best investors I've met are unrelenting in their questioning about a company's balance sheet, valuation, management, culture and competitive position, among many other things.

JAV: I would definitely agree that the best investors I have known have been insatiably curious. In fact, I have said to many investor groups and brokers whom I've spoken to over the years that to be good at investing you have to be a Renaissance man; knowledgeable about many things, and especially about how things interconnect.

MJG: In the mid 90s, I co-directed a series of 3-week residential Leadership Development programs for the senior leaders of a global investment firm (LGT). The aim of the program was to guide them to become "Uomo Universale" aka Renaissance Men and Women. The program included lessons in poetry with the former Poet Laureate of Great Britain, Ted Hughes and chess/strategy lessons from Grand Master Raymond Keene, along with guidance in *How to Think Like Leonardo* from Yours Truly. I guess it worked because the firm was sold shortly after our programs were completed for a substantial profit.


- **Dimostrazione** – Learning from experience/Independent thinking. Why do we have bubbles followed by crashes, followed by bubbles and crashes? One reason is that too many investors follow the herd rather than thinking independently.

JAV: It seems that human beings are wired in our DNA to be social creatures and to align ourselves to the movements of the group, what are some simple steps we can take to become more independent thinkers?

MJG: Leonardo counseled that we discipline ourselves to consider multiple perspectives, especially those that are in disagreement with our opinions. As he noted: "The greatest delusion men suffer is from their own opinions."

- **Sensazione** – Sharpening the senses. Investors need to pay attention! It's critically important to listen carefully and see what's actually going on around you. Investors need to be sharp (a sensory term-the opposite is 'dull').

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JAV: Would you include instinct and intuition in this category? How did Da Vinci feel about using his instincts and intuition to make better decisions?

MJG: Leonardo believed that sensory awareness and refinement served to nurture intuition. As he stated it: "The five senses are the ministers of the soul."

- **Sfumato** – Managing ambiguity and change. The ability to maintain composure in the face of uncertainty may be the most important quality for a successful investor. When greed dominates prices are high, when fear dominates things go on sale, but to discern what's really going on investors must stay centered and free from greed and fear. Easy to say, hard to do!

JAV: I totally agree. To be a successful investor, you have to gain comfort with uncertainty and change.

- **Arte/Scienza** – Whole-brain thinking. Too many investors use only half their brains. Left-brain investors crunch the numbers and do it all by charts and graphs, Right-brain investors go by feeling but aren't rigorous quantitatively. Whole-brain investors analyze data comprehensively and *then* consult their intuition.

JAV: Well said. In our culture it seems that there is an over-emphasis on analytical thinking, so what are some things that people can do to increase their whole-brain thinking?

MJG: One of the best things people can do is practice Mind-Mapping, the whole-brain idea generation and organization method developed by my good friend Tony Buzan. Mind Mapping engages the left hemisphere through the discipline of selecting relevant key words and the right hemisphere through the use of color, imagery and pattern generation. If you ask Buzan about his inspiration for creating Mind maps he will tell you that he was particularly inspired by studying the notebooks of Leonardo Da Vinci.

- **Corporalità** – Body-mind fitness. Psycho-physical fitness allows investors to manage the stress associated with risk.

JAV: When I was a portfolio manager I found that I *had* to exercise in order to do my best thinking. For one, it was a source of stress-relief, but also often resulted in some of my best ideas as my left brain would relax and allow my right brain some space to do its work. Is that another way to think of corporalità?

MJG: Yes, many people report that they get their best ideas during or just after exercise. And, although the brain is just over 2% of the average persons body weight it utilizes more than 25% of our oxygen intake. Exercise helps to keep your brain oxygenated and the result is clearer thinking.

- **Conessione** – Systems thinking. A great genius like Leonardo makes connections that other people don't see. Leonardo invented the parachute before anyone could fly-That's thinking ahead! This type of thinking is especially important in the investment world.

JAV: How is this different from the whole brain thinking we were talking about before?

MJG: Connessione is the **product** of all the principles for thinking like the Maestro. If you are unrelentingly curious, cultivate independent, rigorous thinking, sharpen your senses, embrace uncertainty, use your whole brain and keep it oxygenated then you are much more likely to discover new connections.

JAV: In your more than three decades of teaching some of the world's largest corporations about applying principles to increase genius, what obstacles to empowered thinking do most people face? How can individual investors overcome these?

MJG: Many people have been conditioned to do the opposite of the Da Vinci principles. Instead of being encouraged to ask challenging questions they just try to get the answer that they think the teacher, professor or boss wants. A recent headline in The Onion proclaimed "LOWEST COMMON DENOMINATOR PLUMMETS." It's funny, but I'm afraid it's true. Education has been geared toward test results rather than independent thinking for the past few decades and the result is that *Dimostrazione* (independent thinking) is rare. And, many people work in environments that dull down the senses. If you are confined to work in a cubicle then it's harder to think out of the box. In the last 30 years the pernicious trend toward short-term thinking has atrophied the ability of many to embrace the uncertainty that inevitably accompanies innovative breakthroughs. Despite lip service to the notion of whole-brain thinking and work-life balance, many folks work in situations that are dominated by half-witted approaches and a disregard for wellness. And, big-picture, systems thinking, remains elusive.

JAV: Well said. In my investment career one of my most important screens for an investment was the way in which management thought about time. That is, where was their mental focus and energy? Was it on long-term wealth creation, or on satisfying the Wall Street consensus for the next quarter's earnings report?

So Michael, if executives have a hard time with this how can folks overcome these obstacles?

MJG: All of my books are devoted to helping people find practical tools that will allow them to embody the principles of genius thinking. Keeping a notebook like Leonardo did and learning to Mind Map, are, for example, powerful means to overcome these obstacles.

JAV: Leonardo was always learning new things. How can investors learn to learn?

MJG: One of the myths about great geniuses is that they don't make mistakes, but, of course, this is nonsense. Leonardo made some doozies-like his faulty attempt to divert the flow of the Arno River for the Florentine government (he caused a flood!) and his experiment to dry the paint for his masterpiece entitled the Battle of Anghiari (he melted it!) but Leonardo always reflects on the lessons learned and used the knowledge to avoid making the same mistake again. And, he was continuously exploring to learn more about everything. So the simple answer is that investors must use mistakes as learning opportunities and continue looking for new opportunities and connections.

JAV: You've also written about Thomas Edison (*Innovate Like Edison*, Penguin 2007). Why Edison?

MJG: Leonardo was probably the most creative person who ever lived but

Thomas Edison is history's greatest practical innovator. Beyond his invention of the phonograph, motion pictures and a system to light the world, Thomas Edison invented the rigorous, disciplined process of innovation. He established the world's first Industrial Research and Development laboratory.

Although Leonardo's principles are profoundly relevant for the development of human potential and organizational creativity the Maestro was concerned with pure truth, beauty and goodness, whereas Edison was more focused on applying creativity to generate wealth. Edison noted, "Anything that won't sell I don't want to invent. Sales are proof of utility and utility is success."

JAV: What are the Edison principles and which ones are most relevant to investors?

MJG: In the case of Edison we (Gelb's co-author is Sarah Miller Caldicott, the great grand-niece of Thomas Edison) refer to "Competencies" rather than principles, and they are all important. Each one sets the stage for the one that follows and together they form a system for innovating like Edison.

Edison's Five Competencies of Innovation™ are:

- **Solution-Centered Mindset.** Investors must maintain a primary focus on solving problems rather than being dragged down by them.

JAV: Can you give an example of a problem Edison encountered where he applied this competency? Then, can you describe a common investor problem where this competency would help a solution to form?

MJG: Edison's investors approached him to question why he hadn't yet generated any results in his quest to invent an effective electric storage battery. Edison replied, "Results. I've gotten lots of results. I know thousands of things that don't work." This response demonstrates Edison's continual focus on finding solutions and learning from things that didn't work. (His optimism in the face of this challenge was so compelling that his investors gave him more money and, eventually, he succeeded, generating huge profits for all involved.) The lesson for individual investors is simple: Avoid getting bogged down by dwelling on your past mistakes, and focus instead on applying the lessons learned.

- **Kaleidoscopic Thinking.** Edison's strategies for generating new ideas and finding powerful business opportunities are especially relevant for investors.

JAV: As an investor I think that the hardest thing is to generate good investment ideas, that is, things worth investigating further in the first place. How did Edison come up with new ideas? Is there any way to utilize these same techniques as an individual trying to improve investment returns to apply these methods?

MJG: Edison said: "If you want to get a good idea, get a lot of ideas!" Open your mind to consider a broad and expansive range of possibilities, then focus in on the most compelling ideas.

JAV: I like that; very simple. Best of all, I think it takes advantage of the right brain's ability to make interconnections, or Connessione in Da Vinci speak.

- **Full-Spectrum Engagement.** This competency focuses on the

ability to manage complexity. A skill that is even more important now than it was in Edison's time.

JAV: Because understanding information, especially complex information, is one of the most difficult things for investors, could you please give us a tip on how Edison managed complexity?

MJG: Edison always sought to find simplicity in the midst of complexity. He believed in Occam's Razor, also known as the "law of economy." This is the principle that guides us to seek the simplest plausible explanation, the one that makes the fewest assumptions. Einstein said "Things should be made as simple as possible, not simpler." Edison honed his instinct for optimal simplicity. In the complicated world of investing this is a valuable instinct to cultivate. For example, if you can't understand what a company does or why it's valuable, don't buy it!

- Master Mind Collaboration. Strategies for leveraging diverse viewpoints.

JAV: You said that each of Edison's competencies are important for investors to apply, but I am unclear how to apply this competency to improve my investment returns. Could you please expound a bit more on this point?

MJG: Edison assembled a team of brilliant people from diverse and complementary backgrounds in order to create his amazing innovations. As an individual investor one of the best things you can do is to create your own Mastermind group of advisors from diverse backgrounds.

JAV: Or perhaps you just confer with your friends or join an investment club.

- Super-Value Creation. The holy grail of investing: how to discern opportunities for value that are outstanding in a competitive marketplace.

JAV: Undoubtedly. The term "super-value" implies a way of measuring value, how did Edison measure value creation? How as investors can we do the same?

MJG: Edison measured value creation through a combination of customer satisfaction and profit. As investors we need reliable formulae for determining when an investment is cheap. A company can be very well run and have a great market position but if it's over-priced then it's not a good value. This assessment must blend quantitative analysis with intuitive awareness.

JAV: You, like me, consider yourself to be a conscious capitalist; something that is both a mindset and a movement. Talk to us about what being a conscious capitalist means to you?

MJG: Corporations are the most powerful force in the world today. If we want a better world, we need better companies. In the course of my career I've aimed to help my clients think positively and creatively about all stakeholders, not just shareholders. Recently, my friend Professor Raj Sisodia released a benchmark book entitled *Firms of Endearment*. Raj, a professor at Bentley Business School, makes a compelling case that organizations that focus on the welfare of their employees, customers, vendors and communities, as well as their shareholders, outperform those who focus exclusively on financial return.

JAV: For me, social consciousness does lead to good long-term investment results. Would you agree?

MJG: Yes. And, it's good to have the research that supports this more altruistic ideal.

[I serve as director of Creativity and Innovation Leadership for the Conscious Capitalism Institute.](#)

JAV: How important do you feel reflection, contemplation and meditation were to Da Vinci's and Edison's successes? Did they have an intentional practice of such things? How important do you feel these modes of consciousness are to ultimate investment success?

MJG: Da Vinci and Edison both took their inspiration from Nature. Leonardo writes poetically about the Earth as a living being and Edison wrote that his purpose was to "bring out the secrets of nature for the happiness of humanity." They didn't sit in the Lotus position and repeat mantras but they were both deeply contemplative. Leonardo stated that "Men of genius sometimes work best when they work least!" Here he is expressing the importance of receptivity and deep relaxation in the process of creation. Edison would go fishing in the middle of a workday at a nearby pond, and he would fish with a baitless hook. Why? Because he was really "fishing" for breakthrough ideas and he knew that relaxation made him more receptive to intuitive insight. These modes of consciousness are critically important to investment success (and success of any kind). The key is to find your own natural rhythm-balancing intense focus and concentrated work with reflection and receptivity.

JAV: What a great answer; I completely agree. Do you feel that Da Vinci and Edison would be investors in financial markets if they were alive today? If not, why not? If so, how do you think that they would go about investing? That is, what would their process look like?

MJG: Leonardo wouldn't bother with investing. He would outsource his portfolio to a good Intuitive Investment Manager. Edison would plow all of his capital into his next business scheme and we'd be scrambling to buy shares!

JAV: How can people learn more about your work?

MJG: www.michaelgelb.com

JAV: I know you do most of your work for Fortune 500 companies. Besides reading your books and listening to your audio programs is there a way that individuals can learn from you directly?

MJG: I will be speaking at a few public events in 2011 including:

5/16-19 Boston: A Keynote at the [Conscious Capitalism Institute Conference at Bentley U.](#)

6/13-17 Brisbane, Australia : A [Keynote and Workshop at Happiness and It's Causes](#)

9/23-5 Las Vegas: A [Keynote and Workshop at The International Coach Federation Global Conference](#)

JAV: Thanks Michael, this has been very valuable. Best of success to you!

MJG: Thank you!

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