



Purpose:

**To build a firm that achieves extraordinary results
by a team committed to sustainable performance
so that all stakeholders, be they clients,
shareholders, or the management team,
can live in freedom, joy, and peace**

NB: Management team refers to everyone working for the firm

*The following is an excerpt from the original paper
that focuses on performance management within a corporate setting*

Performance Management: Building Sustainable Excellence

1. Setting the stage

The first step is to define the key terms so that all involved grasp the intention behind such key terms. A meaningful definition of performance must go beyond the limited few quantitative measures. It must be one that resonates with the purpose of the company.

So, in the context of this paper, **Performance** is:

***Realizing the Purpose
and Achieving the Growing and Evolving Aspirations
of the Stakeholders***

Let us define important terms before we start.

Purpose is:

Why a company exists. Why a team got together. It is a combination of linked aspirations that meet a need far beyond what can be valued with money alone. (*see our purpose statement above*)

Objectives are:

The quantitative and qualitative results - milestones along the way - which the team sets, that will directly result in achieving their performance.

Sustainability is:

To ensure that no event can derail the business or shake the team away from their Purpose. To withstand all possible threats and adverse events requires a rock-solid base that resides above where adverse events and threats occur.



Another question to ponder is this:

**Does money make people,
or
Do people make money?**

I strongly believe that *people* make money. In fact, better said, “*people* create wealth”. Therefore, people are at the center of this discussion and not money.

Many may say “Utopian Hallucination”.

Some will say “A worthy principle to live by”.

Regardless of where you stand, this paper might be worth reading.

If you believe money makes people, that is fine. Many have built firms that achieved their stated objectives with this belief.

If, however, you know that people make the money, and many other things for that matter, you are amongst a few who have attracted teams that achieve extraordinary results, in business and in life.

Imagine

**A company that attracts the right people,
inspires them to commit and contribute,
as if each one of them was the ultimate owner of the business,
creating a culture of seamless collaboration based on trust,
and treats them with respect and care
so that they remain within the company,
doing better and better,
as they learn with experience and time,
until they retire, leaving behind a
succession team
to replicate performance**

2. People - the Right People

The right people are those with the right attitudes to life that have most of the competencies needed to do the job.

The right attitudes come from answering a simple question:

**What is the “Ultimate Reason”
to do what I am doing in the way I am doing it?**

Those who have a quantitative answer such as wealth, competitive advantage, market share, growth rates, ROI, ROE, stock price, or other quantitative measures, are not the right people.



They are not answering the “Ultimate Reason” question. They are describing an important step along the way, confusing a milestone with a destination, without ever pondering whether this milestone may be the wrong one, or whether achieving it regardless of “how” may derail them from reaching the Ultimate Destination even if they do not yet know where or what that destination is.

The right people are those with principles aligned to those of the leadership.

3. Leadership

A founder or co-founders must first agree on a set of key Principles that will drive their behavior under all conditions and regardless of the challenges. For us, these are:

1. People create wealth and a lot more
2. Alignment of interest and of intent is the ultimate form of integrity
3. Respect is ultimately for the human condition not just for skills, wealth, looks or any other attribute that may very well be temporary
4. Status is something to be grateful for, not proud of

If and when the founders agree on these four principles, they will sail smoothly through all waters, be they smooth or rough. Regardless of how and from where the wind blows, they will know exactly how to behave and what to do.

You see, it is easy to know how to act when these principles are ever-present in the foundation of the founders’ psyche. The right solution jumps to the fore when the mind is balanced on aligned principles. There is no confusion.

To clarify, for example, imagine a situation where if we act in a certain way towards an operating partner, we make more money. His mistake allows us to walk away from a deal we struck with him, giving us a financial advantage. We can decide to walk away and make more money or allow him to correct his mistake and we stay on as partners.

If you are driven by competing principles, say by replacing one of the above four principles with “quarterly profit growth” for example. Then the decision is not straightforward. It is legal to exit the relationship with the partner. After all, it was his mistake. While this decision serves one principle it goes against the other three.

If you have nothing contaminating the balance of the four principles, then the decision is clear and easy, and the potential financial benefit from taking advantage of the situation does not come into play at all.

You see, defining your principles, and making sure they do not contradict or contaminate each other, makes any decision easy because it removes all the choices not properly aligned with the principles.

So, decide on your principles and make sure they do not contradict each other.

Whatever your principles may be, whether you focus on principles of universal goodness or principles of quarterly earnings, just make sure all your principles point in the same direction.



So, start by setting your four principles right and all pointing in the same direction.

For us, and it is not about right or wrong, good or bad, they are the ones stated above.

Do we leave money on the table? Sometimes.

Do we have solid and close long-term relationships with all stakeholders? All the time.

Do we get taken advantage of? No.

You see we only deal with stakeholders and operating partners whose principles do not contradict our own. If they do, we make sure the relationship is based on well-defined mutual exchange of value within a defined period of time. Like buying bottled water from the corner store. You should not really care much about the proprietors four principles - get the water and move on. *(there is one exception to this, but it is not relevant to this discussion).*

4. Building the Team:

Based on the four principles, hiring is the most important decision. Do it right, and you do well for the individual being hired, for the team he is joining, and for the culture you are building.

Do it wrong, or carelessly, and you are playing Russian roulette with the new hire's future, the wellbeing of your team, and the future of all stakeholders.

How to hire right is a separate discussion. The main areas to focus on are:

- Conduct structured interviews for the candidate with several team members
- Test his competences and talents
- Find out his "Ultimate Reason", his "Purpose" – where his passion resides

Doing this right means:

- Hiring is a collective decision to be supported by all
- The new team member has the capacity to contribute and evolve, and
- Is a good fit within the culture

How this is done is set out in a separate appendix in the original paper.

5. Inspiring the Team:

That is the ultimate job of a leader if he were to choose only one endeavor to focus on.

You see, competent and passionate people who trust each other and work collaboratively towards a unified purpose will achieve extraordinary results. All a leader needs to do is (a) build such a team, and (b) inspire them continuously.

And (b) is not as straightforward as it may sound.

To inspire people at the individual level, a leader needs to understand the primary needs of people.



A good place to start is Maslow's hierarchy of basic needs. These are:

1. Physical Survival
2. Physical Safety
3. Love & Belonging
4. Self Esteem

and once the first four are met,

5. Self-Fulfilment / Self-Actualization

Leaders must define a Purpose, assemble a skilled team aligned to that purpose, and inspire them by providing their basic needs. Once done, a company's high-performance aspirations will be achieved, sustainability will be provided, and every team member will own the business, and they will not leave.

Why would they? After all it is their home, their future.

To meet Physical Survival and Physical Safety (#1 & #2) needs. Give everyone:

1. Trust
2. Partnership – Long Term – No downsizing (****)
3. Base compensation – to support a decent standard of living
4. A priority that puts their family first

To meet Love & Belonging (#3) needs. Give everyone:

1. Care for their and their family's wellbeing
2. Coaching, nurturing, and development
3. No blame environment, but support to learn and grow
4. An opportunity and a forum to innovate

To meet Self Esteem (#4) needs. Give everyone:

1. Respect. Your time and undivided attention.
2. A path to life-work integration (*)
3. Focus on their strengths (**)
4. Financial rewards to build wealth

To meet Fulfilment / Actualization (#5) needs. Give everyone:

1. Autonomy - A path to evolve professionally and personally
2. A path to a leadership position
3. Freedom beyond the confines of their job
4. Recognition as a key and indispensable member of the team

Is this easy? No.

That is why when you do it, you will have created a firm with a unique edge. One that will operate above the turmoil and risk planes where many remain trapped.

When you build this team, you will not be competing with others. You will operate at your own plane of performance.



You will stop competing and start breaking new grounds of Performance, directly aligned with the Purpose of the company and the team.

(*)

Life-Work Integration:

What does that mean?

It is not Life-Work Balance.

Some days one will work more and on other days one will rest more.

More importantly is how does one feel when he is at rest alone or with family and friends. Stressed and worried about work? Or inspired that things are progressing without him and he cannot wait to get back to be with people who are not co-workers but friends.

Life-Work Integration is therefore not an objective. It is a condition or state of being, a persistent reality, which may inspire you to protect it and wish it for others.

As we do not control the “family and friends” part of life, there is little we can do there. But the least we will do is create a work environment and culture that will not cause stress or agony that impact the time one has with family and friends.

On the contrary, we will care about peoples’ wellbeing to ensure that whatever stress we can eliminate from their lives is removed. For example, this is why we care about the quality and extent of health insurance we provide to our team members and their families. This is why we care about the quality of water they drink and food they eat. It is also why we allocate some time during the work day for healthy down time.

Is that valuable? Yes. How valuable you may ask? More valuable than a stressful life that robs you from the best moments with family and friends and returns you the next morning to work dragging your feet.

(**)

Focus on peoples’ strengths

Do not ask anyone to do what they are not good at. Imagine a football coach that insists to play a defender in a forward position he is not suited for.

He then goes on to give his “employee” some “feedback” (synonymous with giving him negative feedback) because he is not doing the job at the standard expected by the “boss”. Really! He is not? I wonder why?

If a team member does 8 things out of 10 well and fails persistently at 2; stop asking him to improve on the 2 he cannot and will not be able to get right. If the 8 things he does well are important, focus him on those and re-assign the other 2 to someone who does them well.

It is not a battle, and it is not slavery. Align competences and passion to objectives and move on.



6. **Aligning the Team:** Performance Management

Two paths drive results:

Performance: Collective achievement of results - quantitative and qualitative

Contribution: Individual conduct and behaviors that lead to performance

Separate both. Simply put, performance is a collective outcome of individual qualitative contribution.

On Contribution

Demand and expect the best conduct from each and every team member. Make sure that each person understands the conduct expected in every detail. Set high standards of conduct and hold everyone equally accountable to adhering to the firm's Principles.

There should be very low – in fact no – tolerance for misconduct. It is 100% in the hands of each individual. Failure to comply, that is not quickly corrected, should not be tolerated. Individuals who fail to achieve the conduct standards have no place amongst the team. They risk derailing the team from within if they get away with low standards and risk damaging the firm's reputation when seen from the outside.

On Performance

Once conduct is agreed, set objectives for all to contribute towards. These are quantitative results, and some qualitative objectives to ensure the firm is seen in the highest light by all external relations be they clients, regulators, service providers, operating partners, or anyone who comes in contact with the firm. The quantitative targets should be aggressive and high enough to inspire the team, and once achieved give everyone a sense of fulfilment. In a firm where people adhere to aligned Principles and high standards of conduct, the best possible results will be achieved. In some years, the targets will be exceeded, and in other years they may not; however, rest assured that the results achieved will be the best possible for that year.

So, operate at 100% of what you control, conduct; aim high at worthy results, and you will be pleasantly surprised at the firm's performance.

Transparency is key:

1. Openly communicate and agree the qualitative contribution of each person and team;
2. Give continuous individual and team feedback (positive and negative) on an ongoing basis, and coach + mentor to arrive at year-end with no negative feedback;
3. Evaluate both the firm's performance and the people's contribution at year end;
4. Set a unified standard so all know they are being evaluated to the same metrics;
5. After evaluation (#3 above), and before bonus is communicated, ask everyone to evaluate how well the firm has done in performance and collective contribution (***) - Team Feedback. Comparing the team feedback with the two outcomes from point 3 above will shed invaluable light on strengths, weaknesses, risks, and opportunities. Communicate the team feedback and the findings to all and describe what you will do as the leader to focus on strengths, fix weaknesses, mitigate risks, and capture opportunities.



(***)

Team Feedback

The idea is to ask a few simple questions to each individual team member about how the collective is doing. What is done well, what needs to improve, and most importantly, what could derail the team and how to fix it.

This may be done anonymously or not, depending on the level of maturity within the team. After working together for a length of time, it would be natural for everyone to prefer a disclosed feedback.

Once the feedback is received, it is critical for the leadership to have a collective session with all team members where all the findings are discussed and action points to address concerns and shortcomings are mapped out.

I suggest reading the book “The Power Score”. It is where I got the best advice on structuring a team feedback template that is rational and that has practical implications.

(****)

No Downsizing

Because you believe that people create wealth, and that you consider your team members as your most important asset, you will protect them. You will understand that the value in the culture you have built is so high, that you would not lose it under any circumstance. It is what will keep you afloat in tough times and rocket you sky high in good times.

Some management do not grasp or even consider the possibility that you need your team and culture intact, “especially” in bad times. But those are managers in leadership positions who do not get it. They think good times bring in easy money, and bad times necessitate cutting cost, at all cost.

I wish it upon no one to be in that league. Neither as a leader nor as a member of the team. Life has so much more to offer than to allow oneself to remain hostage to where he or she does not, and never will, truly belong.

After thought

The above requires courage, an important quality of leadership. You must have the courage to believe in people and in your ability to lift the fallen (people) and fix the broken (performance), without judgement. You must also have the clarity to part company with anyone who will not rise and by doing so puts everyone at risk.

It is not an easy job, but it is simple once you know what it takes. Leadership is not a destination you get to, but a state that will keep evolving. The more you practice, the better and better you will get.

When the above is put in place, even you will be surprised by what the team can achieve and by the clarity and ease with which everyone operates. You might even see this company as a place where you and your fellow team mates experience freedom, joy, and peace.

Lakemore Partners Ltd.