What's Our Deal?
By David Maister

At a recent conference, I heard a number of successful firm leaders describe how their firms had achieved significant growth and profitability. A common phrase used by each and every one of these firm leaders was "making sure that all the key people were 'on the same page.'"

Clearly, it was important that something was agreed to and shared among the members of these firms. But what? What does "being on the same page" really mean? And how is it done?

A Hierarchy of Concepts

A common collection of integrating concepts might include choosing:

- Purpose / Mission, *then*
- Vision / Direction, *then*
- Values / Principles, *then*
- Culture / Rules of Behavior

An organization that begins with an agreed-upon *purpose* (or *mission*), would be able to communicate externally and internally WHY it is in existence.

This would allow the organization to communicate more easily a *vision* of its future, and hence its *objectives* and *direction*. (WHAT it is trying to achieve.)

It could then, theoretically, derive a set of *values* or *principles* that the firm is going to operate by. (HOW it plans to operate in order to achieve the purpose, the vision and the objectives.)

The set of values and principles would then define the firm's *culture,* the way things are done around here, and hence its *rules of behavior*. (This is more "HOW.")

That's just one approach. Notice that it leaves out the word "strategy" and makes no reference to specific objectives or targets.

Unfortunately, in practice, these various integrating concepts rarely achieve what is hoped for when they are developed, and many people have become (appropriately?) cynical about these concepts.

For example, many more firms have "mission statements" than actually have missions, and it is the rare organization where everyone believes that the officially declared statement of values is strictly adhered to.

Have all of these concepts lost their practical value? Should firms and their leaders still take the time to attempt to build consensus around things like purpose, mission, vision and values? If so, how can it be done in a way that actually has a practical, real-world impact? Where does one begin?

Tempting as it might be, it would be a mistake to abandon *all* uses of these terms. Some mixture of these things is almost certainly needed to:

- create a sense of common, joint enterprise
- define the organization,
- set its boundaries,
- give it a direction, and
- mobilize the organization's members.

If you were a real-world CEO or managing partner trying to lead your organization, where would *you* begin to grapple with these concepts?

Starting with Purpose

Among others, Nikos Mourkogiannis stresses the importance of beginning with "purpose" in his book **Purpose: The Starting Point of Great Companies** (Palgrave Macmillan, 2006.)

Howard Schultz, CEO of Starbucks, has been quoted as saying that "People want to be part of something larger than themselves. They want to be part of something they're really proud of, that they'll fight for, sacrifice for, trust."

Where a clear, believable, palpable purpose exists for the organization, where its reason for existence and what it is trying to achieve is clear, a multitude of business virtues follow almost automatically. Among these are:

- Decision-making can be made easier (at all levels) by being tested against whether or not they advance or inhibit the organization's purpose. Things will happen more smoothly, more efficiently and with fewer false starts.

- The organization can attract energetic, committed employees who believe in and share the purpose (and, what may be equally as beneficial, scare away people who don't want to participate in that purpose)

- Less heavy-handed oversight and management will be required to keep things on track, since everyone will be using the same principles to guide their interactions and decision-making.

Notice what the proponents of "purpose" are saying. The argument is that by (credibly) eliciting commitment to a "cause" *other* than maximizing shareholder value, shareholder value (and other measures of financial performance) will actually increase, not decrease, because people will contribute their extra efforts and dedication.

Purely financial purposes, the argument goes, will fail to elicit this extra energy. "Work hard to maximize the owners' profitability" is not much of a rallying cry if you are not an owner, and may not even be that effective among (for example) the partners/owners themselves in a large partnership, if there are hundreds (or thousands) of them scattered over many distinct departments, numerous service lines, cities, countries and continents.

It's also worth stressing that the practical test of whether having a declared purpose (or mission) helps your organization achieve greater things is not whether the marketplace believes what you claim to stand for, but whether or not *the people inside the organization* truly believe that all decisions are actually made (or should be made) on the basis of that purpose or mission.

Only if *they* believe the purpose or mission is real will you actually elicit the extra levels of energy, commitment, collaboration, dedication and long-term thinking that will produce the superior results.

This is, of course, a researchable, testable proposition. You could survey all of your people, right now, and ask them how well they think your organization is living up to its purpose, mission, vision or values. If they say it is, there's a high probability that you are reaping the commercial benefits. If they

say it is not, (or if you're not sure you want ask or disclose the findings,) you have to question whether, in purely practical terms, you have learned how to make purpose, mission, vision or values work for you.

Achieving a functioning purpose is hard. It is not only a problem of management actually possessing an "ideology" and having the discipline to always act in accordance with it. It requires that the organization attracts (only) those who are prepared to help pursue the organization's purpose, and not keep substituting their own agenda.

As I discussed in my previous article [Are We In This Together?](#) not all people are pre-disposed to enjoy mutually dependent activities designed to build for the future. Mr. Schultz of Starbucks may be right about most people being eager to seek out a cause, but not all people.

I'm not saying building a common purpose cannot happen, nor that it's not immensely powerful where it does exist. I'm merely reporting that it's incredibly scarce. There are relatively few organizations that are *credible* and *convincing* to their people that they won't take advantage of other ("off-purpose") opportunities to advance net shareholder value.

Note that this is not (primarily) a moral or aesthetic point, but a practical one. Contrary to what many leaders seem to believe, there's no point declaring that your organization has purpose or mission if your people don't think you will stick to it – *unwaveringly*.

As one of my clients said recently: "Inconsistency is very demoralizing." Not to mention confusing and unproductive. You cannot get your

people to dedicate themselves to a cause you stick to only occasionally. As one managing partner said: "You can be certain that, as night follows day, that any ambiguity will be construed against you, particularly internally."

And you cannot build an organization committed to a purpose, mission, vision or values if you hire (otherwise exceptional) people who are not susceptible to such appeals and do not share a dedication to achieving them.

Building Commitment

So, if you think that your organization does not (yet) have an energizing, motivating purpose, should you try to take your people through some kind of process to see if they are willing to sign up for one?

Maybe. But let's be practical about what would be required. Whether you are talking about purpose, mission, vision, values, goals, objectives or almost ANY of the traditional concepts that people use, the only practical way to make it real is to do two (simultaneous) things:

(a) stop talking about the future destination, and start thinking about the *rules* you would have to live by in order to get there; and

(b) translate the generalities of the *organization's* purpose, mission, values or principles into what it would mean for *individuals* and confirm that the organization's members are, in fact, prepared to be held accountable and live by those individual rules.

I explored aspects of this in my article [Strategy and the Fat Smoker](#). Saying that you "aim to get fit" doesn't really indicate that you have chosen anything. It certainly doesn't, by itself, persuade

the listener that you are committed to that goal.

However, if you stop talking in the language of *destinations* (goals, targets, purposes, missions and aspirations,) but instead discuss whether you are prepared to accept (strictly-observed) operating rules such as "I will exercise for 30 minutes five times a week and eat no more than XX calories per day", then it becomes both clear and convincing that you are committed to (and will, with high probability) achieve the goal.

We all know that, as a practical matter, it is insufficient to say "We will *try* to exercise for 30 minutes five times a week and eat no more than XX calories per day." In both personal and business life, we know that the minute you allow ambiguity or uncertainty (i.e. loopholes and exceptions) into the statement, the less certain people will be about what you will actually do as a leader, what they are buying into and what they are required to do.

So, to see if your firm is willing to pursue a particular purpose, mission, vision or values, the discussion you must have would be: Are people willing to have all decisions, large and small, judged in accordance with that purpose? Are they willing to be personally and individually accountable for progress toward that purpose, mission, vision, value or principle?

Imagine, for example, a group of partners or firm leaders sitting around discussing their firm's future. Imagine that someone proposes that the firm should commit itself to the purpose or mission of being "the leading firm" in its area.

What would be needed would be an in-depth discussion which explored such

questions as: What might this mean in practical terms? Does this mean that everyone agrees that the firm should only do high-end work and turn away work if it does not command premium fees? If not, what *is* the rule going to be?

Does it mean, as an example, that the firm will only work for chief executives and no-one else in the client organization? Does it mean that the firm will only employ those who are truly superior and will ask the merely competent to leave? If it means *none* of these things, then what, if anything, would it mean to be a "leading firm?"

As a means of discussing people's understanding and commitment to what is being proposed, notice that it often makes propositions a great deal more clear if they are phrased in the negative.

To say "we want to be the leading experts" is not the same thing as saying, for example, "We will not stay in a business that we cannot charge a premium for." Usually, saying what you will NOT do communicates more than what you say you will do.

If you cannot articulate a set of *binding* rules that people will agree to be governed by, then you probably do not have a purpose, mission, vision or values.

As always, this is meant to be a pragmatic point, not a moral or aesthetic one. It used to be said that your culture was what people did when no-one was looking. That's not a bad way of summarizing all this.

If the people in the organization share (and *use*) a common set of decision-rules throughout your organization whenever they are faced with choices, the likelihood that you have an integrated firm with a common purpose, mission,

vision or values is high. If they don't (or won't) accept the same (clear, unambiguous) decision-rules, then you may have a successful firm, but it's not clear that all parts of your firm will be "on the same page."

In my 1997 book, True Professionalism, I wrote that the test of the existence of values in an organization was whether or not it had in place "consequences for non-compliance." I believe that this is still a good test for the operational effectiveness of any of the concepts we are investigating here.

You don't have a purpose or mission (or a set of values) when you declare them. You have such things when you put in place processes that respond to each and every instance when the organization (or individual) fails to adhere to the purpose, the mission, the values or the culture.

Strategy as Journey, Not Destination

What all this reveals is that "doing strategy" is not really about selecting objectives, targets or future states. ("We aim to be the best") That's too imprecise, and too easy to pay lip-service to.

It *doesn't matter* whether you choose to start by discussing purpose, mission, values or culture (or anything else.) Whichever you begin with, it will turn out to be the rules you choose to live by that determine your future, not the targets you aim at.

You must start by asking yourselves - what are we going to be uncompromising about? This will tell the world (inside and outside the organization) who you are, what you are, and what are your vision, mission, purpose and values.

There are a number of other perspectives that shed light on this conclusion. Political science (and history) teaches us that you can determine the very nature of a society by agreeing upon its constitution: establishing the core, inviolable principles and regulations as to how decisions will be made.

By stating, concretely, the rules that would be followed in making decisions and, equally important, the rights and obligations of citizens in the community, the very identity and character (and its future potential) of the society can be determined.

So it is with business organizations. When "doing strategy," it can be difficult, if not impossible, for firm leaders to say definitively what businesses the organization will get into, what services it will offer and in what parts of the globe it will offer its services.

In fact, making and declaring choices in these areas can be politically risky if they do not include, as priority targets, areas of the business that the organization is already in. No-one wants to be identified as being in an "off-priority" part of the business.

However, if firm leaders can propose, and build support for, the decision-making processes and rules (i.e. the constitution) that the firm will follow in all of its decisions, then something both meaningful and powerful can be created.

Another insight into this was provided by Cristian Mitreanu in a fascinating article called Is Strategy a Bad Word? He wrote:

> "What explains the relative failure of most organizations to create effective strategy? Part of the problem ...can

be traced to their interpretation of the word strategy itself...

In war, objectives can often be clearly defined, and so strategy is thought of as a means to a specific end. ....By contrast, goal orientation becomes arguably inappropriate when success has to be indefinitely sustained."

I call this "acting as if there is no final whistle." It means running the organization not to attain particular targets in a particular time frame, but recognizing that, one way or another, the organization will continue into the indefinite future.

It's rather like thinking of an organization as a biological entity or a species. It's not in the choice of *objectives* that a species differentiates and sustains itself, but through its special ways of adapting and responding to shifts in its environment.

Consider also the well-known computer simulation that, by specifying, in advance, some basic parameters (including the rules of reproduction) and then allowing the game of begin, wonderful patterns emerge, and some species flourish while others die out.

The differences between these "species" are not differences in objectives, targets, purpose or mission. The differences which really determine the future are the rules they employ to make their decisions when faced with choices.

A final metaphor may be instructive. In game theory (a branch of mathematics about decision making) the term "strategy" doesn't refer to any particular decision, or group of decisions. Rather, it is a way to go about making decisions. Defined that way, it's a close correlation to the concepts of "values, ideology and principles" embedded in the organization's decision-rules.

Where clear, unambiguous decision-making rules exist, there is the opportunity for a clear rallying cry for people either to buy into or to leave, and it makes delegation of decision-making upwards, downwards and sideways a lot easier. Everyone knows the REAL rules.

Participation

It is a well-established principle that people are more likely to live in accordance with rules that they have played a role in shaping. (I wrote about this process of establishing ground rules for mutual accountability, mutual contribution and shared values in my co-authored book, First among Equals.)

It is also well established that an organization's "rules of engagement" have a tendency over time to be taken for granted. They can fall into neglect not through malice but by being taken for granted. The slow accretion of small decisions and actions, none of them actually seriously wrong, can nevertheless cause an organization to operate in ways contrary to its declared core beliefs, principles and the rules that enshrine them.

Accordingly, even if an organization thinks it has a clear, unequivocal agreement on purpose, mission, vision and values, it is nevertheless a good idea periodically to revisit the organization's rules and trace through what rights and obligations they imply for individuals, top to bottom.

Even for established organizations that are confident that they are "on track", there is tremendous power in giving people the opportunity to discuss whether they still wish to be governed by the rules that define the organization,

and have the chance to affirm (or re-affirm) their "pledge of allegiance" to those rules.

At what level do you try and obtain buy-in to these "rules of engagement?"

It is a common tendency to draw up a set of a "values" or "principles" (or, as I would have it, decision-rules) and present them simultaneously to all of the key players at some annual meeting or specially-convened strategic planning meeting or retreat.

I believe this is a mistake. As noted above, an organization may be worse off, not better off, by pretending to advocate a set of standards it is not actually prepared to live by. And everyone in the organization will be looking "upwards" to see if "those guys" are truly serious before they commit themselves to the cause.

Accordingly, the best process for approaching all of this is to begin with a very small inner circle of top management leaders, who can look each other in the eye and ask: "Are these really the decision-rules *we* are prepared to stick with? If we advocate them, will our people believe that we will keep the faith to adhere to these strategies?"

Only when true commitment has confidently been obtained at that level will it be time to (slowly) roll it out to the next level, making the case as to why the organization should live by the decision-rules, and building the consensus and buy-in necessary.

Only when the top-level is truly committed will it be time to try and convince the junior staff in the organization that the firm is serious. And only *then*, when everyone internally has signed on, will it be time to let the outside world know what the organization is determined to do.

Decision-Making Rules

So what might some possible decision-making, constitution-forming rules be?

Drawing upon a variety of sources (including the best practices among super-successful firms that I identified in my 2001 book Practice What You Preach) here are some suggestions for firms to consider.

- All decisions will be made on the principle that we put the clients' interest first, the firm's second and the individual's last. We do not accept people who fail to operate in this way.
- We will achieve levels of client satisfaction that result in client referrals becoming our main source of new business.
- We will have no room for individualists - those who put their personal agenda ahead of the interests of their team.
- Reward systems will be driven by a judgmental assessment of overall contribution to the success of the firm, not on short-term individual performance.
- Everyone will be required, not just encouraged, to learn and develop new skills. The organization has an obligation to help each individual achieve this.
- Each year, we will invest a significant amount of time in things that will pay off in the future.
- Those in managerial roles will be selected, evaluated and remunerated primarily on the success of their group, rather than their individual performance.

- Individually and collectively, we will operate with a "stewardship" mentality toward our junior people, accepting the obligation to coach, mentor and develop those who report to us.
- We will not tolerate abuse of power or position, a lack of respect in dealing with other people at any level in the firm, politicking, individuals who cannot be relied upon to keep their word, or shirking or dumping of responsibility. Only those of the highest honor and integrity will be allowed to retain membership in the firm.

These are, of course, only *possible* decision-making rules. They are not necessarily the best (although a case can be made for their effectiveness in creating organizational success) and they are not the *only* choices a firm could make.

Indeed, my whole point is that different organizations will have different rules that they are prepared to live by, and that, in focusing on them as non-negotiable decision-making rules, firms will better achieve clarity and effectiveness in their operations.

Once the decision-making rules are in place, it should be easier to trace through the "rights and obligations" that members of the organization have: what they agree to sign up for when they join, what they agree to be held accountable for, and what they can reliably expect from the organization (and other individuals in the organization.)

My recommendation is not: Accept the rules offered here. Rather, it is: Figure out which rules you, your management and *all* your people are prepared to accept and never compromise. When you are done, you will know your purpose, your mission, your values and your strategy.

David H. Maister is the author of *Managing the Professional Service Firm* (1993), *True Professionalism* (1997), *The Trusted Advisor* (2000) (coauthor), *Practice What You Preach* (2001), and *First Among Equals* (2002) (coauthor). Prior to launching his global consulting practice in 1985, he served as a professor at Harvard Business School.

TEL: 1-617-262-5968
EMAIL: david@davidmaister.com
WEBSITE: www.davidmaister.com
BLOG: www.davidmaister.com/blog

OTHER RECENT ARTICLES BY DAVID AVAILABLE AT www.davidmaister.com

Selecting A Leader: Do We Know What We Want?
Accountability: Effective Managers Go First

You can automatically receive (at no cost) David's future articles, blog, podcasts and vidoecasts at www.davidmaister.com/subscriptions