What success should be

In the frenzy of the City and Wall Street we have forgotten how to measure success in anything but cash

Omar Kahn

Even the most trusting of souls find their good will challenged by the Las Vegas-style casino antics of far too many players in the global financial markets, with risk ratios that are insane except if you assume perpetually rising markets, and financial bets underwritten by nothing more substantial than gambling fever.

Trust in commercial interactions comes down to the following: I count on you ? you verify expertise, you demonstrate reliability, you develop a relationship with me, and you balance our relative interests professionally.

In other words, I do not feel I am being lied to, manipulated, or having my interests made secondary to your avarice or selfishness.

There is fundamental transparency of the value equation, of the risks and the likely returns, and from where both the risk and returns will likely emanate.

The post-Great Depression ban on investment banks and commercial banks being the same entity, the Glass-Steagall Act, was done away with in the latter part of the Clinton administration, and we are looking at the wreckage and debris of that portentous decision.

What we once learned at such overwhelming cost in the early part of the 20th century, we are forcing ourselves to re-learn painfully and vividly once more early in the 21st century. Or are we - learning, that is?

Today, despite arguments from Paul Volcker, former Fed Chairman, there is no will it seems to build that dam again and break up these activities.

The nostrum is that it was absence of regulation that was the regulation.

And as contentious bills about the nature of such regulation are buried in the bowels of the legislative agenda in the US, new derivatives are being dreamed up, and runaway bonuses are being contemplated again by institutions who are still unrepentant addicts.

Across the pond, a similar cry is going out, hopefully with more receptivity, by Mervyn King, Britain's equivalent of Federal Reserve Chairman, focusing in particular on the too big to fail banks, and sounding the cry to separate investment and commercial banking.

As these battles are waged, how can we regain trust until fundamental issues that led to the meltdown are faced squarely, addressed and decisive corrective action is taken?

Rebuilding trust, as companies as diverse as Johnson & Johnson, Perrier, Merck and others have learnt, comes from full disclosure, corrective action no matter how painful in the short run, and creating a new contract with clients, consumers and society at large.

Accountable

Even if you are not technically to blame, you accept accountability, and you rebuild a new platform for future governance. You do this because you come to now define success in these terms, because social capital has to be replenished.

Towards that end, other questions have to be asked. On that is critical is how are you incentivising?

Plato told us from Ancient Greece that, "What is honoured in a country will be cultivated there."

So if we incentivise people primarily on placing deals, or mortgages, then the longer term sustainability or value-creation of a deal becomes incidental.

The costs to the institution, to society, may be significant.

At the very least, rolling rewards or bonuses that kick in at various milestones of a deal or transaction or project, would get people who place such bets with more sagacity, to be engaged throughout until these initiatives mature and are converted from potential value into real results.

However, in order to significantly rebuild trust, the following and related questions have to be asked: What type of people are we recruiting and what are their motivations?

How much do you have to pay to get people not to care about the potential destructiveness of what they are doing? If such bonuses are now not sustainable, how else will you recruit and retain? Will you look for different skills, motivations and values?

What skills do we most value – number manipulation, or creating relationships, structuring deals that produce value, coaching execution and supporting the achievement of key milestones along the way?

Is trust a "demo" or a non-negotiable? Is violation of trust something that fundamentally removes options we passionately want to retain as an organization or something to manage, rationalize, and spin?

What if we went with, as Paul Kearns has argued, the value motive, and not just the profit motive? What if value to society was something companies were evaluated on?

By value we mean producing the best results, optimising assets competitively and yet with integrity and a measure of sustainability.

Paranoia

What if winning, with all its zero-sum paranoid implications was made secondary as Charles Green has argued, to succeeding?

And what if we defined success in terms of real value: financial results, social impact, maximisation of resources, production of choice for consumers in a free marketplace, tapping the productive value of our talent, producing the best results for our customers. What if "customer success" became an overarching compulsion and drive for credible companies?

If that became true, in terms of our products and services, how we incentivised and rewarded, what we invested in and what we genuinely stood for, we would rebuild trust for sure.

Nothing less will. Nothing less should.

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