Thoughts on High-Performance Endeavours

Perspectives: March 3rd, 2023

In an excellent 2022 interview with CEO **Reed Hastings**, he provides valuable insights into the high-performance culture at **Netflix**.

"Fundamentally we realized that we wanted to work with incredible people, and that's the most stimulating thing, and we're willing to tolerate professional job insecurity to have a chance to be on a high-performance team. So it's a lot like a sports team, that is if everyone around you are great at their position, then the team play is amazing together. That is very satisfying and thrilling. Everything flows from this idea of talent density orientation."

"Let's not have people have golden handcuffs, but rather let's have people love their work and not need any golden handcuffs. We focus on providing an incredible work environment for high performers."

I think many people enjoy watching sport at the highest level because it is a truly high-performance endeavour. In fact, for some people it is closer to an obsession, and they part with quite incredible sums of money to attend a live global sporting event. The *average* official ticket price for the 2023 Super Bowl was US$8,837 / ZAR160,833. Yes, that was *per person*. The *highest* official price for a ticket was US$15,433 / ZAR280,880 - the cost of a small new car.

In all high-performance competitive sports, at the beginning of every season a selection process is applied in order to pick a team from amongst a bunch of available players. If the objective is to be successful, and if success is defined as winning or at the very least being competitive, it surely goes to reason that the best possible coaches and players must be selected to create the best possible team with the best possible chance of achieving success. It is clear that players, coaches, and even teams that do not achieve success do not last long.

So, here comes the pivot...

Private Sector Business is also a high-performance competitive endeavour. Corporate graveyards all around the world are filled with companies from every industry that have gone under over the centuries. Set against this ultra-competitive reality, with such dire consequences of failure [job losses, bankruptcy, the loss of reputational credibility, etc.], at the beginning of every new year many companies seem to choose to go into battle with the exact same line-up of leaders and employees as they had the year before.

This seems at odds with the perspective provided by Reed Hastings. We have long known that in New York and Boston, arguably the world's most ultra-competitive investment industry arenas, it is standard practice for senior investment industry professionals to work on clearly defined fixed term work contracts. As each contract term rolls off, both the employer and the employee gets to take stock and negotiate a new contract, or walk away.

The most successful businesses, those that we will end up owning in our funds for the very long-term, will be the ones who organisationally know and understand that they are operating a high-performance competitive endeavour. They will know and understand that it demands the ongoing selection and retention of only the very best leaders and employees.

As so many of our fellow fund investors and business network are in business themselves, be it as employees, managers, executives, owners, and founders, we would love to hear your take on this - whether you agree or not. Is there perhaps not also something to be said in this world for core values such as loyalty and empathy?

Our work continues...

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