

Programming in Finance II - Managing humans

Matteo Bottacini

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“My definition of a great manager is someone with whom you can make a connection no matter where you sit in the organization chart.”

Michael Lopp

Products and services are the tangible outcomes of a company, the results of a complex environment involving counterparties within and outside the organization. This network involves humans, and so, the way they are managed affects the overall result, furthermore, in an increasingly demanding and competitive global environment this is a key factor.

Michael Lopp said that three different personalities coexist within a manager: the Machine, the Jedi Master and the Dictator. Different tasks required different approaches. Each of these personalities is summarized by a mantra and a superpower. The Machine one is “without a plan there is no hope”, debate is the superpower, and everything is based on rationality. Mechanistic approaches to organization work efficiently only under conditions where machines run well: when there are straightforward tasks to perform, when the environment is stable, when the outcome is the same every time and when precision is a premium. On the other hand, mechanistic approaches may have limitations in terms of bureaucracy, time-spending and difficulty in adapting to changing circumstances leading to poor innovations.

The Jedi Master one is “help me help you” and the nudge is his superpower. Employees are human beings and not rational calculators. People cope everyday with complex situations. A nudge is necessary: a gentle push to direct towards the right choice. To help team members choose the best for themselves and for the organization it’s necessary to learn how to manage human irrationality. Great managers resist the temptation to hire people whose skills are a good match for how a job is already configured; instead, they seek those whose talent will redefine the way the job is done.

The Dictator’s personality is “I’m the one who’s telling you how it is” and his superpower is the mandate. It’s all about performance. Performance leadership goes beyond giving rewards in exchange for work: it motivates his/her co-workers and is a role model that the co-workers try to emulate. It also builds on charisma: the principle that leaders shall inspire the environment, stimulate the co-workers by encouraging creativity and innovation as well as act as a coach and mentor. As Frank Buytendijk said: “Performance has everything to do with passion, motivation, dedication, skills, teamwork. Performance is about People”. The authority will last as long as there is high performance, once this lacks the leadership is lost since no one will be looking up to him/her anymore.

Organization is culture, and managers want a corporate culture that reinforces the strategy and structural design the organization needs to be effective within the environment. Cultural strength refers to the degree of agreement among members of an organization about the importance of specific values, both observable and not. Culture is important to learning and innovation during challenging times, and the right culture can drive high performance. Non-adaptive cultures encourage rigidity and stability. In this sense a good manager is the one who is able to inspire the team with the concept that the whole is more important than each part, that equality and trust are primary values, that leveraging people’s capabilities and commitment is critical to achieve sustainable competitive advantage.

Feedbacks are crucial. They allow managers to communicate what is expected of employees and clarify any misunderstandings about requirements for the job. They allow to assess the contribution of each subordinate to organizational goals and to use corrective actions when employee performance is unsatisfactory or to use rewards when performance is exceptional. Feedbacks sustain or enhance employee motivation and desire for continuous improvement assisting them in career planning and development facilitating mutual problem solving. A Manager should transform from performance appraisal to performance management.

A manager has to understand that compensation is all kinds of returns that employees receive as part of an employment relationship. The difference between a boss and a leader is: the first thinks to know everything the second one is always willing to learn, to listen more rather than talking, to look for solutions and accepting criticism revealing vulnerability rather than defending his/her ego. The leader focuses even on the human perspectives to obtain performance rather than demands for results. This means managing humans.