

KLAR Partners: On building a high-performing team

BY KLAR PARTNERS

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A high-performing team is one which is highly focused on its goals and achieves superior business results. At KLAR, we believe that a truly high-performing team does not perform 30% better than average; we believe it performs three times better. But how do you go about building one? This is a summary of how we at KLAR are striving to do this.

The European private equity market is highly competitive: there is an abundance of capital and prices are at historical highs. The requirements that are placed on a private equity owner have, therefore, increased materially, as an owner needs to be able to make a strong contribution to the value creation of the companies it buys. We thought that this challenge required a next-generation firm that had in-depth sector knowledge, a very strong network of industry executives who could support its portfolio companies and a world-class governance framework to guide their development. Such a private equity firm has to be able to attract and develop the next generation of talent and have the agility to adapt to the ever-changing market.

In January 2020, it was time to establish the aspirations for our firm. We insist that our portfolio companies set themselves big and bold goals, so we held ourselves to the same standard. After lengthy discussions, we decided to keep it simple. We decided that all the blood, sweat and tears required to set up our own firm would only be worthwhile if we could one day see ourselves being the “Best Private Equity Firm in Europe.” For us, that means the best culture, the best people, the best know-how, the best systems and the best incentives, all of which will in turn generate the best returns.

We agree that the “Best Private Equity Firm in Europe” is a bold statement, especially in such a highly competitive industry. We also realise that making daring statements is easy, but that, however, is not the point. The statement was and continues to be an important guide for us in our strategic decision-making, resulting in decisions that will define the firm for a very long time to come.

We use it for decisions like ‘Does this person belong to the best firm...?’, ‘Is this process fit for the best firm...?’ and so forth.

We quickly concluded that, in order to be best, the most important element to get right was culture. Culture eats strategy for breakfast every day of the week. We wanted to create a culture which would make our firm an extremely attractive place to work and also give us a competitive edge in the market. It would need to be well defined, sufficiently easy to communicate and possible to live every day. The culture is what defines our team at KLAR, but it is also what we bring to our portfolio companies. We asked ourselves whether there was a set of behaviours as an owner that would make us a better partner for entrepreneurs and managers and enable our companies to perform at their best. We think there is.

We built our culture at KLAR on the basis of a clear definition of our values, which would in turn lead to these desired behaviours. Our values are:

- Clarity** – Keep it simple and transparent
- Community** – Team’s and society’s interests are aligned
- Curiosity** – Always improve. Interrogate your successes and your failures
- Courage** – Big and bold goals

We also decided that ‘KLAR’, which means clarity in almost all languages in the Northern European countries in which we invest, would be the name of our firm. This also means that, as a firm, we will never lose sight of what we are striving to achieve.

To embed our culture in the organisation, we measure how our employees live our values as part of our annual performance review. Each value has a set of behaviours which is scored by the team and the team’s annual bonuses are set on the basis of demonstrating these behaviours.

We also measure performance and skills in a traditional manner and actively manage performance. That said, high performers who do not live up to our values are

not welcome at our firm, as they destroy the teamwork which is so intrinsic to building a high-performing team.

We also de-emphasise the use of titles at our firm. Instead, we focus on roles within the team. There is always a Team Leader. In the industry, most call team leaders the Responsible Partner. We share economics broadly at the firm to ensure aligned incentives throughout our hierarchy. Hence, the term 'Partner' did not really work for us. To quote a close friend of KLAR, 'The only useful thing about titles at a PE firm is to understand what everyone is getting paid.' We only use titles for the purpose of having a common language around our career progression, as well as for ease of communication with our LPs.

We have an open floor plan at our offices (nowhere to hide), with flexible workspaces (project teams sit together), and no dress code (come as you are). We invite and encourage the entire team to participate in the Investment Committee discussions, as this facilitates and accelerates the growth of our junior team members.

After each project, all our teams engage in a joint assessment of their efforts, these being presented to the broader firm by the Team Leader. Simply structured as 'What did we do well?', 'What did we do less well?' and 'How can we improve?' – In this way, we can avoid repeating mistakes. For a high-performing team to be successful, there also needs to be leadership at all levels. We train our team in basic leadership fundamentals of accountability, communication and authenticity.

There are many definitions of the characteristics which contribute to a high-performing team, but these are, in our view, the most critical:

- **Clear goals:** Specific, measurable and achievable within a defined time period
- **Defined roles and responsibilities:** Clear understanding of what each person must do to support team success
- **Open and clear communication:** Effective communication methods and channels
- **Participative leadership:** Democratic leadership style which involves and engages team members
- **Valued diversity:** Listen to a diversity of viewpoints which leads to better decision-making

While we do not force our KLAR values onto our portfolio companies, we do try to infuse them with the characteristics of a high-performing team via our work with the Board. From experience, when we can build a high-performing team consisting of the Owner, the Board and Management, we see much better results at our companies. We always set big and bold goals for our com-

panies. We believe in clear roles and responsibilities for management, board and owner. A clear goal (big and bold) ensures that everyone is in the same boat and is rowing in the same direction. This generates better results.

We are at the beginning of our journey. We have a lot to live up to and we are excited about the challenges which lie ahead. This short write-up was also a team effort by the KLAR team. A summary of the authors' past achievements is not included in this article because we believe our most important achievements as a team will be in the future.

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KLAR Partners ("KLAR") was founded in 2020 and raised its first fund of €630 million in the middle of the Covid-19 pandemic. The fund is one of the largest European first-time funds raised in the last 10 years, and is by far the largest fund raised during the pandemic. KLAR is focused on investments in companies which operate in business services and high-ROIC industrials within the Nordic, Benelux and DACH regions. The senior team at KLAR has worked together for the past decade.