HOW SPORTS MENTALITY APPLIES TO BUSINESS LIFE

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By: Hans Jørgen Pedersen

Promoter: John Wetherell

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Foreword

I would like to thank Matematikernes Rejselegat for making this capstone possible. Without the scholarship, I wouldn’t be here.

I would like to thank Leif Chr. Mikkelsen and Talent.DK for endless inspiration on the melting pot of art, science, business, and sport, which is the battlefield of where this capstone takes place.

Furthermore, I dedicate this capstone to my love, Pia Kjærulf Jacobsen, who has decided to travel the world with me and support me through this MBA program and its ups and downs.

Hans Jørgen Pedersen

Barcelona, May 2009
Executive Summary

The purpose of this capstone is to search for an answer to the question, ‘what can businesses learn about the management of talent in an environment that constantly demands excellence / winning performance?’

We begin with considerations of the Perception of Life and how this influence change-management processes. On this foundation, we compare sports mentality and business mentality with regard to Talent Programs. This leads to introducing a concept for Excellence, taken from (Collins)¹, which is applicable to businesses but at the same time is carrying a good deal of sports mentality in its philosophical core. Following a critique of Good to Great, we enter the conclusion, ‘yes, businesses can learn from the sports environment, when we are talking about achieving top performance in a competitive environment’.

The main answers, we find are

- a sharper definition of ‘a talent’ would be beneficial
- the management of the workforce with respect to talent development programs can benefit from introduction of a new type of Talent Accounting
- the concept of Excellence, introduced by (Collins), can assist us when changing the perception of life that leads to mediocre company with mediocre employees
- introduction of sports mentality facilitates the application of several primary elements of the Excellence concept
- organizational democracy can throw a spanner in the works, so watch out

The Basic Idea of the Capstone

‘I can imagine a future, where I am hired in a medium-sized company (2-500 people) to develop and implement their talent program. The idea with this capstone is to disclose some of the main knotty problems, I would encounter when I set out to solve that problem. With some luck, I might even find some answers as well.’

—Hans Jørgen Pedersen, April 2009

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Introduction – The Perception of Life

This capstone is an essay form discussion on the research question, ‘what can businesses learn about the management of talent in an environment that constantly demands excellence / winning performance?’

I will begin with a hesitation on the meaning of this question. Yes, I imply that the average business has something to learn about management of talent. In fact, I believe that only very few businesses are conscious about their talent mass and how they approach the management of their talent. And I believe that the majority of businesses, which actually think they are managing their talent, are wrong. My claim is that often they are not actually managing anything, or they do manage what they consider their talent, but it is either not the talent or not all of the talent, they actually manage.

Yes, I know that in theory business is always in an environment that demands excellence. But maybe people tend to seek refuge in safe waters whenever possible. As competition is imperfect as a rule of thumb, the average business has plenty of opportunities to neglect the demand for excellence – and manage to get away with it for longer periods of time. What I am saying here is, it requires conscious actions to place your company in a state of “constantly demanding winning performance” and the temptation to slow down is incredibly high and mounting over time.

Where do I suggest, businesses to look? Sports. It is as simple as that. Playing in front of 98,772 fans every Sunday does something to your attitude. You can’t hide on the pitch; and even if you take as many “lazy Mondays” as you like, you can read the public opinion in the press the day after. Every single time. And worse, your manager is sacked – first publicly and then in real life – if he isn’t capable of “adjusting” your attitude and performance. Now, dear reader, with this picture in mind, turn to face the businesses you’ve encountered. Does the picture fit? And if it did, would you like to work in that company? This is where I am pointing. The average business allows the average employee (managers included) to fall behind with a magnitude that would take you completely out of the game, were you playing soccer.

Theoretical approaches

Human beings are not machines. They work in the context, which means the brains are different, the days are different, and the decisions are different. The good (and difficult) thing about human beings is that they are not doing things following a recipe. The difference between mediocre and outstanding working days is not even a question of adding a gentle “touch” to the recipe, like the two-Michelin-star chef doing things with a basket of supermarket commodities that would turn a homemaker green with jealousy. This is why, the perception of life matters.

In the scientific workings related to organizational behavior, we find a few theories concerning this subject. None of them is of significant importance any more, but on the other hand they are not completely dismissed.
either. In 1960, Douglas McGregor introduced his “Theory X and Theory Y” models in the book ‘The Human Side of Enterprise’². The general idea of McGregor (very shortened) is that people take either extreme: they love work or they hate work. Now, we could spin off various products from this approach, among which we find ‘how to move from one position to the other’, ‘how to manage the two different kinds’, and ‘what is better for a specific task’. But this is not the point right now, I mention this theory because it is heavily connected to the perception of life – that being from Mr. McGregor or from the subjects of his study, the working people. Some people see the glass half-full (and would like to change that), other see the glass half empty (and are afraid of what is about to happen).

At the same time (1959), Frederick Herzberg published another theory that dwells on the extreme-positioning theme, the “Two Factor Theory”³. Herzberg distinguished between Motivational needs⁴, which heighten peoples’ level of satisfaction if addressed, and Hygienic needs⁵, which lowers peoples’ level of satisfaction if not addressed⁶. In this period of management theory development, there existed a preference for Job Enlargement sliding over to Job Enrichment. The former being a question of horizontal job loading (increase number of tasks), while the latter focuses on vertical job loading (increase responsibility and individual growth opportunities). It is on this background, we should view both McGregor’s and Herzberg’s contributions, but the point I would like to make is that even to this day, there is a tendency that company culture slides to one of only two extremes: Either the employees panic if somebody moves their cheese around, or they are thrilled by the new opportunities⁷. And the even more important point is that how we perceive the reality, we live in, is affecting greatly our ability to influence that reality. To cite Sun Tzu: “fight only the battles, you can win”⁸.

**The Fundamentals and The Challenges**

We have looked at some early theories that both are 2-dimensional – black and white, so to say. I propose an alternative to Herzberg that follows the same simple outline, which I call The Fundamentals and The Challenges. ‘The Fundamentals’ is my label for “what is”. They are in opposition to ‘The Challenges’, which is

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² Source: [http://www.12manage.com/methods_mcgregor_theory_X_Y.html](http://www.12manage.com/methods_mcgregor_theory_X_Y.html) (McGregor). The theory can be found in abundance throughout the literature.


⁴ Motivational needs are needs like Achievement, Recognition, Work Itself, Responsibility, Promotion, and Growth. Attending these needs will raise the level of satisfaction.

⁵ Hygienic needs are needs like Pay and Benefits, Company Policy and Administration, Relationships with co-workers, Physical Environment, Supervision, Status, Job Security, and Salary. Not attending these needs will lower the level of satisfaction.

⁶ Further use of Herzberg’s Two Factor Theory in connection to Job Satisfaction is reviewed in (George og Jones pp. 90-91)

⁷ “Who moved my Cheese?” by Spencer Johnson is the story of four characters living in a "Maze" who face unexpected change when they discover their "Cheese" has disappeared. Sniff and Scurry, who are mice, and Hem and Haw, little people the size of mice, each adapt to change in their "Maze" differently. In fact, one doesn’t adapt at all...

⁸ Source: [http://www.yuni.com/library/suntzu.htm](http://www.yuni.com/library/suntzu.htm) (Tzu). Actually, the quote I use is a “popular translation” from the paragraph IV-15, which states: “Thus it is that in war the victorious strategist only seeks battle after the victory has been won, whereas he who is destined to defeat first fights and afterwards looks for victory.”
my label for “what should be”. It is a saying by my former manager back in Denmark that “it is”\(^9\). What he meant was that in a rapid changing world with unclear lines of command and a lot going on in the corridors, you have enough on your hands already. You don’t want to spend time feeling sorry for yourself and questioning the reality, you are living in. If you simply accept the reality as it is – and then spend your energy figuring out how to deal with it – you are a lot better off. Knowing the Fundamentals and being relaxed about them, is the foundation of any strategic effort. Bend the knees, settle the feet, focus on the task at hand. Stop thinking about the 4-inch beam, you are standing on, and the 1-meter drop you know will hurt you, if you fall. With the little imagery from female artistic gymnastics (or the military exercise track, if that is more to your liking), put yourself at ease. The Fundamentals should be clear, and not something to fear – fear evolves from not knowing. So try, try, and try again. With less, and less failure.

The Challenges. Now, this is quite another ballgame. In principle, anybody can be satisfied once accustomed to The Fundamentals – the things you cannot change anyway. But what if you wake up every morning with an urge to change, and a question mark hanging over your head, ‘what is going on here?’ Is settling down and accepting reality the only response to a troubling situation? Of course not. But you shouldn’t enter headlong into a conflict without judging the battleground. In general, I like to think of problems as ‘challenges’. I consider myself in the problem-solving industry, not the finger-pointing industry. I know by now there is a place for both, but for the sake of simplicity, let us just consider every problem ‘a challenge’. What I am talking about here, is the differences between the reality in a business environment and the reality, you would like to experience in that same environment. You choose to make the leap. Either you go for it, or you don’t. But don’t wait for somebody else to change your reality according to your wishes. For nothing else, then feel assured that ‘somebody else’ would change your reality into his or hers own wishes – not yours.

If you decide to go for it, always keep in mind that The Fundamentals are the foundation. You have solved a challenge, once you have aligned your ideal reality to your actual reality. Only then. The beauty of the thing is, Your Challenge is now everybody’s Fundamental, and if you have done your job properly, it’ll stick and be as hard to turn back, as it was hard for you to make the change. However, if you have only done half a job, it’ll slip through your fingers as wet seaweed the moment you turn your back.

This is afflicting the run of a business. You need Change Management to make your people stretch, but very often you just enter a state of constant unease and changes. It is like alpine skiing, once you’re adjusted to running downhill at an angle of +45°, it suddenly becomes “normal”. But you are still going at a high speed and the trees are still solid! You are left with three options. 1) Stay at home (never change, never perform, lose the game eventually). 2) Go skiing until you die (always change for the sake of changes, perform by

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\(^9\) In Danish: “Det er” – in the meaning, “something is existing – deal with it”.

coincidence “when the stars are right”, sometimes win / sometimes loose – it doesn’t really matter). 3) Choosing when to ski (change when you need to, perform at your best, win when you can win).

So far, I have used a two-dimensional explanation model, but maybe this is not sufficient to deal with the complex business environment of today, where the knowledge-worker is of increasing importance. I consider the need for changing an old-fashioned style of focusing on overall group performance into a more contemporary style of focusing on individual worker performance – because I believe that the sum of single improvements will surpass the “overall group performance” by a large margin if done consistently. In the next part of the capstone, I will go more in-depth, but we need to introduce here a concept of excellence that is more suitable to guide us through the change-of-mind that I advocate to be necessary.

The ‘Good to Great concept’ consists of **six primary elements**

- Level 5 Leadership
- First Who … Then What
- Confront the Brutal Facts (Yet Never Lose Faith)
- Hedgehog Concept (Simplicity Within The Three Circles)
- Culture of Discipline
- Technology Accelerators

and as we will realize shortly, applying the mentality of sports to general business life is assisting the implementation of several of these concepts.
We should not forget to compare the different environments on equal terms. A high-performance business team is similar to a high-performance sports team, and a mediocre business team is likewise similar to a mediocre sports team. However, there are clearly differences between Pro Sport careers and Business careers. The first is short-lived; the latter is long lasting. The first involves a high risk (in terms of possibility of failure and abrupt termination of the career) and demands a high gain. The latter is (depending on the industry and the national regulations) without risk of any notion, and equaled by a low gain. The first is demanding quite a lot in terms of commitment, effort, time, self-discipline, and performance management. The latter is mainly demanding your time and ability to evolve. I have come across the point of view that people in business careers cannot rest on their laurels, whereas sports professionals can celebrate a process with a win (and hence relax for a while)\(^\text{10}\). I strongly disagree with this point of view, as I don’t think the difference in demands is between sport and business, but relies more on the nature of the career. Some can afford to relax from time to time – others can’t.

**Dynamics changing**

Now, I can think of a couple of questions to ask. Which dynamics are changing in general Business Life, when the mentality of Pro Sport is applied? Is it overall to the better or worse? For the individual employee? For the organization?

To begin with, let us review the general Business Life.

The vast majority of business people have a background based on working experience more than formal training. If they are working in specialist positions, they are more likely to have gained the skills through slow development in the working environment than on the school-bench. The average business employee is facing two career options: move upwards or stay put. If one choose the move-option, one enters a strong competition and is asked for considerable contributions in the working environment – that might be working long hours, taking on risky/hard assignments, take some years for small change in a beneficial environment, etc. If one chooses to stay put, it is in most industries very hard to screw up. Do the job – and that’s that. You can afford to work by the book and lay back. Of course, an industry-wide recession might turn things a little, but in general, people are not really pressed that hard, if they choose not to enter the career-race.

If I enter the average company as a middle manager with responsibility for establishing a talent program, and I decide to spice it up with some Pro Sport mentality, things are likely to change. There is no more hiding. People will have to get used to being exposed. To exchange positions and jobs, simply to make the effort measurable and learn to respect each other’s contributions. To be put off the team, if they don’t comply with

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\(^{10}\) Source: (Hauge og Jørgensen) [www.berlingske.dk](http://www.berlingske.dk), April 30, 2007, *En anderledes kamp om talentet* (in English: *A different battle for the talent*).
the methods and performance requirements. Working will suddenly be more about setting the right team than about working towards a corner office or a lifelong position. Rewards will suddenly only apply to the last result and will have no correlation with experience, seniority, or skills. It is the everyday application of skills and the contribution in making teammates gain progress through visibly deploying these skills, which is setting the stars apart from the runner-ups. Base people will maintain a base position because they perform as the glue on the team. They are replaceable – and this has to be pointed out frankly, because they will not be fooled anyway – but they’ll have to learn to trust the team. They are not likely to be replaced, because their function is mainly being the glue that kits the team together.

I could probably go on, but I think the point is clear by now. Whether or not it is good or bad for the individual strongly depends on the individual’s ability to change. Some might prosper, some might vanish. There is little doubt, however, when we judge the benefits for the organization. There is no more need to sack people using “the forage harvester”\(^\text{11}\), because the team is build with a purpose. Hence, the alignment of resources and objectives are relatively clearer. Senior management can decide things like “we would like to play in Premier League” and “we would like to win a competition every year for the next 5 years”. However, they cannot make “the coaches” (e.g. operational managers) have magical hands. If operational managers are restricted in “buying” the players needed and are missing the fortune of a “player farm” with homegrowns; the results are not likely to show, and no one is to be blamed. Overall, we get an organization with a healthier mentality that may not reach the stars, but it could eventually. And as we will recognize later, this will prove very important.

I have been going over the *Perception of Life* notion, touching the propensity to view the reality as either one of two extremes (good / bad), and the implication this have on the coherence and forming of teams. I have given a terminology (the Fundamentals / the Challenges) to describe and understand the two onward paths we then have to choose from, wherever in the world we find ourselves. Finally, I have considered some impacts on group dynamics, when the sports mentality of public evaluation of team performance is introduced. Now, I turn towards the “player farm” and the question, ‘How do business and sports develop their personnel?’

\(^\text{11}\) At least in Danish terminology, the forage harvester approach to budget cutting is the simple method of cutting, say, 10% in every department every year, making them work out the details themselves. Growth can only arise from special approval of strategic projects. This is a wonderful description, but I’m not aware of any English language saying that equals it.
Comparison study – Talent Programs

Talent Programs

I begin the comparison study by raising the questions, ‘what is the usual business approach and how does it differ from the sports approach? Who is the target group, what is the purpose, who has the responsibility for Talent Programs and how is it typically structured?’ Still, keep in mind what I took note of on page 10, ‘We should not forget to compare the different environments on equal terms.’

The usual business approach vs. the sports approach

“Talents are the result of an effort.” That seems to be the mantra in the general business life\(^\text{12}\), whether it is an effort done by the employee in achieving a university degree or other craftsmanship diploma, or it is a coordinated training program launched by the company’s HR-department. Sports people do not entirely agree to that\(^\text{13}\). As a coach in various forms of gymnastics, I usually encounter the position that talent is a matter of genes more than anything else is. How you shape the talent dictates the performance and results, but “raw” talent is of little use, if body and mind isn’t shaped to support it. However, you have a considerably easier and faster path to results if you start out with a talent compared to an “average” athlete, hence you can reach further within a time constraint. So, what is talent? I suggest a combination of explanations: It is “initial performance above average”, it is “sustainable performance above average”, it is “ease with learning and adapting new skills”, it is “mind readiness and hunger for improvement in a specific field”, and it is “subconscious knowing and understanding of a specific task”. What is it not? It has nothing to do with wants, or needs. It isn’t experience, training, knowledge, past performance, future goals.

My claim is that every person has a degree of talent for something (even though it might be a “negative” skill like the talent for assassination). Two factors determine the probability that the talent will be used and flourish: ‘What is the market value of the skill in question?’\(^\text{14}\) and ‘How strong is the talent for that particular skill?’. You might be the most talented shoemaker in the world, but if you live in Europe, your skill has little value compared to living in Malaysia. You might be a decent finance worker, but the competition is strong and there are many of your kind around, so faced by the hardship of an ivy-league university you might choose to follow another path in life, as it simply takes too much to get to the top. These are some of the basic mechanisms behind the question, why some talent is developed and some is not. In addition, it sometimes takes rather

\(^{12}\) Well, in my opinion and experience at least. I am painfully aware that it is a major challenge to gain sufficient support of the statement, and since this could fill an entire capstone on its own, I am going to cut it short here.

\(^{13}\) And again, I have to rely on my own experience from the Danish sports environment.

\(^{14}\) This notion is supposed to gather a wide range of equivalent expressions. I could have written “demand”, “usefulness”, “appeal”, “cultural significance”, etc. instead – but this is only a matter of perception of the world we live in. As a mathematician-economist, I choose the microeconomic standard notion of this concept.
radical conditions to engage certain talents (like pick-pocketing or star-rocket building), and then there are everyday tasks that everybody is developing to some extent (like running and cooking).

In sports, we are focused on the simple task: Build and enhance the best team possible. Of course, we are dreamers. Just as the farmers are always complaining about the weather, sports coaches and managers are always wishing they had better players and resources. In the business, I have encountered, the focus is not that simple. If a middle manager is given a larger salary budget, he is most likely to either expand the headcount or raise the salaries for the key workers. The thought that he can now afford to change the current employees into more qualified ones – keeping the headcount static – is hardly ever crossing his mind. Still, that is what a sports manager is doing all the time. Of course, there might be legislation guarding the workforce from such actions and that might act as an excuse (legislation is a Fundamental, all right, and hence not worth pondering about). Another difference is the rules of the game; sports have limitations on the number of players, which forces a coach to choose the best mix within these limits. Businesses hardly ever have limitations on the number of employees; more often, the salary budget imposes the restraints. This might be an explanation of the more loose attitude of the business manager versus the sports coach, but actually this behavior exposes the businesses to diseconomies of scale due to the tendency of growing in numbers instead of growing in individual performance. Group dynamics and workforce psychology imposes a different obstacle, as the team need to have confidence in the manager’s actions and reasoning. Exchanging team members is not that easy – but that is also the case in pro sport and yet the coach somehow manages to overcome this issue. With regard to focus and team building, there is a grave difference in mindset, and it is worth considering.

Target group and purpose

In business, a talent is normally an employee considered having management material. Thus, the talent enters the pool of employee candidate for promotions. Consequently, these talents are offered a place in a training program, enabling them to act as managers. Another reasoning often used is the retaining effect. Once a promising employee is labeled ‘talent’ and join a designated program, he is more likely to stay with the company to get the promised position within 2-3 years. Without the assignment to a designated program, the promising employee is likely to realize his potential on his own, seeking promotion outside the company before the company itself is ready to offer a competitive promotion.

In sports, a talent is normally an athlete considering having a promising future related to actual sports performance and results.

Responsible for Talent Programs, and their structure

It is widely considered an HR-responsibility to structure and launch Talent Programs. I have no statistics to throw light on ‘how widely’, but it is a major battleground for the HR professionals to incorporate this
responsibility. Where this is not the case, responsibility for workplace training is more often left with the operational manager in a decentralized approach, than positioned in another department (with no connection to the other HR tasks). However, when workplace training moves forward to become a Talent Program, the responsibility sometimes moves to higher management levels. Sometimes it even reaches senior management as a strategic program of the organization.

Launching a Talent Program is somewhat expensive and sophisticated. It goes beyond the basic needs of a business, but it serves several purposes:

- when there are not enough trained people in the work pool
- when you can benefit from shaping the people
- when the switching costs of your own people is high

The basic needs of a business are to hire qualified personnel and then eventually developing them by means of training. Needs arise from three levels: Company needs (transmission of cultural values, sensitivity and change in attitude), Department needs (projects, new technologies/projects, general deficits or shortages), and Individual needs (individual deficits or shortages, individual demands). Once, these needs are identified by the HR-responsible, he or she (or “they”, if they are lucky) sets up a training plan, develops the adequate programs, and performs evaluation afterwards. This circle goes round and round, as long as the company recognizes a benefit from the activity, but it is often one of the first things to go in a budget cutting negotiation\textsuperscript{15}.

One of the key pieces of information I received during the HR-course here at EUB, is regarding the difficulties of getting existing employees to collaborate with the HR-department on its training program. It is seldom favorable to use teaching methods where the instructor transmits content. Adults react negatively to Teaching, whereas Learning (participants receives and assimilates contents) can be accepted, if done in a mutual beneficial way. “Elderly people” may be reluctant to or refuse training, if they feel they are treated like children, and consequently we need to remove all similarities to their perception of schools. This may be the furniture, the equipment, the vocabulary, the perks, etc.\textsuperscript{16} In the context of this capstone, we realize that the business concept of developing skills is enforced from the HR-department, once the employee is hired. There are not that much room for individual initiative, it seems.

So, what is it the HR-department is targeting? ‘Learning experiences that seek a relatively permanent change in people and their performance and behavior at work.’ In common words, the purpose of the average training

\textsuperscript{15} Further discussion on this topic can be found in e.g. (Gómez-Mejía, Balkin and Cardy pp. 245-246).

\textsuperscript{16} A very interesting explanation of why business people seem unable to learn anything without access to fresh fruit and huge lunch buffets...
program is improvements of ‘what one knows, what one knows how to do, and what one wants to do’. Among the more sophisticated and successful in-house methods for learning is ‘Coaching’, where the coach helps the coached to discover weak points and remove them, and ‘Mentoring’, where the mentor helps the mentee by widening the perspective and line-of-thought. However, the common approach (which is more cost-efficient) is to give group education in specific and delimited subjects.

Once an organization decides to upgrade the “standard” training programs to a dedicated Talent Program, several things happen. As I have briefly mentioned in the previous section, Talent Programs are often synonymous with targeting the development of managerial skills – not professional skills. As such, the typical Talent Program is not taking over the training programs (well, maybe the ones concerned with developing the managerial skills). The implication is severe: Suddenly, the company operates two parallel educational programs with separate sponsors and beneficiaries. A lot of alignment and cooperation goes down the drain at this point. Professional development becomes a low-class, low-cost solution maintained by internal education and maybe short external courses if one is lucky. Managerial development grows into a high-class, high-cost flagship strategy, using corporate resources in external environments and highly skilled consultants as teachers. Used as “the carrot” for young executive aspirants, the Talent Program gets a quite different flavor in general business life compared to sport. Unfortunately, this change of focus and goal is often undermining the potential benefit of the training, as participants concentrates on other aspect than the pure “assimilation of skills” and improvements of performance.

![Figure 2: Conceptual framework of different approaches to Talent Programs](image-url)

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17 Source: Prof. Gabriel Martinez Deschamps, slideshow 5 “Training and development”. (Deschamps)
What I believe we need to do, to preserve the competitor advantage in the business era of the knowledge-worker that we are entering, is to change the traditional way of thinking employee developing. Instead of moving people from the ranks of professionals to the managerial layer by teaching them managerial skills (which seems to be the prevalent approach), we could take on the sports approach where professionals have their own career path (good football players become great football players – not great coaches). This leaves room for developing the managers’ management skills and support a movement away from having managers acting as specialist workers. I strongly hold the opinion that managers shouldn’t work as first class employees but should focus entirely on producing through other people’s effort – just like the football coach doesn’t play the ball himself; he has 11 players on the pitch to do that. But whether or not the team wins the match is solely depending on the coach’s ability to build and guide a winning team of players.

The idea described in Figure 2: Conceptual framework of different approaches to Talent Programs on page 15 can be found in pioneering companies, although it is certainly not the general approach. As an example, Microsoft is renowned for setting up an alternative career path for their professional workers. Instead of leading every ambitious employee towards the managerial level, Microsoft has established a tier-based career path for the leading professionals as well as the managers; and in 2007, they employed an interactive computer based Talent-evaluation tool to support all employees in optimizing their career paths. This tool, called CareerCompass, is now used in a range of pioneering companies (e.g. UC Berkeley) with the general challenge in common that they are dependent on maintaining and performing in a highly-skilled-knowledge-worker-environment.

“Players are assets – exploit them”

It is a specialty in some sports businesses that players (= the most valuable employees) are treated like assets. In Manchester United PLC, Ltd., and Borussia Dortmund GmbH, the players are accounted as intangible assets, which indicate the common practice. I have not been able to confirm, whether a general guideline in the governing bodies of sport exists. The ideology seems to be that the sports club own the right to exploit a particular player in return of paying salaries, just like a business can own the right to enhance the sales of a product in return of buying/maintaining the brand equity. Hence, players are viewed as intangible assets, even though they are very much “tangible”. The accounting principles are thus; the right to exploit a player is kept in the books as an intangible asset, a durable item subject to linear amortization over the lifetime of the player’s contract with the club. Whereas the actual expenses recognized as connected to the

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18 Source: Silicon.com whitepapers (HR Group Improves Employee Career Development and New-Business Staffing).
19 Source: [http://careercompass.berkeley.edu/careerdev/philosophy.html](http://careercompass.berkeley.edu/careerdev/philosophy.html) (Career Development: Philosophy)
exploitation – salary, bonuses, marketing campaigns, merchandizing, etc. – are kept in the books as normal operating costs and fully subtracted in the net result of the year.

It is an interesting line of thought – could a normal business treat its most valuable employees as assets? It would certainly do something to the general business mentality, and it might prove useful for the businesses to harvest the positive effects of this change in mentality.

Well to begin with, the answer is “no”. It is not allowed to include “the value” of employees in the balance sheet. In general businesses, the expenses connected to acquiring a new employee (even a strategic one like a CEO) are recognized as operating costs (in level with the expenses connected to the exploitation). By this we mean that even though the fact ‘Steve Jobs is CEO in Apple, Inc.’ is estimated to be worth 10-15% of the Apple share value\(^\text{22}\) (and hence ought to be kept in the books as an asset), it is not practice nor legal to list his acquiring expenses (or currently medical expenses) as assets in the books.

How come the answer is “no”, when the markets are trading based on this information? Let us consider for a moment why businesses are doing accounting in the first place. Most importantly today, accounting is required by governments (imposed laws and regulations) and possible investors, both external parties. The business itself, however, is run by managers and owners (i.e. actual investors) – the internal parties – who need the accounting books and reports to gain and maintain an overview of the business, the present state compared to industry norms and earlier performance, as well as identification of business opportunities.

What we realize is that accounting serves two purposes. The business has no power over the external requirements. Whatever the law prescribes, whatever the stock exchanges demands, whatever the banks asks for, the business simply just has to do it. It carries little meaning to fight the external requirements, except perhaps the occasions where the whole reason for the business is to circumvent the external control systems… However, the internal requirements are set by the business itself. It is very common more or less to use the external requirements as guidelines. After all, the business is measured by its value (i.e. the accumulated retained earnings, plus the expected future dividends), which in turn is defined by the external accounting standards. On top of that, businesses tend to have some degree of internal reporting systems (MISs\(^\text{23}\), DSSs\(^\text{24}\), and ESSs\(^\text{25}\)) with the purpose of supporting the day-to-day decision-making as well as the

\(^{22}\) Source: (McCormack) \text{www.businessweek.com}, January 14, 2009, \text{Apple’s Stock: How Big of a ‘Jobs Premium’?}

\(^{23}\) Management Information System, a form of Management Information Systems used by middle managers. It is core reporting on internal data and serve planning, controlling, and decision making at management level. It has very little analytical power and flexibility as it focuses on standard reporting. (Laudon and Laudon)

\(^{24}\) Decision Support System, a form of Management Information Systems used by middle managers. It is more user friendly than MISs and supply the organization with analytical power over internal and external information. (Laudon and Laudon)
long-term strategic plans. Therefore, the solution for the business is simply to adapt the methodology from the soccer industry *within the framework of the internal accounting systems*.

Now, we are ready to consider the pros and cons of doing so.

**Pros**

- It sharpens the pencil, when it comes to hiring and allocating the right employees. What would a “salary cap” do to a department? (Hire one star means settling with a lot of low-quality workers to back him/her up). Think reverse from this example.
- You have improved feeling with the impact of additional training. The value is suddenly measurable.
- Suddenly, the operating expenses for a project are taking the allocation of resources into consideration at a deeper level. Before: only salaries/headcounts were used. Now: expenses for acquirement and maintaining the human resources are added.
- We move overhead expenses to specific line accounts, making price setting and hence decision-making a lot more precise.

**Cons**

- Making the value of any specific employee very clear. Can the other handle it (envy)? Can supervisor hold the gates, when it comes to negotiating salaries and bonuses?
- Is it healthy to spend too much time acting strategically as an employee in order to achieve higher “value”? (Or is this already happening when two star-salesmen are competing for the top prize…)
- Group dynamics may change when members are alerted to differences in values. Of course, this is already the case in terms of salary and bonus differences, but we prick an instability bubble. Is that entirely a wise move? In some companies, this cost may be too high.
- People, who don’t like to have a price label attached to them, might be reluctant to apply for jobs. But what if they are the ones you need? You are reducing your labor pool by this action.

**How To Work With What You Can Afford**

Facing the competition for “best performers” in the industry, can you became Great with only a limited selection of the work pool to choose from? Now, that is a truly interesting question.

Of course, I will begin with another piece of sport imagery. Consider your average competition. Surely, several teams or participants have a change of winning the title – but only one does so. Some blame the judge, some sack the coach and others settle down and face reality. Not everybody can win. That is why it is so much fun to win (and fun to play as well). I don’t think we could sell sport as entertainment to TV viewers, if it was all the
same whatever effort you put into the competition, if we took out any scrap of coincidence, if we removed the emotions. You can buy the stars like Real Madrid or work hard with the young like Ajax Amsterdam, but championships are not won by following a recipe. There are no right and wrong, but there certainly are options and recommendations. There are hardship and shortcuts. And just sometimes, there is incredible injustice.

Well, general business life isn’t that different in this case. It is all about managing limited resources, finding your niche – your Unique Selling Proposition – and optimize your performance given these boundaries. One thing is certain above all: Not every business can get the “best performers” of the industry. Some try, and are having a lot of fun with it, but as usual being number one or two makes sense. If you are third in the competition – quit it. Find something else to do, because you will most probably never make it anyway.

What is this leading to? Well, I intend it to lead into the following discussion. It is a “flavor” to the strategic planning to aim for “the best performers in the industry”, but it should never be considered a stronghold of the plan. Some companies, some CEOs have the skills and visions necessary to actually realize this kind of strategy, but they are of rare existence. The average CEO, manager, or company for that matter has no-way near the ability of attracting and retaining “the best performers in the industry” for an extended period (like 10-15 years). This is the same as concluding it not fit for a strategic plan. It would be like Manchester proclaiming, that they have the money to buy whomever for the next ten years, so they set out to win the Champions League 10 years in a row. Only a slightly insane manager would say so in public, and nobody would believe him anyway. In businesses, this isn’t insane talk. In fact, it happens regularly – both in the press and in reality (consider Microsoft for one thing). That is because the businesses are not winning in a single night. “Size” matters even more than in sports. However, the battle of building your talent base and retaining your key personnel is fought every single night, when your employees return to their husbands and wives and consider the different opportunities and paths in life. And that is a battle you are bound to lose.

The average business need to be better at working with what it can afford. It is not a matter of choice. Legal protection of the workforce is setting restraints on the flexibility, and as the competition gets fierce, at some point the salary for hiring “the best” will exceed the budget. Because not everyone can get him/her.

The implications are radical. If the organization decides to acknowledge this simple fact, there are a few policies to be rewritten. Managers are not allowed to complain any more. The workers they have are the ones with whom they have to perform. Deal with it. The organization is not lowering its targets for that reason. Managers cannot tolerate ‘free riders’ anymore. They are pulling down the star employees and demotivating

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26 Unique Selling Proposition is a marketing term, identifying the unique thing that makes you special, giving your potential customer a clear-cut choice: If you choose not to pick my offer, this is what you won’t get! (Reeves)
the rest of the team. Managers seriously have to build teams and not just groups of people\textsuperscript{27}, and here there are lessons to be learned from sports.

- Never leave anybody behind – the chain is only as strong as the weakest link.
- Build, build, build your team. It never stops. If you are tired of teaching the basics, get another job.
- New employees keep coming, and old employees keep leaving.
- Always look for improvements on how to set the team. Make it a culture that you are not entitled to a position, you have to show your worth every time.
- Never make the fall from the stars too deep! You are not in a killing contest, after all.
- Employees need security so they can sleep at night and can manage risk at work. Give it to them – but don’t be soft and understanding. The team will notice and you are putting their effort down.
- Find the talent in every single employee – and guide him or her in the right direction, even if it is out of your office and they are your key players.
- Be clear about the lost cases. Some people are not meant to do, what they just happen to do. Sack them – but do it nicely, and with a push in a better direction. The team will notice, and feel assured that it will not happen to them or that it isn’t that bad.
- Communicate, communicate, communicate. But never enter arguments on strategic decisions and never reveal information that is critical for future ability to maneuver as a manager. The golden rule is that 95\% of all information can be shared with anybody. The last 5\% with nobody.
- Always back your fellow managers, but make sure you can back them pure hearted. That means debriefing and taking the necessary discussions in the designated forum. Not everybody needs to agree on everything, but you shouldn’t drift away from your fellow managers in terms of values, processes, and performance.

Now, trying to apply these methods can be a bit of a handful. Either it comes natural, or it doesn’t – in which case you will inevitably make mistakes. The prize is on the other hand of equal measure. You stop treating half your working team as “filling”, you stop staring blind at the star employee you don’t have. And you begin enjoying developing the people you have responsibility for. Seeing them prosper is a pleasure. Seeing them leaving for a better position in a competing company is a downer. The point here is, don’t stay in the path of the natural development or you will stop the development all the same. If you can’t afford to keep the best performers, you can still find pride in shaping and developing them. And you are entitled to exploiting them while you have them! That, and that alone, is your reward for keep building, over and over again. Enjoy the fun, while it last.

\textsuperscript{27} We remember from the Management Skills class the lovely distinction between groups and teams: A group is a bunch of people happening to be together. The members will choose to work only for their own benefit. A team is a group whose members have accepted that they need to be together. The members will choose (occasionally) to work to the benefit of the group. (Robbins and Coulter pp. 370-372)
As a concluding remark for this section, I would like to introduce the wonderful piece of terminology, ‘primadonna management’\textsuperscript{28}, which is a relatively new leadership philosophy. It is concerned with the questions addressed, when managers need to handle a working team dominated by people being a combination of highly skilled and specialized, as well as creative. The term’s origin is not known to me, neither is the level of international inspiration or influence. But the Royal Danish Theater with Chief of Opera, Kasper Bech Holten, is the ‘laboratory’ of the parachute project (consisting of several separate projects), and this has given the philosophy it’s Danish name, inspired by the first lady in an Opera and especially her appearance and behavior – on as well as off stage. I tended a seminar organized by Talent.DK once, where Kasper Bech Holten gave a lecture on this topic, and the line of thought has proven valuable to me afterwards. It is obvious in sports and the movie industry, where star players can’t walk the streets with the rest of us. But I have seen several occasions of business ‘stars’ who seemed to have adopted the same approach. In fact, history is showing a long line of top executives (level 4 managers) with these traits, and it still has to be decided whether they actual help or demolished their companies during their reigns (I’ll get back to that in the next section).

What we are likely to experience now is that the key employees of a successful organization cease to be the top executives. The future seems to belong to the ‘highly skilled and specialized, as well as creative’ employees, as they found the base of the knowledge society that is unfolding beneath our feet. Unfortunately, they have carried with them the level 4 traits from the top executives of the past, and hence the problem has multiplied itself – not to mention the now existence of supervisors with responsibility over these primadonnas.

\textsuperscript{28} In Danish, "Primadonnaleedelse". CBS (Copenhagen Business School) has initiated a research program in 2007. See references http://www.berlingske.dk/article/20070313/dineord/103130964/ (Hauge og Jørgensen) and http://uk.cbs.dk/research_knowledge/departments_centres/institutter/node_7297/menu/research_projects/forskningsprojekter/ledelse_af_entusiaster_og_primadonnaer/ledelse_af_entusiaster_og_primadonnaer (Kofoed) for additional information (unfortunately non-translated).
Concept study – Excellence

Deriving the theoretical model of Excellence

This section is dedicated to give an overall review of the book “Good to Great” by Jim Collins. The book is a study originated at Stanford University Graduate School of Business and following the book “Built to Last” written with coauthor Jerry I. Porras. In continued pursuit of the concept of Greatness, Jim and a large team of researchers entered a second project in the years 1996-2001. Good to Great is actually a prequel to Built to Last, because where the latter focus on companies that are persistently Great Performers, the former address the question, ‘what does it take to become Great?’ I read this book with great enjoyment in the first months of 2009 after recommendation by my former manager, Jacob Rønnow Jensen, and it was clear to me that it provided a solid model for establishing whether a company expresses excellence performance or not.29

The study is based on eleven companies which have had 15 years of mediocre performance30 followed by 15 years of outperforming the market (and industry) with a factor above three. These Good to Great companies are viewed against a group of eleven direct comparisons (the runner-ups in each industry) and six unsustained

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29 My task here is not to introduce the book as such, so I will take a few shortcuts and simply introduce the main points from the book.

30 Performance is measured by stock value to ensure a uniform and universal accepted comparison.
companies. Then the research group tried to identify the main differences, using the criteria that a primary concept needed to be found in 100% of the Good to Great companies, and in less than 30% of the comparison companies during the pivotal years. The result is depicted in figure 3 and I will now go briefly through the concepts that turned out to have primary explanatory power.

**Level 5 Leadership**

For a long time, business thinkers have used a model with four levels of leadership abilities: the Highly Capable Individual (Level 1), the Contributing Team Member (Level 2), the Competent Manager (Level 3), and the Effective Leader (Level 4), see figure 4. The main finding in this Good to Great section is that Level 4 was not enough to describe the leadership style that set the foundation for the transformation from Good to Great.

So, a level 5 was introduced. To quote (Collins):

“Level 5 leaders channel their ego needs away from themselves and into the larger goal of building a great company. It’s not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious – but their ambition is first and foremost for the institution, not themselves.”

The hierarchical setting in figure 4 indicates an evolution of an employee into a leader, but it is not meant to be thought of as a linear transformation, beginning with Level 1 and ending with Level 5. Some people simply doesn’t have the ability to become Level 5, others have the Level 5 traits to some extend from early on, but they are not fully developed. Yet, it is important to remember that a true Level 5 Leader embody all levels! What cracked most of the comparison companies and unsustained companies was exactly this: A Level 4 Leader can be a great performer, but the company is heavily dependent on him/her. In fact, such a person can stand in the way of developing a truly Great company – and the personality traits in Level 4 Leaders are very close to those of the Primadonnas, I introduced in *Dynamics changing* on page 10, by the way.

In contrast to the larger-than-life “star-quality” Level 4 Leaders company boards love to bring in with flourish of trumpets to signal a change, what Jim Collins and his research team found was that $\text{Humility} + \text{Will} = \text{Level 5}$. They are modest and willful, humble and fearless. They choose the best successors they can, because it is

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31 An ‘unsustained’ company is a company that shows the transition as a Good to Great company – but without being able to maintain the higher performance for 15 years. This rule is used in the study to eliminate the effect of a single genius within the company.
the company that matters. Level 4 Leaders tend to choose the worst successors possible – maybe in an attempt to show their own indispensability and superiority. Another nice example of the difference is the Window and the Mirror. Whenever something goes wrong, Level 5 Leaders looks in the mirror, whenever something goes right, they look out the window at their staff and co-managers. Level 4 Leaders do the exact opposite: looking out of the window when problems are surfacing, but looking in the mirror when the company is doing well. I like that metaphor a lot.

First Who ... Then What

The success of the Buildup period can be summed up by this simple statement, First Who ... Then What. Of course, it takes a Level 5 Leader to initiate the whole process, but what he/she really does is to get the right people on the bus, the right people in the right seats, and the wrong people off the bus. Then the management team is ready to figure out where to drive the bus. Here we see a very direct parallel to the sports world. You don’t win championships with half the team full of the wrong players, or putting the forward between the goal posts. Once you have built your dream team, you figure out how to win the titles and which titles to win.

On the surface, this concept seems straight forward, but pay attention: All our MBA-classes have been revolving around the proven method of making plans and strategies regardless of the resources within the company. What Jim Collins and his research team are saying is ‘MEEEB – it’s the wrong order!’ No plans or strategies matter, if you try to match people afterwards. Get the people! Then let them decide what great things to do … and your job is to hang on. As explained (Collins pp. 50) with regard to compensation packages (that really have no correlation with performance, at least not in their own right), Nucor showed that “in a Good-to-Great transformation, people are not your most important asset. The right people are.” Of course, one could say that paying 60% over industry average is actually a proposition of the concept that top payment leads to top performance. However, an important dynamic is neglected in this critic: Nucor hired five, worked them like ten, and paid them like eight. In poor rural regions this gives very strong incentives to “stay in the game” which means unequalled low absenteeism and high performance. Workers were reported to show up half an hour early to arrange their tools and be ready when the shift gun fired – and in an extreme case chasing a lazy teammate off the plant with an angle iron, so management had to interfere and protect the guy.

This sounds like top performance requires extraordinarily hard work – and it does. This is one of the messages. There is a twist to the fact, though. The right people don’t consider the hard work as hard. They don’t need motivation, punishment, rewards, understanding, or a competitive environment. They are doing it by themselves, because that is how they work: “Rigorous, not ruthless”. On p. 53, Jim is even comparing the attitude of Wells Fargo’s acquisition of Crocker Bank in 1986 with a professional sports team: “only the best

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32 Nucor is an American steel producer who took over as industry leader based on a philosophy that you can teach farmers how to make steel, but you can’t teach lazy steelworkers how to work harder.
made the annual cut, regardless of position or tenure”. One Wells Fargo executive is quoted for saying, “The only way to deliver to the people who are achieving is to not burden them with people who are not achieving.” To round up this concept of First Who … Then What, another spinoff from the book is relevant as a “little secret of change”:

“When you decide to sell off your problems, don't sell off your best people. (…) If you create a place where the best people always have a seat on the bus, they’re more likely to support changes in direction.”

Confront the Brutal Facts (Yet Never Lose Faith)

Now, we are entering the period of Disciplined Though. Like the period of Discipline People, this stage ended up having two primary concepts, the first of these being ‘Confront the Brutal Facts’. Facts are better than dreams. It is as simple as that.

We have seen in the Strategic Management class at the MBA that companies set up a goal for the future, but should never forget that there are several paths to the goal – and the feasible one might not be the one you thought of to begin with. For once, a message taught in class is overlapping with the findings of Jim Collins. He and his team observed, “Unlike the comparison companies, the good-to-great companies continually refined the path to greatness with the brutal facts of reality”. This is not unlike what Honda experienced when they entered the US market in the 60s with oversized cars, only to find that it was the Supercup motorbike, they could sell. A decade later, Honda’s car business began to develop from the now known brand.  

There are many reasons as to why facts sometimes are veiled from senior management. Jim suggests a very interesting idea, ‘Charisma can be as much a liability as an asset!', which implies that many businesses and sports clubs alike actually are suffering from the burden of having charismatic leaders.

The people around a charismatic leader tend to filter the brutal facts from him or her. And without conscious attention from the leader, the company will only be able to respond to realities of life with great lags – only when the problems have grown so overwhelming that nobody can hide them anymore. This is surely a limitation on performance and top management’s prospect of steering the company properly. The book contains a quote from Pitney Bowes executive, Fred Purdue, “When you turn over rocks and look at all the squiggly things underneath, you can either put the rock down, or you can say, ‘My job is to turn over rocks and

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look at the squiggly things,’ even if what you see can scare the hell out of you.” What you really don’t want is a culture, where the employees are more afraid of hurting the top executives’ feelings than of the squiggly things.

One of the key bearings in Good to Great is that it is a waste of time motivating people. With the right people on the bus, there is no need for motivating people. There is a need, however, for not de-motivating people… and one of the fastest ways to de-motivate great people is to “hold out false hopes, soon to be swept away by events”. You can’t stop the tide of reality by stop listening, hearing, or seeing. “Others will notice” – as I pointed out in the section How To Work With What You Can Afford on page 18. There I considered the application of a management style, where the manager had information and responsibility, but that is not quite the case here. The manager has responsibility – but not information. So how do you create a working climate where the truth is heard? If your fortune is not to be in such a position, Jim Collins suggests the following exercise:

1. Lead with questions, not answers.
2. Engage in dialogue and debate, not coercion.
3. Conduct autopsies, without blame.
4. Build “red flag” mechanisms\(^{34}\) that turn information into information that cannot be ignored.

In this approach, Jim is closing in on good academic practice: it is not the answer that gives you butter on your bread; it is the questions the answer launches. However, we are quite a long way away from sports practice, I must say. The European soccer industry is famous for sacking coaches, which is a violation of exercise 3. It is not common to use neither exercise 1 nor 2 in the training methods, but at least exercise 4 is held in general respect through the sports press. Therefore, “red flag” mechanisms certainly exist for the managers in sports clubs – maybe it is even a little overdone.

‘Yet never lose Faith’ – is the sentence underlining the duality of this section. The Stockdale Paradox, named after the national hero, Admiral Jim Stockdale, the highest-ranking US military officer in the Hanoi Hilton POW-camp during the Vietnam War, is the description of a simple, but rare, survival strategy during extreme hardship. Jim Collins had a chance to interview Admiral Stockdale\(^ {35}\) about how he endured the eight years of imprisonment, the repeated torture, and the responsibilities for the rest of the military prisoners. He answered, ‘I never lost faith in the end of the story. I never doubted not only that I would get out, but also that I would prevail in the end and turn the experience into the defining event of my life, which, in retrospect, I would not trade’. Considering this, Jim asked, ‘Who didn’t make it out?’ and Admiral Stockdale replied, “The optimists.

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\(^{34}\) “Red Flag” is a physical signaling method given to all employees. They can use it at any time to attract attention to a particular problem without risk of rebuke. The strength of the procedure is that it circumvents any line-of-command – the entire company is alerted once a red flag is thrown.

\(^{35}\) They have both been research fellows at Stanford University.
Oh, they were the ones who said, ‘We’re going to be out by Christmas.’ And Christmas would come, and Christmas would go. Then they’d say, ‘We’re going to be out by Easter.’ And Easter would come, and Easter would go. And then Thanksgiving, and then it would be Christmas again. And they died of a broken heart.”

I think Jim is right. It is an incredible strong picture – Admiral Stockdale admonishing the optimists: “We’re not getting out by Christmas; deal with it!” This is exactly what this concept is all about: Confront the brutal facts, stop kidding yourself, but never lose faith that you will prevail in the end. This is why you keep trying in the business world, and this is why you show up for practice every day, 10 years in a row, as a (aspiring) top athlete.

The Hedgehog Concept (Simplicity within the three circles)

The transition from Good to Great was made by people, who acted like hedgehogs. They were driven by identifying the one big thing that would make their company great – and then sticking to it. The comparison companies were all wobbling along, first with one strategy, then with another, always trying to do everything at the same time but without actually ever doing anything to any depth.36

“The fox knows many things, but the hedgehog knows one big thing.”

(Isaiah Berlin, The Hedgehog and the Fox)

It sounds like a recipe for paranoid search for the-million-dollar-hit, but the concept is to be understood the other way around: Once you have figured out what works, you just go for it! In general, “the hedgehog concept” for your particular company follows more or less from applying the first three Good-to-Great concepts, ‘Level 5 Leadership’, ‘First Who … Then What’, and ‘Confront the Brutal Facts’. However, if it is just a matter of applying a simple, good strategy, then every company ought to make paramount results. Jim and his team chewed over the matter for a couple of months and finally realized, “a Hedgehog Concept is a simple, crystalline concept that flows from deep understanding about the intersection of the three circles.”

It is not a matter of simplicity, even though the Hedgehog Concept has to be simple enough to explain. Neither is it a matter of visionary strategy, even though the Hedgehog Concept is all about developing a visionary strategy. Remember, we already have a humble yet willful leader, a bus-full of the right people in the right seats, and a culture of asking nasty questions and facing the brutal facts head on. Now, we just need to apply basic knowledge of the human nature: Everybody has to be absolutely passionate about what they do and whom they do it with – otherwise they will not be happy throwing in the effort that marks a truly great performance. Further, we have to do things that are profitable, and begin to stop doing things that are not.

36 The fox is a sleek and cunning creature, always on the lookout for making a meal of the hedgehog. The hedgehog is blunt and just goes about its business – getting food and taking care of its house. However, the hedgehog knows that rolling into a ball, spikes out in all directions, stops the fox every time he attacks. No matter, what plan of attack the fox has developed, the hedgehog always wins that battle.
Finally, we need to try being the best in the world at what we are doing, which means beginning to stop doing things we might do very good – but that we can’t possibly do better than anybody else in the world. This is a tough lecture. You might have a successful business, but you need to sell it! Because your management team tells you that, you can’t ever be the best at it… I guess that every Premier League side has a (maybe not that realistic) belief that they might eventually win the trophy. Without that belief, they should stop playing Premier League football. However, the Hedgehog Concept also tells us, that this particularly Premier League side should stop if one of two other conditions is met: If they are not making any money on playing PL football, or if they are not in fact passionate about playing football.

Doing what you are good at only makes you good. Focusing on what you can potentially do better than anybody else in the world is the path to greatness. Now, that is a concept of excellence, which requires quite a resolve. It fits perfectly in with the triathlete, who cares for his diet and his sleep, and does 75 miles of bike riding, 20,000 meters of swimming, and 17 miles of running every single day. But the rest of life’s necessities are outsourced to “someone else”. It also fits to the present management trend of ‘focusing on your core business and outsource everything else’. There is a trick to it, though. It is not so easy to decide, what your “core competence” is, but if you wobble around outside of the intersection of the three circles, it actually isn’t your core competence. So how do we learn to know our circles? Well, Jim provides us with two tools to help us gain a larger understanding of the circles.

“A Hedgehog Concept is not a goal to be the best, a strategy to be the best, an intention to be the best, a plan to be the best. It is an understanding of what you can be the best at. The distinction is absolutely crucial.”

Figure 6: The crucial distinction of being the best compiled from (Collins)
It might not be so easy to put the finger on, what drives your economic engine. The way to go about that is to consider the one denominator (profit per x) that has the single greatest impact. As it follows, there can only be one, so don’t pick two or three! The result is an unprecedented level of focus, alignment, and concentrated effort with the maximal economic return. If you fail (or refuse) to identify a single denominator, the exercise isn’t completely wasted, as the goal is to gain a deeper understanding of your economical environment.

Then, the passion circle and the best circle are easier to comprehend. The three circles are not static beings in your universe, though, and you might not be the one who successfully identifies them and their intersection. You might find it an advantage to set up a Council that works in an iterated process of asking questions, dialoging and debating the answers, executing the decisions, and performing autopsies and analysis leading to new questions. All guided by the three circles. The Council is simply a group of the right people – they don’t have to be senior executives, but they do have to comply with the rules of the Council:

§ 1 The Council exists to gain understanding.
§ 2 The Council consists of five to twelve people, who meet periodically from once a week to once a quarter depending of need, time, and meaningfulness.
§ 3 Each Council member has the ability to argue, debate in search of understanding, and maintain respect of every other Council member without exception.
§ 4 Each Council member has a deep knowledge about some aspect of the organization and/or the environment in which it operates.

The Council has to work for a prolonged period. Some companies came up with a Hedgehog Concept in half a year and others spent four years. This is a canvas exercise, so it cannot be pushed through by deadlines and demands for results. Especially for business people, who are not used to this kind of thinking, it is important to understand, that the Council achieves understanding exactly the moment it realizes it understood something.

A Culture of Discipline

At this point in the company evolution, we are facing a take-off. The breakthrough is on its way, fuelled by years of hard labor and consistent directing the organization up a prosperous path.

The breakthrough needs to be guided still, and now we enter the last phase, the Disciplined Action.

First lesson is, Build a Culture of Discipline. Now, why is that so important? It is so, because it is the opposite of bureaucracy, which is the number one killer of creative energy and innovation. If we can agree to the statement that nobody can outperform competitors for an extended period without creative energy and innovation, then we must agree that bureaucracy is only good for controlling the wrong people on the bus.

37 Shortened version. For the full version, see (Collins p. 115).
However, if we followed the four earlier recommendations, there aren’t any wrong people on the bus… Hence, we don’t need a climate of procedures, processes, and control – we need Disciplined Action in its own right.

The main point of this action boils down to one central idea: **Build a culture full of people who take disciplined action within the three circles, fanatically, consistent with the Hedgehog Concept.** To further quote (Collins), you get Disciplined Action within the company, if you

1. Build a culture around the ideas of freedom and responsibility, within a framework.
2. Fill that culture with self-disciplined people who are willing to go to extreme lengths to fulfill their responsibilities. They will “rinse their cottage cheese”\(^{38}\), which translates into doing whatever tedious action deemed necessary to gain that extra advantage that will eventually make you victorious.
3. Don’t confuse a culture of discipline with a tyrannical disciplinarian.
4. Adhere with great consistency to the Hedgehog Concept, exercising an almost religious focus on the intersection of the three circles. Equally important, create a “stop doing list” and systematically unplug anything extraneous.

By maintaining a system, filled with self-disciplined people, and settling with managing only the system, you give room for the creative energy. This is freedom (and responsibility) within a framework. And another gross difference between companies run by Level 4 Leaders and companies run by Level 5 Leaders – the former are likely to **personally** enforce discipline through sheer force, whereas the latter gain the discipline needed to perform by building an enduring culture. By applying this mentality, the Good-to-Great companies all reached and followed the simple mantra: *“If (projects) doesn’t fit (our Hedgehog Concept), we don’t do it. Period.”* It takes discipline to say ‘no’ to something that is a once-in-a-lifetime opportunity, but it is necessary to learn to say ‘no’ – to select properly and conscious among various alternatives – if the organization is to stay within the three circles.

**Technology Accelerators**

The last *Primary Concept* almost didn’t make it into the book\(^ {39}\), as Jim Collin and his research team found that *Technology* was only a subset of the other concepts. But an assistant asked a key question in an argument

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38 For the full story of that expression, you have to turn to (Collins, pp. 127-129).
39 See (Collins pp. 159-160).
about the Internet Bubble being blown, ‘Why did the Good-to-Great companies maintain such a balanced perspective on technology, when most companies become reactionary, lurching, and running about like Chicken Little, as we’re seeing with the Internet?’ With that question came the realization that the Good-to-Great companies weren’t “driven by fear of watching others hit it big while they didn’t”. They were “motivated by a deep creative urge and an inner compulsion for sheer unadulterated excellence for its own sake. Those who build and perpetuate mediocrity, in contrast, (were) motivated more by the fear of being left behind” in a technology race.

The ability to become great is in the way you think. In this case, the way you think about technology. The Good-to-Great companies were all technological pioneers in their respective areas, but none was so as a result of wanting to be so. The pioneering grew from the consistently application of carefully selected technologies, not from a board meeting where everybody agreed that ‘we should be superior in technology’. The superiority came natural as a way to increase the already outstanding performance even more.

In other words, you can actually get away with ignoring a certain technology, if 1) it doesn’t fit to your Hedgehog Concept, or 2) you don’t need it at all. In the case, where you need it (like having a phone system), but it doesn’t fit the intersection of the Three Circles of Passion, Economic Denominator, and What You Could Become the Best in the World at, you don’t need to excel – just get it and get on with business.

To round it up, I point to the research interviews of Good-to-Great executives. Eighty percent “didn’t even mention technology as one of the top five factors in the transition. Furthermore, in the cases where they did mention technology, it had a median ranking of fourth, with only two executive of eighty-four interviewed ranking it number one.” These senior executives certainly didn’t feared being left behind in a technology race. They feared losing focus on their Hedgehog Concept, if anything, but “technology by itself (was) never a primary cause of either greatness or decline”.

The Flywheel and the Doom Loop

Around all six Primary Concepts and three Evolutionary Periods in Figure 3 on page 22, the Flywheel is depicted. This metaphor came to encompass all other findings of (Collins).

The Flywheel is described as a massive metal disk mounted horizontally on an axle, about 30 feet in diameter, 2 feet thick, and weighting about 5,000 pounds. Your task is to get the flywheel rotating on the axle as fast and
long as possible. This is the metaphor of the task; the builders of Good-to-Great companies set out to do. We know by instinct, this is not possible overnight. One might even consider if it is possible at all.

It is. By pushing the flywheel repeatedly, turn after turn in a consistent direction. It will gain momentum, and suddenly you realize that is is breaking through the wall of possibilities. You can’t stop it, even if you would have liked to, and you have no clear recollection of a single push making the difference. This is Jim’s explanation of, how it felt like, being in one of the Good-to-Great companies during the transition years.

The Flywheel effect is a continuing sequence of ‘Steps forward, consistent with the Hedgehog Concept’, leading to an ‘Accumulation of visible results’, ‘People lining up, energized by the results’ – the ‘Flywheel builds momentum’, and in the next sequence, the steps are taken a little easier. The “People lining up” phrase used contains more information than meets the eye at first glance. Jim Collins and his team suddenly reached an astonishing finding: “Under the right conditions, the problems of commitment, alignment, motivation, and change just melt away. They largely take care of themselves." To expand the explanation, I reproduce a pivotal box from the book:

“When you let the flywheel do the talking, you don’t need to fervently communicate your goals. People can just extrapolate from the momentum of the flywheel for themselves: ‘Hey, if we just keep doing this, look at where we can go! As people decide among themselves to turn the fact of potential into the fact of results, the goal almost sets itself.”

This is why the Flywheel is such a strong metaphor. It is giving us a mental picture of how to outperform competitors even under identical conditions and/or hardship. You gain advantage, because you are allowed to use the organization’s internal strength and resources in an efficient way due to not having to do a lot of things like controlling, motivating, aligning, and fighting people. “People want to be a part of a winning team. They want to contribute to producing visible, tangible results. They want to feel the excitement of being involved in something that just flat-out works. When the right people see a simple plan born from confronting the brutal facts – a plan developed from understanding, not bravado – they are likely to say, ‘That’ll work. Count me in.’”

The contrast, the Doom Loop, is offering an equally strong explanation. This time in answering the question of why the comparison companies didn’t make the leap from mediocrity to greatness. The Doom Loop effect is likewise a continuing sequence of Steps backward, beginning with ‘Reaction, without understanding’40, leading to ‘New direction, program, leader, event, fad, or acquisition’ – there is ‘No buildup, no accumulated momentum’, followed by ‘Disappointing results’, and in the next sequence the steps are getting heavier – fuelling more ‘Reaction, without understanding’. The whole thing is wrapped up in Level 4 Leadership that doesn’t have time or ego for a long and uncertain buildup process, but chose to skip it and jump directly to breakthrough. Only, you can’t do that and get away with it.

40 No “Hedgehog Concept” in this organization.
As we have seen throughout this paragraph, the really important thing is to keep pushing in a consistent direction – the right direction. Now, it is hard to judge the right direction beforehand, and senior management is unquestionably hired to do the judging within the company. This is only but a poor excuse for doing such a bad job in the vast majority of organizations. Nevertheless, the yell for ‘Action’ by anxious board members of a mediocre company is often followed by changes in direction by new CEOs – and “Then the flywheel came to a grinding halt.” I love that sentence, mainly because it captures the essence of quite a few of my own experiences. I see the “grinding” before my inner eyes, and I see long rows of men and women falling over like the losing team in a tug-of-war. It is nasty when viewed from the outside; it is confusing and disappointing when experienced from the inside.

The message from Jim Collins and his research team is clear: There are six main concepts that make the difference between Good and Great. Don’t drop any – and don’t take them on in the wrong order. They are working together, not apart, to form a Flywheel, and your organization will know what to do: Pushing in the right direction. As he says in the first line of the book, ‘Good is the enemy of great. And that is one of the key reasons why we have so little that becomes great.’

It seems as the human mind works like this: No need to push, if everything is fine… In search for excellence, this is the essence of what we most fight.

**Philosophical Questioning of Good to Great**

What have Good to Great missed? It might be a five-year research study building on good and reliable academic traditions, but it is also just a book. Surely, it has limitations. If not direct errors, then at least some shortcomings. I now turn to look into that.

**Data Selection**

One of the big issues, addressed by the author himself, is the data selection. The research team limited themselves to quoted American companies, with the explanation that at least it took out geographical bias and settled a range of measurement problems involved in applying a broader range of businesses. As the search is for generic theory, applicable to all organizations, I consider their decisions and arguments satisfying. I agree that using only concepts present in all candidate companies and not more than a few comparison companies is an adequate filtering of the sample. However, we are extrapolating from only 11 companies. At the very least, there might be other significant differences that simply weren’t visible in the study sample. In this regard, I can’t help pondering over what we would see, if the study were replicated on sports clubs (if that

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41 See the comprehensive appendices, as well as the epilogue, in (Collins).
was even possible – we sure would need to settle a few “challenges” of data gathering and definition of a measurable performance-concept across sports).

The Wrong Fork on the Road

We have to ask ourselves, ‘where can a company take a wrong fork on the road?’ It is obvious that the good-to-great companies only made that extraordinary transition due to an incredible coincidence of circumstances, as it is a very long road to travel indeed and the travelers has to be interchangeable themselves! In opposition to Jim Collins, I am not the slightest surprised that the CEOs they interviewed put so much emphasis of good luck. I do agree, though, to the observation that the Level 4 Leaders too often used bad luck as an excuse to hide behind, when their companies didn’t make the same kind of sustainable transition.

The road is set out by the metaphorical power of the Flywheel-concept, which translates into, ‘Once you have a direction, keep on going, never doubt, never change’ – simply because that would slow down the flywheel. The very good question in this reasoning is, ‘How do I know from the beginning, which direction is the right one?’ Well, I personally don’t think, anyone can know; and this is where “luck” enters the equation. Jim Collins’ sample is biased in the aspect that he only considers companies who manage to stick around for several decades – and who were of a considerable size. He did put the “unlucky” companies under the microscope through the staging of the unsustained companies, and they certainly did take the Wrong Fork at one or several critical points. However, my guess is that quite a number of good-to-great candidates perished at the end of a Wrong Fork. At the crucial crossroad, their choice of direction was aligned with the Good to Great findings, as were those of the companies who actually made it right. Only circumstances made the difference between those who perished and those who prevailed. That is another angle on the Stockdale story: Belief is nothing, when confronted by reality. But without belief one might not be able to see the reality in the first place.

To consider some of the Forks the mediocre companies might encounter in the early stages of the process, the management team in every good-to-great company had the ability to work together – and enjoy. In the book, Jim explains that getting the wrong people off the bus might be a 10-year journey (!) – the point being that you have to do it eventually. It is a part of the preparation – the buildup phase – but we all know of the something called ‘the real world’, which means that you might not have the formal and informal power as a newly hired Level 5 Leader to actually get rid of all the disasters that occupy the corner offices at the time of your promotion. I can’t help thinking that this sort of thinking is directing towards unifying the management team – but is it entirely good not to mix with other kinds of people? That being ‘other’ in terms of gender, color, culture, age, political conviction, background, etc. There surely is a lot of behind-the-curtains stuff going on in these good-to-great companies, and considering that they gained the competitive advantage by distinctively not wasting time and energy on things not within the three circles, I wonder how the experience would be for
someone not aware of the unspoken rules in the company. Surely, there would be plenty of pitfalls and without a system to introduce newcomers; these companies could be harsh to enter.

**Externality – Democracy and Politics**

Beside the topology of ‘The Road’, there is another force on display here: ‘Democracy and Politics’. (Collins) is very dependent on the American way of doing business in one aspect, the CEO of a company has unrivalled power to reach his goals. However, there might be companies and organizations where democracy ruled and politics was a particularly potent ingredient in the recipe for Greatness. Jim Collins touches the issue when he discuss how rare it is to find Level 5 Leaders in the top-seat (Collins pp. 36-37), “The great irony is that the animus and personal ambition that often drive people to positions of power stand at odds with the humility required for Level 5 Leadership. When you combine that irony with the fact that boards of directors frequently operate under the false belief that they need to hire a larger-than-life, egocentric leader to make an organization great, you can quickly see why Level 5 Leaders rarely appear at the top of our institutions.”

I had the particular displeasure of realizing, when I had to leave my position as president of a sports club for the benefit of this MBA-study, that my successor was not picked by the board nor the general assembly by reasons like “intentions”, “plans”, “competence”, “cordiality”, or “support”. My successor won the election due to a dirty election-campaign, against a candidate who instead of campaigning spent the time helping the club in its actual situation and developing long-term strategies and knowledge of the tasks ahead. Reports from home strongly suggest that the flywheel, I left spinning, has been brought to a grinding halt by my successor. I am not considering whether or not I had Level 5 traits in that position. But I can’t help thinking that a company under influence of strong democratic forces and internal politic struggles will have a hard time reaching the sustainable greatness. People might be “the right people on the bus”, but what happens if their kids are passengers and the bus takes a turn? It takes so little to destroy so much.

In the section *The Flywheel and the Doom Loop* on pp. 31, I wrote, “You gain advantage, because you are allowed to use the organization’s internal strength and resources in an efficient way due to not having to do a lot of things like controlling, motivating, aligning, and fighting people.” But I also followed it up by quoting Jim Collins, “People want to be a part of a winning team”. I see clearly a contradiction here. When your success attracts people, you sometimes need to fight them, if you operate in a democratic environment. But the fighting subtracts from the organization’s internal strength and resources, and hence from the your success. This suggests that there somewhere on the Road is a “phase II” to enter – a crossroad where the flywheel might take a few unanticipated bumps.

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42 Just to clarify: Buses are not supposed to do that. In this mental picture, the bus is driving down the road towards the goal: Greatness. If the bus takes a turn, it is not because the road bent, but due to the deliberate change of direction by the bus-driver towards another goal (which happens to be Greatness too – just in another area).
One of the great quotes I have from the Organizational Behavior class with Josef M. Anguera is related to building and managing teams. It goes like this, ‘Identify the small amount of information, you cannot share. Share the rest – AND if the confidential part is necessary for reaching the proper decision, you have to attend an autocratic style on these questions.’ Well, to put it mildly, I know from experience that this is a very difficult position to defend if you are subject to democratic rules. Nevertheless, I confirm that it also is the only way to deal with sensitive information in a democratic environment. It is not a matter of following the six concepts of Good to Great, but more a matter of being allowed to do it. Especially in an organization where you can’t stop the wrong people from getting on the bus – and the more the flywheel is spinning, the more interesting is it for everyone (including the wrong people) to get a lift.

**Internality – Competence and the Council**

Now, when we talk about undesired people getting a lift on the bus, we turn to the internal situation. One of the key words here is ‘Competence’. How do we measure competence and how does competence interact with democracy? Jim Collins is surely taking a shortcut when he says “right people on, wrong people off”. It takes a very strong HR department (or a good portion of luck) to decide in advance, who has the competence and who doesn’t. Taking people on the bus and try them out is not addressing the Good to Great concepts properly, which leaves the organization to set up very good recognition and measurement tools. Because what is competence, and who can you trust to tell you the truth about an applicant?

The Good to Great concepts relies heavily on internal trust. The management team needs to recognize the competence of the other members (it is a principal element of the Council, hence you can’t find your Hedgehog Concept without pure competence on the key positions). But I would emphasize this to all employees. I don’t think a company can grow from mediocre results and behavior to superior results and behavior, if social loafing exists – either as personnel or as entire offices / departments. Every employee has to pull his/her part. And this leaves us with a nasty consideration: what do we do with people, who just isn’t that great? Is it somebody else’s problem that this will develop a society where only 20-30% of all adults can get a job – as the rest are “wrong people” to some extend? This might challenge the adaptability of the Good to Great concepts in organizations in general.

In “Figure 3: How to Be Rigorous” on page 25, we are given the Practical Discipline #1: “When in doubt, don’t hire – keep looking.” with the corollary: “A company should limit its growth based on its ability to attract enough of the right people.” I wonder if Jim Collins only thinks of the management here. Because right next to the figure, I have put a quote from a Wells Fargo executive, “The only way to deliver to the people who are achieving is to not burden them with people who are not achieving.” That, I would certainly understand as including everybody in the company. These two quotations from (Collins) are putting some pressure on the 43 Source: (Anguera).
argumentation in my previous paragraph. Competence has a lot to say in the search for Greatness, and there is more to it than simply, that *with average people you can’t have more than average performance*. We are considering some element of interconnectivity here – the phenomenon where $2 + 2 = 4$. Even though the society might force us to stop disregarding two thirds of the workforce as possible employees, it looks like we must insist on some competences – the ones relying to the Council skills.

It seems absolutely critical for success that the organizational democracy is not extended further than to ensure the power in the hands of a trustworthy Council. These people have to be competent enough to be willing to gain understanding. Competent enough to be able to argue, debate in search of understanding, and maintain respect of every other member of the Council *without exception*. Competent enough to have a deep knowledge about some aspect of the organization and/or the environment in which it operates.
Conclusion

The book, Good to Great, provides the businesses with a concept for excellence that can work as a gateway for introducing the mentality of sports, ‘How to manage talent in an environment that constantly demands winning performance’. Assuming that businesses are not good at considering people as talents, what should be changed in order to improve performance? Of course, following Jim Collins advises and exercises might be the obvious thing to begin with, but we need to dig a little deeper. Good to Great is telling a tale of “one in a hundred” companies that made it work – out of pure luck and the genuine desire by top management to turn the company they happen to find themselves in, great. They played third division, so to say, and they took a conscious decision, ‘I want to play Premier League – no, I want to win Premier League. No, wait, I actually think I could make this company win whatever League we get the chance to compete in. Yes, I believe we could do that.’ And then they rolled up their sleeves.

My feeling is that what these Level 5 Leaders did was simply to inject the “any given Sunday” approach in the company44. Coach Tony D’Amato has many lovely quotes, among the best is, ‘On any given Sunday you’re gonna win or you’re gonna lose. The point is - can you win or lose like a man?’ There was no ‘putting off till tomorrow, what you can do today’. There was something on stake every week. Maybe not a trophy to win, but that is not important. It is (and was) the process that counts in sports as well as in business. As I used to say to my coaches, board members, and other stakeholders45, “We are in it for the fun of it. If we can make the training worth 10 years of hardship and restrained youth, then we are successful. Winning the championship is only an additional bonus.” Funny enough, we won for a decade because we didn’t set out to win, but to have a good time – within a framework. One could ask, when in the tournament did we really decide to go for it – because surely we didn’t win without eventually reaching for the victory? That point in time was, when the team realized they actually had a fair chance of success. When they realized it would be embarrassing to lose. Then we had the state of mind, where a gymnast took the flight home from Los Angeles to Copenhagen (a 12-hour flight) to give three 40-second performances for the team, before returning to US the next morning. And we won every time. The Flywheel was spinning.

44 “Any Given Sunday” is a movie from 1999, where Al Pacino plays the coach, Tony D’Amato, of an American Football NFL-team. The storyline is that the legendary quarterback is knocked out and suddenly the young, unknown replacement is called on the field. The coach needs badly to win (a lot is going on off the pitch) and the replacement guy catches his chance and delivers a stunning performance. Well, that is before the drama of the movie really kicks in… but the title is inspired by the fact, that any given Sunday, you get your chance. Any given Sunday, you can win. And you can lose as well. Any given Sunday. You can be certain of nothing (Pacino, Diaz and Quaid).

45 I have been chair (as well as many other things) in one of the most successful artistic gymnastics clubs in Denmark during the 1990s and 2000s.
To Sum It Up

I set out in search of an answer to the question, ‘what can businesses learn about the management of talent in an environment that constantly demands excellence / winning performance?’ I find that there are two main things to learn right away. First, the businesses can benefit from a sharper definition of ‘Talent’. Secondly, the management of the workforce can benefit from introducing ‘Talent Accounting’.

Talent

Now, what would or should we call ‘a talent’? In general, I believe it to be a person able to reach further along a certain dimension that most. Whether this particular dimension is profitable, desirable, or promising is of little importance.

Taking the Good to Great approach into consideration, businesses ought to focus on developing employees’ talents. We can apply the Good to Great findings to the Talent Program considerations by simply exchanging the aim of organizational performance with personal performance: Only do what you could possibly be the best in the world at. This translates promptly into developing your skills only in those dimensions where you are talented.

The consequence is significant. Everybody is to be regarded ‘a talent’, and employers should hire the talents they need, not the best performers in the industry (though past achievements do indicate talent being present). This in turn puts emphasis on the Talent Programs, because it is only through evolution the talented employee gains value.

Talent Accounting

This value has to be stored and measured, so as to hinder the Talent Program from straying, implying the development of new accounting and reporting methods. These have to be delicately applied, as the methodology is not complying with the international accounting standards. However, learning from Pro Sport, this approach is likely to have a huge impact on mentality regarding company churn, setting up project teams, and – of course – organizational performance. Try to consider your employees as something you have invested in and expect a return from – just like professional soccer clubs are thinking about their players.

Imagine what happens if line managers exchanged half the team with superior workers after a budget increase instead of adding new secondary people and giving bonuses to the existing staff. Imagine a project staffed under the principles of a salary cap. Imagine the intensive to volunteer for developing tasks and postgraduate education, if salaries were connected to the employees’ internal values – and these values were depreciated...
as time went by. Imagine a company that could actually *celebrate* when a key employee was “traded” to a competitor.\(^{46}\)

You might find this a very strong method to structure and shape your talent programs, as it leads directly into the concept of “*Disciplined Action*” – *A Culture of Discipline*.

**Excellence and Democracy**

I have two additional key findings to address. The concept of excellence, introduced as the flywheel and the six primary concepts, and the interaction with democracy.

The question to any organization is whether it believes in the message of Good to Great, or not. So let us assume that the organizational democracy (or lack of it) allows you to pursue superior performance led by the concept of excellence. Can the mentality of Pro Sport help you on this quest? I would say, yes. Both the objectives of the “First Who … Then What” and the “Confront the Brutal Facts” concepts team up nicely with the Pro Sport mentality. The sports way of life facilitates group alignment by getting the wrong people off the bus for pure objective reasons (or as pure as they may be). Moreover, connecting the team mission and objectives with the budget – as we are used to in the sporting world – is serving to confront the brutal facts within the company.

It is highly questionable to expect a team to outperform the industry, if the resources given are just adequate for playing in the third division. Looking at team performance this way (as I do in the section *Dynamics changing*) helps keeping the focus on the strategic decision: “Where do we need to be better than anybody else?” and “Where can we afford to be just acceptable?” We are leaning against the Hedgehog Concept here.

The takeaway from the section *Philosophical Questioning of Good to Great* is that democracy can throw a spanner in the works. The concept of excellence has to be acknowledged throughout the organization – and if you work in a democratic environment or in a place with severe internal power struggles, you cannot prevent the “wrong people” from getting a lift on the bus. You need to pay some attention to continuously enforce the Good to Great methodology and make sure your power base is backing the efforts. Otherwise, the Flywheel might start to wobble on its cradle.

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\(^{46}\) Well, it looks like I need to consider the development of a transfer system too. The European Union regulations on the free movement of the work force might need some attention also.
The ring is forming

“The ability to become great is in the way you think.” This is quoted from one of the last sections, *Technology Accelerators*, but it might as well be the underlying thread of the introduction, *The Perception of Life*. We are closing the circle here. You start out by having a different approach to life, and after years of hard labor, applying the concepts from Good to Great, you end up facing the fact, that you can only prevail by having exactly a different approach to life. Isn’t that neat?!
Bibliography


