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BUSINESS LEADERSHIP AND THE LESSONS FROM SPORT

Hans Westerbeek and Aaron Smith

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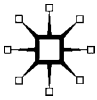

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Hans Westerbeek
Aaron Smith

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CHAPTER 1

Introduction: The Sport of Leadership

Bad luck does not exist. (ENZO FERRARI)

From the Front

An era in Formula One motor racing is currently being forged by a handful of some of the most capable leaders in the world of sport. With six constructor's and five consecutive driver's championships to its name from the last half-dozen seasons of Formula One, Ferrari has muscled its way onto the podium as a contender for the greatest ever sporting team. In any successful organization leadership lessons are available. But perhaps some of the characteristics of sport leadership can offer a richer source of information; a metaphor for leadership action in business that goes beyond the tired sporting clichés of commitment, dedication, and aggression.

Jean Todt, the French team director of Ferrari, nicknamed by some as Napoleon for his uncompromising leadership style, once described his world champion driver and close friend Michael Schumacher as a sweetheart, an emotional softie. And yet, the media personification of Schumacher is almost the opposite. What the public sees is a leader with ice running through his veins; logical, capable, strong, brilliant. Great leadership is not always what is seems from the outside.

After a blistering youth spent mastering karts, Schumacher was offered a seat in a Formula Koenig (Ford). His first season returned nine wins in ten starts, and propelled the German into Formula 3, where he finished third in his initial season and won the championship the following year. Graduating to the Sauber team behind the wheel of a sports car, Schumacher again distinguished himself enough to attract the attention of Eddie Jordan, principal of the Formula One team bearing his surname.

Schumacher was hastily signed, but legal complications sneaked their way in and Schumacher unexpectedly found himself at Benetton by the end of the season. Schumacher's first Grand Prix was a taste of what was to come, however, qualifying seventh and racing aggressively before a forced retirement.

At only 23, Schumacher made it to his first full Formula One season in 1992. It was a promising start. On 11 occasions, Schumacher finished in the points, and by the end of the season he had even collected his maiden Grand Prix victory. The following season offered a similar story, Schumacher competitive, but subservient to some of the best drivers of the time, including Prost, Hill, and Senna. However, by the 1994 season, only his third in Formula One, disaster struck, but not for Schumacher. Championship favorite Ayrton Senna crashed out of a race at San Marino and was killed after violently hitting a wall. In the mourning and shadow of Senna's death, Schumacher collected his first world championship, a feat he repeated the following year.

Moving to Ferrari in 1996 Schumacher endured the frustration of being close but not close enough. Then, after the mixed fortunes of 1999, when Schumacher broke his leg, but Ferrari managed to win the constructor's title, the records began to fall. Five driver's championships later, Schumacher has broken just about every record there is to break in Formula One, including the most driver's championships and Grand Prix victories. It's easy to assume that Schumacher is the guiding force leading the Ferrari team. But, in fact, according to the team director Jean Todt, although Schumacher provides infectious motivation, technical expertise, a natural authority, and a point of reference, he plays no strategic or managerial role in the team. The reality is that Schumacher's contribution is just the phalanx of an immensely deep leadership team.

When professional athletes and teams compete, the resulting contest has a dynamism that is unpredictable at its core, despite being bound by specific rules. For example, one knows what to expect from a football match compared to a wrestling bout. However, the exact way in which a contest unfolds – regardless of the sport – is impossible to anticipate or control. From the chaos that is on-field play emerge some of the most exhilarating moments of human experience. From the melee of a Grand Prix race start, Schumacher can mold a race of precision and, at times, flawlessness. For the sport fan, these passages of aesthetic wonder are like fleeting glimpses of an effortless perfection. They represent a kind of spontaneous innovation, founded upon countless hours of training, but realized in one string of critical activities that run together like a scripted performance. From the uncertainty of the contest emerges a winner: the

team or individual capable of converting complexity to innovation, chaos to control, choice to opportunity and, perhaps most importantly, indecision to leadership.

Sport offers a unique metaphor for critically examining business; the two share some common ground. Both are fast, complex, and at times unpredictable. Both demand professional training, benefit from the experience that accompanies performance and aim to inspire loyalty from their consumers. And both are at their best when they transfer knowledge from specialists to the front line, find the balance between chaos and the desire for control, discern opportunity from deception, and confer importance to leadership rather than management. This book is about the lessons for business leadership that can be found on the sporting field of play. It is not intended as a recipe book offering quick, "bake at home" solutions, but it is built upon the premise that while leadership is complex, its execution can benefit from new ways of thinking about and looking at the subject. The nature of sport offers such a view.

> The car was good today and the backmarkers did a good job of keeping out of the way. *(Michael Schumacher after a race)*

Parallax

When someone scans an object with only one eye open and then only the other, it appears to have moved. This apparent displacement is known as the "parallax effect". This book uses sport as a vehicle to achieve this effect in viewing leadership in the business world. It does not shirk the responsibility of presenting the genuine challenges associated with leadership, nor does it conflate the solution to a single or simple behavior or activity. It does, however, take an innovative approach to discussing leadership by utilizing international, professional sport as a metaphor. And to get us rolling, few other sporting cases are as plentiful in example as that of Ferrari.

Ferrari is the only team that has competed in the Formula One World Championship since its inception in 1951 when the series was contested by private athletes racing under national colors. In stark contrast, the current world championship involves 10 teams competing in 18 Grand Prix races spanning Europe, Asia, Australia and North and South America, generating an estimated US$1 billion in broadcasting rights alone and a cumulative audience of seven billion across over 200 countries. Formula

One Administration Limited, founded and managed by Bernie Ecclestone, holds the exclusive commercial rights to the FIA (Fédération Internationale de L'Automobile) Formula One World Championship, and is not shy about exploiting those rights. In fact, doing so has made Bernie Ecclestone's personal fortune amount to US$4500 million. He owns roughly 25 percent of companies involved in the management of Formula One. In this frenzy of capitalism, Ferrari boasts the largest annual budget and employee numbers of any Formula One team, approximately US$300 million and 800 respectively. It also commands the performance of the highest paid athlete in the world, Michael Schumacher, who earns US$80 million per year including endorsements to drive a 900 horsepower vehicle up to 350 kilometers an hour using technology that NASA would be proud of.[1]

> Money makes the world go around and in Formula One it greases the wheels too. *(Roger Horton, motor racing journalist and commentator)*

To look at any organization like Ferrari that has sustained high performances over time suggests "best-practice" lessons. Undoubtedly, there is no shortage of suggestions offered by academics, consultants, and even business leaders themselves as to what leadership best practice entails. Typically, leadership best practice is represented by a set of dimensions, characteristics or qualities. A brief trawl through the internet provides an immediate feel for the volume of different views. Somewhat appropriately, Jay Cross in his internet article *The Last Word: The Changing Nature of Leadership*, makes the point with some much needed cynicism:

> Books teach you leadership's 108 skills, 101 Innovative Ways, 30 Marine Management Principles, 22 Vital Traits, 21 Indispensable Qualities, 21 Irrefutable Laws, 21 Most Powerful Minutes, 18 Workshops, 17 Indisputable Laws, 17 Principles, 15 Secrets, 11 Lessons, 12 Principles, 10 Traits, Ten Keys, Nine Keys, 7 Acts of Courage, Seven Habits, Six Fail-safe Strategies, Six Strategic Principles, Five Temptations, Five Giant Steps, Five Decision Styles, Five Practices, Four Disciplines, Four Practical Revolutions, Three Keys, One Minute, and the Other 90%.[2]

> In theory, there is no difference between theory and practice. But, in practice, there is. *(Jan L.A. van de Snepscheut, former Professor of Computing Science, California Institute of Technology)*

Unfortunately, despite the volume of rhetoric on leadership, there is not necessarily much consensus about any of it, although the gap is probably most distinct between descriptive, academic theories of leadership and prescriptive, popular approaches. Academic versions tend, to their credit, to emphasize precision and empirical data. As a result, they also tend to tell us what we already know: that "good" leadership is neither describable in universal terms nor is it definable in a common way.

The truth about leadership from those who study it seriously for a living is that it is complex, uncertain, and powerfully affected by inescapable but unpredictable contextual variables like the composition of followers, the type of organization and its goals, as well as the idiosyncrasies of the environment at the time. Add to this the fact that empirical data remind us that completely different approaches to leadership can be effective in the same situations. To put it another way, leadership for business is a lot like leadership for sport, except for the fact that the vagaries of sport leadership seem to be far better accepted. We all accept that former England rugby coach Sir Clive Woodward and basketball coach Phil Jackson employ fundamentally different approaches to leadership. The research data would encourage us to accept this as an axiom of business leadership. The popular literature, on the other hand, would try to convince us that there are secrets to leadership that will be exposed in a handful of chapters if only we buy the book. With this in mind, we will not be offering another leadership panacea, but we do begin with the premise that it can be profitable to look at business leadership from another perspective, in this case from the viewpoint of successful sport.

> What has instructed all of the world's builders of safe, efficient cars? Auto racing. Any theory, any laboratory experiment needs practical support, and only the race can offer it because during the race the driver submits the car and its parts to intense, unpredictable, unthinkable testing. *(Enzo Ferrari)*

Most popular approaches draw certain elements from different theoretical bases of leadership in order to best suit their needs. These needs range from selling books, educational programs or people. We would immediately recommend to the reader some caution, in that while such approaches can elicit useful information, they are frequently flimsy in content, even when they are, on the surface at least, very appealing. They use exciting language and seem to make sense of events that shape the corporate and personal worlds in which we live. For example, some leaders such as

Rudolph Giuliani, Colin Powell, and Jack Welch have capitalized on personal credibility and defining events to present their own views on leadership. Some of these personal accounts can be enlightening, and while it does not mean that they represent the only way to lead, sometimes they contain some useful lessons.

> The country is full of good coaches. What it takes to win is a bunch of interested players. *(Don Coryell, former coach, San Diego Chargers)*

Leadership Lessons

Perhaps the most profound leadership lessons of the Ferrari case can be found in the life of the founder himself, Enzo Ferrari. The son of a metal worker, Enzo Ferrari led an undistinguished and underprivileged life first punctuated by action when called up to serve in the Italian army in 1917, although he ended up spending most of his time shoeing mules. A decade later, Ferrari was effectively running Alfa Romeo's racing operations, three decades later, he presided over his car's first Grand Prix victory, and four decades later, the world champion driver was sitting behind the wheel of a car adorned with Ferrari's name.

But it was a humiliating start for Enzo Ferrari. With a letter of discharge from the army in his pocket, Ferrari presented at Fiat for an interview, only to discover that he was destined to be among the unlucky ones in a labour market bloated with ex-servicemen. Gifted with a sense of foresight and planning, Ferrari spent time expanding and massaging his network of contacts, which eventually culminated in a job offer with car manufacturer CMN. The connection was fortuitous, allowing Ferrari to seize upon the opportunity to race. Within three years of being discharged from the army, Ferrari took an Alfa Romeo to a second place finish in the Targa Florio. A love of racing was kindled, and the early foundations of his personal leadership journey were also laid in place. Ferrari's approach to leadership was to be poignantly expressed in a symbol that has become one of the most recognized logos in the world.

Racing for Alfa Romeo in 1923 on the Savio at Revenna circuit, Ferrari won convincingly despite driving a comparatively underpowered car. After the race, Ferrari was approached by the father of Francesco Baracca, the famous World War I fighter pilot. Baracca senior was so impressed with Ferarri's boldness behind the wheel that he presented a badge to Ferrari emblazoned with the prancing horse of his son's squadron. The

same symbol is carried by every Ferrari made today, and has become the most famous automobile logo ever applied to a hood or bonnet.

Throughout the 1920s, Ferrari built a network of contacts in Alfa Romeo, many of whom would work with him for decades. Meanwhile, Ferrari secured a degree of notoriety from success on the track, albeit in an Alfa Romeo. His performances nevertheless delivered awards and titles, including "Commendatore," a high distinction that Ferrari dismissed with a characteristic but increasingly unpredictable charisma that would feature in his leadership style for the rest of his career.

> That which is yet to be won. *(Enzo Ferrari, when asked which race victory was the most important the team had achieved)*
>
> That which is yet to be built. *(Enzo Ferrari, when asked which Ferrari model he liked the most)*

Deciding to step away from a formal affiliation with Alfa Romeo, and retiring from racing in 1929, Ferrari formed his own team in Modena, which, although operating under the name Scuderia Ferrari, still fielded a conventional Alfa Romeo. Of note was Ferrari's astute decision to share ownership with the wealthy Caniato brothers, whose early financial clout helped to establish what effectively became a semi-autonomous entity within Alfa Romeo. Scuderia Ferrari grew to become a professional racing outfit, led by the increasingly ambitious Ferrari. By 1939 the team had enjoyed substantial success, having won a number of important Grand Prix events, and having defeated the larger teams with less powerful vehicles. But by this time, Ferrari had had enough of clashing with Alfa Romeo's director and engineers, a tension that reached a climax with the giant manufacturer's intention to reabsorb the Scuderia Ferrari's racing operation, along with its intellectual and design property. The event provided a catalyst for Ferrari to manufacture, by 1940, several eight cylinder cars, which later that year raced under no specific designation, but which have come to be regarded as the first genuine Ferrari cars.

Despite a serious downturn during World War II that forced Ferrari to focus his company's efforts on specialist machine tool work, the team survived and continued to manufacture in its original Modena premises, establishing what is still considered an infamous hub of high-performance automobile engineering. After the war, Ferrari's team raced a 1.5 liter V12 car with some success, but it was not until 1948 that the new supercharged Ferrari 125 had its first outing in the Italian Grand Prix, in what was the first

world championship. Ferrari's team took the driver's championship in 1952, 1953 and again in 1956 with Juan Fangio at the wheel. Two years later, the world's first British world champion was driving a Ferrari.

As in many success stories, great leaders are more important in times of difficulty rather than triumph. Such was the case with Ferrari during a long dry patch that yielded only one championship in 15 years. The period was intense and frustrating. Mechanical innovation and a string of creditable drivers simply could not break the success of the larger teams. In many ways, it was the emergence of another leader, this time on the track, that provided Ferrari with an injection of energy. A young Austrian driver, Niki Lauda, showed great promise in his first season with Ferrari in 1974, and won the title brilliantly in 1975. Lauda could have made it back-to-back championships but suffered a horrendous accident at Nurburgring in Germany that left him with serious burns. In fact, he was so badly injured that he was administered the last rites, a fact made more remarkable by Lauda's return to competition within a few races, only to lose the championship by a single point. Extraordinarily, Lauda reclaimed his title in 1977, and Ferrari enjoyed success again in 1979 with Jody Scheckter driving the prancing horse. But it was going to be another period in the wilderness – this time 21 years – before Ferrari was to win another driver's championship, despite signing some of the best talent available, including Alain Prost, Jean Alesi, and Nigel Mansell. The fact was that Enzo Ferrari, for all his charisma and focus, was growing old, and his death at 90 in 1988 left the team with a leadership vacuum and in desperate need of reinvigoration. What had worked in the past was no longer yielding success. The Ferrari leadership formula needed a change.

> Aerodynamics is for those who cannot manufacture good engines. *(Enzo Ferrari)*

The Leadership Formula

One of the most significant issues facing leadership is the lack of an accepted formula. There is no such thing as an accepted model or approach. Further, many sound approaches to leadership tend to be one-dimensional, driven by a single idea or focused on a small part of the puzzle. It is clear from the outset, therefore, that leaders tend to be faced with the prospect of positioning themselves as either champions of a certain approach, or selecting from a menu containing diverse and perhaps

even incompatible approaches. This is not to suggest that several different approaches cannot be used successfully together, nor has the ineffectiveness of empirical leadership research discouraged leaders from attempting to fill the gaps themselves. Indeed, there is a current push that suggests methodology that has been used in scientifically based models is not providing results that can be applied by practitioners; methodology that is grounded in organizations and businesses rather than from the transposition of psychological and quantitative survey methods upon businesses. For example, Parry and Meindel's recent book *Grounding Leadership Theory and Research* provides a perspective of leadership, grounded in organizations, and developed through the study of organizations.[3] Recently, approaches to leadership have begun to focus more directly on events and the changing nature of leadership for different settings. This assumption is a core feature of sport, and one of the ongoing themes of this book. It is also apparent to anyone who has ever studied a case like that of Ferrari, in detail.

Of course many approaches to leadership are grounded in the experience of commercial, business organizations. If, as is commonly the case, these approaches are published as books, they often tell a good story, and make sense to those working in organizations like the one described. A good example is *The Oz Principle,*[4] a leadership book based around the story line of *The Wizard of Oz*, complete with the leadership pathway, which naturally enough is a "yellow brick road." This makes for an easily understandable and at times entertaining read, but is limited in its ability to communicate the principles of leadership. Most approaches to leadership tend to assume that leaders (and the implementation of their decisions) make a difference in organizations. However, the essence of what makes that difference changes depending upon the approach. Thus, a successful leadership approach should be multidimensional and should take a broad focus of where leaders influence an organization. We shall argue that the sport metaphor helps in this ambition.

> You need to know Spa to savour Senna, the steepness of the descent to Eau Rouge, the strange ferocity of the left-right kink at the bottom; you need to know that Eau Rouge is to be taken at high speed, balls to the wall.
> *(Christopher Hilton in* Ayrton Senna – The Hard Edge of Genius)[5]

A convergence of appointments was responsible for the Ferrari rebuilding. At the top, former team manager Luca di Montezemolo stepped into the space left by Enzo Ferrari. As chairman and chief executive of

Ferrari, Luca di Montezemolo has largely been credited with the company's reinvigoration over the last decade as well as the turnaround of their subsidiary Maserati. Montezemolo's focus has been on developing a new generation of technologically advanced racing cars to complement their existing engineering superiority. In addition to research and development, at an operational level, Montezemolo has also revised the product lines, downsized the workforce and changed manufacturing practices. These strategies have been heavily driven by the investments he has made in the Formula One racing team, a marketplace battering ram which has returned handsome dividends. Montezemolo has also taken Ferrari to a successful public float, with the backing of their principal owner, the Fiat group, which also own the automotive company of the same name among other enterprises. It is easy to forget in the midst of Ferrari's record-breaking dominance that it was languishing at a historic low when Montezemolo assumed the leadership in 1991. Even then, success had to be relearnt. It was not until 1993 that the foundations of the racing team were created.

One of Montezemolo's key moves was to secure Jean Todt as team manager with the design and engineering expertise of Ross Brawn and Rory Byrne added to the portfolio shortly afterwards. Of course, the changes culminated in the acquisition of double world champion Michael Schumacher in 1996. Schumacher was immediately competitive, and came tantalizingly close to taking the title in 1997 and 1998, with Eddie Irvine as a solid second driver. Things got worse in 1999, however, when Schumacher broke his leg at Silverstone, leaving Irvine to battle on, ultimately coming close to winning the driver's title. It was enough, however, to clinch the constructor's title. But in 2000, Irvine was dissatisfied with having to play the second driver to Schumacher, after stepping into the top role during the previous season. The team was unambiguous though; Schumacher was to remain the top man, and Irvine left to be replaced by Rubens Barrichello.

The prancing horse regained the driver's championship after 21 years in 2000, and has never seriously looked to be challenged since. After no less than nine Grand Prix victories, Schumacher won the title, bolstered admirably by an improving Barrichello who also secured his first Grand Prix victory during the season. Another nine race wins in 2001 were enough for Schumacher to secure the championship again, as the most consistent performer in the field. Ferrari has not relinquished its control of the world championship since, Schumacher taking 11 Grand Prix victories in 2002, a new record for the most in any one season, and delivering him a fifth driver's championship, equaling Juan Fangio's achievements of the 1950s. Barrichello finished second, accumulating four Grand Prix wins of his own.

Sport Thinking

We are not advocating sport itself as a leadership tool. Playing sport won't help. Nor do we advocate treating business as a sport, but we do believe that looking at business from a sport frame of mind is helpful in dealing with the dynamics of contemporary business. Kevin Roberts, chairman and CEO of Saatchi Worldwide commented:

> don't look to great companies for inspiration. Instead look to the world's greatest sports teams. Sport is the most relevant model for peak performance in business. Sport is about teamwork, inclusion and empowerment. It's about passion, fun, excitement, making magic, winning and being part of a dream.[6]

There is precedent, of course, for looking at business this way. For example, David Parkin, a successful coach in Australian Rules football, co-wrote *Perform – Or Else!*, which offers commentary regarding how managers and leaders can learn about business strategy, tactics, and leadership from sport.[7] *Peak Performance*[8] (by Gilson et al.) analyzes successful sport teams in a series of case studies, attempting to illuminate the strategies behind their success and suggest how business leaders can learn from these. Another notable example is *The Business Playbook: Leadership Lessons From the World of Sports*[9] by Brandon Steiner whose suggestions can be summarized as: "Start with a road map; Find your niche; Wake up nervous!; Know your purpose; Go the extra mile; You never know; Get focused!; Nothing changes if nothing changes; It's not what happens, it's what you do with what happens; and See success as a habit." This book, *Business Leadership and the Lessons from Sport,* unlike Steiner's, is not so much about attitudes and habits as systems and practices. Like Holland's *Red Zone Management*[10] which uses the red zone (the last twenty yards in American football before a touchdown) as a metaphor for critical moments in an organization, *Business Leadership and the Lessons from Sport* views some conditions in sport as consistent with those pivotal times in business where the manager (or leader) must introduce innovations, competitive strategy, mergers, culture changes, and put his or her best players (the team) on the field (or in the game).

As sport and business can overlap in practical and metaphorical ways, leaders in business might benefit from a better appreciation of the principles employed in leading sport, from wresting order from chaos, to the nuances of coaching.[11] It is noteworthy, however, that most of the evidence suggests that good leadership is hard to come by in any organization and context, including sport. For example, Pamm Kellett showed in her research that the

popular ascriptions of leadership are not all that familiar to coaches in professional sport.[12] In other words, either these professional coaches do not think that the stereotypical descriptions of what leaders are supposed to do are accurate, or that their experiences of actual leadership are of a different nature. Of course, another interpretation is that professional coaches perform managerial and operational roles more than they do leadership tasks. In this sense, coaches might be like most people in leadership roles – average. Perhaps, though, there is the chance that professional coaches perform some tasks that are pivotal to their leadership contribution, and the popular leadership literature simply does not accurately distil what it is that leaders really should do. Sport is useful in this way because it helps to tease out the hidden activities – like the relationships formed with athletes – that are part of the foundations of good leadership and teamwork, but are not high profile enough for anyone to link to the charismatic roles that the popular literature has brainwashed us into thinking is normal.

Gideon Haigh arrives at a similar conclusion, albeit from another angle entirely.[13] He suggests that the cult of the CEO is responsible for elevating them to superhero status where their acting ability is as much a factor in their perceived leadership performance as anything else. In the cult, it is assumed that the CEO is the sole author of a company's future, dependent largely upon their celebrity leadership status, which, unhelpfully, can be elevated by paying them ridiculous salaries. There is little doubt that marketing leaders is a critical aspect of contemporary business, and of the leadership function itself, but as in sport, leaders need to be able to demonstrate that their performance is worthy of the price. Moreover, as in sport, there are a series of key leaders in any team, and many of them receive very little exposure or credit.

> Experience is a hard teacher because she gives the test first, the lesson afterward.
>
> Some people are so busy learning the tricks of the trade that they never learn the trade.
> *(Vernon Law, former pitcher, Pittsburgh Pirates)*

A New Vision

A key leader in the Ferrari camp is undoubtedly Jean Todt, who has presided over the last five consecutive championship victories as the director of the racing team. Jean Todt has enjoyed a varied set of experiences in motor