

Teamwork, Technology And Talent: The T<sup>3</sup> Approach  
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To compete successfully in an era of rapid change is a challenge that all American businesses face. The good news is that the playing field is expanding across the globe. The bad news is that the field is not level. In my experience as chief executive officer of an energy company, I have found that competition is less a matter of superior resources than one of having the right management strategy. *The problem of competition is primarily a management problem.*

To compete effectively, one must manage effectively using *teamwork, technology and talent*. This “T” approach strives to balance the best of human emotion, skill and intelligence. T<sup>3</sup> is a very straightforward approach to management. It begins with a clear focus on goals.

Nowhere was this fact more evident than in the 1992 race for the America’s Cup, the oldest trophy in competitive sports. To even casual observers, there was no reason on earth that an amateur sailor who only started sailing eight years earlier, and a team with some members with no prior sailing experience, should have won the race. Las Vegas odds on our winning were a 100-to-1 longshot. Yet our America<sup>3</sup> team won the America’s Cup because we approached the campaign as a management challenge. In fact, the name “America<sup>3</sup>” represents the main elements of the management strategy I have used in my own businesses.

For simplicity, I call this the “T<sup>3</sup>” approach. It must be done consistently for it to be successful. Coming up with the right management approach required a great deal of study, hard work, and a lot of mistakes. Of the three, I have learned the most from making mistakes. Mistakes are necessary to the creative process. If you are not making mistakes, it means you are not trying new approaches. If you are not trying new approaches, you are not improving.

□ *Teamwork.* To accomplish anything in today’s world requires the efforts of more than one person. It requires a team. The glue that holds a team together is a clear focus. In all of my business efforts, whether meeting annual financial objectives or increasing productivity in a pipe manufacturing plant, we set one or two simple goals each year that everyone can accept, and the achievement of which we can monitor. These goals are our constant focus—they are written down and reinforced constantly. We even post a simple chart that is visible to everyone in the company to show our performance. These are not the goals one usually finds in a mission statement, goals often forgotten in the rush of business. Instead, they become our final measures for decision making.

For example, in the America’s Cup, our goal was simple: win the Cup. To do this, our analysis of previous races told us that we needed two things: a fast boat (since a slow one never won the race) and a crew that made few or no mistakes. Like most things in life, it is not the most brilliant who win, but the ones who are the most consistent and reliable.

We ruthlessly judged every decision by two criteria: Does it make the boat faster, or make the crew better?

All members of an organization must be seen as equally important, because every job must be done well and every job counts. Everyone who contributes to a success has a right to share in that success. Either everyone wins, or no one wins.

To achieve the established goals and create the reality of a team from the inside out, all members of the organization must be seen as equal in importance to all other members. Some executives will contest this statement on the grounds that companies are, by nature, vertical hierarchies with distinct pecking orders. While it takes more skill to be the chief financial officer than it does to be an accounting clerk, for an organization to succeed *every job must be done well and every job counts*. Because every job matters, every individual is equally responsible for the company's success, and those who contribute have the right to share in that success.

Team spirit and effectiveness can be reinforced by aligning the employee's financial gain with the corporate goals. At Oxbow in the mid-1980s, we instituted a financial bonus plan that resembles today's "gainsharing" plans. Everyone participates – from managers and engineers to the maintenance men and janitors. One result is that our geothermal plant in Nevada is one of the most productive energy plants in the country and regularly produces at 110 percent of capacity. The desire to perform well is promoted horizontally, not vertically, by employees working with each other. Either everyone wins, or no one wins.

Teamwork is also important in turning around a company. At a composite pipe plant in Oklahoma which we acquired, we were faced with a divisive, disgruntled workforce, low productivity, and catastrophic quality control. Our first priority was to build team spirit. Members of the R&D department, typically the "sacred cows" of an engineering company, were sent with salespeople on customer calls to understand the demands of the market. To build quality control and pride, every inspector was asked to sign his name to a completed length of pipe before it was shipped. As people began to work together and take pride in a *shared* accomplishment, new product development shrunk from two years to six months, customer rejections declined by a factor of 10, sales tripled, and the annual red ink turned into monthly profits.

Teamwork in an organization requires constant reinforcement, and visual reminders can aid the process. During the America's Cup campaign, everyone on America<sup>3</sup> – from the security guard to the skipper – wore the same team clothing, whether or not their contribution was on land or on sea. The visual statement helped to reinforce the value of each person on the team, regardless of position.

□ *Technology.* Despite the overwhelming importance of people, I am convinced that technology plays a huge role in competing effectively on a global scale. As a chemical engineer, I have seen repeated instances in which a technological edge has made the difference, not only in product development but in overall corporate management.

To win, you have to combine art and science. We applied technology from different disciplines to a business in which tradition said technology would not work. We ignored the rules of thumb and looked at what made products better.

Technology has become increasingly important in formerly low and non-technology sectors such as sailing. Until recently, sailing technology had been virtually unchanged for 100 years. Most people believed that yacht designers do create beautiful boats. However, boat speed is a *science* governed by the principles of aero and hydrodynamics. Since boat speed is a science and sailing is an art, to win we needed to combine the art *and* the science. The trick was to know how.

In retrospect, our approach was simple. We applied highly developed technology from different disciplines to a business in which tradition said technology would not work. We ignored all the old rules of thumb and looked at what made our product better in relation to our goals.

We have taken a similar track at Oxbow as well. For our large electrical generation plant in Nevada, we developed a highly sophisticated computer model of both the plant and the 12,000-foot deep geothermal reservoirs. When we want to make improvements, anything from drilling a new well to changing a valve, we run the change through the model to determine how it will affect the bottom line of the entire operation. Technology enables us to continually improve our throughput without putting corporate resources at unnecessary risk. In so doing, we deliver the right product at the right price and maintain our competitive lead.

□ *Talent.* For many companies, talent is a first priority, but I view it as considerably less important than either teamwork or technology. Why? While skills can be taught to someone with the right attitude, a talented individual with a “me first/me only” attitude is a detriment to teamwork and ultimately prevents the organization from reaching its goals.

When it comes to talent, I follow two rules: Hire people who are better at their jobs than you are, and let them do the jobs for which they were hired. Hire talented people, but only if they have the right attitude.

Many managers put all their eggs in the talent basket and are willing to accept the demands of star players as a necessary consequence of getting some enormous load of talent. However, hiring stars can actually create problems, not solve them. In the early days at Oxbow in 1983, I hired three star executives whom I did not know especially well, except by reputation. I trusted their talent without paying attention to their personal agendas, which eventually came to encompass huge personal gain at the sake of the company’s capital structure. It was a \$35 million management error, but it taught me to never become overly dependent on talent alone.

When everyone buys into corporate goals, those of the individual and the corporation tend to merge. While I was away pursuing the America’s Cup, Oxbow employees

doubled company profits. This resulted from hiring employees who could do the job better than I could.

The current Oxbow management team is quite different, in part because we now approach hiring differently. We get to know the individuals well in both business and social situations, and we usually hire for lower positions and give people a chance to prove their worth. Consequently, we promote heavily from within the organization. We spend a great deal of time trying to understand individual goals and to align these with the goals of the corporation. By getting everyone to participate and buy into corporate goals, the two sets of goals—those of the individual and those of the corporation—merge into one.

With the current team, Oxbow has been able to grow at a fairly rapid rate. When I made the decision in 1990 to take on the America's Cup challenge, I turned the business over to three executives with instructions to improve our ongoing business operations, but not to leap into new territory. When I returned a year and a half later, I found that 1991 profits (for the full year I was absent) had doubled from 1990. For 1992, when I was away for half the year, profits increased 50 percent from the prior year. When the press comments critically on this, I respond that I am quite proud of this feat. This kind of performance could only have resulted from selecting the right people who could do the job better than I could. Their performance allowed me, in turn, to pursue new areas which will ultimately benefit the company through increased scope and profits.

The selection or "hiring" process is exceedingly important in creating the right team, and that was especially true for America<sup>3</sup>. More than 500 people applied for fewer than 40 places on the crew. We started with extensive interviewing, not only of the applicants but of others who had sailed or worked with them. From this group, we eliminated 340 on attitude alone, and then moved on to conduct tryouts with the remaining 160. A team of six people was chosen to rate each potential crew member on a 0 to 10 basis in categories we felt important: attitude, teamwork, and talent. To be considered, candidates had to achieve scores of 9 or 10 in each of the first two categories.

The process lasted two months, at the end of which we selected 40 individuals. For the America's Cup match, we selected a final crew of 16. Although they were virtually all amateurs, they proved to be the best team in the world.

One reason we competed successfully was a fundamental belief that there was no room for stars on the team. Each maneuver requires the coordination of 16 people working as one. The star sailor, on the other hand, tends to be interested in one thing—his own glorification—and not how well the team works. If a mistake occurs, the star blames others, which in turn creates new problems.

Being a good skipper means being part of the team, and knowing the team's problems. It requires being in the field and working with people. Leadership requires a combination of hands-on and macro management. As skipper, it was my job to make sure the right people were in the right positions, that they worked together well, and that they had the

resources to do their jobs to the greatest extent possible. Being a good leader also meant being part of the team and know the team's problems, just as in business it means knowing your customers' and suppliers' issues. It cannot be done from an office-being part of the team means being in the field and working with people. Effective leadership requires a delicate combination of hands-on and macro management.

In the America's Cup, I insisted on being physically on the boat, for which I received a tremendous amount of media criticism. However, by being on the boat I could see first-hand what mistakes were being made and by whom, and devise solutions to correct the problems. There was no need to filter information through someone else's agenda and risk receiving inaccurate information.

In contrast, the management cultures of our major competitors were quite different. Each chose a star who concentrated on his area of expertise. The Italians put a sailor in charge, and he concentrated on maneuvering and winning the starts. The New Zealand team chose a leader who was a yacht designer. He fell in love with his designs and would not accept improvements. Their personal biases and egos flawed their respective campaigns and contributed heavily, I believe, to their ultimate losses.

A successful campaigner from years past, General Eisenhower, once commented that he spent 80 percent of this time dealing with his allies, and only 20 percent fighting World War II. The same is unfortunately true for most of our large corporations, whose managers spend four days of the week concentrating on internal politics and one day on serving the customer and running the business. If we hope to win the global battle for business, we must change these priorities. If American businesses are going to compete effectively on a global scale, management must find new ways to use and strengthen the best of our human and technological resources.

T<sup>3</sup> is like a great partner-it helps bring greater success and prompts a constant review of the relationship between management style and performance. In the search for continual improvement, a few guidelines are steadfast reminders of the dynamic impact of the *teamwork-technology-talent* relationship.

- ❑ Develop team players according to the 80/20 rule: 80 percent attitude, 20 percent talent.
- ❑ Management's job is to keep the team focused, not perform subordinates' jobs.
- ❑ It is the team that wins. Management must be part of the team, along with customers and suppliers. Team members must have compatible goals and agendas.
- ❑ Everyone is equally important. The only ego that counts is the ego of the team.
- ❑ Along with teamwork, technology is the most effective tool to achieve your organization's goals. Technology can be especially effective when used in areas in which

others are convinced it does not apply. This is how an organization can make tremendous gains over its competitors.

□ Always improve. Mistakes are fine as long as you learn from them, and you “don’t bet the farm.”

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*Bill Koch knows how to be a winner. His Oxbow Corporation is one of the largest privately held corporations in the United States. In 1992 he conceived and managed the winning campaign in the America’s Cup sailing race. Although such achievements may seem to have little in common. Koch has found several crucial management principles that led to success in both. This mixture of a radical concept of teamwork, innovative uses for technology, and a contrarian view of talent can bring profound results. Mr. Koch is a graduate of Massachusetts Institute of Technology where he received a bachelor’s degree and master’s degree in Chemical Engineering. He also earned a Sc.D. from the same Institution.*

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