

Rose Consulting Group, Inc.

Client Newsletter

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Grizzly bears, college, diminishing returns, the Olympics, etc:

Why your team is worth improving.

THE GRIZZLY BEAR

Two campers look out the flap to see a grizzly bear charging toward them. Tom runs back in the tent while Bill prances about cscreeching in terror. Tom reappears and starts putting on his jogging shoes.

"Idiot!" says Bill, "you can't outrun a bear!"

Tom continues lacing up and calmly says, "No, I just have to outrun you."

In most cases we do not do business in a vacuum. We compete. And while we all want to do the best possible job we can, in reality success often means beating the competition.

Keep the bear in mind and now go back to college.

DIMINISHING RETURNS

If you were a borderline student like author Bob Rose (Yes, I made a **D** in Accounting and it was not the only one...), you remember your college days as good times interrupted by the hours you had to waste studying. And since scholastic probation would mean leaving the fun you soon found that bravely foregoing that beer by one hour meant you could make a **C**.

Earning a **B**, however, took another two hours. Three hours before you tapped the keg?

Getting an **A**! That took four and a half hours – and not a sure thing even then.

And it continues in all of life, doesn't it? Losing the first ten pounds is a delight. Losing the

next five is a battle of gym work and dieting. Losing the next five? Forget it!

Losing weight, learning Spanish, increasing profits, getting a better performance review – initially you gain; and then, the better you get the harder it is to get any better. All behavioral improvement is governed by a negatively accelerated function (a pretentious stat term meaning the better you get the harder it is to get better).

Which leads to the conclusion – why bother with that additional 10 percent? The first twenty percent gain up to 70 was three times as easy as getting up to 80 and getting up to 90...hey, 80 percent isn't all that bad.

Now, on to the Olympics.

THE OLYMPICS

Whether you follow sports or not it is difficult not to be enchanted by the Olympics. Athletes so good that they look magical.

All the Olympic sports are interesting, but some wins seem to be more the decision of judges and others are fairly straightforward, like with weightlifting and running where scores are based on hard numbers. Let's look at the recent outcome of 2004 85 kilogram men (187 pounds) weightlifting. The Gold Medal total weight was 382.5 kilo with Bronze coming in at a mere 372.5. Hmm... so the guy who almost didn't make it into the records needed to improve by 2.7% to be recognized as the best in the world.

Let's look at men's 100 meter. The Gold was 9.85, the Bronze was 9.87. So the guy who got the Bronze medal could have tied the Gold medalist if he had been 2/10ths of a percent faster. And the guy who got the Silver medal?

Well, let's just say that had our Grizzly been in the competition with the top two performers the difference between making it back to the SUV (winning the Gold) and getting eaten by the bear (Silver) was a whopping 1/10th of one percent speed.

And this is not a new concept. Let's go back to 1960 when people were not as fast. The men's 100-meter Gold was 10.2 and the Bronze was 10.3. A one percent faster speed and Bronze would have beat Gold by the same amount as he got beat.

Look at your own favorite Olympic sport. Or any other sport. Or any other human endeavor. Just as with college grades, every increase in speed, strength or any other performance gets harder and harder.

DIMINISHING RETURNS GIVE INCREASING RESULTS

Of course returns diminish. If you kept your initial gain rate at the gym you would be benching 500 pounds by the end of the year.

SO WHY BOTHER?

Because since the negatively accelerated function applies to all of us in all areas, very small gains allow us to win.

If you have a \$100mm business and you and your E-team improve your efficiency by 2% does that mean anything? We can tell you – and prove it to you if you doubt – that it means, conservatively, \$1.6 million dollars. If your department's budget is \$1.5 mm and you can improve by the efficiency by 2%, you're looking at a \$24,000 proposition. On a much smaller but still vital scale suppose you have a department with a budget of \$800,000. If your team improved by

the same 2% that means, very conservatively, over \$10,000.

IMPROVING YOUR TEAM?

You can see even a slight improvement in your team makes sense. If you have a successful team – and you almost certainly do – doubling their performance is unlikely. But with a 4% -- or even 2% -- increase, you might be the one who outruns the bear.

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