

# Racing Through the Storm: Building Exceptional Teams for Extraordinary Times

A special report from Oliver Wyman Delta and The Syncretics Group

**F**or over a year, we've all been trying to navigate our way through a perfect storm of economic calamities. The wreckage has been devastating. For CEOs and their senior teams, charged with leading their battered institutions through this period of unparalleled uncertainty, this is quite literally the challenge of a lifetime.

The very fact that this crisis feels so unfamiliar adds to the pervasive anxiety. When we ask leaders what past experiences they draw upon to guide their teams through these murky waters, they tend to come up empty; they clearly lack a useful frame of reference.

Well, we'd like to suggest one: a boat race.

Not just any boat race. We're referring to what's come to be known as the "Mt. Everest" of offshore ocean racing, the 723-mile race from Sydney, Australia, to Hobart, on the southern tip of Tasmania. Held every year since 1945, it is considered one of the most dangerous and demanding sailing races in the world because of unpredictable weather and turbulent seas.



Early on the afternoon of December 26, 1998, 115 yachts lined up for the start of the race. Onlookers around the world watched with horror as the fleet sailed into a “weather bomb,” prompting the largest maritime rescue in history. While 6 men tragically lost their lives, another 55 were saved through the heroic efforts of people up and down the coast. In less than 24 hours, 71 yachts were gone from the race (including 5 that were abandoned and 2 that sank); only 44 finished the toughest race in the competition’s 54-year history.

Yet amid all this chaos, one of the smallest boats – the AFR Midnight Rambler – not only survived the “perfect storm,” but actually won the race. That’s what draws us to this episode – the intriguing question of how a group of seven amateur sailors defeated all the professional crews in one of the world’s most demanding ocean races?

Our conclusion – which holds important lessons for all CEOs and senior teams struggling to weather the current economic storm – is that the AFR Midnight Rambler's crew was performing at “the Team Edge,” our term for the exceptional level of performance that is only possible when a team is fully aligned, completely focused, and passionately committed to achieving their goal. It represents the gold standard of performance that every organization’s senior team should be striving for today precisely because it creates tremendous competitive advantage during periods of adversity, uncertainty, and change.

### **In pursuit of exceptional team performance**

That conclusion emerged from a collaborative effort by our two consulting firms, each with its own unique approach to improving the performance of top executives and their teams. As we each encountered one team after another struggling to excel in the face of economic turmoil, we joined forces to study the AFR Midnight Rambler case and, together, distilled the lessons of team performance most relevant to the current business environment. Our organizations, in brief:

- For nearly 30 years, Oliver Wyman Delta (first as Delta Consulting Group, then as Mercer Delta Consulting) has worked with CEOs and top leaders of major corporations to transform and lead their organizations through the most challenging periods of “discontinuous” change – transformational change that is large-scale, complex, and involves every aspect of the organization from strategy to structure, from talent to culture.

- The Syncretics Group has over 25 years of experience working with organizations and teams at “the Edge” – under conditions where survival requires extreme performance. Syncretics has studied accounts of shipwrecks, airplane crashes, mountain climbing expeditions, polar exploration, and other situations in which leaders and teams confronted the limits of human endurance. Based on that research, Syncretics has identified principles that can be applied in any challenging environment to enable organizations to fulfill their greatest potential by operating at the Performance Edge.

Our related approaches – advising senior leaders as they transform their companies under the most challenging conditions, and helping leaders and their teams personally attain the Performance Edge – are particularly relevant as organizations battle their way through the Great Recession. The AFR Midnight Rambler’s success in the 1998 Sydney-to-Hobart race holds instructive lessons for all teams, but in particular, for the executive team that reports to the CEO. This is where performance is most problematic, because this team faces some unique challenges:

- The executive team is composed of the organization’s most powerful and ambitious people, each with a job that is complex, time-consuming, intellectually demanding, highly political, and positioned within its own constellation of internal and external stakeholders.
- The CEO is not only the team’s leader, but each team member’s boss; the primary link among the members isn’t that they belong to the same team, but that they happen to report to the same executive. The CEO tends to stay in the job longer than most executives remain in one role, and makes decisions that can’t be appealed to any higher authority. Put all of that together, and the CEO wields an unusual degree of power over team members.
- The team’s dynamics are inevitably influenced by succession politics. Some members may be jockeying for position, while others line up behind the leading contenders.
- The team is often geographically dispersed and typically spends much less time together as a team, or associating with each other informally, than most other teams. Their responsibilities constantly pull them in different directions as they deal with their own businesses or functions, and they have little opportunity to maintain close working relationships.

Taken together, those issues create major obstacles to effective senior team performance, even under the best of circumstances. In crisis situations, the normal dynamics are exacerbated by heightened emotions ranging from anxiety and uncertainty to anger and fear. That's what senior executives are going through today – and what the crew of the AFR Midnight Rambler was experiencing during the 1998 race.

### **The AFR Midnight Rambler's story**

It takes a book to do full justice to the AFR Midnight Rambler's story, but briefly, here's what is most important.

At the height of the storm, the boats in the Bass Strait (the 200-mile-wide open ocean between the southeastern coast of Australia and the island of Tasmania) were struggling to stay afloat and grappling with hard choices. Some crews spent hours bickering, reaching a decision that few believed in, while others were paralyzed by fear. Eventually, most boats in the Bass Strait made one of two strategic choices.

Many of the smaller boats decided to turn around and seek shelter from the storm by heading north towards mainland Australia, hoping to reach land about 40 miles away. The problem with this strategy was that the waves would be overtaking them from "astern." That compromised their ability to steer and maneuver, leaving them at the mercy of the waves. Some of these boats were rolled or dismasted, and their crews had to be rescued.

Many of the larger boats that were already farther south decided to sail southeast, away from the storm, hoping to outrun it or sail around the worst of it. But that course took the boats in the opposite direction from the finish line, and it prolonged the time they were sailing in the same direction the storm was moving, under hurricane-like conditions. These boats were blown so far off course and lost so much ground that they had virtually no chance of winning the race.

There was, however, a third option; only a few crews considered it, and only one was capable of executing it. That strategy, embraced by the crew of the AFR Midnight Rambler, was to sail directly into the storm. They reasoned that would set them on the most direct path to the finish line and provide the quickest route through the storm, which was moving in the opposite direction. Although they knew it would be difficult, they were convinced that not only was it the best strategy, but that they had the crew to make it work.

After 88 hours, the AFR Midnight Rambler arrived safely in Hobart and was proclaimed the overall winner – the smallest boat in 10 years to win the race.

Most experts agree that sailing into the storm was not only the best strategy, but the safest. Yet few of the experienced sailors on the other boats could seriously contemplate this risky option, and only one crew was capable of performing at a level that enabled them to pursue that course and win the race.

### **Lessons for teams: Creating “the Team Edge”**

A team that is performing at “the Edge” – fully aligned, focused, and committed – has a better chance of successfully executing risky and difficult strategies, and as a result, enjoys the luxury of choosing from among a full range of game-changing options. In the AFR Midnight Rambler’s case, they were able to identify and pursue a bold, counter-intuitive, winning strategy that few other boats thought was feasible.

How did the AFR Midnight Rambler’s crew attain “the Edge,” and how can senior teams and their leaders benefit from the crew’s experience in that race? We think there are 10 lessons worth considering.

#### **1. It’s all about a starring team, not a team of stars.**

Many racing teams are composed of “Rock Stars” – highly skilled, professional sailors who hire on to play a specific role in a particular race. A crew of specialists is assembled for a race, and they may be shuffled on and off a team up until the very last minute, depending upon who becomes available. For the Rock Stars, building relationships with crewmates is not a priority. As soon as the race is over, they pack up and head out in search of the next lucrative berth.

The AFR Midnight Rambler, on the other hand, has always eschewed the Rock Star model because it has nothing to do with building sustainable, long-term performance. To be sure, the AFR Midnight Rambler’s crew members have to demonstrate technical competence in order to earn a spot on the team. But once on the team, they’re treated as valued members as long as they meet three requirements:

- They must always “show up” ready to race, both physically and mentally
- They must be totally committed to the team’s success, never allowing individual ego to interfere
- They must contribute on two levels, providing value that extends beyond their technical skills

For example, Michael Bencsik was the “pit man” responsible for keeping everything organized in the cockpit during the race. He also played the role of “integrator,” helping to orient new people to the team’s culture and accelerating their transition from “new person just learning the ropes” to a fully performing crew member.

The same principles hold true for executive team composition. Without question, each member of the team has to meet basic requirements for technical expertise and management skill. But individual performance must be measured in the context of organizational success. Will Wright, the developer of “The Sims” and other successful computer games, says he classifies potential hires as either “glue” or “solvents,” in terms of whether they’ll unify the team or eat away at its morale. No matter how great their personal skills, he considers the solvents “a net loss.”

To perform at their peak, executive team members must become adept at wearing “two hats” – one hat as leader of their particular business or function, and an “enterprise hat” that signifies their readiness to subordinate their parochial interests to the good of the entire organization. It’s not enough to be a brilliant performer of only one role.

## **2. Prepare the boat, prepare the crew.**

In sailing, the winning formula involves both “the mechanics and the dynamics” – the right boat and the right crew. To be sure it had both, the AFR Midnight Rambler readied itself in several important ways:

- They obsessed over the details of preparation. Skipper Ed Psaltis had a five-page pre-race checklist that missed nothing; they even counted the number of screws in their toolbox to minimize weight while ensuring they were equipped for an emergency.
- In practice runs, they deliberately sailed under rough conditions when other boats were heading back to shore, relentlessly rehearsing all the sail changes they might have to make in the most punishing situations. And they practiced sailing at night, when there’s a natural tendency to lower your speed; the team believed their ability to race at full speed in the dead of night could become a huge competitive advantage.
- Hoping to improve their chances, they acquired a new boat only 19 days before the race. It was a risky decision; the new boat was faster and better suited to endurance racing, but they had precious little time to get it ready and establish the upper limits of its performance. So the first afternoon of the race,

when conditions were favorable, they sailed hard – what they called “knife-edge sailing” – partly to gain distance, and partly to determine how hard they could push the new boat.

The twin issues of “mechanics” and “dynamics” are just as relevant for an executive team. The “mechanics” involve the team’s charter, roles, and work processes. If the team is going to perform effectively under duress, then it needs to spend time during periods of relative calm to clearly understand what kind of work it will do together, as a team; how decisions will be made; how conflicts will be resolved; how information will be shared; and how team performance will be monitored and improved.

The team “dynamics” are powered by a “shared view of the world.” The most effective senior teams share some basic assumptions about the organization, its strategy, and its competition; they don’t keep sliding back to square one, rehashing the same arguments about strategic priorities and how to allocate resources. With a shared view firmly in place, team discussions become much faster and easier, providing a major advantage in crisis situations, when time is of the essence and alignment is essential.

### **3. Channel all of your energy into a winning strategy.**

Over the course of a long race, wind shifts can suddenly scramble the shape of a race. In an instant, you can go from leading the pack to lagging behind. A major setback can easily demoralize the crew; left unchecked, poor morale can deplete the crew’s energy and weaken performance in what can quickly become a vicious cycle.

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“It was late on the third day of the race. We’d been battling the storm for 20 hours. Sleep was impossible, but I was in my bunk, just trying to get some rest. My brother Arthur was in the rack nine inches above me and I heard him say, ‘Listen to that!’ We realised that we could actually hear people talking up on deck, and the constant screaming noise of the storm was suddenly gone.

“Everyone climbed on deck to see what had happened. The sky seemed to be clearing. We stripped off our wet-weather gear and even talked about changing into shorts. Then the truth dawned on us. This was just the eye of the storm. We’d only made it halfway.”

- Ed Psaltis, Skipper, *AFR Midnight Rambler*

Whenever the AFR Midnight Rambler fell behind in the race, they would:

- Identify a scenario that provided a plausible, if not certain, course to victory
- Determine precisely what it would take to win (e.g., plot a riskier course, get more speed out of a particular sail)
- Make sure every crew member understood what was required and what role they would be expected to play
- Focus the crew's total energy on flawlessly executing that strategy

For senior teams, the goal is total commitment to a compelling vision and a credible strategy – even if that means sailing straight into a storm. Consider a market-leading manufacturing company that was nearly wiped out by the U.S. home-building crash. Management took dramatic steps to trim expenses, ultimately slashing the workforce by more than a third. But as the housing depression entered its second year, it clearly wasn't enough, and the company chose a new strategy: filing for Chapter 11 bankruptcy protection.

That can be a disheartening move and a prelude to disaster. But in this case, the senior team viewed it as a deliberate offensive strategy. Because they executed so well, and so successfully conveyed their sense of confidence both to employees and to customers, they emerged several months later without having lost any of their key talent and having won the support of customers they'd been pursuing for years. It's hard to avoid comparisons with GM and Chrysler. Both might have benefited by reorganizing under Chapter 11 in 2008, rather than watching their value crumble until they were forced into bankruptcy by the government. The question is whether their senior teams were sufficiently aligned around a winning strategy to have successfully pulled it off.

#### **4. Shout over the noise of the wind and the waves.**

There was a lot of “noise” in the Sydney-to-Hobart race: the shriek of the wind, the crash of the waves against the hull, the squawk of the radio, and the shouts from the crew. Storms are the natural enemies of good communication.

On the AFR Midnight Rambler, the crew's ability to communicate in the midst of a raging storm proved to be a huge advantage. It was everyone's responsibility to communicate constantly, in every possible way – shouting when necessary, or when they couldn't hear one another, slapping the hull of the boat to warn those below, “Big wave, hold on!”

Beyond the noise of the storm, the crew members' natural fear and anxiety could easily get in the way of sharing information and hearing concerns. So even if things were going perfectly, those below deck would make a point of shouting encouragement to their crewmates above. They would acknowledge each other's small contributions. The key was to maintain constant communication, regardless of the obstacles.

Organizational crises create their own "noise," which can easily garble, mute, and discourage effective communication within the executive team. Team members are scattered, demands on their time and attention become overwhelming, and opportunities for casual conversation become scarce. Communication within the team can easily be clouded by political concerns and turf battles. Even as anxiety mounts, team members grow wary of conveying any hint of weakness or uncertainty.

Poor communication nearly destroyed a company we worked with a few years ago. The senior team was divided between offices in Los Angeles and Berlin. Separated by thousands of miles and an eight-hour time difference, they rarely gathered in one place at one time, and routine communications typically dragged over from one day into the next. Some team members resented what they viewed as their teammates' intrusive demands for information, while others were frustrated by what they viewed as resistance to sharing essential information. Some were offended by what they perceived as the imperious, bureaucratic tone of communications they received; others were annoyed by responses they viewed as cryptic and sloppy. Clearly, their problems went far beyond communication, but until they solved that issue by improving the frequency, substance, and tone of their communications, little else mattered.

## **5. Chart the course, then share the helm.**

Steering a boat through a furious storm is exhausting work. Amid howling winds, towering waves, and torrential downpours, the concentration and stamina required to maneuver through each successive wave eventually takes a physical and mental toll.

During the height of the storm, Arthur Psaltis (who was in charge of the AFR Midnight Rambler's crew management) grew increasingly concerned that his brother Ed (who was steering) had reached the limit of his effectiveness. It took Arthur's strong and spirited encouragement to convince Ed that he needed to take a break, so he could be rested and ready if conditions kept deteriorating.

Steering an organization through today's economic turmoil can be just as exhausting and emotionally draining; in a real sense, the burden is far too heavy for one person to carry without some kind of support or relief. The real lesson here is that teams performing at "the Edge" learn to leverage each other's strengths, rather than relying on each individual's heroic efforts. Indeed, some companies, such as Microsoft, are constantly struggling with the cultural icon of the "hero leader" who makes every decision and solves every problem without looking to others for help.

Let's be clear: the CEO is the ultimate helmsman and bears final responsibility for setting and staying the course. But the CEO can and should be sharing leadership responsibilities with the team – constantly seeking their advice, heeding their feedback, and delegating key responsibilities. Without that kind of distributed leadership, the team adds little value to sailing the ship or running the organization.

#### **6. Manage conflict, don't ignore it.**

The composition and alignment of the AFR Midnight Rambler's crew helped to minimize conflict, but certainly didn't eliminate it. Conflicts did emerge, and they were dealt with openly and directly – but usually after the race was done, not in the middle of a storm.

During the race, disagreements were minimal. Everyone had a chance to have their say; then the skipper made a decision, and at that point, everyone got behind it. Battling the storm, there was no room for dissension or second-guessing. Later, during a calm in the storm or after the race, the crew would hold a frank discussion about each problem – what caused it, how to fix it – in order to learn from it.

In light of the common folklore depicting corporate CEOs as tough, even dictatorial, it's always surprising to find how few actually run their teams as decisively as Ed Psaltis skippered his boat. Conflict is common within executive teams, for understandable reasons. The egos are big and the stakes are high; in battles over turf, titles, and resources, the consequences are substantial for both winners and losers. And yet, these conflicts often play out below the surface – sometimes because senior executives are reluctant to air their grievances directly to the CEO, and often because the CEO would just as soon see subordinates work out problems on their own, rather than having to intercede by choosing sides or forcing a delicate issue. Time and again, we see CEOs and their teams struggling with unresolved conflict, which breeds mistrust, destroys working relationships, and undermines performance.

Like the captain of the AFR Midnight Rambler, the CEO's role is to find the appropriate time and place to surface conflict, determine the best way to resolve it – either through mediation or unilateral decisions – and then insist that everyone get on board for the next race.

## **7. Focus on the next wave, but don't lose sight of the one behind it.**

At the height of a violent storm, maneuvering a boat through one monster wave after another requires incredible focus. That creates a dangerous dilemma; such singular focus produces “tunnel vision” or “target fixation,” where the helmsman sees only the waves directly in front of the boat but loses sight of what's farther up ahead and what's happening among the crew.

So the AFR Midnight Rambler developed a “wave watcher” approach. While the helmsman focused all his attention on the wave directly in front of them, another crew member focused farther out in the ocean, searching for the next killer wave on the horizon.

Executive teams navigating a crisis run a similar risk of “tunnel vision” – the danger of solving imminent problems in ways that might eliminate long-term opportunities. Successful teams master the art of “bifocal leadership” – the ability to constantly shift focus from current demands to longer term threats and opportunities. In the present downturn, that often translates into simultaneous downsizing and growth – cutting back on troubled businesses while investing in areas that hold the greatest promise for future growth. Or, in the case of one company we know, it involved resisting lenders' demands to immediately boost the bottom line by slashing items such as 401(k) matches, which could easily have demoralized critical players or even provoked them to leave.

Executive teams need to look not only farther, but wider; they need both bifocal and peripheral vision. Crises inevitably cause organizations to turn inward; executives spend an enormous amount of time restricting costs, reducing staff, and then reassuring the survivors. That work is important and that tendency is natural, but it raises the risk of allowing internal worries to disrupt normal business transactions and customer relationships. Just as the AFR Midnight Rambler's crew had to overcome “tunnel vision” and “target fixation,” an executive team must work to maintain both bifocal leadership and an external focus.

## **8. Master the art of rapid recovery.**

In difficult racing conditions, there will be knockdowns. When the waves are big and you're trying to sail as fast as you can, things simply won't go as planned. The key is to quickly recover from setbacks and immediately get back into racing mode.

The AFR Midnight Rambler mastered the art of rapid recovery by:

- Anticipating setbacks as “normal” occurrences in a race and being prepared for anything
- Encouraging everyone on the team to take responsibility for solving problems and learning from failure, and immediately addressing issues that could get in the way of success
- Focusing on “quick recovery,” rather than placing blame

For executive teams, the art of rapid recovery is a tremendous competitive advantage – particularly today, when setbacks are so common. And they come in all shapes and sizes – failed acquisitions, unsuccessful product launches, the sudden removal or unexpected departure of a CEO or a key player, not to mention the precipitous plunge in revenues and share prices experienced by so many companies.

It's probably no coincidence that Amazon, one of the most successful companies of the digital age, is also famous for its high-profile flops. But as Jeffrey Bezos, Amazon's founder and CEO, explained in a recently published interview, after each failure the team comes together and reaffirms its belief in the overall vision, and that shared conviction powers them forward. The capacity to acknowledge failure and then move ahead has been crucial to Amazon's success.

## **9. Use the calm between storms to learn and innovate.**

Before, during, and after its races, both on and off the water, the AFR Midnight Rambler's crew constantly looked for ways to perform better. Even in the midst of a race, they would use periods of relative calm to rectify recent problems. After races – especially when they hadn't done well – they'd discuss their performance and look for ways to improve.

In effect, they created a culture of continuous learning and innovation, constantly looking for creative ways to overcome problems and sail faster under the toughest conditions.

There's a close parallel between the AFR Midnight Rambler's approach and the crisis leadership model we've shared with executive teams over the years. Our research shows that in the

immediate aftermath of a crisis, there's a very narrow window of opportunity in which the organization is still in flux, operating in unusual and unfamiliar ways and uniquely open to significant change. It is top management's responsibility to quickly discern the underlying cause of the crisis and to assess how well it was managed – and then to swiftly apply those lessons to create some major changes before the window of opportunity slams shut and the organization settles back into “business as usual.”

If done right, that post-crisis phase of recovery and learning should actually become the basis for avoiding – or at least mitigating – the impact of the next crisis, which, like the next storm, is sure to come.

#### **10. Never give up; there's always another move.**

Remember that the wind can always shift at the last moment. Until the race is over, there's always another move.

The AFR Midnight Rambler's crew was able to succeed under the most harrowing conditions – to consistently achieve “the Team Edge” – because they collectively embodied three essential qualities. As a crew, they were:

- *Determined*: They fully understood what they were in for – 723 miles of “hell on high water” – and they entered the race fully prepared, both physically and mentally, and determined to win.
- *Adaptable*: They were willing to experiment with new ideas and strategies. They developed the capacity to make rapid changes in response to their constantly changing environment.
- *Optimistic*: Maintaining optimism in the face of adversity can dramatically improve your odds. You won't see opportunities unless you're looking for them, and you won't look for them unless you are optimistic and believe you can still win the race.

The same qualities are critical for CEOs and their teams. During the current crisis, we have seen senior executives who have become dispirited, pessimistic, and paralyzed. But we've also seen leaders – particularly those with unusual reserves of optimism – who have been energized by the challenges, who describe the present situation as the most “exciting” time they've ever experienced as a leader. Without a doubt, they are the ones who will look back with satisfaction, and an enormous sense of accomplishment, on their success at navigating today's storm. And the key to their success will have been the belief that there would always be a way to win.

## **Conclusion**

Leading a major corporation through today's economic turbulence may not be quite the same as racing a small boat through a giant storm, but it's hard to imagine a more perfect metaphor for what leaders and teams face today.

Confronting the imminent possibility of business disaster, most CEOs probably wouldn't rank senior team performance high on their priority list. They should. No CEO can rescue a business alone; a turnaround under crisis conditions requires not only a team effort, but exceptional performance at "the Team Edge." That edge enabled the AFR Midnight Rambler to survive a massive storm, win an historic race, and develop a crew capable of racing through the next storm, whatever it might be.

## Oliver Wyman Delta

Oliver Wyman Delta works with CEOs, senior teams, boards, and other senior executives, in the design and implementation of large scale, transformational change with impact across the enterprise. We help leaders increase their individual effectiveness, teams improve their collective performance, and organizations achieve their strategic objectives. Oliver Wyman Delta publishes special reports and white papers on a regular basis that address the pressing challenges and concerns of our clients.



The Syncretics Group helps leaders, teams, and organizations achieve their greatest potential in demanding environments characterized by adversity, uncertainty, and rapid change. A unique Metaventure® approach to increasing leadership and teamwork effectiveness uses the power of story and metaphor to convey critical strategies for succeeding in today's complex and fast-paced organizations. Dennis Perkins and Paul Kessler are co-authors of a book on teamwork and the *AFR Midnight Rambler* to be released next year.

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