

Teams, Not Stars, Are the Key to High Performance

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When the people who work in a business own an equity interest in the success of the venture, they have a clear reason to work cooperatively together and help each other to produce positive results. They may be less inclined to engage in the sort of backstabbing, turf-building and other dysfunctional behaviors that can plague many traditional companies in which the employees have no ownership stake. In short, they show teamwork.

So what? It's all well and good that a shared ownership stake may promote a team orientation, but does teamwork necessarily translate into superior business results? Isn't having a few super-producers - star performers - really more important than a bunch of ordinary people making nice to each other?

For the answer to that question, we don't have to rely on hunches, or instincts, or a handful of individual cases. It turns out that some careful research has been done on this point. Data were gathered from a wide range of companies in an effort to settle the question of which is more important in generating superior performance: teamwork, or "stars?" The answer, hands down, turned out to be teamwork.

An excellent review of that research was presented in the Wall Street Journal (November 7, 2005). The research shows that productivity and innovation are boosted more when teams of people work cooperatively together than when there are individual stars. Perhaps most surprisingly, this was true even in fields generally thought of as dominated by star performers.

A good example was found in the study of heart surgery, where most observers had assumed that the skill of the surgeon was the key in producing good outcomes. In fact, when researchers analyzed the work of heart surgeons who practice at more than one hospital, they found that the death rates from similar procedures performed by the same surgeon can vary as much as fivefold at different hospitals. Same surgeon; different hospitals; different results. The researchers concluded that the ultimate outcome from heart surgery depends not only on the surgeon, but on the anesthesiologist, the nurses, and the technicians who make up a rather extensive team of contributors who work closely together to produce final outcomes. Interestingly, where a surgeon had a principal hospital where he/she worked most of the time, the outcomes were significantly better than at the hospitals that he/she used only a minority of the time, suggesting that it helped to have the surgeon well-integrated with the other team members.

A similar study, by different researchers, looked at the same issue in the investment management field. In this field, perhaps more than any other, people have long assumed that superior investment results would be tied to the work of a superior stock-picker. The star analyst is assumed to have keener powers to identify the best investment opportunities. Yet, when the researchers looked at the actual facts, they found that when a star fund manager left one investment firm to join another, their performance very often fell substantially. Most of these star analysts fell off the published lists of "all-stars," and nearly two-thirds had left the new firm within five years. The head of this research effort explained that it is the match of analyst and firm that produces star performance - and it's hard to re-create that environment at a new firm. In fact, in cases where a star analyst brought his support team of assistants

with him to the new firm, he was considerably more likely to reproduce his high performance level than otherwise.

The idea that teamwork is important to business performance is certainly not news. It's gotten regular lip service for years now. But, as the head of the research study on investment analyst Boris Groysbert pointed out, we still see a great many companies in a wide range of industries that focus their recruiting efforts on trying to land a few big stars. That approach, said Mr. Groysberg, generally fails. Instead, he says, "nurturing matters."

Interestingly, the same conclusion has been reached in studies of sports teams. A recent study of NBA basketball team performance, for example, found that teams on which the players had played together longer generally won more games - a result the researchers attributed to the "teamwork effect." The limitations of pursuing stars as a strategy for success was also explored in the best-selling book "Moneyball," which chronicles the success of the Oakland A's baseball franchise. Over the past five years, that team had the second highest number of victories in all of major league baseball (Atlanta was number one), despite having the second lowest payroll during that period. One of the key principals that Oakland followed to produce that impressive record of value performance was that stars are overpriced in the market, relative to the contribution they make to a team's won/lost record. Employers tend to look to stars as saviors and are therefore inclined to pay "whatever it takes" to secure the star's services. The cost of securing those services may therefore be several times the cost of hiring a player who is merely "very good." Yet, by looking dispassionately at the cold, hard data (the key to the "Moneyball" strategy), Oakland's management concluded that the star's claim to fame was based on performance that was better than other players by only a modest incremental margin. For less money than it would cost to recruit a star, Oakland realized, it could upgrade all the other positions on the team to above-average (but not star-level) proficiency, a move that would do more to generate wins. As an extra twist, Oakland realized that much of what makes a star just that is having played on a successful team. Oakland's strategy, therefore, has been not to hire players who are already stars but to *create* them (think Jason Giambi and Miguel Tejada), and then trade them for young players with no star power but tremendous prospects.

Broadly shared employee ownership serves as a powerful basis for instilling a team orientation. And teamwork is the key to superior performance and results. I see the ball, I hit the ball. It couldn't be simpler.

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