

PIXIE DUST ... SUSTAINING a WINNING CULTURE in sport and in business.



LESSONS FROM A (FORMER?) MAJOR LEAGUE SPORTS CHAMPION.

The fall from grace was swift. Just 11 months ago, on a chilly December 9, 2018, Toronto FC accomplished what no other team in Major League Soccer history had ever done. They completed an historic four-peat: they won the League, the MLS Cup, the Canadian Club Championship and set the record for the most points ever recorded in a single regular season.

One year on, and despite having the highest payroll in the league, only two teams managed a worse record in the Eastern division. TFC's meagre ten victories in 34 regular season games came at a salary cost of US\$2.6M per win. The salaries of TFC's 3 top designated players equate to a staggering US\$1M per goal scored in the regular season. TFC allowed more goals against than they scored.

So what caused such a rapid decline?

How can a winning team ... or company ... create a SUSTAINABLE winning culture ?

REASONS (excuses?) FOR TFC's ANNUS HORRIBILIS - 2018

Much analysis and hand-wringing has been devoted to the reasons for TFC's underperformance this year.

1. Unfortunate injuries?
2. Or is it that the opposing teams had a full year to analyze and counter TFC's winning strategy? (1)
3. Or is it that as the reigning MLS champion, TFC is the bull's-eye target for every team wanting to prove itself against The League's Best?
4. Or maybe the attention to TFC's high profile run in the World Club Championship took everyone's eye off the ball - the bread and butter regular season?
5. Or is it simply that complacency inevitably sets in after such a remarkably successful season?

Well, let's see.

1. Injuries? Like taxation, injuries are the cost of doing business. Every team (and company) faces the same issues. Some worse than others. That's the unpredictable nature of sport, business and life. Better preparation and contingency planning certainly help, but great teams always find a way to win, in spite of injuries and unforeseen challenges.
2. Better scouting and preparation by competitors? You bet! Get used to it. Strong competitors will continue to Improve and INNOVATE each and every year. You have to as well!!
3. A target? The leader always is.
4. Distracted by other prizes? Too many shiny objects to chase? Focus! Resource planning and the importance of strategic prioritization becomes paramount.
5. Ah - Complacency - the enemy of creativity; the nemesis of an organization's desire to create and continue an ingrained culture, the legacy of winning. This is the REAL challenge.

"This has been our dream, our obsession for the last year," TFC Captain Michael Bradley told delirious TFC fans at the MLS Parade celebrating the team's success last December.

Bradley nailed it. One needs obsession to get to the top. But "the obsession to succeed" seems to have faded with the initial taste of success.

"I never want this feeling to end. I'm hoping we can do all of this again in 12 months' time," TFC's GM and the Chief Architect behind TFC's success Tim Bezbatchenko told Sportsnet at the time. Bezbatchenko showed exceptional foresight with his comment suggesting that one is not enough - he wants more. However, "hoping" alone is insufficient. "Hope" is never a winning strategy.

WINNING.... INCESSANTLY

A winning culture is elusive... although it has been achieved many times before: Montreal Canadiens won the Stanley Cup 4 years in a row from 1976-79, followed by the New York Islanders 1980-83; the Edmonton Oilers won the Stanley Cup 5 years out of 7 from 1984-90. Real Madrid were anointed UEFA Champion League Winners 4 years out of the past 5 - with 2 different managers - against truly the best competition in the world. In the 17 year span from 2002 to 2018, the New England Patriots won the Super Bowl 5 times and were runners-up a further 3 times. The Boston Red Sox just celebrated their fourth World Series title since 2004.

What is the pixie dust that creates a legacy, a lasting winning culture? How can the lessons from sports be translated to a successful, sustainable winning **business** culture?

Pixie dust is a concoction- a deep bred culture of excellence and innovation- from planning to practice to execution. It is ensuring you have the best players in the best position to win - every day. It is a pervasive attitude, a state of mind. You just know, as part of your DNA, that you and the eco-system that is your team are all winners.

A winning culture has a purpose. It is envisioned and then brought to life by leaders. Making money is the by-product.

Greg Vanney , the TFC Coach who was named MLS and CONCACAF Coach of the year in 2017, was exceptionally honest when he told the Globe and Mail in July 2018 " ... on a given day it might be a little more difficult to be positive than you might have been on a previous day". Kudos for honesty. How do you overcome that nagging doubt, and that complacency?

TRANSLATING SUCCESS TO BUSINESS

Why have so many of the "In Search of Excellence" companies slipped? Why was the single best leadership book of the last 20 years called "Built to Last"? Because it is the holy grail and so hard to achieve.

Constellation Software, Boyd Group, Dollarama and CCL Industries are 4 top performers on the S&P/TSX by stock price performance over the last 8 years. Each is up over a remarkable 1,000% ! What do these winners have in common?

1. Resilience. Leaders expect the unpredictable to throw the company off its game. They count on their people to defeat inevitable negative surprises. What can management do to engender such resilience?

They set the right incentives. Compensation drives human behaviour. Charlie Munger, Warren Buffet's uber successful 94 year old business partner, says there are few forces more powerful than incentives: " all my life I've underestimated the power of incentives. And never a year

passes but I get some surprise that pushes my limit a little farther." Successful organizations revisit incentives regularly to make sure they are aligned with the desired goal. For TFC, the club with the highest payroll, money alone was insufficient. Furthermore, with such an uneven payroll structure it must have been difficult to remain motivated all season if you are, for example, a lowly paid midfielder and service provider to the star goal-scoring striker who gets all the glory and is paid more in one week than you earn all year. Perhaps compensation tied to team Key Performance Indicators may have helped - not just individual salary or winning team results. In other words, team KPIs which reinforce the importance of teamwork and day to day alignment.

Senior executives at Constellation Software are not granted free options as management. They are fully aligned with shareholders. They use their annual cash bonuses to buy stock. In other words, they have their own money at risk every day, just like any other shareholder.

2. Each team member knows the vision. They are connected intellectually and more importantly, emotionally, to the path to success. Each member of the team or company knows what her or his job is, how it fits into the big picture and what their mission is. A unified sense of direction.

When TFC's big stars were signed, they committed to the vision. Regarding Jozy Altidore, Bezbatchenko said "Our top priority is building a winning club with players that are committed to the TFC vision. Jozy checks off all of the boxes." Dave Hopkinson, Chief Commercial Officer for MLSE said the whole organization was "fully behind the vision of this club to be the class of MLS on the pitch and off" at the time Sebastian Giovinco was signed. Hopkinson gets it - what it takes to be the best. So much so, that Real Madrid took notice of Hopkinson, and poached him.

3. Winning Culture requires continuous improvement and innovation - embracing and utilizing new technologies, harnessing the power and creativity of both millennials and the experienced. Continuously raising the bar, encouraging and rewarding a culture of innovation. A winning culture tries new ideas, new ways of doing things, never satisfied with the status quo.

One could easily assume that a business like Dollarama would have extremely limited options for growth. However, Dollarama has continued to innovate with a culture of disciplined risk taking. The organization continues to embrace new technologies to execute exceptionally well. They offer a wide array of products with a lower cost, thereby providing the organization with a higher profit margin to reinvest in the core business.

4. Relentless Focus

It is easy to succumb to the attraction of a new adventure ... to be attracted by the sizzle (a CONCACAF Championship) at the expense of the steak (the regular season). It is fine to have dual objectives from time to time. However, the core should NEVER be neglected.

CCL Industries has grown through acquisition, which is difficult to sustain because of the traditional and well documented percentage failure of business combinations. However, CLL has well defined, focused acquisition criteria from which they do not stray. Their steadfast and disciplined focus in the selection, integration and cash generation of acquisitions, has been a hallmark of their success.

5. Unique culture

Dogged adherence to company culture is a prerequisite for success. It should be reinforced through the practice of storytelling, highlighting the history and vision for the business, its raison d'être. Most importantly instances through the years of common values exhibited by employees, managers and executives should be celebrated.

It is easier to want it the first time. Witness TFC's desire to taste success in 2017 after being the bridesmaid in 2016. It is tougher to SUSTAIN that desire and performance to be the best ... day after day.

Boyd Group has a culture of operational excellence with a focus on being the best-in-class service provider through their philosophy to deliver consistently on each of the customer metrics they prioritize.

LEADERSHIP

Leaders set the tone from the top. They either get and commit to a sustainable winning culture or not.

Towards the end of the season, TFC Captain Michael Bradley publicly questioned the commitment of a team and organization that failed to perform, which he said " speaks to a mentality that in too many cases is too fragile". As Neil Davidson of the Canadian Press observed, Bradley's words are poignant when juxtaposed against the giant mural at TFC's training centre of the team celebrating its sole MLS Cup victory. Beneath it is a quote from legendary UCLA basketball coach John Wooden: "**Winning takes talent. Repeating takes character.**" (2)

It is a laudable objective, but simply a start, when the TFC President Bill Manning in his renewal pitch to season ticket holders says: "we work together to achieve our goal of becoming a team that can compete for championships every season".

This statement raises two questions:

1. Is the bar set high enough? Why not aim to "win" rather than just compete? TFC has done it before!

2. What concrete actions have been taken to achieve a competitive team each year? There is no transparency to Manning's plan.

The Desire and the Resilience to strive relentlessly to be at the front of the pack is a sine qua non - an absolute necessity. It is not easy to be the leader of an industry or a major sports league continuously, but the joy and the reward is in the journey and in the times during which you are right at the front ...

Here's to TFC regaining its mojo for many more years. As a founding season ticket holder, it is my sincerest "hope" and desire that it will come to pass.

(1) TFC's tactics for 2017 included a three-man defensive formation, the overlapping midfield counter-attack and the lethal offensive talents of Sebastian Giovinco and Jozy Altidore.

(2) Neil Davidson, Toronto, The Canadian Press, September 2, 2018.

- Lewis Rose is a business executive based in Toronto. Lewis and his family are die-hard TFC fans. They purchased season tickets before BMO Field was even built. Lewis attributes much of TFC's success in 2017 to Tim Leiweke's vision and inspiration and Tim Bezbatchenko's planning and execution. It is his fervent hope that TFC ups its game, commits to a sustainable winning culture, and gives Bezbatchenko the rope and resources the team needs to succeed.
