



SOCIETY OF ACTUARIES

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Three Circles

(From *Good to Great*)

by Timothy J. Leudtke

Long ago a colleague of mine used three circles to demonstrate what made for optimal product development. He defined an optimal product as one that fell squarely in the center of three intersecting circles. Each circle represented products that met the competing needs of the Company, the Consumer and the Distributor. Only those products that met all three needs saw the light of day.

Recently I read Jim Collins' book, *Good to Great*, where he outlines another application of the three circles and argues that we should consider these circles as we develop our own personal "Hedgehog Concept." A "Hedgehog Concept" represents those special strengths that one brings that allow that person to be successful. Collins articulates it quite elegantly through an old Greek parable about a fox and a hedgehog.

"The fox is a cunning creature, able to devise a myriad of complex strategies for sneak attacks upon the hedgehog. Day in and day out, the fox circles around the hedgehog's den, waiting for the perfect moment to pounce. Fast, sleek, beautiful, fleet of foot, and crafty—the fox looks like the sure winner. The hedgehog, on the other hand, is a dowdier creature, looking like a genetic mix-up between a porcupine and a small armadillo. He waddles along, going about his simple day, searching for lunch and taking care of his home.

The fox waits in cunning silence at the juncture in the trail. The hedgehog, minding his own business, wanders right into the path of the fox. "Aha, I've got you now!" thinks the fox. He leaps out, bounding across the ground, lightning fast. The little hedgehog, sensing danger, looks up and thinks, "Here we go again. Will he ever learn?" Rolling up into a perfect little ball, the hedgehog becomes a sphere of sharp spikes, pointing outward in all directions. The fox, bounding

toward his prey, sees the hedgehog defense and calls off the attack. Retreating back to the forest, the fox begins to calculate a new line of attack. Each day, some version of this battle between the hedgehog and the fox takes place, and despite the greater cunning of the fox, the hedgehog always wins. (*Good to Great*, pages 90-91)"

For Collins, a successful "Hedgehog Concept" is one that falls within three intersecting circles. The three circles represent:

1. **What can you be the best in the world at?** In determining your life pursuit choose something where you have the potential to be the best. Not that you necessarily are the best today, but a pursuit where you have an innate ability that with work, effort and continued learning/development you can become the best.
2. **What can be economically viable?** Your life pursuit should be something at which you can make a living. While it may be great to be the best model airplane builder, if no one is willing to pay you to build model airplanes; making model airplanes may be a better hobby than life pursuit.
3. **What are you deeply passionate about?** This is what I believe to be the most important circle. While you may have the ability to be the best at something for which the market will pay you a lot of money, if you don't have the passion, you will find it difficult to put in the time and effort that it takes to truly become the best.

We all strive to find our own personal intersection of these three circles that makes life fulfilling. □

Timothy J. Leudtke, FSA, MAAA, is a senior manager at KPMG LLP in Radnor, Penn. He may be reached at Tluedtke@kpmg.com.

