

Welcome to the latest views and perspectives shaping the agentic economy and the bioeconomy.

INSIDE

The Invisible law of high performance.

Shows why businesses that move like steady hikers, compounding small wins, protecting psychological capital, and reinvesting gains, will outpace the flashy sprinters who burn out on the trail.



The Invisible Law of High Performance: Why Business is More Like Hiking Than Sprinting

- By Dr. Daniel M. Böhi

I love hiking. Whenever I can, I head to the lovely Engadin, a high plateau in the Swiss Alps, where I enjoy long and intense hikes. It is much more than enjoying the majestic nature and having intense physical experiences. Most of my hikes take 8 hours or more, which leaves plenty of time for contemplation. For instance, I realized that a hike reveals more than scenery; it tells the hidden law of performance that separates companies

that are more successful than others. And it is not the metaphor you usually hear in boardrooms, not war, not moonshots, but from something far more familiar: hiking.

My last hike took me to the “Piz Lunghin”. To reach the summit, I had to climb around 1150 meters of elevation. At first, it feels straightforward; you pick a pace, keep walking, and eventually you will get there. But anyone who has hiked a real mountain knows it is not that simple. Hikers differ in their hiking strategy, in how they pace themselves, how they manage their energy, when and how long they rest, what risks they take, and how they frame the challenge in their head; those choices compound with every step. The same is true for business, and this is where Compounder’s Law comes in.

The peak and the path

Think of your company’s big ambition (e.g., competitive advantage, profits, transformation) as a mountain peak. You don’t reach the summit in one single heroic leap; you get there loop by loop. Loops in hiking refer to a stretch of the trail between pauses, such as a 60-minute walk or a 300m elevation gain. Like in business, in hiking, every loop is an opportunity to learn, refresh, adjust your walking cadence, replenish energy (by eating and drinking), and move forward. The faster and more efficiently you can refresh these loops, the steeper your compounding step-curve becomes.

This is the essence of the Compounder’s Law, the invisible math of performance, where numbers that double quietly explode before you notice, revealing a massive change that shows much earlier than intuition might predict. Compounder’s Law reduces performance to a simple formula: $\text{Performance} = \text{CAR} \times \text{PsyCap} / \text{LRH}$. In plain terms: progress compounds when you reinvest gains (CAR), protect your culture’s psychological capital (PsyCap), and shorten the time it takes to learn to spread (LRH).

This formula may look technical, but the principle is as simple as it is intuitive: keep adding small steps (returns) that contribute to total elevation, making small, consistent gains that add up faster over time. The loop-refresh half-life (LHR) indicates how fatigue sets in, prompting more frequent and longer rests, behaviors that should be avoided as they contribute to losing compounding momentum. And the PsyCap determines how you mentally frame the climb (positive or negative), which directly influences the cadence of walking and persistence.

Let’s bring it back to my hiking trail. Imagine two hikers on the same mountain trail, each with a different approach:

- Hiker A attacks every climb at full speed. He pushes hard, maintaining a high pace and cadence, regardless of the slope's steepness. At first, he looks unstoppable, gaining elevation quickly and early on. They surge ahead. However, after some time, they are gasping; the energy depletion is high, and they are forced to stop and take a more extended break. Their loop-refresh half-life (LHR), the time it takes them to learn and design changes to adjust to a new behavior, is longer, breaking the compounding rhythm.
- Hiker B chooses a different strategy. He maintains a steady cadence, moderating his pace and shortening his stride on steep sections, while lengthening it on easier terrain. He reinvests every small gain, from a sip of water to a step adjusted to the terrain, just as great companies reinvest improvements or insights into the next loop. He takes micro-breaks, sips water, and has a quick snack instead of collapsing for 30 minutes. He does not look as dramatic as Hiker A, but his compounding loops remain steady. They preserve their mental strength, keeping fatigue and "bunking" at bay. By adjusting the pace to the terrain, he conserves energy. He will use more loops, but with less recovery time required. What looks slower at first compounds into unstoppable progress. What looks fast at first often collapses under its own intensity. By the time the peak comes into sight, Hiker B is still moving, and Hiker A is still sitting. Guess who gets there first?

The Business parallel

In business life, we have all seen Hiker A companies. They spring after each new initiative, chase a big idea, overcommit resources, burn cash and people, and then collapse into retrenchment. Their gains are low; they exhibit a long loop-refresh half-life (LHR), don't learn quickly, and their psychological capital is often weak and toxic. On the other hand, there are Hiker B companies, those that reach high and over long distances: the ones that seem almost dull in their steady persistence and execution. They compound small wins, reinvest, manage cadence, and avoid exhausting their people and spirit with drama or exhaustion.

What Executives and Investors can take away from the "hiking analogy"

For hiking and aiming to reach a summit, and for business goals alike, there are four learnings I got from my many hiking experiences:

- It is all about the loops, not the single, steep leap. Stop the obsession over the single big idea and transformational moment. Instead, focus on

how quickly and effectively your organization can refresh learning and execution loops.

- Cadence compounds; intensity collapses. A 100m track race at a high cadence looks impressive, but rarely compounds. The key is to protect the company's resilience and stamina by pacing growth in a way that preserves capital and psychological capital, while thriving towards the top.
- Psychological Capital is more important than raw strength; it is the ultimate fuel. On the mountain, it's mental strength that keeps you putting one foot in front of the other. In business, it is the psychological capital (HERO; hope, efficacy, resilience, optimism) that keeps a team compounding instead of collapsing. Many strong hikers or companies alike fail because their mental strength or psychological capital (PsyCap) cracks before their muscles.
- Reinvestment is critical. Just as hikers refuel by taking a break, having a snack, staying hydrated, and taking micro-rests, companies must reinvest their profits, learnings, and capabilities into the next loop. In board terms, this is the Loop Gain (G), which represents the share of each win that is automatically reinvested in the next cycle. Skipping this step is the fastest way to lengthen the loop refresh-half time, instead of shortening it.

Why does it matter?

In today's non-linear world, the terrain changes faster than any map can predict. In such an environment, it isn't the strongest company that wins, nor the one with the flashiest ideas. It is the one that can refresh loops consistently and keep compounding through uncertainty. CAR should be on the same dashboard as ROIC and cash flow. If you aren't tracking CAR, you are managing in the dark. If you aren't measuring PsyCap, you're ignoring the very fuel that determines whether loops accelerate or not. Boards should demand to see CAR next to ROIC. And Executives should identify key loops, track LRH the way they track cycle times, and strengthen and protect our psychological capital. Investors should ask, does this company resemble a Hiker A or a Hiker B?

The stunning view from the peak

The danger? Many firms believe they are pacing like Hiker B, but their metrics betray them; they are actually Hiker A: long LRH, low reinvestment, fragile PsyCap. They are sprinting towards collapse, not compounding

toward the peak. Compounding progress often feels slow. The compounding effect is invisible until the peak is near. You often don't feel "closer" until you suddenly crest, and only then do you realize you made it almost to the top, and see the valley below. That is precisely why Compounders' Law matters. It reminds us that performance isn't about one dramatic climb. It is about the cadence of loops, the reinvestment of returns, and the mental strength to keep moving when the slope steepens.

So next time someone tells you your business is a sprint, or a battlefield, or a moonshot, tell them this: Business is a hike. The next chapter of competitive advantage won't be written by sprinters or showpeople. It will be written by compounders who master the rhythm of the climb.

We are just a coffee away from sharing more information and discussing how you can engage with our experienced executive managers:

Dr. Daniel M. Böhi; based in Switzerland; with a long track record in the international food/FMCG industry, find out more through LinkedIn ([linkedin.com/in/daniel-m-bohi](https://www.linkedin.com/in/daniel-m-bohi))

Raanan Shenhav; based in Israel; with an extensive background in deep tech startups and scaling, find out more through LinkedIn ([linkedin.com/in/raananshenhav](https://www.linkedin.com/in/raananshenhav))

To find out more about "The Compounder's Law": Böhi, Daniel and Shenhav, Raanan (2025): Compounder's Law: Engineering Competitive Advantage with Endogenous Loops and Psychological Capital; <https://www.researchgate.net/publication/395442105> Practitioner Manuscript

Get in touch!

To sign up for the "Loophole Letters" or if you would like to discuss a specific topic in greater depth, please get in touch: info@pond29.com