



University of
New Haven

American Business Review

Volume 23 | Number 1

Article 2

5-2020

The Competitive Struggle to Win Tournaments: The Allies' Race to Capture Adolf Hitler's Eagle's Nest

Franklin G. Mixon Jr.
Columbus State University

Luis R. Gómez-Mejía
Arizona State University

Follow this and additional works at: <https://digitalcommons.newhaven.edu/americanbusinessreview>

Recommended Citation

Mixon, Franklin G. Jr. and Gómez-Mejía, Luis R. (2020) "The Competitive Struggle to Win Tournaments: The Allies' Race to Capture Adolf Hitler's Eagle's Nest," *American Business Review*. Vol. 23 : No. 1 , Article 2.

DOI: <https://doi.org/10.37625/abr.23.1.3-17>

Available at: <https://digitalcommons.newhaven.edu/americanbusinessreview/vol23/iss1/2>

The Competitive Struggle to Win Tournaments: The Allies' Race to Capture Adolf Hitler's *Eagle's Nest*

American Business Review
May 2020, Vol.23(1) 3 - 17
© The Authors 2020, [CC BY-NC](#)
ISSN: 2689-8810 (Online)
ISSN: 0743-2348 (Print)

Franklin G. Mixon, Jr.^a and Luis R. Gómez-Mejía^b

<https://doi.org/10.37625/abr.23.1.3-17>

ABSTRACT

Tournament theory posits that there are situations where winning matters a lot and, as a result, agent rewards are not proportional to performance. According to tournament theorists, the large pay differentials that exist between organizational levels are intended to motivate agents to exert greater effort in an attempt to win the prize. Although a large corpus of literature on tournaments has emerged over time, little is known about the social dynamics involved in tournaments. This article addresses this gap through a historical narrative concerning how Allied forces in World War II competed to capture Adolf Hitler's famed Bavarian reception house, known to the world as the *Eagle's Nest*.

KEYWORDS

tournament theory, organizational behavior, competition, cooperation, sabotage

“Every Allied unit in the area, whether French or American, desperately wanted to capture Berchtesgaden. The unit that did so would win for itself historical immortality as the conquerors of the crown jewel of Hitler's evil empire.”
McManus (2005)

“Allied soldiers knew that if their unit captured Hitler's mountain hideaway, they would enjoy everlasting fame.”
Felton (2018)

INTRODUCTION

Economists and organizational behavior scholars have long held that the large pay differentials that often exist between organizational levels in a corporate (business) setting are meant to motivate managers (employees) to exert more effort. This basic insight now forms the foundation of tournament theory, which posits that rewards are not proportional to performance in situations where winning matters a lot, such as in professional golf and tennis, or in many cases the race to win the C-suite in the corporate arena. A large corpus of academic literature now exists that is generally consistent with tournament theory's implications with regard to employee and firm performance.

Much of the empirical research on tournament theory has, however, relied on archival data, and very little is known about the social dynamics involved in tournaments. This article aims to address this gap through a historical narrative concerning how Allied forces in World War II competed for some of the biggest trophies available to U.S. and French combatants at the end of the war in Europe. These trophies constituted the “*Führer area*” of the Berchtesgaden region of Germany, which included not

^a Center for Economic Education, D. Abbott Turner College of Business, Columbus State University, Columbus, GA, USA

^b Department of Management and Entrepreneurship, WP Carey School of Business, Arizona State University, Tempe, AZ, USA

Corresponding Author:

Mixon (mixon_franklin@columbusstate.edu)

only the town of Berchtesgaden but also Adolf Hitler's Bavarian home, known as the *Berghof*, and his famed reception house, known as the "*Eagle's Nest*," that towered above the whole region. We believe that an analysis of the race among competing parties to win these crown jewels offers some important qualitative insights on the social processes involved in tournaments given that part of this story involves a U.S. commander's decision to defy orders from Allied high command in an effort to participate in the tournament and compete for the rewards, an act that attests to the power of tournament-based incentive structures. This historical narrative also sheds some light on the "non-monetary" motives that drive human behavior to win tournaments.

Before turning to our analysis of the race to capture Hitler's *Eagle's Nest*, we provide a review of the conceptual and empirical business and economics literature on tournament theory. This review is followed by a primer on the individual trophies constituting the "*Führer area*" and the historical record that has developed around the race to capture (win) them.

PRIOR LITERATURE: A REVIEW

As Gómez-Mejía, Trevino and Mixon (2009) point out, tournament theory was largely developed by economists during the 1980s (e.g., see Lazear & Rosen, 1981; Carmichael, 1983; Green & Stokey, 1983; Nalebuff & Stiglitz, 1983; Murphy, 1985; Rosen, 1986; Milgrom & Roberts, 1988; Lazear, 1989, Ehrenberg & Bognanno, 1990a, 1990b) as an explanation for the skewed pay structures observed in settings where large differences in pay occur between those who are promoted (i.e., the winners) and those who are left behind (i.e., the losers). Unlike the concept of incentive alignment in agency theory, whereby agent rewards are tied to performance outcomes that are of interest to principals (Gómez-Mejía, Berrone & Franco-Santos, 2014; Gómez-Mejía, Neacsu & Martin, 2019; Martin, Wiseman & Gómez-Mejía, 2013 and 2019; Gómez-Mejía, Tosi & Hinkin, 1987), tournament theory posits that there are situations where winning matters a lot, and as a result agent rewards are not proportional to performance (Gómez-Mejía, Trevino & Mixon, 2009: 1845). According to tournament theorists, the large pay differentials that often exist between organizational levels are intended to motivate all agents to exert more effort in an attempt to move up within the organization. Gómez-Mejía et al. (2009) indicate that what contributes to winning in tournament theory is not the absolute level of performance but how one does relative to others, whereby to a large extent firms primarily provide incentives through the prospect of promotion, and where higher wages can only be attained through changing ranks (Prendergast, 1995).¹

An impressive body of empirical literature describes results that are generally consistent with tournament theory's premise that larger rewards are needed as the probability of promotion decreases, and with tournament theory's usefulness in explaining employee and firm performance (Gómez-Mejía et al., 2009: 1846). Examples include Leonard (1990), which finds that as the promotion rate declines at the top of the corporate hierarchy, pay differentials between ranks increases accordingly, and Lazear (1995), which reports that most of the variation in pay occurs between levels, rather than within jobs, with the pay differential increasing as the number of slots available for promotion decreases. Relatedly, Baker, Gibbons and Murphy (1994) and Gibbs (1995) find that promotional opportunities decrease with level, and that the associated rewards rise at an increasing rate (Gómez-Mejía et al., 2009).

¹ See Shughart and Tollison (1993) for an excellent discussion of how relative effort and performance relate to incentives (and incentive structures) and rewards (and rewards structures) in the context of the Olympic Games. For examples of studies that use tournament theory to examine sports contests as diverse as bowling, golf, horse racing, soccer and college football, see Abrevaya (2002), Grund and Gurtler (2005), Lynch (2005), Matthews, Sommers and Peschiera (2007) and Swofford, Mixon and Green (2009).

Bognanno (2001) uses corporate data from hundreds of firms and concludes that pay rises strongly with hierarchical level, and that the winner's prize in a CEO, tournament increases with the number of competitors for the CEO position (see Gómez-Mejía et al., 2009).² A contemporaneous study by Zech (2001) contends that church pastor compensation is typically tied indirectly to performance through promotion tournaments, wherein exceptional church pastors are rewarded by being called to larger and more prestigious church congregations. Relatedly, a study by Mixon and Salter (2008) presents results suggesting that tournament theory's predictions are applicable to the compensation of lawmakers in a bicameral legislature setting.³

Gómez-Mejía et al. (2009) use tournament theory to investigate the process within which selection of named professorships (in academe) takes place. In doing so, they estimate the probability that a management professor holds one of the highest rewards for academic research productivity, a named (endowed) professorship, as a function of his or her research credentials, as measured by the number of articles published in a small core of elite management journals. Their results indicate that publications in two elite journals – *Academy of Management Review* and *Academy of Management Journal* – emerge as the two most influential management journals in winning named professorship tournaments. More recently, Su (2011) explores tournament theory in a transition economy by examining data on 34,701 executives in 1,386 public listed firms in China from 1999 to 2006. Among other results, Su (2011) finds that (1) pay increases as executives move up the corporate hierarchy into higher ranks, (2) the pay gap is the largest between the first- and second-tier executives, and (3) pay dispersion increases with the number of tournament participants and business environment risk.

A study by Lazear (2012) posits that the most able leaders should be found in the highest variance industries, where decision making has the greatest payoff. This hypothesis is tested, and confirmed, using alumni data from Stanford University. Lastly, an interesting study by Fares and Orozco (2014) examines contractual relationships between wine cooperatives (wineries) and their members (growers). The authors assert that because the growers' vineyard efforts are a major determinant of grape quality, the cooperative would benefit from a compensation system that induces growers to provide maximum effort. Examination of a database of 1,219 contracts shows that the cooperative promotes competition between growers by offering a promotion to a higher-quality contract (Fares & Orozco, 2014).⁴

A tournament-based approach to instill greater effort and performance at the individual level is not without issues. In addition to the conclusion in Main, O'Reilly and Wade (1993) that wage variation among the top executive team is not always as great as might be suggested by tournament theory, studies by Irlenbusch and Ruchala (2008) and Müller and Schotter (2010), for example, point out that relative rewards not only create winners but also generate losers, a result that may considerably discourage individuals from contributing to a team's tasks. The observed crowding-out of voluntary cooperation by a relative reward appears to be a more substantial issue when team members have the possibility to sabotage each other. Sabotage is indeed known to be exerted in tournaments in order to improve one's relative position in a ranking for rewards (Harbring & Irlenbusch, 2005).

These studies are supported by arguments for wage compression discussed in work by Milgrom and Roberts (1988) and Lazear (1989), which emphasizes the importance of social relations in the workplace that may have a direct impact on output (Main et al., 1993). As they indicate, this can result

² Main, O'Reilly and Wade (1993) report that at the peak of the pyramid the present value of a change in pay associated with promotion from vice president (VP) to chief executive officer (CEO) amounts to an average of \$6.2 million.

³ Heyman (2005) analyzes data on 10,000 managers in Sweden and finds a positive and significant association between pay dispersion and firm profits. An experimental economics approach in Sutter (2006) finds that tournaments induce higher effort than do equal rewards.

⁴ For more on the efficacy of tournament theory, see Daly and Hunter (2017) and Lazear (2018).

from either output-reducing office politics through which individuals attempt to secure influence (Milgrom & Roberts, 1988), or the sabotage of a co-worker's productivity in an attempt to attain a career advantage (Lazear, 1989). An empirical study by Haß, Müller and Vergauwe (2015) argues that the relative performance evaluation feature of CEO promotion tournaments creates incentives to manipulate performance. They find higher propensities to engage in fraud in firms with strong tournament incentives, as proxied by the CEO pay gap (Haß, Müller & Vergauwe, 2015). Lastly, Danilov, Harbring and Irlenbusch (2019) present a model that combines elements of relative rewards and a team bonus in an investigation of their effects on effort, help and sabotage. Their model suggests that team members help less as relative rewards increase, but that this issue is mitigated by a team bonus that is proportional to the output of the whole team (Gómez-Mejía & Franco-Santos, 2016).

Furthermore, a large number of studies using the behavioral agency model (Gómez-Mejía, Welbourne & Wiseman, 2000; Wiseman & Gómez-Mejía, 1998; Larraza-Kintana, Wiseman, Gómez-Mejía & Welbourne, 2007) demonstrate that heavy reliance on rewards tends to create distortions in how executives make decisions. These distortions may lead to judgments that are not necessarily in the interests of the firm. For instance, managers may make risky decisions in order to pursue prospective rewards and protect current wealth, and these incentive-driven decisions are often prone to failure (Wowak, Gómez-Mejía & Steinback, 2012; Wiseman, Cuevas & Gómez-Mejía, 2012; Gómez-Mejía, Wiseman & Johnson, 2005; Martin, Washburn, Makri & Gómez-Mejía, 2015). Managers who make incentive-driven decisions tend to underestimate the hazards associated with particular decisions (Villena, Gómez-Mejía & Revilla, 2009; Makri, Lane & Gómez-Mejía, 2006). Lastly, behavioral agency research also suggests that organizations may have a constellation of conflicting interests between different types of owners and managers and thus performance criteria involved in a particular tournament may be unclear (Gómez-Mejía, Patel, & Zellweger, 2018; Chirico, Gómez-Mejía, Hellerstedt, Withers & Nordqvist, 2020; Cruz, Gómez-Mejía & Becerra, 2010; Gómez-Mejía, Nunez-Nickel & Gutierrez, 2001; Gómez-Mejía, Larraza-Kintana & Makri, 2003).

THE TOURNAMENT TROPHIES OF THE “FÜHRER AREA”

Since his early days as the leader of the Nazi Party, Adolf Hitler enjoyed spending time in the southeast corner of Germany, which is an Alpine region that is home to Berchtesgaden, a Bavarian town near the Austrian border, about 75 miles southeast of Munich. Berchtesgaden, situated 1,700 feet up in the Bavarian Alps, is a salt rock mining town that had a 1933 population of only 3,919. With Hitler's rise to power, that number later grew to about 26,000, as the Nazi apparatus, under the direction of Martin Bormann, Hitler's personal secretary, began to displace locals in an effort to secure the area from internal and external threats (Snyder, 1989; Zentner and Bedürftig, 1997).

The wider area including Berchtesgaden became known as the “Führer area,” given that it would encompass 10 square kilometers by its completion in 1940 (Zentner and Bedürftig, 1997). This area included homes owned by Bormann, Nazi Propaganda Minister Josef Goebbels, *Reichsmarshall* Hermann Goering, Hitler's architect and German Armaments Minister Albert Speer, and other high-ranking Nazi officials.⁵ It also encompassed supply institutions, SS guards barracks and guesthouses, and a system of underground tunnels and bunkers (Zentner and Bedürftig, 1997). At the seat of the “Führer area” was the *Berghof*, Hitler's Alpine retreat nestled 3,000 feet up in the Obersalzberg, just northeast of Berchtesgaden. Hitler spent roughly one third of his time in power “on the Berg.”⁶

⁵ As Sereny (1996: 111) points out, Hitler's intimates often referred to being at the mountain retreat as being “on the Berg.”

⁶ See www.atlasobscura.com/places/the-eagles-nest-berchtesgaden-germany.

Financed largely by royalties from the sale of Hitler's autobiography, *Mein Kampf*, the *Berghof* consisted of 30 rooms and a terrace that Hitler used to receive high state visitors such as British Prime Minister Neville Chamberlain, who on September 15, 1938, visited the *Berghof* to engage in negotiations with Hitler over the fate of Czechoslovakia's Sudetenland (Speer, 1970; Snyder, 1989; Zentner and Bedürftig, 1997).⁷ As Snyder (1989: 26) explains, life at the *Berghof* was "a model of *petit bourgeois* comfort," as Hitler entertained intimates and took daily walks to the *Mooslahnerkopf Teahaus*, built in 1937 and provided for Hitler's enjoyment by Bormann (Felton, 2017).⁸

Another element of the "Führer area" was *Kehlsteinhaus* – also known as the *Eagle's Nest* – which was a chalet built for Hitler that rested on the peak (at 5,900 feet) of Kehlstein Mountain (Zentner and Bedürftig, 1997). Access to *Kehlsteinhaus* was provided by a winding road leading to an underground passageway that was drilled into side of the mountain. This passageway led to a brass elevator that rose 370 feet to the mountaintop (Snyder, 1989).⁹ Commissioned by Bormann at a cost of 30,000,000RM, which was paid from Nazi Party funds, the *Eagle's Nest* was completed in 1938, after 13 months of construction. An interior fireplace was adorned with red Italian marble that was gifted to Hitler by Italian dictator Benito Mussolini. Although Hitler visited the *Eagle's Nest* fewer than 20 times, it was the location of a 1944 wedding reception for Eva Braun's sister, Gretl Braun, and her husband Hermann Fegelein, the *Waffen-SS* Lieutenant General who served as liaison officer between Hitler and *Reichsführer-SS* Heinrich Himmler (Snyder, 1989).

Having concern about the potential use near war's end by Germany of the Obersalzberg as an emergency headquarters in defense what remained of the Third Reich in the Alpine region, Allied commanders decided to employ an air strike on "Führer area" (Felton, 2018). That decision led to a Royal Air Force (RAF) raid, consisting of 318 bombers that dropped 1,181 tons of bombs that on April 25, 1945, extensively damaged Hitler's *Berghof* and a host of other major government buildings in the area (Zentner and Bedürftig, 1997; Felton, 2018).¹⁰

Beginning of May, 1945

By early May of 1945, both the French 2nd Armored Division and the U.S. 3rd Infantry Division were closing in on Berchtesgaden (Felton, 2018). The U.S. 3rd Infantry Division had participated in the Allied invasion of North Africa, and had since fought in Italy and France. In early May of 1945, it was under the command of Major General John O'Daniel, who was known by his soldiers as "Iron Mike." The French 2nd Armored Division was formed in 1943 from escapees of occupied France, more than 3,500 soldiers from Morocco and Algeria, and about 350 Spanish Republican fighters (Forcade, 1998). This Division was commanded by famed French General Phillippe Leclerc (Moore, 2011). Each of these two forces recognized its proximity to Berchtesgaden and the Obersalzberg, and the three aforementioned trophies located there. As Felton (2018) points out, Allied soldiers in each these two forces knew that if their unit captured these trophies, it would enjoy "everlasting fame."

⁷ Prominent among the 30 rooms was the great reception room that included an octagonal table and a massive picture window offering views of Berchtesgaden and Salzburg, Austria (Speer, 1970; Snyder, 1989). Hitler designed the *Berghof* using a drawing table, a T-square, and other implements borrowed from Speer (Speer, 1970: 85).

⁸ The *Mooslahnerkopf Teahaus* was located on Mooslahnerkopf Hill, less than one kilometer from the *Berghof*. There, Hitler and his entourage would gather at midafternoon each day to enjoy desserts and liqueurs. Hitler often fell asleep in the large chairs that filled the interior (Speer, 1970; Felton, 2017).

⁹ The road leading to the elevator is still today Germany's steepest road. To construct the road to the, *Eagle's Nest*, Bormann recruited Italian engineers and road makers, all experts in carving thoroughfares in the Alps (www.atlasobscura.com/places/the-eagles-nest-berchtesgaden-germany).

¹⁰ Locals proceeded to loot many of the shattered buildings shortly after the bombing (Felton, 2018).

May 2, 1945

On May 2, 1945, the 7th Infantry Regiment of the U.S. 3rd Infantry Division moved out of Munich and liberated Dachau Concentration Camp (Felton, 2018). From there, it pushed into Austria and, in a surprise, captured Salzburg without opposition. O'Daniel realized that his force was adjacent to Berchtesgaden, and that the U.S. 7th Infantry Regiment controlled the two remaining intact bridges across the Salzach River, the only way to approach Berchtesgaden. General O'Daniel requested permission from Allied high command to strike, but was denied (Felton, 2018). Dwight Eisenhower, commander of Allied forces in Europe, had expected the U.S. 3rd Infantry Division to get bogged down in a fight for Salzburg. Thus, both Berchtesgaden and the Obersalzberg had been deemed the operational area of the French 2nd Armored Division and the U.S. 101st Airborne Division (Felton, 2018).

May 4, 1945

In the early morning hours of May 4, 1945, O'Daniel decided to disobey orders. At 10:00am, he briefed Colonel John Heintges, the commander of the U.S. 7th Infantry Regiment, ordering him to assemble a task force that would race to Berchtesgaden and the Obersalzberg (Felton, 2018). As part of the plan, O'Daniel's engineers blocked access to the two intact bridges over the Salzach River near Salzburg, refusing to allow other American or French units to cross (Felton, 2018).¹¹

Heintges' task force consisted of both the 1st and 3rd Battalions of the U.S. 7th Infantry Regiment. The 1st Battalion was led by a battle patrol reconnaissance unit that headed west to the Alpine town of Bad Reichenhall (Felton, 2018). Upon its arrival, German forces defending the town either scattered or surrendered almost immediately (Felton, 2018). The 3rd Battalion, led by Lieutenant Sherman Pratt, drove east along the German autobahn, covering distances quickly (McManus, 2005). The only obstacle between it and Berchtesgaden was a lone German armored car, which was dispatched by the Americans shortly after it attempted to halt their drive on Berchtesgaden (Felton, 2018).

Beyond Bad Reichenhall, the 1st Battalion encountered a *Waffen-SS* unit that engaged the Americans with artillery fire. After a hasty reorganization, the 1st Battalion, under the command of Lieutenant William Miller, launched a counterattack, forcing the *Waffen-SS* unit to scatter (McManus, 2005; Felton, 2018). As both U.S. battalions closed in on Berchtesgaden, the German commander met them and surrendered his force of 2,000 soldiers. American forces then entered and liberated Berchtesgaden, consequently establishing a defense and headquarters in the town (Felton, 2018).¹² Only after receiving news that Heintges had liberated Berchtesgaden did O'Daniel allow elements of the French 2nd Armored and the U.S. 101st Airborne Divisions to cross the two Salzach River bridges (McManus, 2005).

Heintges' task force next set its sights on the Obersalzberg. Pratt quickly organized a platoon and some tanks and started up the winding mountain road to the Obersalzberg (Pratt, 1992; Felton, 2018). The visibility was excellent, and the road was clear of German forces. As they glanced up, Felton's men could see Hitler's *Eagle's Nest* (Pratt, 1992; Felton, 2018), the third major trophy of the "Führer area." Upon arrival at Hitler's *Berghof* on the Obersalzberg, Pratt and his men found mainly shattered buildings and bomb craters. After a brief time, Pratt's force returned to Berchtesgaden to report on its findings. Before leaving, however, one of Pratt's officers retrieved the swastika flag that was flying

¹¹When queried by French and other U.S. forces about the rationale for the blockade, O'Daniel's engineers cited "safety concerns" (Felton, 2018).

¹²Interestingly, Hermann Goering's nephew Fritz introduced himself to Heintges, and led the Americans to a large cache of European art that had been stolen by his uncle (Felton, 2018).

at Hitler's still-burning *Berghof* (Pratt, 1992; Felton, 2018).¹³ Finally, at about 8:00pm on May 4, 1945, the first troops of Leclerc's French 2nd Armored Division reached Berchtesgaden (McManus, 2005).

May 5, 1945

Between 9:00am and 10:00am on May 5, 1945, forward units of the U.S. 101st Airborne Division reached Berchtesgaden (McManus, 2005). That same morning, Heintges and French commanders agreed to divide Berchtesgaden into occupation zones, with the railroad running through the town serving as the dividing line. The French were given the area that included the Obersalzberg. Later, however, Heintges changed his mind and travelled through the French zone toward the *Berghof* with the intention of raising an American flag at the site (McManus, 2005; Felton, 2018). Heintges was prevented from reaching the *Berghof* by a small French force of 40 men that had climbed up to the Obersalzberg and established a roadblock at the SS gatehouse that guarded the entrance to the *Berghof* (McManus, 2005). After a brief negotiation between Heintges and French commanders, a joint flag raising ceremony was held at the *Berghof* with the departing U.S. 7th Infantry Regiment (Felton, 2018).

Who Captured Berchtesgaden?

As pointed out by McManus (2005), Berchtesgaden, the first trophy in the three-pronged tournament described here, was a prestige objective, not a strategic one. According to Major William Rosson, one of O'Daniel's staff officers, the prize of Berchtesgaden would bring "considerable fame and renown" to that military unit that won the race to capture it (McManus, 2005). Interestingly, although the narrative in the previous subsections, which is generally accepted by historians and those involved (White, 1947; Eisenhower, 1948; Rapport and Northwood, 2001; MacDonald, 2012), supports the conclusion that the U.S. 3rd Infantry Division won for the Americans the first tournament prize, confusion surrounding the sequence of events was generated when Heintges' units departed Berchtesgaden shortly after the joint flag raising ceremony on May 5, 1945. It was then that the bulk of the U.S. 101st Airborne Division arrived, and many of its units came under the mistaken impression that they were the first to arrive in the Alpine town (McManus, 2005). This mistaken impression was popularized in Ambrose's (1992) account of the exploits of the U.S. 101st Airborne Division.

Who Captured Hitler's Berghof?

The historical record presented in the previous subsections and supported in McManus (2005), Felton (2018) and elsewhere establishes that elements of the U.S. 3rd Infantry Division captured the *Berghof*, Hitler's retreat on the Obersalzberg, thus securing for the Americans the second trophy in the three-pronged tournament. This conclusion is supported by the public domain photo shown in Figure 1 below, depicting members of the U.S. 7th Infantry Battalion on the patio of the *Berghof*.

¹³ Heintges took the flag and ordered it cut into pieces and distributed to his officers as a reward (Felton, 2018).



Figure 1. U.S. 7th Infantry Battalion Captures Hitler's Berghof

As in the case of the capture of Berchtesgaden, however, confusion existed at the end of the war regarding this conclusion. As McManus (2005) points out, the seeds of this particular conclusion were unwittingly sown by Heintges' decision to divide Berchtesgaden into two separate occupation zones, with French forces governing that portion including access to the *Berghof*. Thus, when French forces ascended the Obersalzberg, they found no evidence that the Americans had arrived earlier, given that Heintges' task force had earlier engaged in only light looting and had simply retrieved the swastika flag that flew above the structure (McManus, 2005; Felton, 2018).

Who Captured the Eagle's Nest?

Unlike either the case of Berchtesgaden or Hitler's *Berghof*, the historical record remains unclear as to who won the third trophy – Hitler's *Eagle's Nest* – of the three-pronged tournament described in this study. McManus (2005) and Felton (2018) state that a task force of the U.S. 7th Infantry Regiment got as close as the brass elevator on Kehlstein Mountain, 370 feet below the *Eagle's Nest*. However, no evidence exists that any in this task force climbed to the top (Felton, 2018).

Felton (2018) indicates that members of the famed Easy Company of the 506th Parachute Infantry Regiment of the U.S. 101st Airborne Division claimed, as also indicated in Ambrose (1992), to have captured the *Eagle's Nest* shortly after arriving in Berchtesgaden. Although Felton (2018) indicates that there is no conclusive proof of this claim, the U.S. Department of Defense photo presented in Figure 2 shows members of Easy Company lounging at Hitler's *Eagle's Nest*.



Figure 2. Easy Company at Hitler's *Eagle's Nest*

Source: U.S. Department of Defense

Lastly, Felton (2018) asserts that it is known that members of the French 2nd Armored Division were present at the *Eagle's Nest*, and that a group of them claimed to have made the climb on the night of May 4, and into the early morning of May 5, 1945.¹⁴ However, unlike with the prior two trophies there is no photographic evidence of such a success.

TOURNAMENT THEORY AND THE RACE FOR HITLER'S EAGLE'S NEST

The history surrounding the Allies' competition for the trophies represented by prestige objectives that were part of the "Führer area" intersects with many of the elements of tournament theory. For example, O'Daniel's decision to defy orders from Allied high command in an effort to participate in the tournament and compete for its rewards attests to the power of tournament-based incentive structures. Moreover, as Dixit, Skeath and Reiley (2015) point out, conscientious adherence to honor codes, much like those that govern the behavior of soldiers, generally serves as a credible commitment device in game-theoretic situations (see also Frank, 1987). In this particular case, however, O'Daniel violated such an honor code in defying the Allied command's order to remain in Salzburg, thus further establishing the importance of incentives in tournaments like that discussed in this study.

Next, as also indicated by the narratives in the prior section of this study, the race for "historical immortality" regarding the capture of the three prestige objectives indisputably led to extraordinary effort on the part of the three Allied forces to win the tournament. This and the previous observations clearly support assertions in Heyman (2005), Sutter (2006), Lazear (2012), Fares and Orozco (2014), Daly and Hunter (2017) and Lazear (2018) concerning the relationship between the size of the prize and the effort expended by tournament participants to secure it.

The historical narrative above provides some interesting insights about the social dynamics of tournaments. There is little, if any, evidence that the three Allied forces cooperated in an effort to secure the area in and around Berchtesgaden in early May of 1945. Thus, in attempting to win the three-pronged tournament described above, these forces broke with what was certainly a prior practice of cooperation among them in driving the German Army back from the beaches of Normandy and into central and southern Germany. The absence of such cooperation in this case supports work on tournament theory by Irlenbusch and Ruchala (2008), Müller and Schotter (2010) and Danilov et al. (2019). Going even further, O'Daniel's decision to thwart, by blocking access to the two Salzach River bridges, efforts by the French 2nd Armored and U.S. 101st Airborne Divisions to secure the three prestige trophies located in the "Führer area" supports the link between tournament theory's incentive structure and engagement by participants in sabotage, as discussed in research by Lazear (1989) and Harbring and Irlenbusch (2005). Clearly financial incentives did not play a role in any of this, even though almost all prior research on tournament theory emphasizes economic gains as the main driver "to reach the top" (Gomez-Mejia et al., 2014).

Lastly, the inability of the historical record to establish a clear winner of the third trophy – Hitler's *Eagle's Nest* – in this particular tournament relates to aspects of tournament theory described in Swofford, Mixon and Green's (2009) analysis of college football's national championship. They assert that in a Lancasterian sense (Lancaster, 1966), the "consumers" of a college football national championship (i.e., the championship team's players and fans) are not consumers of any trophy, ring or other symbol of a national championship season. Instead, and unlike in the case of corporate tournaments wherein large monetary rewards are at stake, they are consumers of more intangible characteristics associated with the national championship, such as the satisfaction and pride – and, in

¹⁴Although Felton (2018) does not provide a definitive account of who first secured the *Eagle's Nest*, he leans more toward the claim made by members of the French 2nd Armored Division to have been the first.

the case of the players, fame – that accompany the accomplishment of a substantial goal (Swofford et al., 2009: 3218-3219). As Swofford et al. (2009) indicate, this satisfaction and pride is often manifested through large parades, ring/trophy ceremonies and other forms of celebration of the team's success.

Given the fact that in many years multiple institutions have made a claim to college football's national championship, Swofford et al. (2009) argue that the championship exhibits what are referred to in the public economics literature as collective consumption characteristics, such that consumption (enjoyment) of the good by one consumer does not reduce the consumption (enjoyment) of the good by any other consumer.¹⁵ As with most collective consumption goods, an important question also arises here: just how many schools can claim a national championship in a given year? This question relates to crowding or congestion in the consumption of a collective consumption good, in which case it loses some or all of its collective consumption characteristics (Swofford et al., 2009). A useful example here is that of a swimming pool, which can generally be enjoyed by multiple swimmers. However, if two or more swimmers insist on using the same area of the pool, each will impede upon the others' enjoyment of it (Swofford et al., 2009).

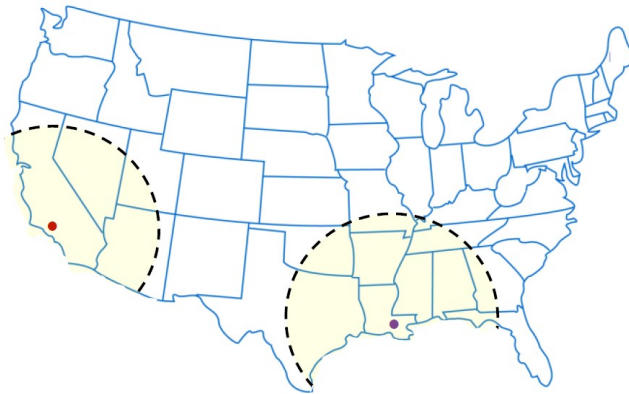


Figure 3. Collective Consumption of Tournament Prizes

Swofford et al. (2009) provide a helpful example of collective consumption, and one without congestion, in the case of college football's national championship. That example occurred after the 2003 season, when Louisiana State University (LSU) and the University of Southern California (USC) were both recognized as college football's national champion. Both institutions sponsored lavish celebrations, and the players on each team received rings symbolizing their accomplishment. In this case, there is enough geographical separation between the two institutions, as indicated in Figure 3 that the bulk of the fan bases in each case, as indicated by the shaded areas, does not intersect with that of the other.¹⁶

It would appear that the fame associated with capturing the third trophy in the three-pronged tournament described in this study exhibits the collective consumption characteristics described in Swofford et al. (2009). First, there has been no definitive historical account relating to who captured the *Eagle's Nest*. Evidence exists to substantiate claims by both the Americans and the French in this case, thus supporting simultaneous claims by the two countries. Second, the geographic distance between the two countries in this case suggests that simultaneous claims to the capture of the *Eagle's Nest* would not result in the type of congestion discussed in Swofford et al. (2009).

¹⁵ See Holcombe (1996) for a more thorough discussion.

¹⁶ LSU is located in Baton Rouge, Louisiana, while USC resides in Los Angeles, California.

CONCLUDING COMMENTS

Winning and losing the race to become a large company's chief executive officer have very different implications. Here, winning matters a lot, and as tournament theorists point out, the reward for doing so is not necessarily proportional to performance. Much of the empirical research on tournament theory has focused on the advancement of managers in corporate settings, and in doing so has relied on archival data. As a consequence, relatively little is known about the social dynamics of tournaments. The narrative discussed in this paper, which involves the race by Allied forces to secure, near the end of World War II in Europe, Adolf Hitler's mountain retreat in the Bavarian Alps, offers some interesting qualitative insights into how social dynamics influence the process involved in competitive tournaments.

For example, there is little, if any, evidence that Allied forces cooperated in an effort to secure the area surrounding Hitler's mountain retreat. Instead, the historical record indicates that some commanders broke with military tradition/code by disobeying orders in their attempt to secure the trophies for their subordinates. As part of this effort, they engaged in efforts to sabotage the progress of others, some of whom were following orders from superiors. Finally, even though almost all prior research on tournament theory emphasizes financial gains as the main driver of effort to win tournaments, the narrative provided in this piece emphasize the role of less tangible drivers, such as fame and renown, in shaping the decisions of tournament participants.

ACKNOWLEDGMENTS

The authors thank two anonymous referees and David Balkin for helpful comments on a prior version. The usual caveat applies.

DECLARATION OF CONFLICTING INTERESTS

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

FUNDING

The authors received no financial support for research, authorship, and/or publication of this article.

REFERENCES

- Abrevaya, J. (2002) Ladder Tournaments and Underdogs: Lessons from Professional Bowling. *Journal of Economic Behavior and Organization*, 47, 87-101.
- Ambrose, S.E. (1992) *Band of Brothers*. New York, NY: Simon & Schuster.
- Baker, G., Gibbons, R. & Murphy, K.J. (1994) Subjective Performance Measures in Optimal Incentive Contracts. *Quarterly Journal of Economics*, 109, 1125-1156.
- Bognanno, M.L. (2001) Corporate Tournaments. *Journal of Labor Economics*, 19, 290-315.
- Carmichael, L. (1983) Firm-Specific Human Capital and Promotion Ladders. *Bell Journal of Economics*, 14, 251-259.
- Chirico, F., Gómez-Mejía, L.R., Hellerstedt, K., Withers, M. & Nordqvist, M. (2020) To Merge, Sell or Liquidate? Socioemotional Wealth, Family Control and the Choice of Business Exit. *Journal of Management*, in press.
- Cruz, C., Gómez-Mejía, L.R. & Becerra, M. (2010) Perceptions of Benevolence and the Design of Agency Contracts: CEO-TMT Relations in Family Firms. *Academy of Management Journal*, 53, 69-89.
- Daly, A. & Hunter, B. (2017) Conversations with an Eminent Labour Economist: Edward Lazear. *Australian Journal of Labour Economics*, 20, 113-124.
- Danilov, A., Harbring, C. & Irlenbusch, B. (2019) Helping under a Combination of Team and Tournament Incentives. *Labour Economics*, 162, 120-135.
- Dixit, A., Skeath, S. & Reiley, D. (2015) *Games of Strategy*. New York, NY: W.W. Norton & Company.
- Ehrenberg, R.G. & Bognanno, M.L. (1990a) The Incentive Effects of Tournaments Revisited: Evidence from the European PGA Tour. *Industrial and Labor Relations Review*, 43, 74-88.
- Ehrenberg, R.G. & Bognanno, M.L. (1990b) Do Tournaments have Incentive Effects? *Journal of Political Economy*, 98, 1307-1324.
- Eisenhower, D.D. (1948) *Crusade in Europe*. New York, NY: Doubleday.
- Fares, M. & Orozco, L. (2014) Tournament Mechanism in Wine-Grape Contracts: Evidence from a French Wine Cooperative. *Journal of Wine Economics*, 9, 320-345.
- Felton, M. (2017) The Fuhrer's Forgotten Tea House. <http://markfelton.co.uk/publishedbooks/mooslahnerkopf-hitlers-forgotten-tea-house/>.
- Felton, M. (2018) Capturing Hitler's Eagle's Nest. Mark Felton Productions (YouTube Channel).
- Forcade, O. (1998) Du Capitaine de Hauteclouque au Général Leclerc. *Vingtième Siècle Revue d'Histoire*, 58, 144-146.
- Frank, R.H. (1987) If *Homo Economicus* could Choose his Own Utility Function, Would He Want one with a Conscience? *American Economic Review*, 77, 593-604.
- Gibbs, M. (1995) Incentive Compensation in a Corporate Hierarchy. *Journal of Accounting and Economics*, 19, 247-278.
- Gómez-Mejía, L.R., Berrone, P. & Franco-Santos, M. (2014) *Compensation and Organizational Performance*. New York, NY: ME Sharpe, Inc.
- Gómez-Mejía, L.R. & Franco-Santos, M. (2016) Creating a Culture of Collaboration, Innovation, and Performance through Team Based Incentives. In D. Berger & L. Berger (Eds.), *The Compensation Handbook*. Chicago, Illinois: McGraw-Hill, pp. 199-221.
- Gómez-Mejía, L.R., Larraza, M. & Makri, M. (2003) The Determinants of Executive Compensation in Family Controlled Firms. *Academy of Management Journal*, 46, 226-238.
- Gómez-Mejía, L.R., Neacsu, I. & Martin, G. (2019) CEO Risk Taking and Socioemotional Wealth: The Behavioral Agency Model, Family Control and CEO Option Wealth. *Journal of Management*, 45, 1713-1738.

- Gómez-Mejía, L.R., Nunez-Nickel, M. & Gutiérrez, I. (2001) The Role of Family Ties in Agency Contracts. *Academy of Management Journal*, 44, 1-15.
- Gómez-Mejía, L.R., Patel, P.C. & Zellweger, T. (2018) In the Horns of the Dilemma: Socioemotional Wealth, Financial Wealth and Acquisitions in Family Firms. *Journal of Management*, 44, 1369-1397.
- Gómez-Mejía, L.R., Tosi, H. & Hinkin, T. (1987) Managerial Control, Performance, and Executive Compensation. *Academy of Management Journal*, 30, 51-70.
- Gómez-Mejía, L., Trevino, L.J. & Mixon, F.G., Jr. (2009) Winning the Tournament for Named Professorships in Management. *International Journal of Human Resource Management*, 20, 1843-1863.
- Gómez-Mejía, L.R., Welbourne, T.R. & Wiseman, R. (2000) The Role of Risk Sharing and Risk Taking under Gainsharing. *Academy of Management Review*, 25, 492-509.
- Gómez-Mejía, L.R. & Wiseman, R. (2007) Does Agency Theory have Universal Relevance? *Journal of Organizational Behavior*, 8, 81-98.
- Gómez-Mejía, L.R., Wiseman, R. & Johnson, B. (2005) Agency Problems in Diverse Contexts: A Global Perspective. *Journal of Management Studies*, 42, 1507-1520.
- Green, J.R. & Stokey, N.L. (1983) A Comparison of Tournaments and Contracts. *Journal of Political Economy*, 91, 349-365.
- Grund, C. & Gurtler, O. (2005) An Empirical Study on Risk-Taking in Tournaments. *Applied Economics Letters*, 12, 457-461.
- Haß, LH, Müller, M.A. & Vergauwe, S. (2015) Tournament Incentives and Corporate Fraud. *Journal of Corporate Finance*, 34, 251-267.
- Harbring, C. & Irlenbusch, B. (2005) Incentives in Tournaments with Endogenous Prize Selection. *Journal of Institutional and Theoretical Economics*, 161, 636-663.
- Heyman, F. (2005) Pay Inequality and Firm Performance: Evidence from Matched Employer-Employee Data. *Applied Economics*, 37, 1313-1327.
- Holcombe, R.G. (1996) *Public Finance: Government Revenues and Expenditures in the United States Economy*. St. Paul, MN: West Publishing Company.
- Irlenbusch, B. & Ruchala, G.K. (2008) Relative Rewards within Team-Based Compensation. *Journal of Labour Economics*, 15, 141-167.
- Lancaster, K.J. (1966) A New Approach to Consumer Theory. *Journal of Political Economy*, 74, 132-157.
- Larraza-Kintana, M., Wiseman, R., Gómez-Mejía, L.R. & Welbourne, T. (2007) Disentangling Compensation and Employment Risks in a Behavioral Agency Model of Managerial Risk Taking. *Strategic Management Journal*, 28, 1001-1019.
- Lazear, E.P. (1989) Pay Equality and Industrial Politics. *Journal of Political Economy*, 97, 561-580.
- Lazear, E.P. (1995) *Personnel Economics*. Cambridge, MA: The MIT Press.
- Lazear, E.P. (2012) Leadership: A Personnel Economics Approach. *Labour Economics*, 19, 92-101.
- Lazear, E.P. (2018) Compensation and Incentives in the Workplace. *Journal of Economic Perspectives*, 32, 195-214.
- Lazear, E.P. & Rosen, S. (1981) Rank-Order Tournaments as Optimum Labor Contracts. *Journal of Political Economy*, 89, 841-865.
- Leonard, J.S. (1990) Executive Pay and Firm Performance. *Industrial and Labor Relations Review*, 43, 13-29.
- Lynch, J.G. (2005) The Effort Effects of Prizes in the Second Half of Tournaments. *Journal of Economic Behavior and Organization*, 57, 115-129.
- MacDonald, C.B. (2012) *The Last Offensive: U.S. Army in World War II: The European Theater of Operations*. Atlanta, GA: Whitman Publishing.

- Main, B.G., O'Reilly III, C.A. & Wade, J. (1993) Top Executive Pay: Tournament or Teamwork? *Journal of Labor Economics*, 11, 606-629.
- Makri, M., Lane, P. & Gómez-Mejía, L.R. (2006) CEO Incentives, Innovation, and Performance in Technology Intensive Firms: A Reconciliation of Outcome and Behavior-Based Incentive Schemes. *Strategic Management Journal*, 127, 1057-1080.
- Martin, G.P., Gómez-Mejía, L.R. & Wiseman, R. (2013) Executive Stock Options as Mixed Gambles: Revisiting the Behavioral Agency Model. *Academy of Management Journal*, 56, 451-472.
- Martin, G.P., Washburn, N., Makri, M. & Gómez-Mejía, L.R. (2015) Not all Risk Taking is Born Equal: The Behavioral Agency Model and CEO's Perception of Firm Efficacy. *Human Resource Management*, 54, 483-498.
- Martin, G.P., Wiseman, R.M., & Gómez-Mejía, L.R. (2019) The Interactive Effect of Monitoring and Incentive Alignment on Agency Costs. *Journal of Management*, 45, 701-727.
- Matthews, P.H., Sommers, P.M. & Peschiera, F.J. (2007) Incentives and Superstars on the LPGA Tour, *Applied Economics*, 39, 87-94.
- McManus, J.C. (2005) The Last Great Prize. *World War II*, 20, 50-56.
- Milgrom, P. & Roberts, J. (1988) An Economic Approach to Influence Activities in Organizations. *American Journal of Sociology*, 94, 154-179.
- Mixon, F.G., Jr. & Salter, S.P. (2008) Legislative Pay and Legislator Quality. *Labour*, 22, 679-695.
- Moore, W.M. (2011) *Free France's Lion: The Life of Phillippe Leclerc, De Gaulle's Greatest General*. Newbury, U.K.: Casemate Publishers.
- Müller, W. & Schotter, A. (2010) Workaholics and Drop Outs in Optimal Organizations. *Journal of the European Economic Association*, 8, 717-743.
- Murphy, K.J. (1985) Corporate Performance and Managerial Remuneration: An Empirical Analysis. *Journal of Accounting and Economics*, 7, 11-42.
- Nalebuff, B.J. & Stiglitz, J.E. (1983) Prizes and Incentives: Towards a General Theory of Compensation and Competition. *Bell Journal of Economics*, 14, 21-44.
- Pratt, S.W. (1992) *Autobahn to Berchtesgaden: A Combat Soldier's View of His Role in World War II as Seen from the Lower Ranks Looking Up*. Louisville, KY: Gateway Press.
- Prendergast, C.J. (1995) A Theory of Responsibility in Organizations. *Journal of Labor Economics*, 13, 387-401.
- Rapport, L. & Northwood, A., Jr. (2001) *Rendezvous with Destiny: History of the 101st Airborne Division*. Old Saybrook, CT: Konecky & Konecky.
- Rosen, S. (1986) Prizes and Incentives in Elimination Tournaments. *American Economic Review*, 76, 701-715.
- Sereny, G. (1996) *Albert Speer: His Battle with Truth*. New York, NY: Vintage Books.
- Shughart, W.F., II & Tollison, R.D. (1993) Going for the Gold: Property Rights and Athletic Effort in Transitional Economies. *Kyklos*, 46, 263-272.
- Snyder, L.L. (1989) *Encyclopedia of the Third Reich*. New York, NY: Paragon House. Speer, A. (1970) *Inside the Third Reich*. New York, NY: The Macmillan Company.
- Su, D. (2011) State Ownership, Corporate Tournament and Executive Compensation: Evidence from Public Listed Firms in China. *Singapore Economic Review*, 56, 307-326.
- Sutter, M. (2006) Endogenous Versus Exogenous Allocation of Prizes in Teams – Theory and Experimental Evidence. *Labour Economics*, 13, 519-549.
- Swofford, J.L., Mixon, F.G., Jr. & Green, T.G. (2009) Can a Sub-Optimal Tournament be Optimal when the Prize can be Collectively Consumed? The Case of College Football's National Championship. *Applied Economics*, 41, 3215-3223.

- Villena, V., Gómez-Mejía, L.R. & Revilla, E. (2009) The Decision of the Supply Chain Executive to Support or Impede Supply Chain Integration: A Multidisciplinary Behavioral Agency Perspective. *Decision Sciences*, 40, 635-665.
- White, N.W. (1947) *From Fedala to Berchtesgaden: A History of the Seventh United States Infantry in World War II*. Providence, RI: Bickford Engraving & Electrotype Co.
- Wiseman, R., Cuevas-Rodriguez, G. & Gómez-Mejía, L.R. (2012) Towards a Social Theory of Agency. *Journal of Management Studies*, 49, 202-222.
- Wiseman, R. & Gómez-Mejía, L.R. (1998) A Behavioral Agency Model of Managerial Risk Taking. *Academy of Management Review*, 1, 120-144.
- Wowak, A., Gomez-Mejia, L.R., & Steinbach, A. (2017) Inducements and Motives of the CEO: A Holistic Perspective on the Drivers of Executive Behavior. *Annals of the Academy of Management*, 11, 669-702.
- Zech, C. (2001) An Agency Analysis of Church-Pastor Relations, *Managerial and Decision Economics*, 22, 327-332.
- Zentner, C. & Bedürftig, F. (1997) *The Encyclopedia of the Third Reich*. New York, NY: Da Capo Press.