“Verne delivers more value per page than anyone else in the business!”
— Henry McGovern, co-founder and Chairman of AmRest (WSE: EAT)

Mastering the Rockefeller Habits 2.0

SCALING UP
How a Few Companies Make It…and Why the Rest Don’t

Verne Harnish
and the team at Gazelles
Additional Praise for Scaling Up

“There is no one in the business of the business world like Verne Harnish.

“Unlike all too many authors and gurus who are obsessed by statistics, followers of the latest trends, and seekers of celebrity, Verne is firmly centered on the success and well-being of business leaders, who respect, trust, and benefit from the thinking, assistance, and advocacy of this passionate protagonist of our global business community.

“Verne is genuinely devoted to the business challenges and ambitions of his vast population of loyalists. A day doesn’t pass without his instant response to requests for help. He has an uncanny ability to connect businesses with reliable resources who can make invaluable contributions to their success.

“Now, Verne has published a new book filled with timely insights about the benefits and problems associated with scalability. For everyone who is curious about barriers to growth; concerned about what’s around the corner; or suffering from unrelenting 3 a.m. nightmares about their businesses’ sustainability and that urgent need for an aggressive new growth strategy, this is a ‘got-to-read-right-now’ book from today’s compulsive storyteller of business content, Verne Harnish.”

— Robert H. Bloom, strategist and author of The Inside Advantage and The New Experts

“Scaling up is every entrepreneur’s dream — and nightmare. Hypergrowth is terrifying, and it’s most often success that kills great companies. This book goes way beyond advice, offering specific habits, processes, and outlines to ensure that growth is the beginning, not the end, of success. Nobody understands the day-to-day reality of hypergrowth like Verne Harnish, and his book is full of the tough love you’d want from an outstanding mentor: fully aware of the challenges but determined to overcome, not duck, them. With great structured thinking and not a word wasted, highly appreciative of the value of time, and immune to sentiment, this book will help anyone determined and smart enough to follow its advice.”

— Margaret Heffernan, serial entrepreneur and author of Willful Blindness, Women on Top, and A Bigger Prize

“Delivers the practical lessons that most B-schools don’t. If you want to grow your business faster, buy Scaling Up, turn to Chapter 14, and read ‘The Power of One.’ Not next week. Not tomorrow. Now.”


“Scaling Up is a blueprint for building a growth company. With this book, Verne has pulled back the curtain on how the fastest-growing companies in the world fuel their growth. Scaling Up gives you an insider’s view into the inner workings of the most successful companies on earth. A must-read for an ambitious entrepreneur.”

— John Warrillow, founder of The Sellability Score and author of The Automatic Customer: Creating a Subscription Business in Any Industry and Built to Sell: Creating a Business That Can Thrive Without You

“I didn’t think it possible to discuss Strategy and Cash in the same book — or People and Execution in the same book, for that matter — but Scaling Up deals with all four topics in a compelling way. Verne Harnish and team have found juicy examples and simple rules that will help any growing business avoid costly mistakes. A great read for entrepreneurs and anyone trying to be a personal engine for growth in any organization.”

— Richard A. Moran, CEO of Accretive Solutions and author of Navigating Tweets, Feats, and Deletes
SCALING UP
How a Few Companies Make It...
and Why the Rest Don’t

Verne Harnish
and the team at Gazelles

Gazelles Inc.
Ashburn, Virginia
THE DEDICATION

_A country with gazelles excels._

To the leaders who grow companies — and their families and teams that support them. You are the engines of our economies and the source of our freedom.
The Acknowledgements
Thank You!

First, we want to thank the thousands of CEOs and executives who have utilized our open-source tools and provided input on how to improve them and their application to scaling up organizations. Your contribution to the community of “gazelles” is greatly appreciated.

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Several of these leaders and their companies are highlighted throughout the book. Thank you for openly sharing your stories and lessons learned so that we might all benefit, specifically: Jeff Booth, Gene Browne, Dwight Cooper, Fred Crosetto, John DeHart, Barrett Ersek, Mark Fullerton, Ben Godsey, Sam Goodner, Vishal Gupta, Roger Hardy, Jack Harrington, Alan Higgins, Nelson Jacobson, Mike Jagger, Rick Kay, Ciate Mask, Henry McGovern, Lois Melbourne, Sanjeev Mohanty, Simon Morrison, Scott Nash, James Perly, David Rich, Stephen Roche, Alan Rudy, Ken Sim, Naomi Simson, Carey Smith, Jerry South, Adam Sproule, John Stepleton, Scott Tannas, and Graham Weston.

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Thought Leaders
We've always believed it takes a “village of gurus” to help a company scale up, and it’s no different for Gazelles and the content in this book. We would like to especially thank Jim Collins, the late W. Edwards Deming, Pat Lencioni, Tom Peters, Hermann Simon, and Jack Stack. Their pioneering contributions to the world of business have helped millions and shaped many of the ideas you find in this book. In addition, we would like to thank Greg Alexander, David Allen, John Assaraf, Laurie Bassi, Josh Bernoff, Bob Bloom, Travis Bradberry, Greg Brenneman, Mark Burton, Jim Cecil, Ram Charan, Robert Cialdini, Chip Conley, the late Stephen Covey, Stephen M.R. Covey, Aubrey Daniels, Peter Diamandis, Mohamed Fathelbab, Frances Frei, Seth Godin, Marshall Goldsmith, Mark Goulston, Vijay Govindarajan, Adam Grant, Brian Halligan, Brad Hams, Darren Hardy, Chip Heath, Margaret Heffernan, Sally Hogshead, Luke Hohmann, Tony Hsieh, Mark Johnson, Rick Kash, Eric Keiles, Dave Kerpen, Todd Klein, Jim Kouzes, Mike Lieberman, Giovanni Livera, Jim Loehr, David Marquet, Ron McMillan, James McQuivey, Ari Meisel, Youngme Moon, Geoffrey Moore, Richard Moran, Anne Morriss, John Mullins, Alexander Osterwalder, Bob Parsons, Daniel Pink, Joe Pulizzi, Fred Reichheld, Rich Russakoff, Tom Sant, David Meerman Scott, Robin Sharma, Brian Souza, Jim Stengel, Jeff Thull, Bill Treasuer, Lynne Twist, John Warrillow, Pat Williams, and Liz Wiseman — all of whom have contributed to our various Growth Summits around the world and our continuing online course offerings.
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Scaling Up

No book gets completed without a direct team of writers, editors, and designers. Thank you to writing partner and editor Elaine Pofeldt, who helped extensively with this book and supports the *Fortune* magazine and Growth Guy syndicated columns; Wendy Zuckerman, who provided extensive copyediting for this book (any mistakes were because we ignored her advice!); Hank Gilman, former editor and champion at *Fortune*, who helped with the book title; and Jun-Hi Lutterjohann, who designed the book cover, Growth Tools, and graphics, and typeset the entire book.

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Last, thank you to Verne's wife, Julie, and four children, Cameron, Cole, Jade, and Quinn, for their support and patience through the writing of this book. And to his mom, Jan, on whose 80th birthday this book was published.
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THE INTRODUCTION

Tools for Scaling Up

If you want to teach people a new way of thinking, don’t bother trying to teach them. Instead, give them a tool, the use of which will lead to new ways of thinking.

— R. Buckminster Fuller
Designer, inventor, futurist

Infusionsoft, an Arizona-based provider of customer relationship management software, secured $54 million in growth capital from Goldman Sachs in 2013 and used the money to improve its product, invest in better services, and expand its customer base. Infusionsoft grew 53% the year before, with a $50 million run rate, and has plans to grow to $200 million and 100,000 small business customers by the end of 2016. Its #1 priority for 2013 was to increase its score from the Net Promoter System. Infusionsoft is a “gazelle.”

“One of my team members took a picture of me while I was signing the deal [with Goldman Sachs],” Clate Mask, CEO of Infusionsoft, told Verne. “At the time, we were at our monthly off-site meeting, working on our 2013 and mid-range plans. We were frequently referring to Mastering the Rockefeller Habits that day, and it happens to be in the picture. The Rockefeller Habits and its tools are discussed on a weekly basis among our leadership team. Your work has made a big impact on our company.”

It’s been 12 years since Mastering the Rockefeller Habits was first released. Scaling Up (Mastering the Rockefeller Habits 2.0) is the first major revision. Having spent over 30 years helping more than 40,000 business leaders like Mask scale up their ventures, we’ve learned that CEOs and executives of growth firms want ideas and tools they can implement immediately to improve some aspect of their business — and want to enjoy the ride along the way!
Scaling Up

... So How Is This Book Different From *Mastering the Rockefeller Habits*?

If you’ve not read *Mastering the Rockefeller Habits*, you can skip that book. If you have read it, here’s what’s new:

1. *Scaling Up* is organized around the 4 Decisions a leader must address: People, Strategy, Execution, and Cash. This structure provides you with a more comprehensive look into the issues you face in growing a business (75% of it is new material).

2. Our One-Page Strategic Plan has been updated extensively and is supported by a more robust strategic-thinking tool called the 7 Strata of Strategy. This tool will help you craft an industry-dominating strategy.

3. There are six new one-page tools, including a simplified Vision Summary document that will make it easier to communicate the vision of your organization to employees and others.

4. We moved the practical examples, gleaned from more than 50 interviews with CEOs using our tools, from the appendix (no one reads an appendix!) and placed them throughout the main chapters.

5. We share our take on why certain techniques — like the daily huddle — falter. This will save you time (and frustration) in implementing the Rockefeller Habits.

What hasn’t changed is the style. Just as we were writing this introduction, Verne received a note from entrepreneur Ray Lambert, who exclaimed: “You have written a book exactly like I like to read. You get TO THE DAD GUM POINT! I love it.”

*Mastering the Rockefeller Habits* has helped tens of thousands of leaders of growing firms. We hope you find *Scaling Up* to be an even more practical resource.
THE OVERVIEW
People, Strategy, Execution, Cash

EXECUTIVE SUMMARY: A 20-minute overview providing busy executives with a summary of the practical tools and techniques for scaling up a business. Aligned around 4 Decisions every business leader must make — People, Strategy, Execution, and Cash — they also represent the four main sections of this book where more specific how-to information, along with mini-case studies and examples, are detailed.

WARNING: This overview contains a lot of lists to keep it concise — you’ll be drinking from a fire hose! But it will prep you for the rest of the book where the ideas will be served up in more bite-sized pieces.

Start up, Scale up, Sc@%w up …
… or Stall out (fail to scale)!

This sequence describes the life cycle of most businesses as they move up the S-shaped curve of growth. The key to scaling this curve:

1. Attracting and keeping the right People;
2. Creating a truly differentiated Strategy;
3. Driving flawless Execution; and
4. Having plenty of Cash to weather the storms.

Millions of people start new ventures, and of those that survive, 96% remain “mice.” It’s only a few — the “gazelles” — that scale beyond $10 million, $100 million, or $1 billion in revenue, the path that Clate Mask’s Infusionsoft (mentioned in “The Introduction”) is on. This book gives you the tools to scale up 10x.
Scaling Up

Eventually, many growing firms — gazelles — get sold, some to “elephants” (and a rare few grow up to become elephants themselves), often crushing the innovative culture of what was a thriving, growing company. Completing the cycle, many of these big companies turn bad — often downright evil — and later become extinct or irrelevant at best. (Read Nassim Nicholas Taleb’s breakthrough book *Antifragile: Things That Gain From Disorder* for ways to inoculate your family, company, and country from this tragic ending.)

Because of the sheer number of start-ups and small businesses, there is a huge market for the myriad number of books supporting these entrepreneurs — the two best being Michael E. Gerber’s *The E-Myth Revisited* and Eric Ries’ *The Lean Startup*. The large number of entrepreneurs also forms a significant enough voting bloc to garner attention from politicians.

In turn, the sheer size of the Fortune 500 companies provides a huge feeding trough for the thousands of business gurus and the 11,000 new business books they release each year. These large firms employ expensive lobbyists to do their bidding with governments, receiving all kinds of special favors.

Largely ignored, by gurus and governments, are the older, high-impact growth firms. Though they generate almost all of the innovation and job growth in economies, there are not enough of them to garner the favorable attention of politicians or book publishers. For more on this topic, read Verne’s interview in *Business Review Europe* titled “Give the Gazelles a Break”: [http://tiny.cc/give-gazelles-a-break](http://tiny.cc/give-gazelles-a-break)

### Gazelles: High-Impact Firms

In a study for the US Small Business Administration titled “High-Impact Firms: Gazelles Revisited” ([http://tiny.cc/high-impact-gazelles](http://tiny.cc/high-impact-gazelles)), the authors note: “High-impact firms are relatively old, rare and contribute to the majority of overall economic growth. On average, they are 25 years old, they represent between 2 and 3 percent of all firms, and they account for almost all of the private sector employment and revenue growth in the economy.”

To underpin this “older” idea, we looked at the trajectory of two well-known gazelles: Apple and Starbucks. Apple, which started in 1976, had only 9,600 employees when it released the iPod in 2001, its 25th anniversary. The rest is history. All the phenomenal growth of Apple in revenue and employment (80,000 in 2013) occurred after this historic milestone, resulting in the largest-market-cap company in the world at the time of this book’s publication.

Starbucks followed an almost identical growth path, launching in 1971 and taking the first 20 years to perfect its business model and reach 100 locations. By its 25th anniversary, it was at 1,000 stores and ventured outside the US for the first time. Since then, it has rocketed to more than 18,000 stores in 62 countries and more than 150,000 employees.

To paraphrase Steve Jobs, “I’m always amazed how overnight successes take a helluva long time.” If you’ve been in business less than 25 years, you still have time to make it big; if it has been more than 25 years, and you’ve not scaled up, it’s never too late!
Scaling Up

“How do we scale up the business?” is a question we’ve heard from countless leaders over the years, prompting the name and focus of this book. “How to survive the process” with your sanity and relationships intact is the second question.

Dumbest in the Room

Senior leaders know they have succeeded in building an organization that can scale — and is fun to run — when they are the dumbest people in the room! In turn, if they have all the answers (or act like they do), it guarantees organizational silence, exacerbates blindness (the CEO is always the last to know anyway), and means the senior team ends up carrying the entire load of the company on their backs. The best leaders have the right questions, but turn to their employees, customers, advisors, and the crowd to mine the answers. Every business is more valuable to the degree that it does not depend on its top leader. For more on these topics, read Margaret Heffernan’s book *Willful Blindness: Why We Ignore the Obvious at Our Peril* and Liz Wiseman’s *Multipliers: How the Best Leaders Make Everyone Smarter*.

To scale up a business from a handful of employees to something significant (i.e., build a company that has a chance to both put a “dent in the universe” and dominate its industry), our tools and techniques focus on three deliverables:

- Reduce by 80% the time it takes the top team to manage the business (operational activities)
- Refocus the senior team on market-facing activities
- Realign everyone else (onto the same page) to drive execution and results

And when our tools are successfully implemented, organizations attain these four outcomes:

- At least double the rate of cash flow
- Triple the industry average profitability
- Increase the valuation of the firm relative to competitors
- Help the stakeholders — employees, customers, and shareholders — enjoy the climb

Yet there are three barriers to scaling up, which we’ll discuss in the next chapter:

- **Leadership**: the inability to staff/grow enough leaders throughout the organization who have the capabilities to delegate and predict
- **Scalable infrastructure**: the lack of systems and structures (physical and organizational) to handle the complexities in communication and decisions that come with growth
- **Market dynamics**: the failure to address the increased competitive pressures that build (and erode margins) as you scale the business
Scaling Up

Therefore, your team must use our tools to master four fundamentals:

- **In leading People,** take a page from parenting: Establish a handful of rules, repeat yourself a lot, and act consistently with those rules. This is the role and power of Core Values. If discovered and used effectively, these values guide all the relationship decisions and systems in the company.

- **In setting Strategy,** follow the definition from the great business strategist Gary Hamel. You don’t have a real strategy if it doesn’t pass two tests: First, what you’re planning to do really matters to enough customers; and second, it differentiates you from your competition.

- **In driving Execution,** implement three key habits: Set a handful of Priorities (the fewer the better); gather quantitative and qualitative Data daily and review weekly to guide decisions; and establish an effective daily, weekly, monthly, quarterly, and annual meeting Rhythm to keep everyone in the loop. Those who pulse faster, grow faster.

- **In managing Cash,** don’t run out of it! This means paying as much attention to how every decision affects cash flow as you would to revenue and profitability.

With these fundamentals in mind, you’re ready to start climbing.

Climbing Everest

Scaling up a business is like climbing a mountain. To use a simple analogy, many people dream of summiting Mount Everest (or its equivalent in their life). Those who do it create a plan. Prepared with a set of inviolable rules and a passion for the journey, they head toward the summit. Along the way, they aim for a series of camps: intermediate waypoints normally marking significant changes in terrain. Then it’s a matter of focusing on the next day and, more important, the first and subsequent steps, making adjustments along the way as the mountain conditions dictate. Those who have made such personal journeys report that it’s ultimately about staying acutely aware as you push to take just one more calculated step.

It’s the same for an organization. Guided by a set of Core Values and a purpose, it chooses a Big Hairy Audacious Goal (BHAG®)* to achieve in the next 10 to 25 years. To break up the journey, the leadership team sets a series of three- to five-year targets divided up into annual goals. These are further broken down into specific actionable steps the business takes over the next few weeks or months, adjusting tactics as the market conditions dictate.

*BHAG is a registered trademark of Jim Collins and Jerry Porras.
In the end, it’s about keeping everyone focused on the summit (BHAG®) and then deciding the appropriate next step (quarterly Priority) while respecting the rules that keep you from being swept off the mountain (Values).

Everything in between this quarter and the next 10 to 25 years is a WAG: a wild-ankle guess! There are no straight lines in nature or business. As a winding river must follow the contours of the landscape on its way to the ocean, a business must navigate the undulations of the marketplace on the way to its Everest. The key is keeping your eye on the prize and adjusting course accordingly.

And along the journey, there is a set of habits — routines — that will make the climb easier. “Routine sets you free” is a key driving principle behind our methodologies and tools. You may set a goal to lose weight, but unless you change some daily and weekly routines, it will never be accomplished. Goals without routines are wishes; routines without goals are aimless. The most successful business leaders have a clear vision and the disciplines (routines) to make it a reality.

**Wasted Debate**

Nothing is more maddening than hearing teams debate whether a certain idea is applicable in a business-to-business or business-to-consumer engagement. In the end, we’re all in the same business: people to people. None of us sell to companies; we deal with the people (consumers) inside these companies, who have the same motivations, challenges, and emotions as any other person.

The other needless delineation is between product and service companies. In the long run, most product companies add on services to increase profitability and most service companies productize their offerings to make them easier to sell. We recommend that you avoid these debates, and consider most of the examples in this book applicable to any organization in any industry.

**4D Framework**

McKinsey has its 7-S Framework for large companies; we have our 4D Framework for growth firms. This framework evolved from the fundamentals, barriers, and goals described earlier and was based on this quote attributed to Albert Einstein: “Everything should be made as simple as possible, but not simpler.” Scaling a business is a complex endeavor and requires robust — yet simple enough — tools and techniques to get the job done.

The framework includes these elements (see diagram on Page 8):

1. **Driver:** Leaders drive implementation of the Rockefeller Habits with their teams. Execution is much easier if they and their teams engage in coaching, embrace learning, and encourage the use of new technologies to accelerate implementation of our tools.
# Gazelles 4D Framework

**Getting to Results**
A proven business growth method used by thousands of growing companies to achieve *RESULTS*.

<table>
<thead>
<tr>
<th>1 Driver (with Accelerators)</th>
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<tr>
<td>Coaching – Advisors, Consultants, Coaches</td>
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<td>Learning – Continuous Business Education (CBE)</td>
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<td>Technology – Management Accountability System</td>
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<th>2 Demands (Balance)</th>
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<tr>
<td>People (Reputation) – Employees, Customers, Shareholders</td>
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<tr>
<td>Process (Productivity) – Make/Buy, Sell, Record Keeping</td>
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<th>3 Disciplines (Routines)</th>
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<td>Priorities – The Main Thing</td>
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<td>Data – Qualitative/Quantitative</td>
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<td>Meeting Rhythms – Daily, Weekly, Monthly, Quarterly, Annual</td>
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<th>4 Decisions (Right Questions)</th>
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<td>People – Happiness/Accountability</td>
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<tr>
<td>Strategy – Revenue/Growth</td>
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<tr>
<td>Execution – Profit/Time</td>
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<td>Cash – Oxygen/Options</td>
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<th>! Results</th>
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<td>2x Cash Flow • 3x Profitability • 10x Valuation • More Time!</td>
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Download a full-sized copy of this tool at scalingup.com
2. **Demands:** Leaders have to balance two often competing demands on the business — People and Process. This requires simultaneously maintaining a great reputation with the employees, customers, and shareholders (the People side of the business); and improving the productivity of how the firm makes/buys, sells, and tracks these transactions (the Process side of the business).

3. **Disciplines:** To effectively execute, there are three fundamental disciplines (routines): Set Priorities; gather quantitative and qualitative Data; and establish an effective meeting Rhythm. It’s in these meetings, debating the data (the brutal facts!), where the priorities emerge.

4. **Decisions:** Ultimately, all of the above require some decisions. To scale the business requires getting four key decision sets — People, Strategy, Execution, and Cash — absolutely right, and there are right and wrong answers. Shortchange any one element and you’re not maximizing your opportunity.

**WARNING:** Since Mastering the Rockefeller Habits was written, many bits and pieces of our 4D Framework and tools have been copied by others. In the process, several have oversimplified our work to the point that it might still be helpful — setting a few priorities and key performance indicators (KPIs) is better than nothing — but there is huge potential left on the table in terms of revenue and profit. “Simple, not simpler” is our aim, as Einstein warned.

In turn, we know that it takes a “village of gurus” to help a company and that no one person has all the answers. Therefore, we’ll be referencing many important books and ideas that fill in important gaps around leadership, sales, marketing, hiring, etc.

**Right Questions**

Our last guiding principle in designing the 4D Framework:

*We have the answers, all the answers; it’s the question we do not know.*

Most of the teams we work with are wicked smart. With enough perseverance and grit they’ll find answers. Our concern is they might be working on the wrong question. Much of our work is helping leadership teams formulate the right questions. Once they get the questions right, the answers tend to appear.

Each of the 4 Decisions — People, Strategy, Execution, and Cash — is anchored by an overarching Key Question. And the accompanying Growth Tools (our label for the collection of one-page worksheets summarized next) are designed to focus teams on specific questions driving growth and performance for each of the 4 Decisions areas of the business.

So, to start implementing the 4D Framework, the first question is, *“Which of the 4 Decisions — People, Strategy, Execution, and Cash — needs the most attention next?”* Start there! We have a complimentary individual 4 Decisions Assessment available at scalingup.com to help you determine your starting point.
Scaling Up

Our methodology and tools are like crossword or Sudoku puzzles. Start where you can and work your way through. There is no specific sequence. However, we do have five initial “next steps” outlined in the last chapter.

The following overview of each decision will further help you choose where to start in scaling up the business.

**People**

**KEY QUESTION:** Are the stakeholders (employees, customers, shareholders) happy and engaged in the business; and would you “rehire” all of them?

Do you have the “right people doing the right things right” inside the organization?

Then you need to evaluate all the key relationships surrounding the business. Would you keep all your existing customers? Are you happy with your investors/bank? Are your vendors supporting you properly? Are your advisors — accountants, lawyers, consultants, and coaches — the best for the size of the organization and future plans? The toughest decisions to make are when the company has outgrown some of these relationships and you need to make changes.

It starts with your own relationship goals and priorities, then being clear who are the leaders accountable for the main functions and processes that drive the business.

The tools (three-quarter-size copies are included in the introduction to the “People” section):

**One-Page Personal Plan (OPPP):** Our personal and professional lives are intertwined — and best if aligned. This tool looks at four key decisions — Relationships, Achievements, Rituals, and Wealth — which mirror the four key decisions for the business: People, Strategy, Execution, and Cash. Having a strong and fulfilled personal life provides an important foundation for sustaining your efforts in the business.

**Function Accountability Chart (FACE):** Jim Collins, author of *Good to Great: Why Some Companies Make the Leap... And Others Don't*, emphasizes the importance of getting the right butts in the right seats at the top of the organization. After all, the bottleneck is always at the top of the bottle! The FACE tool provides a list of seats (functions) that all organizations must fill.
You want to delegate these functions to people who fit your culture and pass two tests:

1. They don’t need to be managed.
2. They regularly wow the team with their insights and output.

Next designate one or two key performance indicators (KPIs) for each function, defining objectively what activities each senior leader needs to be focused on day-to-day. Last, decide on a handful of results/outcomes accountable to each function (i.e., who is accountable for revenue, gross margin, profit, cash, etc.). These outcomes normally represent line items on the financial statements.

When completed, this one-page accountability tool helps you diagnose where you have people and performance gaps on the leadership team.

Process Accountability Chart (PACe): Most work flows horizontally across the various functions. Functions are not isolated cells. When these functions aren’t working well together, the firm can stall.

This chart provides a place to delineate the four to nine processes that drive the business (i.e., the processes for developing and launching a new product; for attracting, hiring, and onboarding new employees; for billing and collecting, etc.).

Next, designate who is accountable for each process, which can be tricky since these processes cut across various functions and there might be some ego/control issues between the functional heads.

Last, decide on two or three KPIs that track the health of the process — the most important being the length of time, from start to finish, for a specific process. We’ll discuss how a variety of organizations are utilizing the principles of Lean, a management practice invented by Toyota, to streamline and speed up their processes.

“The Team” and “The Managers” chapters: There’s a continual war for talent. We’ll share guerilla marketing techniques for attracting a large number of qualified candidates and review the Topgrading methodology for interviewing and selection.

In retaining employees and keeping them engaged, we’ll cover the five activities of great (vs. good) managers:
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- Help people play to their strengths.
- Don’t demotivate; dehassle.
- Set clear expectations and give employees a clear line of sight.
- Give recognition and show appreciation.
- Hire fewer people, but pay them more (frontline employees, not top leaders!).

Strategy

KEY QUESTION: Can you state your firm’s strategy simply — and is it driving sustainable growth in revenue and gross margins?

It’s time to break apart a 50-year-old business term — strategic planning — and think about it in terms of two distinct activities: strategic thinking and execution planning. Each requires two very different teams and processes.

Strategic thinking requires a handful of senior leaders meeting weekly (it’s not sufficient to do strategy work once a quarter or once a year) in what Jim Collins calls “the council.” It’s a meeting separate from the standard executive team meeting. Rather than getting mired in operational issues, the strategic thinking team is focused on discussing a few big strategic issues including those outlined in the SWT and 7 Strata tools summarized below.

Execution planning, in turn, requires a much larger team engaged in implementing the broader strategy. Setting specific annual and quarterly priorities, outcomes, and KPIs is best if middle management and frontline employees are involved. They are closer to the day-to-day operational issues of the company, and their participation in setting the plan creates better buy-in.

Add in both disciplined action and active learning activities and you have a simple Think, Plan, Act, Learn cycle of strategic planning.

The tools (three-quarter-size copies are included in the introduction to the “Strategy” section):

Vision Summary: For companies just getting started implementing the Rockefeller Habits as well as firms with 50 employees or fewer, the Vision Summary provides a simplified One-Page Strategic Plan (OPSP) framework. And for larger firms taking advantage of the more detailed aspects of the OPSP, the Vision Summary provides a one-page format to
communicate key aspects of the company’s vision to employees, customers, investors, and the broader community.

**SWT:** We’ve augmented the standard SWOT (strengths, weaknesses, opportunities, and threats) process with a tool called the SWT (strengths, weaknesses, and trends).

Whereas the SWOT process drives leaders to look inward at both their company and industry challenges, the SWT focuses on exploring broader external trends beyond their own industry or geography. It’s a powerful tool to spot opportunities before the competition and prevent “inside/industry myopia.”

**The 7 Strata of Strategy:** This tool represents the seven components (stratum) of a robust, yet simply stated, strategy. It’s designed to provide the kind of differentiation and barriers that allow you to dominate your niche in the marketplace.

The seven components:

1. What word(s) do you own in the minds of your targeted customers (e.g., Google owns “search”)?
2. Who are your core customers, what three Brand Promises are you making them (e.g., Southwest Airlines promises Low Fares, Lots of Flights, Lots of Fun), and how do you know you’re keeping these promises (Kept Promise Indicators, a play on KPIs)?
3. What is your Brand Promise Guarantee (e.g., Oracle has been advertising the chance to win $10 million if its Exadata servers don’t outperform the competition by a factor of five)?
4. What is your One-PHRASE Strategy that likely upsets customers (Apple’s “closed system”) but is key to making a ton of money and blocking your competition?
5. What are the three to five Activities that fit Harvard strategist Michael Porter’s definition of the essence of differentiation (e.g., IKEA’s furniture needs assembly)?
6. What is your X-Factor — a 10 times to 100 times underlying advantage over the competition — that completely wipes out any and all rivals?
7. What are your Profit per X (economic driver) and BHAG® for the company? These come straight from Jim Collins.

**One-Page Strategic Plan (OPSP):** If you want everyone on the same page, then you need this page first. The OPSP is our best-known and most widely used tool. It’s designed to drive alignment, accountability, and focus.
The body of the plan consists of seven columns organized around seven basic questions you need to answer if you want to accomplish anything: Who, What, When, Where, How, Why, plus Should/Shouldn’t. We’ve aligned these with standard strategic planning language like Core Values, Purpose, Annual Priorities, etc. — but anchor the plan in these simpler questions.

The first three columns of the OPSP represent the strategic thinking part of the plan supported by the work done on the 7 Strata; the last four columns represent the execution planning part of the plan. The OPSP has space along the bottom to summarize your SWT and along the top to list the key metrics monitoring your reputation (People) and productivity (Process).

**Execution**

**KEY QUESTION:** Are all processes running without drama and driving industry-leading profitability?

You know you have execution issues if three things exist:

1. There is needless drama in the organization (e.g., something shipped out late; the invoice was wrong; someone missed a meeting; etc.).

2. Everyone seems to be working more hours, spinning his wheels, or spending too much time fixing things that should have been done right the first time.

3. Most important, the company is generating less than three times industry average profitability.

“Is the company generating three times industry average profitability?”
WARNING: Companies can get by with sloppy execution if they have a killer strategy or highly dedicated people willing to work 18-hour days, eight days per week to cover up all the slop. Just recognize you’re wasting a lot of profitability and time (i.e., you’ll burn both cash and people in the process!)

The tools (three-quarter-size copies are included in the introduction to the “Execution” section):

Who, What, When (WWW): Improve the impact of your weekly meetings by taking a few minutes at the end and summarizing Who said they are going to do What, When. This isn’t about micromanagement; this is about excellent management and being clear in both communication and accountability.

The key is setting a “when” that is no longer than the time between weekly (or monthly) meetings. And if you have a more substantial initiative, the key is breaking it into pieces (eat the elephant one bite at a time) that can be accomplished within a few weeks.

Rockefeller Habits Checklist™: There are 10 fundamental habits that support the successful execution of your strategy — habits that haven’t changed for 100 years since John D. Rockefeller implemented them, becoming the wealthiest person ever and building what has morphed into one of the largest companies today: ExxonMobil.

These habits dramatically increase profitability and reduce the time it takes to manage the business. And like the checklists that are critical to the airline industry in making sure planes stay in the air, consider these 10 habits as a “preflight” checklist for keeping your company growing and ensuring that it doesn’t stall out.

WARNING: You’ll drive everyone in the organization crazy if you implement all of these habits at one time. The key is focusing on one or two each quarter, giving everyone roughly 24 to 36 months to install these simple, yet powerful, routines. Then it’s a process of continually refreshing them as the company scales up.

The habits (“Routines that set you free!”):

1. **The executive team is healthy and aligned.** Here we pull a page from Patrick M. Lencioni’s *The Five Dysfunctions of a Team: A Leadership Fable*, a book we recommend that all leaders peruse (it’s a quick read). In essence, your executive team needs to have a level of trust that permits true debate and constructive conflict to occur. What prevents this in large companies
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is politics; what blocks it in growth firms is friendship. Members of the team must embrace its diversity (the more the better) and be willing to challenge each other in making decisions and exposing the brutal facts.

2. **Everyone is aligned with the #1 thing that needs to be accomplished this quarter to move the company forward.** As mentioned earlier, scaling a firm is about taking one significant step at a time and then checking data and adjusting accordingly. It is about setting a quarterly goal, providing the company with a badly needed finish line every 90 days, vs. just running and running and running. It also affords everyone an opportunity to celebrate or commiserate — and have some fun along the way. This is the power of setting a Quarterly Theme, which we'll discuss in depth later.

3. **Communication rhythm is established and information moves through the organization accurately and quickly.** The #1 challenge when two or more people are working together is communication (anyone married?). The key is an effective daily, weekly, monthly, quarterly, and annual Meeting Rhythm, which, when executed properly, actually saves everyone a tremendous amount of time. It’s counterintuitive, we know. Specific agendas for each meeting will be detailed in the “Execution” section.

4. **Every facet of the organization has a person assigned with accountability for ensuring goals are met.** If communication is the #1 challenge, then nailing down accountabilities as the company scales is #2. This needs to be clear both vertically (across functions) and horizontally (across processes) throughout the organization. And it really gets messy when the organization moves to discrete business units.

5. **Ongoing employee input is collected to identify obstacles and opportunities.** A key component of the weekly qualitative data you need to guide the business must come from your employees, especially your sales channels and your frontline employees. They are closer to the action. We recommend that each senior leader formally talk to one employee each week and ask, “What should the company Start/Stop/Keep doing?” Pay particular attention to the “stops.” These are the roadblocks you need to eliminate from the company to keep people motivated.

6. **Reporting and analysis of customer feedback data is as frequent and accurate as financial data.** The second key component of the weekly qualitative data that you need to guide the business must come from customers. We suggest that each senior leader formally ask customers questions that are more about gathering market intel, especially about competitors, than discerning whether they like your particular product or service.

7. **Core Values and Purpose are “alive” in the organization.** These are the handful of rules (Core Values) that you’ll use to guide all the HR systems in the company: hiring, feedback, rewards and recognition, handbook, etc. And the Purpose (a better word than “mission”) provides the critical “why” behind everything you do (i.e., what difference is your company making in the world?).
8. **Employees can articulate the following key components of the company’s strategy accurately.** You want all employees to align their actions with the strategy of the company. To do this, they need to know and understand the company’s 10- to 25-year goal (BHAG®); who the core customers are; the three Brand Promises everyone needs to keep; and what the company does — and be able to explain it when asked (the elevator pitch).

9. **All employees can answer quantitatively whether they had a good day or week (Column 7 of the OPSP).** Is each employee or team clear on their priorities and KPIs for the week? And do they know how they did that week? People love to know the score; thus the attraction of video games, sports, fundraisers, competitions, etc.

10. **The company’s plans and performance are visible to everyone.** We’re not big on sports analogies, but we strongly suggest stealing one idea from that industry: having huge scoreboards visible to everyone. We’ll share examples and photos of growth firms that do.

**Cash**

**KEY QUESTION:** Do you have consistent sources of cash, ideally generated internally, to fuel the growth of your business?

Growth sucks cash. This is the first law of entrepreneurial gravity. And nothing ages a CEO and his or her team faster than being short of cash. In fact, Jim Collins and Morten T. Hansen, in their best-selling book *Great by Choice: Uncertainty, Chaos, and Luck — Why Some Thrive Despite Them All,* found that successful companies held three to 10 times more cash assets than average for their industries, and they did so from the time they started. (We highly recommend that you read this book, Collins’ first that directly addresses growth firms.)

Yet many growth company leaders pay more attention to revenue and profit than they do to cash when it comes to structuring deals with suppliers, customers, employees (think bonus plans), or investors/banks. And when they receive their monthly financial statements, the cash flow statement is either nonexistent or ignored.

The quickest action you can take is to have your CFO give you a modified cash flow statement every day detailing the cash that came in during the last 24 hours, the cash that flowed out, and some idea of how cash is looking over the next 30 to 90 days. This will keep cash top-of-mind and give you a great feel for how cash is flowing through the business.

It’s also critical to know your Cash Conversion Cycle (CCC). It’s a technical term for how long it takes, after you spend a dollar/euro/yen on rent, utilities, payroll, inventory, marketing, etc., for it to make its way through your business model and back into your pocket. So that you can see how to calculate this, we recommend that you read a classic *Harvard Business Review* article titled “How Fast Can Your Company Afford to Grow?” by Neil C. Churchill and John W. Mullins.
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The tools (three-quarter-size copies are included in the introduction to the “Cash” section):

The Power of One: The 7 main financial levers available to managers to improve cash and returns in the business are:

1. **Price:** You can increase the price of your goods and services.
2. **Volume:** You can sell more units at the same price.
3. **Cost of goods sold/direct costs:** You can reduce the price you pay for your raw materials and direct labor.
4. **Operating expenses:** You can reduce your operating costs.
5. **Accounts receivable:** You can collect from your debtors faster.
6. **Inventory/WIP (work in progress):** You can reduce the amount of stock you have on hand.
7. **Accounts payable:** You can slow down the payment of creditors.

The tool calculates the benefit to cash if a 1% or one-day change is made to each of these levers.

**Cash Acceleration Strategies (CASH)** — Break down the CCC into four components, and brainstorm one of three ways to increase the cash flow in the business. We’ve had many clients double their operating cash flow immediately after working through this tool. It’s also a great exercise to do with middle managers, to strengthen their understanding of how cash flows through the organization and to illustrate how everyone can make a positive contribution to improving the CCC.

The goal is to reverse the first law of entrepreneurial gravity and develop a viable business model in which the faster you grow, the more cash you generate — through larger deposits, faster collections, shorter sales and delivery cycles, etc. Then you’ve built a company that can self-fund its own growth.
Final Recommendations

Downloadable PDF versions of the various tools, in multiple languages, are available at scalingup.com at no charge. Feel free to modify them and to suggest changes. They remain an open-source set of tools, and they are constantly being improved by the community of growth company executives using them.

Weekly Insights: Sign Up!

If you like the style and substance of the book, you can receive a very concise weekly email of best practices for managing a growing firm: ideas we pick up each week from executives like you.

Simply send an email to vharnish@gazelles.com and put “weekly insights” in the subject line. And please include a first and last name and your title, and tell us where your company is based. We’ll add you to our expanding list of more than 60,000 leaders of growing companies.

Relax With the Process

None of this is complicated (except strategy): It just requires some discipline and perseverance. Treat our tools as you would Sudoku or crossword puzzles. Fill in what you know as you go. Again, it’s not necessary to work through the tools in any kind of sequence. Start where it makes the most sense for your organization. “Get it down; then get it right” is one of our mottos.

The key is lots of iterations: reviewing and updating our Growth Tools every quarter. Routine will set you free.

The rest of this book provides the practical how-to details behind our recommended processes and tools. Enjoy, and best of luck as you scale your business — and let us know how we can help.