Scaling Up
Verne Harnish

Why read this book?
“This book is written so everyone -- from frontline employees to senior executives -- can get aligned in contributing to the growth of a firm. There’s no reason to do it alone, yet many top leaders feel like they are the ones dragging the rest of the organization up the S-curve of growth. The goal of this book is to help you turn what feels like an anchor into wind at your back -- creating a company where the team is engaged; the customers are doing your marketing; and everyone is making money. To accomplish this, Scaling Up focuses on the four major decision areas every company must get right: People, Strategy, Execution, and Cash.” (Amazon review)

Key Quotes
“’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 (P. 1)

“We have the answers, all the answers; it’s the question we do not know.” (P. 9)

“Scaling up successfully requires leaders who possess aptitudes for prediction, delegation, & repetition.” (P. 21)

“If you fail to address these relationship issues head on, they will continue to drain your emotional energy, leaving little left to expend on the Strategy, Execution, and Cash aspects of the business.” (P. 35)

Grandmaster chess players are not thinking more moves ahead of mere masters…” their advantage is in having 10 times the NEXT moves in their repertoire, depending on the latest gambit of their opponent.” (P. 85)

“The magic of the Scaling Up process is getting everyone in the company to accomplish one additional thing that is aligned with the company’s focus every 90 days.” (P. 172)

“Great growth firms are a lot like great jazz bands. While jazz is improvisational and entrepreneurial-like, the discipline underlying it allows even musicians who have never played together before to perform a rocking jam session and requires four things. 1. Talented musicians; 2. Knowing the rules; 3. Performing the same song; 4. Playing to the same beat.” (P. 175)
Scaling Up

“This is a book about

1. Scaling Up People: Leaders, Teams and Managers (Coaches)
2. Scaling Up Strategy: The core, 7 Strata of Strategy, and One Page Strategic Plan
3. Scaling Up Execution: The priority, the data, the meeting rhythm
4. Scaling Up Cash: The cash, the accounting, the power of one

Part One: The Overview

If you want an executive summary, then read this section which outlines all the key concepts and techniques you need to scale up your business. It also explains the three deliverables, four outcomes, and three barriers to Scaling Up.

The big three

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Outcomes</th>
<th>Barriers</th>
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<tbody>
<tr>
<td>Reduce by 80% the time it takes top team to manage the business</td>
<td>Double the rate of cash flow</td>
<td>Leadership</td>
</tr>
<tr>
<td>Refocus senior team on market-facing activities</td>
<td>Triple the industry average profitability</td>
<td>Scalable infrastructure</td>
</tr>
<tr>
<td>Realign everyone else to drive execution and results</td>
<td>Increase the valuation of the firm relative to competitors</td>
<td>Marketing</td>
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<tr>
<td></td>
<td>Help stakeholders – employees, customers, and shareholders – enjoy the climb</td>
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“Routine sets you free”

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1 Harnish, Verne – Scaling Up – Gazelles Inc. Page 5
The FOUR Decisions

Decision One: Scaling Up PEOPLE

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

The book breaks this section down to review tools and techniques for LEADERS, TEAMS, and MANAGERS.

**NOTE: read poem on page 36**

The Leaders

- Begin with yourself – take stock of your own individual goals and dreams by filling out your One Page Personal Plan.
- Accountability – identify what seats you need on your bus, who is in those seats, who should be in those seats, and what are those seats primary accountabilities.
- Processes – what are the 4 to 9 processes that drive your business, who is accountable for those processes and what are the key performance indicators.

The Team

- Attract, Hire and Retain the very best. Define the job, establish the right culture, Top grade your interview process
- Four criteria: Will, Values, Results, Skills

The Managers

- Keep your great talent engaged
- Higher less; higher pay
- Give recognition and show appreciation
- Set clear expectations and provide a line of sight
- Stop demotivating; start “dehassling”
- Help people play to their strengths
- Grow your talent

Decision Two: Scaling Up STRATEGY

*Can you state your firm’s strategy simply – and is it driving sustainable growth in revenue and gross margin?*

Core elements of your strategic plan include your companies VALUES, PURPOSE, and COMPETENCIES. Capturing these items and your execution strategy on the ONE PAGE STRATEGIC PLAN then enables you to build a VISION SUMMARY so you can share the vision with employees, customers and shareholders getting everyone on the SAME PAGE.
Many have heard of the SWOT which is best used by your middle management. Leadership teams should take a more strategic perspective and use the SWT (internal strengths, weaknesses and trends).

When you are ready you graduate to a more advanced perspective on STRATEGY and develop your 7 Strata of Strategy where you establish the WORDS YOU OWN, Sandbox and Brand Promises, your catalytic mechanism, define your one-phrase strategy and differentiating activities, discover your X-Factor (maybe if you’re lucky), Profit per X and BHAG.

So how do you get there from here? Prepare and hold a strategic planning session.

**Decision Three: Scaling Up EXECUTION**

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

*Three disciplines: Priorities, data, meeting rhythm*

The book introduces the Rockefeller Habits Checklist™ (P. 147) which emphasizes the three disciplines. 10 routines that when effectively executed will ensure that the revenues created strategically will drive profitability and efficient gross margins.

**Priority** begins with your Critical Number – what one measurable is most important for this year – this quarter. By focusing your attention and every employee in the company on your main thing you begin to drive incredible results. Create a theme around that number and you become a laser beam of execution. Now create your ROCKS, clear accountability for goals and measures, meet regularly and update your progress and you have built a “routine that will set you free”.

**Data** provides you the power of prediction which is one of a leader’s primary roles. This is accomplished by establishing Key Performance Indicators (KPIs) in several parts of your plan. It also requires that you create effective and routine communication with your stakeholders, clients and employees. Gather data, discuss results, identify your START, STOP, KEEPS, where you are stuck, and be sure to close the feedback loop. Be sure results are clearly visible to everyone and that everyone in the organization “has a number”.

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**Book Review: Scaling UP**

http://www.sanantoniobookreviews.com/
Everyone in the organization meets daily for a quick check in keeping everyone on the same page.

Weekly meetings provide accountability and opportunity to resolve issues.

Monthly sessions for all leaders, managers and supervisors for learning, sharing and problem solving.

Quarterly the leadership team meets offsite, reviews the current quarter and plans for the next quarter. Many companies also hold a monthly or quarterly town hall or all hands meeting to keep everyone informed and up to date.

Annually the leadership team meets offsite for two days to work on strategic direction of the company and plan for the new year.

**Decision Four: Scaling Up CASH**

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

“Growth sucks cash” so being sure you are effectively managing this most critical asset ensures you can stay in the game. The book offers several great tools to improve your position.

The first deals with the basic concept of your cash conversion cycle (CCC)and helps you develop some “Cash Acceleration Strategies”. Your CCC involves SALES, MAKE/PRODUCE, DELIVERY, and BILLING/PAYMENTS.

Taken from Greg Crabtree’s Simple Numbers we next learn the power of effective accounting to better manage cash flow, make better decisions, and develop predictable trend analyses. Here we identify the power of Gross Margin and how to use Labor Efficiency to drive profitability. Greg also shows us the 4 forces of Cash Flow: Taxes, Managing Debt, Core Capital Targets, and Harvesting profits by paying dividends.

Finally, we learn about the Power of One and 7 key financial levers in a business. Profit is meaningless if you are not also generating cash. Learn how to measure both operational efficiency and sales effectiveness. Understand the 4 financial drivers: profitability, working capital management, noncurrent asset management, and cash flow/funding. Now you are able to adjust these drivers by tweaking 7 financial levers to improve the cash and returns in your business.

**Final thoughts**

There are many gems found throughout the book. It can be read like a crossword puzzle – start where you want – read specific topics or embrace it from start to finish. I find that Verne’s concepts are kept simple yet they aren’t all easy. But embrace this SYSTEM in your business and you too can become a GAZELLE.
Calendar of Events

<table>
<thead>
<tr>
<th>San Antonio – Wittigs</th>
<th>UTSA EMBA Alumni</th>
<th>Houston – Wittigs</th>
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<tbody>
<tr>
<td>8:00 – 9:30 AM</td>
<td>7:30 – 8:45</td>
<td>11:30 – 1:00</td>
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<tr>
<td>Oct 28</td>
<td>Nov 4</td>
<td>Oct 27</td>
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<tr>
<td>Triggers by Marshall Goldsmith</td>
<td>Scaling Up by Verne Harnish</td>
<td>The Alchemist by Paulo</td>
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<td>Nov 18</td>
<td>Dec 2</td>
<td>Nov 29</td>
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<tr>
<td>Scaling Up by Verne Harnish</td>
<td>Ideal Team Player by Patrick Lencioni</td>
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<td>Dec 16</td>
<td>Jan 6</td>
<td>Dec 22</td>
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<td>Ideal Team Player by Patrick Lencioni</td>
<td>Future Crimes</td>
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<tr>
<td>Jan 27</td>
<td>Feb 3</td>
<td>Jan 26</td>
</tr>
<tr>
<td>Future Crimes</td>
<td>The inevitable: 12 tech forces shape future</td>
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“Patrick Lencioni turns his focus to the individual, revealing the three indispensable virtues of an ideal team player. In The Ideal Team Player, Lencioni tells the story of Jeff Shanley, a leader desperate to save his uncle’s company by restoring its cultural commitment to teamwork. Jeff must crack the code on the virtues that real team players possess, and then build a culture of hiring and development around those virtues. Beyond the fable, Lencioni presents a practical framework and actionable tools for identifying, hiring, and developing ideal team players.” (Goodreads.com)

Technological advances have benefited our world in immeasurable ways, but there is an ominous flip side: our technology can be turned against us. And just over the horizon is a tidal wave of scientific progress that will leave our heads spinning—from implantable medical devices to drones and 3-D printers, all of which can be hacked, with disastrous consequences.

With explosive insights based on a career in law enforcement and counterterrorism, leading authority on global security Marc Goodman takes readers on a vivid journey through the darkest recesses of the Internet. He explores how bad actors are primed to hijack the technologies of tomorrow. Provocative, thrilling, and ultimately empowering, Future Crimes will serve as an urgent call to action that shows how we can take back control of our own devices and harness technology’s tremendous power for the betterment of humanity—before it’s too late. (Amazon Review)