



# SCALING UP EXCELLENCE

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# THE SCALING CHALLENGE

- An organization or network has a center (or pockets) of excellence:
- How does a leader or team spread it from the few to the many without screwing it up?

# SCALING EXAMPLES

Pulse grows from 4 to 20

McDonald's opens 1460 stores in China

Claudia Kotchka spreads innovation practices and roles from one to dozens of P&G businesses

IHI 100,000 Lives Campaign spreads practices for saving lives across 3200 U.S. Hospitals

# OUR CORE MESSAGE

Successful scaling isn't just about running-up the numbers as fast and far as you can.

Scaling is about spreading and sustaining a *mindset*, not just a *footprint*.

# BOOTCAMP AT FACEBOOK

## IT'S ALL ABOUT THE MINDSET

Added 2 million users per week since 2005, and roughly 1 engineer per 500,000 users (now about 2000 engineers)

Six week bootcamp: Designed and ran by engineers, job not determined until end, do chores for a dozen or so groups

VP Chris Cox: learn to "touch the metal" right away, "understand the whole codebase," "move fast and break things," "any job you have now is temporary"

# USEFUL MINDSETS VARY WILDLY

A VMware executive's reaction...

A CONSTANT:

BRAD BIRD'S "RELENTLESS RESTLESSNESS"



# THE NEVER-ENDING DANGER

Diluting, ruining, or losing your mindset as your footprint expands

Starbuck's as the poster child

# HOWARD SCHULTZ'S "ONWARD" MEMO

"Over the past ten years, in order to achieve the growth, development, and scale necessary to go from less than 1,000 stores to 13,000 stores and beyond, we have had to make a series of decisions that, in retrospect, have led to the watering down of the Starbucks experience."



# WHAT IT TAKES TO SCALE WELL

Big Lessons

The Key Choice Point

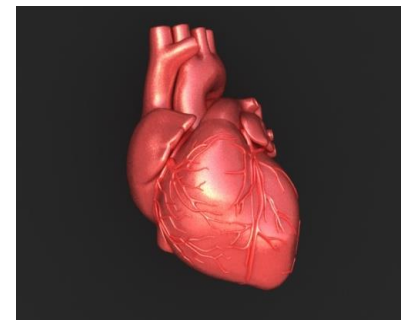
Principles

Q and A

# BIG LESSON 1: SCALING IS ABOUT FELT ACCOUNTABILITY

“The feeling that you own the place and it owns you.”

The main difference between hospitals that have a 75%+ organ donation rate and the rest



# SCALING STARTS AND ENDS WITH INDIVIDUALS

It's all about what YOU do and don't do.

# FIFI THE “CHANGEOVER COACH” AT THE WYETH PEARL RIVER PHARMACEUTICAL PLANT

Adopted NASCAR “pit stop” analogy for equipment changeovers, no longer seen as “breaks”:

Changeovers went from 14 to 8 hours

Cascaded excellence to other teams

Production from 684,000 syringes to 1,026,000 filled per a week.

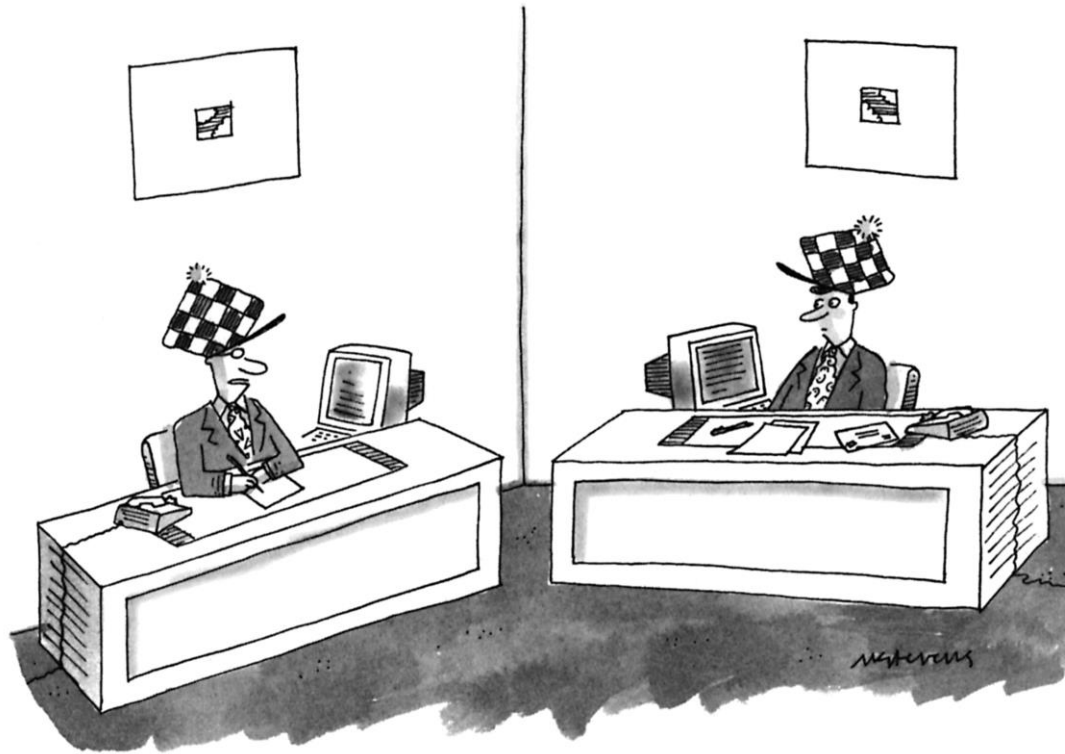


## BIG LESSON 2:

# SCALING IS A PROBLEM OF MORE AND LESS

Once useful but now unnecessary roles, rules, procedures, rituals, products, and services build-up like barnacles on the hull of a ship.

The best leaders and teams play a never ending game of subtraction



*"I don't know how it started, either. All I know is that it's part of our corporate culture."*

# ED WHITACRE **AT GM**

Slashed regular reports prepared by R&D organization from 94 to 4.



# WHAT GOT YOU HERE **WON'T** GET YOU THERE!

Monday all hands meetings at IDEO where good with 60 people, bad with 150



# INEFFECTIVE THINGS YOU DO JUST BECAUSE EVERYONE DOES

Adobe got rid of yearly performance evaluations because, every year, employee satisfaction went down and turnover of best people went up!



# THE SUBTRACTION GAME: 10 MINUTES

1. Three minutes: Solo brainstorming. Think about how your business operates. What was once useful but is now in the way? What is adding needless friction? What is scattering your attention?

**Develop a list of things that you wish you could get rid of – go for quantity**

2. Five minutes: Table talk. Share your list with others and generate more “subtraction targets”

3. Two minutes: Identify one item that might be possible to eliminate – think a bit about how that could happen

Share your “subtraction target” with the group

# THE KEY CHOICE POINT: CATHOLICISM VS. BUDDHISM

In-N-Out and Intel's Copy Exactly

"Replication trap" problem:

Home Depot vs. IKEA in China -- DIY in a DIFM culture

Localized solutions:

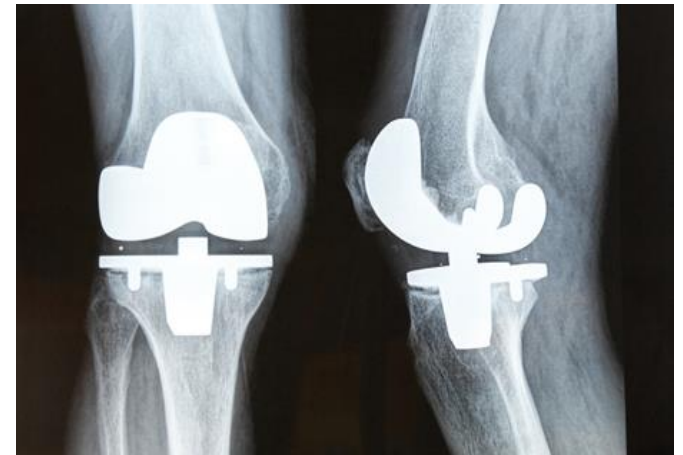
Pilot program that reduced drug treatment errors by 88%





# DELUSIONS OF UNIQUENESS

Dr. John Wright of Brigham and Women's fought his 8 colleagues for years to standardize knee-replacement surgery. Cut costs by 50%, patients walk sooner and with less pain, and are discharged a day earlier.



# SCALING PRINCIPLES

1. Link hot causes to cool solutions
2. Live a mindset, don't just talk about it
3. Cut cognitive load, but deal with necessary complexity
4. Connect people and cascade excellence
5. Go from bad to great

# 1. LINK HOT CAUSES TO COOL SOLUTIONS: FIRE-UP CONTAGIOUS EMOTION'S FIRST

Making a “rational case” first doesn’t work

Getting people angry or excited, but providing them no useful outlet for their energy, doesn’t work either.

The one-two punch: Hot cause, cool solution

IHI 100,000 lives campaign: Sorrel King and Sister Mary Jean Ryan, followed by six evidence-based practices!

# STEVE JOBS' FIRST ALL HANDS MEETING AFTER RETURNING TO APPLE

Someone in the audience asked him about Michael Dell's suggestion in the press a few days previous that Apple should just shut down and return the cash to shareholders, and as I recall, Steve's response was: "F\*\*\* Michael Dell."

Good god, what a message from a CEO! He followed it up by admitting that the stock price was terrible and they were going to reissue everyone's options on the low price, but with a new 3 year vest.

He said: "If you want to make Apple great again, let's get going. If not, get the hell out."

I think it's not an overstatement to say that just about everyone in the room loved him at that point, would have followed him off a cliff if that's where he led.

~ John Lilly, Venture Capitalist at Greylock and former Mozilla CEO

# HOT CAUSES, COOL SOLUTIONS

Key

Arousing *collective* pride, aggression, or both

## 2. LIVE A MINDSET, DON'T JUST TALK ABOUT IT: USE BEHAVIOR TO CREATE BELIEF

Lots of research:

Strong beliefs are created and sustained by what people DO more than what they are TOLD or SAY.

Bootcamp at Facebook: "We don't talk about our culture very much, they learn it by living it."

# BONNY SIMI AT JETBLUE

## THE IROP OVERHAUL

Asked them at first meeting

“How many of you think this will succeed.”

No one raised a hand



### 3. CUT COGNITIVE LOAD - BUT DEAL WITH NECESSARY COMPLEXITY

Excessive cognitive load undermines our ability to do what we know and believe we should.

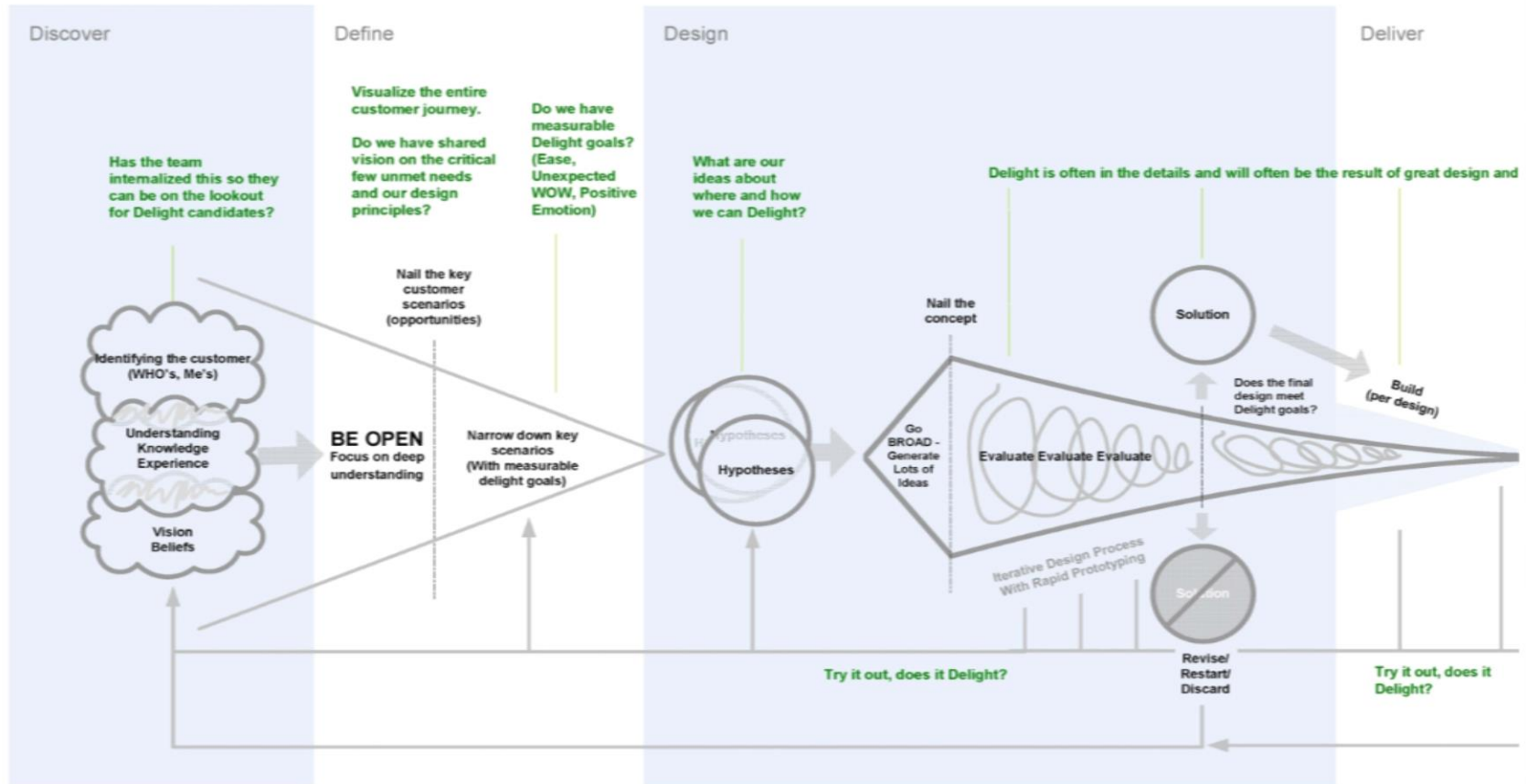
AG Lafley's motto: "Keep it Sesame Street simple"

# BABA SHIV'S EXPERIMENT

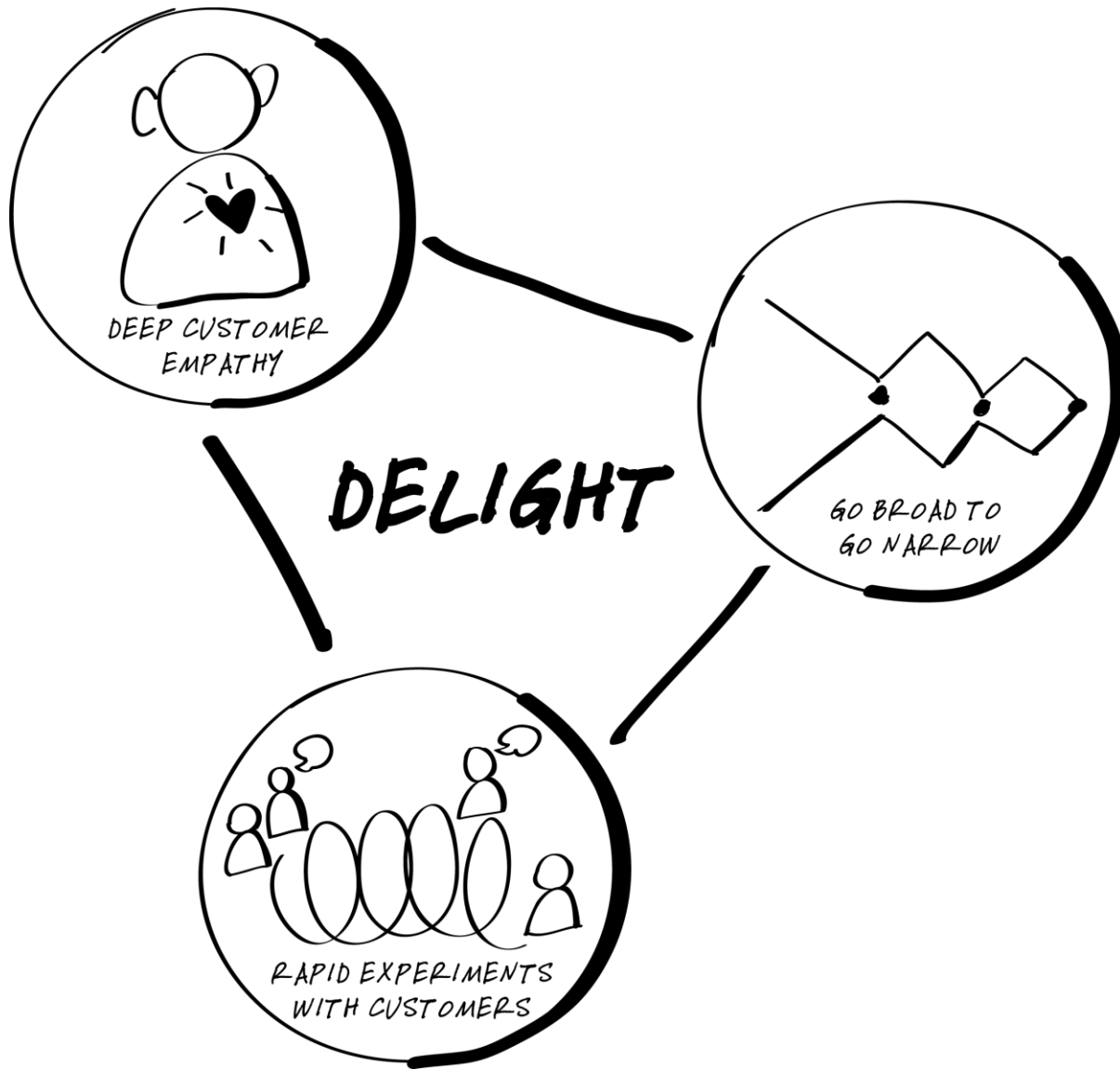
Research subjects asked to memorize 2 digit vs. 7 digit number.

Offered cake or fruit salad –  
the “7-digit” subjects were far more likely to take the cake!





Evoking positive emotion by going beyond customer expectations in ease and benefit delivery throughout the customer journey



# ORGANIZATIONS NEED STRUCTURE AND PROCESS - AND MORE OF IT AS THEY GROW

Calls for “the end of bureaucracy” and “tearing down the hierarchy” are misguided. There are no organizations without hierarchies. People need and want them.

Ask Google’s Larry Page



# DEALING WITH THE COMPLEXITY....

As systems get bigger, greater complexity is inevitable.  
You have to deal with it, but in ways that respect human limits.

“Give ground grudgingly”  
VC Ben Horowitz

“The purpose of the hierarchy is to destroy bad bureaucracy”  
Chris Fry, Twitter

Key lesson: Many hands make light work is a dangerous half truth

# HACKMAN'S RULE

## **Over 6, problems crop up, over 10 the real trouble starts**

“My rule of thumb is that no work team should have membership in the double digits .... the number of performance problems a team encounters increases exponentially as team size increases.”

Navy Seals “fire teams” have 4 members! So do McKinsey engagement teams

Valentine & Edmondson: Hospital emergency department moves to 6 person “pods,” cuts patient waiting time from 5 to 8 hours







## 4. CONNECT PEOPLE AND CASCADE EXCELLENCE

Link people and groups who have the desired mindset and moves to those who need it. After “conversion” occurs, they, in turn, become mentors.

IHI 100,000 lives campaign: Once a hospital became “expert” in one of the six life-saving practices, staff there become mentors, who in turn, guided hospitals that asked for help.

# A DOMINO CHAIN OF GOODNESS: “TRAMPOLINES” TO DEFEND AGAINST RKG-3 HAND GRENADES



# KEY TIP

For the initial group, make it diverse BECAUSE of the power of similarity -- Bonny Simi's first group at JetBlue



## 5. GO FROM **BAD TO GREAT**

Successful scaling depends as much on eliminating the negative as it does on accentuating the positive.

Bad is “stronger than good,” bad behavior is stronger, longer lasting, more contagious, and more difficult to stop than good.

Bad interactions pack 5X the wallop of good

One deadbeat or jerk cuts team performance 30% to 40%

# BARRY FELD CEO OF COST PLUS WORLD MARKETS

When he visits the store, looks for two things:

1. Do they greet me and other customers?
2. Are the bathrooms clean?



# TWITTER'S CHRIS FRY, SVP ENGINEERING

Collects cell phones before some meetings start



@chfry rule: cell phones must be deposited with @rjsanjose prior to the start of the meeting [pic.twitter.com/DqIhyXN0ZY](https://pic.twitter.com/DqIhyXN0ZY)



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# PARTING THOUGHT 1: DANGEROUS WORDS

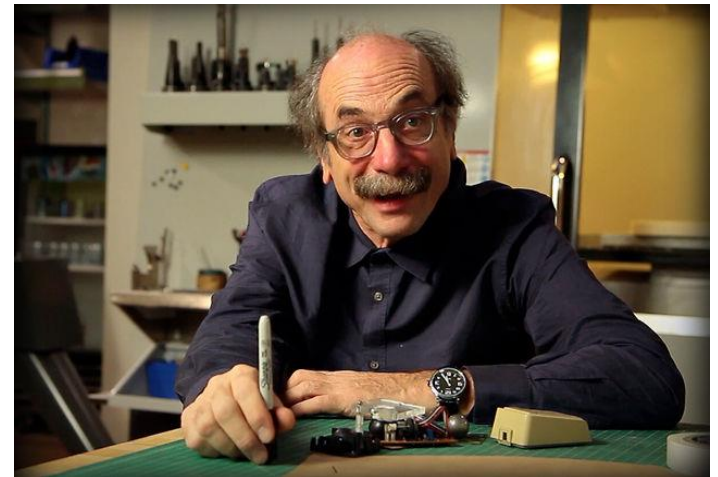
“We don’t have time to do it the way we really should”

“We are taking the path of least resistance”

# PARTING THOUGHT 2: SCALING IS A MANAGEABLE MESS

“I am sorry things seem so messy and unclear. All we can do is to keep trying to clean it up the best we can and keep muddling forward the best we can.”

David Kelley, founder,  
IDEO & Stanford d.school



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