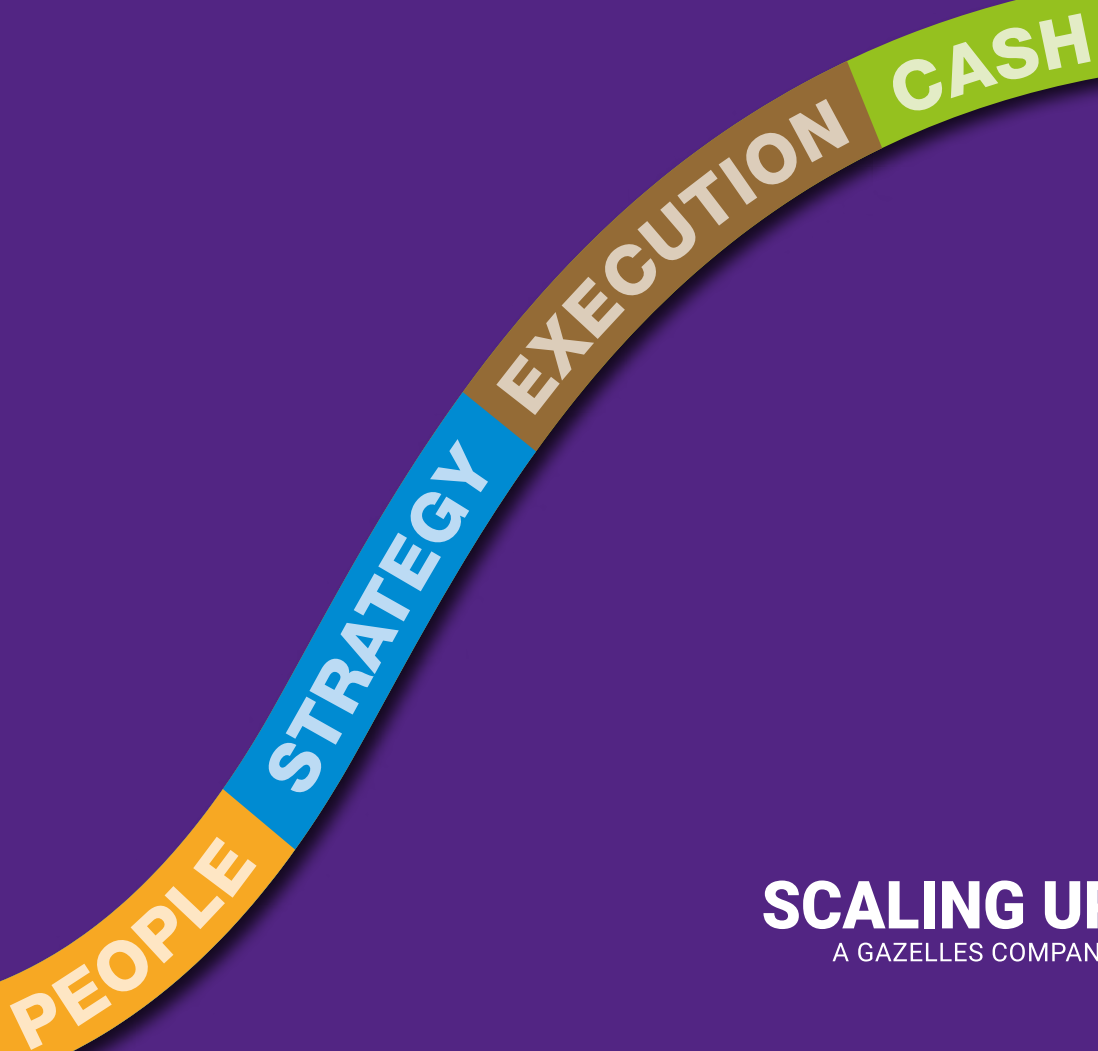


4 DECISIONS[®]

To Scale Your Organization

By Verne Harnish, author of
Scaling Up: Rockefeller Habits 2.0



PEOPLE

1

STRATEGY

2

EXECUTION

3

CASH

4

4 DECISIONS[®] TO SCALE YOUR ORGANIZATION

Decisions equal success – and there are four decisions, in scaling your business, that you must get right or risk leaving significant revenues, profits, and time on the table. These four decisions: People, Strategy, Execution, and Cash.

Even though most scaleups face continual challenges in all four areas, at any one time the challenges in one overshadows the rest. Therefore, your first decision is to choose which one of the four to focus on next.

– Verne Harnish, CEO, Scaling Up

1

Focus on getting the right people doing the right things right, with clear accountability and metrics.

PEOPLE DECISIONS

People challenges impact your happiness and can be either a source of energy or an emotional drain. People issues can include conflicts with a partner, a customer with too large a piece of your business, a supplier delaying your success, a key employee or two that's disrupting the rest of the organization's effectiveness, or challenges at home. Or you might simply lack enough employees to serve your customers, though I caution executives to avoid tossing people at problems.

Until you settle these relationship issues, they'll continue to consume a tremendous amount of emotional energy, making it difficult to focus on the other three main decisions. Focus on getting the right people doing the right things with clear accountabilities and metrics.

In addition to getting clear on who is accountable for the various functions in the organization, you need to get equally clear on who is accountable for the four to nine processes that operate the business.

Scaling Up has two [one-page PEOPLE tools](#) that will help you sort out the function and process accountabilities and metrics within your organization.

2

Strategy challenges are indicated by a slowing in top line revenue growth. If revenue and gross margin dollars are not growing as quickly as you like, then it's time to re-examine your strategy (i.e., what you're selling to whom).

STRATEGY DECISIONS

It's important to have a concise articulation of your strategy so you can get everyone aligned and on the same page without wasting sales or operational energies on activities not useful to the business.

Jim Collins, author of *Good to Great*, calls this precisely articulated strategy a company's "hedgehog." Alan Rudy, founder of growth company incubator Into Great, calls it the "ping" of the business. Others call it a unique selling proposition (USP), competitive advantage, or brand promise. Whatever you choose to call it, you know you've nailed it if revenues are growing as rapidly as you want.

Technological advances and the globalization of almost every industry are exposing weak strategies, which is why we're seeing many companies re-examining their business models.

Scaling Up has four [one-page STRATEGY tools](#) that will help you dominate your industry and crush your competition.

3

By simply tightening up your execution habits, you can dramatically improve gross margins and profitability while reducing the time it takes for everyone to complete their work.

EXECUTION DECISIONS

Execution challenges surface when increasing revenues are not generating increasing profits. I've seen many firms triple their revenue, because of a strong strategy, only to see their profitability drop because of the sloppiness of their execution.

The other indication of poor execution is the number of hours spent delivering your products or services. When execution is haphazard, the organization has to rely on the "heroics" of their people putting in incredible hours to just keep the wheels from falling off the organization.

A key indicator of execution challenges is drama. You want to create a drama-free environment. By simply tightening up your execution habits, you can dramatically improve gross margins and profitability while reducing the time it takes for everyone to complete their work.

Scaling Up has a [one-page EXECUTION checklist](#) of 10 habits that will significantly improve profitability, freeing up the leadership team to spend more time on market-facing activities.

4

The first law of entrepreneurial gravity: “Growth sucks cash.”

CASH DECISIONS

The first law of entrepreneurial gravity is “*Growth Sucks Cash*,” causing many companies to “grow broke.” To avoid this, we encourage companies to calculate their Cash Conversion Cycle (CCC), which measures companywide how long it takes between when you spend a dollar (marketing, design, rent, wages, etc.) until you get that dollar back.

There are seven financial levers you can move and three strategies to use to improve your operating cash flow and business model.

And when the business has better cash flow you sleep better and age slower! Plus you have the funds to take advantage of unforeseen opportunities and weather the storm when times get tough.

Scaling Up has two [one-page CASH tools](#), which will help you take control of your cash cycle and help you work through concrete ways to double your operating cash flow in the next 12 months.



More Money

Less Time

More Fun

YOUR DECISION

Now it's time to choose. Which of the four decisions will you focus on first?

In summary, scaling successfully requires four main activities:

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.

Scaling Up has an assessment you and your team can complete, which you can access for free from one of our coaching partners. Through Scaling Up's coaching, learning and software performance platforms, we can help you get the four decisions right, allowing you to get control of the chaos of scaling a business.

Implemented successfully, our tools and techniques will help you 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



Ultimately achieving **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.

The right decisions will make it easier to maximize the revenue and profits of your business and free up your time.

Enjoy the climb.