Scaling Up Excellence

Robert Sutton and Huggy Rao
Stanford University
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 and do it without screwing it up?
Scaling examples

Pulse grows from 4 to 20 employees

McDonald’s opens 1460 stores in China

Andy Papa helps spread the “athletic mindset” from football to pit crews at NASCAR’s Hendrick Motorsports

IHI 100,000 Lives Campaign spreads practices for saving lives across 3200 U.S. Hospitals
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”
The never-ending danger

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

Our Starbuck’s Abu Dhabi experience
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

Choice points

Principles

Q and A
Big Lesson 1

Scaling is a ground war, not just an air war

Bombarding the masses with a quick PowerPoint presentation, a few days of training, or an inspirational speech won’t cut it if they want to spread some goodness from the few to the many.

You’ve got to keep grinding it out, pressing each person, team, or organization to make one little change after another in what they believe, feel, and do.
McKinsey partner

Scaling is about moving 1000 people one foot forward, not about moving 1 person 1000 feet forward.
Big lesson 2: 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.

In 2005, GE’s Doug Dietz watches an 8-year old girl cry hysterically as she is scanned by a machine that he helped design. Quit his engineering management job, spent the next seven years trying to humanize GE’s equipment and how it is used.
Big lesson 3: Scaling is 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.

What got you HERE often stops you from getting THERE
Ed Whitacre at GM

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

The two key decisions
Choice point 1: More vs. better

Often a trade-off!

“Voltage loss” problem as idea spreads from source – reducing infection rates at the Stanford hospital

Learning curve problems: New Domino’s Pizza parlors have higher cost, lower quality, and slower delivery times for first six months or so

Overload: John Bentley opens a second restaurant
Spreading “diluted” practices can be smart

“But wouldn’t we want to spread inferior imitations if, say, the new schools were only HALF as good as the great charter schools, but TWICE as good as what they have now?”

~ Former NYC School Administrator Xiao Wang
Choice point 2: 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%
 ordering as easy as

1. Double-Double
   - 3.5 oz
   - 4.99
   - Side: Fries
   - Drink: Coke

2. Cheeseburger
   - Classic
   - 1.85
   - Side: Fries
   - Drink: Coke

3. Hamburger
   - Classic
   - 1.60
   - Side: Fries
   - Drink: Coke

Drink Big

- Multiple options

- Sizes: Sm, Med, LG, X-LG
- Prices: 99, 1.10, 1.29, 1.49

- Coke
- Seven-Up
- Root Beer
- Dr Pepper
- Lemonade
- Iced Tea

- Milk: 70
- Coffee: 70

In-N-Out

Open 10:30 a.m. to 1:00 a.m. Fri. and Sat. until 1:30 a.m.
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. Use little things that pack a wallop, the power of subtle cues
4. Cut cognitive load, but deal with necessary complexity
5. Connect people and cascade excellence
6. Don’t put-up with destructive beliefs and behaviors
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!
The Watermelon Offensive
Getting Stanford athletes to wear bike helmets
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
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. Little things pack a big wallop: Subtle cues mobilize mindsets

Small, even barely noticeable, cues help spread, reinforce, and sustain a mindset.

Humans are often oblivious to how little things like language, objects, music, smells, and sounds shape their thoughts and actions.

Wine store study in the UK:
French accordion music: 5X more French than German
German oompah music: 2X more German than French
The power of being reminded of money

Nine experiments by Kathleen Vohs

1. Less likely to give others help
2. Less likely to ask for help
3. Sat further away from others
4. More likely to choose to work alone

Didn’t realize experiments were about money – but led to selfishness and self-sufficiency
Howard Schultz on smells and sounds

“We achieved fresh roasted bagged coffee, but at what cost? The loss of aroma -- perhaps the most powerful non-verbal signal we had in our stores; the loss of our people scooping fresh coffee from the bins and grinding it fresh in front of the customer.”
4. 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

Oracle Team USA – a tough transition from 5 to 11
Valentine & Edmondson’s study of “pods” implemented in “City Emergency Department”

- Patient waiting time: Drops from 8 to 5 hours

- ‘Now there is much more of a sense of ownership of each other. I’ll say, “My pod isn’t running well. Where is my doctor?” And he’ll be accountable to me. And the doctors will say, “Where are my nurses, who do I have today?” People rarely, if ever, claimed each other in this way before the pods were implemented even if they were working together on many shared cases. A resident would have used more detached language like, “Who is this patient’s nurse?”—ignoring that the nurse had any relationship to him—rather than “Where are my nurses?”’
5. 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.

Fast food chain: Matched “good” and “bad” franchisees
Lack of connections leads to ignorance: improvised explosive devices (IEDs) in Iraq

Sergeant Major Chad Walker, of the 172\textsuperscript{nd} Stryker Brigade sees a manual on defeating IEDs for the first time:

“It was sitting on some guy’s desk in the embassy. It infuriated me that my soldiers and I were not exposed to the knowledge found in this handbook until the very end of our 16-month deployment”.

Mistakes were repeated and lives lost
A domino chain of goodness:
“Trampolines” to defend against RKG-3 hand grenades
Fifi the “Pit Crew Boss” at the Wyeth Pearl River pharmaceutical plant

Adopted NASCAR pit stop analogy for equipment changeovers, in her own team, and then as a coach to others. No longer seen as breaks:

Changeovers went from 14 to 8 hours

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

For the initial group, make it diverse **BECAUSE** of the power of similarity -- Bonny Simi's first group at JetBlue
6. Don’t put-up with destructive beliefs and behaviors

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

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%

Study of 1200 college students found simply being encouraged to cheat by a friend or acquaintance increased odds of cheating 32X!
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?
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A parting thought: Dangerous words

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

“We are taking the path of least resistance”
Learn more, teach more, tell us your stories

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