THE BARRIERS
Leadership, Infrastructure, and Marketing

EXECUTIVE SUMMARY: *There are predictable evolutions and revolutions as an organization grows. These are dictated by the increasing complexity that comes with adding employees, customers, product lines, locations, etc. Handling a company's growth successfully requires three things: an increasing number of capable leaders; a scalable infrastructure; and an effective marketing function. If these factors are missing, you will face barriers to growth. Scaling up successfully requires leaders who possess aptitudes for prediction, delegation, and repetition.*

I'm tired of sailing my little boat
Far inside of the harbor bar;
I want to be out where the big ships float —
Out on the deep where the Great Ones are! …
And should my frail craft prove too slight
For storms that sweep those wide seas o'er,
Better go down in the stirring fight
Than drowse to death by the sheltered shore!

— Daisy Rinehart

Back in 1999, Alan Rudy was a disillusioned CEO. "Wasn't I supposed to be making more money and having more fun, the bigger the company got?" wondered the founder of Express-Med, a mail-order medical supplies firm based in Ohio. "I was angry all of the time," remembers Rudy. "I had a long weekend planned to go skiing with my father and two brothers for the first time in 10 years, yet I bagged out at the last minute because the business needed me to hold things together."

To make matters worse, on March 30 of that year, Rudy's CFO showed him financials that estimated a first-quarter profit of $300,000, yet two days later, his CFO said that they had actually *lost* $350,000. "For several hours, I thought it was an elaborate April Fools' joke," he chuckles today. "I kept trying to be a good sport about it, yet it turned out to be true." Turmoil among his staffers capped it off. Associates had fistfights in the parking lot, and one employee slashed the tires of another because of something said at work. The endless firefighting meant Rudy was putting in 80-hour workweeks. Needless to say, "stress was a little high," says Rudy.

Yet within two years, Rudy had reversed the trends, addressing the barriers we'll outline in this chapter. Utilizing the tools and techniques you'll learn in this book, he scaled up his 7-year-old firm into a $65 million industry leader. More important, he says, "It was fun again, and we were making money." Rudy went on to sell the company for $40 million, completing his own entrepreneurial life cycle: start, scale, sell.

Drawing on the lessons he learned in scaling up Express-Med, Rudy launched an investment firm to unlock the growth and profitability of additional companies. Incubating multiple firms amplified the importance of getting the right people into leadership positions. Because Rudy is a driven leader who "can take over a huddle and tell everyone what to do," he had to make himself "push accountability down," so everyone at each company had a stake in helping the business to excel.

Besides mastering these leadership and delegation challenges, Rudy learned a crucial lesson from the marketplace: You have to get your strategy right. This is what he calls finding the "ping" in the business. (Imagine the sound of flicking a plastic cup, representing a weak strategy, vs. flicking a fine crystal goblet, indicative of a clear one.) Great execution won't get you anywhere if your strategy is wrong. Understanding this has paid off handsomely for Rudy at several of his investments, including Perceptionist.

Perceptionist's "Ping"

Perceptionist started out as a call center, answering the phones for companies in 60 to 70 different industries. To uncover the Ohio-based firm's growth potential, Rudy spent three months on the road visiting customers. (CEO Lou Gerstner had the senior managers at IBM do something similar in an initiative code-named "Operation Bear Hug.") One of Perceptionist's clients began grousing about paying monthly rates equivalent to about $1 per minute to have calls answered, especially for misdials. Moreover, the customer waxed indignant about the problems of playing phone tag with clients who just wanted to make an appointment. In his frustration, the customer exclaimed to Rudy, "Forget the buck per minute; I'd pay you $25 to take over my calendar and book appointments!"

A light bulb went on. Rudy sold off accounts that needed only answering services (including ours at Scaling Up!) and shifted the company's direction to booking appointments for its clients. While everyone else in the industry was focused on achieving a certain profit per minute, Rudy focused on attaining a targeted profit per booked appointment. This turned around a situation in which Perceptionist had been struggling to compete with overseas rivals with rates equivalent to 50 cents a minute. Focusing on this new metric and a handful of targeted industries — core customers — that needed appointments booked (plumbing, HVAC, and maid service firms) helped the company bring in revenue averaging $5 a minute. This was more than four times the industry average.

In addition, complexity decreased. "Training costs went way down, since our new reps went from needing to learn the language of 60 different industries to [mastering] just a few," says Rudy. "In the past, we often could not take on a new customer because we did not have trained personnel," a huge People problem in scaling the business.

Rudy eventually sold his stake in the company back to the original owner, and he says it is now doing well. Meanwhile, he tripled the value of his investment in the firm.

Grow Where You're Planted

Rudy has achieved some of his greatest successes with firms when following the old adage, "Grow where you're planted." In other words, stick to the businesses and markets you know best. For Rudy, this approach shortens the learning curve of entering a new industry, allowing him to better leverage the contacts and knowledge he already has to address the People, Strategy, Execution, and Cash aspects of each new business. (For more on this key point from the founders of Pizza Hut, BostonChicken, Celestial Seasonings, and California Closets, read Verne's *Fortune* article "Businesses Worth Repeating.")

In Rudy's case, growing where he was planted meant focusing on the medical supplies and pharmaceutical industries. In 2003, when he bought a minority stake in MemberHealth, a pharmacy benefits management company that helps seniors get discounts on prescription drugs, it was bringing in $7 million in revenue. Rudy helped the 18-person team implement the Rockefeller Habits, coaching MemberHealth's founder Chuck Hallberg. At Rudy's suggestion, the company dived into the first habit, holding a daily huddle at 7:30 a.m. to keep everyone focused on execution. Eventually, Rudy took on the role of chairman, while Hallberg remained CEO. The company rocketed to $1.2 billion in revenue by 2006, when the duo sold it to Universal American Financial, a Nasdaq-traded company, for $630 million. It is now a division of CVS — a really big ship.

And Rudy is at it again. In March 2013, he formed Sleep Health Supplies, which took over a failing firm. He's CEO and majority shareholder of the business, now known as Good Night Medical. Using disciplines like the daily huddle to stay focused on key metrics, his team has achieved double the orders per year and has kept patients for twice as long as most competitors. Building strong, recurring relationships with customers has enabled Rudy to negotiate a cost of goods from manufacturers that is about 30% lower than his rivals'. All told, he estimates that the value of the firm's customers gives Good Night Medical about a 10x competitive advantage over other players in the field.

As a serial entrepreneur and investor, Rudy has experienced firsthand the importance of getting the right **People** in place and learning how to delegate; the power of a focused **Strategy** to reduce complexity and drive industry-leading performance; and the importance of bringing disciplined **Execution** to all these ventures through habits like the daily huddle. (He's a big fan, if you haven't already guessed.) And he's both invested and made significant **Cash** — while continuing to learn what is required to make the ride enjoyable along the way.

The Growth Paradox — an Anchor, or Wind at Your Back

Like Rudy, who continues to go out beyond the harbor bar, you will find that leading a growth company is one of the more exhilarating things you can do in the world. And eventually sailing among the "big ships" can be an incredibly fulfilling and rewarding opportunity.

Jack Harrington's Big Boat Experience

Raytheon acquired Virtual Technology Corporation (VTC) in 2006, and within 30 days, Jack Harrington, VTC's co-founder and CEO, was asked to run a $750 million, 2,000-person Raytheon division specializing in command, control, communications, computers, and intelligence (or C4I, in defense industry terms). Admittedly, this was a daunting move for the growth-oriented CEO, who was used to running the much smaller $30 million company. "I immediately called Verne and said, 'Holy cow, Batman, I've got a $750 million business,'" he recalls. "He told me that I had all the skills and talent I needed and that I could do it. And in my heart, I wanted to see if I could take what I learned in growing a fast, entrepreneurial company and apply it to a larger business. I immediately brought in the Rockefeller Habits, starting with the morning huddles, and then quarterly strategic planning meetings using the One-Page Strategic Plan. It was really incredible to increase our alignment, strategic thinking, and debate."

Harrington was next asked to lead an even larger organization, ThalesRaytheonSystems, a joint venture equally owned by Raytheon Company and France-based Thales S.A. He notes that the same habits and meeting rhythms were responsible for creating a more collaborative culture across the French and American operations. Plus, the organization became much more aligned around the strategic vision of the company. What was once a divide-and-conquer approach to managing the business changed dramatically. "Everyone is building trust and relationships," he says. "It's tremendous, because you're not just getting together to discuss operations. You're discussing strategy and debating the market, and that really brings out incredible insight and power."

Yet for many business leaders, scaling the business is a nightmare. Does every employee you hire, every customer you acquire, and every expansion you drive actually make you tired? Are you working longer hours, although you'd thought there should be some economies of scale as the business grew? Does it feel like everyone is just piling onto an increasingly heavier anchor that you alone are dragging through the sand? This isn't what you signed up for. It's supposed to get easier as you scale, so what happened?

You're experiencing the growth paradox: the belief that as you scale the company — and increase your dream team, prospects, and resources — things should get easier, but they don't. Things actually get harder and more complicated.

Yet Harrington's experience in scaling VTC to $30 million and leading a growing 2,000-person division at Raytheon demonstrates that the techniques you're learning in this book do scale — and that they are as applicable to some of the largest companies around the globe as they are to growth firms.

So why do only a fraction of companies actually scale up, while others fail to scale? How do you counter the growth paradox? What did Harrington have to master at VTC that was transferable to his Raytheon experience?

In short, he had to conquer complexity (and so do you!).

Complexity

Think back to when your company was just the founder and an assistant with a plan on the back of a napkin. This start-up situation represents two channels of communication (degrees of complexity), and anyone in a relationship knows that is hard enough. Add a third person (or customer or location or product), and the degree of complexity triples from two to six. Add a fourth, and it quadruples to 24.
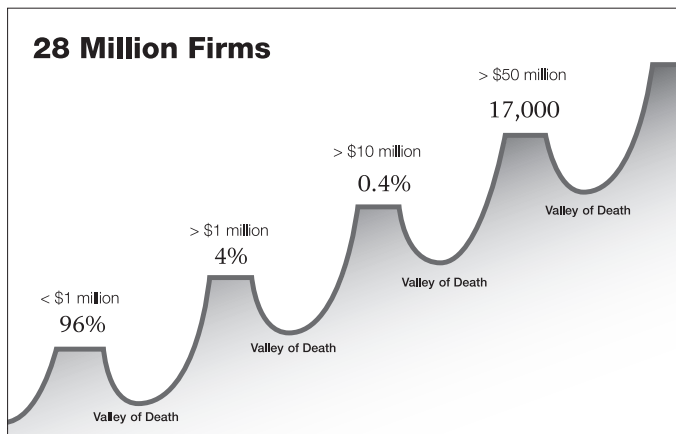
Expanding from three to four people grows the team only 33%, yet complexity may increase 400%. And the complexity just keeps growing exponentially. It's why many business owners often long for the day when the company was just them and an assistant selling a single service.

This complexity generates three fundamental barriers to scaling up a venture:

2   6   24
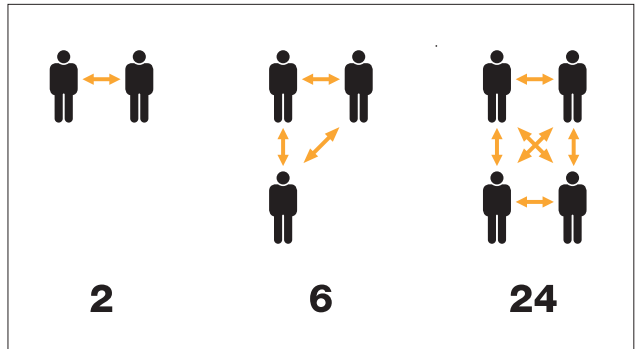
- **Leadership:** the inability to staff/grow enough leaders throughout the organization who have the capabilities to delegate and predict
- **Scalable infrastructure:** the lack of systems and structures (physical and organizational) to handle the complexities in communication and decisions that come with growth
- **Marketing:** the failure to scaleup an effective marketing function to both attract new relationships (customers, talent, etc.) to the business and address the increased competitive pressures (and eroded margins) as you scale

When you remove these barriers, then that anchor you've been dragging turns into wind at your back. You can get your boat sailing ever faster. You can better navigate through the "Valleys of Death" — those points in the company's growth where you're bigger, but not quite big enough to have the next level of talent and systems needed to scale the venture. These are points where the business needs to leap from one whitecap to the next or risk falling into an abyss (see figure).

28 Million Firms

> $50 million
17,000

> $10 million
0.4%

> $1 million
4%

< $1 million
96%

Valley of Death

Valley of Death

Valley of Death

Valley of Death

There are roughly 28 million firms in the US, of which only 4% ever reach more than $1 million in revenue. Of those firms, only about one out of 10, or 0.4% of *all* companies, ever make it to $10 million in revenue, and only 17,000 companies surpass $50 million. Finishing out the list, the top 2,500 firms in the US are larger than $500 million, and the top 500 public and private firms exceed $5 billion. Data indicate that there are similar ratios in other countries.

Scaling Up

What defines the hills and valleys is related more to the number of employees than to revenue, since this is what drives the complexity equation mentioned above. If you figure roughly $100,000 revenue/employee for small firms and $500,000 revenue/employee for larger firms (yes, larger firms are more efficient on average); and you figure that one can lead seven to 10 others, you get some natural clusters:

- One to three employees (the majority of home-based businesses)

- Eight to 12 employees (a very efficient company with a leader and a bunch of helpers)

- 40 to 70 employees (a senior team of five to seven people, leading teams of seven to 10 — in a company where you still know everyone's name)

- 350 to 500 employees (seven leaders, with seven middle managers each, running teams of seven to 10 — actually a very efficient company)

- 2,500 to 3,500 employees (more multiples of seven to 10)

Any company with an employee count between these natural clusters is likely feeling a bit stuck. Everything seems to take longer to complete. Problems you thought you had solved earlier start creeping up again. And you're feeling this "big, but not big enough" syndrome — even in making minor decisions like what size photocopy machine you need next.

As an organization follows this growth path, it goes through a predictable series of evolutions and revolutions. For more on these natural cycles, read professor Larry E. Greiner's classic *Harvard Business Review* article titled "Evolution and Revolution as Organizations Grow," from July-August 1972 (updated in May 1998).

Scott Tannas and His Valleys of Death

In 2011, Western Financial Group (WFG) — an Alberta-based financial services company with more than 2,000 employees — was acquired by Quebec-based Desjardins Group in a $440 million transaction. In the 15 years between WFG's IPO in 1996 and its return to being privately owned, the company's stock price rose 1,038%. Founder and Vice Chairman Scott Tannas remains committed to growing the company, and regularly shares with other entrepreneurs his insights on how to handle growth. "Verne talks about the Valleys of Death in how companies grow, and for those of us who have grown a big business, it's true," he says.

Drawing from his own experience scaling WFG during 20 years as CEO, Tannas shares that when a company grows from two to 10 employees, it arrives at a "Valley of Death" because processes have to change. You'll need to hire an assistant manager. "You can't run the business all by yourself, so you need to change the way you run it, and some guys can't get over it," says Tannas. After 25 employees, you face another set of challenges. For example, you need to hire someone to control money. At around 100 employees, "you need internal communications processes because you can't have a single staff meeting anymore," Tannas says. Company politics also come into play. "You have employees who think they know more than others," he notes. "All these different challenges come at different stages of growth that require you to change things.

If you don't, then you will either fall backward or you're doomed to stay a company of that size."

Hoping to tap into some of his business experience to grow the economy of his own country, Tannas became a senator in the Parliament of Canada in 2013 and an investor in many scaleups.

The three barriers to leadership, infrastructure, and marketing that can prevent firms from dealing with complexity are obstacles that Rudy, Harrington, and Tannas negotiated when growing their companies. Let's examine each barrier in more detail.

Leadership: Prediction, Delegation, and Repetition

As goes the leadership team, so goes the rest of the company. Whatever challenges exist within the organization can be traced to the cohesion of the executive team and its capabilities in prediction, delegation, and repetition.

Prediction

Leaders don't have to be years ahead, just minutes ahead of the market, the competition, and those they lead. The key is frequent interaction with customers, competitors, and employees.

This is much easier when the company is small and the leadership team (or lonely entrepreneur) is personally handling all the sales, programming the software, and delivering the company's products and services directly. This becomes increasingly more difficult as the business scales up. Senior leaders become further isolated from customers and frontline employees, losing their gut feel for the business and the marketplace.

This is why Rudy spent three months on the road visiting Perceptionist's customers, discovering a new business model that tripled the value of his investment. In "The Data" chapter, we'll delineate specific routines, along with tips on harnessing the power of big data, to help leaders improve their ability to "see around corners" in the marketplace. Ultimately, our tools and techniques will free the senior team so they can spend 80% of the week engaged in market-facing activities.

Delegation

Letting go and trusting others to do things well is one of the more challenging aspects of being a leader of a growing organization.

Most entrepreneurs prefer to operate alone. This is why most companies have just a handful of employees. We often exclaim (tongue in cheek) that many business owners would love their companies even more if they didn't have to deal with employees or customers! It's the idea — the dream — of their business that they love the most.

Scaling Up

To get to 10 employees, founders must delegate activities in which they are weak. To get to 50 employees, they have to delegate functions in which they are strong! In many cases, the strength of the top leader becomes the weakness of the organization. For example, if the founder is the CEO and the main sales driver, either everyone ignores the big picture or revenue stalls. The leader needs to delegate one of these two functions if the company is to continue to scale up.

From 50 employees on up, the senior leaders must develop additional leaders throughout the organization who share the same values, passion, and knowledge of the business. This way they have enough talent to whom they can delegate the myriad number of activities and transactions necessary to grow the business.

Most MBA programs don't offer a single course or even a lecture on how to delegate, yet it is one of the most important skills a leader must develop. And many leaders confuse delegation with abdication. Abdication is blindly handing over a task to someone with no formal feedback mechanism. This is OK if it is not mission-critical, but all systems need a feedback loop, or they eventually drift out of control.

Successful delegation requires four components, assuming you have delegated a job to the right person or team:

1. Pinpoint what the person or team needs to accomplish *(Priorities* — One-Page Strategic Plan).
2. Create a measurement system for monitoring progress *(Data* — qualitative and quantitative key performance indicators).
3. Provide feedback to the team or person *(Meeting Rhythm)*.
4. Give appropriately timed recognition and reward (because we're dealing with people, not machines).

The Rockefeller Habits provide the methodologies for leaders to delegate properly.

NOTE: *Beehives have only one leader. So why do companies need more? Some firms are experimenting with "bossless" organizations. In these companies, essentially everyone is a leader, able to act on his or her own. This requires a tremendous amount of training and development so all employees share the same DNA (values, purpose, knowledge, etc.) as the CEO. These "agile scaleups" (our preferred term) must also have technology-driven systems in place to handle several of the delegation activities listed earlier. Our favorite book on the topic is Ron Lovett's* Outrageous Empowerment: The Incredible Story of Giving Employees Their Brains Back. *The Rockefeller Habits, when fully implemented (and automated through technology), facilitate the decentralization of organizations, providing pheromone-like communication and feedback trails similar to those that guide the activities of ants and other communities without bosses.*

WARNING: *Since computing technology has yet to reach the capability of "HAL" in* 2001: A Space Odyssey *(though it's getting closer), organizations that attempt the bossless experiment find they still need quasi-team leaders they call "champions" or some other related term. In reality, we still need these middle-management layers, for now.*

Repetition

The leader's final job is "to keep the main thing the main thing" — to keep the organization on message and everyone heading in the same direction. L. David Marquet, author of *Turn the Ship Around!: A True Story of Turning Followers into Leaders*, led the US Navy's worst nuclear sub to first place in a year (without throwing anyone off the sub!). He had a picture hanging on the back of his stateroom door showing a man repeatedly asking his dog to sit, until the dog sits and the man exclaims, "Good dog!" This was a continual reminder to pick a message and then repeat it a lot until the organization responded.

Repetition encompasses consistency. Finish what you start. Mean what you say. And don't say one thing and do something else. Consistency is an important aspect of repetition.

We'll reinforce the power of repetition throughout the book. Specifically, we will look at:

1. **Core Values:** the handful of rules defining the culture, which are reinforced through your People (HR) systems on a daily basis
2. **Core Purpose:** the top leader's regular stump speech to keep everyone's heart engaged in the business
3. **Big Hairy Audacious Goal (BHAG®):** the 10- to 25-year goal that provides constant context for all of the decisions made throughout the organization
4. **Priorities/Themes:** a handful of three- to five-year, one-year, and quarterly priorities, which require repeated review on a daily and weekly basis to keep them top-of-mind

A key function of leadership is delivering frequent messaging and metrics to reinforce these key attributes of the company and culture.

Scalable Infrastructure

As an organization grows, it becomes more complex. It's a force of nature. The lowly amoeba can do everything it needs with one cell. (The home-based business is similar.) However, as the number of cells increases, the organism begins to develop subsystems — for feeding, elimination, circulation, procreation, etc. In order to survive, each cell must be located close enough to a nutritional source and have sufficient surface area to absorb energy and eliminate waste. That's why a cell can get only so big.

The same is true for companies, only these subsystems (cells) represent the various functions, locations, and business units within the organization (organism). As these subsystems grow, they must continue to segment, or they become too big and insular and thus experience the problems we see with large bureaucracies. Just as living cells need to be near nutrients, companies need to be close to customers (in terms of locations, product groups, and customer segments). This drives how companies structure their organizations and establish accountabilities.

To keep things flowing, an organization needs a scalable infrastructure (similar to the blood supply and the nervous system). When you go from two employees to 10, you need better phone systems and more structured space. When your company reaches 50 employees, you still need space and phones, and you suddenly also require an accounting system that shows more precisely which projects, customers, or products are actually making money. Between 50 and 350 employees, your information-technology systems need to be upgraded and integrated. And above that, you must revamp them again, as the organization attempts to tie all systems into one comprehensive database. Otherwise, a simple change of address by a customer can unleash a series of expensive mistakes.

> **NOTE:** *Don't decide the physical location of employees and teams haphazardly. Certain functions are best co-located together, which we'll discuss in the "People" section of the book. Even determining the location of restrooms, break rooms, and meeting rooms is important, especially when a company grows to occupy a second floor or more in a building. Serious communication issues surface when employees on different floors no longer bump into each other. The goal is to increase the cross-interaction (accidental collisions) of various individuals and functions.*

Marketing

The #1 functional barrier to scaling up is the lack of an effecting marketing department, separate from sales (accounting is the second — discussed in the Cash Section). Marketing is critical to both attracting new relationships (customers, talent, advisors, investors, etc.) to the business and addressing the increased competitive pressures (and eroded margins) as you scale. To prevent margin erosion, marketing's role (with lots of customer input) is to determine the right *what* we should be selling to the best *who's*; and *how* best we should sell at the right *price*. And because marketing strategy equals strategy, the head of the organization is usually intimately involved in these decisions.

It's Regis McKenna, author of the classic *Relationship Marketing: Successful Strategies for The Age of the Customer*, who taught Steve Jobs, Andy Grove, and most of the Silicon Valley tech stars how to market in the 80's. It was McKenna and his firm that also guided Verne as he built his early global entrepreneurship organizations. McKenna's focus was twofold. First, the key to effective marketing is setting aside one hour per week to focus on marketing i.e. establish a marketing meeting (do you have one?). Second, to make a list of the top 25 (or 250 if you are a bigger firm) influencers — relationships — you need to get behind the venture to scale it up. Then spend time each week figuring out how to network your way to these people. With a compelling vision (elevator pitch), then convince these influencers to help.

The more influential the names you put on the piece of paper, the more potential you have to scale the business bigger and faster. Being young and dumb, as a student at Wichita State University (go Shockers!), Verne boldly included President Ronald Reagan, Steve Jobs, Michael Dell, and the owners of *Venture* and *Inc*. magazines on his list of 25. What's crazy, in just 36 months of working the list, one hour per week, the Association of Collegiate Entrepreneurs (ACE) became a global "overnight" success, hosting a major event in Los Angeles for over 1100 entrepreneurs including Jobs and Dell with full page ads for the organization donated by *Venture* and *Inc.* magazines — and a congratulatory telegram from President Reagan. So the first step is to stop and make your list!

The other major agenda item for the weekly marketing meeting is Dr. Philip Kotler's 4Ps of marketing — Product, Price, Place, and Promotion. Of the four, pricing tends to get the least attention yet is one of the most important decisions you'll make. Whereas we'll spend hours working on the cost side of the business; the pricing side is lucky to get an educated guess. To up your skills in this area we strongly recommend reading pricing guru Hermann Simon's book *Confessions of a Pricing Man: How Pricing Affects Everything*. His firm Simon-Kucher & Partners is the leading pricing consultancy in the world — you might consider engaging them.

We also encourage you to search for Olgivy's 4Es of Marketing. One of the largest ad agencies in the world, they have updated the 4Ps of marketing and have provided a complimentary online presentation and whitepaper on the 4Es — Experience, Exchange, Everyplace, and Evangelism. Spend time each week working on how to execute better the 4Es of the business.

Last, we encourage you to read Adele Revella's book *Buyer Personas: How to Gain Insight into your Customer's Expectations, Align your Marketing Strategies, and Win More Business*. Ultimately, marketing's job is to identify and attract the best (right) customers to the venture and arm the sales team (or those driving your online marketing activities) with a definitive list of prospects and plenty of information to help them make the sale. If not, sales teams (distributors) will chase any low hanging fruit they can find which is the quickest way to defocus the business and crush your margins.

Market Dynamics

More broadly, the marketplace makes you look either smart or dumb. When it's going your way, it covers up a lot of mistakes. When fortunes reverse, all your weaknesses seem to be exposed. Bill Gross, founder of IdeaLab which has launched over 100 companies, looked at the key factors to the success of growing firms — including people (team), strategy (business model and idea), and cash (funding). What he determined is that market timing trumped them all. Too early or too late with your great idea and you miss the wave.

There's an additional cruel and counterintuitive market dynamic when you're growing a business. As the firm scales from $1 million to $10 million in revenue, the senior team tends to be focused externally on amassing new business. Yet this is precisely the time when a little more internal focus, to establish healthy organizational habits and a scalable infrastructure, would pay off in the long term. As the business scales past $10 million, organizational complexities tend to draw the attention of the senior team inward (leading to firefighting). This is precisely when the team needs to be focused more externally on the marketplace (by talking to customers, as Rudy does), given the increased competitive pressures that come with size.

There is also an important sequence of focus when it comes to your financial metrics. Between start-up and the first million or two in revenue, the key driver is *revenue* (sell like hell). The focus is on proving that a market exists for your services. As for cash, which many business owners might think is the first focus, the entrepreneur has to rely mainly on family and friends (or fools!).

It's between $1 million and $10 million that the team needs to focus on *cash.* Growth sucks cash, and since this is the first time the company will make a tenfold jump in size, the demands for cash will soar. In addition, at this stage of organizational development, the company is still trying to figure out its unique position in the marketplace, and these experiments (or mistakes) can be costly. This is

when the cash model of the business needs to be worked out (e.g., "How is the business model going to generate sufficient cash for the company to keep growing?"). Will the business model generate its own cash internally; have sufficient lines of credit to sustain growth; and attract investors with deep-enough pockets to support it?

As the organization passes $10 million in revenue, new internal and external pressures come to the forefront. Externally, your organization is on more radar screens, alerting competitors to your threats. Customers are beginning to demand lower prices as they do more business with your company. At the same time, internal complexities increase, which cause costs to rise faster than revenue. All of this begins to squeeze an organization's *gross margin*. As gross margin slips a few points, the organization is starved of the extra money it needs in order to invest in infrastructure, like accounting systems and training. This creates a snowball effect of further expensive mistakes as the company passes the $25 million mark.

To prevent the erosion in your margins, it's critical that you maintain a clear value proposition in the market. At the same time, the company must continually streamline and automate internal processes to reduce costs. Organizations successful at doing both will see their gross margins increase during this stage of growth, giving them the extra cash they need to fund infrastructure, training, marketing, R&D, etc.

By the time it reaches $50 million in revenue, an organization should have enough experience and a strong-enough position in the market to predict profitability accurately. It's not that profit hasn't been important all along as the organization grows. It's just more critical, at this stage, that organizations generate *predictable* profit, since profit swings of a few percentage points either way represent millions of dollars.

Which brings us full circle to the main function of a business leader: to build a predictable revenue and profit engine in an unpredictable marketplace and world. The "20-Mile March" lesson from Jim Collins and Morten T. Hansen's book *Great by Choice: Uncertainty, Chaos, and Luck — Why Some Thrive Despite Them All* highlights how companies with steady growth year in and year out dramatically outperform firms that experience wild swings in revenue and profits.

The spoils of victory go to those who maintain a steady pace, day in and day out, in all kinds of weather and storms. And it's this predictability, driven by effective processes, that is ultimately the key to crafting an organization that attracts and keeps top talent; creates products and services that satisfy customer needs; and generates significant wealth.

In summary, growing a business is a dynamic process as the leadership team navigates the evolutions and revolutions of growth. And like the growth stages of a child, they are predictable and unavoidable. To deal with these challenges, the company must grow the capabilities of the *leadership* team throughout the organization; install scalable *infrastructure* to manage the increasing complexities that come with growth; and stay on top of the *market dynamics* that affect the business.

To do this, there are 4 Decisions that leaders must address: People, Strategy, Execution, and Cash. These are the same four that Rudy and his team continue to face as they scale up their latest venture. The rest of the book is organized around these 4 Decisions, providing you with tools, techniques, and best practices for making the critical judgment calls that drive growth.

ACCELERATE THRU CONFLICT

The Missing Conversations…
Before It's Too Late

amazon
BESTSELLER

DR. CRAIG OVERMYER
WITH MIKE MONTGOMERY

Praise for *Accelerating Thru Conflict*

"*Accelerate Thru Conflict* captures the insights gained from a seasoned coach working in the trenches with Scale Ups. Craig offers practical guidelines for executive teams and leaders at every level to put into practice the skill of productive conflict, especially when friendship and organizational politics make it easier to avoid these conversations."

Verne Harnish, Founder, Entrepreneurs' Organization (EO) and author of *Scaling Up (Rockefeller Habits 2.0)*

"The skill of productive conflict is one of the most underrated qualities of a leader and the mark of a mature, highly engaged organizational culture. A culture where productive conflict is embraced is exceptionally prepared to navigate change and turbulence, and this book is a leadership treasure as it brilliantly inspires and educates readers on how to grow and thrive through productive, in-the-moment conflict skills."

Santiago Jaramillo, Emplify CEO/cofounder, and Best-Selling Coauthor of *Agile Engagement*

"After reading dozens of books on influence, leadership, negotiating and sales to learn how to grow Allure Medical from 10M to 60M, I can honestly say I wish I had *Accelerate Thru Conflict* years ago. This book is the missing link and addresses a massively overlooked opportunity in a rapid growth company. Thank you for this book. I am buying it for my team and mid-leaders. Dr. Overmyer, your practical wisdom never ceases to amaze."

**Theresa LaBranche, MS, PA-C, MBA,
Chief Operational Officer, Allure Medical**

"Dr. Overmyer has worked with Allure Medical on the concept of how to have healthy conversations around conflict management since 2017. During the time Dr. Overmyer has been involved with us, the company has increased 10x in size. He has led companywide keynotes on servant leadership, meditation and conflict management. He has also been instrumental in implementing positive changes through coaching key leaders within our company. I would recommend this book to any company that is growing and striving to have an amazing culture and unstoppable leadership structure!"

Traci Grossman, MS, PA-C, Allure Medical

"In an increasingly dark and polarized world where even the most powerful people in the world hurl insults at each other on social media and in the press, it's too easy to just ignore conflict. Craig Overmyer persuasively argues that an understanding of how to use conflict as a business tool is a key to business growth."

David Meerman Scott, business growth strategist, entrepreneur, and *Wall Street Journal* Best-Selling Author of eleven books including *Fanocracy*

"This is good and well written. We have worked with Dr. Craig 10+ years and he has been instrumental in helping our company scale up and work to achieve our BHAG!"

Jeff Kittle, President and CEO, Herman & Kittle Properties

"The role of all leadership in learning how to have 'in-the-moment conversations' and elevating conflict from passive aggressive to accountability and successful results is essential in any business that has in their business plan sustainable growth. Whether for-profit or not-for-profit, there is only so much one person, or even one team, can do. However, using a shared vision and creating the trust to have substantial conversations, hold each other accountable and work together for the entire organization excels the possibilities logarithmically.

"We need to, as leaders, slough off our social accountability ideas, avoid getting 'sucked into' daily operations and tolerating underperformance because it is more socially easier, but rather stick to the vision and continue to share this vision by perfecting our ability to acquiesce our non-conforming thoughts and restating our purpose because 'as the leadership goes, so the whole company goes.'"

Dr. Ray Ingham, CEO, Witham Hospital

"This book provides guidelines for you to practice In-The-Moment Conversations for productive conflict solutions before it's too late… with disengaged employees and underperforming teams."

Mike Ellis, VP of Regional Managers
Herman Kittle Properties

"Craig's approach to "scaling up" through productive conflict, as described in this book, has been instrumental in Birge & Held's growth from a small apartment owner with $100M in assets to one of the largest multi-family apartment owners in the Midwest with over 1 Billion AUM."

Tag Birge, CEO, Birge & Held

ACCELERATE THRU CONFLICT
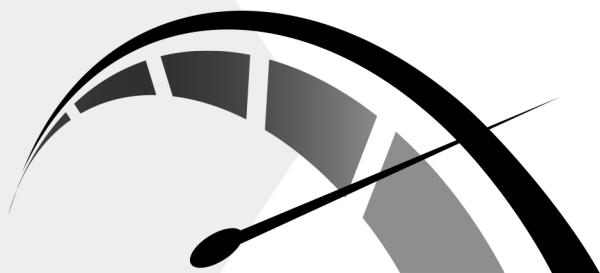
The Missing Conversations…
Before It's Too Late

DR. CRAIG OVERMYER

WITH MIKE MONTGOMERY

Dedication

To my wife Becky, my daughter Meghan and my granddaughter Hadley, whose loving presence teaches me to live mindfully in the moment. I hope this book will inspire a global community of mindful leaders who are dedicated to creating a future workforce that inspires meaningful work through compassionate people who are focused on a purpose greater than profit.

- Craig Overmyer

To those who trained me, tolerated my style and have my back.

- Mike Montgomery

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Habit

To Accelerate Business Growth.

As everyone knows, owners, executive leaders and managers are saddled with the burden of helping all employees with communication skills for conflict resolution that reduces the drama of differing behavior styles and opinions.

Foreword

The golden rule has been handed down from generation to generation as we have been taught to *treat others as we want to be treated*. This is certainly a noble way that we should interact with others as it focuses on building harmony. Not only is this practiced inside the home, but it is alive and well inside in the workplace.

In my experience of working with hundreds of leaders and managers in organizations of all sizes, I have often seen how conflict is avoided at all costs by others within an organization to build harmony. In fact, having difficult conversations with their teams is one of the most avoided responsibilities leaders and managers have.

And yet, not having those difficult conversations in order to make simple course adjustments in behavior and performance can often lead to longer-term drama and disruption, not only on an individual level but it can also become a cancer to the culture of an organization.

There are many reasons managers avoid having difficult conversations. Some organizations haven't built the necessary trust within the organization that is key to having these important conversations. In other situations, the managers merely want to be liked by their teams and may believe this will help create positive morale and culture.

But the goal of building a high-performance team isn't just making sure everyone likes each other.

It should be building a team that has mutual respect for one another with each individual contributing to their best ability and in alignment with the overall mission and vision of the company.

A quick review of an income statement will show that personnel costs are one of the largest expenses in a business. Yet managing this significant investment is one of the least planned and ineffectively executed.

Rarely will you find a business that doesn't perform routine maintenance on their property and equipment to keep it at optimal performance. Yet this is not something that is applied to their people. The reason? Leaders and managers have not been properly trained on how to do this type of routine maintenance. They don't have the tools.

The old adage "iron sharpens iron" is exactly what Craig Overmyer and the contributing authors of *Accelerate Thru Conflict*—Mike Montgomery and the Cultures That Work team—teach leaders and managers.

Their *In-the-Moment Conversations and Productive Conflict* methodologies will sharpen leaders of an

organization to help it scale and grow more quickly and effectively. The leaders will have the tools they need.

Friction within every organization is unavoidable; however, reducing it is critical for the organization to run at peak performance. *Accelerate Thru Conflict* couldn't be more aptly named.

The reader will learn to have *In-The-Moment Conversations* using Craig and his team's research-based tools and methodologies, which will accelerate resolution and, ultimately, revolution.

For as conflict and friction are reduced and the organization is aligned with its overall vision, the business can scale more efficiently and effectively.

This book is long overdue in the leadership and management curriculum as it provides practical advice and steps on how to begin developing the skill that is lacking in many managers and leaders.

It's time to move your organization from congenial to collegial by having great tools at your side so you can be aware of what's real, reflect on what's ideal, gain insight for solutions and take action for ideal results.

As the CEO of a high-growth HR business and author of the Amazon best-selling *Go Slow to Grow Fast*, I am proud to offer this foreword and strongly support the outstanding work provided herein.

- Brent Tilson

Introduction

"Only three things happen naturally in organizations: friction, confusion, and under-performance. Everything else requires leadership." - Peter Drucker

What if…leaders who were accountable for functions and processes that drive your business successfully had the courage to seek accountability and hold one another accountable? Imagine a workplace without drama and the need for an intervention by someone with ultimate authority, such as a boss, an owner, a CEO or President, *even* if they are prepared to do so.

In this book, you will discover how to raise the quality of conversations to **accelerate thru conflict** by learning how to create the habit of putting into practice *In-The-Moment Conversations*™ productive conflict solutions *before* it's too late; that is, before the stakes are high, disengagement rises and performance slacks off, requiring a critical conversation with the manager or boss.

Why? The momentum of compounding success as you scale up depends on it!

Everyone must face the natural "friction, confusion, and underperformance" of growth when scaling up.

Moment by moment, the quality of conversations and how everyone in your culture deals with conflict accelerates or decelerates the momentum of "the flywheel effect"[1] for exponential growth.

At Cultures That Work, we help busy leaders at every level of your organization learn practical tools for having brief, impactful conversations with colleagues and peers to encourage each other to seek accountability to do what matters most to achieve exponential growth.

Your leaders and managers are probably **not participating** in effective conversations for productive conflict solutions. Also, you're probably **not training** employees with the skill of practicing productive conflict solutions with their colleagues through the self-leadership it takes to transform "friction, confusion, and underperformance."

Why This Book Is for Scale-Ups

When scaling up, the increased complexity of adding new people, upgrading systems and evolving processes increases the natural experience of "friction, confusion, and underperformance."

It is crucial to overcome the cultural entropy that results from scaling up. The head of the company and executive leadership team need to model how to courageously give and receive feedback through In-The-Moment Conversations productive conflict.

Leadership is not just a functional role. It is defined as anyone who "takes responsibility for finding the potential in people and processes, and who has the courage to develop that potential."[2]

Mindful leadership is the capacity to be fully present and engaged in the moment, with equanimity. High-quality conversations are based on assuming mutual trust, respect and accountability.

This is a *guidebook* for increasing the momentum of compounding success through mindful leadership at every level. You can learn to accelerate thru conflict and make it safe for colleagues to encourage colleagues to achieve the higher purpose of your growth firm.

Why Practice Productive Conflict

The owner and executive team need to be focused on "fusing" their culture with their brand to create a unique presence in the marketplace[3] which can only be achieved when they are free from being dragged

into daily operations. The owner and executive team must focus primarily on making new deals, on rapidly changing market dynamics and on the customer experience of value. Then, they can fulfill the higher purpose and expectations of the business.

The vice presidents, directors and managers need to focus on coaching teams to seek accountability with one another as colleagues so the managers can continue to refine systems, processes and procedures.

The executive leadership team must strive to also be a cohesive team, modeling for everyone in the culture how to be trustworthy, master conflict, make commitments, hold one another accountable and focus on collective results.[4]

After the essential skill of creating vulnerability-based trust between colleagues in the senior executive team is in place, the most challenging competencies for the culture to put into practice are the communication skills to master conflict so that the owner and senior team are free to do market-facing activities.

Why This Is a Challenge

The senior executive team's ability to debate and have productive conflict is an essential competency for cohesive teams.

The executive team must model the ability to practice candid productive conflict. Then, everyone else in the culture will know what it means to seek accountability for the collective results of the company.

However, most of us are conditioned, through social norms, to be friendly with colleagues and peers at work and avoid conflict. This avoidance will lead to destructive conflict behaviors.

It is much more comfortable to be congenial and friendly at work than to engage in much-needed productive conflict. It is much more of a challenge to be collegial, without concern for roles. Productive conflict solutions need to be more about being collegial and less about being congenial.

Why This New Habit for Your Culture

David Rock, who coined the term *NeuroLeadership,* defines company culture as "shared everyday habits."[5]

For firms that are scaling up, we align with the concept of *Mastering the Rockefeller Habits* by Verne Harnish.[6] Rockefeller Execution Habits are focused on the most important priorities and using data to confirm the achievement of those priorities. The habit of maintaining meeting rhythms will synchronize teams to be mindful to measure and achieve the shared vision.

When scaling up, it is especially important to practice high-quality conversations. The opportunities for these conversations arise when there are possible indications of misalignment. This could occur ad hoc, or after daily huddles, and during weekly, quarterly and annual planning meetings.

Every day, moment by moment, between colleagues, there are innumerable interactions that impact the

achievement of the higher purpose of your company to meet or exceed the expectations of your customers.

During these moments, giving and receiving feedback could create a threatening, stressful mental state, causing colleagues to often waver between unproductive, productive and destructive conflict.

In an article on this subject, "Using Neuroscience to Make Feedback Work and Feel Better," David Rock and his coauthors summarized the research on the science behind giving and receiving feedback and found that "by switching from giving feedback to asking for it, organizations can tilt their culture toward continuous improvement."[7]

After thousands of hours of coaching and training, it is our experience as coaches that colleagues want and need feedback as they face the complexity of scaling up.

Just like organisms in nature that need feedback to survive, scaling up organizations need feedback to stay alive and well when facing the inevitable changes in systems and processes when battling the natural friction, confusion and underperformance during growth.

However, the research cited in this article indicates that the stress for colleagues who need to give feedback is actually more stressful, neurologically, than for those receiving feedback.

Our Four STEP In-The-Moment Conversations provides a systematic method that will equip colleagues to ask for and seek accountability to keep getting better together.

In-The-Moment Conversations™ is a brain-friendly feedback tool that alleviates the threat caused by giving and receiving feedback. These high-quality conversations are essential for scaling up your organization; accelerate thru conflict to accelerate the momentum of business growth.

These are the missing conversations.

In-The-Moment Conversations
is defined as a collaborative methodology to guide colleagues through a systematic process for timely productive conflict solutions.

How does it work?

Clear your mind from the background noise to expand **<u>awareness</u>** of the real challenge before you.

<u>Reflect</u> on possibilities for ideal conflict solutions and discover an energizing shared vision of possibilities.

Inspire and capture new **<u>insights</u>** from successes and/or failures, and then commit to be in alignment toward the shared vision.

Seek mutual trust, respect and accountability to **<u>execute</u>** new habits for accelerating growth momentum.

Four STEP In-The-Moment Conversations Guidelines

1. Seize the Moment and Regain Focus

- Clear your mind from the background noise
- Expand **<u>awareness</u>** of the real challenge

2. Remember the Future and Craft a Shared Vision

- **<u>Reflect</u>** on possibilities for ideal conflict solution
- Discover an energizing shared vision of possibilities

3. Learn from the Past to Build Organizational Alignment

- Inspire new **<u>insights</u>** from lessons learned
- Commit to alignment toward the shared vision

4. Seek Accountability to Champion Execution Habits

- Seek mutual trust, respect and accountability
- **<u>Execute</u>** new habits for accelerating growth momentum

Seize the Moment and Regain Focus: become aware of the real challenge

Suppose someone experiences a challenging conflict that creates the need for a conversation between colleagues. Take a time-out, to observe the realities, even the brutal facts, by using data or feedback. Stay even keeled. Think of the real conflict or challenge as news, not necessarily bad news or good news. Just news.

Using a sports metaphor, often there is a need for the team to take a time-out to make sure everyone is aware of the realities, such as the score, some misalignment with the intended play or the amount of time left on the clock. Such a defining moment warrants a time-out, to clear your mind of distractions and regain your focus as a team seeking to accomplish a common goal.

A metaphor of a real challenge is the physical feeling you get when the wheels of your car are out of alignment, causing some vibration and difficulty in the steering. The alignment activity is regular maintenance to transform friction, confusion and underperformance.

For airline pilots, it's the need for a captain and copilot to have a conversation about a dilemma or conflict—perhaps a warning light or some other indicator—that needs to be resolved before it becomes a crisis.

These are the moments to have the missing In-The-

Moment Conversations to address misalignments before it's too late.

Remember the Future and Craft a Shared Vision: reflect on the ideal vision

Rather than being gripped by the friction, confusion and underperformance that create conflicts, focus on possible solutions. How do you focus on solutions? By remembering the future!

Most sports coaches give a pep talk, helping the team remember the goal and what it will be like and feel like when the goal is achieved.

When we are just focused on the problem, the stress response sets up a fight or flight state. The brain chemistry is overwhelmed by the sympathetic nervous system response of cognitive, perceptual and emotional impairment. When faced with complexity from growth, individuals or teams can be stressed.[8]

Describing the vision in detail activates a brain chemistry in the parasympathetic nervous system, a response that is characterized by renewal, energy, positive mood, increased engagement and higher levels of performance.[9]

It is vital to get into that optimal performance zone and to avoid becoming overwhelmed by the "friction, confusion and underperformance" experienced by scale-ups.

Remembering the future (a vivid vision) is about staying energized toward meaningful work and overcoming the inevitable barriers to growth caused by the complexity of scaling up.

Learn from the Past to Build Organizational Alignment: gain insights from lessons learned

During this stage of the conversation, new insights will emerge. Literally, new neural pathways will be developed over time.[10]

Like the sports coach drawing up a new play on the clipboard, the individual or team gets back into alignment.

This occurs because each person in this dialogue is self-evaluating and asking themselves, "What lessons did we learn? What could I do, or what could the team do, to improve? What have we learned from both successes and failures?"

The best coaches stimulate insight in others and don't just tell people what to do. They inspire a growth mind-set. They know the difference between "Hear-to-Fix; Tell-to-Solve" and "Listen-to-Learn; Ask-to-Empower."

In this "Listen-to-Learn; Ask-to-Empower" dialogue, you will listen to learn the perspectives of others. Each person should create a climate where it is safe to speak up, welcoming differing opinions. This is the time to ask questions to empower each other to gain

insights about the new possibilities for solutions to do what matters most.

Everyone agrees to be in alignment to do what matters most and are ready to make a promise to seek accountability.

Seek Accountability to Champion Execution Habits: accelerate the momentum of growth by executing the "if-then" habit formation

When team members are engaged in productive conflict solutions by using this model for a collaborative dialogue, it generates an energy to act and champion higher performance.

Most great coaches are so good at this kind of dialogue that when the team breaks from the huddle, the energy can be amazing. The team keeps getting better together to overcome great obstacles.

Now, magnetized to achieve the shared vision, with everyone in alignment, intense motivation has been tapped into and will inspire team members to do the hard work and take actions to execute on the plan to achieve the shared vision.

Remember, this dialogue is not about just hearing what the conflict is and then fixing it. That approach can stimulate immediate short-term compliance at the expense of long-term engagement.

Listen to learn the perspectives of others, and then ask open-ended questions to empower them to think. This will inspire discretionary effort, to do that little bit of extra beyond what is expected.

This is the time to build new habits using the "if-then" habit formation technique that can accelerate the momentum of business growth.

Not Casual, Not Crisis

In-The-Moment Conversations are not yet in the zone of crisis conversations, nor are they casual. They are important conversations most of us have never been trained to practice!

Your culture needs to equip everyone to address conflicts—concerns that matter the most—moment by moment, throughout the workday, before it's too late, employees disengage, and business momentum decelerates!

Here are examples of concerns, those "defining moments" of conflict:

- Customer experience is substandard

- Lack of follow-up on promised deliverables

- Personality conflicts create intense drama

- Miscommunication between departments

- Avoidance of accountability or responsibility

- Disengaged employees

- The necessity to conduct hard conversations when someone is not holding to the standards

Too much friction, confusion, and underperformance negatively impact employee engagement.

In-The-Moment Conversations productive conflict solutions begins when the executive team becomes healthy and aligned.[11]

Often, friendships, organizational politics or familial relationships lead to false harmony and unproductive or destructive conflict.[12]

Unproductive conflict is false harmony where the conflict is hidden. It's comfortable to avoid issues, but it is artificial.

Destructive conflict occurs when conflict events trigger automatic assumptions, biases and beliefs that lead to destructive responses, disengagement and underperformance.

Productive conflict requires self-awareness, self-leadership, self-management and empathy for colleagues by honoring each other's styles. This makes it safe to speak up and face challenges by practicing In-The-Moment Conversations.

Part 1

Conflict Impacts Momentum

"The better able team members are to engage, speak, listen, hear, interpret and respond constructively, the more likely their teams are to leverage conflict rather than being leveraged by it."[13]

-This is a quote from Craig Runde and Tim Flanagan, authors of Becoming a Conflict Competent Leader, *a must read for anyone interested in the subject of conflict!*

Accelerating Momentum

Tag Birge and Andrew Held are real estate attorneys by trade and childhood friends. When they launched Birge & Held (B&H) in 2008, it was exciting. Their first strategic plan was on the proverbial napkin from the coffee shop!

When they closed their first deal on an apartment complex, they realized, "Wow, we need lots of people to help!"

As a startup, the pressure to lease and manage the property was like pushing this "giant, heavy, enormous flywheel."[14]

Have you been involved in a startup? If so, you know the enormous pressure and what it feels like to get the flywheel started, and to keep it going.

Back then, Andrew and Tag kept *pussssshhhhhing* to execute the newly formed strategies and keep cash flowing from an increasing number of happy tenants in new locations. The momentum of B&H business growth **accelerated** quarter by quarter!

Tag and Andrew learned that the pushing of the B&H flywheel could only continue to accelerate momentum only if they trained others to *pusssshhhhh*. They couldn't do it on their own.

Today, they are diligently training the key leaders in business acumen and leadership skills. Tag and Andrew engage the executive leadership team to practice In-The-Moment Conversations for Productive Conflict solutions.

As of 2019, B&H owns over $1,000,000,000 in assets, at 45 well-managed properties, located in 7 states, with over 275 employees and counting! The momentum will keep going only if Tag and Andrew create a feedback-rich culture of accountability by using the Mindful Leadership at Every Level Training.

The strategy is no longer on a napkin; it's on Aligntoday's virtual platform for the Scaling Up Scoreboard. The B&H executive leadership team practices quarterly strategic thinking/execution planning by following the system found in *Scaling Up* by Verne Harnish.[15]

As their Scaling Up Coach, I guide them to leverage the Scaling Up Growth Tools, including the Rockefeller Habits Checklist and the famous One Page Strategic Plan.

The Birge & Held Flywheel Components

Identify Exciting Multi-family Opportunities

- Create a High Standard of Living for Residents
- Identify Value Creating Opportunities for New Properties
- Secure Long-Term Financing through Investors
- Build Well-Capitalized Improvement Plans
- Continuously Reinvest in Properties
- Provide Best Practices of Responsive Property Management Teams

Birge & Held Flywheel

Create a High Standard of Living for Residents

Identify Value Creating Opportunities for New Properties

Secure Long-term Financing Through Investors

Build Well-capitalized Improvement Plans

Continuously Re-invest in Properties

Provide Best Practices of Responsive Property Management Teams
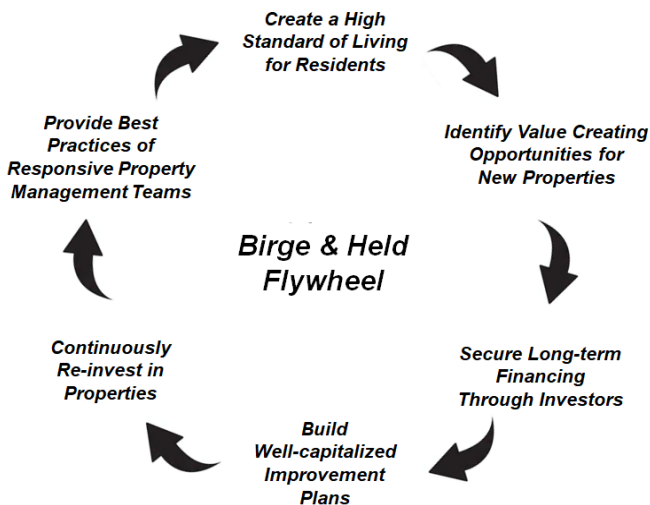
"Once you fully grasp how to create flywheel momentum in your particular circumstance, and apply that understanding with creativity and discipline, you get the power of strategic compounding."[16] - Jim Collins

Disciplined People

The flywheel is a way of thinking to determine how your growth firm creates momentum for strategic compounding. The B&H executive leaders developed a strategy that creates an almost unstoppable momentum as they strive toward achieving their 2028 Big Hairy Audacious Goal (BHAG)[17] of 450 Leaders serving middle-class families in 30,000 apartment homes.

What decelerates this momentum? The answer is the same for you as well!

Destructive conflict and false harmony will decelerate the momentum of your flywheel and force the owner, leaders and managers to *pussssshhhhh*!

The #1 habit from the Rockefeller Habits Checklist is this: **the executive team is healthy and aligned.**[18] When we started the coaching process, the B&H executive team read *The Five Dysfunctions of a Team* by Patrick Lencioni. Then, to go even deeper, the executive team took John Wiley & Sons, Inc. online assessment and training program *The Five Behaviors of a Cohesive Team*, which is based on Patrick's work. They were able to compare their team with the measurements from the research on 6,400 leaders of the most cohesive teams. This process revealed three areas for improvement:

    1. Trust One Another

    2. Engage in **Conflict** around Ideas

    3. Hold One Another **Accountable**

These dysfunctions are issues for many scale-ups facing the complexity of growth!

The B&H Executive Leadership Team members learned each other's styles and realized how important it was for the executive leaders to practice the disciplines of cohesive teams: "as the leadership team goes, so the whole company goes."[19]

Of course, it goes without saying that trust is the foundation for all relationships. The B&H team

wanted to build trust and learn to improve how they engage in conflict around ideas.

Overcoming the fear of conflict is often the behavior that needs to improve for most of the senior leaders of scale ups. Many factors impact the scaling up momentum.

The research from Daniel Goleman, Richard Boyatzis and Annie McKee confirms that the Emotional Intelligence competency of Conflict Management is one of the most challenging leadership competencies to master.[20]

Unproductive avoidance of conflict or destructive conflict will negatively impact momentum, even if you have significant levels of trust!

Lack of development of productive conflict solutions makes it unlikely you will fully develop the much-needed skill of seeking accountability.

When unproductive or destructive conflict occurs, the founder of a startup, the CEO or President will *pussssshhhhh* the flywheel themselves through their own efforts and that of a handful of loyal people.

Fill in this statement:

"If this is going to get done right, I'll just do it _____!"

If you automatically thought *myself,* then I challenge you to assess and develop your Emotional Intelligence competency of Conflict Management.

Why? Because as you scale up, if you're a boss, the complexity makes it impossible for you to fix everything. Also, for colleagues, friendship bonds are formed when facing the inevitable scaling up battles, and that makes it even more challenging to have healthy conflict with those friends who have gone into battle with you!

"In essence, your executive team needs to have a level of trust that permits true debate and constructive conflict. What prevents this in large companies is politics; what prevents it in growth firms is friendships. 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."[21]

What about you and your executive team? Do you have healthy debate and constructive conflict?

Engaging Productive Conflict

Tag and Andrew made the decision to replicate the newly developed productive conflict solutions discipline practiced by the executive team with leaders at every level.

For example, they had training for those who were accountable for complex processes such as new acquisitions and asset management. In addition, B&H had processes that moved across functions such as construction teams, property management teams and facilities maintenance teams.

Regional Managers and the Property Management

teams are accountable and responsible for day-to-day actions that drive the economic engine described in the B&H flywheel. These leaders were trained to practice the discipline of productive conflict solutions.

Tag and Andrew wanted to create a disciplined culture "with less hierarchy" as described by Jim Collins.[22]

Therefore, they lead In-The-Moment Conversations productive conflict solutions with their executive team. These leaders become a model for the culture to address conflict before it becomes a crisis. Like that, the Regional Managers and Director of Training are accountable to ensure productive conflict solutions becomes an integral habit of the leadership DNA of the culture that impacts high-level functions and key processes that drive the flywheel momentum.[23]

Productive Conflict Profile

Our social conditioning makes it a "threat" state to be in conflict with friends and to face organizational politics. Often at work, we will opt for false harmony to avoid the pain of dealing with conflicting opinions, priorities and styles.

Or, we will launch into destructive conflict through our automatic negative thoughts (ANTs), judgments, biases and perceptions of others.[24] (More about this later!)

It is important for you and your teams to understand each other's styles during conflict and uncover the hidden strengths and challenges that each person must face when engaged in a conflict.

The Productive Conflict Profile by John Wiley & Sons, Inc. is refreshing and new. The profile generated uncovers how destructive conflict can be like a cancer throughout your culture.[25] Destructive conflict will fuel disengagement that decelerates your economic engine described by your flywheel.

An important focus of this book is to help you understand how executive teams and managers who are accountable for functions and processes across departments, divisions or teams may accelerate thru conflict. Then they model how to engage in productive conflict solutions to colleagues throughout the culture. This inspires the whole culture to keep building the momentum of business growth as it scales up, without the intervention of a boss.

In pages 46 through 57 of *Scaling Up*, you will get help completing the Function Accountability Chart (FACe) and the Process Accountability Chart (PACe).[26] These tools are essential to answering the following questions: Who is accountable? Who is responsible? Who has authority?

Even if you have not developed your flywheel, your business is either accelerating or decelerating the momentum for scaling up, at every moment, through every interaction, by all your employees.

Whatever it takes to build momentum to grow your business, you're likely to face the same problem, the missing conversations.

In-The-Moment Conversations™ Named

Alycen Williams, an exceptionally skilled Regional Manager at Birge & Held, shared this idea with me after a training event.

Alycen said, "I'm working with a manager who has not mastered conflict and just doesn't know how to have an **in-the-moment conversation."**

When I heard Alycen use that term, I was inspired to use that name for the intellectual property developed by the CTW team and our partners. The Birge & Held managers were trained to make it easier for them to master In-The-Moment Conversations that result in proactive productive conflict solutions.

The rest of this book is designed for you to discover how to equip colleagues at every level to **Accelerate Thru Conflict.** You will learn how to implement the Four STEP model for In-The-Moment Conversations productive conflict solutions in your organization.

Are you leveraging conflict, or is conflict leveraging you? The answer to that question will impact the momentum of your business flywheel, the engagement of your teams and your personal well-being at work.