PACING FOR GROWTH

Why Intelligent Restraint Drives Long-Term Success

ALISON EYRING

Foreword by
MARSHALL GOLDSMITH

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Why Intelligent Restraint Is Key for Long-Term Success

Alison Eyring

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Berrett–Koehler Publishers, Inc.
a BK Business book

Pacing for Growth

Berrett-Koehler Publishers, Inc.
1333 Broadway, Suite 1000
Oakland, CA 94612-1921
Tel: (510) 817-2277, Fax: (510) 817-2278
www.bkconnection.com

Ordering information for print editions
Quantity sales. Special discounts are available on quantity purchases by corporations, associations, and others. For details, contact the "Special Sales Department" at the Berrett-Koehler address above.
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First Edition
Paperback print edition ISBN 978-1-62656-817-4
PDF e-book ISBN 978-1-62656-818-1
IDPF e-book ISBN 978-1-62656-819-8

2016-1

Interior design and production: Dovetail Publishing Services

Cover designer: Brad Foltz

Author photo: Alexander Manton

This book is dedicated to my loving husband James, whose love and support made this book possible. And to our fabulous daughters Susan and Megan: may you find ways to practice Intelligent Restraint for a more fulfilling career and a satisfying life!

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Foreword

by Marshall Goldsmith

Many years ago, a friend and I went surfing on Manhattan Beach in Los Angeles. At the time, I was a student of Nichiren Shoshu, a Buddhist sect that encourages chanting to overcome suffering and bring about good in the world.

Even though I was not an advanced surfer, I was anxious to test my skill against a big wave. But the waves were small that day, so I chanted the signature Nichiren chant:

Nam-myoho-renge-kyo

Nam-myoho-renge-kyo

After a time, a giant wave rolled toward us! I tried to surf it—and broke my neck in two places.

This story came to mind as I read Alison Eyring's excellent book. *Pacing for Growth* is a welcome corrective to the dysfunctional—yet incredibly common—belief that pushing past our limits is the best strategy for growth, in business, and in life. I tried to grow too fast that day on Manhattan Beach, and I still have the scars to prove it.

Many organizations and their leaders could stand to learn this lesson. I've been an executive coach for more than three decades, and over that time I have seen exceptional and promising people burn the proverbial candle at both ends, only to flame out spectacularly. In a way, it's hard to blame them. In our culture, heroes are overachievers who break down barriers to do the impossible. Movies, books, and TV shows are full of rogues and mavericks who drive themselves past the breaking point to accomplish a mission.

This kind of character might be very successful in fiction, but reality is another matter. There's not as much drama in working within one's proven capacity to produce results, but as Alison argues cogently in these pages, that's what works. Growing too fast creates breakthroughs in the short term, but that kind of success doesn't last. Anyone who drives too hard is bound to crash and burn.

Her personal experience as an endurance athlete provides a powerful analogy. Train too hard and disregard the science on how to improve performance gradually and safely, and you'll get hurt (and wind up sidelined). The case studies she describes include some compelling examples of companies that heeded this advice—and others that didn't.

Alison advises organizations to follow the principle of "Intelligent Restraint," which brings to mind the words of Mahatma Gandhi: "When restraint and courtesy are added to strength, the latter becomes irresistible." We're all endowed with strength of one kind or another. Of course, both individual leaders and organizations should *use* their strengths, but the trick, as Alison points out, is not to use them *up*. Balancing them with a little courtesy and restraint goes a long way. Knowing when to pull back, recalibrate, do something less difficult, or take a break may contribute more to long-term productivity and growth than driving forward despite exhaustion and overextension.

When workers overdo it, they exude a quality I've described as "nojo" (the opposite of "mojo"). We have mojo when we radiate confidence that our work is purposeful, powerful, and positive—and the world recognizes it. We exhibit nojo when we're disengaged, feeling victimized, stressed out, lethargic, or merely getting by. In my experience, organizations that try to grow too fast, not bearing in mind the limits of their capacity (as Alison suggests), wind up as breeding grounds for nojo.

That's not to say that testing boundaries is a bad idea. It's how innovation happens, and I applaud people who believe in giving extra effort toward a goal. But when that effort comes at the expense of recognizing real limitations, it turns into hubris and an unappealing exceptionalism.

In his brilliant 2009 book *The Checklist Manifesto*, Dr. Atul Gawande describes how central line infections in intensive care units dropped dramatically when doctors followed a simple five-point checklist that involves cleaning skin, washing hands, and using a sterile dressing. What saved lives was not boldness, audacity, and risk-taking but a basic regimen. And yet some doctors resisted. Like many of us who believe that we're smart and competent, they insisted that only complexity was worthy of their attention. In my book *Triggers: Creating Behavior That Lasts*, I note this tendency to harbor contempt for simplicity, structure, and routine.

Alison's book advocates the thoughtful, measured approach, and I wholeheartedly agree. She touts the importance of routines; I believe in them so much that I developed a system called the Daily Questions that involves asking ourselves a series of questions each day to ensure that we stay on track with our main priorities. I preach this to my classes and my coaching clients, and I do it myself, to make sure I stay engaged and positive, look after my family and my health, and do other things that are important to me. I even pay some one to call me every day so that I'll remember to answer them, because I know how easy it is to get distracted, especially when I travel.

The goal is to keep growing, every day. Amid the many exigencies of daily life and business, it's easy to forget not only to pace for growth but to prioritize it. In my late thirties, I was flying around the country to companies, giving speeches about organizational behavior. This work paid well, and I liked it. But my mentor, Dr. Paul Hersey, showed me that it was holding me back. "You're too good at what you're doing," he told me. "You're making too much money selling your day rate to companies."

This sounded so much like praise that I almost missed the heart of his critique. "You're not investing in your future," he said. "You're not researching and writing and coming up with new things to say. You can continue doing what you're doing for a long time, but you'll never become the person you want to be."

Because I respected Paul, I heeded his advice. He was right, after all. If I stayed comfortable, eventually I'd get bored or disaffected. And by then it might be too late for me to follow another path. Unless I cut back on the work I was doing, I would never create something new for myself. I wouldn't grow, and I'd end up "sacrificing the future on the altar of today," as Peter Drucker has said.

Pacing for Growth is filled with thoughtful strategies for avoiding these and other mistakes. Even if you don't have Alison's talent for distance running, you can learn the principles that have helped her grow sustainably in both athletics and in business. Absorb its lessons, and you can, too.

Marshall Goldsmith is a leading executive coach, leadership thinker, and keynote speaker. He is the million-selling author of 35 books, most recently *Triggers: Creating Behavior That Lasts, Becoming the Person You Want to Be.* More information is available at marshallgoldsmith.com.

Preface

For the past 25 years I've worked with leaders in world-class global multinational companies in the United States, Asia, Africa, Europe, and the Middle East to help them drive business growth. As an organizational psychologist, my expertise lies in connecting business strategy to execution.

In 2000, I founded a consulting firm in Asia, Organisation Solutions, that I've grown from a start-up with three people working out of a closet-size room in our apartment to a global firm with more than 50 consultants working across five continents.

As I grew my business, I also developed a love for distance running and triathlons. Over the years, my training and racing taught me about how to become an endurance athlete, not just how to complete one big race. Lessons I learned in sports helped me as a mother, academic, consultant, and business leader. Endurance training provides a wonderful metaphor for leading enduring business growth because the principles by which we expand our body's capacity to go faster and farther translate directly to expanding the capacity of an organization. That's why I've woven my personal journey of becoming an ultra-athlete into this book.

That said, the backbone of this book is research. Trained as a scientist, I value research and have spent my career encouraging leaders to use research to support their business decisions. My firm has conducted three multi-company studies over the past eight years on growth leadership and talent practices for high growth. I also led a systematic review of the academic research on business growth that includes hundreds of high-quality studies on thousands of companies conducted over more than 30 years.

This research portfolio sheds light on what causes companies to grow, and why many companies fail to achieve long-term growth.[1] We often read about companies that didn't change or adapt quickly enough—Kodak and Nokia for example. They were too constrained by their existing views of the world and their business and failed to innovate or change fast enough. But an organization that grows too quickly or beyond its capabilities is in equally dangerous territory for long-term growth. Companies like Krispy Kreme and QXL, an online auction house once touted as a rival to eBay, are examples of companies that went too fast or further than they were able, and they paid the price for it.[2]

Too often I see cases in which companies and their leaders are addicted to action. They push harder and go faster without practicing what I call Intelligent Restraint. Intelligent Restraint is pushing to perform and transform as much we can, but no more. When we practice Intelligent Restraint, we operate *within* the limits of the capacity and capabilities we have today while we also build the base for tomorrow. The result of pushing *beyond* the limits is ruin: financial loss, loss of motivation, and staff who burn out. It also can kick off erratic "boom-splat" cycles of growth that waste tremendous energy and resources because leaders didn't build up required capabilities and capacity for growth. These leaders do more because they think they can, when they should be doing less.

My colleagues and I have had the opportunity to work with many of the world's most admired firms to help them build the capabilities and capacity they require for growth. We have seen that practicing the discipline of Intelligent Restraint leads to both enduring, valuable growth and lasting achievement. This book aims to help you use Intelligent Restraint to achieve enduring growth—both in your business and in life.

Introduction

If you're like most leaders, you go to work every day and sprint. You don't worry about restraint; you get things done. Chances are you also lead those around you to go as fast as they can. As you see competitors and customers changing, you feel more pressure to go faster and push harder. Although you do more within your limited work hours, the extra effort often delivers less.

Even the most senior leaders can fall into this sprint trap, running the wrong race for their company.

Some leaders run the wrong race because they focus only on short-term performance. Some focus on quarter-by-quarter sales volume, others on year-on-year profit. What matters most is *enduring* growth—that is both long-term *and* profitable. It's the holy grail. But it's not easy! Delivering short-term performance also is vital and there is seldom a long term for a business that cannot perform in the short term. In our era, many businesses struggle to grow because they have to perform today at the same time that they must also transform for tomorrow, and they lack the capacity for it.

In pursuing business growth, we as leaders often pursue many priorities—innovation, increased market share, higher margins, culture change—all at the same time. None of these on their own is bad or wrong. In fact, they are all good components of growth. But too often we try to do too much all at the same time and in doing so, we achieve less. By doing more, we actually see a lower return on our efforts.

Leading long-term profitable growth requires us to push ourselves, our teams, and our business as far and fast as we can *within* the limits of our capacity. Sometimes this means going slower; other times it means going faster. At the same time, we need to build capacity for continued growth, which often requires new capabilities for the organization, teams, and individuals. As we pursue these dual aims, we also need to conserve our personal and collective energy to endure over time. This balanced, long-term way of thinking and behaving is what I call Intelligent Restraint.

Although Intelligent Restraint may look different across companies and markets at different points of maturity, the principles hold true across industries, growth rates, and geographies. The idea makes as much sense for an Ironman athlete as it does for the CEO of a large company, the leader of a complex project, or the founder of a small start-up.

As part of the research my company conducted to understand the difference between leaders in high-growth businesses compared to those leading in slow- or no-growth businesses, we held in-depth interviews with more than 30 top regional executives based in Asia. We also gathered financial data on their companies' performance. As these were all very senior leaders and we were looking over a multiyear period, it's safe to say that they either did or did not lead the growth of the business reflected in the numbers.[3] We found that the "Growth Leaders" practiced Intelligent Restraint in many different ways. They also behaved in ways that are contrary to what popular management trends suggest, such as focusing on your strengths or always going fast. They found a pace for growth that delivered results and built capacity for the future. These Growth Leaders are role models for creating enduring growth; we can learn from them and be inspired by them, just as we are inspired by accomplished athletes.

But at its core, Intelligent Restraint helps us to find *our own* right pace for enduring growth. This book will guide you to translate the principles and rules of Intelligent Restraint to *your* business and put them to work for you.

Growth Demands Us to Lead Like an Endurance Athlete, Not a Sprinter

Driving long-term, profitable growth requires us to build capabilities and capacity as if we were an endurance athlete. It's a journey in which we as leaders must push ourselves and others to go as far and fast as we can, but no further. We may complete one leg on the long journey, only to find ourselves completely unprepared to tackle the next leg. I learned this lesson on a personal level the hard way.

In May 2002, I lost my parents in a car accident while they were in Honduras undertaking community development work. The fact that they died doing what they loved gave me no solace whatsoever. When I returned home to Singapore after the funeral and family gathering, I felt a profound loss of hope. For nearly a month, my jet lag woke me early every morning and I'd go out for what I called my "mourning walks." The jet lag passed and I kept walking. Over the months I started to jog, and then to run. It was the therapy I needed to cope with an inexplicable loss.

Christmas 2002 was not a happy day for me. For the previous seven months, I'd cried nearly every day. I'd had no appetite and had lost so much weight that, in happier times, I would have been delighted. I mourned for my loss. I mourned that the baby we were adopting would never know my parents. I mourned because the twenty-fifth was my dad's and my birthday and we'd never celebrate our birthdays together again.

So that Christmas night, I decided to do something that I could focus on and strive for. I decided to give myself hope again. The only thing I could think of was to run a marathon.

A year later I finished my first marathon. When I crossed the finish line I cried, but it wasn't from joy or pain. It was from a sadness far worse than any other I'd felt over the past year of running. I knew for good that all the running in the world was never going to bring my parents back. Now when I look back on that time, I see that as the day I started my journey to become an endurance athlete.

After a few weeks of rest and regaining my excitement to run, I turned my sights to completing an ultradistance race. I'd read about the Mongolia Sunrise to Sunset ultramarathon and it completely captured my imagination. This 100k run is promoted as the world's most beautiful race, and that can't be far from the truth. The course runs along a lake so pristine you can see the bottom from the mountaintops and through a wooded and mountainous area known as Khövsgöl Nuur which is within sight of Russia.

For six months I trained faithfully. As my volume increased, I found myself focusing almost entirely on running. Any cross-training I'd done in the buildup to the marathon went away and, as I went further, I also reduced the amount of time I spent stretching. I increased my training volume and completed training runs of 30, 50, and 80 kilometers around my home. In March, I began to experience pain in my left calf muscle but didn't worry too much about it. When it hurt too much, I went in for some physical therapy and before long I was out running again.

Six weeks later (and 10 days before I was to fly off to Mongolia), I was on my final long run along a dirt path in the jungle about 15 kilometers from my home in Singapore. I came across a large male monkey sitting for a bite of lunch. After running 32 kilometers and carrying a bag of empty food packets, I must have smelled like dessert to him. He shrieked and ran toward me. I shrieked too and sprinted as fast as I could in the opposite direction. Suddenly I felt the sensation of a knife ripping into my leg. I thought the monkey had bitten me. But it wasn't the monkey or a knife. It was a rip in the belly of my left calf, a rip I'd allowed to happen slowly over the past months as I ignored the symptoms. I limped the five kilometers back to my car and drove myself home.

I'd overtrained a set of muscles and my calf had lacked the strength and flexibility to cope. Fortunately, I took my rehabilitation seriously and after a few months my calf recovered and I went on to complete a few more half marathons and even a few triathlons (a race that combines swimming, cycling, and running), including two Ironman 70.3 races.[4] What I appreciate about triathlons is that you have to learn so much. But what I love more than anything is to be out running. And while I've never been fast, I can run really far.

In 2010 I decided it was time to train once again for the Mongolia 100k. In August 2011 I finally made it to Mongolia, with my husband and our two daughters along for support. The race began in the cold, dark early morning. As usual, I was soon at the end of the pack. My slow pace didn't diminish my spirit. I felt excited and scared at the same time, even as another racer broke her leg in the first two, dark kilometers on a wooded trail.

About 18 kilometers into the race, I faced my first mountain. As I trotted up, my heart was exploding in my chest and all the energy seemed zapped from my legs. I made it over the top and back down, only to face a second mountain. This one was nowhere near as high, but it was far steeper. I was practically climbing the mountain.

I stepped over a low-lying branch and it slapped against my calf and cut it. Flies flocked to the blood oozing down the front of my leg. Of all my running memories, this was the lowest point. I considered stopping to swat the flies but didn't have the energy to do so. I kept going.

As I crossed over the top of this second mountain, I realized I had neither the strength in my legs nor the cardiovascular fitness to go fast enough to make the cutoff time for the 100k.

In my quest to not injure myself during training, I hadn't pushed myself fast enough and I hadn't built the capacity I needed to finish the race. I'd trained near sea level, whereas the base altitude in Mongolia exceeded 5,000 feet. In the end, I ran the distance of a regular marathon (42k, or about 26 miles) and gave up. I'd trained for the wrong race!

On the positive side, I learned an amazing amount from this experience. I learned that great motivation and hard work aren't necessarily enough to complete endurance races. I'd done what I loved and had run long, slow distances on flat terrain in the heat. I stayed too much within my comfort zone. I failed to pull back when I needed to, and—more importantly—I failed to push myself hard enough in new ways like running up steep terrain, in the cold, and at higher elevation.

The most profound insight I've gained on my journey to becoming an endurance athlete is the power of restraint. I've learned that at times I have to hold back even when I think I can go faster or farther, and other times I have to restrain myself from doing things the way I know how to do them. I've also learned that when I do what feels most natural and that I most enjoy, I may not be preparing myself most effectively for the next race.

Today I train in a completely different way than when I started. I am more intentional and focused. After working with a sports coach, I've learned how to use routines and variability to go faster and farther without getting hurt. More importantly, I've learned how to put in less time and train smarter to get better results.

We spend our life performing and preparing ourselves to perform better in the future—whether as a musician, surfer, jockey, elementary school teacher, factory supervisor, or business leader. Using the right restraint forces us to be more mindful, to train the right way, and to listen for signs that we might be going beyond our capacity.

Pushing the Limits of Growth

It's difficult to know what the "right" amount of restraint is for a business. Sometimes, leaders lead with too little restraint, sometimes with too much. What's clear is that it's really, really hard to get it just right.

One reason it's so hard is because we are leading organizations, and an organization is a complex combination of many interconnected systems. An organization is like the human body, which is an amazing structure of 11 different, interconnected systems. Take the respiratory and circulatory systems, for example. The respiratory system brings air into the body and removes carbon dioxide. The circulatory system picks up oxygen in the lungs and works like a transportation system moving blood filled with oxygen throughout the body and then taking waste in the form of carbon dioxide back to the lungs to be exhaled. These two systems have to collaborate and have clear touchstones. One interfaces with the external environment and the other is an internal system. If the air quality is very poor, both suffer. If the body is sick, they are both impacted. If the body is very healthy and strong, they work better, together.

Endurance training systematically increases the capacity of our complex body to withstand the stress of training without breaking down. Just as bodies are impacted by the external environment and the health of the body itself, organizations also are impacted by external forces like government regulations, new technologies, competitor activity, and consumer preferences as well as the overall culture and health of the organization.

A company that anticipates external changes and effectively adapts is more likely to survive over the long term. This is why endurance training is an excellent parallel for how to increase a company's growth capacity. Leaders who act like endurance athletes can systematically increase the capacity of their organization to execute their day-to-day business as they build capacity for the future—without damaging people and the business itself. Part 1 of this book builds off the endurance training metaphor to explore how leaders can push their capacity to the limit, but no further.

Chapter 1 tells the stories of three companies: one that had too little restraint, one that had too much, and one that found the "just right" balance that characterizes Intelligent Restraint. Chapters 2, 3, and 4 build on these case studies by describing three core principles of Intelligent Restraint. These principles provide us a way of thinking about how a business can build growth capacity:

- Principle One: Capacity Determines How Far and Fast You Can Go
- Principle Two: The Right Capabilities Increase Capacity
- Principle Three: The Right Pace Wins the Race

In each chapter, you'll read about how the principle plays out in a business and you'll find tips and tools to help you apply the ideas within your own organization or team.

Why Bother with Theory

In endurance training, understanding a bit of theory can make a huge difference in your ability to push yourself at the right pace and not get hurt.

For example, there is an upper limit of your heart rate called the "aerobic threshold." Below this threshold, you burn glycogen, which is an efficient fuel. But above that threshold, you burn fat, which is harder for your muscles to access and use. In a long race like a marathon or triathlon, you eventually have to burn fat because all your glycogen gets spent. This theory explains why during endurance training, you need to teach your body to burn fat as fuel at the pace you want to race. Using specific workouts that vary intensity in different ways forces you to work close to the upper limit of your aerobic threshold and only go beyond it for short periods. This kind of training is much more tiring than simply going longer distances at a slower pace.

If you don't understand why these grueling workouts matter, you're less likely to persist through the painful exertion. It would be easy to start thinking that the purpose of endurance training is simply to clock lots of miles. That belief would lead you to waste huge amounts of time in training without getting what you most need to succeed.

Likewise, a little bit of theory about Intelligent Restraint helps explain why you have to make certain hard choices as you pursue enduring growth. The three core principles of Intelligent Restraint apply as much to business growth as they do to success as an endurance athlete.

The Three Principles of Intelligent Restraint

Principle One: Capacity Determines How Far and Fast You Can Go (Chapter 2)

Maximum capacity is the highest level of performance at which a system can perform without breaking down. It's more than the sum of individual skills or attitudes, or the physical capability of a building or piece of equipment. When we understand the gaps between performance and capacity, and how maximum capacity in the future will be different from today, we can create a program to build capabilities that increase capacity. In turn, this process allows us to avoid "boom-splat" cycles of growth. When we break that painful pattern, we conserve human and organizational energy and resources to spend on building a base for sustained growth in the future.

Principle Two: The Right Capabilities Increase Capacity (Chapter 3)

Capabilities are the power and practical ability to perform or execute a given task. To build capacity for growth, we need to master a few critical capabilities at the individual, team, and organizational level. Each business will have a small number of unique capabilities required by its strategy. In addition, our own and others' research shows that there also are certain capabilities that predict growth. In this book, I focus on two capabilities that help increase adaptability and speed: outside-in thinking and customer-aligned innovation. Building the right capabilities for growth allows leaders to increase capacity to execute the day-to-day business as it also builds capacity for the future.

Principle Three: The Right Pace Wins the Race (Chapter 4)

Pace is the speed at which we can perform for a given distance or period of time. As business leaders, we can push our organizations and people to go really fast for a short period of time, but if we go too fast for too long, we burn out our people and burn through our cash and other resources. In a race, we need to conserve some energy to maintain a fast pace and we need perseverance to sustain this pace even when it becomes uncomfortable. On the other hand, in training, we vary pace significantly because this triggers different development outcomes like strength or cardiovascular fitness. When you can train at "race pace" and can recognize "maximum effort," you can pace yourself, your team, and the business to execute your strategies—and at the same time build new capabilities for the future.

Make Tough Choices with Intelligent Restraint

Growth Leaders face many situations with seemingly conflicting objectives. For example, they need to explore new opportunities and at the same time, they need to exploit their existing assets such as manufacturing facilities, retail outlets, or ships. They need to drive sales and at the same time they need to grow profits. These are all paradoxes of growth.

The idea of managing paradoxes, polarities, and tensions isn't a new one. Academics call this ability "ambidextrous leadership," and recently Michael Tushman and his colleagues wrote about it as "Both/And Leadership."[5] Paradox management helps to manage complexity.

Intelligent Restraint helps us manage the complexity that growth brings.

Whereas part 1 gives us a way of looking at how to increase limits of growth, part 2 describes three practical rules of thumb that help leaders make important trade-offs needed for enduring growth. These trade-offs help us make better decisions and release capacity for growth. The three Rules of Intelligent Restraint are:

- Rule #1: Focus Overrules Vision
- Rule #2: Routines Beat Strengths
- Rule #3: Exert, Then Recover

The Three Rules of Intelligent Restraint

In endurance training, you can apply simple rules of restraint to ramp up and ramp down your training program ahead of a race. These rules of thumb help you make important trade-offs between exertion and recovery.

For example, one rule of restraint I've always found helpful for running is the "10% Rule." This rule says that each week, you only increase the length of your longest run by about 10 percent. You also can apply the 10% Rule to the total volume of running in a week. What's important is ramping up running volume in a disciplined way.

Rules like the 10% Rule enable you to increase your training levels, but not so fast that you get hurt. At the same time, they restrict exercise volume to allow the body to recover and get stronger so that you're ready for the eventual race.

There also are rules of restraint that guide recovery if you are hurt or injured, perhaps as a result of failing to pay heed to the rules about training volume! My sports coach advised me not to train for three days after experiencing a sharp pain, and to go see him if the pain didn't go away.

Applying these rules of restraint helps me and other athletes build capacity without getting hurt. As the weeks pass, the body is able to go faster and farther without breaking down. The practice of restraint in endurance training is often the difference between an athlete who is still going at age 60 and one who burns out or injures herself to the point of quitting the sport.

Unfortunately, we don't have simple rules of restraint to help us build capacity in an organization or a team. The rules we have in business prevent us from breaking laws or standards of governance. For example, we have limits on the financial value of a gift, or a policy on what can or cannot be said in public about the firm's strategic plans.

These types of rules are important. But, while they keep us from doing bad things, they don't help us drive *positive* things, like improved customer service or successful execution.

Chapter 5, 6, and 7 cover the three Rules of Intelligent Restraint that help you conserve energy and drive growth at the same time. When you apply these rules, you can take yourself, your team, and your organization as far and fast as they can go without causing harm.

Rule #1: Focus Overrules Vision (Chapter 5)

Vision is important and gets you going, but focus is what gets you across the finish line. The right focus clarifies how to allocate resources like time, money, and support. Growth Leaders use focus to drive behavior that's consistent with important values, and to build both "vertical alignment" and "horizontal alignment." Focus conserves energy that is needed to perform today as you transform for tomorrow.

Rule #2: Routines Beat Strengths (Chapter 6)

Strengths are useful, but they can become a liability when overused. The right routines efficiently shape the new ways of thinking and behaving that we need for growth. Effective growth routines allow small changes that can trigger larger changes to happen across the organization. Growth Leaders create and utilize routines that conserve energy as they make it possible to learn or change faster.

Rule #3: Exert, Then Recover (Chapter 7)

Exertion and recovery need one another for maximum effect. You have to train with the right levels of exertion to build your capacity, and you have to engage in the right kind of recovery to allow your body and mind to keep exerting. To deliver results and build capacity for growth at the same time requires high levels of exertion that consumes personal and organizational energy that must be replenished.

Put Intelligent Restraint to Work

Part 3 looks across the Principles and Rules of Intelligent Restraint to help you put the concepts into action.

Scale to Grow (Chapter 8)

To scale a business for growth, you need to increase organizational, team, and personal growth capacity fast enough to match the pace of transformation and growth—*at an affordable cost.* The only answer is having an "abundance" mindset when it comes to people development. We need to develop anyone, anytime, anywhere to build the broad base of capabilities the most efficiently. I'm not talking about sending scores of employees to formal training programs. I'm talking about instituting one or more cost-effective routines to transform everyday work into on-the-job development.

Lead with Intelligent Restraint (Chapter 9)

Leading with Intelligent Restraint is not an all-or-nothing kind of thing. You can use the Principles of Intelligent Restraint to think more systemically about what you need to know and do to build capacity for long-term growth. You also can use the Rules of Intelligent Restraint to conserve energy, make trade-offs, and get the right pace in place for growth. Growth Leaders don't waste effort on unnecessary perfection and know when good enough is good enough.

Chapter 9 highlights stories of leaders from around the world whose behavior exemplifies one of more aspects of Intelligent Restraint.

As with endurance training, learning how to lead with Intelligent Restraint requires you to apply the theory and guidelines over a period of time, at your own pace, and in a way that meets your business needs. You master Intelligent Restraint by practicing—training yourself, your team, and your organization to become endurance athletes of business growth.

Part 1

The Principles of Intelligent Restraint

Chapter 1

When Restraint Is Intelligent

Driving long-term, profitable growth requires you to build capacity and capabilities as if you were an endurance athlete. When you practice Intelligent Restraint, you learn how to push yourself and others to go as far and as fast as you can, but no further.

This concept seems so straightforward when applied to your body, but it's so easy to ignore it when applied to a business.

Intelligent Restraint doesn't *only* mean holding back. Sometimes you have to push yourself and others to go further and faster. Getting the balance right is hard, and not achieving it can have dire consequences.

In this opening chapter, I tell three stories—each of them true—to show a range of company approaches to growth. My guess is that you may recognize yourself or your company in one of these stories.

Unchecked Growth Swallows Krispy Kreme's Potential

Growing up in Knoxville, Tennessee, I liked nothing better than when my family bought a big box of mixed Krispy Kreme donuts and then argued over who got what. As far as donuts go, Krispy Kreme had then—and still has—a great product.

As a growth business, it's another story.

Founded in North Carolina in 1937, the family-owned Krispy Kreme donut chain had grown steadily, establishing itself as a stalwart feature of suburban shopping malls across the American Southeast. In the mid-1990s, company management embarked on a rapid nationwide expansion drive that included opening new stores in high-profile locations like Manhattan and Las Vegas.

As new outlets sprang up, customers lined up before dawn to buy donuts fresh out of the fryer, a trend the stores encouraged with "HOT NOW" neon signs that lit up when new batches were ready for sale. Dazzled by its new wave of success, Krispy Kreme launched an aggressive franchising effort, opening outlets as fast as it could. Gas stations, shopping malls, kiosks—basically anywhere that could sell a donut—became fair game.[6]

In April 2000, Krispy Kreme went public. On the first day of trading, investors looking to desert the faltering dot-com bubble piled in and the KKD stock soared 76 percent. Krispy Kreme then experienced huge pressure to sustain expansion quarter after quarter, and growth quickly became the company's only story. And it seemed to be delivering. By mid-2003, Krispy Kreme stock was trading near $50, up 235 percent from its IPO price. *Fortune* magazine labeled the donut maker "the hottest brand in the land."[7]

However, far from Wall Street, on Main Streets everywhere, the brand was suffering. The strategy of selling donuts anywhere and everywhere diluted the appeal of its core product. Piles of day-old donuts in grocery stores and gas stations meant Krispy Kreme became ubiquitous, diluting the "freshly made" appeal and neglecting the donut-making theater that had been part of the brand's novelty and mystique.

At the same time, Krispy Kreme's uncontrolled focus on growth for growth's sake meant the market became rapidly oversaturated as new franchises were opened, often just a few blocks from each other. Although that distribution model enabled the firm to report continued growth, it undermined the franchising system by putting outlets in competition with each other. Adding to pressure on struggling franchisees, the firm required all outlets to buy supplies only from HQ at steeply marked-up prices.[8]

The cracks in the sugary glaze began to appear in mid-2004. Announcing its first-ever missed quarter and first loss as a public company, Krispy Kreme's CEO assigned blame to the growing fad for the low-carb Atkins Diet, an explanation that raised eyebrows among investors.[9] Meanwhile, accusations grew from franchisees that headquarters was shipping stores up to twice their regular inventory in the final weeks of a quarter so the firm as a whole could bolster its reported profits. Several took legal action.

In early 2005, Krispy Kreme announced it was restating its earnings for the previous year and replacing its CEO with turnaround specialist Stephen Cooper. By April the firm warned of another quarterly loss. Moreover, it advised investors not to rely on published financial reports for fiscal years 2001, 2002, 2003, and the first three quarters of 2004, raising questions over its financial performance since it went public.[10]

By summer 2005, Krispy Kreme's stock had nose-dived to around $6. In an effort to avoid bankruptcy, Cooper announced a turnaround plan, shuttering more than 70 of its donut-making stores (about one-fifth of the total) and refocusing its growth efforts on international expansion.[11]

Krispy Kreme is a case study in how a traditional company can stumble by going faster and further than its capacity and capabilities can support. Krispy Kreme wanted growth and worked hard for it. But its leaders failed to apply the right restraint when it was needed, which led to a wasteful, poorly managed growth boom that was followed by an inevitable splat, a cycle of growth that wastes human and organizational energy. In short:

- It was far too aggressive in expanding franchises and thus diluted its brand.
- It lacked real insight into how much of its product could be sold within specific geographies and overestimated demand for the product.
- It lacked disciplines to take out cost from its system as it grew so that its partners also could be profitable.
- Addicted to rapid growth, it started to play games with product shipments to get its numbers.
- And finally, in its eagerness to show growth, the company lost the trust of investors and partners when it was forced to restate its earnings.

Krispy Kreme didn't fail completely; a new management team turned the firm around by refocusing on international growth and broadening its product offerings. In mid-2016 it was announced that the company would be delisted after it was purchased by JAB Holdings, the investment company owned by Germany's billionaire Reimann family, for $1.35 billion.[12]

Krispy Kreme's story shows what can happen when companies fail to restrain themselves. However, companies can also be *too* restrained. Dell's experience shows what can happen when a great company is too restrained by what it does well.

Being too Direct Keeps Dell from Wooing Customers

Dell Computer Corporation was founded by Michael Dell in 1984 out of his college dorm at the University of Texas, Austin. From these very early days, when having a computer at work, let alone at home, was a rarity, the firm was built around the direct-to-customer model. Customers ordered a computer, had it built to a desired spec, and then got it shipped to their office or home in a few days.

The model was radical at the time and helped Dell grow rapidly when other PC makers were burdened with much more complex supply and distribution chains. Because it had no inventory and low R&D costs, the fast-growing Dell was able to tailor-make computers for customers at unbeatable prices.

It was a great model for the early days of the mass computer ownership era; in fact, it helped *create* that era. And for Dell it proved hugely successful. In 2005 the company was valued at $100 billion—more than Apple and HP combined.[13] (In early 2016 Apple was valued at $605 billion. How times have changed!)

As the market matured and shifted in the years after 2005, prices of PCs declined across the board. Dell's competitors began to outsource their manufacturing, building in such large volumes that they were increasingly beating Dell on price. At the same time, competitors became better at segmenting markets and targeting their products to the needs of customers, whether they were gamers, big corporations, or anything in between. And many had another advantage: retail space, which made it easier to introduce new products because customers could try before buying.

In response, Dell stuck resolutely with its direct sales model. After all, this model had made it successful in the past and Michael Dell was convinced that sticking to the model would help the company navigate a changing marketplace.

Dell started to lose market share and as earnings fell, so did its stock value. By late 2005, Dell shares had plunged 28 percent in less than six months as earnings also fell by a third and the company was forced to slash earlier forecasts.[14]

Michael Dell's solution was to go back to the model that made the company successful. It tried to sell premium products at a reasonable price. However, for many consumers, although Dell might have been the practical choice, it was also boring. Rivals like Apple, HP, and Acer moved to a model of offering a broader range of innovative new devices that they could sell at a premium. Dell still tried to compete by selling a high-volume, low-margin PC, but since it no longer had a significant cost advantage, the model didn't work very well.

Although Dell had excelled in supply chain innovation, this competency didn't transfer into other successful innovations. As the market shifted away from enterprise sales and into consumer electronics, Dell tried to innovate to keep up with Apple. It created the Digital Jukebox and DJ Jitty to compete with the iPod, the Adamo to compete with the MacBook Air and iPad, and the Aero, Streak, and Venue to compete in the smartphone business. All of these efforts were poor responses to the market—too little, too late. Ironically, three years before the iPad was launched, managers in the company had advocated building a tablet PC to compete in the Japanese market. More importantly, they saw the growth of tablet sales in Japan as a leading indicator that tablets would catch on in other markets. Unfortunately, the company chose not to invest because the tablet market was not large. Instead, it wanted to focus on products where it could leverage its supply chain expertise. Had it invested in tablets earlier, it may have better been able to address the challenges of the iPad.

Dell also launched a series of marketing strategies, even dabbling in retail spots. None made an impact. Eventually Michael Dell fired his CEO and took back control of the firm.[15] After a series of unimpressive quarterly reports, he realized—belatedly—that the company had become too constrained by its direct-to-customer model. The secret of Dell's success had now become a burden.

In an effort to shift away from the low-margin PC business, Dell in 2009 completed its biggest acquisition ever, paying $3.9 billion for tech services provider Perot Systems. [16] At the same time, Dell brought in a new leadership team, including leaders from GE, Motorola, and IBM. The idea was to transform the business, introduce more consumer electronics, sell through new channels like Walmart, and cut costs.

Again, it was too little, too late. Although it hired the new leaders to reinvigorate the company, almost all left over the course of two to four years.

While Dell computers remain a feature of many offices around the world, the company has struggled to keep pace or find a place for itself as the fast-moving tech industry moved from the PC to the Internet. It also has struggled to compete with cheaper Asian manufacturers. In other words, it has simply run the wrong race.

In 2016, Dell sold Perot Systems and bought data-storage company EMC.[17] The future will tell if having a storage component can help it compete globally with its competitors that have dramatically changed.

The lessons from the Dell story follow an all-too-common pattern:

- The firm had built a business model that was, for a while, fantastically successful. But, as the market shifted, the model restrained growth and became a damaging burden.
- While other companies (IBM, HP, Apple) were transforming themselves into companies that went well beyond PCs, Dell stayed with a model that hobbled its growth until it was too late to change.
- Leaders in Dell excelled at execution but failed to lead in innovation as well as its competitors; the focus on the Dell direct model overly constrained its innovation.[18]

- The company tried to catch up quickly with its competitors without having built a base of capability in retailing or innovation.
- Dell valued looking inward more that outward; it lacked outside-in routines to focus the business externally.

Dell needed to change its business model and did not for many years. By 2016, it had gone private and was trying to reinvent itself. It may succeed if it can release the constraints that have held it back in the past.

Pizza Hut also was restrained by its business model, but a new CEO and a new focus both reduced and increased restraints to unleash growth.

Growing the Pie, Slice by Slice

In 1996, David Novak took over as CEO for Pizza Hut, the world's largest pizza restaurant chain.

Prior to Novak's appointment, Pizza Hut's vision for growth centered on launching big, new, innovative products with a goal to drive revenue. It opened new restaurants and delivery outlets and launched new initiatives, including new restaurant concepts as well as a host of programs to improve staff morale, customer satisfaction, and products. But all these efforts weren't delivering results.

At the same time, it was losing market share to Papa John's, a younger upstart with a snappy slogan that seemed to be resonating with customers: "Better Ingredients. Better Pizza." Papa John's steady advance was matched by Pizza Hut's own decline. In an effort to fight back, Pizza Hut had responded with an arsenal of new products: the Triple Deckeroni Pizza, which offered 90 pieces of pepperoni and a six-cheese blend; the Bigfoot, boasting two square feet of pizza; and the Fiesta Taco Pizza, promising a bean sauce and chopped-lettuce toppings.[19] None of them halted Papa John's advance.

Novak, who moved to Pizza Hut after spearheading a successful two-year turnaround at PepsiCo's fried chicken chain KFC, examined the Pizza Hut business and summarized what he learned in a single chart. It showed how declining in-store sales had been masked by growth in new stores and the revenue bumps that took place each time the chain launched an exciting new product.

Novak found that while new products generated tremendous initial revenues, overall sales actually declined into negative territory after the initial bump. A major product launch brought in new customers and more orders from existing customers. This additional volume put strain on the system, causing delivery times to become longer, product quality to decrease, and customer satisfaction to dwindle. Disenfranchised customers stopped ordering and sometimes walked away from Pizza Hut altogether. While the chain's drive for new stores and new products did help it access new customers, these new diners had no loyalty and no patience for the mistakes that characterized the stressed delivery system.

The company had achieved growth as if it were sprinting. This frenzied pace and high number of new product initiatives led the business into a boom-splat cycle of growth to which it had become addicted. In other words, Pizza Hut had run as fast as it could in the short term but was losing the long race. It was not creating enduring growth.

To turn the company around, Novak began by meeting with field operators and asking them what the firm needed to do to move in the right direction. Marrying that feedback with customer data, Novak and his COO, Allwyn Lewis, built a two- to three-year plan to improve operations in Pizza Hut's restaurants.

They then reorganized the company to get it done.[20] Novak's philosophy is that leaders make enduring growth happen only by getting people aligned with the firm's strategy, organizing the firm's structure around it, and getting staff enthusiastic about the mission. With the plan in hand, he focused on building the right culture, motivating and empowering staff to take pride in their jobs and exhibit the teamwork that leads to happy customers.

Although a critical starting point was deliberately decreasing the number of initiatives in the company, Novak's plan did include new initiatives. Importantly, they were all focused on improving operational excellence and were integrated and sequenced to support this singular goal.

Novak and Lewis understood that to regain and sustain profitable growth, the stores needed to be ready for growth. The key to sustainable growth in fast food, he told colleagues, was to win on quality and customer experience. The food had to be good and the place had to deliver a fun experience. This meant employees needed to master the basics of execution and be given the time to learn about new products and services.

In April 1997, Novak used the platform of a retired aircraft carrier, the USS *Intrepid*, to make the announcement that Pizza Hut was "declaring war on low-quality, skimpy pizzas."[21] The new program included:

- Introducing fresh vegetables, rather than canned or frozen, to the production line
- Empowering employees to make pizzas look good (instead of just measuring each ingredient)
- Installing new or improved pizza ovens
- In-depth staff training to get the basics of operations right
- Extensive practice before the launch of new products

Putting his face to Pizza Hut's "war," Novak appeared in TV commercials promoting the new pizzas. And he stated that any customer who didn't agree that the new pizzas tasted better would be able to get a refund.[22]

A month after Novak's declaration of the pizza war, PepsiCo spun off its restaurant brands, including Pizza Hut, KFC, and Taco Bell, as Yum! Brands. Novak, promoted to CEO of the new entity, set about transforming the frontline of the Pizza Hut business.

Novak's turnaround of Pizza Hut drove both improved execution of the core business as well as an improved capacity for growth. The chain delivered sustainable same-store sales vs. the boom-splat performance cycles they had become accustomed to. Staff turnover within the restaurants was cut in half, profits were renewed, and the long-term commitment of the Pizza Hut franchisees was built. Today Pizza Hut enjoys the highest average unit volumes and profit per store in the industry.

Novak served as Yum!'s CEO for 17 years, transforming the company's performance to one of enduring growth. By 2016, Yum! Brands had doubled in size to more than 41,000 restaurants spread across 125 countries and had seen an increase in market capitalization from $4 billion to nearly $32 billion. It was also able to scale the business internationally to the point that it attained 70 percent of its profits from outside the United States compared to 20 percent when Novak took over.[23]

The Pizza Hut story describes what it looks like when a leader practices Intelligent Restraint:

- David Novak and his leadership team shared a vision for growth, but more importantly they focused the business by increasing some restraints (e.g., fewer big ideas, stronger execution) and reducing other restraints (e.g., allowing team members to make a visually appealing pizza without a measuring cup; giving more coaching to restaurant leaders).

- Novak understood that he could not drive long-term profitable growth in a business that lacked the capabilities and capacity to achieve and sustain it. He aligned all the elements to deliver these new capabilities and capacity.
- Novak relentlessly drove focus and aligned others to as well. In doing so, he conserved time and energy that was then spent building capacity for growth.
- The focus Novak brought to Pizza Hut led to new routines being put in place to bring in an external perspective and to innovate in areas important to its customers.
- Within the restaurants, development on the job was made available to everyone. Employees were given the resources and support needed to succeed.

Summing Up: Getting the Right Balance

These three stories remind us of Goldilocks and her porridge: one is too little, one is too much, and one is just right. Krispy Kreme's lack of restraint in its growth strategy pushed its system beyond its capacity to deliver profitable growth and shaped a culture that allowed leaders to make poor decisions. Dell tried to change its strategy, but its entrenched culture and existing capabilities restrained it too much. Pizza Hut under Novak found the "just right" balance by building operational capability and capacity to sustain growth at the same time it delivered performance.

Restraint and growth go hand in hand. Leaders who deliver enduring growth push themselves and their organizations as far and as fast as they can, but no further. They find ways to perform in the short term while transforming for tomorrow's growth. Like an endurance athlete, they build critical capabilities and pace themselves to conserve energy and prevent injury. Most importantly, they build up capacity within their system to sustain growth.

? Ask Yourself . . .

1. Which of the companies in the three case studies is most/least similar to your own?
2. What are the implications of these similarities and differences?
3. What kind of leadership behaviors do you see in your own business that shape how much or how little restraint is shown?
4. How might your business (or team) benefit by better utilizing Intelligent Restraint? What would be the benefits to the business (or team) and to those who are part of it?

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