

Facilitator
Guide
The 5
Disciplines



White Paper: The Five Disciplines of Adding Zeros

A White Paper
adapted from

Pulling Profits Out of a Hat

By Brad Sugars &
Monte Wyatt

The logo for 'addingZEROS' is centered in a white circle. It features the word 'adding' in a grey sans-serif font, followed by 'ZEROS' in a bold, dark green sans-serif font. Above the text are four small colored dots: yellow, red, blue, and green.

addingZEROS



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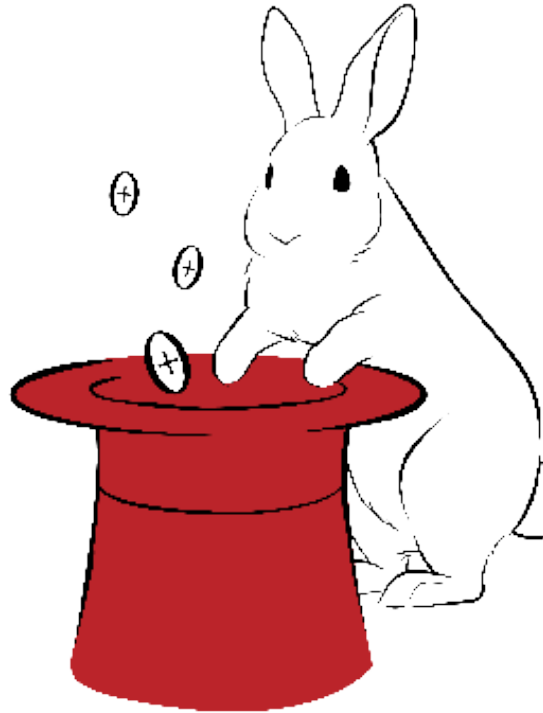
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THE FIVE DISCIPLINES *of Adding Zeros*

People look at phenomenal business success and call it magic.

*Magic isn't real;
it is really hard work.*

That being said, we believe in the magic of adding zeros - and we want you to believe in it too. In order to do that, you first need to accept that it's possible to grow beyond what you are now, and that such growth can be and should be exponential.



We know. That can almost seem like believing in magic.

This white paper, adapted from our book, *Pulling Profits Out of a Hat*, is an introduction to, and an overview of, what we call the Five Disciplines for Adding Zeros to your business. It's a way of creating exponential growth - and creating an engaged workplace. Many of us grew up believing

THE FIVE DISCIPLINES OF ADDING ZEROS

that there's only so much to go around, and if someone else gets a big piece of the pie, that means there's less for us. Most of us learned to base our sense of self-worth on comparisons and competition, and to believe that our success results from someone else's failure.

Stephen Covey, in his classic *The 7 Habits of Highly Effective People*, called this attitude the Scarcity Mentality. According to him, People with a Scarcity Mentality have a tough time sharing recognition and credit, power or profit—even with those who help in the production.

They also have a hard time being genuinely happy for the success of other people... The Scarcity Mentality is the zero-sum paradigm of life.

A Scarcity Mentality is the belief that resources are always inadequate. Thinking that we have to compete for money, opportunity, or recognition means someone has to lose, and the fight is one to make sure the loser is someone else. Living and working like this leads to incredible paranoia, fear, and anxiety. No one trusts anyone else and everyone

THE FIVE DISCIPLINES OF ADDING ZEROS

is deathly afraid of making any mistake. Under these conditions, teamwork and innovation suffer and growth of any kind is practically impossible.

As much as we'd like to believe that everyone is optimistic, forward-thinking, and generous, we look around and know that's not true. We know that it's often possible for a forward-thinking company leader to be surrounded by employees with a Scarcity Mentality.

Think about the people who work with you:

- Do they tell people how much they value their contributions?
 - Do they see challenges or opportunities?
 - Are they worried that someone is getting more than they are?
 - Are they glass-half-empty or glass-half-full people?
 - Do they acknowledge and appreciate all the



THE FIVE DISCIPLINES OF ADDING ZEROS

positives in their life and work?

- Do they give more than they receive, and do they provide more than just money?

We believe that the greatest danger of this kind of thinking is that it values profit above all else, because gain is the absolute proof that you won and someone else lost.

But wait, you say, profit is the bottom line of a for-profit business, right?

Our answer is: *Maybe....*

Hear us out. We think the concept of a business's profit has overshadowed a more important one: business success. These days, the term profit has taken on darker connotations as society accuses businesses of paying so much attention to profits that they ignore or even endanger workers, customers, and the environment. We believe

THE FIVE DISCIPLINES OF ADDING ZEROS

that in a healthy for-profit business, profit's proper role should be a consistent marker of a company's success and progress. A company should continuously monitor profit as a symptom of its health. Tracking profit this way reminds everybody of the shared goal they're striving for every day.

This use of profit is critical for fixing a common and dangerous problem in business: the "if it ain't broke, don't fix it" mentality. If it was good enough for yesterday, why shouldn't it be good for today and tomorrow? This thinking leads to department heads who mechanically repeat the same tasks day in and day out, and don't review, question, or think about how they expect different results. According to some, this is the definition of insanity.

So, where does this mentality come from?

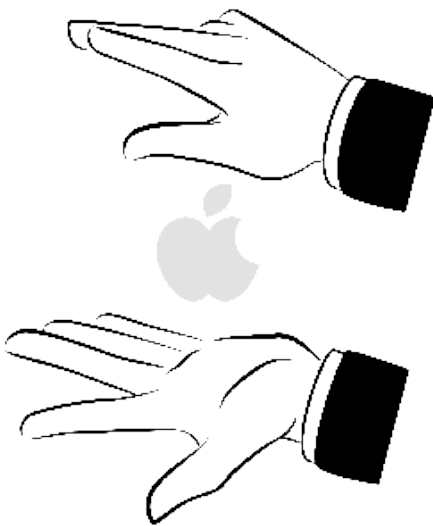
It comes from leadership. Leaders model behavior for their followers. So, if the boss is happy with the same-old-same-old, well, that ought to be good enough for everyone else. Why should the rank-and-file care about the business more

THE FIVE DISCIPLINES OF ADDING ZEROS

than its leaders?

We've worked with many companies that seem successful, content to set a 30% growth target that they usually define as increased profits, market share, or sales revenues. We believe that a Scarcity Mentality is holding them back from aiming at 30 times that.

The bottom line of business is having an emotional connection while being sustainable, predictable, stable, and consistent.



If all you're thinking about is profit, you're basically thinking that if you don't quickly grab what you

can, you'll end up with bupkis. This leads to the unfortunate and shared belief that every business functions like the commodities market for corn, wheat, and soybeans: consumers

THE FIVE DISCIPLINES OF ADDING ZEROS

demand access to a limited supply of product, and whoever finds a way to undercut or better a competitor's prices is the one who wins. It's the win-lose mentality.

The threat in this kind of thinking comes from believing that your business is precisely the same as your competitors', so the only way to sell your goods is to have the lowest prices.

If you haven't taken the time or effort to figure out the precise difference between you and your competition, it's seems easy to act like a commodity and compete on price because, in the short term, you'll



make a profit. But as soon as someone comes along with a magic bean (can we say iPhone?), your shortcut to profit will cripple you (can we say Blackberry?).

Profit from competing on price is definitely one way to distinguish yourself from the competition: you get a bigger piece of the pie and you win!

However, when your customers save money on your low prices they

THE FIVE DISCIPLINES OF ADDING ZEROS

have more to spend, and they do, paying \$5 for a latte at Starbucks.

Starbucks didn't achieve exponential growth by competing on price.

Starbucks, Apple, and other companies with exponential growth have worked so hard to add zeros to every aspect of their businesses that the cumulative effects are companies that are magically unique.

Some terrific companies are wildly innovative and change the way the world thinks or operates. But when they stick with what they like and fail to anticipate or adapt to changing market conditions or their customer's evolving needs, they crash.

BlackBerry once was the epitome of a great technology company: their products defined business communications. But once the smartphone came to market, their taste for a single product line that could only do one thing led to their decline. iPhones and Android-based smartphones led to increased technological expectations for electronic devices but, like Uncle

THE FIVE DISCIPLINES OF ADDING ZEROS

Ralph, they stayed with what they liked. As a result, they had an 87% drop in stock price and now sit on the couch, scowling at Apple and Google.

These companies hit their ceiling and crash down.

Remember: innovation is useful, but constant change is crucial. Always look to the future and over your shoulder, too.



EXCEPTIONAL COMPANIES *see* LIMITS as OPPORTUNITIES

Exceptional companies see the limits that hold everyone back and refuse to be confined by them. Consider pre-2007 smartphones, like those from Blackberry, that had buttons for specific tasks. If a company wanted to change what the smartphone could do, they had to add

EXCEPTIONAL COMPANIES SEE
LIMITS AS OPPORTUNITIES.

physical buttons to the phone and convince the public that the new features were worth the cost and hassle of getting a new device.

Then Apple's Steve Jobs got involved. He realized that as long as physical buttons dictated what a phone could do, they'd limit or even cripple the pace of innovation. His solution was to replace physical buttons with a touch-screen that could be continually adapted to the needs of the phone's software.

This meant that any developer could imagine new uses for the phone and never be challenged by its physical form. Need a new button/function in an app? Design it! The iPhone is infinitely adaptable to every new idea.

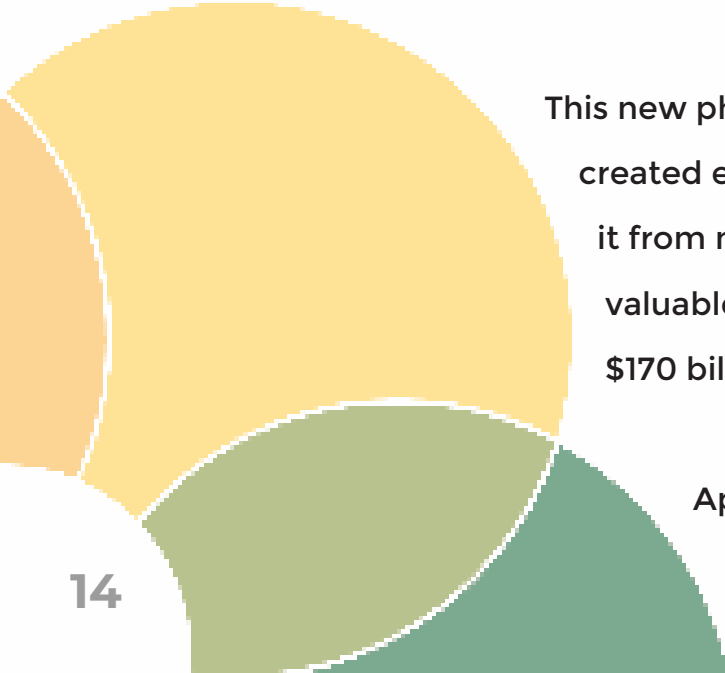
The iPhone has changed the world so much that there's no going back. The smartphone's adaptability means that as soon as someone can think of something to send to you on your phone, they can... and then charge you for it.

Apple's journey from building computers in a garage to the

EXCEPTIONAL COMPANIES SEE LIMITS AS OPPORTUNITIES.

largest technology company in the world was possible because of its belief in adding zeros, along with consistent, disciplined, and measured and mature follow-through. That's what's necessary for taking a company to the big time.

For a while in the '90s, Apple suffered as it sought to increase its market share of the PC industry, an industry where HP, Dell, and all the other PC makers simply lowered prices, improved performance, or targeted sales in different channels to steal each other's customers. Apple's then-leadership believed it needed to be more like HP and Dell, or even like Microsoft. But merely copying the success of either the PC makers or Microsoft wouldn't work because the soybeans Apple was selling were magic (see page 13). Apple didn't need market share; it needed market expansion. And when Steve Jobs returned and added zeros, they got it – and how!

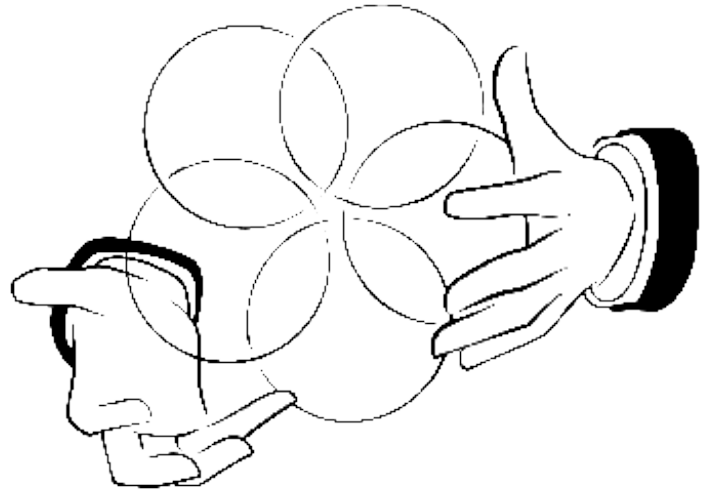


This new phase of the company's history created exponential growth that took it from nearly bankrupt to the most valuable company in the world, worth \$170 billion in 2017.

Apple is now much more than a computer manufacturer or

EXCEPTIONAL COMPANIES SEE
LIMITS AS OPPORTUNITIES.

software developer: it is the technology that makes our modern lives possible. Its ability to develop possibilities in every aspect of what it does – as we saw in the store where we bought our iPhone chargers – comes from its belief that



everyone has something to contribute to the ultimate goal of serving the customer, and that everyone must work together at all times to make that happen.

Apple is obviously the best example of how it's possible to grow exponentially while simultaneously building a long-term, sustainable organization. There are other examples, of course, and all of them have intention, drive, and purpose that create massive excitement in the world of business and the world at large.

THE LITERAL *POWER OF CHANGE*

We know you understand exponential growth, but let's use an example that'll remind you of its incredible power.

Let's say that you start an investment bank account with an opening balance of one cent.

Just a single penny. Yes, we know, what bank would accept that?... but indulge us for a moment.

Okay, now, every day for one month, make a deposit that doubles what's in

the account. So, on day

1, you add 1¢ for

total of 2¢; day 2, you

add 2¢ for a total

of 4¢, and so on.

Simple, right? Even silly. And yet, after just two weeks, or 15 days of doing this, your account

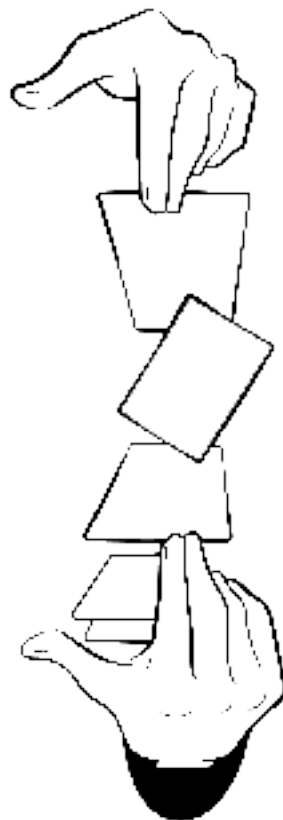


THE LITERAL POWER OF CHANGE

would hold \$163.84. Big whup, you say. But, keep doing it for another 16 days, for a total of 31 days, and now (drum roll, please) your balance is a staggering \$10,737,418.24. Yup, nearly eleven million dollars.

That's the power of exponential growth.

Okay, so you've probably already figured out that to add more pennies to your bank account every day, eleven hundred million pennies have to come from somewhere. If you had them to begin with, you wouldn't need the exercise!



So, where do those additional pennies come from?

Okay, now think about how many times you've seen a penny on the sidewalk and just bypassed it. What's your threshold for picking up small change? Will you pick up a nickel? A dime? Will you pick up a quarter? Do you just dump your coins into

THE LITERAL POWER OF CHANGE

the tip jar at the coffee bar to save yourself the trouble of putting it away? A lot of us ignore small change because we don't have time for it. We've already got big bills in our wallets, so we don't sweat the small stuff.



The point we're making is that there are hundreds, thousands, and even millions of small things in your business that you're stepping over because you don't think they could be valuable. But as we've seen, those small things add up. And once momentum gets established, your return will quickly surpass your initial investment.

This should give you an idea as to why most businesses are essentially stagnant: they think they're too big or important to collect the money that's lying at their feet.

Still think you don't have time for the small stuff?

THE LITERAL POWER OF CHANGE

For us, the small stuff that businesses usually ignore is morale, emotional connections, employee engagement, employee retention, and impact on our communities. But when a company commits to exponential growth by making even a modest investment in itself, it can achieve optimal success—as if by magic.

The organizations that have indeed left their mark on the marketplace are those that have grown exponentially; they have multiplied their results, not just added to them, bringing them optimal business success.

PROFIT IS *NOT ONLY* THE DEFINITION
of Business Success

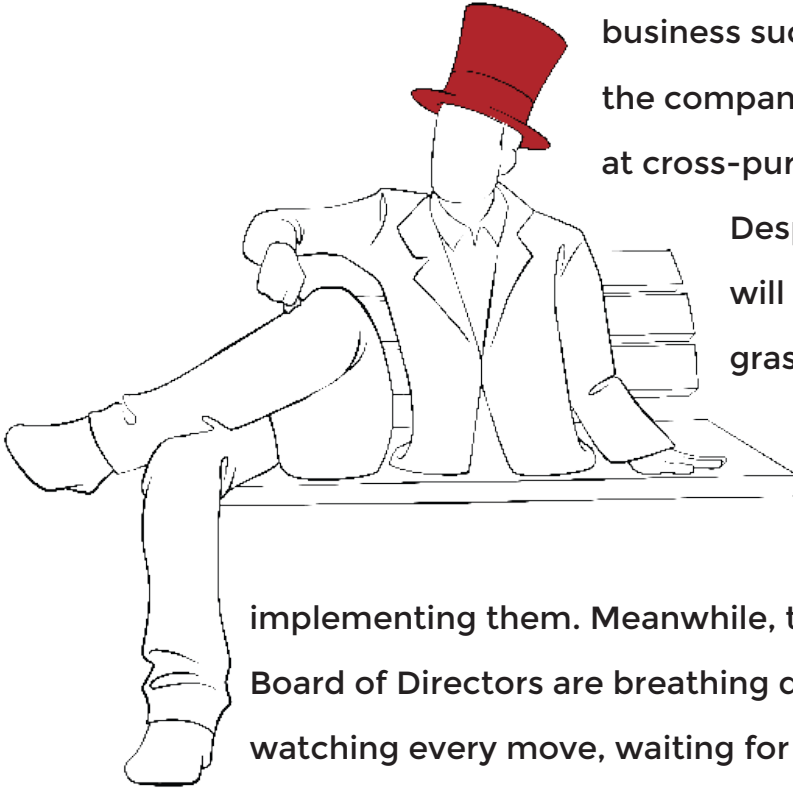
Optimal business success sounds good, but what does it mean?

We can't repeat it enough. Our definition of optimal success is having an emotional connection while being sustainable, predictable, stable, and consistent.

Without a mutually understood

PROFIT IS NOT ONLY THE DEFINITION OF BUSINESS SUCCESS

definition of business success, a lot of well-meaning people roll up their sleeves, get to work, and never get ahead. If they never define



business success for themselves and the company, they'll continue to work at cross-purposes without realizing it.

Desperate for anything that will get them ahead, they grasp at the latest theories, tackle too many ideas, and schedule tasks without fully

implementing them. Meanwhile, the shareholders and Board of Directors are breathing down their necks, watching every move, waiting for signs of what they call success. That's an awful lot of wasted effort.

Imagine how quickly this problem could be solved if everyone involved in the enterprise agreed on a definition of success that makes sense for the business, and then developed a plan that had realistic timing and goals to make that happen.

PROFIT IS NOT ONLY THE DEFINITION
OF BUSINESS SUCCESS

Wait... that sounds like a trick!

Nope. As we've said, not everyone is willing to take the time and effort that exponential growth requires, which is why some people would prefer to think that it's magic instead of hard work and discipline.

The *Miser's* Dream

There's a famous sleight-of-hand act, The Miser's Dream, that illustrates this.

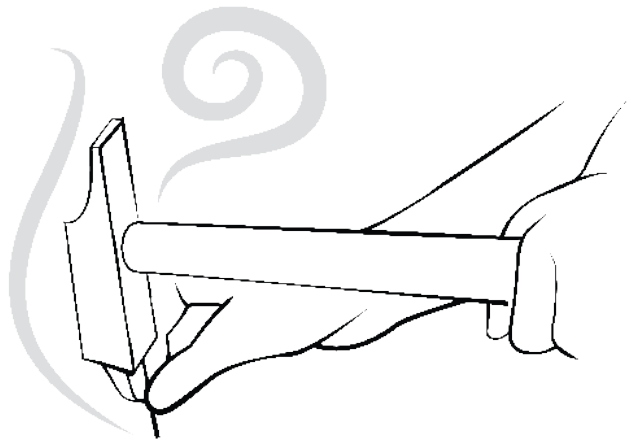
The magician in The Miser's Dream illusion begins by dexterously manipulating a coin to make it appear from thin air.

He then seems to drop it into a bucket, but he invisibly keeps it in his hand to make it look like he's pulled another coin out of the ether. He repeats this action dozens of times in the presentation, after having practiced it for hundreds, if not thousands, of hours to make it unnoticeable. And that's just one of the disciplines he's mastered to create awe in his audience.

THE MISER'S DREAM

Over the years, we've worked with thousands of successful companies that create magic for themselves and their customers, and we've found they all have devoted thousands of hours to the following:

- the things that will make them succeed;
- reaching a common goal with a high level of excitement and commitment;
- adding value to their clear niche in the marketplace;



- a higher purpose than just profit.

Mastering anything requires constant attention to the activity and the skills that it develops or improves. That's the meaning of discipline, and the five disciplines we're about to share with you enable you to perform what will seem like magic. When you and your team have mastered

THE MISER'S DREAM



them, they'll be so effortless that the public will never notice them, even if they're right in front of their noses. And just like a huge magic illusion on stage, every one of the five disciplines depends on and is seamlessly integrated with the others so the final result is greater than the sum of the parts.

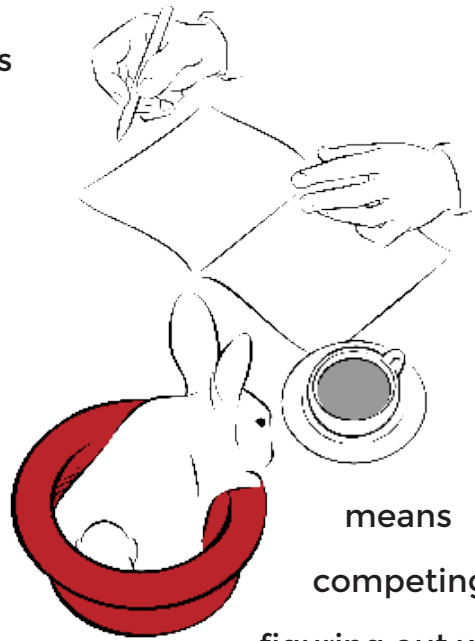
There's a reason only dedicated magicians succeed. Learning sleight of hand is frustratingly hard: your fingers don't move correctly, you drop things, that last move never goes right. But when your first audience gasps in awe, you know you're on to something, and you're hooked. When Steve Jobs was on stage and introduced the iPhone in 2007, he made it seem as if the iPhone were inevitable - but it took two-and-a-half years of experiment and failure, and a whole lot of confidence, to even consider making that kind of exponential growth happen.

Growth is about getting to the next stage, and whether that means a coin trick or the



THE MISER'S DREAM

iPhone, growing means using muscles you haven't exercised in a while, if at all. Growth is about entering into relationships and going places where you might have no experience. It's a constant state of discomfort, and that's good, because comfort is the death of success. Comfort taking the easy way out, like price and charging less instead of differentiates you from the competition so



means competing on figuring out what you can charge more.

You know what they say: if it were easy, everyone would be doing it, so many people do the easy thing. If you look at it that way, you can

see that something that makes you uncomfortable

doesn't necessarily mean it's something to

avoid. In fact, when you recognize that

discomfort is usually just a reaction to

something that's unknown, feeling

uncomfortable could be a useful way

for you to realize that something is not

necessarily wrong, it's just new.

For a lot of companies, the

THE MISER'S DREAM

process of asking questions and seeking answers about goals for business success is new. It feels uncomfortable. That's especially true when leaders are complacent or asking questions that could reveal problems long ignored. But that doesn't make it wrong. It actually makes it necessary.

.....

Asking Hard Questions is the
difference between GOOD
COMPANIES and GREAT ONES

.....

For us, this is the difference between the companies that are merely good and those that are great. You may believe that some companies are born great or some have greatness thrust upon them, but we think you achieve greatness with a clear idea of where you want your business to be and a sound strategy for getting it there. This happens through decisive action, conscious choices, and disciplined leadership.

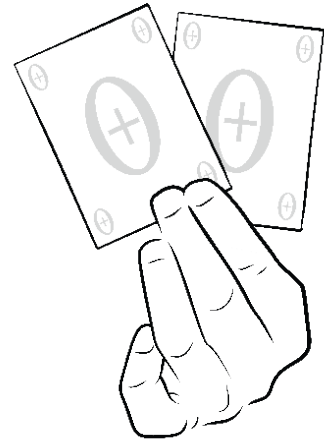
We've identified the five disciplines that help leaders achieve sustainable, predictable, stable,

ASKING HARD QUESTIONS IS THE DIFFERENCE
BETWEEN GOOD COMPANIES AND GREAT ONES

and consistent success. They are

- Strategy
- Business Development
- People
- Execution
- Mission

They work together with pinpoint precision, much like the performers, equipment, and technicians in *The Miser's Dream*. It might seem like one is more important than another, but the whole thing falls apart when they're out of balance. Mastering



these disciplines takes time and dedication, but that's what needs to happen to get the crowd to believe you've created magic.

Let's look at each of the five disciplines and how they make adding zeros possible.

1) The Discipline Of Strategy – Sustainability

Your business strategy is your articulation of the way you do business. It consists of two parts: where you want to go (your goals), and the roadmap that gets you there (your plan). Since every company, even those in the same business sphere, is different, every business strategy is different. The important thing is that your plan is appropriately designed to achieve the goals you've set.

Most businesses have built their business models around a product. As a result, they don't have sustainable strategies for their companies: if their product starts to falter in the marketplace, they can't recover (see BlackBerry). These companies believe that the sales strength of their products proves they have successful strategies, but the truth is their strategies are for their products, not for their companies.

Strategy is not about products.

Strategy is about skillful management that attains an end. And that end is more than margin, profit, or revenue – it's sustainability: your business outlasting your competition and, ultimately, you. We call this winning.

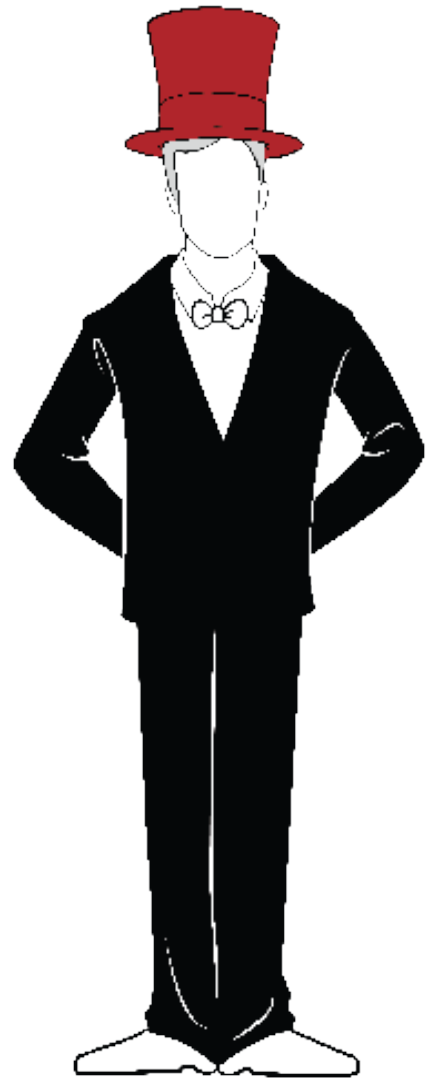
1) THE DISCIPLINE OF STRATEGY – SUSTAINABILITY

Winning, or ensuring sustainability, is one of the prime duties of senior management of any organization. Winning becomes a lot easier when leaders have a clear strategy to guide their decision-making process, because a clear strategy defines how an organization will win.

A clear strategy provides a vibrant picture of what winning looks like for the company, and every department and every position. It identifies who is doing what to achieve which goal by when.

Without a clear strategy:

- there's no clear direction for the company, so you can't achieve the growth needed for your goals;
- there's no commitment or buy-in from the team, so you can't attract and retain



1) THE DISCIPLINE OF
STRATEGY – SUSTAINABILITY

great people;

- there's no business model to drive the organization, so business development becomes a struggle;
- the business is very reactive, so profit is inconsistent or non-existent.

If the team is to continually and consistently implement the company's strategy to succeed, it is critical that everyone can state the company's strategy in a single concise sentence. When the strategy's clear, everyone instantly understands it. When it's a single sentence, it's easy to remember, repeat, and talk about. A concise strategy that's continuously present within the company means that it's first and foremost in everyone's mind, making it easier to make it the focus of everything the company does.

How do you know if your strategy is clear?

Every employee should be able to state it in a single sentence. Let's look at a few examples that illustrate this.

Southwest Airlines' single-sentence strategy is wheels up, a reminder that the company is only

1) THE DISCIPLINE OF STRATEGY – SUSTAINABILITY

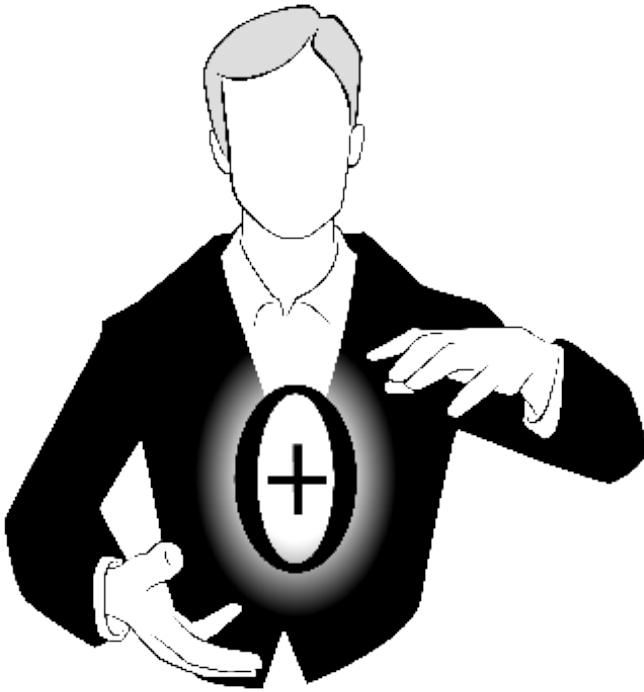
making money when its planes are in the air. Everyone works to keep the fleet on the ground for as short a time as possible. Pilots and attendants work with ground crew to clean planes between flights. Passengers line up with no seat assignments and fill the plane as quickly as getting on a bus. All their planes are Boeing 737s, so crews and staff have to know only one type of aircraft. The answer to any questions is, does it get ‘wheels up’?



The result is a company that’s been profitable for over 44 consecutive years – no mean feat in the airline industry. Southwest Airlines has also appeared for 22 straight years on FORTUNE Magazine’s list of World’s Most Admired Companies, ranking number seven in 2016.



General Electric’s single-sentence strategy grew from CEO Jack Welch’s goal in 1981 to make GE the most competitive corporation in the world. This became Number One or Number Two in all business categories, or fix it, close it, or sell it.

1) THE DISCIPLINE OF
STRATEGY – SUSTAINABILITY

Twenty-five years later, in 2005, this iconic American multinational corporation filed a federal tax return that was 24,000 pages long in a 237-megabyte data file. IKEA's business strategy in a single sentence is Flat-pack furniture. Ikea caught the international imagination by providing a wide range

of well-designed and functional home furnishings at prices so low everyone can afford them since their flat-packed furniture ships so cheaply.

What does sustainability mean?

You probably noticed that these three companies have a few things in common: they're household names, they've withstood the test of time, and they're all big.

1) THE DISCIPLINE OF STRATEGY – SUSTAINABILITY



Here's another similarity: they all continue to grow because their business models, while specific to each one's markets and needs, are based on business sustainability. The main reason most businesses aren't very good at creating sustainable strategies is that they don't address each of these four critical issues:

1. Opportunity
2. Leverage
3. Scalability
4. Marketability

2) The Discipline of Business Development – Predictability

Wouldn't you do just about anything to be able to predict the future sales, growth rates, or profits of your company, even if they were negative? You'd be able to take action to make the most of the

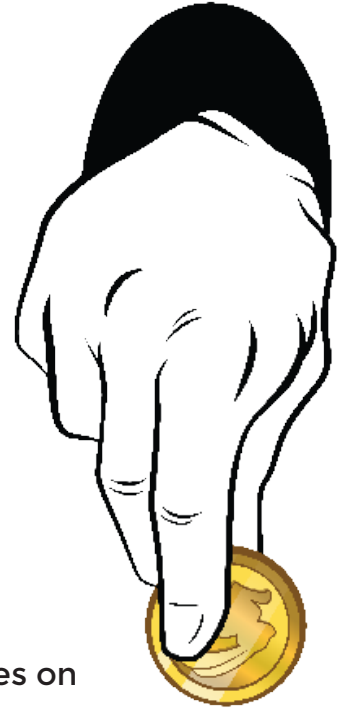
1) THE DISCIPLINE OF
STRATEGY – SUSTAINABILITY

opportunities or prevent the calamities. That's why we consider predictability the Holy Grail of business.

Interestingly, you increase predictability when you focus on people instead of profit, because people are creatures of habit. According to an article by New York Times reporter Charles Duhigg, about 40% to 45% of what we do every day sort of feels like a decision, but it's actually habit.

It stands to reason that the more a business focuses on customers (who are creatures of habit) instead of sales, the more likely it is that the business will succeed.

If you only focus on sales (profit), you'll lean toward competing on price. But focus on your relationship with your customers, and not only will you learn what led them to buy from you in the first place, you'll also learn what keeps (or could keep) them coming back. In other words, instead of generating random sales through pricing structures, you'll be adding



2) THE DISCIPLINE OF BUSINESS DEVELOPMENT
– PREDICTABILITY

zeros through your growing base of satisfied customers who like you and want to continue their relationship with you.



This creates incredible sustainability for your company.

SUSTAINABILITY *should be the primary concern of any business.*

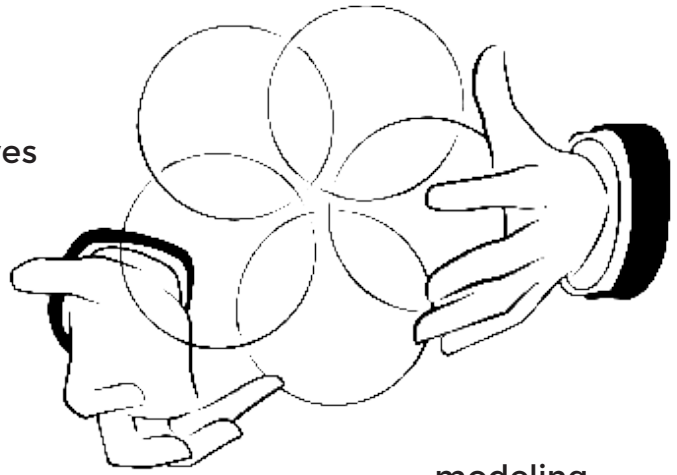


Predictability creates sustainability, and predictability comes from understanding the causes of past growth to calculate future exponential growth.

Here are two companies that believe their relationships with people are more important than bottom line profits... and yet, they are very successful.

2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY

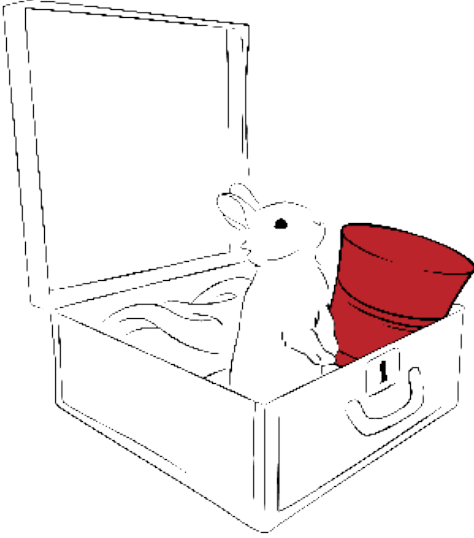
Hyatt, the iconic American multinational hotel chain, drives revenue by building brand preference. The company uses sophisticated, quantitative strategic analytics and predictive tools to identify the most enabling it to leverage choice in all facets of marketing. Hyatt's strategy is rooted in a comprehensive understanding of its customer segments, the dynamics of the markets in which it does business, and the effective use of new technologies.



modeling
profitable customers,

To that end, it focuses attention on the center of its worldwide marketing efforts: the website at hyatt.com. Dedicated teams drive sales traffic, search engine optimization, site management, social media and the all-important Central Booking System, which continually improves upon the customer's booking experience. A crucial part of Hyatt's strategy for

2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY



building and leveraging relationships with core customers is a specialized loyalty program for meeting planners because the organization's ability to grow top-line revenue focuses on selling conference facilities to the business sector worldwide.

Hyatt's sophisticated mix of modern technology and traditional marketing methods has enabled it to achieve predictability through hyper-focus on the needs of distinct customer segments that its different brands serve.

Airbnb is an online marketplace and hospitality service founded in 2008. It's an excellent example of a company that's achieved exponential growth through its mastery of the five disciplines, especially business development and predictability.

Airbnb is a go-between for travelers and hosts, charging

2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY

hosts a 3% commission to rent their properties as short-term accommodations, and charging travelers 6-12%.

Airbnb has over 3 million listings in 65,000 cities spread over 191 countries around the world. By March 2017, the organization had raised more than \$3 billion in funding, with the company valued at \$31 billion.

As Airbnb owns no infrastructure and therefore has no real estate assets, its entire value derives from the level of trust it creates between hosts and their guests. Airbnb requires that each party completes detailed user profiles so both sides can learn about each other before they meet. Perhaps most important, though, is the public rating system that hosts and guests complete after each stay and Airbnb posts online. The Executive Director of Digital Marketing at Fairmont Raffles Hotels International, Michael Innocentin, writing in *Hospitality.net* says that Airbnb have given their guests a voice.

Everything Airbnb does starts with its core customers. A comprehensive digital marketing strategy is centered around hosts and guests, leveraging their

2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY

experiences. Airbnb shares guest photos on social media, runs a blog with local content curated by hosts, and allows hosts and guests to customize its logo. Airbnb encourages users to invite new members to try its services via email, a powerful referral tool, with referrers receiving a \$25 travel credit when new members undertake their first trip and a \$75 credit when they host for the first time.



Airbnb understands that when guests feel heard, they'll advocate enthusiastically on its behalf, both online and off.

Understandably, predictability is every marketing person's dream. Ironically, though, we believe that one of the biggest challenges

2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY

to predictability is that a company's marketing efforts are often inconsistent. To gain that consistency, it's necessary to know and understand the numbers that drive your organization's results. You need to comprehend such things as:

- the return on investment (ROI) you get from your marketing efforts;
- how long it takes to close a typical client;
- your average client retention;
- the lifetime value of your customers
- how much your customers spend, on average, every time they make a purchase.

It's not enough to know these numbers: you need to use them to educate each person in every department as to how their efforts

2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY

contribute toward the desired result of exponential growth.

Excellent business development and predictability comes from testing and measuring your numbers

in three essential areas:

1. Marketing
2. Sales
3. Customer Service



3) The Discipline of People – Stability

We regard the people who work for your business as being so fundamentally important that we have characterized them as a Discipline in their own right.

A company that lacks stability in this discipline:

- is often distrusted by its staff;
- struggles to find the right people to hire;
- lacks clarity in defining the organization's roles;
- has a team that works the absolute minimum required. An organization that is stable in this

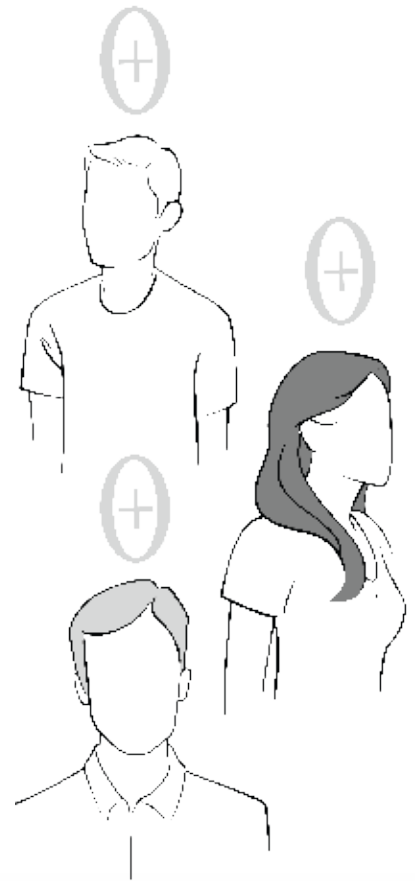
2) THE DISCIPLINE OF BUSINESS DEVELOPMENT – PREDICTABILITY

discipline has:

- high employee morale;
- a very high staff retention rate;
- customers and employees who are treated with the same respect.

So, the first thing to understand is that, as a leader of business, you don't build your business, you develop your people, and they build the business. When CEOs get this right, everything flows from there. The second thing is that exceptional people build excellent companies. The third thing is that the People discipline is all about the stability of an organization.

The CEO assembles the team that builds the business, so a business's greatest asset is its people. And when leadership regularly and consistently develops those people, they'll have a great company with high employee engagement and retention.



3) THE DISCIPLINE OF PEOPLE – STABILITY

Having great people on board leads to a stable business that can weather problems and grow exponentially.

**Businesses are a reflection of their people:
they get the staff they deserve.**

When business leaders complain about the poor quality of the labor market these days, saying people aren't as loyal as they used to be, we think they need to examine how many zeros they have in this discipline. Companies that think they have people problems need to examine their practices. Maybe the real challenge is that there's a fundamental flaw in the way the company leads their employees.



Organizations that add zeros to the People discipline are super-attractive to workers and have no difficulty retaining people. When Apple redefined employment as the core of its culture, it added full education reimbursement for workers to its list of employee perks. This

3) THE DISCIPLINE OF PEOPLE – STABILITY

created an attraction strategy that appealed to the type of employees it wanted to hire and further differentiated it from its competitors. This

means that the people who work for Apple are even more dedicated to the company's culture. They make sure Apple succeeds because it benefits them directly.



Marriott International Inc., like Apple, understands that people are the foundation of a stable business because without the right people there is no business. And the people at Marriott have built a company with more than 6,500

properties in 127

countries and

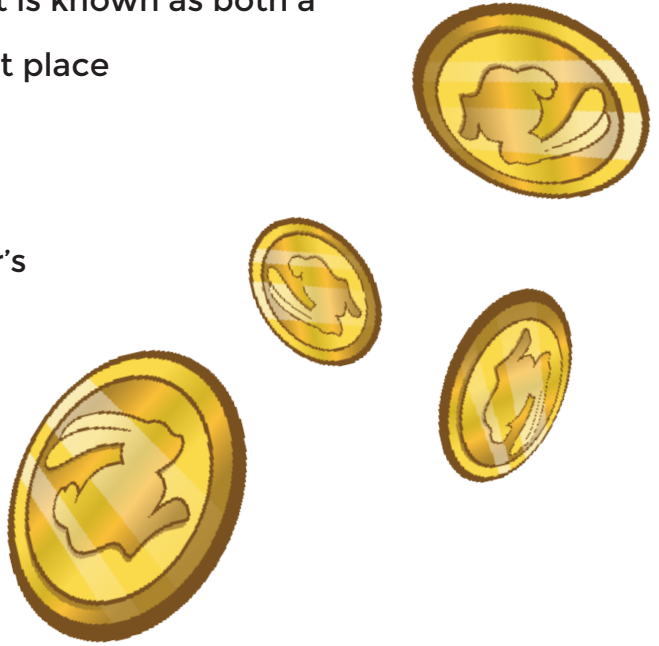
territories around the world, and revenues of more than \$22 billion in the fiscal year 2017.

In 1927, J. Willard Marriott founded his company on this idea: take good care of the associates, and they'll take care of the guests. Today,

3) THE DISCIPLINE OF PEOPLE – STABILITY

Marriott is an organization that is known as both a great place to work and a great place to stay.

At Marriott, a general manager's average length of service is 25 years, exceeding the industry standard. Of the 361,000 people who work there, some 10,600 have more than 20 years' service.



Marriott sowed the seeds of its remarkable employee program in 1927, when John ran a root beer stand with his wife, Alice. Once, when one of their three employees didn't show up for work,

Mr. and Mrs. Marriott had to pull root beer and wash mugs all day. This experience led them to eventually employ both a doctor and a surgeon to take care of their employees, and to take kids off the street to teach them how to cook.

Mr. Marriott promoted from within, turning hourly workers into managers.

3) THE DISCIPLINE OF PEOPLE – STABILITY

The Marriotts still pride themselves on mentoring new employees, whom they hire based in the first instance on their personalities and friendliness. Hire friendly, train technically is one of Marriott's slogans, and it's resulted in many Marriott employees now serving as executives who started out pushing housekeeping trolleys, working as waiters, serving as security guards, or working in sales at the entry level.

Today, employees also enjoy flexible scheduling, an assistance-scheme line, healthcare benefits and travel deals. At the hotels, every shift starts with a 15-minute stand-up meeting that includes stretching exercises, music, and dancing. Who wouldn't want to work there? Attracting and retaining skilled people is the result of investing in three critical areas:

1. Leadership
2. Talent Development
3. Recruitment

4) The Discipline of Execution – Consistency

Earlier, we faulted businesses that do the same-old, same-old every day.

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

Now we're going to seemingly contradict ourselves, because we want to make the point that there's a general lack of consistency in businesses today between team members, departments, and divisions, resulting in too much variation in customer interactions. This is extremely problematic for the sustainability of your company, because today's consumer demands reliability from your company. Consistency provides familiarity and a level of assurance that you have your act together, you're in control, and you're dependable.

Holiday Inn hotels was founded in 1952 by Kemmons Wilson when he was disappointed by the inconsistent roadside accommodations he encountered while on a family road trip from his home in Memphis, Tennessee, to Washington, D.C. He decided to build his own motel chain that would be remarkably consistent in just about every way. This

familiarity helps guests feel comfortable no matter where they are, which means they continue to use Holiday Inns for all their travel.

THE CUSTOMER COMES FIRST.

Without customers, nothing else matters.

There are only two kinds of customers: new customers and

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

returning customers. If you want the first group to become the second, and you want the second group to continue with you, then everything you do must be customer-focused. These days, finding someone else to supply one's needs is just a Google search away. To retain your customers and grow your base, customers should know what to expect every time they interact with any aspect of your company.



Imagine being the customer of a company that's inconsistent with its customer-facing operations – unfortunately, we've all been there at least once. Such companies are usually plagued with the following maladies:

- employees don't know what's going on and who's doing what;
- micro-management;
- poor communication;
- lack of follow-through;

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

- unclear processes and expectations;
- no clear goals or measures of success;
- little to no profit.

Now, think about working with a company that's consistent in its operations and exhibits the following characteristics:

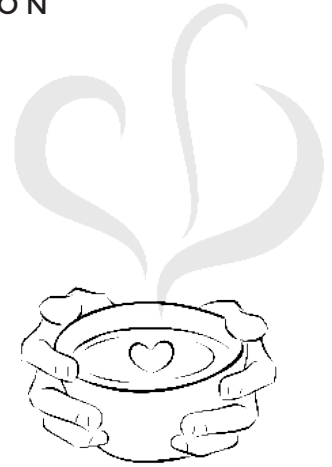
- customers enjoy the same experience with every member of the team;

- everyone does what they say they'll do;
- employees have responsibility for their roles and are confident in their abilities;
- it's proactive and one step ahead of the competition;
- it's always looking for a



4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

- better way to do things;
- it demonstrates financial confidence and stability;
 - it forecasts a positive economic outlook for the months ahead;
 - its processes and efficiencies show constant improvement;
 - it practices good management with no micro-management;



Companies that nail execution of their business strategy have researched and perfected what actually works, and that's how they manage processes while leading people. These businesses guide their people in the consistent execution of fine-tuned processes, every day, in every transaction, by everyone, recognizing that means lots of repetition. Sustainability depends on consistency, which depends on all employees understanding how their actions support the company's goals.

The reason all Southwest Airline crew members pick up trash

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

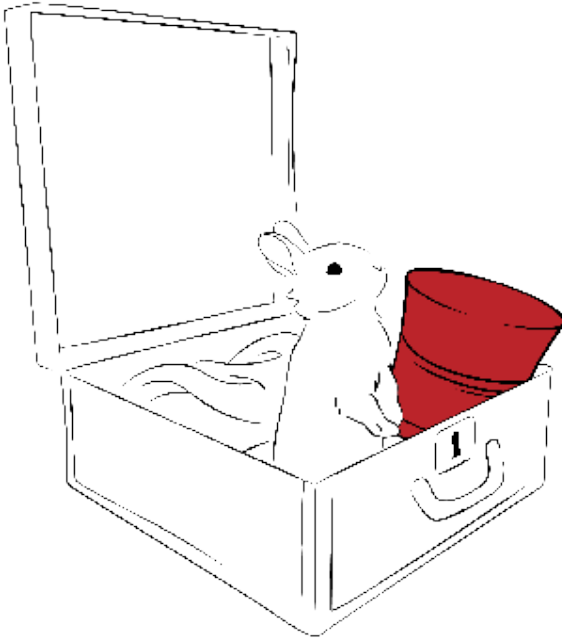
is that they know their efforts lead to quicker plane turnaround, which increases their on-time record, which increases customer satisfaction, which increases repeat business, which increases growth. High-level, consistent performance like that is the hallmark of great execution.

In 2001, the 5,000-room MGM Grand Hotel and Casino in Las Vegas was bringing in \$175 million a year. But when the economic downturn began, tourist numbers began falling and MGM Grand's president Gamal Aziz looked at how to cut costs. Realizing that major changes would affect operations, he made use of the knowledge and experience of his 10,000 employees and asked them how to improve the hotel.

Responding to his respect for their expertise, they explained that lack of communication made it difficult for them to improve customer satisfaction. They couldn't wow guests and increase loyalty ratings because management kept them in the dark about who the guests were or what conferences the hotel had booked. Aziz immediately showed he was listening by initiating short meetings at the beginning of every shift to inform everyone

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

about what the hotel was doing each day.



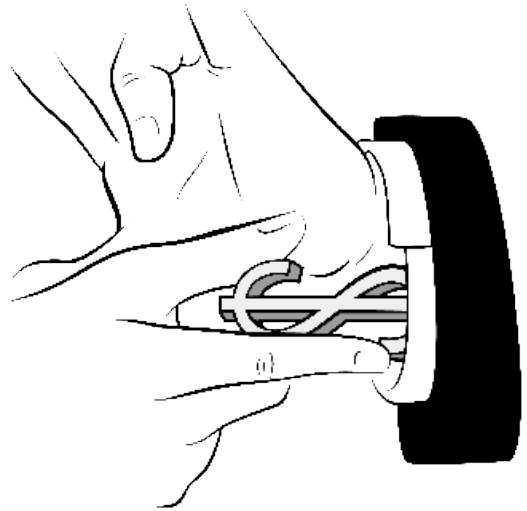
Sharing the adverse news of a downturn with his employees set Aziz apart from the typical management practice of only engaging with employees in good times. Being honest and straightforward with his employees paid off: subsequent surveys showed that 90% of Aziz's employees were satisfied with their jobs.

According to Aziz, Employee engagement in times of difficulties and severe economic climate is far more profoundly important now. Employees are willing to give their all when they are well treated and appreciated. And the ability to unlock that potential is a competitive distinction ... it's their decisions, their actions,

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

their attitude that really make the difference. Imagine taking 10,000 employees, and each and every one of them wanting to give more. That's really the difference between us and a company that has its employees just punching the clock and trying to get through the day.

As you can see, great execution comes from good management practices using communication, updates, and progress status reports to ensure that the right things are getting done at the right time.



Once management at the MGM Grand Hotel and Casino began the process of reliably communicating all information, good and bad, to its employees, it added zeros to this facet of its operation while giving them freedom because they knew what to expect.

A company that executes its strategy with consistency

4) THE DISCIPLINE OF EXECUTION – CONSISTENCY

is one that has made performing its various processes a habit; there's no need to think about what to do at any given juncture as the next step is reflexive and automatic. When the company as a whole is committed to consistent



excellence as a series of habits, it shifts focus from the individual's responsibility and initiative to that of the entire business and its practices built around processes, management, and financials.

Excellent execution of a business strategy depends on developing consistent habits in three critical areas:

1. Processes
2. Management
3. Financial Controls

5) The Discipline of Mission — Emotional Connection

The Discipline of Mission is not what it sounds like. This discipline is not about mission statements that purportedly explain a company's reason for being, like these:

PayPal. To build the Web's most convenient, secure, cost-effective payment solution.

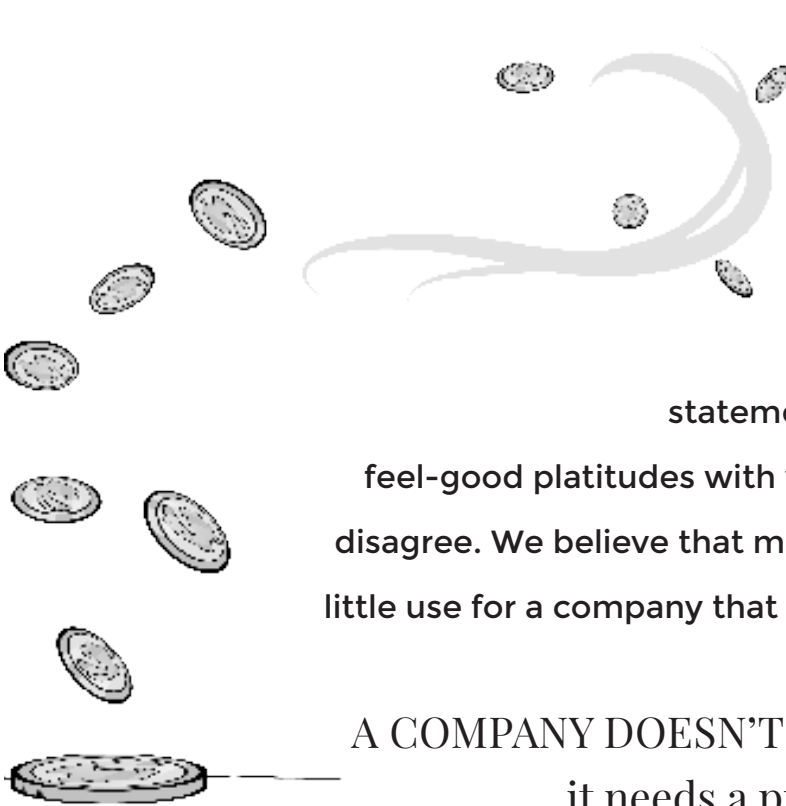
Intel. Delight our customers, employees and shareholders by relentlessly delivering the platform, and technology advancements that become essential to the way we work and live.

Sony. To be a company that inspires and fulfills your curiosity.

DuPont. To create shareholder and societal value while reducing the environmental footprint along the value chains in which we operate.

Do any of these statements help you understand how these companies achieve their goals? Do any of them help you feel connected to the

5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION



company? In our opinion, mission statements frequently are esoteric, future-orientated

statements filled with

feel-good platitudes with which few people will disagree. We believe that mission statements are of little use for a company that wants to add zeros.

**A COMPANY DOESN'T NEED A MISSION,
it needs a purpose.**

A company should spotlight its impact on the world and answer its employees' question, Why do I go to work every day? This is a more profound existentialist question about what the company does in the here-and-now.

For us, the Discipline of Mission is the reason the company does

5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION

what it does. It describes the whole environment of the company, how it gives back to the community, and why it exists other than just to make money. It outlines a win-win-win situation where the organization grows and employs more people, who then have more money to spend, enabling other businesses to grow. It's about social responsibility.



Social responsibility extends to your employees, your products, and everything your company does. Social responsibility means more than making a positive difference in the lives of our employees and our communities: it involves creating positive change in the world.

Doing this adds zeros to

5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION

your company and everything around you.

We believe that purpose statements built along these lines create strong emotional connections between a company and the people who work and interact with it. E.M.

Forster, in *Howards End*, uses the term *only connect* to remind us of the moral importance of connection between individuals, across the barriers of race, class, and nation.

A company that does not score highly in the Discipline of Mission exhibits the following features:

- employees have jobs rather than careers;
- people tend to show up just on time or late, and leave early;
- high employee turnover;
- there are low engagement



5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION

and inadequate involvement with the local community.

A company that fully engages in the Discipline of Mission tends to have employees who:

- have an emotional connection with the company;
- are happy in their jobs and don't regard it as work;
- view their roles as a calling rather than a job;
- are admired in the community.

Chick-fil-A is an American fast food restaurant chain specializing in chicken sandwiches. Headquartered in the Atlanta district of College Park,

Georgia, since 1946, it is one of the largest family-owned businesses in America.

The Cathy family, which owns this company of over 2,000 restaurants, operates it based on Southern Baptist beliefs, closing on Sundays, Thanksgiving and Christmas Day. The company's giving



5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION

philosophy states that Everybody's job at Chick-fil-A is to serve: no matter our title or job description, our reason for coming to work is to generously share our time and talents. Whether it's treating customers like friends, or serving our communities like neighbors, we believe kindness is a higher calling.

And they practice what they preach. Chick-fil-A's restaurant operators give away food year round to those who need it most: local shelters and soup kitchens, and to first responders and victims after a disaster. And they assist their own employees in achieving their higher education goals. Chick-fil-A employees are encouraged to volunteer on company time to pack meals for hungry children, tend to community gardens or help out at food banks.

Chick-fil-A believes that working for them is about more than just serving chicken; it's about having a positive impact in the local community.

S. Truett Cathy, the company's founder, once said, Nearly every moment of every day we have the opportunity to give something

5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION

to someone else – our time, our love, our resources. I have always found more joy in giving when I do not expect anything in return.

The discipline of mission enables people to connect to your company. It's composed of three main ideas that define your company:

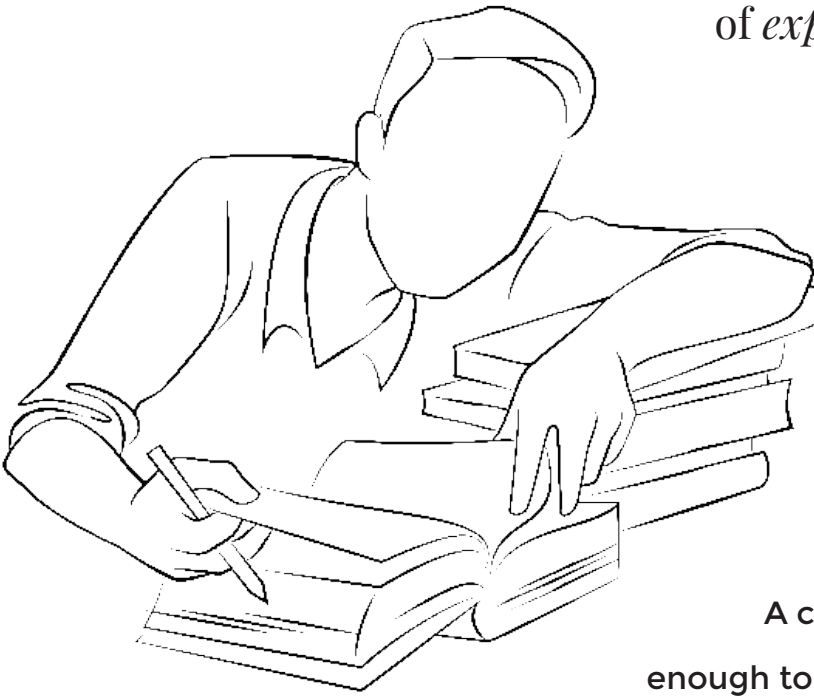
1. Core Values
2. Purpose
3. Giving back

In theory, every business has the Five Disciplines already in place and is therefore capable of achieving exponential success by adding zeros to each of them.

Unfortunately, when companies put each discipline in a separate silo, treating them as standalone components of the organization, there's no compounding effect of exponential growth.

5) THE DISCIPLINE OF MISSION
– EMOTIONAL CONNECTION

The COMPOUNDING EFFECT
of *exponential growth* can
only begin when the
5 Disciplines are
working well and
in harmony.



So why are so many
businesses stagnant?

A company can grow
enough to last a while if they have

one to three of the disciplines working well. But in our experience, very few organizations recognize who they should be satisfying to grow their business: their key constituents. These are the people who, directly and indirectly, benefit from the company's success.

In a way, your constituents are the audience for whom you're creating the magic of your business, the people who only see the awe-

5) THE DISCIPLINE OF MISSION – EMOTIONAL CONNECTION

inspiring results of your hard work without realizing how much hard work happens behind the scene to make it possible. As we said before, when a company achieves something groundbreaking, people call it magic. Depending on their background and point of view, they have different belief systems that make it easier to believe in magic than the reality.

In chapter 4, we'll look at the five constituent groups, how their belief systems are addressed by the 5 Disciplines, and how that adds zeros to your business.

How The 5 Disciplines Add Zeros

We believe that every business, regardless of size, can add zeros.

That's the point of the 5 Disciplines. As long as you're satisfying your 5 constituent groups by adding zeros to the 5 Disciplines, it doesn't matter if you're a \$500,000, or \$5 million, or \$500 million company with thousands of employees.

Adding zeros to the various disciplines means improving things that can be measured. It's okay to

HOW THE 5 DISCIPLINES ADD ZEROS

measure things, and you should, because what gets measured improves. Once you start measuring something, you unconsciously try to improve it because you're watching it. You'll see your progress as you add zeros to the various things you measure. If you're not measuring progress in each of the 5 Disciplines, chances are the only thing you're measuring is profit, with all efforts going into improving that number, and only that number.



The Discipline of Strategy adds zeros through longevity.

Strategy is about creating momentum for the future, which is seeing where future desire and demand are headed and developing additional product lines to take advantage of those opportunities. It's thinking long term and big picture about what will make you incredible for a long time.

HOW THE 5 DISCIPLINES ADD ZEROS

You can't be incredible for a long time if you're only thinking about a single product. BlackBerry, sure, but also think Ford Mustang. If Ford had continued to manufacture the 1965 Mustang forever, it wouldn't be

sustainable as a business because it would have only been about that product. Instead, Ford went with a concept that added longevity: it made Mustang about how we feel

about ourselves. That gave Ford big picture

and long-term opportunity, leverage, scalability and marketability, the four components of a

good strategy. Ford has been around for over a

hundred years because it's thought about filling opportunities in the marketplace that benefit the consumer. You can measure zeros in

Strategy by the number of opportunities in the

marketplace you're filling and executing on.

This might mean that growth is slower than

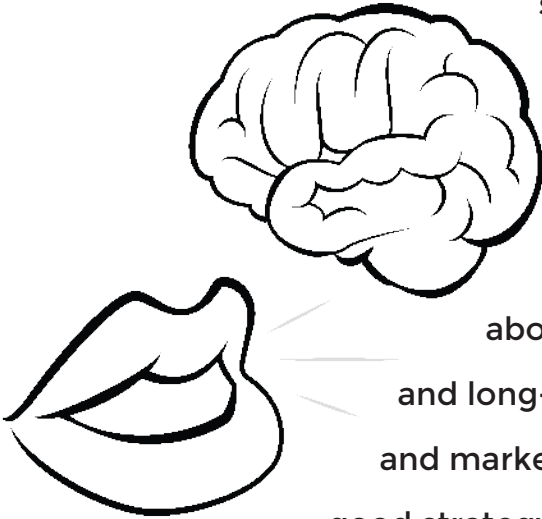
some might like, but if you're growing

fast, are you really adding zeros to

strategy? Growing fast isn't sustainable

if you're not satisfying your people,

your community, and your team.



HOW THE 5 DISCIPLINES ADD ZEROS

The Discipline of Business Development adds zeros through customer acquisition and retention.

Business development is about attracting the right client, servicing the right client, and having high client retention through great customer satisfaction and loyalty. Successful businesses don't want everyone to be their customer, so they target the specific people who are the best match for the business. This makes it easier to satisfy those customers and makes it likely that they'll be willing to recommend the company to their friends.

Let's say you're losing 20% of your customers every year, and you want to grow your customer base by 10% every year. You'll have to grow 30% every year to reach that 10% growth. But imagine that, instead of losing 20% of your customers every year, you still had every customer you'd ever had since the first day you started business. Now all you have to do to grow 10% is get 10% more customers.

Attracting the right customer is marketing, and keeping them is customer service. You can

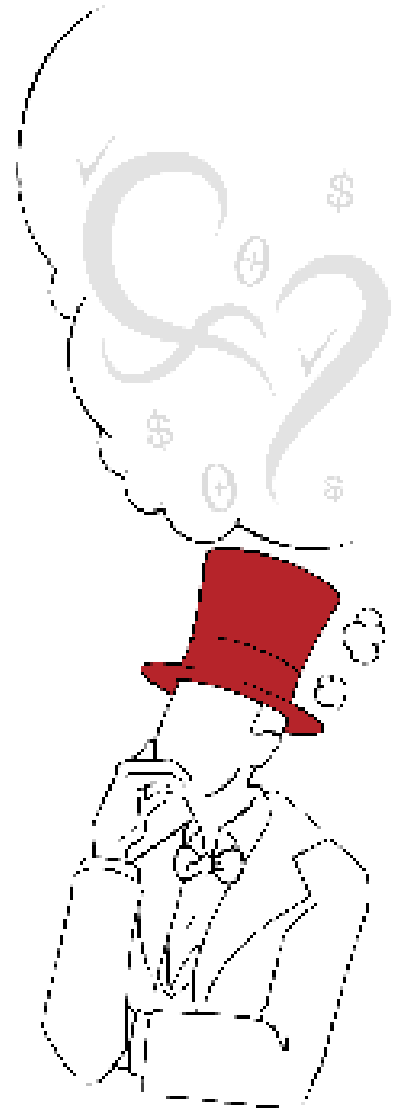
HOW THE 5 DISCIPLINES ADD ZEROS

measure marketing and sales by number of new customers you gain, and measure customer loyalty by the number of sales to returning customers.

The Discipline of People adds zeros through employee engagement and retention.

The CEO of a 500-person company asked his IT department to complete an important job by a particular date, and their first response was, that can't happen. The CEO pushed them, saying, well, we need this for the customer and their engagement. The IT department told him it would take at least a month longer than the date he indicated, and they refused to engage in a conversation about making it possible.

Now, it would be easy to blame the IT department, but there needs to be an examination of the



HOW THE 5 DISCIPLINES ADD ZEROS

environment that leads to people saying we can't instead of
how can we?

If your employees say, I can't do that, That's not my job, They don't pay me enough to do that, you can't necessarily blame them for lack of engagement if you haven't inspired them, trained them, and developed them.

The research tells us that only 20% of employees are fully engaged in their jobs today. That's the result of management that's not engaged. Engaged management provides the tools that employees need, namely, clear processes that lead to success, the skills for those processes, well-defined metrics for what is expected of them, detailed plans for development and advancement, and, above all, communication.

People don't leave companies; they leave their managers. To employees, the manager is the company because she is what they see and experience. If the manager doesn't satisfy the employees, they aren't engaged with the company, turning in poor work and eventually leaving. A really

HOW THE 5 DISCIPLINES ADD ZEROS

great manager practically becomes transparent, enabling employees to see the whole company. A really great manager is also a great leader.

There is a big difference between management and leadership. You manage processes and you lead people. Making management about competency and productivity, and leadership about behaviors, focus, and passion.

A sales team meets every Monday morning to talk about the number of leads they generated in the previous week. To achieve their goals, the company's developed solid processes to enable each salesperson to get 10 new leads per week. However, last week, one of the salespeople only came up with two leads. A potential

problem. Management asks whether the process

was followed. Leadership asks whether

something was keeping the salesperson

from following the process, exploring

their focus and passion: Is something

keeping you from following this

process? Does this really excite you?

Do you understand how to do things?

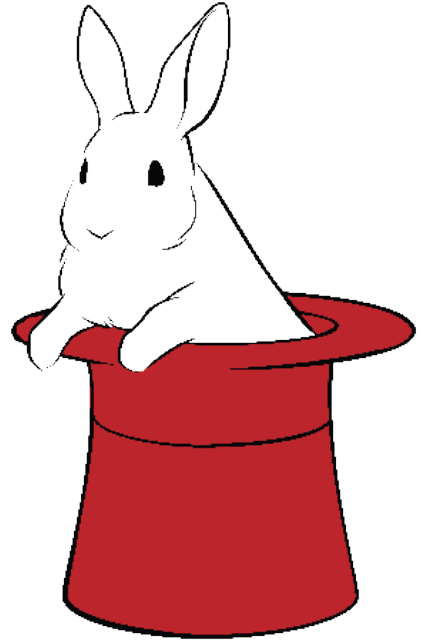
Have you bought into our product

and service?

HOW THE 5 DISCIPLINES ADD ZEROS

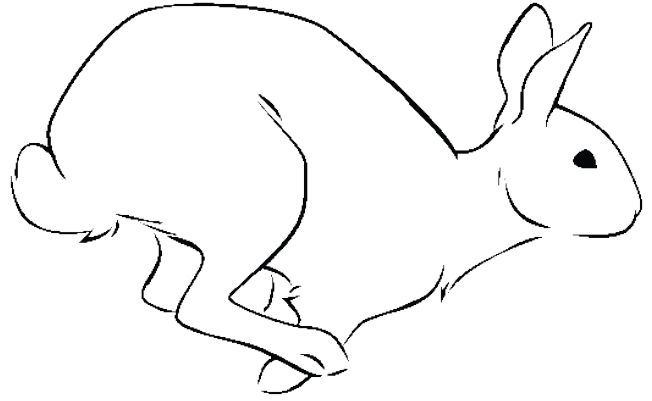
Solving the problem means that management looks at the process separated from the individual's behaviors, while leadership is all about those behaviors. We have to have both, and people don't often understand that. Many companies believe that promoting someone into management means that they're automatically capable of leadership. Many managers think that because they have a management job, they're a leader. There's a lot of management training out there, but it needs to be balanced with leadership. Otherwise, there will be problems with execution of the company's strategy, because execution is about managing processes.

A person can be a great manager if she follows processes and systems well, but if she has crappy people skills, she is not a great leader, and the company will not be successful in adding zeros to the People discipline.



HOW THE 5 DISCIPLINES ADD ZEROS

Adding zeros to People is measured by a lot of things: employee retention, number of outstanding job applicants, number of outstanding new hires, level of morale, number of new skills that employees are trained in, number of employee development plans, job efficiency, and engagement.



You can measure employee engagement by whether people are bringing up solutions, engaging in conversations, interacting with the business, using us instead of you to refer to the company, or completing their work in the expected timeframe.

The Discipline of Execution adds zeros through efficiency and effectiveness.

Let's say you only go to a certain restaurant on the nights when your favorite server works because Sally does a great job. When she's not working, you go somewhere else.

The restaurant's losing business because it lacks consistent

HOW THE 5 DISCIPLINES ADD ZEROS

processes that ensure that all servers satisfy customers.

A printing company has three typesetters working the night shift, handling jobs that desperate graphic designers need first thing in the morning to make their deadlines. One of the typesetters, who had experience in missing and making deadlines, provided customers with alternate versions of their copy, especially if he'd caught grammatical errors or problems that would have required waiting for corrections. The designers whose work was done by him were grateful for this extra service, but could never count on getting it every time, as they couldn't request a specific person to set their type.

Creating an organizational process that had all three night-shift typesetters employ this approach added value to the customer at negligible cost because it projected consistency and provided all customers value.

Execution is about efficiency, which is not about fast. It's about doing the right things at the right speed to ensure the right quality. This makes quality control a great measure of execution, because errors and

HOW THE 5 DISCIPLINES ADD ZEROS

mistakes create high costs. If a widget manufacturer has to scrap every other widget because it's imperfect, the company's processes and management – its execution – is only operating at 50%.

Adding zeroes to Execution is measured by efficiency and effectiveness. One way to measure efficiency is the speed of service: how long does it take to serve a customer with the highest quality? You can also measure efficiency by looking at net sales per square foot, which will tell you about your processes and management of the facility.

The Discipline of Mission adds zeros through emotional connections.

A few years ago, we worked with a high-end furniture store to set a Big

Hairy Audacious Goal. They decided to be a be 50-

50 company, meaning that 50% of their profits

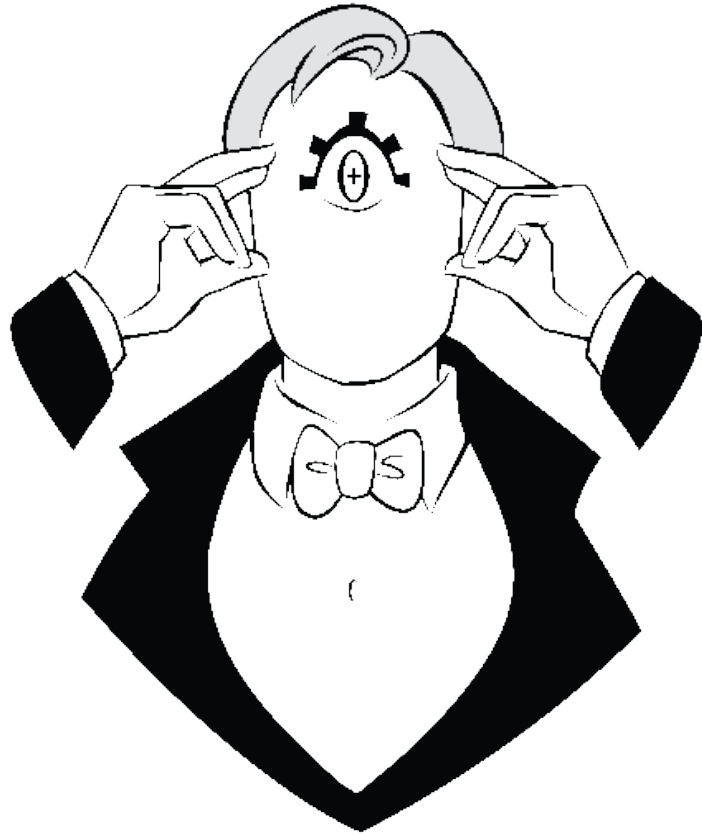
would go to supporting their community.

They never imagined they'd achieve that goal within 4 years of setting it.

This company's purpose is to help people live life beautifully. Putting their money where their motto is, they gave away two home

HOW THE 5 DISCIPLINES ADD ZEROS

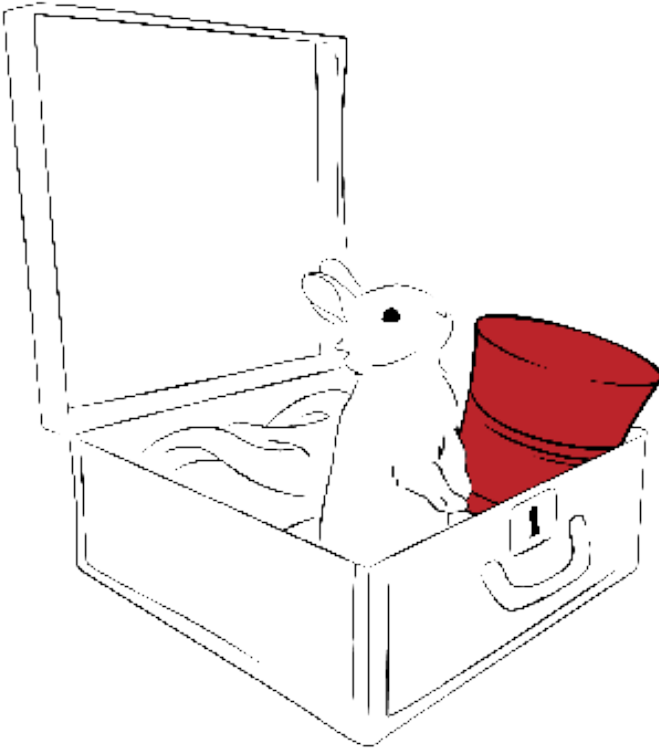
makeovers worth well over \$50,000 for two families who had lost everything, one due to a major fire and another where the father died of cancer. Their attitude is, Even though you just went through hell because your house has burnt down or you just lost your husband or your father, we still want you to live life beautifully. Here's a gift from us to make your home warm, welcome and inviting.



Now, obviously, not every company can make that kind of commitment to community. But every company needs to be clear about why they are here on earth.

That is the whole meaning of mission, and it's huge, because profit-crazy businesses have created a monster of a bad rap because they're not helping people. If we

HOW THE 5 DISCIPLINES ADD ZEROS

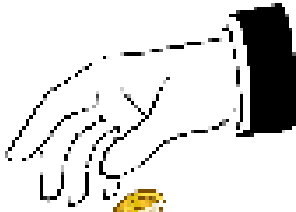


don't support our local communities, what happens? The community has faith in us and won't give us tax breaks or promote us as a great place to work. When a company's all about profit, profit, profit and don't give back to their community, the community starts to question their relationship with that company:

Okay, so they just cut 200 more jobs here and are sending them to another country. Are they really supporting us? Let's reexamine our arrangements with them.

Communities support their local companies with tax breaks, and promote them as great places to work. In return, companies have an obligation to give back to the community by adding jobs, paying taxes, providing volunteers for events,

HOW THE 5 DISCIPLINES ADD ZEROS



and donating resources to community groups.

For example, Principal Financial in Des Moines, Iowa, is a company that took on the mission of helping its local community by investing in that town's waterfront, cleaning it up and contributing to the development of great walking trails so citizens can enjoy where they live. If we expect the government to take care of all of our parks and trails and things like that, we're never going to have enough money to really enjoy what we have in our communities.

Adding zeros to Mission can be measured by how much money, products, or services are donated to charities like the United Way and other groups,

and the number of volunteer hours are contributed to community groups and activities. Where do you need to add zeros?

HOW THE 5 DISCIPLINES ADD ZEROS

You may have recognized some of your company traits in the descriptions of the 5 Disciplines, and wondered whether you're doing everything you can with Strategy, Business Development, People, Execution, and Mission to satisfy and benefit the people who make your work possible.