



PROFILES IN LEADERSHIP, COLLABORATION, AND EMPLOYEE ENGAGEMENT INTERVIEW SERIES

INTERVIEW WITH HUGGY RAO



LIST OF PARTICIPANTS:

HUGGY RAO

Co-Author of *“Scaling Up: Getting to More Without Settling for Less”*

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STEVE KRASKE

I’m Steve Kraske, and this is the Overland Resource Group podcast series – “Profiles in Leadership, Collaboration and Employee Engagement.” These are stories about the surprising results organizations achieve by experimenting with alternative approaches to working collaboratively, empowering employees and leading more creatively.

These stories are told by leaders of corporations, government agencies and the unions which represent their workforces as well as leading experts in the field of organizational change.

The series is underwritten by Overland Resource Group, a change leadership consultancy bringing transformative results to organizations for over 30 years.

In his job at Stanford where Huggy Rao helped launch an executive education program called customer-focused innovation, he kept getting questions about the same issue. That is, the executives around the country saw they had pockets of excellence in their companies, but there was a problem: They didn’t have enough excellence spread throughout their organizations.

How could they get it?

Rao and his partner at Stanford, Robert Sutton, teamed up to tackle the issue. The result? The book “Scaling Up: Getting to More Without Settling for Less,” which was named one of Inc.com’s 10 best business books of 2014.

Huggy Rao is a professor organizational behavior and human resources at Stanford’s Graduate School of Business. He’s director of the Managing Talent for Strategic Advantage Executive program.

Huggy, welcome to the show, and it’s so nice to have you here.

HUGGY RAO

It’s a delight to be here, Steve.



STEVE KRASKE

Well, in very simple terms, Huggy, what do you mean by “scaling”?

HUGGY RAO

That’s a great question. So scaling for us actually means really spreading. One aspect of spreading is that you can do it horizontally.

STEVE KRASKE

Uh-huh.

HUGGY RAO

If you’re a large organization with pockets of excellence, how do you actually spread those pockets of excellence to the rest of the organization? But on the other hand, if you’re a small start-up, and as you actually grow in size, the number of employees and the number of customers and the like, you also have a spreading problem or a challenge, too. But this challenge is something that unfolds over time. So, there’s a time challenge. There’s, if you will, a space challenge. That’s the way we think of scaling.

STEVE KRASKE

So the idea here is that you’re talking about spreading constructive beliefs and behavior from the few to the many.

HUGGY RAO

Absolutely.

STEVE KRASKE

You said you were surprised by just how common a problem this is. How common a problem is it, Huggy?

HUGGY RAO

It is a very common problem, Steve. Let’s take start-ups, for example. One of the things certainly in the Bay Area and in particular, Silicon Valley, is, you know, if you’re a start-up and you get from, let’s say, zero to 100, there’s a change of CEO. Then you get from 100 to 500, there’s another change of CEO and on and on and on. And the reason that you actually continually replace CEOs is one of the big problems of scaling is the very tools that have helped you succeed in scaling you actually have to drop them as you go to the next level. So, what got you from zero to 100 won’t work if you want to go from zero to 500. And that’s why the need, for example, for a new CEO. Similarly, what got you to 500 won’t work if you want to go from 500 to 1,500. So, dropping the tools is very hard for start-ups. On the other hand, for large-scale organizations, a tell-tale indicator that they’re having a problem scaling up excellence is the fact that they continually repeat mistakes. From our point of view, it’s perfectly OK to make a mistake once, but if you repeat the same mistake or if somebody else in the enterprise repeats the same mistake, that certainly ought to be cause for concern. So, those are the two tell-tale signs. And the other thing we find is irrespective of how you scale—you might acquire a company, you might enter a new market, you might—um—you know going to a new region, you might launch a new product group, roll out a new technology—whatever scaling endeavor you’re engaged in, our case studies, research, interviews with more than 300 people, they suggest that many of these scaling endeavors have a very high probability of ending up in what we refer to as a “cluster*” in our book.

(laughter)

STEVE KRASKE

Well, listen, let's get into this a little bit, because the question quickly becomes then how to scale successfully. One idea that you two developed was that patience must be a key ingredient. Why patience?

HUGGY RAO

There's a beautiful Latin phrase called "festina lente," and that means, "Make haste slowly."

STEVE KRASKE

Uh-huh.

HUGGY RAO

So, the reason that patience is very important when you scale is the image most people have the moment you introduce the topic of scaling is, instantly they think, "Oh my god. I gotta get my foot on the gas pedal." The real thing that you need to be very careful about scaling is that you gotta use the brake very cleverly. In fact, if we look at Formula One race drivers, they actually use the brake to travel faster and avoid accidents. So, particularly when taking a turn, for instance. So, for us, patience, grit, using the brake, all of those introduce, if you will, a pause. And then you can actually think about what is it you need to do. So, if you don't mind, let me illustrate this with a concrete story.

STEVE KRASKE

Please.

HUGGY RAO

We wrote a case study on a wonderful Israeli company called Waze that provides navigation services. Waze was acquired by Google for a couple of billion dollars. At one stage in its evolution, Waze had 100 employees in Israel, and they received \$25 million of BC funding, and the BCs were exhorting the Waze founders to scale and to hire 400 more people, because the reasoning was now is the time to get market share, to grab land, because if you don't do it, somebody else will do it was the reasoning. What was striking is the Waze founders met together for a couple of hours. They called an all-hands meeting of their 100 employees, who, by the way, knew of the infusion of capital from the BCs and encouragement from the BCs to hire more people, and the CEO of Waze looks at the 100 employees and announces a hiring freeze. You can imagine the reaction of the 100 employees. They were stunned.

STEVE KRASKE

Uh-huh.

HUGGY RAO

They said, "What do you mean?" And here was the CEO's reasoning, and I'd love your viewers and of course you, to inspect the reasoning. So, the CEO at the time, Noam Bardin, quickly said, "Hey. If we hire 400 smart people, they're all going to come up with ideas of their own. Right now, we're so focused, many of the ideas that they come up with, I'd probably have to say, 'No.' I don't want to run a company with 500 employees, 400 of whom have been told, 'No.' right after they join. The other thing is look, when we hire smart people,

they're likely to be overconfident. They all think they can do the job they want. We know it takes at least three weeks to get ready. So, for 21 days, what have I done? I have shifted the ratio of unproductive to productive people." And he looked at his employees and said, "Where do you think I'll be spending my time?" And of course, they chorused back and said, "With the unproductive people." And he looked back and said, "Where do you think I should spend my time instead?" And they then realized, "My god—obviously with the productive people." And what he then suggested was, "Let's improve user retention first and slowly scale." So that's an example, if you will, of patience and cleverly using the brake.

STEVE KRASKE

And I gather this worked with this company, Huggy?

HUGGY RAO

Absolutely. Absolutely. You know—can you imagine what happens when you hire 400 more people?

STEVE KRASKE

Yeah.

HUGGY RAO

The first thing that happens is the number of meetings increase.

STEVE KRASKE

Uh-huh.

HUGGY RAO

And your start-up's advantage is speed. If you're small, you're fast. If you suddenly ingest 400 more individuals, en masse, there's going to be gridlock pretty quickly, and he astutely realized that.

STEVE KRASKE

You know, something else you and Robert Sutton discovered together, Huggy, you guys say this: Make things easier, rather than harder for people. How do you do that?

HUGGY RAO

That's a great question. So, a caveat here, Steve. When we say, "Make things easier," we're very careful to say, "Your task is lighten cognitive load." And we by no means suggest that you dumb down the job. If you dumb down the job, smart people are never going to come and work for you. Instead what you need to do is you really need to lighten cognitive load. And if you can give me a minute, let me situate the problem for your viewers. Perhaps the most famous article in the psychology of attention was an article written in 1956 by George Fisher called "The Magic Number Seven, Plus or Minus Two," the idea being seven is the number of things, the outer limit on our working memory. We go beyond, what happens is our willpower diminishes. So, we suggest you need to lighten load to increase willpower. Let me give you a quick experiment done by a colleague of mine. It is so startlingly simple, but at the same time, the results are astonishing. What does he do in the experiment? Assume you have 100 people. He randomly assigns them into two groups. One group of 50, you know, is told, "Please remember a unique

two-digit number.” So everybody in that group has a unique two-digit number they need to remember. The people in the other group, which also consists of 50 people, are given a seven-digit number to remember. And each one has a unique seven-digit number. So you have two groups—one group with a two-digit number, another with a seven-digit number. That’s the experiment, but before I close, let me tell you how they actually test this idea. They open the door and once you open the door, there’s a foyer. On one side you actually have rich, sinful chocolate desserts, and on the other side, you have fruit, and what they’re really watching you is, they’re trying to figure out who gobbles up most of the chocolate and who eats most of the fruit. Strikingly, those who eat fruit rather than chocolate, are disproportionately people who were asked to remember two digits. Those who were asked to remember seven digits simply snack on a brownie instantly, and the question is why? Because what’s happening with the people with the two-digit number, they look at the chocolate, they know its temptation, but you need willpower to resist temptation. Fortunately, because they’re only remembering two things, there’s enough willpower in their tank to say, “No, I’m actually going to consume fruit.” By contrast, those who were asked to remember seven digits, they’re so focused on remembering the seven digits, they’ve got no willpower left in the tank and therefore, they automatically, I mean they become spectators of their hands.

STEVE KRASKE

Oh, that’s—

HUGGY RAO

So that’s why we say you need to lighten load, and the way to lighten load—reduce meetings, reduce approvals, reduce reports. I could give you more and more examples. Most recently, um, at the Dropbox, if I remember rightly, their CEO actually looked at all the meetings that were pre-scheduled and told the I.T. people, “Remove them from the calendar.”

STEVE KRASKE

Hmm. And that worked?

HUGGY RAO

If anybody wants to have a meeting, they actually have to enter it by hand.

STEVE KRASKE

Hmm.

HUGGY RAO

And instantly, the number of meetings dropped.

STEVE KRASKE

Huh.

HUGGY RAO

So, we need to lighten load instead of bombarding people with more and more stimuli and giving speeches to our employees saying please use your willpower and discretion. Well, they got no willpower.

STEVE KRASKE

Uh-huh. Huggy, you said this once: When an organization becomes

larger, what's left unsaid also increases. I mean smart people inside large organizations tend to become dumb, you said. I mean, explain that to me. What does that mean and how do you combat it?

HUGGY RAO

That's a great question. So, you know what we mean when we say as an organization becomes larger, that smart people become dumber is that we simply suggest that smart people can become silent, not that they become stupid. So why is it that smart people become silent? It's not necessarily because they're actually afraid of their boss or under some reign of terror or whatever. Instead, what happens is as an organization increases in size, feelings of anonymity increase. So, for example, if you gave me 100 people, I randomly put them into two groups of fifty. One group of people, I give them a pair of dark glasses to wear. The other group, I give them a pair of clear glasses to wear. I give them a little task with an opportunity to cheat, who do you think cheats way more? It's amazing.

STEVE KRASKE

The ones who can see right through the glasses.

HUGGY RAO

They actually don't cheat as much. The guys who cheat a lot more are the people wearing dark glasses, because they say, "I'm invisible. Nobody knows who I am. I can get away with stuff."

STEVE KRASKE

(laughter)

HUGGY RAO

So, it's amazing, and by the way, it's not like I hunted for dishonest people and gave them a pair of dark glasses. It was randomly assigned, which means you and I, we wear a pair of dark glasses, we're likely to think we're invisible. And as a result, we actually hide. We don't contribute. We don't do other things. That's a really big problem, so what should you do? So the first thing is that I find with leaders in enterprises is they somehow think their job is to evangelize. Sadly, though, if you're a senior leader and the more time you spend on evangelizing, the more likely are you to be discounted, because people look at your rhetoric and say, "Wait a minute. I see rampant hypocrisy."

STEVE KRASKE

Uh-huh.

HUGGY RAO

So, the point is not to exhort people. Instead what I think leaders ought to think of themselves is really re-imagine themselves as civil engineers. What do civil engineers do? They build ramps; they build bridges; they build junctions, intersections and the like. And you've got to build a ramp for people to actually get on the freeway of communication. Let me give you one example. I was recently with people from the young presidents' organization. You know, 60 of them from all over the world, and it was kind of fascinating. We had an executive with a large plant in Mexico with 3,000 blue collar workers, and I asked him the same question you asked me: How do you combat feelings

of anonymity? And he looked at me and laughed and said, “Prof. Rao, I’ve tried a lot of things, but you know what’s worked in my company for my blue collar workers is when I decided to give them their own business cards.” So I said, “That’s cute, but what does it do?” And he looked at me and he said, “Previously, if anyone accosted any of my workers and asked me, ‘What do you do?’ They say, ‘I work for Company X.’ Now, if somebody asks you, ‘What do you do?’ what does the blue collar worker do? You take out the business card. You give it to the person. You explain what you do. You say you’re in this department, and then you say you’re accountable for this.” And as the CEO said, the great thing with the business card is it’s either in your wallet or alternatively in your pocket, and it’s a lovely little flashlight that constantly reminds you of what is it you need to be doing. And this is very important, because excellence really means people do the right thing, even when nobody’s watching over their shoulder.

STEVE KRASKE

Are there other little tricks, like business cards, Huggy, that also work?

HUGGY RAO

Oh, absolutely. There are many, many things that you could actually do to combat feelings of anonymity. One simple thing you could do is to have an upside down town hall meeting. Most town hall meetings consist of one person who sort of drones on and on, often with like a bunch of PowerPoint slide decks and, of course, puts everybody to sleep. Imagine what would happen if you flipped it around and said, “Hey, there’s no slide deck. You ask us questions, we’ll actually respond. Let’s have the oxygen of conversation.” Now, predictably, the first couple of times, people are going to be a little uncertain as to how to ask questions, what kinds of questions to ask, but if you source them anonymously, initially, and very quickly act on them, people realize, “Oh my god, if I ask a question, there’s actually a wonderfully nice consequence for the organization.” And you actually get better questions. I’ve now had CEOs who tell me, “Hey, I learn a lot more about the company from the questions people ask me than from looking at employee surveys.”

STEVE KRASKE

Hmm. So what you’re talking about here—and this is my final question—what you’re talking about here is finding different ways to make employees feel accountable, to begin to feel compelled, I guess, to work in the organization’s best interests, do I have that right?

HUGGY RAO

Uh-huh.

STEVE KRASKE

That’s what we’re—

HUGGY RAO

Absolutely. You really kind of nailed it, Steve. The operative emphasis is not on the word “accountability” necessarily, but on the word “felt accountability.” See, what people need in organizations is you really have to feel a sense of ownership, but you also need to temper it with a sense of obligation.

If it's only obligation, it becomes burdensome. If you only feel a sense of ownership, you can rapidly become egocentric. So you need one to level the other, and a lot of what we need to do is we need to think of ramps that actually make people accountable.

STEVE KRASKE

Hmm.

HUGGY RAO

So you're going to be more likely to be accountable, for example, when you've actually had a wonderful interaction with a customer...

STEVE KRASKE

Yeah.

HUGGY RAO

...than a boss giving you 25 like metrics you've got to actually meet. In fact, the more metrics you meet, the more metrics you impose, the more gaming you encourage.

STEVE KRASKE

Well, Huggy Rao is the co-author of the book "Scaling Up: Getting to More Without Settling for Less." Huggy, you were just terrific. Thanks so much for taking some time. We sure appreciate it.

HUGGY RAO

My pleasure, Steven, you were wonderful. It was just a delight.

STEVE KRASKE

Well Huggy, I will take you up on that offer to come out to Stanford sometime. We'll have that glass of wine. O.K.?

HUGGY RAO

Absolutely. It's a deal.

STEVE KRASKE

All the best, Huggy. You bet. My pleasure.

HUGGY RAO

Likewise

STEVE KRASKE

Bye-bye.

HUGGY RAO

Bye-bye.