



# Mastering the Rockefeller Habits

Executive  
Summary

## OVERVIEW

*(Reading this chapter provides a summary for those executives who want to scan the rest of the book)*

What is the underlying handful of fundamentals that drive everything else that's important in business? What is still fundamental today in building a successful firm that hasn't changed for over a hundred years? Let me triangulate my answer while providing an overview of the book's key concepts.

Tom Meredith, former CFO of Dell Computer, and I were discussing how the fundamentals in creating a great business are the same for parenting great kids. Early in his career before Dell, his wife had encouraged him to attend a Parent Effectiveness Training (PET) program. Reluctantly, he attended. However, what he discovered were some fundamentals that were just as applicable in business as at home—so much so that he purchased copies for all the executives where he worked.

Anyone with children will recognize the fundamentals I've summarized as:

1. Have a handful of rules
2. Repeat yourself a lot
3. Act consistently with those rules (which is why you better have only a few rules).

About the time my first son was born, as I was studying up on parenting, the book *Titan* was published. More than a biography of John D. Rockefeller, it detailed many of Rockefeller's leadership and management principles. In fact, it's a must-read for anyone serious in building a successful company. What the book did was confirm three underlying habits I have observed are key to the successful management of a business and provide what I hope is a catchy label for those habits:

**Priorities**—Does the organization have objective Top 5 priorities for the year and the quarter (the month if growing over 100% annually) and a clear Top 1 priority along with an appropriate Theme? Does everyone in the organization have their own handful of priorities that align with the company's priorities?

**Data**—Does the organization have sufficient data on a daily and weekly basis to provide insight into how the organization is running and what the market is demanding? Does everyone in the organization have at least one key daily or weekly metric driving his or her performance?

**Rhythm**—Does the organization have an effective rhythm of daily, weekly, monthly, quarterly, and annual meetings to maintain alignment and drive accountability? Are the meetings well run and useful?

*Titan* also confirmed that there is only one underlying strategy—what can be called the “x” factor—which must be discovered, defined, and acted upon to create significant value and ultimately significant valuations within a business:

The “x” factor: identify the chokepoint in your business model and industry and then gain control of that chokepoint.

For Rockefeller, the key to winning in the oil business was gaining an advantage in transportation costs, which is why he was heavily involved with the railroads. Even what appeared to be minor decisions aligned with his focus on transportation costs. When he decided to vertically integrate further by producing his own oak barrels; rather than bring in green timber like his competitors, he had the oak sawed in the woods then kiln dried, reducing their weight and slicing transportation costs in half.

To finish the triangulation, I had the opportunity to spend some time with Steve Kerr, former head of GE's famous Crotonville executive education center. I came away from that meeting with three keys to GE's success that are useful to mid-size firms:

1. In planning, the “middle” is gone. You only have to define two points: where you plan to be 10 to 25 years from now and what you have to do in the next 90 days. The latter point requires real time data and an executive team that can face the brutal reality of what the data is saying and then act accordingly. You don't want to fall in love with your own one to three year plans.
2. Keep everything stupidly simple. If your strategies, plans, decisions, systems, etc. seem complicated, they are probably wrong.
3. The best data is firsthand data. It's why the entire executive team of GE comes to Crotonville each month to “teach.” Hanging out with GE managers from around the world along with key customers (letting customers attend Crotonville sessions is key to GE's value proposition) lets the top executives find out what is really going on. It circles back to point #1 and the importance of real time data.

And aligning with the importance of having only a few priorities Jack Welch, the retired CEO of GE, had only four #1 priorities the entire two decades he was GE's leader.

To illustrate the first GE fundamental I listed above; let me relate a couple decisions made by well-known entrepreneurs. Bill Gates, over twenty years ago, set a very simple company vision—a computer on every desk and in every home. Only recently did Gates and Steve Ballmer, the new CEO of Microsoft, feel that this vision was so close to coming true that it was time to come up with a new one: empower people through great software—any time, any place and on any device. Not particularly fancy, but it's a stake in the ground that is long term.

In parallel, Tom Siebel, founder and CEO of Siebel Systems, has all employees outline their handful of objectives each quarter and post them on an internal portal for everyone to see. (Tom is the first to post and lets all employees see his priorities.) This makes it crystal clear what is expected each quarter, with compensation tied to the quantifiable objectives.

Defining a simple long-term vision 10-25 years out and deciding on a handful of priorities for the next quarter are the two most important decisions a business leader makes. And it's this yin and yang of having both a long-term “rarely changes” piece along side a short-term “changes a lot” dynamic piece that provides the delicate balance needed to drive superior performance.

One last concept and then I'm ready to summarize this overview and give you a quick glance at each chapter. One of our content partners in our Master of Business Dynamics program for senior executives is Strategos, the firm of the great business strategist Gary Hamel (among other things, he's the guru behind the notion of core competencies). The people at Strategos provide a stupidly simple definition of strategy, which I'll paraphrase:

You don't have a real strategy if it doesn't pass these two tests: that what you're planning to do really matters to your existing and potential customers; and second, it differentiates you from your competition.

Add to this the requirement that you have the ability to become the best at implementing this strategy (back to core competencies) and you have a clear idea whether you really have a strategy or not that will work. Some firms do things that differentiate themselves but it doesn't really matter to a customer (high quality when the customer just wants speed) while other firms do things that the customer desires, but so does all the competition (you've just entered the commodity zone). And yet others might have both parts of the strategy correct from a theoretical standpoint, but fail to execute. Keep this simple definition of strategy in mind as you read the rest of the book.

If we now go back and look at the three sets of fundamentals outlined in this overview, we find they integrate nicely (and the rest of the book provides the “how to” for doing this):

1. **Priorities**—there are a handful of rules, some of which don't change much like the core values of the firm and the long-term Big Hairy Audacious Goal (BHAG) and others that change every quarter and every week, what I call the Top 5 and Top 1 of 5. It's the balance of short term and long term.
2. **Data**—in order to know if you're acting consistent to your priorities you need feedback in terms of real time data. There are key metrics within the business that you want to measure over an extended period of time, called Smart Numbers; and there are metrics that provide a short-term laser focus on an aspect of the business or someone's job called a Critical Number. It's the balance of short term and long term.
3. **Rhythm**—until your people are “mocking” you, you've not repeated your message enough. A well-organized set of daily, weekly, monthly, quarterly and annual meetings keep everyone aligned and accountable. And the agendas for each provide the necessary balance between the short term and long term. What this book will do is provide you some tools for making these simple decisions and then give you the tools for keeping everyone aligned and accountable to those decisions. More specifically:

**CHAPTER 1:** Written differently than all the other chapters (it became an article in the September 2001 issue of *Fortune Small Business*), it provides a dynamic look at the three barriers to growing a firm and the outcomes you can expect if you implement the three Rockefeller Habits. The second half of the chapter provides a straightforward explanation of the three barriers to growth.

**CHAPTER 2:** The Right People Doing the Right Things Right model provides an overall framework for what decisions need to be made and in what order to increase the value of your business. It aligns nicely with Jim Collins new research in what it takes to make a good firm great.

### Priorities Section

**CHAPTER 3:** Mastering the One-Page Strategic Plan helps you get your long term and short-term vision, metrics, and priorities on a single page to aid communication and alignment.

**CHAPTER 4:** Mastering the Use of Core Values provides a way to keep those “rarely changed” handful of rules alive in the company

**CHAPTER 5:** Mastering Organizational Alignment and Focus gets specific about the Top 5 and Top 1 of 5 approach to prioritization.

**CHAPTER 6:** Mastering the Quarterly Theme shows how to place a spotlight on the number one priority to keep it top of mind. Dell Computer does this so well.

### Data Section

**CHAPTER 7:** Mastering Employee Feedback provides a process for getting the real time data needed to be “right” about what your priorities should be and to let you know you're acting consistent to those priorities. At the end of the chapter, a brief overview of Smart Numbers and Critical Numbers will be provided.

### Rhythm Section

**CHAPTER 8:** Mastering the Daily and Weekly Executive Meeting provides specific agendas for making these vital meetings effective. Reread the various CEO endorsements if you don't think these meetings are crucial. And at the end of the chapter, a quick overview of the monthly, quarterly, and annual meetings will be provided.

### “X” Factor Section

**CHAPTER 9:** Mastering the Brand Promise provides a simple formula for narrowing in on the key strategy necessary to dominate your market.

### Bank Financing Section

**CHAPTER 10:** Mastering the Art of Bank Financing was co-authored with Rich Russakoff. Rich, without a question, is the best in putting together a loan package that gets banks bidding for your business.

### Ten Case Studies

**APPENDIX:** Please DO NOT overlook the Appendix section—some of the best material, like in Jack Welch’s latest book, is in the Appendix. Ten firms are highlighted detailing their specific applications of/the tools in the book—along with the results they’ve achieved. And the case studies are rich with marketing, branding, management, and leadership best practices you can apply in your business.

### Implementation

Most of the executives tell us the best way to implement the tools is to purchase a book for every executive and manager and simply go through one chapter per month and discuss how the concepts can be applied to your firm. And several executives are purchasing a book for every employee. It’s very inexpensive training and provides the rest of the employees with some important context for the changes management are making. It just makes it easier to get buy-in and gain momentum. You can purchase 20 copies or more for \$16.95 each or 50 copies or more for \$14.45 each plus shipping. Just go to [www.gazelles.com](http://www.gazelles.com) and click on the picture of the book to order.

### Electronic Forms

Electronic versions of the various paper forms I highlight throughout the book (like the One-Page Strategic Plan document) are free for you to download at [www.gazelles.com](http://www.gazelles.com)—the link is next to the picture of the book you see on the homepage of our site.

Keep on learning and growing!

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