

**THE
50/50
RULE OF
LEADERSHIP**

**USING LEAN DECISION-MAKING TO DRIVE TRUST,
OWNERSHIP, AND TEAM PRODUCTIVITY**

ANIL K. SINGHAL

“Anil Singhal addresses some important engagement lessons in this book starting with humanity and trust, but the one that struck me the most was that the 5% Rule saves time and money. It spares your talented team from wasting their time, and it insulates everybody from the nightmare of getting involved in a failed project that has too much momentum to redirect or stop. It forces you to establish the way in which you want events to unfold. It forces you to take charge of your destiny. From experience, this is true: the 5% Rule can work as an operating philosophy for the entire company affecting both profitability and efficiency for any organization. As a leader, if you take command of the situation at the start, it becomes your choice what trajectory you want the story to take. The 5% Rule is gold. However, dig deeper—there are so many other refreshing nuggets and perspectives in this must-read book—especially on the entrepreneur journey.”

—Andrew J. Nash

founder and managing partner

UpOver Ventures

“Anil’s philosophy and leadership perspective are inspiring, enduring, and relevant for businesspeople and leaders seeking a unique and compelling new way of running a company that can last for

generations. His 5% Rule and approach to developing a vibrant corporate culture have helped him create a company that prides itself in being Guardians of the Connected World.”

—Tiffani Bova

executive advisor

and author of the best-selling books

The Experience Mindset and *Growth IQ*

“Anil Singhal brilliantly explores the merits of the 5% Rule, analogous to the Pareto principle, to showcase that, in an era of ruthless efficiency for the sake of short-term profits, there is another way of leading teams and businesses successfully. Drawing from a multitude of personal experiences and anecdotes at NetScout, Anil, with deep humility, pragmatic simplicity, but undeniable conviction, shares with the reader invaluable pearls of wisdom to hone on their leadership skills and sharpen their business acumen. This truly inspirational book shatters traditional management principles and instead advocates for a leadership style and business approach that are rooted in humanity, respect, empowerment, and loyalty. The 5% Rule of Leadership is an original blueprint we all need to study for the challenges ahead: organizations can truly blossom only when technological innovation and growth ambitions are tamed by a strong sense of purpose, an inspirational mission statement, and a fundamental reprioritization of any company’s most valuable asset: their employees. A book you must read: compelling, beautifully written, and tightly argued, it offers a refreshing viewpoint on leading organizations with deep humanity and clarifying focus.”

—Marlene Pelage

global chief finance officer of Gen II Fund Services LLC

NetScout board member

“As I delved into Anil’s work, a mirrored reflection of my own journey unfolded before me. Despite my enterprise being significantly smaller than Anil’s, I found a deep resonance with his ideas and, more profoundly, with the values he champions within his business. Equity, transparency, empathy, and the centrality of the human element are not universally

embraced at the executive level; yet, when applied with deliberate intention, they foster tangible successes for individuals and, consequently, for the entire organization. After all, a company without its human core is nothing.

Anil's book stands out not just as an engaging read but also as a beacon that leaves a lasting imprint on the reader, inspiring leaders at every level to cultivate a workplace where human values are not just adjuncts but also the cornerstone of business success. It is a powerful affirmation that inclusive and ethical leadership practices can be successfully implemented in business environments of every scale.

This testament by Anil is not merely a call for reflection but a clarion call to action for those prepared to listen and embrace a way of leading and conducting business that places people at its heart. In my opinion, his book is an essential read for anyone aspiring to transform their work environment and the broader business landscape into a place of greater justice, transparency, and empathy where every individual can find fulfillment and satisfaction.”

—Antonio Grasso

Digital Business Innovation Srl

“Anil Singhal's book is a must-read for anyone wanting to be a successful entrepreneur and build a sustainable company. His success has resulted primarily from this key principle: a ‘not mean’ humanistic culture centered on employee-first values, fairness, and purpose, which results in high employee engagement, which results in satisfied customers, which results in continual business success!”

—Edward D. Hess

professor emeritus

Darden Business School

University of Virginia

and the author of *OWN YOUR WORK JOURNEY!*

*The Path to Meaningful Work and Happiness
in the Age of Smart Technology and Radical Change*

“For the longest time we have heard of CEO’s running their companies ‘lean and mean’ while in a full sprint, squeezing every last bit of profit at the end of every quarter. Anil Singhal has found a better way of running his company NetScout. He calls it the 5% Rule. If you want to build a more efficient company for the long haul and not be good for just one quarter—for innovation, employees, and customers—then you need to read his book so you can inject his best practices into your own organization.”

—Bob Carver
CISM, CISSP, MS

“Anil Singhal offers a transformative approach to decision-making and leadership. By focusing on the most impactful 5% of decisions, Anil provides a framework that helps leaders avoid wasted efforts and poor outcomes. With insights drawn from years of experience in navigating complex corporate landscapes, Anil emphasizes the importance of clear goals and strategic thinking from the outset. This book is an essential read for anyone looking to enhance their leadership skills and drive meaningful change within their organization.”

—Dr. Marshall Goldsmith
is the *Thinkers50* #1 Executive Coach and *New York Times*
best-selling author of *The Earned Life*, *Triggers*,
and *What Got You Here Won’t Get You There*

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WILEY

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This book is dedicated to my family for their unquestioned support, and to my friends at NETSCOUT, who I have had the privilege of working with and learning from. You all have helped me shape the values, philosophy, and techniques described in this book over the last 30 years.

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Introduction

In an era of perpetual and rapid change, this book argues for deliberation.

At a time when the accepted business philosophy is to get under way as soon as possible and make course corrections on the fly, this book offers a strategy for making your key decisions up front.

In an era of regular layoffs during downturns. Of rewarding company superstars more highly than the rank-and-file. Of creating different classes of stock for different management levels. And of jettisoning veteran employees after they have been with the firm for more than a few years. This book counsel's fairness, and equivalent treatment, and aspiring to keep your employees not just until they retire, but even after. It's what I have come to call a *Not Mean* culture—a culture that centers on people-first values, fairness, and purpose.

When we founded NetScout, my motive from the beginning was not benevolence or an overdeveloped sense of fairness. It was based on pragmatism—that is, what worked. But, in time, I came to realize through trial and error, that fairness needed to be the heart of the company. Why? Fairness drives transparency, which in turn enables simplicity. These factors have

proven to be a great foundation for what I refer to as *Lean* decision-making—a set of techniques that I have developed over time to help me navigate the myriad choices any leader confronts on a regular basis.

Happily, being in a niche business—corporate information infrastructure—I was able to observe and interact with the many famous, and soon-to-be famous, technology companies without risk of takeover or competitive intervention. I saw how many of those companies laid off employees on a regular basis. How they sometimes drove out anyone with too much tenure under the misconceived premise that they could no longer be innovative contributors. And I read how the executives of many of those companies got extraordinarily rich while leaving their hard-working employees unrewarded. Both my wife and I had experienced inexplicable and seemingly capricious layoffs in the early part of our professional careers—and we did not want to inflict that type of unsettling cruelty on others.

Much of this shocked me; but what really appalled me was how many of the employees of these companies suffered from low morale and were ready to find new jobs whenever they got the chance. I knew the lore of Silicon Valley, and that founding Valley companies had not always been this way. Something had changed in their values and everyday workers were bearing the brunt of that change.

I resolved to find another way. The behavior of my neighbors may have been an impetus, but they were not the only reason. I have always been a bit contrary as a leader. I have a natural affinity for simplicity and economy over complexity and expense, for well-considered up-front decisions over rushing headlong into costly

and risky new ventures. And I have never believed that treating employees unfairly is anything but a recipe for long-term disaster.

In founding NetScout, my cofounder and I never wanted a quick turnaround, becoming a “pump and dump” company that captured enough market attention to lure a buyer, make the founders rich, and then disappear. Rather, we had wanted the traditional dream of building a great company that lasted generations, produced high-quality products that attracted deep loyalty from customers, and gave its employees the kind of secure employment that enabled them to start families and enjoy stable lives.

You can understand now why my theories of management have sometimes been called “contrary,” “anachronistic,” and “counterintuitive.” And I do not mind, because as I have watched companies come and go over the last three decades, I have become only more convinced that I am right.

NetScout is always aspiring to reach greater and greater heights, not just in terms of attaining profit but also in terms of continuing to meet the needs of our rapidly evolving industry and our global workforce. In the process, we have acquired more than 10 companies, both large and small and including some of Silicon Valley’s industry darlings, and navigated the company successfully through profound technological change. Despite economic booms and bust cycles, we have held steady, with an average employee tenure of over 10 years, an average leadership tenure of over 20 years, and the vast majority of talent from acquisitions staying with the company and taking on leadership roles. In other words, we are not an anachronism, but an

anomaly—and we think, most of all, that we can be a model of how to build a successful and enduring company that is also fair and transparent to all its stakeholders, most of all, its employees.

The Human Ratio

The 5% Rule can be seen as the embodiment in decision-making of the sociological/statistical theory known as the Pareto principle, devised by Italian mathematician Vilfredo Pareto, and popularized in 1941 by the noted management consultant Joseph Juran.

You know it as the *80/20 rule*, which effectively captures a characteristic of human nature that 20% of people in any field seem to do 80% of the work, and the remaining 80% do just 20% of the work. In the years since, the Pareto principle has been shown to operate in many corners of human existence and in the natural world.

Here is another definition, from Google:

The 80/20 rule states that 80% of outcomes are determined by 20% of input. For example, if your goal is to acquire 100 new leads, 80 leads would come from only 20% of what you did to get them. This is why it is important to know how and where your effort makes the most impact—in other words, 20% of the decisions can have 80% of the consequences.

It is my belief the 80/20 rule applies again to the 20% (“Pareto of Pareto”) when it comes to decision-making. That is, I have found that a fraction of decisions result in a majority of consequences.

I had coined this phenomenon the 5% Rule of leadership long before I came to know of the Pareto principle, but I was struck by how congruent they are. The 5% Rule, when applied by the right set of leaders, at the very beginning of an important project, can deliver the Pareto of Pareto promise. To put it another way, 4% of effort (20% of 20%, rounded to my 5%), will invariably deliver 95% of the results all the time for any important project in any and all departments and disciplines of an organization.

It becomes even more interesting when you take the 5% Rule and embed it into the overall operation of an enterprise—that is, the formalization of a 5% solution to management and its formulation of a strategy and plan of execution.

What does all this mean? Nothing—other than it gives valuation to the 5% Rule as being a natural, human model for business decision-making wherever you can apply it.

Moreover, it suggests that you as a leader are justified in devoting your time to any major company action or decision during the earliest phase of that process. It also argues against the traditional notion that the leader's time should be engaged after most of the work has been done, and the team now needs the leader to make a go, no-go decision. Both the 5% Rule and the Pareto Principle argue that this method is inefficient, resulting in wasted efforts, and worse, it can create a momentum that can lead to poor outcomes.

Rather, the 5% Rule argues that the leader's role is to—at the start—determine the real goals of any company initiative, establish the parameters of the project

to come, and then decide whether to go ahead or not. In this way, needless expense and effort can be averted, and company resources and talent can be properly devoted—and not wasted on a future dead end.

Learn as You Go

In drafting this book, I have continued to hone my use of the 5% Rule. It has proven more supple, universal, and powerful than we ever would have imagined in NetScout's early days. And I am convinced that it is a lynchpin to successful leadership. And yet, successful leadership cannot take place in a vacuum. It is important to note that although the core values of a company create the Not Mean culture, and the 5% Rule allows Lean decision-making, it is their combination—that is the consistent application of the 5% Rule inside a Not Mean culture—that produces true success. This flies in the face of the old saying that “nice guys finish last.” In fact, throughout the course of NetScout history, I have observed the exact opposite to be true: *Nice people finish first*. My goal in this book is not to criticize the practices of other companies that operate differently than NetScout. Instead, my goal is to highlight how this different operating philosophy worked at NetScout, and how it might also work for you. To paraphrase one of my business colleagues, “I am surprised that NetScout has been so successful, despite not being Mean.” My answer, “NetScout, in fact, has been successful because of not being Mean, which is largely made possible because of the implementation of the 5% Rule.”

In the pages that follow, I look at the many ways that the 5% Rule can be applied to business units and

businesses in general. In practice I think you will discover added nuances to make it even more powerful. My hope is that you will pass it on as you journey through your career. I believe that, together, we can spark a quiet and enlightened revolution in the business world . . . and in the process, we can find even greater success on the road to becoming Lean But Not Mean enterprises.

Like any book, this one can be read in the order of its chapters. But I have also organized those chapters into sections reflecting the life cycle of a company—from a start-up to a mature business. Finally, as each chapter functions as a stand-alone narrative, you may also choose to read just the chapters that address a challenge you are facing at this moment—including, ultimately, in the question of succession.

But however you choose to read this book, I hope you will remember that my only goal has been to fill the world with more efficient, more successful, and fairer enterprises—great companies that employees will look back on with pride and affection.

SECTION



Forming a Great Company

Creating a Strong Foundation

Founding a company is the most chaotic business experience imaginable. A start-up, woefully understaffed for the task, must develop and prototype the company's first product, tackle all of the bureaucratic tasks of incorporating the business, lease office space and equipment, prepare a viable business plan, recruit top talent, hire contractors, establish supply and retail chains, create a marketing plan, and, not least, go out and raise investment money. If any of these efforts fail, the company is probably doomed.

Understandably, in the face of all these challenges, there is not much attention being paid to what the

company values are, what culture it seeks, what purpose it embodies. When you are worried about meeting next week's payroll or searching for that fatal bug in your new product, there is not any time for musing about your company's culture or long-term goals.

And yet, this is precisely the time when you should be thinking about these larger issues. Your new company not only needs to be built but also it needs to be formed. Too many start-up companies are so distracted by their daily crises that they allow their young company to drift into establishing a default culture that is the product of expediency and the unthinking adoption of bad past practices of a previous employer. Then, once the new start-up is under way, it is trapped in improvised rules and patterns from which it is unlikely to ever escape.

Companies can survive weak early products if they have in place a culture that supports innovation and risk. They can survive bad executive decisions if they have an environment that fosters trust and transparency. They can even survive serious market or economic downturns if they have been prudent with money and enjoy loyal employees willing to sacrifice for the company. But, overall, they cannot survive a poisonous and alienating corporate culture. We see examples of that in the business world every day: great companies that eventually stumble and die from their own internal contradictions and bad faith.

This is the reason you need to implant and enforce a worthy corporate culture from the very beginning. It is not just that it will help you succeed, but because the type of success derived from a worthy culture is precisely what will help your company grow in a smart and

sustainable way. A company enjoying steady growth—adding new employees, new levels of management, new facilities, and new product lines, all while expanding globally—becomes increasingly difficult to lead. A leader can try to dictate rules of behavior and responsible action, but that employee who is six levels down the organization chart and based half a world away is unlikely to ever get the message. Or worse, they get a garbled, even contradictory message, which is the result of playing a game of telephone tag through a half-dozen intermediaries adding their own spin or misinterpretation of the meaning of the message.

That is why a company's culture—its personality, style, ethics, and rules of behavior—is so much more powerful than anything managed by executive diktat. As a leader, you set the example. By operating the company through people-first and values-centric principles from the very start, you can help cultivate a Not Mean culture. This is the type of strong foundation needed to build a lasting company. The next step is to adopt a decision-making scheme that is flexible enough to apply to any situation, and at the same time rigid enough to ensure consistency. This is where Lean decision-making, and its anchor, the 5% Rule, comes into play.

At its core, the 5% Rule trusts each employee to find the right path toward a goal that you define from the start with the least amount of interference along the way. I think of the 5% Rule (which can only exist within a culture of trust) as establishing the guardrails through which the company's efforts will be channeled, and Lean decision-making as the process by which long-term direction and the end goal are defined. The combination of the 5% Rule, Lean decision-making,

and a Not Mean culture results in a uniquely efficient and psychologically safe organization. And it is with this recipe, of employees feeling free to make their own decisions all while operating within a set of principles defined at the beginning, that the fruits of success bloom.

In this section, I suggest some key choices that new companies can make to shape the type of enterprise they want to be. The good news is that these choices can be put into place on day one—and if regularly reinforced, can define your company for decades, even centuries. Moreover, most actually are more efficient and less expensive than their conventional alternatives and provide a much better quality of life to their employees, which may give you more time and money to deal with all the other challenges of starting a company.