

In The Trenches_ Interview With Randy Street

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SPEAKERS

Randy Street, Steve Divitkos

S Steve Divitkos 00:00
Randy Street, welcome to the show.

R Randy Street 00:02
Well, thank you, Steve, it's a pleasure to be here In The Trenches with you.

S Steve Divitkos 00:06
So we've got a lot to talk about today. And if you don't mind, I'd like to get right to it. And your firm GH Smart, many of the books that you've written, have a well deserved reputation for being incredibly instructive on all things hiring, and we will get to hiring in due time, but I actually want to start in a completely different domain. Because not all CEOs necessarily hire their executive leadership teams. In some instances, they inherit them. And that's actually where I want to start with you today. So, you know, the way in which I initially became familiar with you is by reading your book, Who, which I would recommend everybody listening to this read for anybody who has hiring as a part of their job. You know, many CEOs, like I mentioned, particularly those that are new to their companies, for any given reason, they inherit their management teams from their predecessors, and that creates a different sort of challenge for them. So if the a method for hiring, which is a big part of your book, Who, if that's a big part of the CEO toolkit for evaluating new hires, what would you put in your toolkit for evaluating existing team members that you have inherited from somebody else?

R**Randy Street 01:17**

Yeah, so the good news is a lot of the tools from who apply. And in a situation like this, when you're inheriting a team, the the whole process begins with a something we call a scorecard, which is really a document that defines what you're looking for. This essentially translates the strategy and your goals and plans and such into a document that defines what you want your leaders to do. And that's fancy speak for be real clear about what you want, and what you need, upfront, because it just helps you to evaluate people, whether they're inherited or new. And then when you're looking at the existing team, there are a couple things that come to mind. One is there will likely be existing documentation on the people, you're inheriting performance reviews from the past, maybe past interview notes, and so on. But the real magic is just simply sitting down with folks, spending time with them. And while you're not going to do a full interview of who interview as we might call it in the book, you still can do an interview where or a conversation where you can walk through, walk through their story a little bit. We actually call this a Past, Present, Future conversation. And it's real simple. It might be something like this. You know, Steve, you just told me you're from Toronto? And you? Did you always live in Toronto? Or what took you to Toronto? And tell me a little bit about how your career began and how you walk me through how you got here to our company today. And just listen as they tell their story and interject when you're curious about something. That's the past then ask them about the present. Steve, what's on your mind. Now? What are your biggest priorities today? You know, what are you most concerned about? What's keeping you awake at night right now? That's the present. And then the future? What do you want? You know what, you know, now that I'm coming in as your new CEO? What are your hopes and dreams for the company? And for yourself? What are you hoping to do in your career in this next chapter as we move forward together? And so it's very conversational. It's not an interview, it's just a conversation, but it's one where you walk methodically, methodically, through their past, present, and future? And then the last question I'd offer up to ask everybody that you sit down with on your team, ask them what they think about the rest of the team, who are the most valuable players, who are the unsung heroes, who are the people we can't live without, on our team? Who are the cultural carriers here, the culture carriers here? And why? And as you unpack that, particularly if you speak with, let's say, 10 people on your team, it'll become pretty clear who the the stronger people are, the culture carriers are, and so on, and so forth. And when you couple that with the conversations and any other documentation, and map match to that up against what you need, as you move forward, you should have a pretty good picture of what you're, what you're inheriting and what you're going to need to do with it.

S**Steve Divitkos 04:08**

So when a CEO takes over a new management team, and or a new business, typically amongst employees in that business management team included, guards tend to be up, people inherently do not like change, and people inherently are fearful of change, at least in my experience. And so what that may translate to is management team members putting on a bit of a, I don't want to say an act necessarily, but their armor is likely to be on as they engage in these conversations beyond trying to disarm them by being informal and conversational. Are there any other ways that a CEO can kind of be mindful of that risk and ensure that they're getting genuine, thoughtful answers that aren't necessarily part of an act for lack of a better way to put it?

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Randy Street 04:56

Well, I think being conversational is actually the biggest tool in the toolbox. If you approach it in a clinical interview type of way, you'll alienate people and make them nervous, the guard will go up, the more conversational you make it, the better. I would add to that, I think transparency as scary as it is, actually, as your friend in this Be very clear with what you know what your thoughts are. And if you don't have thoughts yet, that's fine. Just be clear about that, and how you're planning to take the next 90 days, let's say, to really listen and understand before you come back with a clear point of view for where you want to go. People are nervous, they're worried they're gonna lose their jobs are going to change their jobs. And so the more clarity you can bring through transparent dialogue, the better obviously, within limits of what you can share at this point, recognizing that some people may not like the answer, and that's got to be okay. But I don't think anyone should be in the CEO job if they're not okay with the fact that some people may be alienated by the direction you need to go. Because ultimately, you're going to go that direction, and you need them to either get on the bus with you or not.

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Steve Divitkos 06:05

Yeah, you know, one of your areas of focus at GH Smart, and I think one of your areas of personal interest is this issue of CEO succession. And actually the question I just asked, you brought a new question to mind. And I hope I will articulate this in such a way that you can actually understand it. So for a CEO succeeding a predecessor, so a new CEO, succeeding an old CEO, to the characteristics of the old CEO at all necessitate certain skills or traits or characteristics of the new CEO? So for example, if the outgoing CEO was particularly analytical, or particularly charismatic, or I don't know, particularly involved in the day to day of the company, whatever the trade is, does that necessitate anything in particular for the new CEO? Or is that new CEO free to just kind of be their genuine selves, regardless of the blueprint of their predecessor?

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Randy Street 06:59

So it's actually depends more on where you're trying to take the company? If you're going in the same direction as your predecessor, then it's helpful to be similar. No two people, or no two leaders are the same, obviously. But it's helpful to be similar. Not necessarily stylistically, but certainly in terms of vision and values. And to the extent that you can adopt some of your predecessors approaches and such, that's all the better. If the situation is dramatically different, it actually benefits you to be very different from your predecessor, because that starts to break some of those comparisons that people are going to naturally make. So for example, if the company's in trouble, and you need somebody to come in and shake it up, you actually want to be nothing like your predecessor, you're gonna need to be more of a turnaround CEO, for example, than a growth CEO, or at least be in that mode. So big it's a depends, Steve, it depends on the context and situation. Sometimes CEOs stick around a long time and they become almost, there's a cult of personality that builds up around them. And that can be very dangerous, because the predecessors excuse me, the successor will never live up to that, and shouldn't even try, they have to be their own person at some level.

S**Steve Divitkos 08:21**

Right. That makes a lot of sense. So one way that a new CEO can succeed a predecessor or inherit a management team is through inorganic growth. And I know one of the things that you help of companies individuals do is perform due diligence on potential m&a growth initiatives. And the data is actually clear. And I've spoken about this in the podcast in the past, in that the average acquisition actually destroy shareholder value does not create it, on average, of course, and poor integration and lack of cultural fit, often tend to be recurring themes for M&A processes that goes south. So for any CEOs listening to this, who are considering growing via M&A, what are the threads are the themes of the concepts that they absolutely must understand before proceeding with the acquisition of another company?

R**Randy Street 09:19**

Yeah, it's interesting you mentioned those statistics up front. I think I've read enough studies now to accomplish these competently say something like 70 to 90% of all deals, failed to create shareholder value. We've done studies at GH Smart, that suggests that 60 to 80% of those fail due to people issues and culture issues. So those are pretty horrendous statistics. It's important to understand, first of all, what kind of m&a deal it is because they do fall into different buckets, which then drive the answer I'll give you here in a second. You know, are you doing the deal because you're trying to, you know, expand the scope of your current business or somehow expand the current business and in a strategic way, are you trying to get into a new business? And then size matters? Is this a merger of equals? Is this a bolt on where you're going to shed the team actually not? It doesn't matter that whether you keep her don't keep the existing team? Is it something in between? Are you going to run it independently? All of these questions actually matter. Ultimately, given the fail rate is so high, and the failure rate is so hinged on people and culture, those become the critical factors all in the context of what kind of deal it is, of course. Obviously, if you're going to blow out the management team, it doesn't matter so much how strong they are. But assuming you're going to keep the management team, you've got to understand what they're bringing to the table, how strong are they? How do they work together? Are they going to be additive or destructive to the way you do business? Are they even aligned with how you do business? What's the plan for them? What roles are they going to take? But it all begins with understanding who are they and what do they bring to the table? And then regardless of whether you keep the management team or not, the culture always matters, because culture defines the informal ways that things get done. How do decisions get made, how are conflicts resolved? Sure, their processes for getting things done, but what's the what's the, you know, the soft glue that actually holds it all together? It even gets down to compensation plans, and you know, how money is made in the business and how people make money for their families. And if those are sufficiently different from your business, you're going to have a problem. And I think too few leaders spend any real energy understanding either the leadership teams profile or the cultural glue, if you will, and they assume that it'll all just fit together. And the reality is, if those are vast, if the leaders aren't aligned, or they're weak, or the culture operates in a vastly different way than how you operate, you're in trouble. And you're going to be in that 70 to 90% failure rate that we talked about at the beginning.

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Steve Divitkos 12:15

So if we look at an M&A situation where one entity is buying, let's say MCA is buying entity B, and they want to keep the management team intact. So it's not a bolt on acquisition, let's say it's a private equity firm buying this company on a standalone basis. You know, in my experience, when I bought my company, I don't want to say there was a bad culture, I would instead say that there's there was almost no culture to speak of that I could easily define. I think our comp plans are absolutely all over the place. We barely had a management team. And there's a delicate balance between are those problems that might dissuade one from acquiring and investing in this company? Or do those represent massive opportunities for value creation? Because, of course, to use an extreme to illustrate a point, if you buy the perfect business, which of course doesn't exist, but theoretically, if you did, well, there's nothing you can do to make it better and create value. So how does how does an acquirer think about problems that they see on the way in are those should they act as red flags? Or should they act as green flags that say, hey, there's a lot of opportunity to improve this?

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Randy Street 13:27

Yeah, great point. I guess my comment was more related to integrating companies. So culture becomes a problem when you're integrating. If it's a standalone, I would agree with you it's opportunity. So if a company is underperforming, typically, and I'm biased, I should say I was a former, I am a former strategy consultant, and I get the value of strategy. I've been an operator as well prior to my my work here at GH Smart. So I understand the value of operations and creating operational value. But what I've come to believe fervently is that none of that works if you don't have the right leadership in place. And so so much of the opportunity can be created in a private equity context, or if one of your listeners is buying a company, simply by providing strong leadership when it was lacking, and leadership. You know, one of leadership's big jobs is building a culture that is high performing. And you can do that by focusing on all the levers that build culture, whether that's focusing on who you hire, how you develop, how you recognize and reward people, the structures and processes you put in place, the communication, on and on it goes. I would agree it's an opportunity. If it's a standalone, the risk is really if you're trying to integrate a dysfunctional culture or even a strong culture into your business if it's a vastly different culture.

S**Steve Divitkos 14:53**

Sure, sure. That makes a ton of sense. Okay, so let's move on to hiring something that that I know is near and dear to your heart, and I don't want to release spend a lot of time talking about the lessons and you know, pieces of wisdom in the book because I like I said, I would encourage everyone to simply just read the book on your own. I certainly have more than once. You know, so Randy, you you know that this is a podcast dedicated towards small and medium sized business owners and CEOs. And in particularly in that ecosystem, there are some CEOs who have been, you know, lionized, they've been mythologized for having interviewed every single new hire within their company. And on one hand, some people say that this signals a level of dedication to people and culture that other CEOs should aim to emulate. But others would say that this is actually really ineffective delegation, and shows a lack of trust and other members of the senior leadership team to build their teams as they see fit. So where do you stand on this? How involved should a CEO be in a small to medium sized business in making hires beyond the people that report directly to them?

R**Randy Street 16:01**

Yeah, and I'm actually going to agree with both of those points of view, but I think it evolves over time. So I think when you're small, like really small, getting started small, you do want to be involved, because every hire counts, your success and failure as a small business is going to rise and fall on the strength of your leadership team and the team at large. And when you're at that early, early stage, you want to handpick every single person, because you're in the process of shaping the culture, and frankly, just financially can't afford too many misses. At some point, though, I would agree with the second group, which is you need to downshift from interviewing everyone, and you've got to delegate more. Most CEOs don't trust their people to hire the right people. And there, they think that lack of trust is with good reason. Because in our research, the average hiring manager, whether it's a CEO, or even an HR person, gets it wrong half the time. And so you can understand why a CEO might be tempted to maintain a tight grip on the steering wheel when it comes to hiring. But that's that's where I would echo your advice to read our book, we wrote it specifically to address this problem. And help leaders go from a 50% success rate to something more like a 90% success rate, which those who have applied the methodology regularly report they can achieve. And if you have a 90% success rate, you can start to feel confidence in your delegation. So once you know your team is using a great process, whether it's ours from Who or some other process, and you feel that they're calibrated against your values, and the culture that you're trying to create, I think it does make sense for CEOs to back out of the process. They don't have to get all the way out by the way, they can continue to remain in the selling process, for example, or maybe in final review conversations to discuss debate, decide who among the three people we took through the process we're going to hire. But they shouldn't be interviewing and sort of driving every step of the process at some point, because it just doesn't make practical sense. Number one, and number two, it means you're not teaching your team how to scale up and hire great people, which is going to become critical for their success as leaders as well.

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Steve Divitkos 18:19

And is there any kind of size threshold or rule of thumb, the accidents as an inflection point for you? So for example, if I'm starting a new business today, and I'm a team of one, team of two, team of three, naturally, I think it's reasonable for me to interview everybody. But you know, on the complete opposite end of that spectrum, presumably, you know, Marc Benioff isn't interviewing every new account executive at Salesforce. And of course, the the answer is somewhere in between. But is it a number of employee threshold? Is it a revenue threshold? Is it a number of direct reports threshold for those companies or CEOs who are maybe running businesses with let's say, 20 to 100 employees? Maybe their management team is two to six people? How should they think about kind of which end of that spectrum they should be on?

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Randy Street 19:10

Yeah, 20 people, you're probably still interviewing everybody at 100 people you're probably phasing out. And you can phase out in stages to by the way, you never phase out of interviewing your direct reports, you should do that forever. And you might phase it out by dropping everybody but the direct hires to your direct reports. So maybe you do a skip level, you remain involved in a skip level set of interviews. But certainly when you start getting into the 100 to 150 employees level, you should you should be out of the interview process long long out for everybody and downshifted, just your directs and maybe to the next level down as well. Once you get above a couple 100 people you should you should just be really focused at the top of the house and make sure you've got a rigorous process in place I'd say in fact, buy a house 100 people, you should be at that place.

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Steve Divitkos 20:02

Fair enough. So many CEOs, myself included, actually use personality tests or personality profiles. And there's a lot of different tools on the market today. They use them during their interview process to see how, you know, a new hires will work with them personally, but be how new hires will work with other members of the management team. So I'm curious, like, where do you stand on these tests? And how successful or how predictive have they been in your experience?

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Randy Street 20:34

So these tests can be useful, but they tend to be misused. So I will answer this with some giant caveats. So the handbook of industrial and organizational psychology has stated very clearly based on research that personality tests are not at all predictive of job performance. So if you're using a personality test to use as a critical input to your decision making process, you're on pretty thin ice, in fact, you are likely making a pretty serious error. However, they are useful to understand how somebody operates stylistically, and how that may show up with you as the boss or with your team in general. So for example, in Myers Briggs is a very well known and famous personality test that talks about people who have on on the judging and or perceiving into the spectrum for how they get things done. The language doesn't make much sense, even to me. But the idea is some people like to be the judges like to be more methodical about how they solve problems, they're going to create a plan and then work the plan. Whereas the perceivers are much more flexible and casual, and they, they'll get it done, but it's probably likely going to be a last minute deal, they're going to procrastinate to the very end, and then, in a burst of productivity, get it done the night before. Well, that can drive the structure people crazy, and the vice versa, the structure will drive the last minute, get it done people crazy, if they don't understand that's how the other person's operating. If you know, that's how they work. And you respect that that's how they work. And you understand that that's just a personality type, then you realize both can be successful. Neither is right or wrong. They're just different. And so it can be handy if you're just trying to understand why someone behaves a certain way, when in terms of getting the work done. But it's completely useless to decide, are they going to be able to get my get this job done or not? So use it to understand style and how they will show up on your team? Do not use them to decide should we hire them or not? They're not at all predictive of ability to get the job done.

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Steve Divitkos 22:50

That's so great. So clear. And that makes perfect sense to me. How about so when I was building my leadership team, a particularly for later hires, I would involve other members of my leadership team in the hiring of new members to that leadership team. So for example, when I was hiring my CFO, I would include my VP of sales, my VP of engineering. In those discussions, I did that because a I wanted to benefit from additional perspectives in B to the extent that I actually wanted to hire that new CFO in this example, you know, people inherently tend to be more bought into decisions when they are a part of making that decision. So that was all well and good. But of course, in involving other members of my management team, I risked a situation where we disagreed, either I wanted to make the hire and they didn't, or vice versa. So where do you stand on CEOs looping in members of their management team to evaluate new hires? And what should a CEO do if she finds herself in a situation where there is a disagreement between her and her team?

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Randy Street 23:57

It's a great question. There's no perfect answer, I generally lean toward involving the team in the process. Because more people's eyes on it's better than than not. Obviously, if it's a confidential hire, let's say you're replacing your CFO or something you can't bring the team in. But assuming it's all in the open, then generally it's better to involve your team. The document we call the scorecard, the that I mentioned earlier, is actually very helpful here because it allows a team to take some of the emotion, some of the bias and a lot of the opinion off the table and focus really on the data about the person and how that data fits against the job at hand as defined by the scorecard. So my first suggestion is, yes, involve people but let's make sure everybody's aligned around the scorecard. Which again, is it's not a job description, but it's more of an outline of the specific outcomes that we expect the person to achieve, the result we're looking for them to see, and the competencies and behaviors that they will need to demonstrate to be successful. And if you're focusing on the scorecard, then it's a lot easier to come to consensus, because you're now looking at real data about the candidate against the job itself in a, in a more structured way. So I offer that not to say that it will eliminate all disagreements, but to say that, you know, it's likely to help clarify everybody's thinking and in identify and highlight where those disagreements are. Ultimately, if this is your hire, you know, you may need to make a decision that does not have consensus. And it'll be important to point out why you're making the hire and why you're overriding some concern that they might offer. So for example, again, it's assuming you're using a scorecard, let's say, three of the team members who interviewed are worried about cultural fit, let's say, and cultural fit matters. But this person's ability to get things done is very high. And everybody agrees with that. And we all agree that the culture is moving from point A to point B, you might actually say, you know what? We're going to take a risk on that I recognize the risk that you're calling out, but I think we can all agree that they're very strong in these other ways. So I'm going to go forward with it. And I, you know, I own the outcome, if it doesn't work out, that's on me. But let's do what we can to make it work out.

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Steve Divitkos 26:28

Yeah, I think that makes a lot of sense. The other thing that that I, you know, found to be helpful at times is to appropriately explain to folks before you loop them into the interview process, why it is you are looping them in. And I think it's important to find a, you know, thoughtful way to mention that, you know, you're not you're not looking for decision making by consensus. Instead, you are looking for additional perspectives, you're looking for people to fill in blind spots that you may have, you're looking for additional data points, almost to, you know, find a respectful and deferential way to say, hey, I value your opinion, but we don't do decision making by consensus here.

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Randy Street 27:10

Critical points, Steve, I think that's true, not just for hiring, but for all decisions, are you giving your team voice or a vote? And there's a big difference, and they should know, whether it's just giving voice or giving a vote. And I think the most successful CEOs I've seen, allow their team to give voice but it's not a consensus, and it's not a democracy, you are the CEO, and you are going to make the call. And not everybody is going to agree. And that's okay. And by the way, I expect you not all to agree, if we all agree, then we should stop right now and pressure test what we're missing. And then once the decision is made, I do expect you all to get in line to help me make this decision successful. So great CEOs, I think, gather that input. They make sure that there are opposing views in the room, precisely to make the decision better. But then when they make the call, they expect everybody to get in line and support the decision to get to the best outcome. And there's no difference when it comes to hiring.

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Steve Divitkos 28:10

Yup, disagree and commit as a as I've heard it articulated before. So let's talk about a hiring mistake that I made many times, particularly in my early days as CEO. And it's around this issue of small companies trying to hire executives from much larger ones. And it's interesting, because conventional wisdom seems to suggest, in fact, I've had people on this very podcast suggests that, you know, CEOs of small companies should hire for the company that they want to be in five years, not necessarily the company that they are today. Sometimes conventional wisdom says, you know, something to the effect of CEO should look there for quote, been there done that executives who can help them scale to levels that they used to operate in, in previous companies. But in my experience, hiring folks from much larger, much more structured environments into a smaller, medium sized business, those tend to not work out terribly well. Now, is that because this conventional wisdom is incorrect, or is that because there is something specific to the hiring process or the execution of or the pursuit of that common knowledge that is flawed in some way?

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Randy Street 29:29

So I've made the same mistake, Steve, prior to GH Smart, I was at a small .com called Easy gov, which we ultimately built to about a \$30 million business before selling it. And I made the same mistake. I was running sales and marketing and I thought I needed to go get experienced been there, done that. Executives from you know, places like Oracle or whatever big, big software firms. We were a tech company, and they came in and they needed and expected process and support and all kinds of things that I couldn't give them, they also didn't have the brand behind them. So now they're suddenly selling this no name brand that nobody ever heard of. And it didn't work out. I never made that work. So the specific question around hiring from larger companies into a smaller, medium sized business is fraught with risk. Because there's so much support that those individuals coming from large companies have, they don't even realize they have it until they're in this environment where that support is gone. And suddenly, they're unable to function in the same way. So that's part of the answer. Now, the other part of the answer is, even if you were to hire from a smaller company, also entrepreneurial, actually, finding people who have been there done that is valuable, versus stretching too far for where you want to be. Because ultimately, if you're trying to shift the business from point A to B, let's say, going back to my previous example, you're trying to shift the culture from A to B. If the person can't survive in the culture as it is, in state A, they're not going to be around to help you get to state B. So they've got to be able to succeed in the business as it is. So I realize that sounds like a bunch of conflicting advice. But what I'm, I guess I'm saying is 80%, of what you're looking for should be Been there done that in a context that is similar to yours. And then the other 20% can be stretching you toward where you're trying to go.

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Steve Divitkos 31:31

When we made hires across our company, we used a framework that I took from a different book called Traction by Gino Wickman. And we defined hires along kind of two bases, if you will, right person and right seat, and you could get either of those wrong and make a hiring mistake. So we define right person as someone who is a good fit with our culture and our core values. And we define the right seat as the person understands the job in question that's been made clear, they want the job in question that's been made clear. And they have you know, the capacity, the skills and the ability to do it. And we made right person, wrong seat mistakes, and we made wrong person, right seat mistakes. Is one mistake more common than the other in your experience?

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Randy Street 32:25

I don't know which is more common, but they're both very common. I think organizations do a poor job of understanding their own context. So they don't really understand their own your the seat for which they're hiring particularly well. And then they go out and they fall prey to assuming that some great resume is going to get them where they want to go. If they're going to get the person they want. There's a wonderful story that we tell in the book where a gentleman hired someone and it didn't work out. And the person was really confused and approached him and said, Oh, I understand. And he said, Hey, we hired, you know, we hired your resume, but what we got was you. And so there's this idea that, you know that I think we fall prey to all kinds of marketing in the form of resume or interviews that are not conducted well, and we make the mistake around hiring someone who's incapable of doing the job. There's also I remember an example of somebody we interviewed years ago, who was interviewing for a sales job. And at the very end of the interview, he said, you know, I gotta be honest, when we said, What's one more thing you want to share with us? He said, You know what the smell of jet fuel just makes me sick. And this was a job where he was going to need to be on an airplane 75% of the time pre pandemic, of course. So that was a question of will, you know, will he want to do this job? So I'm not being very articulate. But I guess we see skill gaps will gaps and issues with not understanding the context which you're calling, you know, the person in the seat. And I think we make them all, all of those mistakes are very common.

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Steve Divitkos 34:10

Yup, that makes sense. Let's move on to the makeup of CEOs. Because one of the things I still remember from your book, and I originally read your book years ago, and I've since read it two or three more times. But I remember a study that you presented, and you guys looked at, correct me if I'm wrong, private equity backed CEOs to see what are the CEO characteristics that were actually correlated to financial performance. And you broke them down into two categories called Lambs and Cheetahs, the lambs and feel free to correct me. Those are folks who have mastered the soft skills like openness to feedback, listening skills, being deferential, being highly collaborative, etc. Those all sound very good. And the cheetahs, you kind of defined as people who are aggressive and they move quickly and they're decisively and they're decisive. they're persistent. And the study revealed that cheetahs outperform lambs more often than not. So I asked this because for as a new CEO, I remember me thoughtfully trying to discover what my leadership style was, because in the absence of any experience, I actually didn't really know what my leadership style was. And for more seasoned CEOs, they might be trying to kind of refine their leadership style. So are there any kind of practical lessons or Takeaways or implications that CEOs can take away from the results of the study?

Yeah, absolutely. We did that work back some 10 plus years ago with Dr. Steven Kaplan, out of the Booth School of Business at University of Chicago. And it was across about 300 CEOs, private equity backed CEOs, we've actually since extended that study, across 3000, CEOs with Dr. Kaplan, and the results have held up. So the cheetah versus lamb profile, the cheetahs are successful, nearly 100% of the time, the lamb profiles about 50/50. And as you said, the cheetahs tend to be decisive, they tend to move quickly. They do have high standards, and they work persistently toward them. And the lambs, by contrast, are more concerned with maintaining the peace through some of those softer skills, as you said. It's kind of disconcerting to hear because we all want to, we think we want to work for leaders who are collaborative, and listen to our input and their differential and all the rest. But the problem is the Lamb profile tends to confuse getting input from folks with wanting to be liked, and they want to be liked so much that they actually don't move forward. So you can almost picture them, getting feedback from everybody, but never actually making a decision because we don't have alignment around a consensus view. And so we just don't make the decision. We don't want to offend anyone or upset anyone. And you can picture the lamb just going in circles, nibbling on the grass, so to speak. Whereas the cheetah says, Look, not everybody's going to like every decision. I am going to get input from you. But ultimately, I'm going to make a decision. And we're going to move forward. And as we dug into it, we found that cheetahs had four very specific attributes I've mentioned a few already you have as well, decisiveness is one. The second is the Engage for impact rather than to be liked. So they engage with people as I've been describing to get input. But they're not looking for consensus, they're engaging to make a difference, to move forward and get results. But they're not engaging just for affinity. So that's number two. Number three, they tend to be very adaptive and flexible. So the cheetah profile actually, this this leader style, they tend to read a lot of news from a lot of different sources to try to keep their finger on the pulse of what's going on in the market, at large. And in the industry specifically. And even within the business, they talk to a lot of people in the business to try to keep a read on what's going on. And they're open to changing direction if necessary, right, a cheetah might have its eyes on the gazelle. But if the gazelle moves, the cheetah moves with it. And the same is true with this style CEO. And lastly, they deliver results reliably, steadily year over year. So they're not trying to pull a rabbit out of a hat. It's more about block and tackle, get it done. You know, just do the basics over and over and the results come as a result. That's what we found in the research. One final thought, that whole profile might sound slightly distasteful if you want to be the collaborative person. But the irony of all this is that if you focus so much on being liked, ultimately you're not going to be respected, because you're not going to get results. And when you get results you'll be respected so that the cheetah profile actually has very high followership, a lot of loyalty and a lot of respect. And if you do it all nicely, and with humility, and with a servant leader attitude, you will be what we call a smiling cheetah, which is one that does all this while being a good human being at the same time.

S**Steve Divitkos 39:21**

What's really interesting is that I noticed that the emphasis was on decisiveness, not correctness. And as a CEO, you know, we all have to make seemingly every decision in the face of very incomplete information. That's putting it mildly. So is a takeaway of this study, in your opinion, that it's better to err on the side of being decisiveness and simply make a decision and course correct if you're wrong, as opposed to increasing levels and iterations of analysis? Is that a fair takeaway from the study?

R**Randy Street 40:01**

It is absolutely Yep. You you can't change the direction of the bicycle until you're moving. So it's better to get up on the bike and get moving and then course correct as you go, then to sit there analyzing how you're going to stand the bike up and start pedaling. In fact, early on, we have a framework we call power, which is a priorities who in relationships. And when we this was actually part of that same study that came out of that study, and then early formulation of it was, instead of thinking about how people set priorities, we were thinking about the extent to which they analyzed. And we found that this analysis paralysis that you talked about is actually one of three very big derailers for CEOs. So get out, if your tendency is to go in circles, analyzing, you're in trouble, make a decision, move forward. You're never gonna have perfect information. But what you what I can tell you from experience from my clients, and my own experience, once you get moving, you'll have more information, and then you can tweak the decision as you need to.

S**Steve Divitkos 41:08**

Yeah, yeah, that's right. And unfortunately, particularly my early days, as a CEO, I would put myself in the category of analysis paralysis. If I were to make any mistake, it would be to overanalyze instead of be too decisive. But with experience, it's interesting to note that, you know, there really aren't that many decisions that can't be reversed or corrected. So actually, that's actually potentially a great great segue into our into the next thing that I want to dive in with you, which is post hire consideration. So after you make a hire, you know, kind of what do you do with it. And there might be some course correcting necessary, which we'll get to in a moment. But where I want to start is onboarding because in my experience, a frequently overlooked part of a good hiring process happens after the hiring is made, which is during the onboarding process. So I think intellectually, a lot of CEOs understand this, but in practice, it tends to be fumbled more often than not. So in your experience, what are the basic things, the processes, the tools, the structures that comprise an effective onboarding process, particularly for a senior management type of hire?

R

Randy Street 42:18

So I just alluded to a framework power PWR, I'm glad you asked this question, because I sit here thinking, Oh, I'm not sure what to do with power. So I just threw that out there. It wasn't hanging on anything. But it actually is a useful framework for how we think about onboarding, PWR, just in a nutshell, are the three things leaders need to do to be successful. And in our studies, we have found that leaders who do these three things well are 20 times more likely to succeed than those who do none of these three. And of course, many leaders do a fraction of them. And it applies to onboarding. So the first is P, which stands for priorities, it's really important when you're onboarding a new leader to help them get clear around their priorities. And you can do that by sharing the scorecard if you wrote one, or at least just getting up on a whiteboard and talking through the company's priorities, and therefore what their priorities are. And I've seen this at play, you know, CEOs who are first time CEOs tend to have a lot of priorities, like eight to 10 priorities, which is kind of ridiculous. But it's common, so don't feel bad. If you're one of those CEOs, I certainly was one of those CEOs in my early days. Second time CEOs tend to have fewer, they narrow it down to like three priorities. And experience CEOs tend to have one. So first thing you can do is help the leader you just hired your head of engineering or head of sales, or whoever it is, to get very clear on their 1 to 3 priorities. One to three priorities and how they tie back to the business. Secondly, is the W and that stands for who? Help them think about their team. Do they have the people they need to execute those priorities? And they may not know, so help them figure out what they just inherited? Going back to the first question you asked me at the beginning of our time together. But they should they should take the next 90 days to really get to know their team and evaluate them against the set of priorities, and decide do they have what they need to to execute successfully? And then the third is R which stands for relationships. And this is really about setting up the ecosystem for success. So who are the key stakeholders and actual relationships, we need to build. That's pretty common in most onboarding processes, just helping them map the team and understand who they need to spend time with both inside and outside the company. But also think about the structures, the metrics, the dashboards, the compensation, the communication, cadences, all of the processes everything that will bring this ecosystem to life. So if you do those three things with your new leader we have found you can accelerate their likelihood of success and path to success by quarters and minimize the risk of a footfall because they just, you know, they had too many priorities, or they didn't have the right team in place, or they didn't really get to know the right people or set up the structures for success.

S

Steve Divitkos 45:21

Yeah. I love the emphasis on fewer priorities with more experience, I think having eight priorities is a bit of an oxymoron. But certainly something that I did, particularly my early years. So, let's double click on this, this balance between decisiveness and correctness. Because one of the most frequently cited regrets among CEOs speaking with the benefit of hindsight, is not terminating people quickly enough, after they initially suspected that somebody wasn't the right person for the job. And I always find this interesting, because so many CEOs have understand this intellectually, I mean, 10 years ago, I understood this intellectually, and I still made the mistake several times, particularly my earlier days. So the mistake, although it's well understood, I guess at an academic level, it happens probably 1000s of times a day, every day across the world. So I guess my question to you is, you know, are there any signs in particular that a CEO should look for that it's time to make a change? One of the things that I often counsel CEOs is, hey, if you have an initial gut suspicion that someone's not the right fit. In my experience, I don't think my gut has ever been wrong. Not that I think my gut is particularly, you know, profoundly wise or anything like that. But there may be something to that. And I guess, more importantly, how should a CEO strike a balance between on one hand, giving a person the opportunity to improve and not act impulsively, but on the other hand, making sure that they're sufficiently decisive?

Hmm, right back to decisiveness. Well, it's funny. We've interviewed over 25,000, senior leaders in depth using the Who interview that we described in the book. And the number one regret by far is people say they didn't move quickly enough on their team. So they knew they needed to make a change, but they just didn't do it. So if something's nagging at you, you should probably listen to that. Because otherwise, you're gonna join the 25,000. Others who share that regret, it's really easy to hang on to somebody for too long. And it's very common. So don't feel bad listeners if you do that, you're not alone at all. Obviously, if somebody doesn't live up to your company's values, or there's an ethics issue or something, those are the easy ones, you know, they steal from you or something, that's simple. But usually, it's more insidious and more challenging. So a couple of watch outs, I'd say to have in the back of your mind. One is, if you find yourself doing parts of their job, they're probably a B player. If you find that you've got to be the brains, you've got to be the one pushing them, you probably got to B player. In other words, if you're not getting the leverage, if they're not wowing you with what they're getting done, if they're not taking what you've asked, and actually not only delivering it, but giving you way more than you probably have a B player. And I define the player, by the way against the scorecard for that job, you might be able to redeploy them into a different job where they can be an A player. But in a small business, that's often really difficult. There just aren't a lot of roles where you can move people around. So if you're doing their job, and you're finding yourself holding their hand too much, you've got to be player and you should probably make a move. Now, you know, at what point do you coach them up versus move them out? You're the second part of your question. I would say if you've hired somebody, and they're failing in the first year, and you did not onboard them, or offer any support, that's really on you, you've made a hiring mistake. If they've been on your team for a while and you haven't given them feedback still, and they're fumbling along, that's still on you. And this is your fault, not their fault. But if you've been giving them feedback, and they're not receiving the feedback, or they get defensive around the feedback, or they hear it but they just can't change. They're just incapable or unwilling to change that that's when you can start thinking about making a move. So you owe it to people, whether they're a new hire or a long term incumbent you owe them real feedback. And not the like the sugar coated whitewashed, sandwich feedback where they come away feeling so great they didn't even hear the feedback. You got to give them real feedback, and help them understand how that's impacting the business and what the consequences are if they don't address it. So give them a fair shake. I've my rule of thumb personally with my own team is if somebody is both willing to take the feedback and able to do something with it, I will give them a lot of grace and work with them a very long time to try to get them up to the level I need them to be. Obviously, within limits, but if they get defensive and shut down, or they're incapable of dealing with the feedback, and that becomes clearer over time, then I will remove them again in a kind way. But I will still remove them because they're just not going to get there and it becomes evident that they have neither the will or the skill to get there.

S

Steve Divitkos 50:34

So I guess one follow up in this might be a borderline unfair question. But in all of the instances in your career where you made a hire, and let's say within six months, you had a gut feeling that you've made a mistake? What percentage of the time would you say your gut was right? And what percentage of the time would you say your gut was wrong?

R

Randy Street 50:55

I'd say 90% I was right. And sadly, prior to GH Smart, I made my fair, you know, my hiring success rate was about like everybody else's sort of 50/50. And it was pretty clear in the first six months, even first 90 days that I had made a mistake. And I you know, I desperately wanted to give people a fair chance. And I tried to give them feedback. And I probably didn't give it clearly enough. And yeah, in almost every case, it did not work out. The exceptions are, I would say when people are truly open to it, and they want to learn and grow. I think that appeals to something in me and I just start rooting for them in a whole new way. And I have saved a few people. But it's rare.

S

Steve Divitkos 51:40

Given that your gut was right, 90% of the time, I had a CEO colleague of mine years ago, tell me something that I've shamelessly copied ever since he said, when he hires people, there's only two possible answers. Hell yes or no, there's nothing in between. So he always advise wait for your hell yes, candidate. So as it relates to the first three to six months on the job, would you say it's fair to apply the same criteria, which is, you know, your reaction as a CEO is either hell yes. Or it's have got to make a change here? Or is that too simple of a way to think of the world?

R

Randy Street 52:24

I love it from a hiring perspective, we say the same thing. If you aren't dying to get this person into your company, you shouldn't hire them. If you're trying to figure out a way to make it work, don't hire them. If you've got doubts, don't hire them, you should come out of your interview process, just so utterly convinced that they're going to crush it, you just cannot wait to get them into your business. That's the person you should hire. And even then you're not going to get it right every single time. I would say though, even great people fumble in the first 90 days sometimes. Maybe you didn't power launch them PW are launch them or onboard them, as we talked about before. Maybe something happened in the business, maybe Had something happened in their personal life, you know, suddenly, someone in their family had a, you know, medical emergency or something. So I think you do need to pay attention to the broader context. But if nothing's changed, if you've done everything right, in your 90 days, and you're not seeing it, you know, certainly you need to start giving the feedback. But you're probably going to be making a move before too long. Yeah, it's not likely to suddenly change course. So just be aware that the course may have changed, and therefore give people the benefit of the doubt if that's the case.

S

Steve Divitkos 53:43

Sure. Maybe it's just my affinity for pithy sound bites that makes me.

R

Randy Street 53:46

Yeah, hell yes, it's a good one.

S

Steve Divitkos 53:50

Okay, so let's let's move on to compensation because I think no discussion of hiring would be complete without compensation. And that is a big part of, you know, not just recruiting people to your company, but developing them. It's, you know, how you compensate them is important for attraction for retention, but also to ensure that your employees feel valued, that they're properly incented, that they receive payment that's commensurate with the value that they add in your business. That's all to say, hey, compensation is important. So again, specific to compensation. This is a bit of a broad question, but can your 30 years of research and being a practitioner in space, is there anything surprising or counterintuitive, that you've learned that CEOs should learn from as it relates to compensation?

So I have to start by saying I'm no expert in compensation at all. So what I'm offering here is more observations from personal experience versus research back. And I will also say that in my experience, there's there's no perfect system so you can try all day long to come up with a perfect system, you're never going to get there. Every systems imperfect. Yet, the other thing I would add is anything the minute you implement a compensation system, it's going to change people's behaviors, whether you like it or not. So going back to our cultural discussion, the number one driver of culture is actually compensation, believe it or not, you've got to work hard to overcome the negative impacts of your compensation system with everything else that we talked about. Because it will carry way more weight in your culture than you care to admit. In fact, when I was running, sales and marketing at former companies, that I mentioned, one of one of the people I was interviewing once asked me to see the compensation plan, I was giving him all the spiel about our strategy and our culture. And he just said, yeah, show me the comp plan, because that's your actual strategy and your actual culture. And that's always stuck with me. And he was right. surprises though, with all of that has my caveat. One is, you just said it, actually, it's a way to show how you value people. It's less about the absolute number sometimes and more about showing somebody that you care and that you value them. Which is tough, because it's sort of the old proverbial, if you ask 100 people, if they're an above average driver, or below average driver, 90% will say they are an above average driver. And the same is true, if you ask are you an above average employee or below average, they all think they're above average. So it's kind of a no win situation. But it is a way to show people what you think of them. The other thing, which I'd say is, it's not so much a surprise, but more of just a watch out. It's just it's a way that people keep score, at some point. Early on in their career, it's a way to show progression, it becomes about taking care of their family. And at some point, it becomes a way to keep score. I had a situation where there were two executives, and they were making a ridiculous amount of money one made \$3 million with bonus and one made 3.1. This was obviously not a small and medium sized business, this was a larger business. But the one who made three was really upset if you can believe it, because he felt like he was a stronger employee than the one that made 3.1. They went through this whole process to understand you know why this outstanding performer got paid less than the mediocre performer. And it turned out, he had joined a year after the first guy. And they had a compensation program that increased with time, it was just purely time based, not performance. But it was this ridiculous rigmarole. And I'm sitting there going these guys are making 3 million bucks a year, like what's the problem? Stop talking about this. But it was a way of keeping score and as a way of feeling valued. And it was not about the money in the bank. It was about the emotions and the sort of value conferred by the dollars behind it. And so that's probably been my biggest surprise is just how much it influences behavior. Not always in a very good way. Yeah, it's a it's a challenging, like we have to pay in our commercial world. But it really screws an awful lot up.

S

Steve Divitkos 58:21

It does. It's so interesting that you mentioned its impact on behavior, because it's so true in my experience, and one of the things that I learned and putting together you know, I spent a lot of time and lost a lot of hair on trying to put good bonus plans and comp plans together for our team. And one of the things that I noticed over time is that when crafting these things, you have to be really thoughtful about unintended consequences. One of the things that is now very obvious in retrospect, but the time was not obvious to me many years ago, is we had a customer support team. And like most customer support teams, they would talk to customers take their tickets, you know, resolve their issues and send them on their way. So in all of our wisdom myself, my management team said, Hey, we have a big backlog of tickets, why don't we incent people on the number of tickets that they successfully process, that makes sense. But of course, what we didn't realize is that that incented the members of our support team to cherry pick the easiest and quickest possible tickets, leaving the hairy, complicated, ugly ones, for somebody else to deal with. And I only mentioned that because with every decision that you make, with everything that you are attempting to insert, I think you have to be really thoughtful about not to view others in kind of a negative or distrustful way. But ask yourself, is there some other unintended incentive that I'm creating here?

R

Randy Street 59:45

Hmm, yeah, absolutely. And every compensation plan will create perverse incentives. So it's helpful to try to think through those before you put the plan in place. Think of the people on your team that are going to game the system and kind of put yourself in their shoes, how are they going to game this? Because they will. And it will likely, you know, expose something that you don't want. Daniel Pink talks about compensation. And I think it's in Drive, where he talks about it. And he basically points out, it's kind of a funny example. But if you went to a Thanksgiving dinner with your family, and it was all lovely, and wonderful and everything, and then at the end, as you're walking out, you said, Mom, how much do I owe you for that? Suddenly, you turn a wonderful event into a transaction. And it changes the dynamic of everything. And of course, your family made that meal just because they wanted to? Well, again, the problem with compensation is there's no way to not have the, you know, that conversation in a commercial context. And so how do you do it where you get the most alignment? You know, it's an extrinsic motivator? How do you do it in a way that's least disruptive to your business? And there's no perfect answer. I wish there were, if there there was, I have a very different business. I'd be in the comp business, for sure. Because, boy, that'd be a silver bullet, I'd love to find.

S

Steve Divitkos 1:01:16

Yeah, you and me both. Okay. So last question. Before we wrap up with a quick concluding one. You know, one of the things that I noticed in running my own company is that the teamhealth, at the management team level was critical. And I know that you work with at GH Smart, you and your colleagues, work with management teams to help evaluate and in some cases, improve the quality of relationships among the management team members. So in your experience, when there's something dysfunctional, between members of a management team, are there some common reasons for that, in your experience? And is there anything that CEOs should be listening out for or watching out for to either diagnose or begin addressing some of these more common problems among team members?

R

Randy Street 1:02:04

Yeah, for sure. It's interesting, we get that call a lot and the hypothesis that CEOs come to us with typically sound something like Yeah, our team doesn't quite get along, or they don't trust each other, or they're not working well together. Or it's, you know, I'd like a high performing team. And I feel like I've got a dysfunctional team, you know, come do some team effectiveness work for us. So that's how the problem presents, what we find those very different. And it actually goes back to that power framework I mentioned earlier, PWR. We actually find if you start with priorities, oftentimes you'll find that the issue is that the priorities aren't agreed upon or aligned around. And so everybody's working on different things. So of course, it's dysfunctional. In fact, we worked with one team where the CEO, we asked the CEO, do you have priorities? And he said, Yes, we do. We have 157 of them, or some crazy number. And we said, you're kidding. And he said, Yeah, I'm really excited, because last year, we had about 300, and we were able to cut it nearly in half. Well, obviously, as you said earlier, 157 priorities is no priority. And if everybody's working on different things, you don't have a team, you've got noise. So number one is get real clear about your priorities. My guess is from for a lot of dysfunctional teams, it begins with with everybody pulling on the oars, you know, the proverbial rowboat, everyone's pulling on the oars, at different rates and times and against each other. So of course, you're not moving together. Second is the who, a lot of dysfunctional teams have either a toxic personality on the team, or an incompetent player on the team. And everybody knows it, and they're looking to you, the CEO to do something about it. And oftentimes, we find if you simply make the move to take out the toxic personality, or remove the incompetent player on the team. It's like a cloud parting in the team starts to operate better almost immediately. Amazingly, just getting those two right, the P and the W gets you a long way there. But if you're still not operating at full power, then you get into the R, which is alright, let's look at how our comp plan is working for or against us. Let's look at decision rights. Let's look at processes. And let's look at actual relationships and see if we have trust issues that we need to work on. So there is a place for the ropes course and all of that. But boy, it's its way down the list. Typically, you can fix a team up pretty quickly by getting everyone aligned on priorities, getting rid of the the weak or toxic who, and then looking at all of your processes and structures, including compensation to see how those are working against you. And when you fix all of that actually, the relationship part is easy. People want to work together, they just have all this noise that's making it difficult for them.

S

Steve Divitkos 1:05:00

Yeah, so true. Okay, last question for you, Randy. And it's a bit of a weird one. So bear with me. If you could scream one thing from the proverbial mountain tops, and every CEO of every small business would hear and fully digest what you are saying. What would you say to them and why?

R

Randy Street 1:05:21

You are who you hire.

S

Steve Divitkos 1:05:24

Oh, that's a good one. You are playing towards my affinity for short, pithy statements.

R

Randy Street 1:05:31

Yeah, you are who you are, right. So your success as a leader is going to rise and fall on the strength of your team. So if I could offer one piece of advice, it's put disproportionate energy into hiring and developing a team of A players, it will make all the difference in your success as a leader.

S

Steve Divitkos 1:05:50

Awesome. Randy Street, Managing Partner of GH Smart and author of one of my favorite books, Who. Thank you so much for being generous with your time and for your thoughtful answers. We are all better off for having been exposed to them. So thank you very much.

R

Randy Street 1:06:06

My pleasure Steve, thank you so much for the time.