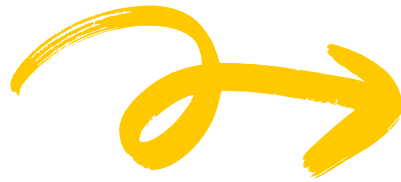




PEOPLE



THE 2ND ROOT



Finding the Right Fit

There was once a tailor who was so good at his work that his business quickly grew. Not only was he a master of his craft, but his customers also found him to be reliable, amiable, diplomatic, and trustworthy. No matter how busy he was, he took the time to build relationships with them. With every stitch and every conversation, he focused on his customers' needs. This ensured that they wore his suits with pride and joy.

In time he became overwhelmed with the ever-increasing volume of work and decided he needed help.

As luck would have it, a young man entered his shop the very next day. "I am looking for a job," the young man said.

"Can you stitch? Can you cut cloth? Can you measure accurately?" the tailor asked.



“Yes, yes, and yes,” the young man said.

So, the tailor hired him, and for a while all went well, until one day his best customer came in with a complaint.

“This suit wasn’t cut properly! As you can see, it doesn’t fit!” The portly customer was shaking his jacket in the air.

Before the tailor could respond, his young employee said, “Sir! I cut and stitched that suit for you. I’ve reviewed your measurements, and you’re nearly twice the size you were months ago! I can’t be held accountable for your eating habits!”

“Well! I won’t be insulted! I shall take my business elsewhere!”

That night the tailor went home to his wife and told her the story. “I think unless you can train him to be more diplomatic, you should let this young man go,” she said. “After all, finding an employee who can create a suit masterfully is only part of your business. It’s just as important to find someone who suits the masterful way you treat your customers.”



FINDING THE RIGHT F.I.T.



As the tailor in the previous story quickly discovered, when you hire people who fit your company, they have the potential to master their jobs, but they are also well-aligned with your company's principles and purpose. These are the people who will excel within your company's culture and help you to make your company great.

To find these individuals, you hire for F.I.T., which stands for Fraternity, Interest and Talent.

F	Fraternity
I	Interest
T	Talent



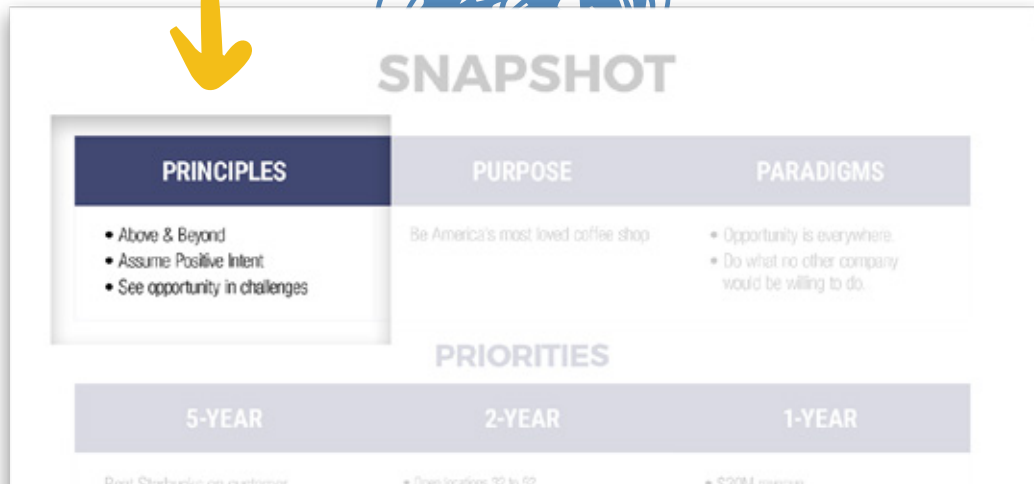
FRATERNITY



Fraternity can be thought of as how well an individual fits into your company's culture. If the candidate fits well, it means that they align with both your principles and your purpose.

If a candidate doesn't fit with your company's core principles, you'll soon find that out. When you're around them, the environment will feel inharmonious. You'll feel uncomfortable when you observe how they interact with others, and they'll likely disrupt the well-honed culture that exists among your other employees. You'll feel somehow bothered. And, if an individual doesn't align with your company's purpose, you'll observe this as well. They won't be enthusiastic when discussing your company or your products and services, and this attitude will be reflected in their work.

When someone is in alignment with both your principles and your purpose, it doesn't mean that the individual will agree with you on each and every matter. That's why you hired the best talent rather than automatons who just do their work by rote, never inputting valuable ideas or a different opinion. As long as your people are on board with your company's principles and tenets, there can be immense value in listening to and understanding different perspectives, and doing so will go a long way to validating your employees and their individual talents. Just be sure that their decision-making and behavior display that, at their core, they have the company's best interests at heart. When someone pursues a purpose at work larger than themselves, it should come naturally. When someone lacks enthusiasm around your purpose, it's natural for them to be guided by short-term self-interest.



What Are Your Company's Principles?

Principles are the values that guide our decisions.

For LEGO, having fun is their #3 guiding principle. For Charles Schwab, earning clients' trust is of paramount importance. For Publix Supermarkets, waste intolerance is #4 on their list. So you can see that there are any number of principles or values that can drive a company. Often when friendships and marriages endure over long periods of time, it comes down to shared principles. When these relationships come to an end, it's most often due to conflicting principles. And it's no different within a company's culture.



Each and every choice you make is a choice among competing principles. Principles affect both your big choices, such as who to hire or how and to what degree your company is organized, as well as the dozens of small choices you're required to make daily.

As CEO, should you take time out of your busy schedule to speak with a new hire? If this is something you feel you should do, how long will you speak to them? What tone will you adopt in your discussion? Will you listen more or speak more? Every one of these questions represents a choice between competing principles.

When I founded Helm in 2013, my team and I first defined the company's four main principles. These principles are what guide our decision-making in all areas of the business.

- **Entrepreneurial**
- **Curious**
- **Attentive to Others**
- **Hungry for Growth**



Here are the principles of some of our clients:



Kyowa Kirin (Pharmaceuticals)

Integrity

- Innovation
- Personal
- Accountability to the Team

AeroFarms (FoodTech)

Collaboration

- Agility
- Respect
- Empowerment

Securitech (Manufacturing)

Problem Solving

- Ingenuity
- Determination
- Customer-Centricity

When determining your principles, the questions you need to ask yourself and your team are: *Which principles should we employ to guide our actual day-to-day behavior and decisions? What's really important to us? What do we stand for?* Don't be concerned with which principles you think will make you look good to the outside world.

In October 2001, my former partner and mentor, Marshall Goldsmith, was in Austin, Texas. A leadership team was sharing with him a well-choreographed video displaying their company's key values of community and integrity. The following day Marshall was scheduled to begin coaching sessions with this company, but these sessions never took place. The reason? That company was Enron, and one of their leaders had just been indicted on felony charges. This is a textbook example of a company that had violated their principles with disastrous consequences.

Unfortunately, too many companies misunderstand the role that principles play. Their purpose isn't to win you popularity points



with the media or your customers. Instead they exist to guide your day-to-day, moment-to-moment decisions. Without a clear roadmap—your values statement—your decision-making will be like a boat without a rudder. You'll have no course to follow. You're winging it, making it up as you go, and it will not turn out well for you, your employees, or your company.

If you have not yet defined your principles in writing, you can discover them by asking yourself what your major frustrations are. Where do you see the most conflict? Talk to key employees and get their input. If people seem unhappy but you believe they are following your principle guidelines, they may simply be in the wrong position within the company. You may have the right talent, but you're not utilizing these people properly.

Principles are like the skeletons in our bodies—they support every area of business and all your daily activities.

Your guiding principles should act as signposts as you hire and retain the right candidates. For example, if you've defined that it's important for you and your employees to go above and beyond to meet your clients' needs, it will help you to turn away candidates who seem content to settle for *good enough*. These people are called passengers. They're only looking to fill a forty-hour work week and nothing more. They take no initiative. If you hire people who don't embrace your company values, you will frustrate existing employees who are on board with your principles and purpose. Employee retention and engagement will suffer as a result.

A *culture* will or has developed naturally within your company. Your successful hires—the talent you employ—should all be on board with your company's values. So culture is ideally nothing more than a company's principles playing out within the workplace. Your culture reflects the actual observable behavior of these principles in action: how punctual



employees are, how they dress, how many speak out in meetings about critical issues, how often they make restitution for mistakes.

Another consequence of making poor hiring decisions—those that don't align with your expressed viewpoints is that your credibility will suffer, because your team will see you as untrustworthy.

No matter how careful you are with the process of hiring, there will be times when an employee's behavior conflicts with your principles and goals. Firing someone isn't easy, but if others also see the issues, they will lose respect for you if you don't take action. Engagement takes a nosedive in companies where leadership is seen as weak or indecisive.

If you find yourself in this position, target those people and give them a probationary period to convert. If they don't, facilitate their transition out of your company. Doing so will show your other employees that you are credible and stand by the company's values. You'll also be seen as fair because you gave these 'passengers' a second chance.

Hiring candidates who align with your principles requires you to do detective work. Interviewees are generally eager to please, so they will usually frame their answers to what they think you would like to hear. If you telegraph your principles when you're screening for them, you're giving them the answers to your questions. A candidate will likely tell you what you want to hear. Do your due diligence and get to the core of who they are.

Ask questions that will cause them to subtly reveal who they are. This is going to be a game of psychology.



If one of your principles is the ability to recognize one's own mistakes and strive for improvement, ask your candidate about one of the mistakes they made in business and what was learned from that mistake. What did they do to improve on their skills, attitude, or approach for the next similar task? The answers given will help you discern their character traits.

If your company values the ability to follow a predefined process, ask your candidate to walk through one of the more robust processes involved in a previous job. This will give you insight into the extent to which this person values having a defined process for each type of task.

Every employee should completely understand each process that relates to their job position. Have them reiterate the processes that pertain to them. If they have to ask questions, they don't fully understand yet. Keep training valuable and willing talent until they understand.





What is Your Company's Purpose?

In their much-acclaimed culture code, Possible Health CEO and co-founder Mark Arnoldy created a definition of purpose that succinctly encapsulates the meaning it has in an organization:

**“IN EVERYTHING WE DO WE BELIEVE IN...
(NAME OF PURPOSE).”**

Once your company distills your message, it will remind you daily of how important your purpose is in doing great work within your organization. This purpose, sometimes called your mission, is your beacon and guiding light, and should influence every decision and aspect of your business.

To create camaraderie within your company, new candidates should not only align with your principles, they should also be enthusiastic about your purpose.

Let's use two different chocolate companies as an example. One company's purpose might be to spread the joy of chocolate around the world. The second company's purpose might be to let people experience the perfect bite. The former company might invest in an Enterprise Resource Planning (ERP) program and focus on scale, while the latter company might invest in research and development. The first company might focus on hiring a software engineer to customize its ERP, or a salesperson to reach new territories, while the second company might focus on hiring a chocolate connoisseur. Your purpose guides your decisions.



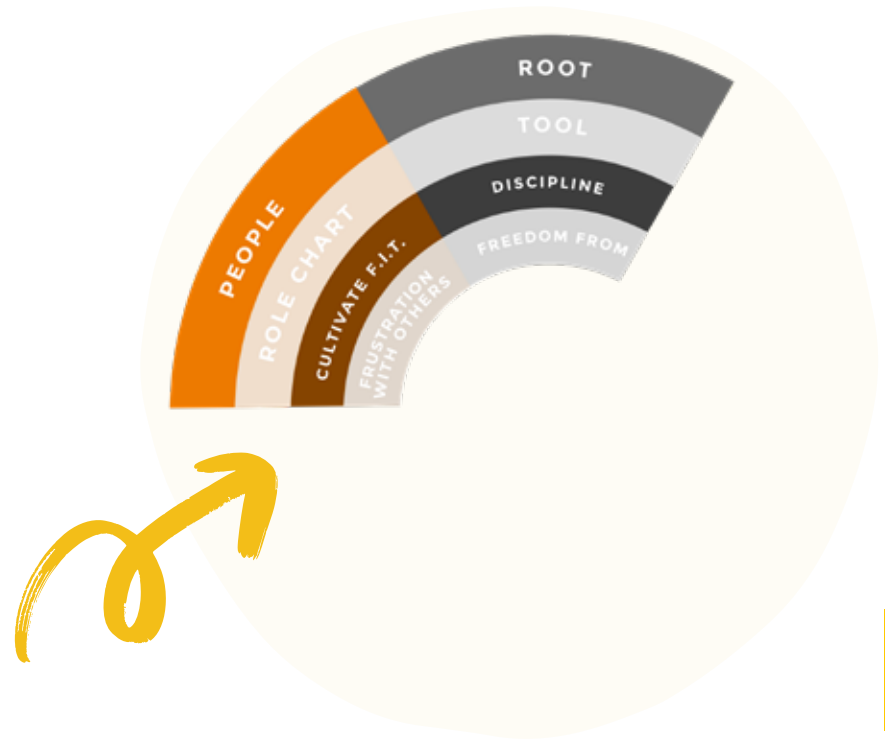


Many years ago I met the founder of Whole Foods, John Mackey. He shared with me that when he started his first grocery store, he lacked leadership experience. Previously he had only been a busboy and a waiter. However, he was clear about his purpose, and that purpose shaped everything he did. He founded Whole Foods to help people live healthier lives.

A common misconception is that as CEOs we grow our company. But we don't grow our company any more than a farmer grows food. Farmers can only cultivate the conditions in which food grows. They irrigate, fertilize, plant... they don't, however, "grow" the food. The food grows itself. If you wish to see your company grow, you will be well served by cultivating the conditions for that growth.



**“THE KEY DISCIPLINE TO STRENGTHEN PEOPLE IS
CULTIVATING F.I.T.”**



CULTIVATING FRATERNITY

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Most companies bury their principles and purpose in a lengthy mission statement hidden somewhere online. It's important, however, to bring principles and purpose to the forefront of conversations and decision-making. This can be done through such activities as:

One-on-One Interactions: As marriage psychologist John Gottman advises, a relationship should have at least five positive interactions for every negative interaction. These positive actions are essential to nurturing any relationship, not just romantic ones. When you acknowledge your people for living the company's principles, you and they will feel great. It will offset any conversations where you need to point out where they are misaligned.



Weekly Roundtables: In the coming chapter on Problem Solving, you will hear more about the importance of a weekly team meeting (which we call the “Weekly Roundtable”). Part of these meetings is dedicated to sharing challenges each person has observed. If you see challenges around alignment with principles or purpose, post this to the Challenges Board as a problem to solve. Discuss where misalignments may be taking place, but also celebrate successes that are a direct result of applying the principles.

Quarterly All-Hands: This is a quarterly meeting in which the Visionary celebrates wins and draws attention to the Snapshot wherever change is most needed. An important part of this is collecting and sharing specific examples of how employees are demonstrating your company’s principles and purpose. Don’t be afraid to tell stories of misalignment as well, and how those situations were addressed. Sharing these experiences is vital to your organization’s health. If you consider discussing misalignment to be taboo, problems will fester.



QUARTERLY DOUBLE-LOOP: THIS



Is a one-on-one meeting between a manager and a direct report, which as the name implies occurs four times a year. It's designed to help both parties create more value. It differs from a quarterly performance review in three ways:

1. It provides guidance in both directions. Instead of just the manager giving guidance to their direct report, in a Double-Loop the manager also gets guidance from their direct report.
2. All five roots are explicitly discussed. Both the manager and direct report should advise each other in all five Roots to the extent helpful. Sometimes, this may mean skipping one or more of the Roots, while other times it may mean going especially deep into a Root where a larger challenge or opportunity exists. Each root corresponds to a practically endless array of topics, but here is one sample topic within each Root:

Manager advice to direct report

- Priorities - How should you approach your Quarterly Priorities differently next quarter?
 - People - How should your responsibilities change?
 - Process - What processes may be helpful to delegate?
 - Problems - What are areas that could be helpful to focus on in problem-solving?
 - Paradigm - What types of situations could you approach differently?
-



Direct report advice to manager...

- Priorities - How could we navigate competing priorities with more clarity?
- People - Where are opportunities to reinforce our principles across our team?
- Process - Where are processes inefficient?
- Problems - How can our team build more trust?
- Paradigm - Given this frustration of mine, what's a helpful way to approach this?

3. It provides “feedforward.” - Instead of relying on a direct report to share unsolicited advice, which we typically call “feedback,” with “feedforward” a manager elicits such advice. As a manager you might ask, “How can I set priorities better?” or “How can I manage our priorities better?” Feedforward also differs from feedback in that most meetings focus on the past, which we cannot change, rather than the future, which we can. When people are asked how they feel about getting feedback, “excitement” is low on the list. When, on the other hand, people are asked how it feels to give and get ideas about the future, the top answer is, “fun!”



FEEDFORWARD LEADERSHIP QUESTION:

Do I constantly communicate purpose, principles, and evolving roles? Do I demonstrate the company's mission in my own daily actions?

FEEDFORWARD MANAGEMENT QUESTION:

Are we providing each other with detailed, full performance reviews that include specific feedback and timetables for improvements?

Looking again at John Mackey and Whole Foods, we can see that he stayed true to the purpose of his company, and he and his employees strengthened its Roots.

Priorities - From the very beginning, Whole Foods sourced food from local farmers who didn't use pesticides.

People - The people who worked at Mackey's first little market looked like the Who's Who of society's dropouts. They had torn jeans and long hair, but they were passionate about helping people live healthier lives. When you shop at Whole Foods and you ask someone where the organic yogurt is, that employee often takes the time to walk you over to that section as if it's a life mission, precisely because it often is.

Process - Every process throughout Whole Foods supports their purpose. Foods with unhealthy ingredients, such as those that contain genetically modified organisms (GMOs), can't get space on their shelves. Their buyers use a rigorous selection process to ensure that they only onboard vendors who have a genuine passion for health. As an end consumer, you can see the difference between Whole Foods and other supermarkets when you walk down their aisles and observe the products they offer.



Here are examples of purpose statements set forth by companies you may know:

Starbucks:

“The premier purveyor of the finest coffee in the world.”

Genentech:

“Using human genetic information to...treat people with serious or life-threatening medical conditions.”

Walmart:

“We save people money so they can live better.”

Kickstarter:

“We helps bring creative projects to life.”

When a candidate aligns with your principles and purpose, they have displayed the fraternity you seek. However, Interest and Talent are also needed before F.I.T. is fulfilled.

INTEREST



To consider whether a candidate has interest, first consider the responsibilities that are important to their future role. For example, a Vice President of Sales might have the following key responsibilities:

- Set and hit sales goals
- Train salespeople
- Build a sales plan
- Coordinate with Operations

Within the context of a job interview, candidates will most likely say they have interest in a particular role, but you should probe further. Ask what they loved most about their roles in their previous companies and what they’re passionate about. You could also ask what their key responsibilities were in previous roles and how they keep their skills up-to-date.

Keep in mind that interest extends to how a potential candidate sees themselves fitting into your company. A good candidate does not simply want a job. They want to be able to express their talent for that role. They want to be validated, and they want to make a difference.



TALENT



Fraternity and interest are critical but so is talent. A prospective candidate must have all three to succeed. A candidate has talent if they have the natural strengths or aptitude needed to fulfill the role's responsibilities.

Suppose Alex is interviewing for the VP of Sales position mentioned above. Perhaps in his previous role he had no experience training salespeople, but he had easily handled the other three major responsibilities. This doesn't mean that he can't stretch into handling that additional responsibility and become a master trainer. Unless he lacks assertiveness or clarity in communications, there's a good chance that he has the needed talents to handle sales training as part of his role.

Experience in a specific role is not necessarily an indicator of talent. The candidate may have learned the necessary skills in another context and be able to transfer those skills to the responsibility needed for this role. The best approach is to get clarity on the specific skills, talents, and aptitudes you feel are critical for the position before you begin the interview process so you can assess whether the candidate is a good match for the talent required.



PEOPLE NEED ROLES AND ROLES NEED PEOPLE



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In order to ensure you hire the right people and enable them to set priorities effectively, you need to clearly outline the roles well in advance. Each role should have a set of accountabilities, and each accountability should be broken down into specific tasks and activities. Finally, employees should be given specific metrics so they can self-assess whether they are effectively meeting the required accountabilities, as we discussed in Chapter 2 on Priorities.

The roles are organized in a diagram that looks like an organizational chart, but works differently in key ways. We call this the Role Chart.

THE KEY TOOL TO STRENGTHEN PEOPLE IS THE ROLE CHART



At a glance you can see:

The roles and responsibilities needed to achieve priorities
The gaps that may need to be filled
The structure of the reporting relationships

The roles should emerge naturally after you look at your priorities and decide on assignments. It's important that the roles, and the accountabilities that follow from them, are as clear as possible. It's valuable to review this chart at regular intervals to ensure that the roles as defined are still up-to-date and relevant to your company's success.

There is one role that is just as crucial to the health of the overall organization as the role of CEO. It's the individual who runs the day-to-day operations, sometimes known as the President or Chief Operations Officer, but that we call the "Operator." At the beginning, the company's founder or CEO is usually the person in this role, but as the company grows, it becomes clear that simply driving accountability is not making the highest use of their abilities. By handing off these responsibilities to the Operator, the CEO is freed up to be the company's Visionary.

The Visionary focuses on creating a new future for the organization, typically by innovating, strategizing, igniting relationships, evangelizing the brand, raising capital, and exploring outside the company.



The Operator is especially important because, until the CEO has the right person for this role, they will still be “in the weeds” with the day-to-day operation instead of being focused on visionary activities.

No matter whether you have just a few large clients or many small ones, one of the CEO’s major functions is “elephant hunting,” which is essentially finding and bringing in the new relationships that will bring business to the company. CEOs typically do this better than anyone else because their companies have been built on their talent in this arena.

CEOs often have a gift for communication. They can state their organization’s purpose (or their “why”) better than anyone else can. The passion they express is often infectious.

As a CEO, I tend to get frustrated with people for two main reasons, and I have no doubt it’s the same for the majority of, if not all, other CEOs. First, we can’t get things “off our plate,” because there’s no one in place who is trained or capable of doing these things correctly. Second, people are often a cultural mismatch and, simply put, frustrating to work with.

When you select your people using F.I.T., you’ll gain freedom from people who frustrate you. You won’t need to spend so much time telling people how to do their jobs or how to solve problems. They will have these skills and can work without constant guidance.



“STRENGTHENING YOUR PEOPLE BRINGS YOU
FREEDOM FROM PEOPLE WHO FRUSTRATE YOU”

“STRENGTHENING PROCESS BRINGS
YOU FREEDOM FROM CHAOS.”



Choosing the Right Customers



When you first start a company, your major goal is to get customers. But, as time goes on you realize that choosing the right customers is just as important as hiring the right people.

The customers you pursue should also have F.I.T. with your company and align with your principles and purpose. These customers are more likely to understand your products and services quickly and without much hesitation. They are also more likely to refer other like-minded customers, which will generate more business for you. These superfans will gain and generate more value from your offerings because they resonate with your company's mission. When you gain customers who have F.I.T., it frees you from the anxieties, headaches, and time sink of working with the wrong clients.

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Key Discipline: Hiring, Coaching, and Letting Go Based on F.I.T.

As discussed in our book *What Got You Here Won't Get You There*, my former partner Marshall Goldsmith and I found that the greatest obstacle leaders face is letting go. Great leaders need persistence to succeed, but this persistence works against them sometimes when it comes to personnel decisions. Their stubbornness and steadfastness leads them to try to make things work far longer than they should instead of cutting their losses and moving on.

Not hiring or not firing translates to not letting go of people.

When a candidate isn't a F.I.T., even if that individual excels in two of the three categories, you shouldn't bring that person on board. It will result in morale deteriorating.



If the person is already part of your company, do what you can through coaching, but set up benchmarks and a schedule for when they should be met. If the individual still doesn't meet your F.I.T. expectations, then let them go.

It may sound harsh, but in the long run everyone benefits. The person in question is given the opportunity to find a role that suits them better. You'll have the opportunity to employ someone who is well-suited to the role, can work independently, and is more engaged. Your other employees will benefit as well, since they'll have the opportunity to collaborate with someone who inspires them. Overall, even though it may not seem so at the time, everyone wins.