

Hiring the Right #2

“Avoiding the Biggest Talent Mistake”

By Verne Harnish
“Growth Guy”



“Jemma is a great barrier to protect the team from my overzealousness and enthusiasm,” notes Naomi Simson, founder and CEO of Sydney-based RedBalloon. “She balances all my ‘brilliant’ ideas with a focus on making them process driven.”

The single most important decision most entrepreneurs and CEOs make is who is going to be their right #2; who will play the insider role so the CEO can stay focused on market-facing activities; who will make stuff happen after the CEO tosses a new idea over the transom; and who will act as the shock absorber between the crazed entrepreneur and the rest of the team.

Sadly, it’s a decision most CEOs blow. And once burnt by the wrong #2, CEOs are reluctant to ever try again, dooming them to long hours and frustrating activities for which someone else is better suited. It also exacts a huge negative financial impact on the business since the CEO ends up handling day-to-day operations instead of focusing on marketing and innovation.

Someone You Know

For almost three decades I’ve watched CEOs make right and wrong decisions when it comes to hiring the right #2. Howard Schultz, CEO of Starbucks, is yet to get it right. Michael Dell was forced to take back control of Dell after the failure of his #2. In turn, Bill Gates seems to have made the right decision in Steve Ballmer. And I’ve witnessed countless small to mid-sized company CEOs live and die by choice they’ve made for the #2 position.

I became most acutely interested in the topic when it was time for me to hire my #2. So I began to look for patterns in success and failure. Surprisingly, only one variable emerged as critical – whether the CEO had worked with the #2 for quite some time before putting them in the position.

Steve Ballmer was a poker-playing friend of Bill Gates going back to their Harvard days -- success. In contrast, Schultz plucked his #2 out of Wal-Mart -- failure. But isn’t Google’s situation a large exception? Eric Schmidt was first made Chairman of the Board for six months before he was given the official #2 position as CEO for the co-founders. And given Google’s growth rate, six months is like six years for everyone else, giving the co-founders a chance to test-drive Schmidt before inviting him into the triumvirate.

Started as a Subcontractor

The #2’s that work out the best tend to be family members, employees that move up through the ranks, former customers/suppliers, or long-time friends and colleagues from a previous career.

In Richard Koury’s case, his successful #2 started as a subcontractor for his \$17 million Chino, California-based geotechnical engineering firm. With only a high school education, he excelled in his first assignment back in 1998, “rising to the top and running the job for us within the first few months,” notes Koury.

So talented was this subcontractor that he was hired away to manage a \$120 million construction job for another firm and was nominated for a major construction management award. Koury knew this guy, Dave, was special and remained a friend and mentor over the next few years.

Four years ago, Koury felt his firm was ready for the right #2 and he knew Dave was the right guy. So one Saturday morning he took him to breakfast and asked him point blank “Dave, are you being treated well and are you happy?” Noting that many things that make one happy can’t be put on a spreadsheet, Koury suggested to Dave that he join his firm. He’s been there ever since.

“He’s transformed the place,” exclaims Koury. “I’m overly driven and he puts the appropriate reins on me. And there isn’t one move he’s made that hasn’t helped move the business forward.”

Equally important, Dave has allowed Koury to focus on the growth of the business and the hiring of more great people. “He’s taken over what I didn’t enjoy, wasn’t good at, and where he had better ways to do things,” concludes Koury.

Early Hire

It was a similar story for Simson at RedBalloon. Jemma joined the company when it was only 18 months old, recruited as a product assistant managing content on the website. Over the next six and a half years, she was promoted many times, first to product manager, then marketing manager, national marketing manager, and finally as general manager for the last 2 years.

“She has the strengths I don’t have,” explains Simson. “She is analytical, detailed, calm, and patient.” At the same time, Jemma shares Simson’s focus on marketing, Simson herself being a former marketing manager for Apple. Often the strength of the founder can become the weakness of the organization if the founder doesn’t find someone to support them, given all the other demands that come with growing a business.

The List

These are just a few of over fifty examples I’ve researched. And in 90% of the cases, the success rate is much greater if it’s someone you’ve worked with for quite some time. Questions about compensation, ownership sharing, and transitioning, though critical, are moot issues (and costly!) if you don’t get the right person in the first place.

Therefore, if you think it’s time to find the right #2, start by making a list of all the quality people you’ve worked with the past several years: customers, distributors, former employees that have gone on to bigger things, suppliers, family members, childhood friends, etc. Somewhere on that list is a person that will likely succeed much better than a relative stranger and give you the support and freedom you need build a better company.

Hiring
the Right #2

By Verne Harnish
“Growth Guy”



www.gazelles.com