



40

LESSONS I'VE LEARNED FROM PEERS

20 YEARS OF LEARNING FROM OTHERS

WRITTEN BY

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Tim McCarthy joined Vistage in September of 1995. This booklet highlights his favorite lessons over those 20+ years.

McCarthy's experience includes three successful for-profit companies who employ over 1,000 people. He also established a non-profit foundation in 1998, the Business of Good (.org), serving those who serve the poor with business disciplines and about \$1 million annually.

Tim recently wrote a book about his journey, "Empty Abundance", and has taken to the Vistage speaking circuit. He can be reached at:

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Everything I Ever Needed to Know I Learned In Vistage
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Dedication

To my co-author, preceptor and soul-buddy, Kevin J. McCarthy, my Chair, Brad Roller, and every Vistage mate I've encountered and learned from these last 20+ years.

Introduction

When I started with Vistage in 1995 my company had annual revenues of \$2 million, 14 employees, was named to the INC. 500 and lost money. That year, my wife and I had been together 20 years and our children were 11, 15 and 16. I paid myself \$48,000 in what was my seventh year in business. Since then, my first business was sold into private equity for \$45 million. I've started another three businesses and a foundation and between them we manage about \$60 million in assets. 20% of our investments are in marketable securities and the rest are active investments in socially conscious companies. Our three children are all married and all are running their own businesses, one in suburban New York City (Connecticut), one in Columbus, OH, and one in Chicago. Alice and I have now made it 40 years together and we have three grandchildren under three years old.

In 2016, I'm starting in earnest what I like to call my "final rodeo" becoming a speaker on the Vistage (and other) circuits. I will teach what I'm best at (A CEO Marketing Toolkit) and also explore with CEOs around the country their higher life purpose by sharing mine. Not coincidentally, having and sharing higher purpose is motivational for the millennials our companies are trying to attract and grow. (There's that marketing again.)

Most importantly, I'm happier than I ever dreamed I could be. I have health, love of family and an incredible fortune. And daily, I live my dream of serving those who serve the poor, the focus of our foundation, The Business of Good. Most of my days are spent teaching, writing and sharing. Whatever you learn (or are reminded of) here is "re-gifted" from the Vistage gifts I've received.

Peace,
Tim McCarthy

April 3, 2016

On Process

In 1995 I lacked process in all things. When asked once what our training program was and I said, “three words: figure it out”. It took years of Vistage speakers and peer pressure for me to learn that **process precedes success**. My business was always creatively successful but Vistage allowed me to also become financially successful.

The Vistage process itself is my first and lasting impression. It taught me to be a slave to systems and process. When executed correctly, every Vistage group follows strict disciplines, including:

- Careful attention to member selection criteria (my chairman calls this the “no-asshole rule”)
- Exacting interviews of new members to assure they are able to both give and receive
- Mandatory attendance to a one full day meeting each month
- Half-day speakers –The format is standardized to assure maximum effectiveness
- Half-day executive session
 - Significant events, both personal and business, must be posted before the meeting
 - Member’s specific issues are processed through a one page format that never changes
 - Every month the Host (one) member must update her business plan for group’s critique
 - Group critiques are disciplined. Questions cannot include suggestions, for example
 - Written monthly updates are required
 - There is zero tolerance for violations of confidentiality
- Member and Chairman also meet alone for two hours monthly and must be prepared beforehand

All of these and other disciplines developed by Vistage make its members more effective individually and collectively. Vistage follows its own core value that process helps solve problems.

The **one-to-one process** suggested by Kraig Kramers is wonderful. I learned and followed it carefully. A 121 is a weekly or monthly meeting with a direct report By giving them my full attention, I can leverage their talent far more than I could have otherwise. And many small problems come up before they grow.

While I forget both the speaker and the process name (seems it might have been called “MAPS”), I learned and still follow a process that **connects goals and strategies to execution** through writing a four-column report for myself and my direct reports every week. A fictitious example follows. The first two columns change annually, the second two change weekly. It’s an amazing way to connect tasks to goals.

Execution Focus

Annual Goal	Strategy	Last Week	This Week
\$3 million third party sales	Position as a trade show speaker	1. Visited AMA chair 2.Made Smith appointment	1. Visit Smith 2. Call Jones

My current Chair stresses **Roles Responsibilities and Authority** as a communication and process “cure all” and he’s always right.

Whenever one of our companies is locking horns on an issue, we are able to refer to this RR&A chart to define who should

be doing what (and who shouldn't). It's a simplified version of the "three-legged stool" model of organizational architecture I learned in MBA School (Brickley, Smith and Zimmerman).

Holding Company RR&A

Role	Responsibility	Authority
Scan for Investment	TBGI Team	Tim F
Due Diligence for Potential Investment	Jake	Tim F
Investment Decision	Jake	TBGI
On-boarding New Investment	Tim P	TBGI
Monitor Investment	Jake	TBGI
Investment Exit Decision	Chair of individual business	TBGI

For our sales process I often return to what Vistage taught me called **hunters and skimmers**. (It could have been any one of three excellent sales speakers I recall seeing so I won't wrongly attribute this to any one of them.) Simply put, every sales person is one or the other; a hunter who loves the chase or a skinner who prefers being back at the cabin skinning what the hunter brings home. Misidentifying these types – having hunters skin and skimmers hunt – is the most frequently sales force mistake I've made.

One of our companies has revenues that are extremely difficult to project. Advertising and sales promotion tends to be project focused. To further complicate forecasts, we have a six-month average sales cycle and our projects often take another six months to complete. Among many good things I learned from speaker Larry Goodman was to follow a **“proposal to book to bill to receive”** process. It was amazing how quickly my forecasting improved once I separated and carefully tracked each step of the sales and production and accounting process – most importantly separating bookings from billings.

Mitch Gooze taught me many things but the theme was always that **“great marketing and sales require operations-style discipline”**. By nature, sales people create sales processes that tend to be subjective. And I was a pure marketing/sales guy. Mitch taught me to define each step of the marketing and sales process and then apply repetitive discipline and measurement to it. This was huge for our growth.

On Planning

My favorite still is **the One Page Business Plan**. Since I grew up in the campaign management and advertising business, I was pretty good at planning but my plans tended to be thorough and complex. Bringing everything down to a page forced me to understand our strategy more clearly – make tough choices – and therefore I was better able to communicate it to others. Several speakers had versions of this concept but Kraig Kramers was the best for me.

An even more distilled version of the one page plan was “**The Rock**”, a takeoff on Jim Collin’s concepts presented by Jim Alampi. This speaker challenged us to identify ever so simply and clearly what the ONE THING our company was all about.

Peter Schutz taught me to “**decide democratically, implement dictatorially**”. The analogy he used was (his company) Porsche Audi preparing for and racing at the Grand Prix of LeMans. He said “imagine a pit crew member while changing a tire asking the pit boss why we don’t have better health insurance”. Sounds funny but that’s what we allow to happen in our companies. That is, we decide and implement simultaneously.

He suggested instead we create a strict planning cycle from October through December. During this time frame, all discussion is welcomed. Then, from January to September we are in “the race”. When issues came up to be considered between January and September, we learned to put them into the October planning file and they were taken up only at that time. Very powerful.

Another lesson that seemed philosophical at first was Sam Bowers’ teaching that every feature of my product must either **increase my client’s sales or decrease their cost**.

This became an annual planning discipline for us – putting ourselves in our client’s shoes and literally tallying what they gained or saved from their relationship with us. He also taught us that most products and services are “bundles” of features, created and added to over time. He taught us to measure the cost of every feature of our product annually to see if it still adds value for our client. If it didn’t, we could then drop that feature and save the time and money.

Bowers also said to measure every investment in technology as to whether it added revenue or reduced our cost. If it doesn’t do one of those two things, don’t invest. It seems stupid simple but how many of us have put company money into the latest thing just out of “technolust”? I certainly have.

For overall life planning, Jeff Babcock (among others) taught us that it’s never too early to **write your exit plan**. Choose a magic number, choose a date (even if not a real one) and do the exercise of what it would take for you to sell your business. He made us each write down our “magic number”, the price we would sell our business for that day. Then he taught us to start planning for that or it would certainly never happen. Later, a guy named Ungashick gave us a literal playbook on getting ready for exit in a measurable way. The book is titled, **“Dance in the End Zone”**. Finally, an infinitely readable and highly instructive book was written by Bo Burlingham titled **“Finish Big”**.

I had never considered selling my business when I met Babcock in 2001. In May of 2007 (yes, just prior to the financial crisis) I sold my business and changed my life.

On Measurement

The first comment by a speaker that struck me regarding this topic was “you can’t change what you don’t measure”. Now our businesses measure the top 3-5 factors affecting our success. These are called “**Key Performance Indicators**”. In our current group, we have to turn in our KPIs monthly.

Annual Client Quality Ratings were suggested by one speaker. We took these ratings and eventually turned them into a practice where we would try to fire our worst three clients annually. To “fire” a client, we simply raised their prices to the point that client would be nicely profitable. The lowest rated were usually the price abusers and also most demanding. Therefore whether the client stayed or went, we improved our overall performance. Getting new clients is difficult so this was hard to force ourselves to do. But it dramatically improved our profitability and our employee satisfaction.

Another important Kraig Kramers teaching was the **Trailing Twelve Month** measures. Back then, most organizations reported according to fiscal year, so we had very little data early in the year and a ton later in the year. TTM made us far more intelligent about our businesses. I haven’t succeeded yet but eventually I will be tracking FTM (Forward Twelve Month) as well.

Personality Testing such as DISC was taught to me at Vistage. Several different speakers and methods gave me this recruiting and ongoing team development tool. Measuring how people think and behave leverages talent more predictably. It has helped us to get the right people on the bus and then get them into the right seats, as the Collins saying goes.

The greatest cause of stress is poor time management and yet when was the last time we **“audited” our schedule**. This is a Vistage lesson and it’s actually not much different than writing down what we eat for Weight Watchers. We learned to occasionally audit how we spent our time in the past day, week, month or year. This shows the difference of what we did and how we “thought” we were spending time. Just like I’m surprised at how much I eat when I use the Weight Watcher method, I’m always surprised by how I spend my time after comparing a time audit with my plans.

Another time management skill is the establishment of **meeting rhythm and discipline**. The most important issues and people are best managed by having regularly scheduled meetings. To this day, I meet every Monday morning with my two partners and once a month with another four key people. This method also worked in my real life. After my Mom went into assisted living in 1998 my Vistage friends suggested I set dates to visit Mom regularly. So, I booked air flights every eight weeks a year in advance to Orlando, where my Mom lived. Boy, was I happy when only two years later she was gone and yet I’d squeezed 12 (extra) long visits with her.

In the early 1970s the founder of Boston Consulting Group created the now-famous **BCG Matrix** which I still apply to all our companies' products and business lines annually. Though it was created to measure growth (axes: market growth rate and market share), I apply more basic axes of revenue and profit. Simply plot each business line/product you sell by relative size in sales and profits then create four quadrants of to split the chart. My stars have high volume and high profit, my cash cows high volume and some profit, my question marks have high profit but low volume and my dogs are both low margin and low volume. Of course the trick is what to do once you plot these. My recommended method is to put the dogs to sleep, reprice the question marks, milk the cows and invest resources in the stars.

BCG Matrix



The Role of the CEO

Like most entrepreneur owners, I felt more empowering than I really was. The late Jim Sandstrom taught me that this is true because we usually try to motivate people by assuming that what is good for us is good for them. And yet it is serving their **self-interest that creates empowerment**. He told us the fable of an owner who took his right hand man to look at a beautiful piece of land on the ocean and asked him to visualize (in great detail) the beautiful home that he would someday build on that land. The entrepreneur felt he was sharing his dream but what the executive was hearing was “and if you work hard for me over the years all of this will be.....**mine**.” Since then I always consider first “what’s in my dream..... for them”?

A speaker named Larry King explained the role of the **CEO as Strategist, Ambassador, Inventor, Coach, Investor, Student and Salesman**. Up until then I really saw myself as manager. To be an effective CEO, King teaches we **must work ON our business, not IN our business**.

Several speakers on leadership stressed the importance of **humility and authenticity**. Before I understood this lesson, I was, as so many of us are, a CEO who was afraid to be wrong.

Member David Camiener often reminds me that great leaders “**focus on outcomes, not judgments**”. Before his coaching I would try to identify and change the approach a team member was taking to accomplish the goal. Now we create the goal and then ask them what they need. The rest is up to them.

A speaker once told us that great CEOs should be able to do their job in ten hours a week. I never reduced my weekly hours to ten but over time I did learn that **less is better**.

Mike Murray taught us “emotionally free CEOs are able to **pause between stimulus and response**”. This approach creates less apologies and more certainty.

Walt Sutton taught me that CEOs must “**identify and navigate the rivers of cash**”. By this he meant that money flows through your company’s business category and then through your company, its employees and vendors. He taught us that great CEOs identify where the best rivers and streams are and navigate their company on and off them. Great lessons are drawn from this analogy.

Another important Sutton concept was that the CEO’s most important time is **the time we spend alone**. That’s the only time you can really step back and think about what’s going on and assess calmly where we may need to go from here. He even recommended a three-day annual retreat alone. I never took three days but I have faithfully scheduled a great deal of alone time over the last fifteen years.

As CEOs, we must always be careful to recognize and consider **how others see us**. Sales people used to ask me my opinion over the urinal and then I’d find out later they’d taken my suggestion to the CEO as “Tim’s idea”. I’m now ever-aware of who I’m talking to and how they may use what I say.

Finally and no matter what a CEO wishes, she is the sales leader. As such, he must form and continually update her **network (list) of key employees and potential employees, vendors, customers, prospects and industry associates**. Every CEO thinks they have these lists and their offer but after working with them in the Vistage meeting forum, we find they do not. Few CEOs modify their network list monthly, as I do
Great CEO/chief sales leaders are also in charge of messaging – **the simple 15 words or less which describe**

what is different about our business. Few of us are able to describe what our firm offers in 15 words or less **that no one else can say.** Some can get it down to 15 words or less, but usually they include words like “customer first” and “highest quality”. If anyone else in their category can claim it, it doesn’t count to me. Every firm has something they can say that no one else in their category can – it just takes time and focus to identify that message meaningfully and powerfully.

On Human Relations

Peter Schutz had great HR advice. Specifically in one presentation he gave us a list of **five questions** we could (should) ask **every employee** in our company.

- Why are we here?
- What is expected of me around here?
- How am I doing?
- What is in this for me?
- If I fail to perform, where do I go to for help?

The power of the answers to these questions was so great that we did this same survey every year. By knowing how associates answered these questions, we could see what we were doing well and poorly.

On Big Changes Vistage Catalyzed

In general, Vistage speakers and peers taught me everything I now know about financial management. The first impactful learning was “**capitalizing versus expensing costs**”. Financially savvy CEOs consider which method to use when making major expenditures. Now I do too.

Vistage taught me to view **cash and profit** quite separately. Before Vistage I ran my company based on my IRS reporting, that is from a cash drawer. We had accrual books as well as cash but I never bothered to learn the difference. Once I did, it was powerful.

Until my third year of Vistage, I never even questioned my bank making me sign for everything personally. It took a few more years but once it became a goal, I was able to **make all loans and lease commitments corporately**.

This led to a broader challenge which then member, now Chairman Brad Roller titled “**left pocket-right pocket thinking**”. Like most bootstrappers, every dime I had was put back into my business, which my Brad called my right pocket. Then over time he trained me to move some funds each year from that right pocket to my left (my personal pocket) for security. This method ultimately stabilized my business, as well as my family finances.

The best left pocket-right pocket idea came from David Camiener who taught us all how to **distribute excess cash** in the company at the end of each year then loan it back to the company personally **as sub-debt**. This had the amazing effect of keeping cash in the company but creating a revenue stream for the owner, basically a reward for reinvesting in my company through monthly interest payments. An additional long-term benefit to this tactic for Sub-S companies is that

when the business is sold, the sub-debt principal returns to the owner tax-free since the profit has already taxed once.

Camiener also taught us the simple tactic (used by many business owners) to **own/lease back** physical space and major capital items. I created a family leasing company (left pocket) that was separate from my business (right pocket). This family business owned the building the main business operated in. We leased it to the company at fair value, as any other building owner would, and therefore it was a neutral event for my company but a source of income for me personally.

While I'm again on Camiener, here's the biggest thing he did for me in our 19 years together in Vistage. About three years into presenting lots of great ideas, he said "McCarthy, you are the man of the **half-baked potato**". The group then all told me they were tired of me bringing new ideas before I had finished implementing the ideas I'd sold them only a few months earlier. David's metaphor was I must "bake my potatoes fully" before I threw in the next batch to cook. This simple thought caused a sea change in my business.

The most profitable single idea my group ever gave me was when a major client of mine forbade me from selling to other companies in their category. This was unreasonable since it caused no conflict but I didn't want to disappoint my great client. The group suggested I estimate what profit I would make by accepting the other company's business then offer an **exclusivity fee** matching that number. I eventually turned down their competitor when they agreed to a \$200,000 annual fee. If viewed this way, I can say that this single idea paid for my entire twenty years of Vistage!

On My Personal (my real) Life

Stress Management was not an issue for me (I thought) until we had the third or fourth speaker on it. My lasting impression of these talks is that stress creates physical as well as mental harm. From Dr. Marty Blecker, in particular, I learned that stress has specific physical consequences. He taught us in easy to understand medical terms such as “cortisol and adrenalin are added into your blood stream every time you get excited or upset, and there is no room for them in your blood vessels.” The title of Marty’s speech will also always stay with me, “Health: 30% chance and 70% choice”.

Later, a guy named Steven Snyder taught that mentally, **better decisions are made in “alpha” (peaceful) states of mind** and yet most decisions are made during beta (stress) mind. For the passionate entrepreneurs like me, making sure to move to an alpha state before making big decisions is tough, but improves decision quality dramatically.

Listening comes up often in Vistage, both from speakers and peers. Or maybe I just felt it did since I’ve had to work hard to become a better listener. One speaker outlined an easy to follow, step-by-step process that I’ve used often since then for listening: **1. Ask 2. Listen 3. Encourage 4. Read back.**

The most telling exercise in **listening** for me was the speaker who taught us how to use the Indian “Talking Stick”. She brought a stick with a feather on it. The only person allowed to talk was the person who held the stick. Once each person was finished speaking, they then passed on the stick to the next person who wanted to speak. It took me awhile to get the hang of it.

A man named Jerry Harvey taught us “**The Abilene Paradox**” which had even more applications to my personal life than my business. Said simply the paradox is a communication flaw that occurs when a group of people collectively decide on a course of action that is counter to how individuals in the group would choose to act if they communicated more openly. One group member might make a suggestion that others don’t like but go along to not “rock the boat”. Then as the entire group is running down a bad path, someone asks: “why are we doing this?” and no one seems to remember. My family and leaders of my businesses often make such “team think” decisions to only later ask each other, “why did we do that?” Usually no one remembers.

A favorite mental discipline lesson was from a speaker who taught us that all decisions are made with a combination of three components: **thinking, feeling and acting**. She went on to say that poor decisions, personal and business are made when we do too much of one of these without the others. “Think, Think, Think”, for example or “Act, Act, Act” said she, were pretty common psychological traps. (I’m a feel, feel, feel type of guy). Great decisions, she then of course explained, are made when all three components are in balance and in order; think, then feel, then act and repeat.

I have implemented every lesson described in this little book generally, if not perfectly. In trying to consider a good way to end this little epistle, I decided I would share some of my favorite quotes I heard first at a Vistage meeting:

“No one goes to work to fail.”

“You get what you tolerate.”

**“No one cares what you know until they know
that you care.”**

**“It takes at least 28 days of repetition to break a
habit.”**

“Passion x perseverance = change.”

**“Once you decide your measure, you will know
your meaning.”** (hint: if it's money, you're screwed)

**“You've gotta dance like there's nobody
watching, Love like you'll never be hurt, Sing
like there's nobody listening, And live like it's
heaven on earth.”**