Bob Glazer: Welcome back to Outperform, our insightful podcast here at Acceleration Partners. My name is Bob Glazer, and I'm the founder and managing director of Acceleration Partners. Today, we're excited to bring you another truth, transparency, and tales episode. As you may recall from listening to our last two, these special episodes are where myself and Matt Wool, our general manager, tackle touch business issues while occasionally enjoying a cocktail. It's a little early for a cocktail today, but we'll go with it.

Today's topic is what we call the capacity experience paradox. It's something that we've experienced at Acceleration Partners and sort of learned along the way in our development in terms of why the experience hire isn't always your best bet and how, often times, it's actually the opposite of what you might look for based on your needs. We're going to talk through this a little bit, what our learnings have been and how we've applied this. Hopefully, you can get some good learnings out of it.

Matt Wool: Bob, how did you come up with the concept of the capacity experience paradox?

Bob Glazer: I think it was about a year ago that I first tried to put on a piece of paper and explain to the company our needs as we grew, and how our needs would look as a company, and how various people would help us fill those needs. I drew a line, it was about a 45-degree angle, that represented the company's needs, and then drew some other lines about where someone would be above, or below, or how we could get them to the line. It was a little bit messy, but I think it set the stage. Then, this summer, I was asked to speak on culture and what we had done to grow Acceleration Partners at something called the Tugboat Institute. As I was really thinking through how to visualize that as part of a presentation, it was a classic morning moment where, suddenly, the graph of it just came to me, and I ran and actually wrote it down in a notebook and then was able to develop it a little later.

But as you'll see in the show notes, the core of it is that companies have a demand line, and that line, it's a two-by-two of time and needs, and if you're growing, then the slope of that line equals your growth. Let's just say it's a two-by-two axis, and it's 45% growth, so that line goes up the middle. If we're talking about Acceleration Partners, that's our demand curve. That's what we need from employees. They would actually need to sort of get 45% better a year if we're growing 45% a year in order to move along with the demand. If you think about a given function, you'd have ... Maybe you needed an associate. Let's say we started with accounting. We might need an associate in our first year and a manager in our second year, controller, a CFO by our third or fourth year.

Then what I realized was there were four lines that can sit along that. There is, what I call, the under-performer line. That's the person who comes in right at the beginning and is at the point you need them, and they don't really grow at all, so their ability to grow is flat line. Pretty soon, they get way too far away from our needs and won't be a fit anymore. Then, on the other side is the unicorn. That's the person who comes in at the point in the beginning. They actually grow faster than our needs, and so they're able to stay above our demand curve and even get promoted in new roles and beyond what we need. I think, if you're lucky as a company, you'll maybe find one or two of those. Then that leaves you with, what we call, the A player, which we'll get into more. That's the person who sits right on that demand line. Their ability to increase their capacity and learn is exactly what you need. When you need an associate, they're an associate. They grow to be a manager, and they sort of match.

Then the fourth quadrant is what I call hard decisions. These are the folks who may get 10% better a year, or 20% better a year, 30% better a year, but you need 45% better on the line. This is where I think companies run into their most difficult decisions. Often time, someone growing 20% a year is doing great. You needed an associate before. Maybe they were promoted to manager. Now you need a director. It would be very logical for them to stay a manager while you hired a director, but there's a lot of pride that comes into place, and I think people feel like they're not doing a good job because they can't keep up with demand, when it's pretty extraordinary to expect people to be able to keep up with that demand curve.

I think this is the essence of where I've seen growth companies run into a lot of trouble, and either they ignore their needs and they stick with that person too long, or that person is really close to the line and just isn't there and they make the decision that they need to do something else. However, then that person is really disappointed. I think this is the biggest opportunity for companies, is to take people in that capacity building zone and try their best to get them up to the line and get them up to what the company needs, but it's just not always possible.

Matt Wool: To be clear, when you boil this down, right, essentially what you're saying is that when a company is growing 20% or 50%, the people in the company need to get that much better to keep up with the company, right? That's kind of the bottom line, and that's hard, right, for any person to get 20% or 50% better every year. What does that really mean? When companies look at this, I mean, how does that mean that they need to be approaching their workforce? Does it really mean that a lot of the people that are there today may not be there tomorrow?

Bob Glazer: Yeah, so it's a really good question, and I think it goes via stages, and I think we struggled with this as we approached the $5 million revenue stage, which is common. I think it means two things. One, I think the more the company ... You're going to break a lot of people. I mean, when you're growing that fast, you're going to break a lot of people who rightfully can't keep up with 45% growth a year, so one of two things happen. Those people are struggling with that they can't keep up with it.

A lot of times, I think you have to exit them, particularly if they believe that they are fulfilling what the company needs, or they don't want people to come in above them. However, it's clearly below their ability level to do what's needed at the next stage. Or, they have to understand this and understand that they are doing great. Again, if you tell most of my people our people could get better 20 to 30% a year, we would say that is great. If we were growing 20% to 30% a year, they would be doing exactly what we needed to stay on that level, but as soon as you bump the growth rate up to 50, then that no longer meets that.

It's important to point out, and I had a lot of discussions with other founders around this who went through this, and it was really insightful because they all said the same thing. There are plenty of good jobs for those folks who can't meet the demand curve. In that case, let's go back to accounting. We needed a bookkeeper, and then we needed a controller, and then this is a generic example, then we needed a CFO. We actually need all three of those things. It's not that we needed one and didn't need the other.

I talked to someone last week who ... He sort of made the cardinal sin in that case of finance where let a controller start to take on CFO responsibilities where they really knew that there wasn't and didn't have the capacity to do that. They probably just couldn't, can't ... No one can grow from a controller to a CFO in a year, but this company was growing exponentially, and that person made about a million dollar mistake.

It is not a black or white, or right or wrong answer. I think what we have identified is that this is the dynamic, and we try to explain to people. We say, "Look, we can't ... It's the Grady Little Pedro Martinez. The job of a great manager is to know when it's time for someone to come out of the game. Coming out of the game just might be stay at a manager and not be a director. Some employees are okay with that. Some are not. Looking at the graph, I think what we figured out is that the closer someone is to that growth line, the closer they see that they're almost right there. They have a hard time understanding why it can't be them, but that's why great managers are great managers. They make those tough decisions. The further away from the line, I think they're more comfortable with someone else coming in.

Matt Wool: For those of you who do not live in [inaudible 00:08:30] Boston Sports, who were Grady Little Pedro Martinez?

Bob Glazer: Pedro Martinez was the Ace Boston pitcher who, when the Red Sox were about to make the World Series in 2002, I guess it was, the year before they made it, he was pitching the game and did not want to come out of the game. The manager tried to take him out. He shook off the manager and proceeded to then lose the game and the Red Sox went on to lose that series. Grady Little lost his job over that because a lot of people said, "Look, the job as the manager was to make those tough decisions. Of course, the player ... If a player is a good player, they never want to come out of the game, but it's the job of the manager to know when to take ahold of the game and to make those decisions."

Matt Wool: A lot of this is about employees once you have them, but I can't help but think that hiring plays a big part of this. How do you think about using the hiring process to either solve or resolve this paradox? What's in play?

Bob Glazer: Yeah. The second half of the paradox, which is the second side you'll see in the notes, shows the same demand curve and it shows two types of people you can hire, what we call the experience hire who comes in above the demand curve and has some experience that you really need and is above what you need at this time. As a high aptitude a hire, often, someone who you've hired and grown from within who might start below the need and then can rise higher. I think we, also, a lot of companies struggle to fill senior roles. As you start to grow, you need more of these senior positions. I know we went through this and a lot of other companies go through this. Hey, we need to hire some experienced people, and hire the experienced people, and what they realize is it's not all that they thought it was gonna crack up to be. Often times, that person comes in. They're used to a lot more resources and haven't done stuff for themselves in a while, and also then ... So, they're a little over their head. When people are over their head, they don't tend to do a great job because this person now has to do work where they were managing people before.

Matt Wool: In itself, that's actually a paradox. You bring in a more experienced person, but they actually end up over their head 'cause they don't have the resources that they need to do the job.

Bob Glazer: Correct, because what is the first thing every startup does when they say they need more experienced people? Where do they look?

Matt Wool: A bigger company where they have lots of resources.

Bob Glazer: Correct. They look at a bigger company where they used a lot of resources, rather than the scrappy person. So that person comes in, but then what you realize is, if the company is growing that quickly, that advantage that they had that maybe took them five years to get in that experience might be overtaken pretty quickly. It turns out they're not a super fast learner. They've just been around long enough to get that experience, so that experience goes away. On the flip side, if you have someone who is just a veracious learner, willing to get better, starts a little over their head in that job or they were promoted a little before they were ready, then none of this stuff is beneath them and they want to do a really good job, and they tend to rise.

When you think about someone talking about, similar to sports, where the steal and the best person you had was not the person you paid top market value to in the free agent market. It's the person that you developed from within and had more upside than you believe. When you talk to companies, say what was your best outcome with a person who was the person that surprised them and had that upside. What we've realized is you can interview for this stuff. You can learn to look for people who are veracious learners. One of our core values is excel and improve. They want to get better. They're learners. They're fast risers. They tend to then stay with the growth rate more and rise to it.

Someone said, "Well, how do you find them?" One of the things that I think we look for in interviewing, we've learned, is if someone took ... A lot of times, you're looking for experience. You're not looking at how quickly did they get to that experience. I would take someone, if we went back to accounting, someone who went from a controller to CFO in two years probably is a faster learner than someone that went from a controller to CFO in 12 years. That's indicative ... They did it at the same company, a newer scene.

One of the other things with people moving jobs a lot these days, and I think companies need to dig into this for resumes, is that great talent should be pulled up where they are. A lot of people with the normalization of job hopping is every 18 months, they move to get that raise or to get that promotion. They're an associate and no one sees that the way to be a senior associate, so they move to get the senior associate role and they move to get the manager job. If I was looking at two resumes, I'd be worried about the person who constantly moved to get promoted versus the person who got promoted and recognized in one organization and did that faster.

Matt Wool: One thing I'd add to that, which is kind of yet another paradox, is that part of this that we've found, I think, is that even when you really need that person, you can't make the wrong hire. Even when they're a short-term pain, you have to play for the longer term gain of getting that person and just making sure that you're getting that right because ultimately, the pain of bringing in the under-performer who is gonna be gone in six months or a year is gonna be much greater. Would you agree with that?

Bob Glazer: Yeah. That's where I think the experience just disappears right away. We have seen, in our industry, some people come in from other industries, two partners of ours who are super fast learners and actually didn't have the horse blinders of the industry. I know we were both amazed in three to six months how they were able to acclimate and really outperform people who had been in the industry for 5 or 10 years. It is purely about the talent. You've been a little more involved in this. We had this a lot when we were trying to find senior managers and also bringing in someone who is senior some place else, but didn't have the same experience in our system and struggling with that. Do you want to sort of talk about our learnings there?

Matt Wool: Yeah. I mean, we've, frankly, had a terrible time bringing in senior people from the outside. We did it a couple of times. I think we ended up with a lot of what you were saying. I don't think it was so much because they had the resources they didn't have here in those cases, but it was more that they had learned and internalized other ways of doing things over such a long period of time that it was pretty hard to get them acclimated to the way that we do things, which doesn't happen with the people that you're bringing up internally if bringing up someone from the minor leagues, you can teach the way that the team does it all the way through from A ball to AA ball to AAA ball to the majors. I think we've found that really to be our best luck in terms of bringing in senior people. Really, since we've stopped, I think, trying to bring in a lot of outside senior people, our success rate has gone way up and the people that we have moved into those roles internally have really performed very well, and I think they'll continue to grow on that line with the company. That's how we thought about it.

I guess something that I'll ask you is, do you think there's ever a case where you should be bringing in that experienced hire, or should you just, as a rule, always be building it internally? How would you think about that? When would you say, okay, we should bring in that experienced hire, even though there might be this risk?

Bob Glazer: Yeah. I'm acting as if it's either or, but it's not. I mean, ideally, you would take that second graph and you would say this person is ahead on the graph. They're ahead of what we need experience-wise, but they also have a high aptitude. We're acting, in this picture, like everyone experienced comes in with a sort of flat line growth. The conditions for me to do that would be they are experienced, but they are also high aptitude so they've demonstrated those things. They have also demonstrated the willingness to play down in terms of them be willing to play up.

We have a recent hire, I think, that's worked out really well in that case where we said to this person, "Look, we know that we're gonna ask you to play down for three to six months and learn the system, but we need you to do that to learn the system, but then we want you to hire those people and have that support under you. But for six months, we can only afford one or the other." I think that person's willingness to do that, so the people who want to learn, they want to get their hands dirty, they want to actually when they're coming from a different industry and they're high aptitude, but they are experienced, then they should be willing to learn your business and they don't say, "Oh, I'm too good for that," or, "That's beyond me." I think those are clues that someone could be a really good hire where they have, both, the experience and the aptitude, but then the humbleness to come in and say, "I need to learn your business."

Matt Wool: It's probably more likely when it's a role that's new to the company, right, where you just if you don't have the internal experience, then you're probably more likely to try to do that.

Bob Glazer: Right, we don't have to promote someone up into it because we don't have it. But in looking for people that are experienced, I think it's the key of just not assuming that experience, alone, is what you need, that they are gonna have to grow, and they are gonna have to learn, and you still don't ... Even though they have experience, you don't want to outgrow them, particularly if that curve is high. When a company says that they want seven to nine years experience, we use outcome-based job descriptions, as you know. When you start putting time, that you want this much time for someone to have achieved something, you're actually disqualifying people who might've done it twice as fast. It never occurred to me until someone pointed it out to me, why that's such a bad thing to do in job descriptions, rather than talk about the outcomes that you're looking for. But if I need someone to manage a $10 million portfolio of sales as an example, why do I care whether they took 10 years to get to doing that or they did it in 5 years?

Matt Wool: Right.

Bob Glazer: But I would often, in my job description, disqualify the people who had gotten to that one in five years.

Matt Wool: You talked a bit about the concept of coaching people up to the line when kind of they have the capacity, growing their capacity to stay on that line. Can you talk a little bit about the idea of kind of coaching to average and the pitfalls around that?

Bob Glazer: Yeah. It's a great point. I think it's been one of our biggest learnings. Let me just jump to 10,000 feet for one second and say that part of the coaching, and I think one of the things we realize at Acceleration Partners, is we focused on building capacity wholistically, professional development, leadership development, working on making people better overall, better at time management, better at leadership, better at prioritization, and those things both really, I think, improve their performance in the business, but they also improve their performance in other areas of life. I never met someone who's stressed out and can't prioritize at home that is then really calm and they're super prioritizing work. At first, as a practice, I think that's something that we have really focused on, wholistically, and we've seen great success in working on a development across a range of issues.

In terms of investing to average, this is something I have actually worked on with my coaches. One of the things that I think companies really need to learn to do because it's about return on investment. It's about prioritization of resources. If you hired someone to come in to do a job on day 1 and on day 15, you realize that they can't do that job without a ton of coaching and effort, maybe it's a year that you can get them up to date, you can get them up to speed, and get them to perform sort of on par. I think what we've learned is that that is just not a good use of resources. What we want to do is hire the person who knows how to do the job and is good at the job on day one. Then we're really investing them to grow and do the next job and the next job after that. When you're investing in someone to get to average, I think it's a little bit of pouring good money after bad. We've made this mistake over and over in the past, many times.

Matt Wool: Many times.

Bob Glazer: When you really try to get smart and move away from that and say, "I have a limit number of dollars to invest." I think now we are more likely to have a discussion. What we've learned, and I think a lot of companies have learned, that through the hard work and the interview process, I think if the first two weeks of someone working here are a disaster for them or for us, it's probably 99% of the time not gonna work out. It might be a better time to have a discussion about, hey, is there something better for you and maybe would be better for you to pretend this job never existed and move on? I think we've had good outcomes with that. I will tell you on the times when we've invested to average, I think sometimes those people go on to perform fine, but then eventually, they are under-performing because then they're needed in the next level of growth, and in the long run, it hasn't worked out, even if it's worked out in the short run.

Matt Wool: Right. When you take a year to invest in them to get to average, then by the time they get to the line, the line is already gone again. You're essentially always playing catch up, I think, becomes the real issue.

Bob Glazer: That's become one of my cardinal rules. As much as I love to invest, and develop, and bet on people, it just probably means that they're not in the right system and they would benefit from better investments in a different system or probably investments to be better at something else if it's just not coming natural to them.

Matt Wool: If I'm the CEO of a company that has committed all of these sins and I say, "Look, I really want to move into this framework," and I know that I have ... It's probably a bell curve, right, of I'm sure you have the kind of just very easy under-performers on one side and you've got the unicorns on the other side, and really, the big middle is gonna be the people who are very close to the line, but not quite there. How do you have the conversation with people around this? If you're sitting the company down and talking about this, can you be radically transparent in this way without kind of totally freaking everybody out?

Bob Glazer: I think so because the message is that there are plenty of opportunities. I said before, if you needed an associate last year and you need a manager, you need a manager and an associate. I think there is that discussion to people that what we are trying to do and the rate that we are growing is really hard. What you need to not feel like is that not being promoted every year is a failure. I think that is where a lot of the problems emanate from is not communicating this. If a company grows 100% a year, it is just gonna break people constantly. Its needs are gonna grow so much faster than people can possibly get. If it doesn't communicate that or explain and say, hey, we're gonna have a lot of new roles and a lot of new people coming in, and we're gonna give you every opportunity to do that, but when we know that we need X and you're not ready yet, we gotta hire that person. You're not out of a job. It just means that you've got to be comfortable being a manager and now we need a director. As I said before, you were an associate last year, so you were just promoted.

I actually think the more you communicate this, the less frustration and you say, "As a business, we have to be true to what we need." The worst thing that we could do is not pay attention to our actual demands, put people in roles that they're not ready for, and then have them feel like they are under-performing and letting the company down. Great managers have the natural intuition on when to take the ball from the pitcher. I think that is what great managers do. They have no problem making those hard decisions over and over again. Average managers don't. They either don't make the decision, they wait until it blows up, and when it blows up, you then have that employee feeling like they did something wrong or let people down when they were actually performing great. What the company needed was just beyond there and most people's capacity to learn that quickly.

Matt Wool: This goes for the CEO, as well, right?

Bob Glazer: Yeah.

Matt Wool: I mean, you mentioned your own coaches before.

Bob Glazer: Yeah.

Matt Wool: Do you want to talk about that for a second?

Bob Glazer: You have to decide as a CEO whether the company has grown beyond you or what you want to do. There are very few CEOs that transfer from the startup phase to the scale up phase to the mature growth phase. The ones that do are veracious learners, and want to get better, and want that challenge. There's a lot of other people who actually realize that they want to just be with that one company. There's a lot of other people that say, "Hey, I'm the zero to five million person," or, "I'm the 5 to 10," or, "I'm the 10 to 20." I am better off being in those situations than going back and doing those situations again than I am trying to learn something that I don't want to learn.

A lot of companies outgrow their founder, their CEO. The question is whether the founder or CEO knows that and they want to get out of the way. We work with a company, the founder hired someone else and fired himself and brought it in and said it was the smartest thing that he ever did. Often, then, the founder, as you get to 5-10 million, they're doing a lot of stuff that they don't want to do. I think it applies particularly to the person at the head of the company about how much they want to invest, and figuring out what they like to do, and whether they want to grow with those cycles or go back and repeat the cycles in different businesses.

Matt Wool: Yeah. Just to amplify that, I think one of the things that companies fall into is that the leadership team believes the training is for everyone else, right, and not for them. One of the things that we've really tried to focus on is for you, and for me, and for the others on the team, we always have to get better, as well. If we don't, then how can we tell everyone else that they need to keep up with the line because the line is gonna go right past us, too? Bob, he will be modest, but he works with several different coaches and they all do different things for him. I'm in several organizations and do the same and try to learn more about the stuff every day. If someone said to me, this probably isn't a good example anymore because of what's happened, but even Tiger Woods has a swing coach, right? Even the CEOs of Fortune 500 companies have coaches. None of us, I think, are so great that we can't or don't need to continue to work with other folks in order to make sure that we stay on the line, ourselves.

Bob Glazer: Yeah. As a counter to that, staying on the line, I don't think everyone needs to stay on the line. I think they just need to acknowledge that there are people who that may be a real push for them where they are on their lines at that point or what they're looking for, and they actually have developed this specific zone of area of mastery and they need to stay in it. A lot of times, that's a lack of self-awareness around what they want. Where they see other people doing this stuff, they feel like growing is the right answer to that level when you might be the person who knows how to take operations fro 5 to 20 million and you have become world-class in that. You don't want a ... 20 million to 100 million is a total different thing. Someone might see that as a challenge that they want to do, and to you, it's like, oh, I would rather do this over and over again. Part of that is, as you said, I think it's people being comfortable with what they want to do and self-aware. The right choice may be different for everyone.

However, if you want to stay on that line and that line is 40%, then you need to do hard work. If you want to stay on top of that and let's pick a different function, marketing. If you always want to be the top marketer in that company and you started off with a company at one million and you want to end up as a CMO, that is gonna take an extraordinary rise in performance over 5 to 10 years. It can be done, but it's probably lower probability than in the grander scheme of things.

Matt Wool: Bob, I think we're just about at time here. Is there anything else that you want to throw in before we wrap up?

Bob Glazer: One other thing that is really important is communicating this. I think showing this ... I don't think anyone was nervous about this when we showed it to the company. I think it illuminated, for them, where we are, what the challenges are, where some people ran into internal struggles or problems. We say that in that capacity building zone, our goal is for anyone who wants to get up to that line and who has the ability and the desire to get to that line, to give them the tools to get up to that line. That's basically what we talked about earlier in terms of taking your internal people and lifting them up to get them to the level of your need. You just can't compromise the level of your need. That's actually always our first choice and where we want to invest to do that. I think there's a lot companies can learn around not trying to just offer people more job and functional training, but looking at these are opportunity to improve people's capacity overall. Like I said, areas around time management, prioritization, health, stress, these all affect your ability to grow as a leader and as a person.

Matt Wool: Since you presented this to the company, people have actually started integrating this language. We've heard several people talk about it in terms of themselves or others around kind of hitting the line, quote on quote, or staying on the line. I think that's really what you're shooting for, right?

Bob Glazer: Yeah. I think that it's better to describe to people what you're looking for and explain where the opportunities are than to have them feel that they're doing something wrong. We have never learned at Acceleration Partners in our history that not explaining something clearly to people about how your operating works out better.

Matt Wool: Awesome. I need to go grow some capacity, so I think we're gonna end it there.

Bob Glazer: All right.

Matt Wool: Thanks, Bob. That was awesome.

Bob Glazer: To our listeners out there, as you've learned, hiring someone who is experienced may not always be your best bet. It's really about them being able to do the job and keep up with your company's growth rate and the demand curve. With that said, for the most part, we've been able to adjust and course correct when needed, even when it hasn't been the easy thing to do. Until next time, be sure to check out some of our past episodes and stay tuned for even more to come. Thanks for listening and keep outperforming.