Right People Right Seats

Lawrence: Luke, welcome back to the Membership.

Luke: It's my pleasure. Thanks for having me.

Lawrence: Great to have you and excited to do the next part of the Traction series with you. In this episode, we're going to be talking about the People component. We've done Vision. We've been pretty far on Vision. We got 6 components to cover, and this is the People component. This is a pretty dense piece and I'm excited to get into it because it's obviously critical for growing your business successfully. It is split into 2 main sections. The first section is Right People, where we kind of rediscover core values. And then we talk about putting people through the people analyzer which is a simple system which uses just a plus and minus to evaluate people and their commitment to the core values of the business. And then Right Seats which is talking about the business accountability chart, what are the functions in the business, who runs those functions, and then also the GWC which is a system for Get it, Want it, Capacity to figure out if people are good fit for your business. I'm excited to get into this with you, Luke.

I figured we start obviously chronologically in the order of the book. Obviously, people listening to this, please follow along with the Traction book by Gino Wickman. The first part is Right People, and we're going to get into some definitions, so let's touch on Right Person Wrong Seat first. Do you want to define what that is? And then, we'll go from there.

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Luke: Yeah. I got to make one kind of opening comment if that's okay with you.

Lawrence: Of course.

Luke: My opening comment is this is the most important section of the whole book. But I also think that most HIT studio owners don't get excited about it, but you have to get excited about it because we always think about. I've literally watched the wheels turning the business owner's mind, and not just HIT business owners, but all different business owners but let's just say HIT business owners. They daydream about growing their business. But if that daydream doesn't involve people, other people, then like just shut it down, right? Because you can't grow a HIT business, a personal training business without more people. So if you want to have a great business and you daydream about a few million dollars in revenue or if you've been daydream about a half million dollars in revenue it involves other people. That's why this section is so incredibly important is the business is not going to be about you so you have to get this right. Like that's the key, that's the foundation of all of it.

Your question, Right Person, right? I think the first consideration is there's only two mistakes that you could ever make when it comes to people. In the history of businesses, when someone is not working out and they are not a great fit, it's only two potential reasons – they're either not the right person or they're not in the right seat. As soon as you know that, it could provide so much clarity, right. There's only two considerations I actually have to make. Like when you're talking to a friend at a happy hour and they're complaining about someone that reports to them in some other industry, they're not working out for just one of two reasons - they're not the right person or they're not in the right seat.

Right Person is defined as someone who lives our stated core values, so they are a core value fit. Now, we also call that a cultural fit, right. If you're living the core values that creates, that builds the culture so we could say it's a cultural fit but are they align with the core values. The way that you actually do that is you have your core values stated and you look at this person's performance and you give them a plus for the core value. One core value, give them a plus (+), meaning they're living this core value. Or you give them a minus (-) meaning they're not living this core value at all. Or you give them a plus/minus (+/-) which means they're not totally there, they're not too far off, but they're not a 100% living the core values. So it's a +, +/-, or a -, and you just do that for each one of the core values. So if you have 4 core values, you may have a direct report that ends up two pluses, a plus/minus, and a minus. You may have someone that's 4 pluses. Their pluses are across the board.

And then what you have to do, and as the owner, as the operator, you get to decide what's your bar, what will you accept. For us, we'll accept 1 plus/minus. We're not going to accept minuses. Well, why would we not accept any minuses? Because these are our core values. This is like the most important thing. We can't have you be a minus around one of our core values. Why do we accept a plus/minus? And we do, we'll accept up to 1 plus/minus. Why? Because if we didn't, I think our managers who grade all of our people and give them this grade wouldn't be honest. They will just say, "Well, this person is a plus across the board." Because if they're not that means we have to get rid of them. Our bar is we'll allow 1 plus/minus. Now one thing you can do is you can set the bar, and that bar can change. You can raise the bar over time. You could say when I first start doing this, I have 4 core values. We'll allow 2 pluses and 2 plus/minuses. Over time you may change that to just allowing 1 plus/minus. The book does a pretty good job of saying that's your choice. But that's what we've done is we allow just 1 plus/minus. So the short answer to your question is the Right Person is someone who is aligned with your core values.

Lawrence: Got it, okay. Just to clarify, in terms of the minimum bar, the plus/minuses, you've actually raised the bar higher than the book has suggested, right, in Discover Strength. Is that accurate? Sounds like it?

Luke: I guess I don't even know what the book suggest at this point. I know Gino would say that you can raise the bar over time, and every company's bar is going to be different, but you got to decide what the bar is. When we hire someone we say, "Here's the deal. We'll allow one plus/minus otherwise you got to be all pluses. This is the bar. If you fall below the bar we're going to move you out of here." Before we do that we give you a chance to improve your behavior. But here's the key. Here's the key, a core value, it's not something that's trainable right? You don't teach your core value. The core value is engrained in you. If you're not living the core value and you got a couple minuses, the chances that I'm going to be able to turn that around are minimal, right? Like the core value is a part of your DNA, so I can't probably change that. You should probably just go and work someplace where the core values are already aligned.

I just did a core value review on myself and I was thinking okay, where is there a say-do gap. A say-do gap is what we say we're going to do and what we actually do. I was thinking, well, I have a very small say-do gap between our core values. This is literally the conversation I had with myself yesterday and I realized, oh, it is because those core values I picked them. They're engrained in my DNA. Those are my default behaviors, like, learning is one of our core values. So I'm like why I have been so good around learning lately? Well, that's like literally it's in my DNA. I can't not do it. If you really have the right people, engrained in their DNA is your core value. It's not a conscious focus for them to, "Oh my gosh! I have to learn. I have to read a book. I check the box." It shouldn't be that way.

Lawrence: Do you ever have your staff analyze you?

Luke: You know, I never have. When we first started the [Traction]() process, everybody in my leadership team, and at that time we we're just forming the leadership team, because I didn't know the leadership team was. We all, we people analyze each other and so everybody went through plus/minus with each other. I was all pluses at that time but we haven't done that on a repeated basis. By the way, I think that would be a great activity and a great conversation like, “Hey, it’s the rest of my direct reports. How do you think I’m living the core values?”

Lawrence: Cool. Let’s step back a second. I’m going to try and steer us and do this in order and try not to repeat the things that we’ve covered there. The next definition which I want to cover briefly is Wrong Person, Right Seat. I don’t know if you have kind of cover some of that already or you want to elaborate?

Luke: Okay, so Wrong Person, Right Seat means they are not a core value fit. They have too many minuses but they are in the right seat. And seat is defined as, “Can they do the job?” The job is defined as the key roles, which we’ll probably get into in a little bit. So right person is, are they aligned with the core values. Right seat is can they actually do the job, and by do the job we mean the 5 key roles that comprise the job. But by do the job, we’ll get into this more detail I’m sure later, do they get, want, and have the capacity to do it - it being the five key roles.

Those are the only two considerations, right? Is it the right person, are they align with the core values, and number two, can they do the job? What you just said is Wrong Person, Right Seat meaning they are not a core value fit but they ate really good at their job. And we’ve all worked with that person before and what do we normally say about them. We normally say, this person is a cultural cancer. They are great at their job which is why no one fires them, but like we can't stand going to work with them. That should be an easy management decision. We got to move that person out, we got to get rid of the cultural cancer. I don't care if it is the top performing salesperson that no one can stand working with but they keep hitting their numbers so no one will make a move on them. But when they finally do make a move on them and manage them out of the accompany everyone walks into the manager's office and says, "We are so glad that you did that. We've been waiting for you to do that for six months. What took you so long?", etc.

Lawrence: It's incredible. There is an example in the book I think it is a salesperson who is growing the business. He's responsible for most of the new sales which is obviously easy to overlook them as a poor core value fit and to not have the confidence to address them truthfully. But they lack integrity, they we're doing stuff, certain things with supplies and customers which… I think they figure it all came out in the end that the customers that that person was dealing with weren't happy with that individual even though he had been successful selling and generating revenue. And like you said there, you are also running a risk of just losing some great people in your organization if you don't eject those individuals, right? I mean it could be catastrophic in the long term for your business. Cultural cancer is the great way of describing it because it's like under the service. It's insidious and it doesn't show itself unless you have a rigorous process like this to reveal it.

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Luke: You just stated that perfectly, Lawrence.

Lawrence: Thank you. One of my rare moments. Okay, so that's awesome. Thank you for defining those. Again, it's interesting that we're underscoring core values here. I think when you first touched on core values in the book, a lot of people might start reading and feel like it's cliché, not take it seriously, kind of try and speed through almost to get to the fun stuff, you know, core focus, marketing strategy, in my opinion at least. And this chapter really reminds you that why core values are so important because they're really underpin the type of person you want working in your business.

Luke: Everything you said is my exact experience. That is my exact experience. People are like, "Okay, quick. We'll get the core values…", and then they get to this part and I maybe remind someone, "Remember, getting the people component right is everything." They are like, "Yeah, we totally agree." Well, guess what's the first consideration of the people component is? There's only two considerations - is it the right person. Guess what the right person is, are they align with core values. Then the leader says, "Oh, okay. That is why we have to get core values right because we're going to use this as a filter for all of our people." If you understand, and no one argues this, that people are the most important… Not people, the right people and the right seat is the most important aspect of your entire business and having great people really comes down to only two decisions - right person, right seat - and right person is defined as are they a core value fit. Then you realize, “Oh, core values are everything.”

If you don’t think they are everything, at least 50% of the whole thing, right? They’re half of it. If you don’t have the core values absolutely nailed down, you can’t move forward, you can’t move forward in all of these. Like good luck making people decisions. Good luck hiring and retaining if you do not have those core values nailed down. It is not an intellectual exercise. Ray Dalio says, what’s one thing if you could put something on a billboard what would it be, and mine would be core values. The formation of core values is not an intellectual exercise. It’s tactical. This is what we bring down to the ground every single day. It’s not an intellectual just fuzzy exercise.

Lawrence: Sorry, did Ray Dalio say that for the board or was that your response to it?

Luke: No. That’s mine. He always says like, “What would you put on a…”

Lawrence: He says raise your prices. Didn’t he?

Luke: Yeah. He says raise your prices.

Lawrence: Yeah, which is also very good. Okay, so probably make sense to me. We are into people analyzer a bit more detail here. Obviously, we’ve underlined the importance of rediscovering core values. And then you said there also that you use did this with DS is the first step is really everyone in the leadership team analyzing each other first. Maybe this will be a good time for you to just talk about when you first started doing this at DS, how you went through this process in terms of introducing the people analyzer for you. And if you could tell us when that was, that also will be really interesting.

Luke: I think it was 2013, late 2013, and we use a Traction implementer. One of our daylong meetings, he walked us through all of this and we all people analyze each other. First we people analyze each other to find out whether or not we're the right people and we're in the right seats because we were trying to figure out that accountability chart, right. And if we found out hey this person is in the wrong seat and when we proposed, should we put someone on this seat. We have to say, do they get, want, have the capacity to do it. I'll let you get into that later and we can really go into detail about what that means. But that was the exercise that we went through for all of us and then we realized… And this is what happens to every company especially if they have a decent head count. The first time you get together and start talking about Traction whether it's with an implementer or not, the people that are in that room you find out by the end of that day some of them are no longer going to be in that room. I don't mean you fire them, you just realize, "Oh, they shouldn't be in this seat on this leadership team which means they shouldn't be in this meeting at all." I've seen that happened and I've heard about that happen over and over and over. I mean, I don't know if uncomfortable is the right word, but it's revealing. You realize, well, this person shouldn't be actually in this particular seat.

Lawrence: Yeah. I mean, without naming names, have you had experiences like that when you first implemented Traction.

Luke: So let me say, when we first implemented, the people we had coming to our firstly meeting. You know, our implementer said, "Bring whoever you think is your key people." We are like, "Okay, got it." And then one of my key people you had worked for us for years resigned like a week before our first Traction meeting. I reached out to my implementer and said, "Hey, we lost this guy. This guy was going to be one of our key people. We probably can't move forward with this." He just said, "Just come anyways. We'll figure it out." I didn't realize that this guy was like a master and he's been through this a million times and he knew how it was going to work. I just thought, "Ah, I don't know." And so we got there and we started creating the accountability chart. And so when you create the accountability chart, you have to say right person, right seat. People analyze everyone and say, do they get, want, and have the capacity to do the seat. What I realized is one of the guys that had now left, that resigned, we thought he was going to be on this team and he would not have been on the team. I looked at everybody else that was in that room and said, "You guys realize if so and so is here, they would be the odd man out. They would have been left out." And so it was, I don't want to say lucky that that person didn't come because the person would still really have been valuable in the organization, they just would have been in a different seat. They would not have been on that team. So yeah, I guess we didn't live it but we almost live it. I saw that there wouldn't have been a spot for them on this leadership team.

By the way, it's really important to know that the leadership team is not the entire company, right. The leadership team is the leadership team. Just because you're not in the leadership team doesn't mean you're not incredibly valuable. We tell our people every day, if the goose is the personal trainer, well, guess what, we don't have any personal trainers on the leadership team. And then we think our leadership team is important but the goose is the one laying the golden eggs. Our company is about personal trainers. So as much as I love the leadership team, I think leadership teams are important, we still know that the goose is laying the golden eggs and that's where the company us built around.

Lawrence: And that really comes back to the case on leadership. Yeah, go on. Sorry. Go ahead.

Luke: I'll just say in this example, this particular guy would not have been on the leadership team but he would have been a manager somewhere or he would definitely be a personal trainer and he would have been really good in those roles. That's fine is someone ends up not being on the leadership team. It can be uncomfortable on that moment because we have egos attached to it, right, and people think they should be on the leadership team. I think this happens less in HIT businesses than firms in different industries that are a little bit bigger. The average HIT business if you have 6 people and three of the mare on the leadership team, most of them are dual role. We should probably mention that right now that it is okay to be on a leadership team, and you're sitting on the leadership team representing marketing, but don't just do marketing, you do some other things as well. You're maybe a trainer. Frankly, I think most of your listeners are going to be in that place. The Perfect Workout is a rare scenario where they have just clear delineation. We are a rare scenario and that Hannah has never trained anybody in her life. She's just Sales and Marketing. Jessica has never trained anybody in her life. She is the VP at Finance and all she has ever done with our company, in any company, is finance.

Lawrence: Yeah. But, and this a bit aside, but they all train at DS, right? They don't train crossfit on the side or anything like that?

Luke: My goodness. I would say, not only do they train, they train with the best rep quality and the highest level of intensity of anybody in our entire staff. I mean, Jess and Hannah trained harder and with as good or better form than any trainer in our staff. They are 100% bought in. They just couldn't be a part of Discover Strength if they weren't. I feel fortunate that they are so bought in and their form is so good. We always talk about model the way, right. You have to model the way around what's important. Well, what's important? How we train. How we do a repetition. We have leaders modeling the way around that makes it very clear to everybody else in the company that this is how we do a repetition.

Lawrence: Yeah. I could just go on tangents of your day, Luke, but I'm a going to try and bring it back because these tangents do make it even more interesting. The next step would be for obviously your leadership team to put everyone in the organization through the people analyzer and then share that with each report one on one, right?

Luke: Absolutely. Whether you have 5 people or 50 people, everyone needs to go through the people analyzer and then you find out here's our people that are above the bar, here's our people that are below the bar. Then you go communicate it to them, and then you basically make a plan. You say, "Okay, you're below the bar. We need you to go above the bar. You got 30 days to improve." And most people are going to improve and if you find out they are just not like a core value fit they are going to self-remove or you may have to end up removing them. This is where you get into the millions of stories of entrepreneurs that implement EOS and the wrong people starts self-removing. They are ejected like a virus.

I have story after story friends and colleagues who run big business. We're talking about a guy that's been with the company for 20 years and gets paid almost a million dollars a year in his is about to get fired because they realize he is not a core value fit. They prepare severance package and spent all this money, they are going to spend even more money with the severance package. And then two days before they terminate him, the person resigns.

Why do they resign? Because this company for the first time got serious about core values and said, “Hey, if you’re not a core value fit you don`t belong here.” And the pressure is on this person, and the person said, “I’m out of here.” I looked at that particular owner and said, “Hey, don’t you wish you would have implemented Traction seven years ago like I told you”, for example, “…Because you could have save a lot of payroll, and a lot of headaches, and a lot of heartache in the last seven years or over the last seven years.”

Lawrence: Awesome. And then once you’ve done that exercise with each of these individuals within the organization, you then have a quarterly performance reviews which you kind of covered there to try and keep people above the bar. Obviously if they are not then there is a 30-day, which will get into that a bit because that’s actually a bit further those specifics.

Yeah, and then whenever you have a personnel problem in the organization. If you have identified that as actual the problem whatever it might be, then as a process run that through the people analyzer process, right? If you’ve had an issue at DS that’s something on the issues lists, then you’ve realized it is a personnel problem. Is it as simple as that in using that filter?

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Luke: It is simple as that, but let me take one step further back. We don't just use it for, hey, if there's a person problem which we often will, like, "Hey, this person is not performing. We're having people issue." We say, "What is it? Is it right person or is it right seat?" And then we go through, are they a core value fit. Okay. Do they get, want, and have the capacity to do the actual seat (the 5 key roles). But instead of waiting for that personnel problem, we will often say, "Hey, we have a location that is struggling." And we're talking about it, talking about it, talking about it. Inevitably I will always say, "Hold on. Let's people analyze everybody." And we throw up every trainer in that location and we find out we have a people issue. I think there's multiple trainers at this location that are below the bar. They are not core value fits or maybe they don't GWC it. If the location is not growing for us, so location means a studio, it's almost always because we have a people issue. What are we selling? We're selling interactions with our personal trainers. If those personal trainers aren't RPRS, Right Person Right Seat, we're going to have a tough time growing.

We always look at it like this is if you have okay people, you have few people below the bar, they're not right person or right seat, you're going to do okay and you're going to have some clients that say, "Hey, I love Discover Strength or love your business." But your ability to retain is going to be diminished, right. There's probably 3 levels. The level where you are kind of losing a few people and you have to market a lot to get more people in the door. Then the next level up from that is our retention is awesome. And the next level up from that is not only is our retention awesome but we get referrals nonstop. That's the sign of having RPRS, right. If you have RPRS across the board, you will not only not lose people, you will have really good retention. And not only you will have really good retention but you're constantly getting referrals. Those are the 3 different levels to think about. We'll stare a location sometimes and say they're not getting referrals. They're retaining so what does that mean. Overall, they're just providing experience that is worthy of retention, not worthy of referral. What do we want? We want experiences that are worthy of referral.

Lawrence: Wow. Just to remind everyone, RPRS, right people right seat, which I'm sure is an acronym that Luke will use throughout this. Now, that's super interesting, thanks for adding that. You know, I was thinking and maybe we'll in fact save this one where it's more relevant. But I did have one note here. If you're doing a people analyzer with someone who you like, you work with, and you have a great relationship, when you're trying to understand if someone is a plus, plus/minus, or minus, how do you remove the bias? I don't want again use names, but say you are working with someone who you like a lot, who you have been working with for a long time with great relationship. I can imagine it can be perhaps easy to be bias and, say, I'll give them the benefit of the doubt, when they should be a minus but you kept them at plus/minus. How do you get around that and be honest with yourself?

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Luke: I think the most important thing to do here is to just look at the last 90 days. I just did this with a few of my direct reports in the last 7 days, and I'll do it with Jessica later today. We're going to do a quarterly conversation which is going to be a review of where she is in terms of Right Person and Right Seat, and I'll people analyze her. We will go through data points just in the last 90 days. So if a core value is learning, I won't say, "Yeah, Jess sort of the last 5 years you've been darn good in learning." I'll say, "Okay, in the last 90 days here's all the data points that I wrote down. You read the book Fit for Growth, okay. You read and discuss the book Man's Search for Meaning. You attended this course. I know you attended these 3 webinars. I know you learned all about the PPP and etc." Okay, so I'm going to go through just the actual data points and then I'm going to try and come up data points of great opportunities for learning that she may be missed out on and come up with that list, and she's going to come up with that list also, and we'll just compare those list. The conversation is not about like who is she as a human being? Is she into learning overall as a human. It's in the last 90 days what her behaviors actually say, right. You can say that you're all about learning but if you don't have the data points in the last 90 days then you haven't been living that core value, so just try to create the list of data points.

Lawrence: Got it, so it's a very data driven decision which does make sense. Is this probably the right time to bring up the three strike rule with all this?

Luke: Sure. Yeah.

Lawrence: Do you want to elaborate on that?

Luke: Yes, so the three strike rule is equal part punitive, equal part coaching. If someone is not aligned with the core value where they are not executing on a key role then you give them a strike, and the strike is punitive and coaching, and you say, "Hey, you got 30 days to get this performance, right." Okay. We find out someone's not a core value fit and we say, "Okay, strike. You got 30 days to improve this." Over the next 30 days, I'm making this up, they read 2 books, they watch 2 documentaries, they attend 3 webinars, they are on a phone call with a colleague, and they finish their HITuni course, alright. And then we say, "Okay, your performance has dramatically improved around this strike, so that strike now goes away. It doesn't stay on your permanent record." And you have a meeting at the end of the 30 days and say you get better or not, and if it gets better, it goes off your permanent record. If it stays the same, it stays on your permanent record.

The idea of strikes is three strikes of course and you are out, right. No employee should ever be terminated and be surprised by that. They should know it's coming, right. You got a strike, "Oh, that was bad." You got a second strike, "Oh man, something bad is about to happen." You should know that this is not going well. A lot of times when someone gets 2 strikes they'll self-remove. But we also tell people everyone is going to get a strike at some point. We don't have a single person at Discover

Strength who hasn't gotten a strike. If you're not getting a strike, it means your manager is not paying attention, just doesn't care about you, right. Everyone is going to get a strike at some point and that strike is really an opportunity to live one of our core values. Our core value is creating our own future, so if you get a strike you're going to use that strike to improve. You're going to say, "Thank you. Now, I get the opportunity to really get better in this particular area over the next 30 days." And then that strike goes away and it's off of your record forever.

Lawrence: Awesome. Okay, so that's the first part there we've covered which is Right People and it's all obviously very closely interrelated. I'm sure we'll come back to certain elements. But really, I just wanted to I guess summarize some of these with a quick statement here. We've touched in there obviously core values. In the previous part of the Traction series, we talked about giving that speech to the business, the quarterly company meetings where you again restate core values, people analyzer, performance reviews, and three strike rule. If you get all of those things working in unison and implement it into your business, it sounds like from what you are saying Luke, and certainly what Traction is saying, is it almost makes it organic to remove those people who are not the right fit and obviously kind of resort those into the right positions and I guess use that as filters for future hiring and in that kind of thing. Now, we're going to be, I guess moving on to Right Seats, and starting with the accountability chart. Do you want to just describe exactly what that is?

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Luke: Yeah, I will. I should probably apologize because I may have been confusing and that multiple times when you had me talking about right person, I got excited and also commented about the right seat, but it is a separate discussion. Yeah, right person is, are they aligned with core values. Right seat is can they do the job. You start off by creating an accountability chart which is just an organizational chart. The reason Gino Wickman loves the term accountability chart is it shows what you're accountable for, right. It doesn't show who reports to who or who has more authority. It is just what you're accountable for. The idea is you write a box, you create a box, a seat, and inside that box is the 5 key roles. It's the title and then there's the 5 key roles. The title may be Personal Trainer. So forget human beings, just think, if we hire a personal trainer here… Don't think about Lawrence as a trainer. Think if we hire a trainer here, what are the 5 things we'd want that trainer to do. Just like, those 5 things should really summarize about 80% of what he is actually doing. It's not going to cover everything. It's going to cover most everything. And that's what you want to do for every seat in the company, so what are all the different position you need.

Now, early on, after you build the accountability chart then you put names in the chart but you have to build the chart first. If you're going to build your business, what do you need. Well, you need a personal trainer, you need whatever you're going to call the owner, you need someone to run marketing, you need someone to run finance, you need someone to run like the operations. Those are the 3 major segments of any business. And then you put names in those seats, in those boxes, and early on, it's going to be your name in every box, right. Hey, I'm the owner, I'm also doing the finance, I'm also doing the marketing, I'm also doing the operations, and I'm also the personal trainer. But you build the structure, does the right structure for you over the next 12-18 months. And then what you do is you slowly remove your name out of those boxes and you replace with somebody else's name. And overtime you have different names in each one of those boxes. But here's the rule, you can't have two names in one box or one seat but you can have the same name in multiple seats. So if the role is the Vice President of Marketing, you can't have two people on that seat because this is the accountability chart. And if two people are accountable for marketing, then nobody is. I have to know exactly who owns the 5 key roles that are in that box or in that seat. The seat is the 5 key roles. The question we're going to ask in a little bit is, "Does the person get, want, and have the capacity to do those 5 things?" When you build this think about the positions that you need, the seats that you need, and the 5 key roles for each one of those seats.

The way you really introduce this, just take a big step back. If you talk to most managers, think of a manager in any industry, and you ask the manager, "Hey, do you have any direct reports?" Lawrence is a direct report. You know what Lawrence is supposed to do when they come to work each day? And the manager says, "Of course I know what Lawrence is supposed to do." And I say, "Are you sure?" "Yeah, of course I do." "Okay, write it down. Write the 5 things that Lawrence is really accountable for each day." And the manager thinks, "This is easy." And the manager writes them down, and then I tell the manager, "Hey, you don't know this but Lawrence…" He is on the other side of that door right now. We bring Lawrence and we say, "Lawrence, do you know what you are supposed to do and your job?" And Lawrence says, "Was this like a trick question? Of course I know what I'm supposed to do." "No, Lawrence. Do you really know? Could you summarize the 5 key things that you are accountable for day in and day out?" Lawrence says, "Yeah, of course I do." I said, "Lawrence, write them down." I take Lawrence's list and I walk over to the manager and say, "If Lawrence's list is different than your list then you are fired." We call this game, Keep Your Job. Do you want to play? Virtually every manager says, "Oh my god, no, I don't want to play."

What does that illustrate? That we have a lack of clarity around expectations. It is like a basic human need. I have to know what is expected at me at work. And that simple activity illustrates that in most workplaces what the manager expects is totally different than what the employee actually expects. You got to be on the same page. So having 5 key roles for every seat, everyone knows exactly what is expected of them. Our trainers know we're not going to surprise them with something else. These are the five things that are expected of you day in and day out. I know as the CEO of Discover Strength, I know exactly what my five key roles are and I know what is expected of me and my team knows what I'm supposed to do day in and day out. It creates just tremendous clarity across the entire organization.

And then, when you hire someone, you are hiring them for a seat. You are not Lawrence and saying, “Man, Lawrence is a brilliant guy with some unique skills. What should we have them do.” No, we say, “We have this seat with these 5 key roles. I think Lawrence gets, wants, and has the capacity to do those roles. We should put him in that seat.”

Lawrence: Why is it 5 key roles? Why not three or eight?

Luke: Yeah, great question. It really could be four or six. I think what Gino Wickman found, and I would agree with this, is generally five things will summarize most of what we are doing. It could be more or less. We’ve had many positions that are six key roles. Frankly, I’ve had four key roles for years. I just took on a 5th key role.

Lawrence: What are your key roles?

Luke: The first key role is what is called LMA. LMA just stands for Lead, Manage, hold people Accountable. Hey, if you have a direct report, then LMA is one of your key roles – Lead, Manage, hold people Accountable. The second key role I have is business plan, goals, and PNL. So I own the business plan, I own our goals, and I own the PNL. The third one is what we call core ideology, purpose, values, and culture. I own our core ideology, and core ideology is a term or a phrase that Jim Collins really popularized. But it is purpose, values, culture, I own that. Number four, I am the face of Discover Strength. I'm going to be on the news. I'm going to be out in front. I'm going to be communicating with our key partners. I'm going to be communicating with our bank. Those key relationships. Now, that was a conscious choice for us. Not every company has to have their CEO be the face of Discover Strength, but we have decided that is going to be a key role for me. The last key role, and this is the new one for me is, franchise sales. We just launched a franchise company and I'm running the sales, but only have that key role for a year or maybe a year and a half. And then we'll hire a VP of Franchise Sales that will run all of our sales. But for the first year I can handle that, so that key role will eventually go away from me.

Lawrence: What are the functions at DS? I would really be interested, maybe not necessarily go into like the granularity of each function and how many people in the roles. It would be good to get a high level view of your accountability chart. We keep it pretty simple. We keep it pretty Traction pure. My three direct reports in the accountability chart are three seats: Vice President of Sales and Marketing, Vice President of Operations, Vice President of Finance, and that's it. We use to call it Director of Sales and Marketing, Director of Operations, Director of Finance because I thought saying VP was just silly when we are that small of a company. Now, we are a little bit bigger we say VP. When we get a little bit bigger, we'll change all of those titles to Chief Marketing Officer, Chief Operations Officer, and Chief Financial Officer. I just think it is a little silly to over title a company.

When you are little and you have three personal trainers, like, do you really need to be the CEO. I think it is a little bit silly. I used to call myself the CEO like 13 years ago and then my dad made fun of me. Literally, I've got my parents' summer cabin and my old family will be up there and there would be a chair set up with an umbrella over it which said like 'CEO only sitting' and so I got made fun a little bit from the family and so I stop using that for quite a while.

Lawrence: I love that. That sounds like great family unit.

Luke: Absolutely.

Lawrence: Awesome. Okay. Alright, so you kind of covered some of the stuff I had here, kind of cover the roles. And then, one of the things I wanted to mention and maybe you want to elaborate is the importance of having no silos or divisions and having kind of clear communication across the entire chart, right? How do you kind of ensure that?

Luke: The chart shows who you are accountable for or what you are accountable for, like, I own those five things. If those five aren't getting done, you know that we do. We stare at the accountability chart and say, "Who is supposed to be in charge of core ideology, purpose, values and culture?" "Ah, that's Luke." "Okay. Luke is not doing his job." Or if we say, "Hey, we are not bringing in enough free introductory workouts…", which is a marketing function, "… who owns that?" I just look at the chart and say, "Oh, I better talk with Hannah. She is not doing what she is supposed to be doing." Or if we are not retaining our clients, I just stare at the chart and say… It's what you own, right? I know who owns what. I know who I am responsible for serving. The people that are under me that's who I have to serve. But it doesn't say who we are allowed to talk to, right. I can talk to anybody. Anybody can ask me a question. Anybody can ask anybody a question, so there are no silos. It is not you got to stay in your lane. You can talk to anybody anywhere in the accountability chart. It is who am I responsible for serving and developing are the people that are under me. I'm accountable to them. I'm responsible for their development and growth.

In terms of avoiding silos, you can talk to anybody anywhere on this chart at all times, and you should, and you can hold anybody accountable. If I see a personal trainer doing something the wrong way, I should pull them aside. If they see me doing something the wrong way, they need to pull me aside. We call that peer-to-peer accountability. It doesn't have to be, well, that's not my direct report. I'm not going to talk to them. It is anybody in the organization. You should be pulling them aside and say, "Hey, that's not how we do things around here." And that peer-to-peer accountability is so incredibly important.

Lawrence: This is a bit of a side, Traction is obviously an awesome system and framework for your business. As we go through this, I just want to think about all the businesses I worked for in the past, and how poorly the businesses were run and how they neglected all of these things, almost everything we are talking about. As a business that's been doing this for, I think you said about six or seven years now. Do you find that those really uncomfortable moments in terms of terminating staff, or having to discipline staff, or having uncomfortable conversations, do they become less frequent since you've been running this for a while? You are probably sniffed out people that aren't a good fit more quickly, people removed themselves without you having to do anything. Is that the trend that you see? I'm just curious.

Luke: You could argue that. I think it's maybe the opposite. You'll have those conversations more often because you've decided that you're going to be intentional about your core values and intentional about your culture. Where before, you just ignore those difficult conversations. Then now, you said, oh that's my job as a manager. That's my job as a leader is I have to have those difficult conversations and you start leaning into them, and you run toward the difficult conversations. You mind for the conflict and what we realize, and this is profound and this is not my thought. This comes from Patrick Lencioni, if you are not having a difficult conversation, you are doing it because you are selfish. By selfish I mean you don't want to have the difficult conversation because I don't want to sit Lawrence down and deliver really bad news to Lawrence because I'm going to feel bad about it, right? Me having to renew or deliver really bad news to you, I hate that, and so I don't want to do it. So me not doing it, me avoiding doing it, it was not I was trying to save face for you. I didn't want to be a bad guy and I don't want to feel bad, so I didn't do it. Well, that was selfish. You needed to hear it because it was instrumental to your growth, right? But I didn't do it because I was selfish.

We tell our leaders and our managers stop being selfish and actually tell your direct report what they need to hear. They need to hear that. We thought it was a self-listing. Oh, I'll let this person save face and I'm not going to have a difficult conversation with him. In fact, it was a selfish act that we didn't share that.

Lawrence: Well, that's profound. I remember hearing ages ago from Eben Pagan who's a successful online entrepreneur, done a whole bunch of stuff. He said something like, you just have to be more comfortable embracing conflict. I never understood that. At that time, I was like, "Why would I ever want to do that? That sounds like a terrible idea." Now, as I get older and as I get more experienced in business, experienced in having uncomfortable interactions, conversations where there might be some tension or maybe disagreement. I just feel like it becomes easier, like you become more resilient, you become more comfortable in this situations. Is that what you found having… Again, this will obviously transfer in all aspects of life, in your relationships, your business, other aspects, conversations with your family. Have you found that to transfer and have you found that to improve in yourself over time?

Right People Right Seats

Luke: Absolutely, but it is all rooted in the understanding that you can't have a great team, and by team I mean a partnership or an actual team, sports team, a company. You can't have a great team unless you engage in conflict, right. Before you can actually have conflict you have to actually trust each other. Like I just can't go at you and have this conflict with you if we don't have a rapport and a trust. After you have trust, I have to have conflict with you. Because if we don't have conflict over the big things we're not going to ever get to commitment. If we make a decision but you didn't get a chance to really fight about it and share your perspective. And then I'll say, "Well, this is our decision. This is what we've committed to." You are going to say, "Well, I'm not committed to that. I didn't get a chance to really share how I felt." When you really share how you feel there is going to be conflict involved. You have to have that conflict in order to get commitment. And if you don't commit to something you can't, what. You can't hold people accountable to it. These things build off of each other, and this is a model developed by Patrick Lencioni, but at the very bottom is trust and then the next step up is conflict.

If you think about meetings, right. Most people say meetings are boring I don't like going into meetings. Well, meetings are boring because the same reason why a movie would be boring. There is no conflict. We are interested in a movie because there is conflict. If you have a meeting without conflict, of course it is boring. Really healthy teams have tremendous amounts of conflict in their meetings. Like you walk into one of our meetings. Well, you won't physically walk into it right now, you know, peek your head over our shoulder and jump into one of our virtual meetings right now and you think, “Holy cow! That was really heated.” But because there is trust we can enter that conflict and it is ideological conflict. It is not conflict over the person or their character. It is over the idea. And if we know that we are arguing and we are having this conflict in the pursuit of the best idea, which I think maybe a definition of trust, is when we enter in conflict we know that we are just pursuing the best idea. That is really, really healthy.

Most companies they mistakenly strive for artificial harmony, right. We all get along. Bullshit! Bullshit you all get along! These are really important decision we are making. There is no way five smart people are going to agree and have the same conclusion on a really important decision. You have to disagree and you have to have this conflict. Only on the other side of conflict can we really have commitment.

Lawrence: Yup. That was just gold. I can completely vouch for that. The amount of backstabbing, and bitching, and gossiping, that goes on in businesses from experience is just horrendous. I don’t know, this is a bit unrelated but maybe when a business gets so big it is impossible to eliminate some of that completely. But it is just the norm across all sorts of businesses and it is a real shame.

Luke: I agree. What most businesses have, Lawrence, is they have like the meeting after the meeting. During the meeting nobody enters the conflict, and then afterwards two guys go to the bathroom afterwards and they are literally using the bathroom, and then they are having the real meeting and they are bitching about, they are saying all the issues that they didn't say in the meeting. Or you walk out to the parking lot afterwards, then you really have it out and you bitch around why didn't this guy do this. We don't say it in the meeting. We say in an unproductive setting after the meeting.

Lawrence: Yeah, that was gold. Let's move on to GWC – Get it, Want it, Capacity. Do you want to describe this and get into this one?

Luke: Yup. You built the accountability chart and you have the five key roles so you've built the seat. The seat is personal trainer. You have the five key roles for personal trainer and then you just ask, "Do they get it? Do they want it? Do they have the capacity to do it?" Remember, it isn't life. It is the five key roles.

Get is, "Do they get it?" Can they do the work? Can they put it together? Can the work at a pace and the speed that we do things around here? You know when someone gets it because people say, "Man, Lawrence just get it." And then we've all worked with people that don't get it and we say, "This guy just doesn't get it." It is that simple to understand. Get it means can you do the job. Can you do it at a pace that's expected? Do you need an exorbitant amount of training to be able to get to that 'get it' level? You should be able to get it with the right amount of training and right amount of development so that's get it. Almost everyone intuitively understands get it because we've seen it when someone gets it and we've seen it when they do not get it.

The second question is, "Do they want it?" Do they want those five key roles? They have to want to come to work and do those things every day and they have to want to do it from market compensation. If someone says, "I don't want this job anymore." You can't say, "Well, I'll give 10% raise." "Okay, I'll keep it." No, they have to want it for market rate compensation.

And then the last one is capacity. Capacity means physical, emotional, intellectual capacity, time capacity. If the key roles involve you travelling, getting on a plane once a week, and you're going to be away from home for three days, like, that is part of your sales five key roles. Well, hold on, if you are a single parent and you have three kids at home and you also have an elderly parent living with you that you take care of. You do not have the capacity to take that job. You can't travel three days out of the week. You might get it. You might want it but you just don't have the capacity.

Capacity might be emotional. Think about a personal trainer, a lot of times a personal trainer is interacting with 12 people in a day, or Doug Holland he is interacting with 22 people in a day. If he doesn't have the emotional capacity to interact and poor into the 22 people that he is seeing, it is not going to work. He doesn't have the capacity to be a personal trainer. I think, I mean, all of your trainers and studio owners that are there listening understand there is emotional capacity involved in being a personal trainer. But it might actually be physical capacity. I'm sitting in an office at one of our studios right now and of course the studio is closed down. This studio has an avenger leg press. You load the avenger leg press with 100 lbs. plates on the very back horn and that horn is probably, I don't know, 4½ ft. high. If you are not strong enough to lift up a 100 lbs. plate and put down in that horn, you don't have the physical capacity to be a personal trainer here. That's very common in a lot of jobs, right. You can't work in this warehouse unless you can life 50lbs. So that's physical capacity. Someone has to get it, want it, and have the capacity to do it, and 'it' is the five key roles.

The beauty is if they don't get it, want it, have the capacity to do it, doesn't mean you have to fire them. You just have to find a different seat for them. If the company has a lot of different seats, you just move them to a different seat. Hey, we already know they are the right person but just put them in a different seat. You're not a good personal trainer by you'd be a great accountant. I haven't seen to many examples where that's the case but that would be an example. Now, most of us we don't have that many seats. We have a bunch of seats of personal trainer, maybe a few others, and that's really it. I think one example that we've seen where someone they move into a seat of a manager, or a director, or they are managing a location. And after about a year they say, "I don't GWC this." Or we say, "You don't GWC it. But you definitely GWC the role of personal trainer." So we've had trainers be trainers for 4, 5, 6 years become a manager for a year or two or half a year and we say, "This is not the right seat for you." And we move them back in to the seat of a personal trainer. That's not a demotion. That's putting them in a seat where they really get, want, have the capacity to do it.

Lawrence: Fascinating stuff. Have you ever had a trainer not be able to lift a 100lbs. plate 4 ft. high?

Luke: We haven't, but we definitely had a few females that are close, right. If you are a 105 lbs. female and you're 4 foot away point that might be really tough to get that up there. So we try to teach good mechanics to be able to lift that 100 lbs. plate. But physical capacity might also be like, "Hey, you are going to have to train some 250 lbs. really strong men." Do you have the physical capacity to do that? So far we haven't had a huge issue. But there's a few times where we've had to consider it. Can you do manual resistance with this client?

Lawrence: Yeah, great point. Okay, great. Once you got the GWC, you basically incorporate that into the people analyzer which we touched on earlier. Obviously, the listeners can revisit the book to see how that's illustrated. And then, like you said, it is binary, right? So it's three questions: Do you get it? Do you want it? Do you have the capacity? And it is a YES or NO. It is a binary. They have to all get YES for them to be right for that seat that they are in or that seat you intend them for.

Luke: Really important. Yeah. I'm going to do a quarterly conversation with our VP of Finance later today. The first thing I'll do is go through all the core values and say, "Are you a plus? Are you a plus/minus? Are you a minus?", all the core values. Then, I'll go to her seat and I will say, "G, yes. I think you get it. Want it? YES. Capacity to do it? YES." That's what I'll do every quarter. I'll give them a plus or plus/minus in core values, and YES or a NO in each one of those. You got to be YES across the board for GWC. If you get a NO in one of those, that's probably a strike, and they really got to improve over the next 30 days.

Lawrence: Awesome. Do you want to talk about delegate and elevate?

Luke: Delegate and elevate means anything that is not in your five key roles you should be delegating it so you are in your unique ability. You should be working on the things that you're uniquely, you are genetically encoded to work on, and everything else should be delegated off of your plate.

Think about it as the personal studio grows the things that you used to do you can no longer do. You have to delegate them off of your plate. I used to vacuum all of our studios and I really enjoyed vacuuming our studios but eventually I needed to delegate and elevate myself to be working on the things that only I could do. Now usually, in just simple terms, you should elevate yourself to the stuff that you are really good at and that you also really love doing. Now, sometimes you actually like doing it but you really shouldn't be doing it because you are not good at it or there is something else you should be doing. My team tells me every week, like, "Luke, you shouldn't be working on that anymore."

Let me give you a great example from David. David is our Vice President of Operations. He is getting paid a lot of money. He does a wonderful job and we're doing this deal right now where we are sending care packages to our Top 25 Best Referring Clients, so they give us the most referrals. We put a 5-minute journal on this package. We put some bands so they can use for home workouts. We put some Australian liquorice because that's my favorite snack. We put a handwritten card from me in this package that we're going to send everybody. Well, that's a lot of, like, all of these products came in from all over the place and we have to assemble them and send them out. David told me yesterday during our morning huddle. We go through each morning, "What are the big three things that you are working on today?" And he said one of his big three was he is going to assemble all those packages and start working on getting them mailed out. I said, "Whoah whoah, it doesn't sound like that's the three most important things you should be doing." And I just said, "Why is our Vice President of Operations packaging these packages and sending them out?" I love it, like, he'll do anything. He'll do grunt work and he wants to do that but we need him to do something that provides more value to the organization. Who can he delegate that task to and elevate himself to work on the thing that only he can be working on.

Right People Right Seats

Lawrence: Awesome. Who did he have to delegate that to? Who was better position to do that? What role?

Luke: In that case we said, “Hey, can Heather help with that.” Heather is my Executive Assistant and Heather is wildly important to the company. Frankly, she gets paid a lot of money but she could do that where she couldn’t do something else that David should be working on. We are doing a big remodel of one of our studios right now that’s closed. David should spend his time working on that remodel because he knows what’s going on with that remodel and Heather doesn’t. So if we have to decide, okay, we got to work on the remodel, we got to work on these packages. Who should do what? David should elevate up and work on the remodel because that really fits within his five key roles, and Heather can send out these packages. I love that David is being selfless in saying, “Yes, I’ll help with the packages.”

Sometimes we think we are being lazy when we actually delegate something. It was painful for me. We were in a corporate office for four years and we move that corporate office. We’re building a new corporate office and so we moved all of our furniture to one of our locations and kind of stored it there. Well, I didn’t move a single piece of furniture, and I felt lazy and I felt bad about it. But that was delegate and elevate, right? I should have somebody else move this stuff and I should be focusing on stuff that only I can be doing. Doesn’t meant you’re not too good for the grunt work or you are too good for the grunt work. It just means, well, the company needs me to elevate and work on the stuff that I need to do.

Lawrence: Got it. Awesome. Okay. And then there is Evolution talking about how the accountability chart is obviously not set in stone. It is dynamic and evolves every time. I think in the book it talks about if you have a [unclear – 59:35] of say 20% per annum which is pretty incredible from what I understand then you are likely to make a change every 90 days in your accountability chart. I don't know if you want to comment on that briefly.

Luke: Yeah. Actually there is two key components there. You are constantly changing the accountability chart because you are putting different names in the seats, right? I would challenge every leader. If there is one important thing a leader can do is this, every quarter make one great people move. Which means you hire one person, put them in the right seat. You fire one person, so you remove them or you move one person from one seat to another seat. If you make one great people move every quarter, you're going to build a great company. That has to be your mindset.

Every time I talk to leaders in different industries I say, "Every one of you right now knows that you have a people move that you have to make that you haven't made yet, so go home and make it." Literally, that reminder right there will change their organization. You are going to change the people, those names, that are in those seats. That's one. But, number two, you are going to change the structure, right. Maybe when we were a

$200,000 company, this is the right structure for us. Well, now, that we are a $2 million company, we needed a different structure. We are now a $2 billion company, we needed a different structure. So you are going to change that structure. Gino Wickman is spot on when he says, there is no one right structure for every organization. So you are going to change that structure over time. You just want to focus on making that structure as simple as possible, and it should allow you to operate for the next 12 months. Don't think 5 years down the road what is the structure we need. It is what is the structure we need to get us to the next 12 months, and build that structure.

Lawrence: This is totally a side, Luke. One day if you wanted to you could totally do it. I don't know. Maybe it is just me that would be interested in it. You could totally do a documentary on the inner workings of Discover Strength like behind the curtain kind of thing, fly in the wall during the meetings, see all the operations, all the interactions. That would really be interesting.

Luke: We'll get that on Netflix, and literally you'll be the only viewer, and it will be horrifically embarrassing. I'll be married and have kids at that time and they won't even want to watch it.

Lawrence: Yeah, I find the whenever I share stuff related to the stuff I'm passionate about. People that are not passionate about it, they just have zero interest like friends of mine. Okay, so scalability. You've mentioned this already. People can do the same role. I guess when the organization is a certain size you are not likely to have box that says trainer. You just are going to have personal trainers and then the #30 in it which I'm guessing you might have at DS. Or is it more kind of broken down in that?

Luke: We have the box of personal trainer, but then we list every personal trainer in a box underneath that. We just don't relist the key roles. We want to see everyone's name on the accountability chart. We just have them in order of seniority of when they join to that particular location. Right now, you could look at our printed accountability chart and every single name is on that chart. And exactly like you said, every 90 days, we update it and we print it and at the quarterly state of the company meeting everybody gets an updated version of the accountability charts. They know what is the structure looks like. Has there been seat… And we'll announce if there is a seat move like, "Hey, we took this person and move him from here to here." Taylor is a long time employee of ours. Taylor Sabrowski. We have a couple of different Taylors. She was in the seat of Director of Concierge. Well, she is now moving into the seat of a Franchise Field Consultant. Totally different seat, totally different key roles for her. So that is a classic example. She is the right person. She is aligned with our core values. We just want to move her into a different seat. We could have hired a Franchise Field Consultant, but we look internally and we said, we think she'd be a great Franchise Field Consultant. Let's just have her jump into that seat.

Right People Right Seats

Lawrence: Awesome. Luke, we talked about the accountability chart - how you create that, how you put people into the different boxes and then give them five roles, and so on and so forth. Once you've created that accountability chart, how do you share that with everyone in the business?

Luke: Once per quarter you would actually print, physically print, the accountability chart. Distribute in some way at your quarterly state of the company meeting. Prior to that, when you make the initial launch of the accountability chart, I would again have an all company meeting. It is 3 people, it is 10 people, however many people in the company, and you walk through all these things, and the accountability chart, and the different seats, and the different key roles of those seats, and who is going to be in each of those seats is all announced. One of the reasons that's important is then everybody in the company knows who is responsible for what. They have clarity around accountability.

I think it is probably a good time to mention, Lawrence. That of this discussion around accountability chart for the vast majority of your listeners the most important element is the 5 key roles. I guarantee there are listeners right now saying, "Well, I have three people in the company. Making an accountability chart doesn't sound that fun." Doesn't sound that is pertinent and I don't totally disagree with that. But, man, coming up with the 5 key roles for the people that you do have is incredibly important, and that's a function of the accountability chart, and the accountability chart will grow. Now, I will say if there is one game changer in all of Traction, if you have more than 5 or 6 employees in the company, it is the accountability char. I've heard entrepreneur after entrepreneur in our space say, "As soon as we got the accountability chart in place then I felt like I no longer had to have my arms wrap around the entire business and worry about every aspect of the business every moment of every day." I know I felt the exact same way. I felt, hold on, I don't have to spend all my time thinking about marketing and sales, and putting out this fire at this location over here, and onboarding this trainer over here. I had total clarity as to what was I responsible for. No longer did I have to run the entire business. I have to do my five key roles.

Nothing eliminates or reduces mental load and stress like coming up with an accountability chart. I think that's more important if you have maybe over 5 or 6 people in the company. But the five key roles, I mean, that is foundational. You absolutely, you need to know those 5 key roles. Because some of your listeners, one of those 5 key roles for a personal trainer will be acquiring new clients, finding, acquiring, selling, closing new clients. For some, it will be no, no, just train the clients that we are putting in front of you and you got to have clarity on that. If I'm a trainer and one day you tell me, "Hey, I'm kind of upset with you that you haven't brought anybody in the door." And I thought, "Well, I didn't know I was supposed to bring anybody in the door. If that's what you've been wanting me to do this whole time, I wasn't aware of that." So you just absolutely need the clarity over what is expected of you.

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Lawrence: That is so profound. I love what you said there about that fact that you don't have to worry about things. You don't have to stress. You can see who is responsible for what. And then you can have your Level 10 meeting and the various check ins that Traction has, which we'll come unto in later episodes, just to keep a pulse at what's happening and that's all you need. I love this because this is an example of why Traction is what a lot of entrepreneurs need if they want a low stress life, or at least reduced stress in running their business. I know a lot of people that join the Membership and a lot of people that get into HIT business, they have a dream of building a business which they are happy to do high graph certainly in the beginning. But they do envision a future where they are able to take a step back and reap some of the rewards and have the business run itself which is what books like E-Myth Revisited and Traction intend. What a business is designed to do is not designed to rely on one individual. I wanted to underscore that because I know that financial freedom/automation, these are things that a lot of our colleagues do want to achieve. I think that some people scoff at that. This is a little bit of a sidetrack, Luke, but really interested in your view because I think some people scoff at that because they don't think it is possible. But if you are really smart with it you can delegate a lot of the things and maintain a successful trend in the business. Is that fair enough for me to say? Is that reasonable?

Luke: Yeah, absolutely. Just big picture, there is a wonderful book written a million years ago and it is the most evidenced-based book on leadership. It is called the Leadership Challenge. When it comes down to if you look at leaders in all different walks of business, non-profit, and sports, any leadership position, there's really five things that leaders do. Well, one of those 5 things that leaders do is called enable others to act. That's the terminology that this book uses.

Traction, Gino Wickman, uses the phrase, he calls it creating the opening. Creating the opening, enabling others to act, one of the ways that we can actually do that. One of the ways that manifest is you create the seat in the accountability chart. You create 5 key roles. You've now created an opening for someone else to fill. We talk all the times, we point to the seat, we created that seat. Now we step back, we hire someone to fill that seat, and now they have a career. Your business becomes instead of Luke's personal training shop, as soon as you have an accountability chart you are creating seats for people to step into and build out their careers. It is just a wonderful thing to watch happen. I think about our people. I think about Hannah and I think about her seat and I'm like, "My goodness, that seat that we created seven years ago she has stepped into, and now it is just a massive, massive job with massive responsibilities, and all these different complexities, and she gets paid good money." I'm like that's because we decided to write that on an accountability chart and she does all of that. So you create the opening someone will step up and fill that opening. We have to understand that scene. That's what we are looking for. Create the opening, let someone step up into it. As a leader, a lot of times we think entrepreneurship is about creating a great idea and then trying to scale that idea. But, man, one of the real thrills of entrepreneurship is creating openings and then letting people fill that opening. That is as good as it gets. Now, to your specific question more tactically, yeah, you can absolutely build a business where you can remove yourself from it, but you have to build a business. You're not building a shop. You're not building Luke's personal training shop. You are building a mechanism or a collection of mechanisms that work together that are this functioning business. And then you can say, well, my invention, my creation is this business. I'm not a time teller. I'm a clock builder. This is the clock that I've built. So I totally agree with you.

Lawrence: Yeah, and obviously for those listening there is a blend, right. I know there is some people in the [Membership]() who have that intention and that goal where they do want to take a step back and maybe be completely disconnected from the business and maybe just have various check ins. And then there are people that want heavy involvement, and then there are people in between. Maybe like you said, there are people who are just want to be the sole trainer and no intention to hire additional trainers. We are not saying that one is better than the other. It is just about taking the principles, strategies, and tactics from this series and apply them to your specific business.

Luke, the next step then is terminations. Can you talk about that and how you might handle that in the business?

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Luke: The first thing is, and this is going to be a rehash of the strike policy. If you have given one strike and two strikes, a lot of times someone will self-remove because they see the writing on the wall and they just say, "Hey, this is not a good fit for me. I feel like I'm not aligned with the core values." That's not always contentious it is just, "Hey, I probably more successful, probably more effective somewhere else." I think that's healthy. But then there's other times where we actually have to do it ourselves, and so usually that's you've given one strike, you've given two strikes, and here comes the third strike; and third strike is termination.

We talk about joyful accountability. When we terminate someone we tell them, in so many terms we say this like, "Lawrence, I love you as a person and you're going to be wildly successful, and I'm always going to love you. You are just not going to work here anymore because this is not just how we do whatever it is that the issue was." You can really respect someone as a human being, and you can have a joyfulness, and you can keep the relationship intact and say we're going to go our separate ways. Frankly, usually what we're doing is we are freeing that person up for a different opportunity, a better opportunity that's going to suit them. I know a lot of that sounds pretty utopian, but if you have given the first and second strike, then the third strike and termination is not going to be a surprise.

Here's the key, here is the whole take home message. If you terminate someone and it's a surprise to them, you've done something wrong. They should be like, "Well, yup, I know this was coming. I understand. I'm going to pack up my things and we'll get going. I appreciate it." That's how the conversation goes. Now, I don't think it's interesting to your listeners to get into the HR side of things with what you're documenting and what you are putting in a file. You're going to document the conversation and put it in a file and have a witness when you actually terminate. But that's actually less important than were they surprised or not. Were there multiple strikes going into this?

I think the final litmus test before you terminate, I ask anyone of our managers before someone is terminated. I say, "Can you look at me, can you look at yourself and say that you did everything you possibly could to coach and develop this person to turn around their performance and to save them?" If you can't look at me and say, "I did everything.", then we shouldn't terminate this person. So do we actually take those measures first?

Lawrence: Who is responsible for HR in your organization, Luke?

Luke: I would say that Heather does 40% of her work is HR. She's got a good background and good training in HR. She is my Executive Assistant. If I just split it, it is probably 60-40 or 70-30. We have this conversation every quarter as the company grows. She has more HR duties, this is just in a side, but we constantly talk about, "Well, we can hire a separate HR person, and that can be you, and then I can hire an Executive Assistant or you can stay the Executive Assistant we can hire an HR person. Or you can continue to do both and get paid a lot more.' She always opted for the last one, the latter option, and so that's. And she is pretty darn good in both. I mean, she is actually exceptional in both. But we just don't have the needs for full-time HR function right now.

Lawrence: Yeah. She has a great email manner I've noticed. She is very responsive. I love what you said there. This is something I've been thinking about quite a bit lately and I've been seeing other entrepreneurs do this, which is not to get obsessed with the job title and actually it doesn't really matter. If you've got an individual who can do payroll, personal training; maybe that's a conflict. I don't know, then HR and then something else. That might not be an issue because I think we get a little bit obsessed, and not just necessarily in HIT but in business in general, obsessed with like you got to have an IT Manager, you've got to have HR Manager, you've got to have a General Manager, when actually there can be individuals doing roles maybe outside of their traditional remit so to speak. And that could be a very efficient way to grow your business. Would you agree with that?

Luke: Absolutely, but there just has to be clarity on it. Like you have to put Heather in a room and say, "Heather, what are you supposed to do each day when you come to work." She writes it down. I go in the room, "What do you expect Heather to do?" I write it down. Because I'm telling in 95% of scenarios they have different list and you say, "Oh, that's why we haven't getting along for years." Heather and I know what her key roles are. They may be weird. I'll tell you right now she has 5 key roles. The first one is own the CEO schedule. She puts everything in my calendar, removes everything, manages it. She'll decide if there is enough time to get from this flight to this meeting, whatever it is. Okay, that's number one. Manage bookkeeping and baking activities. She pays every bill. She has a point of contact for all of our banking relationships. Number three, it's HR functions like we just talked about. Number four is book and manage travel. I'm usually on a flight once a week so she is doing, like, I never book a flight. She does all the flights, all the hotels, everything, and she has done the science. Number five, and this is the perfect key role, special projects. We know there is always going to be something that comes up that she is going to have to tackle. We want to make sure when we bring that up she is not saying, "Wait, why are you surprising me with these things." We say, "Well, no, that's one of your key roles – special projects." A special project for her may be some aspect of the REC conference. Special project for her may be like, "Hey, we are mailing out care packages to 25 of our best clients. We want you to put the package together and mail it." There is always going to be a special project that we want her to tackle.

Lawrence: Awesome. Just going back to terminations for a moment. As you grow the business, obviously there will be pruning that takes place and then there is the 36 hours of pain. Can you just speak on those two for a moment?

Luke: Yes. We talk earlier in the podcast about every quarter you should try to make a great people move, hire someone, put someone in a different seat, or you should be removing someone. You should be firing someone. Sometimes one of the most important things you can do is, like you said, prune. You won't grow if you have a wrong person wrong seat, or even wrong person right seat, or right person in the wrong seat. You'll have to prune and a lot of times that will supercharge your growth. Pruning is just the perfect analogy for that, so, absolutely.

People always heard Jim Collins' quote, right. Jim Collins said, "You got to get the right people in the bus, get them the right seats, and get wrong people of the bus." From my observation, almost everyone forgets the last part about that quote. The last part was you got to get the wrong people off the bus. I've given a hundred talks where I say, "Hey, how obsessed are we with getting the wrong people off the bus?" Because sometimes that's more powerful. Steve Job says, "The greatest gift that you can give an A player, the greatest gift that you can give someone that's really great at their work…" It is not a Ping-Pong table, it is not the ability to bring their dog/pet to work, it is not more compensation. "The greatest gift you can give to an A player is surround them with other A players." Not tolerance for B players. So that's how we think about it. If we want to really have great people, they deserve to have other great people around them. We have to prune someone that is not the right fit. We have to move them.
I think the best description is how Gino says it. It is right person right seat. It's not just A player, a B player because you may be a C player at Discover Strength but you're an A player somewhere else. Not because the expectations are different. It is because the work is different, the

values are different. I don't think there is really a broad across the board this is excellence. No, this is excellence in this environment, in this culture, with these core values. That's why if someone is not an A player with you, you don't have to feel bad saying, "You are not an A player here." You just say, "You're going to be more effective somewhere else."

Lawrence: Awesome. Can you touch on the 36 hours of pain aspect?

Luke: Lawrence, you literally just ask about that.

Lawrence: No, that's okay. It's alright.

Luke: I just went on for minutes and didn't answer your question. I apologize. So 36 hours of pain is normally we don't terminate someone because we say, "Well, this person is our best personal trainer and he train 60 sessions a week. The clients love him and he have been here for so long. I can't get rid of him. It is just going to be too painful. It is going to have too much of an impact on the business." The reality is, yeah, it is going to be painful for 36 hours. And in that 37th hour the sun comes out, birds start chirping, and someone comes into your office and says, "Thank you so much for terminating that person. We've been waiting for you to do that for six months or a year." But the reality is most of us don't just welcome the 36 hours of pain instead we endure another 3 months of pain, or 3 years of pain, rather than just confront it and take on the 36 hours. You're definitely going to have someone listening saying, "Well, I got rid of someone and it was painful for more than 36 hours." Yes, sometimes it is 40 hours. But if you have to graph it, it gets marketly better after 36 hours. It is tough at first and it will get better over time.

I've been through it. I've got rid of some people that have been with us for a very long time that had wonderful client relationships. It was gut wrenching to do it because I feel like I had grown up with this people and spent so much time with them. But it was very easy because it was the right thing to do, just wasn't a comfortable thing to do, so we had to welcome the 36 hours of pain.

Lawrence: That's excellent. There's just one final question I have really on this and then we'll wrap this one up and it's really related to what you just said. You seem to have really strong relationships with your whole team, your leadership team, management, trainers. How do you maintain such great friendships if you just take your leadership for example alongside such a strict system? Do you ever find this, and maybe it is just at a certain level mentally, and maybe the whole leadership team is at the same level? I just think maybe a lot of people struggle with that kind of paradigm of you seem so friendly but then you are harshly criticizing one another and then what if you have to terminate. How do you handle that? Could you just speak a little bit more on how you are able to? I guess the better question here is how are you able to have this what seem like great friendships with your leadership team, great relationships, yet in the back of your mind you there is always this kind of like system where you are judging someone based on their performance?

Luke: That's a great question. The starting point, and Gino Wickman actually writes about this also in one of his other books. He wrote a wonderful book called How to be a Great Boss. It is the shortest read of all time and it is just a phenomenal read. I just hate the title because 'How to be a Great Boss' just sounds like dumbest. I bought that book and I read it I think by a pool in Las Vegas, and I covered up the title of the book because I didn't want people to look at me like, "God, that guy is just a horrible boss." Someone bought them that book and he is trying to figure out, which maybe is the case, I don't know. Wonderful book.

He says, Step #1 is, Boss not Buddy. And so we go through with all of our managers and that's one of their check ins is 'Boss not Buddy'. Do you feel like your direct report understands that you are a boss first and not a buddy? Doesn't mean you can't have a great relationship. Doesn't mean you can't care about them. Doesn't mean you can't go get a drink with them, but don't forget what your role is. You are supposed to be their boss not supped to be their buddy. A lot of times we'll be talking to a manager and we'll say, "I think what we have here is an issue of boss not buddy." You are treating this person like a buddy and you need to treat them like a boss. What they need is a boss not a buddy. They have enough buddies. They need a boss.

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I'll just say my leadership team knows that it's boss not buddy, right? That that's what my relationship is and that's what my responsibility is. They all intellectually understand that. I think this is true in any layer of the company. I mean, ultimately I love our team. I love the people on my leadership team. That doesn't mean they are always going to be the right seat for Discover Strength, the right fit for Discover Strength, or their current seat might not be the right seat. But I'm still going to love them as a person, but I always have to do what's best for the organization. And that's probably in a lot of times it is going to be what's best for them. I'm not really answering your question specifically. But I would say one of the rewarding parts of all of this is the journey and who you are going the journey with. We talk all the time, my leadership team heard me say this 100x, it is 'first who then what'. It is not what we build. It is who we build it with. It is who we go on the journey with. I think you got to pick the right people because that journey matters. I read a sign once, Steve Ritz, he has been on the podcast before. That was my first personal training role. I was working for the Minnesota Vikings and Steve had worked for the Minnesota Vikings as an assistant strength coach and head strength coach. I think you are going to have him on the podcast eventually, Steve Wetzel, just a brilliant guy. One of the true fathers or grandfathers of high intensity. He said, "Hey, Steve is looking for a trainer. He had opened up a training studio…" This is before training studios existed. This is like 1999. I went there and met him and I saw a sign. He still has the sign in his original studio to this day. It is called like 21 Suggestions for Success, and #1 was 'Marry the right person'. This one decision will make up 90% of your happiness or misery in life. I thought I should write that down that sounds like really good. I think the same is true of whoever you are going on a journey with. Who you spent your time with matters and so I just want to be intentional about the who and so I want to have the right team around me to go on this journey with. Because I take it serious, like, work is not everything. But Sigmund Freud says, and he gets this right. He says, there is two cornerstones to our humanity – LOVE and WORK. So I thought, okay, that's two big buckets, so our work matters. We are designed to work. I want to make sure that when I'm working, I'm working alongside people that I really care about and want to go work with every day.

Lawrence: Yeah, I fully agree with that. 100%. I really appreciate you sharing that, Luke. This has been awesome. This has been one of the best episodes in the Traction series. I'm really grateful for you taking the time. Yeah, I'm looking forward to the next one.

Luke: Yeah. Thank you very much for having me, Lawrence. It is very fun to talk through this with you because I am just so passionate about the book and the framework, so thank you.

Lawrence: Thank you, Luke.