

Executive Leadership Means Learning From Your Peers



Gene Marks

CPA, Columnist, and Host



Sam Reese

CEO of Vistage

Announcer:

Welcome to THRIVE, a Paychex Business Podcast where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

All right guys, welcome back. This is Gene Marks, I am here with Sam Reese, the CEO of Vistage. First of all Sam, thank you very much for joining me today.

Sam Reese:

Great to see you. Thanks for having me.

Gene Marks:

So Sam, let's talk about Vistage. I've known about your organization for so long, I've been tempted to join your organization. I'm such a cheapskate, but I haven't done that. Plus it's tough for me to make a commitment. But before we get into all of that, tell us about Vistage, what you guys do and the value that you bring to your members in your organization, mostly small business owners, I think. Right?

Sam Reese:

I'd love to answer that. My whole goal for this is to try and get you to become a member. I'm just kidding you, so think of Vistage—

Gene Marks:

[Laughter]. I've been recruited by a lot of friends of mine that are so enthusiastic about the organization and all, but anyway, go ahead.

Sam Reese:

Well, I was a long term member myself so I know the business well. But think of Vistage, 27,000 members across the globe, almost 20,000 of them in the United States. The CEOs and owners of small and mid-size businesses and it really just starts with the belief that you make better decisions when you surround

yourself with other peers that are going through the same challenges you're going through. That's what our business is built on, bringing these peer groups together, led by an experienced coach we call a chair, and putting this whole platform together that gives these small- and medium-sized business owners access to resources they would've never had access to, it just puts it in a really easy to digest format. That's what we do.

Gene Marks:

And it is a great model, and it's why it's been so successful. It's because people like myself— I mean, I run a 10-person company, it can be lonely sometimes — people want to know what other businesses are doing. I speak about 50 or 60 times a year to associations and business groups, really unsexy, boring groups like a manufacturer of corrugated containers or do prefab metal forming. But they're the heart and soul of the country and I know many of them are your members, and I talk to them about what my clients and my readers tell me, you know what I mean? Like share, how are they navigating inflation, where are they finding employees? What technology they're investing in. That's what Vistage does. It puts together a smaller group of people that just share what they're going on.

Gene Marks:

So answer me these questions, some of the obvious questions just so our audience knows. These are local owners, are they competing with each other? How often do they meet, generally? What does it cost? Just give us some of your thoughts on that.

Sam Reese:

You bet. So the way that it works is they're all local groups here, call them anywhere from 12 to 15 members typically, all run by a seasoned chair. This is a former executive themselves, somebody that's run a business themselves and is now trained in the Vistage methodology. They meet once a month as a group and we have a whole proprietary methodology we take them through. Typically, we have a speaker — we have over 1,000 speakers in the system — somebody will speak to that group, and then each member has their own individual one to one with the chair that month as well. And often those are the issues that get brought to the group.

Sam Reese:

And what I would say that's really been exciting about our business over the last ... I've been the CEO for six years, is now the connections are beyond just the group. Now we have a digital platform where people are connected to each other all over the globe on a regular basis. That's what it feels like to be a member. You've got this local group, but you have access to the whole Vistage community.

Gene Marks:

So what's the difference between Vistage and just your own board of directors or board of advisors?

Sam Reese:

A great question. Whether ... you know what's really interesting ... I just think about my first CEO gig was for a —call it a \$20 million professional services company. I'd worked for big companies in the past, but now I'm faced with this small company and really I've got this board of directors, but nobody within the business that has a lot of experience. So I don't get to go to the board of directors and talk about my fears and my hopes and my dreams because if I do that, they're worried that they've got the wrong person—

Gene Marks:

[Chuckles.] They're gonna lose customers.

Sam Reese:

—so ... Oh, yeah. One of the mistakes people make, new CEOs often make is they go and put their heart on their sleeve to their board and they walk out going, "That was a great meeting," and people are like, "I don't know if that guy or girl is any good."

Sam Reese:

So what's different is you've got this trusted group, all confidential, and you're really ... the way I always say is we know how leaders learn, is really the way people learn. The way leaders learn is they learn by surfacing their own problems. But by listening to others, you listen to others and you give them advice, and as you're giving them advice, you're like, "That's something I got to get better at." That's what feels different about being a Vistage member, you got to want to both give and take.

Gene Marks:

So you've been doing this for a long time. Do you not agree that for most businesses, if we're talking small or mid-size businesses, some people come to me and be like, "Well, I only want to talk to people in my industry or in you know, my specialty." And I don't mean to trivialize, but I think to myself like, "Dude 85% of what you're doing is pretty common to most businesses." I get that there's probably a 10%-15% something unique about your business or your whatever. But do you get that from your perspective members, that say to you like, "I don't know if this is going to be right for me because it's not in my industry?"

Sam Reese:

All the time. That's one of the early objections people either believe that they don't have time, which we just said that's a fundamental belief you have to get over, that says, if you want to keep working IN the business every day instead of ON the business, you'll always be spinning. So they don't have time, and they think their industry is so unique and so different, they could not get the benefits from others. And that ends up being the most powerful thing that we do is in fact, we don't want anybody from the same industry. There's never a competitor in the same group. And like you said — I like your number — about 85% of the issues are the issues that everybody is dealing with. What's great about our business is those other 15%, you can get that through all sorts of other resources in our system by reaching out to other members. And we have all sorts of ways that we do that as well.

Gene Marks:

Got it. Is there any commitment to going anywhere other than local? You said the local groups meet once a month. I know you guys have national events as well or regional events but is that, are you required to do that? What do most of your members do?

Sam Reese:

A lot of them attend — we have all sorts of national events too — but really the core Vistage is that local group, that local connection, and then with that local chair, so that's what's so unique about what we do. Everything starts there, because just think about, you were talking about your travels to Colorado. If you're in a group in Colorado or you're in a group in Philadelphia or where I'm sitting today in San Diego, many of the things we're going to talk about are ones that impact our area very differently, right? So we got employment issues, we got challenges with certain competitors, we've got legislation issues. Those are the things that unite people at the local level. My plan is always to keep the power at the local level, and then I bring global perspectives through, you know, incredible world class leaders and research. But the connection to always should be at the global level. That's where we really believe the power — or at the local level. That's where we really believe the power is.

Gene Marks:

I think you're absolutely right. And so many of these issues that, in fact ... A few months ago, I interviewed Rand Paul for this podcast and I know he's got some controversial points of view on certain things, but he's the ranking member on the Senate Small Business Committee, you know, so he is a legit person to talk to. Our whole conversation was about minimum wage, as a perfect example. And people have conversations about whether there should be a national minimum wage, it's so low, should it be \$15 an hour? Should it be \$12 an hour, that kind of thing. And his point is there shouldn't be a national minimum wage, because why should my constituents in Kentucky be forced to pay the same minimum wage that business owners in San Diego for example are paying where the cost of living is that much. It really is a local thing. Don't you agree?

Sam Reese:

I do. And it's funny when you sit in an actual group and I still sit, believe it or not, I still sit in a Vistage group. It was a group I was in when I ran another company for many years. But that's what you talk about. The day starts with things going on. There won't be a meeting that isn't talking about a local governmental issue, what's happening with the governor? That will be every single meeting. What's sort of unique too, about Vistage, when you develop these relationships is you'll be talking about things like minimum wage, but there'll be other talk about their families and their communities, as people get to know each other, they're whole people. And that's really how people make decisions as whole people. That's one of the things that we really try and embrace at Vistage.

Gene Marks:

You said there's a dozen or so people in a group, and I guess that just depends on the area, and what the demand is in an area. If I were to join a Vistage group locally, am I stuck with these guys? Am I going to be seeing them forever? Can I switch? What if I get bored with them? I got as much information as you're going to get. What are the options about ... We've already met.

Sam Reese:

Well, most likely, really think of our businesses as these chairs, these seasoned executives. In the U.S. we have almost 600 of them, over a thousand across the globe. And they're skilled in building these groups and bringing the right people together that will get along and will understand each other. If it's not a fit, then we'll put someone in a different group. But typically these groups stay together a very long time. We have some that have been together 35, 40 years, believe it or not.

Gene Marks:

Oh my God! That's crazy. That is ...

Sam Reese:

And it's nice because there's always somebody like selling a business or moving on. So you always have a little bit of churn in a year and there'll be one or two new faces every year that keeps it really alive and exciting. And our chairs know how to integrate those new people into the business. So it doesn't, you don't get tired of these people. And remember, I'm bringing in all sorts of speakers and other perspectives, so there's new things always happening.

Gene Marks:

Good. That's good stuff. All right. So you just said that you attend your own Vistage group which is good. Obviously you are well connected to what other groups are going on and what your members are looking for. So let's talk about this year and some of the challenges that we're all facing, big issues facing employers this year. All businesses I deal with, inflation is obviously a big thing, labor's a big thing. I mean I got to ask you just because I'm constantly trying to find out what business people are doing to navigate their way in

an inflationary period. I mean, Sam, like this is nothing new. If you and I were having this conversation when Cleopatra was queen, there was inflation back then, you know what I mean? Businesses have gone through these things for thousands of years, but now we're going through an inflationary period. It's an adjustment. I'm curious to hear what you're hearing from your members, from the people in your group, how they're dealing with rising costs. Do you have any thoughts to share on that?

Sam Reese:

Yes. And across the globe, this is a huge issue, just as you said. This is something people are struggling with right now. And I think what's happened is that we just did a recent survey and saw that, I think it was 70 something percent of our members have already increased prices this year in response to the costs that are increasing to them, huge issue for 'em, the way they're managing inflation. And one of the biggest things they're having to do is to pass those price increases on to their members, all sorts of the issues right now facing them when it comes to retaining employees and finding new employees. So most of our members planned on adding a bunch of people this year and they're struggling to figure out a way to keep those people hired. That's a big deal.

Sam Reese:

One thing that really just popped up recently with us is we do a quarterly confidence index survey. And I was surprised that our latest one, actually is the lowest confidence we've seen since the start of the pandemic. Everything was really rising hard, it's dropped off— inflation, supply chains, hiring issues and of course the conflict in Ukraine. CEOs are little skittish, but they're still committing to invest in technology and committing to invest in growth. So it is a tumultuous time for leaders right now to be making sure they're making the right decisions.

Gene Marks:

Yeah. I'm seeing that as well with our company. My company has about 600 clients and all different industries, obviously some industries [were] crushed, you know, retail, restaurants, travel, but most of my clients actually did pretty well the past couple years. They had fairly good demand. People in the construction industry, contractors, a lot of manufacturers, e-commerce was exploding, and now I'm finding this year that they're still going ok, but there's a lot of things that are making them nervous. And it's not a demand issue, it's a cost issue. It's an issue with, like you said, finding labor, but of course we had these labor issues even before COVID hit. We still had a ton of them, so it never goes away. I guess what makes me laugh is, because you've been doing this for so long, whenever I hear business owners complain about uncertainty ... I don't know when there wasn't uncertainty.

Sam Reese:

I agree.

Gene Marks:

There's no such thing as a stable period of time. And I think people make money when there's uncertainty.

Sam Reese:

I agree. Certainty and uncertainty, you can navigate all of those changes here. And I think you're right about that, but I think what feels different to people right now, is it just feels a little bit different because of how quickly inflation just really sort of snuck up on them and how fast that happened. I'm with, I'm not sure that people have seen big impacts to their business yet, but they're worried about where that could take them. And then when you combine that with the issues in labor, and now think about how creative ... You have to be creative to just keep people, you're having to pay more money, be more flexible — figure out ways to let them come into the office, not come into the office — it just is a lot on CEO's minds. And to your point, our business grows when there is uncertainty and hasn't been, or has been uncertainty, because people want to get more perspectives.

Gene Marks:

It's therapeutic. It really is. I have a handful of clients that on the side see psychologists just on their own. So they can speak to a professional to unload not only the business problems, but their personal — because they're balancing personal life or business life, all of that. And to speak to a trained professional who doesn't have an agenda, it's been really helpful to a lot of my clients. But then there are plenty that belong to groups like Vistage as well because it's so comforting to know that whatever headaches you've got and whatever issues that you're dealing with, there's 11 other people sitting in the room that are dealing with the exact same stuff, and it gives you some comfort.

Gene Marks:

Sam, so, our business owners are aging across the country and I'm sure you're seeing this in your members as well. The Small Business Administration issued numbers last year that showed more than half of U.S. Small business owners are over the age of 50 and we're all not like these good-looking Anne Hathaway running a hot place in Brooklyn, you know what I mean, and hiring Robert De Niro. We're more like, you know, a less attractive version of Robert De Niro that's trying to get along our businesses. So you must be seeing a lot of concerns among your members about succession planning and exiting their businesses and all of that. And I'm kind of curious what you're hearing, what issues that they're facing.

Sam Reese:

Hot issue. And it's been something that's really been a fuel for our business. But the issue that really started to emerge about two years ago, and not coincidentally with the pandemic, was about succession and really getting leverage out of the leaders that they depend on. Because here they are, you're the owner of the business or the CEO of a business and you're trying to make sense of what the meaningful outside is, you got to make sure you have strength internal running the business.

Sam Reese:

So that has been a hot issue. We've been able to really orchestrate that with some new programs for mid-tier executives that have been really effective, but I continue to see that. And it's this really simple model that members will talk about, is that for them to continue, or for them to move on up and think about new things, they've got to have people to pick up the slack from the work they were doing before. And you can no longer run a business, even if you're, as you know, as a 10-person firm, you can no longer run a business with you here and everybody else doing the same thing. You got to have an executive team that can support you.

Gene Marks:

Yeah, you really do. My business is about 25 years old, and I'm like worth nothing. I mean, if I get hit by a bus, my business will just fall down like a stack of cards. And so my whole model has been putting away cash over the years, paying my kids' education, and putting enough away to retire on at some point. But the best businesses that are out there are ones that you just said, they have an organization and a management structure.

Gene Marks:

And I guess the litmus test is that if a business owner can take four weeks... I have one client that, just thinking of right now, who runs a roofing company and he's ran it for like 30 years, every January him and his wife go down to somewhere in the Caribbean for a month —they just disconnect. And he's running a roofing company. It's not like it's some, but with like, 50, 60 employees and he's able to do that because his company is really well organized. He's invested in a management team, so he could pull away and do his thing, which is the exact opposite for me — no decision gets made unless I'm somehow involved in it. You know what I mean? So I guess one – Go ahead.

Sam Reese:

One of the biggest choices I ... when I was first a member, so call it 2005 or 2006 is when I was first a member of Vistage, when I was running this other company, 2004. And one of the biggest first decisions I made with the group is they convinced me to get a real full-time, tried and true CFO, because I needed that. And I just couldn't understand how I could pay that much for an executive and I had sort of [a] controller.

Gene Marks:

Sure.

Sam Reese:

Making that move was one of the most instrumental things that really drove the value of the business. But it was hard to do at the time when you see paying another six figures for talent in a business that wasn't very big at the time. But those are the difficult decisions that really do propel a business.

Gene Marks:

Yeah. It's funny that you say that too because I remember it was years ago when I brought our first employee —we only have 10 like I said earlier — but still was a big deal and that was same issue, how am I going to pay this person? And it was like the best decision I ever made only because you realize that you can pay the bills if you're running a very small business, but the only way you can really make money and build some value is if you build an organization around you. Do you have, like, your members ... what are the biggest pushbacks when you try to pitch them to joining Vistage? What are some of the things that they come back to you and say, "This is the reason why I'm not joining?"

Sam Reese:

Good question. Well, first of all, I like the term "pitch them" but we don't really pitch them. We take our time and we just make sure that people have plenty of time because CEOs, sometimes it takes a while for them to realize they actually need this. But for us, biggest things are — they push back on time to say, "How can I get out of the office once a week or once a month? How can I get out of the office once a month and spend a full day just working on my business?" That is always the number one thing and for us.

Gene Marks:

It's a big deal.

Sam Reese:

And it's a big litmus test for us because if a business is so small that you can't get out of the business for a day, you're not ready for Vistage. But sometimes you end up having to be able to take that leap of faith.

Sam Reese:

Because I would tell you, Vistage members feel bad for the people that don't have time to step away from the business for one day a month. But that's the biggest one. And then I'd say that the second one is the one you already pointed out, Gene. And that is, "This isn't just my industry, I'm talking all these other businesses. How will they help me when I'm in this really specific industry that's so different?" And they find out it's not very different once they get there. Like you said, 85% of the issues are pretty similar, but those are the two issues like this, the one about time and second really about the industry.

Gene Marks:

So I have enjoyed Vistage, but my close experience was that for a number of my company, Sam, sells like CRM software, so like Salesforce and Microsoft dynamics and a few others. And way back in the day, maybe not even, we used to sell Goldmine software, so – remember?

Sam Reese:

I remember well.

Gene Marks:

Well, so way back, like the nineties, mid-nineties, and I would go to the conferences they used to have every year in Los Angeles and I used to absolutely hate everybody there because they were all competitors of mine, they were all resellers, just like me. I was like, don't even want to... yeah. And then a couple years later they asked me to join a partner advisory group of just like a half a dozen partners that would go to Colorado Springs, of all places, once a quarter and meet with them at their headquarters and talk about issues facing the company or whatever. And I did that and it was with 10 other partners and all these people that I hated their guts before I got to know them. And I suddenly realized, these are like all really nice people, of course, you know what I mean?

Gene Marks:

And they all have the same issues that I have and they all ... whatever. So I guess that's the point that I'm trying to make, if you're listening to this and you're thinking of joining a group like this, is that you don't have to view... These people are your friends, they have the same issues, they have the same concerns. And if they're going to participate and make the commitment, I think they want to help you just as much they looking for help in their own businesses. Is that right?

Sam Reese:

No question. I remember those days by the way myself, Goldmine, Salesforce, all of those. I ran a company called Miller Heiman for 15 years.

Gene Marks:

Oh yeah. Of course, Miller Heiman — yeah, for sure

Sam Reese:

And it is a great way to think about when you think about how people come together and share. Think about this, one of the proof points for us, is Vistage members dramatically outperform the competition. When we, from the last, you know 2009, when we had the economic hiccup, from 2009, we did a measurement and Vistage members outperformed their competitors 2X on top and bottom line. And it's because of those perspectives that you actually get from hanging out with other people that are like-minded and trying to help you succeed. But one of the things too, that I would think is really interesting in Vistage is, and maybe this has changed a lot of places Gene, is there's less focus on the competition. That's how we were in the nineties. It's much more focused on what are you going to do to satisfy your customer? Spend time thinking about that. And it's interesting what a competitor's up to, but it's much more interesting to talk about what customers need and that's where you really can grow your business.

Gene Marks:

I think it's the Jeff Bezos effect, being customer-obsessed. It kind of filters down, it really has over the years. How long again have you been involved with Vistage? I know you've been 6 years, you've been CEO, but you were a member for a number of years before that, right?

Sam Reese:

Yes. So I guess I've been involved almost 20 years. And mine started from my... I was the CEO of that company, Miller Heiman. I was brought in from a Fortune 500 company, thought I was ready, "This is going to be an easy job, how hard can it be to run an \$18 million company" at the time — it was really hard. And the way I found out about Vistage is, literally two years into my job at Miller Heiman, I quit. I told the board, "I suck. I thought I was going to be a great CEO. I suck." It was 2000-2002. So my timing wasn't great.

Sam Reese:

And one of the board members said, "You don't suck. You need some help." And so he introduced me to... At the time, Vistage was called Tech. And a year or so later I joined, and the rest is history. But it was really lonely, working for a big company, I ran a Fortune 500 sales force then land in an \$18 million company. I'm by myself every day, it was a big, big change. A lot of business owners and CEOs and small companies go through that same ordeal.

Gene Marks:

And how did it help you?

Sam Reese:

Well, I think at first, number one thing is I think a real big issue that I had, what I'll call confirmation bias like a lot of CEOs, I thought my job was come up with the answer first and then try and get other people to believe it –

Gene Marks:

Right.

Sam Reese:

– and those are my sales roots, and they would buy into it and then we would fail. They'd buy into it and the product wouldn't work. They'd buy into it, and the idea wouldn't work. So getting the confidence to just ... I remember when my first meeting and they explained how this executive staff meeting went, it was my first meeting at Vistage and the chair said, "Is that how you actually talked to the team?" And I'm like, "Yeah." "So you think like you're the teacher of the group or something like?" "I guess." So there was no room for feedback, I wasn't listening. I thought I had all the answers. That was the big change for me.

Gene Marks:

One final question for you. There's Vistage, there's competitors to Vistage, I mentioned earlier about there's therapists and coaches that people go, business owners seek help, there's boards of advisors, there's the board of directors that people can go. So what is the reason that a CEO or business owner would choose to go to a Vistage versus all these other choices and options that they have out there?

Sam Reese:

Well, I think, really it's just the comprehensive platform. It's nothing else you can get. You couldn't afford it yourself, you couldn't assemble it yourself, but imagine a coach, a group, thousand-plus speakers, online platform, research events, just a scalability, we basically have brought to scale at small and mid-size businesses what only the large companies can get. Large companies think they can go higher Bain or McKinsey to do a research study. If you're a small business and you don't have those resources, we've pulled those together so you do have those resources. But you got to come there with a belief that you don't know it all. If you think you know it all, you shouldn't join Vistage. If you think you're open to learning, then that's one of the things that would really drive you, to really build those relationships, learn with people that are on the same journey as you and plug into this big platform that you really couldn't put together yourself.

Gene Marks:

Geez! For the hundredth time I've been persuaded now to join Vistage. It's unbelievable, it's a hundred times. Sam Reese is the CEO of Vistage. Vistage is vistage.com. Sam, thank you very much for joining me. And I can say just as a ... Even though I'm not a member and I've considered it so many different times, I do personally know many clients that belong to Vistage, and across the board, I've heard nothing but great things. So it's an organization that has a very positive impact on small businesses. So I'm glad that you're sharing this information with us and thanks for doing what you do. We appreciate it.

Sam Reese:

Thanks for having me, pleasure talking with you, Gene. Thank you so much.

Gene Marks:

Take care.

Gene Marks:

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Announcer:

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