Transcription - Marty Strong Part 1

Welcome back I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec. Today we have a guest with us and that's Marty Strong. Marty is a retired Navy SEAL, s combat veteran and CEO. He is a consultant, speaker, the author of nine novels and two business leadership books; Be Nimble: How the Creative Navy SEAL Mindset Wins on the Battlefield and in Business and Be Visionary: Strategic Leadership in the Age of Optimization, which is his most recent book that was released earlier this year. Marty's spent a lifetime meeting challenges head on, succeeding in three professions, anticipating crisis, and leading through chaos which are things that we definitely want to talk about today. So welcome Marty, good to have you with us.

Thanks for having me, you make me sound like a secret agent! I like that.

As we said to Marty before we started recording, Fulyana and I had a meeting before this session and we determined that we were going to have to be very focused, very careful, mindful of what we were doing. So we're on task. We sent through to Marty some questions about being a visionary leader, that's what we'd like to talk about today. The first question is, how nimble do we really need to be Marty?

Oh man, think about it. Look at all the things that the universe is throwing at us. I mean, personally, professionally and economically, global politically, about the only thing we haven't had lately is a meteor that we couldn't stop. So you have to be nimble, you have to be agile. You have to have a creative and adaptive mindset almost across the spectrum of human endeavor. So being in business is maybe a little bit more challenging because you're trying to deal with all those things, you know, you've got your own internal emotions, you got employees, you got how everybody reacts to the internal stress, the external stress. So I tend to lean in a lot using some of my Seal training to cope with stress and cope with these challenges, with a sense of humor, and with a strong sense of intellectual humility. I try to clear my mind everyday. I write about doing this. Clear your mind of all your positive and your negative baggage. Get rid of all the victories and get rid of all the defeats. Try to approach every challenge and if you can every day, with an open mind, ready to take and absorb new insights and information that may completely conflict with your prior knowledge and may also be in conflict with your formulas and the way you've been doing business successfully up to that point. So that's essentially what I think being nimble means to me.

It might sound very basic, but is it really about being disciplined?

Yeah, so every behavior that you can convert into a habit then becomes by definition, a disciplined behavior. And I think what I just laid out is no different than diet or working out or, you know, half a dozen other. Try to control with how you communicate. If you got things you want to change your communication style to improve how you influence people rather than put people off. So yes, I think it's definitely discipline as a mindset. It's something that can be learned and then it's somehting to be practiced and improved upon and applied.

We've talked about it in previous podcasts, that we see a disconnect between people being disciplined about their health and about their mental health perhaps and what they do at work. They don't seem to make that connection about yes, I can be organised about getting a meal on the table or going to the gym or whatever else it is, but at work there's a different mondset, they're in a different place. So how do they recognize that they need to do it everywhere?

Sure. I believe that discipline kind of precedes mindset. If you establish a discipline in any category to the point where it becomes a habit to the point where it actually converts into a mindset, think, like a philosophy, a life philosophy, you're no longer really following the detailed discipline plan. You're not beating yourself up everyday because now you're in a groove. It's going to be hard to get out of that groove if some new information comes along and you should change, right? But we're talking about general mindset, so things like health, most people look at health as a sacrifice system. You want what you want, it's available whenever you want it and yet that's contrary to a mindset of always being healthy. So you are in conflict unless you can somehow figure out how to create a mindset that makes you comfortable with passing by what you shouldn't be consuming, right.
Business is completely separate. I mean, there's a lot of people are very healthy because of the way they eat, there are other people very fit but they're not that healthy for the way to eat. You can decide that you want to become healthier from a fitness standpoint. And now, your struggle is time. Where do I fit this in? How do I wedge this in with all the other things that I got going on? What's the right way to do it for my age, for my body type, for my objectives? So those are two different categories I split out. And if you think about it, like, I write books. So I've got a discipline system that has evolved into a mindset about how to write. How to write, when to write, how much to write and when to walk away from it, so that I'm hungry to write again the next day, and I think that's the answer. So, you have to kind of, chunk these different things, address them as separate categories. You know, where are you? Are you in the "I should be disciplined but not yet" initial habit-forming mode? Or are you in the discipline mode but it hasn't

become a mindset yet and go through each of those categories.

In business you can parse it out also. What are all the behaviors in business? Leadership, planning, is it the ability to problem solve, communications? So there's four or five categories you can look at and say I'm good at this and have a good mindset in this but I don't really understand this at all, I'm not doing very well, I'm all over the place. You could diagram it, lay it on a piece of paper, whatever, but that's how you have to address it - the same way, chunk it into the categories, do an inventory of where you are in these categories and then decide whether you want to make a full on effort and be absolutely perfect at everything.

A lot of people seem to do these things when it comes to work and fitness. But when it comes to social needs, me time, catching up with friends and family, they seem to, a lot of people I work with, seem to say, I haven't got time, I wish I could do it more. From what you're saying, Marty, that can be applied equally to that argument can't it?

Well, you can make that one of the chunks, right? You can make that a category, a mindset, a philosophy, behavioral discipline because if you don't what's going to happen? If you follow what I laid out in all the other areas, you're kicking butt in every category except your wife left you, your kids hate you, you have no friends and essentially socially you're miserable. You are highly effective and successful and miserable. So it's worth putting that in as a legitimate category.

I set goals myself each year and I always have a couple of them that have nothing to do with business or anything, it has to do with me and my wife and our home, just because you have to. If you don't it gets shoved off the edge of the table, that kind of falls off, time goes by and then it's too late.

I'm interested in the title of your newest book, The Age of Optimization. Is that a phrase that you've come up with yourself or is it something you feel that we are moving towards?

Well, the Age of Enlightenment had already been taken! I don't think I coined it necessarily but I refer to it as an age because I was trying to compare and contrast two different ways of steering businesses or governing businesses, large corporations and small. And what I've been seeing over the last at least ten, maybe fifteen years, was that there was an emphasis on short-term gratification, mostly in publicly traded companies, where the senior executives are being compensated with the stock options. There's a lot of things you can do in the short run, meaning like within 36 months, to make your stocks more valuable. You can buy back stock, you can shut down, or decrease or completely eliminate research and development spending. You can do the same thing with marketing and sales support spending, you can stop acquiring, whether it is to stop a competitor or to become stronger in a new market. So these are all things you can do which the shareholder population will see as beneficial because they're short termview is now linked with yours because their shares are going up. Your stock options are going up and then at least in the United States, the average c-level executive spends about 3.5 years in office before they move on. So what you end up with is, my strategy is to make a company look really good on paper from a cash standpoint for 36 months, the stock will be strong when I walk out the door. I'll walk out with my stock options and the next person can worry about what's going to happen in five years. That ended up trickling down into the business schools and then got into the text books and then it started to become this short-term gratification and measurement of the recent history. I mean, micro measurement enabled by technology, was actually the best way to steer a company. In other words, by looking rearview mirror, that's the best way to steer the car down the road going forward. Now when I say it that way it doesn't make any sense, but when you talk to people to become very good at this. The aficionados of key performance indicator management and risk mitigation management almost to a person, they abhor looking forward because everything in the future is unknown. So if you're the ultimate risk mitigation person, the best way to mitigate the risk of the future is to try to avoid it or somehow pretend in your own mind that it's going to be exactly like the past. So what's next year's budget, next year's goals? Take last year's budget, last year's goals, we're going to flop at forward with a bump 2% up on the the revenue number and keep steering the way we always have been. That's optimization for optimization sake. That's also optimization improperly used as a strategic or strategy method for governance.

The opposite end of the spectrum is the pure visionary, that head in the clouds type person who's never got their feet on the ground, always coming up with great ideas, always concerned about this threat coming over the horizon, always pointing to that great opportunity over the horizon and they can never seem to get the thing into any kind of concrete form. So, those are the two extremes. In the book, it's about understanding the two extremes but also finding that there's a middle ground and there's a binary relationship. We got to have both. Optimization is not a method of strategic or visionary projection of the future and vision and strategy doesn't help you if you're really screwing up the numbers looking backwards. You have to have both and have to work in concert, not either, or.

Are you seeing that happen, are you seeing the middle road being taken?

There are some, a lot of private companies more enlightened in this sense. Usually you become more enligtened the first time you get burned by not paying attention to the future. The pandemic was something, at least the United States, we had epidemics, there have been pandemics over the years and it was a part of history and that's fine. So, you can say, that was like a black swan, that should have really knocked us off our rocker. But in reality, that wasn't what knocked us off our rockers in the US. It was the government's reaction, the government for the very first time in recorded history, shut a nation down. Shut the economic part of the nation down, the schooling part of a it dow. Nobody anticipated that. There was nothing, there is no playbook. What do you do when that happens? So that was really the true black swan event that the pandemic caused in our country and if you survived it as a company, it's because you eventually got into a room, rolled your sleeves up and said okay, yeah it's May of 2020, nothing's changing, it's not going to change and if we don't do something quick, we're not going to be around any longer. So we need to reinvent ourselves whether that means a new product, a new service, push our current products and services harder to a different market, cut what we're charging, whatever the change is. But you get in a room, you say whatever got us here is not going to get us down the road. So let's re-invent, let's rethink and statistically in black swans, a third of the companies in an industry that are impacted by some kind of unknown unforeseen event, kind of crawl into the field position and hope it goes away. 1/3 does that for a short period of time and then finally grudgingly starts to realize they got to do something about it and 1/3 does what I just described. The immediately realized the world's turned, we got to get our act together. We got to do something different and those the ones that tend to reap the rewards coming out of those events because they've actually seen it as, it's bad but where are the opportunities and they started jumping on the opportunities and they start to become the leaders of the new normal.

Maybe it's a little bit early, but are you seeing that change? You've got these organisations that did jump in and did do the things that saced them, are they falling abck in to a bit of complacence now?

I don't think so. My parents were in the Great Depression United States and so that generation in our country, canned food and hid things away and squirreled stuff away because they never knew if it happen again. But they knew what it felt like when it did happen and they wanted to be prepared. The generations after didn't have that emotional scar, that psychic imprint. And so, with my kids, if I say, well, I've got freeze dried food, they think I'm crazy, but I lived through it because my parents are so into making sure you had at least ,you know, a month's worth of food all the time one way or the other. So it's kind of like that. I think whether you started late, if you crawled into the fetal position and just kind of gave up and waited for it to go away, you're probably not in business anymore. But two out of those three groups are veterans. They're like combat veterans. They've lived it. They've seen it. There'll be a while where that generation is leading small business and medium-sized businesses and large businesses with that in the back of their mind. They can't be complacent because they had the rug pulled out from under them in a really big way and they may never get to the point where they trust a lot of the assumptions. That's a good thing, you should be on the balls of your feet when you're leading businesses because the universe has a way of making things happen.

When you're leading businesses, you touched on the fact that you do, on average, 3 and a half years in the job, if they do it based on the performance that way we're going to have the problem. But if we link that to what have they done for the future planning, their remuneration and package is related to a performance measurement based on what have they achieved in the short term and what have they done for the long-term, how many companies, in your opinion, are doing that, measuring their CEOs that way?

No. No, it is very difficult. The compensation system is lucrative and it's hard to decouple that. So you have a population of people that are eligible to be senior c-suite, leaders. It's their time, they want their package, they want their deal. There are private companies that have gone that way. And there may be a couple of public companies that have thought about it, may have happened and I'm just not aware of it. But for the most part it is very difficult to make that kind of quantum leap. One way you can measure it, I used to manage money for United Bank of Switzerland and there's plenty of information in annual reports of companies if you really want to look at it, but it comes down to the investment philosophy of a company. And anybody can do this.

Think about it this way. You buy a house and you have enough money to have the lawn taken care of, to put some nice landscaping in or to keep the landscaping that's there looking good, the driveway, keep it in good repair, all that kind of stuff. But instead you save up the money and five years later, you take all that money and you go on a five-week vacation. So you didn't invest a single penny into the upkeep and the maintenance of the value of the home. Now, if it's a company, as I mentioned earlier, the investment, not just, you know, the cutting of things, the cutting of costs, the research and development is a cost but it's also a place you want to invest for the future, right? And so is sales and marketing. Your pipeline is only as good as the strength of that sales and marketing mechanism. Another thing that's a real indicator is training and development. If you are not training and developing your current employees, if there's a zero, or almost no investment dollars in the budget every year, whatever the size of the company, you basically accept that you're going to take that employee in on day one right off the street and like that house analogy, you're going to let them stay exactly the same or maybe to deteriorate as long as they stay with you. So when I say it out loud like that, it sounds like a ridiculous way to run things, to allow that kind of atrophy to happen and that kind of decay to happen. But it also takes a lot of courage nowadays to look a money person in the eyes and say we're going to do is and spend this this and this and we're not going to see the rewards of this for five years. Nobody's thinking in 5 year timeframes. That takes courage for a leader to do that. And then they have to have patience and have to wait for the fruits of all that investment to take hold.

Keeping in mind that the tenure as CEO is what we said three plus years, when they go to another role as they're being interviewed if they can demonstrate what you just said, I have actually made profit for the company, but I also put all these things in place for the future, retaining staff, keeping them motivated and educated as well as research and development for the next 3 to 5 years, of course that's going to make them a more attractive candidate than somebody else.

You would think so. There are founder, publicly traded companies, that have founder leaders, American companies, you have like Warren Buffett, Jack Walsh of GE for a long time. They were there for decades, not just three or four years and they instituted these kinds of things. Jack Walsh of GE created something called the GE Academy. It was for training all the different layers of supervisors, managers, senior executives. What he said was when he was picked to replace the departing CEO, he said, well, why me? And basically it was, there's nobody else. There were no other options, no choices. They had no internals. He was the only internal candidate that even semi qualified. And so, he made it kind of a goal of his that, when it was time for him to be replaced, there would be a stable of fully vetted, fully capable people and it would be a hard thing to pick. Anyone of them could run GE. That's a forward looking view, right? That's that's a strategic point of view and there are a lot of leaders that are like that but for the most part they tend to either have been early in a big company and they've got a lot of sweat equity in the whole brand and they stay with it and ended up at the top or they are the founders.

Are we also talking about a type of succession planning? We're looking at this higher level executives up to the CEO, that their commitment is really just to the bottom line, it's not to the organization, not to the longevity of your organization but just to their tenure in that period of time.

It would be nice if that, I think in more enlightened boardrooms, the succession plan, that's even more extended view of the future. That's even more of a commitment to the future because what you're going to do is you're going to educate and make sure that all the potential candidates that are going to kind of move up. One person moves up, they all kind of shuffle, right? They all understand the long-term goal, the long-term view and the long-term prospects because if you understand the point of the exercise, which is while everybody else is looking at the tips of your toes, we're moving into North Africa, and we're going to own that market for years. That's the kind of mindset you have to have that then connects the sacrifice because you're sacrificing the short-term numbers by diverting it into investment by the research people, acquisitions, things like that. That's a long-term, I'll say it almost like generational, not like the human family generational, but like leadership generational. That, if you do it, right, whoever takes the place of Jack Walsh, should be thinking like Jack Walsh. It shouldn't look like the change over in political party taking office of a country where it's kind of like, you know, you got two hands on the steering wheel going on this way and then the new party comes in and they yank it the other way. And so you kind of going all over the road for decades, but you're not going very far down the road.

All of that makes it very clear. I think it will be good for our listeners to hear those viewpoints as well. We'll pause our discussion with Marty Strong about the Age of Optimization. Join us for part 2 of our discussion, I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec.