



## Sheldon Wolitski On... Going From a \$12,000 Credit Card Cash Advance to \$110 Million in Revenue

Steve Sanduski:

Hello everybody, and welcome back to another episode of On Your Mark, Get Set, Grow. I'm your host, Steve Sanduski, and joining me today is Sheldon Wolitski. Sheldon is the founder and CEO of the Select Group, which is a full service recruiting company that specializes in the technology and engineering professions. I got to tell you folks, Sheldon has an amazing story here. His company, just in the past 5 years, has grown from 10 million in revenue to 110 million in revenue, and that's just incredible. Also, his firm has been named to the Inc. 500/5000 list of the fastest growing privately held companies for 9 consecutive years. Just a phenomenal growth story. Sheldon, it is a real pleasure to have you on the show today.

Sheldon W.:

Well, it's a pleasure to be on the show. I know I've listened to your podcast Steve, and I know the quality of people that you interview, so to be a part of that, it's humbling. I appreciate the invite.

Steve Sanduski:

Sheldon, you're being modest here. You certainly rank right up there with all the folks that we've had on the show here, On Your Mark, Get Set, Grow. I'm really excited to hear some of the things that you have done here, to have such an incredible growth rate. Why don't we start with, what are some of the key reasons that you think have enabled your firm to have such a high growth rate?

Sheldon W.:

I think the first thing is, I realized early on that I couldn't do it all by myself, and I started surrounding myself with coaches, advisors, both on the professional and on the personal side. I came from a sports background, and I see guys like Tiger Woods that are the best in the world, but yet they still have multiple coaches working on their swing, their diet, their workouts, mental preparation. I really embraced it, and that was the biggest impact. I wish I could take credit, but what I ended up doing was interviewing and surrounding myself with coaches and executive coaches, and advisors that have done what I want to do. That, by far, was probably the biggest impact.

We've been very fortunate, we've won top places to work multiple years, we got a really extremely dynamic culture here at the Select Group, which I'm really proud of. It's really helped us retain really good people, and a part of that is we implemented a really aggressive phantom stock plan, and it was in 2010, when I realized we were a \$10 million company, I realized I really wanted to distribute some of the success in the company, so we sectioned off about 10% of the ownership, and we developed a phantom stock plan. It allowed me to give a lot of my top performers access to phantom equity in the company, and that's been really good.

Steve Sanduski: Sheldon, why don't you tell us a little bit about phantom stock. I think some of our listeners certainly are familiar with what that is, but just give us a brief primer on what phantom stock is, and how are you using this as an incentive to retain your top people, and also are you using it as an incentive to bring new people on board? Is it something that you're making available when people first join, or do they have to have some criteria to be with the firm for a certain period of time before they're eligible?

Sheldon W.: That's a great question. Basically, we brought on some professionals to help us develop the plan, and the whole idea, we sat around in a room, and I just basically said that I want to be able to give back to some of my top performers, so we developed 2 different plans. One, more of an executive plan, and a regular phantom plan. Essentially, what it was is we sectioned off a number of shares, or they actually call them units in the phantom plan, and we did a third party evaluation, developed a strike price, and you typically ... Since we're primarily a sales driven organization, it's based off performance. I would say out of the, currently we've got 240 employees, I would say about 25 to 30% own the phantom stock, and it's really interesting because with the rapid growth we have, to give you an idea, our strike price started out at 10 cents and went to 14 cents to 25 to 30 and most recently to 45 cents. What we've done is also projected our 3 to 5 year plan, and how we're going to continue to grow it at a 30 to 40% rate.

That's real money that people are seeing, that they're continuing to have in the future for college education, houses, retirement, you name it. It's been really powerful. It's not only just our ... For retention, but also, what's been interesting to me, I've been very fortunate in, I just recruited a couple of really amazing top executives to the company. These guys were with billion dollar companies, and I just was really shocked and surprised that they didn't have any type of a long term incentive plan, like a phantom plan, and I was able to recruit them, not only because they saw the growth opportunity, but they were able to come in and earn some executive phantom stock, and they could see that, with the growth trajectory, that's something that they would never be able to do in a really large organization, at least in our industry.

Steve Sanduski: How do they actually cash in on this phantom stock? How do they monetize it?

Sheldon W.: Yeah, so there's a number of different options depending on the plan, with ... One of them is purely a deferred compensation plan, so it's on retirement or if they decide to part ways, if there's a financial crisis going on, or of course death. On the other side, on the executive phantom plan, it's a part owned liquidity event, so they would all share in the benefits if we decide to go after any strategic investment or private equity.

Steve Sanduski: Okay, anything else on the phantom stock plan? Does this allow you to maintain 100% control of the company? Since it's phantom stock, you're not giving up actual equity in the company, so is this also part of your plan to maintain control in the company? What are your thoughts on that area?

Sheldon W.: Yeah, that's exactly it, I mean, that is a huge benefit, and the fact that I still own 100% of the company. Ultimately, I'm making the decisions, and that's another huge benefit. I think it's absolutely helped me deal with my board, and my coaches to be able to do that without having multiple people involved in the decision making process. It's been very successful, and I've seen ... Since it's becoming a lot more popular, and I've seen a lot more companies roll this out with huge amount of success. To anyone out there listening, I would definitely look into this, because it's probably one of the faster growing plans out there to allow employees to participate in the growth of the company, but without deluding your ownership, and also, the ability to make decisions.

Steve Sanduski: Sheldon, that's exactly what I was going to ask you next, is are you finding other companies that are doing this? You've just answered that question. Then, I'd also like to know, are there certain parameters that a company would essentially need to meet before a phantom stock plan would be appropriate? For example, should it be of a certain size, certain revenue, should it have a certain growth rate? I'm assuming there needs to be a pretty expectation of growth in the future, so that people will find the phantom stock attractive. What have you found in those areas?

Sheldon W.: Yeah, so I'm definitely not a phantom stock expert, but I will tell you, that from my experience, I mean we started the plan at 10 million in revenue, and I will tell you that I've seen companies that have started the plan at less than 5 million in revenue. I don't necessarily think they have to have the growth trajectory that we have year over year, 30 to 40% top line revenue. I think at the end of the day, if as long as there is some growth, and the company, or the employees ... What I found is, the employees that are involved in the phantom plan act like owners. As soon as we implemented the plan, we started handing out shares, we have an annual TSC shareholder meeting, and it's just, it's really powerful just to see them, and some of the little initiatives that they have implemented for us to either save on expenses, top line revenue, initiatives, they're really adding a lot of value because they feel like owners.

Steve Sanduski: Okay. You mentioned that about 25 to 35% of your employees have the phantom stock. Maybe you mentioned this, but is everyone offered the

opportunity to get phantom stock? Is it something that you just award? Do they have to pay for it? If it's something that's by invitation only, so to speak, what are some of the criteria that you've used in order to determine when you award it?

Sheldon W.: Yeah, so that's a great question as well. Everyone's eligible to earn the phantom stock plan. It is based on performance in our company, so since we're highly sales driven, I would say over 80% of our staff are on a sales plus commission. There's certain quotas they need to meet. For us, it's ... We call it ... When you get President's Club, you get \$10,000 in cash, and \$10,000 in the TSG stock, whatever the strike price is that year. It's typically, there has to be some milestones achieved, and once they achieve those throughout the year, then they're awarded that at the president's club.

Steve Sanduski: Okay, excellent. Okay, so in terms of, we talked about what are some of the things that have led to this expansive growth? One was, you said hiring coaches, and I think you mentioned you actually have multiple coaches. The second thing you talked about, the dynamic culture, and you mentioned that the phantom stock is part of the dynamic culture. I want to go a little deeper into culture, because we all talk about the importance of having a culture, and that's really a competitive advantage for many companies. What are some other things that you're doing in the area of culture that you think separates your business from others out there that our listeners could really learn from and possibly implement in their own companies?

Sheldon W.: Yeah, another big one is, you see a lot of companies out there that, they'll typically have a conference, but usually they're only inviting their executive team or leadership, or maybe just their sales team. We have 2 national conferences a year. We invite everyone in the company. I know that it may sound like that's a big expense, but the rewards that come out of it, and one thing that I think a lot of people appreciate in a company, it's the whole ... It's a 2 day event, it's not all about the Select Group, and rah rah, we need to increase revenues. It's really about self improvement professionally and personally. We bring in some of the top speakers, some of the speakers actually you've had on your podcast, that come in and we really focus on developing people personally, professionally. We've got a lot of big initiatives. That, I think, is ... When we do our employee surveys, we do net promoter score for our employee surveys, and proud to say we're always above 9. When we get the surveys back, the people, a high percent of them are really appreciative of how much time and attention we're spending on developing them professionally and personally. That's really, really big. Yeah.

The second piece of that is, we've got a major health and wellness initiatives. Just last year, it was a big investment for us, but we actually bought Nike Fuelbands for the entire company, and had ... Since we've got multiple offices across the US and Canada, 10 offices, we're growing pretty rapidly, we had office contests, cash awards, everyone was tracking it on an internal

collaborative system. It was really neat, and I think the last thing is just going back to also development and coaching. I've recently hired some really amazing executive leaders, and what they appreciate ... These guys came from billion dollar companies that have never actually had any outside coaching. Executive coaching or personal coaching, and they say they just really appreciate the fact of how much time and investment that we make in our people. That's a big differentiator, and for me, it's surprising for me, with us just getting to 110 million and the investment that we make, considering some of our competitors that are over a billion that don't really invest in their people.

Steve Sanduski: In terms of the culture, do you have things like ping pong tables? Do you have chefs that give you free food and take out your dry cleaning? Some of those Silicone Valley type things that we typically think of as some of those types of firms. Are you doing anything in that area, in terms of the actual workspace and work environment?

Sheldon W.: Yeah, so we just ... I just made the biggest purchase I've ever made as a CEO of a company. We decided to go away from leasing, and we bought our own corporate office, and we just recently moved in. It's a completely open, collaborative space, we got amazing workout facility, we got yoga, we got food coming in at all times, at no cost to the employee. It's, yeah, it's interesting, and the reason why we went this route is because in our environment, we're placing IT engineering professionals. Around the nation, the unemployment rate in that area is under 2%, so we're out there talking to our clients, educating them on if they want a track in retaining and hire the top people, you have to have an amazing culture, because these types of people have multiple offers on the table. We really needed to not only talk the talk, but walk the walk.

We went big time on our corporate office, we're really proud of it, and again, it's all focused on collaboration. There's not a lot of walls separating the different groups, so we've got multiple groups in the area, and it's really open and collaborative. We hired a company to come in and specifically make sure that it was designed that way. I think that also helps with the, just keeping us a really close knit family type culture, even though we're growing so much year after year. It's really important for me.

Steve Sanduski: Have you seen an impact on employee retention as a result of some of these initiatives that you've implemented in the culture area?

Sheldon W.: Yeah, so our industry is a average 70% turnover. It's a tough industry, I mean, there's no doubt. We put a stake in the ground early on, because I used to work for a number of companies where there was really high turnover, and I didn't want to be that company. We're very grateful and fortunate to say that we've got it at 30%, and it's continuing to drop. We feel like it's the things that we're implementing that's different from some of our competitors that's really helping with the retention and the development, and the loyalty of our people. Our goal

is to get it to below 20% over the next year, and I feel confident we're going to get to that milestone.

Steve Sanduski: Okay, how about any other lessons or keys here for building the business here? We've got coaching, we've got the culture. Is there a third one that you think has been instrumental in your company's success?

Sheldon W.: Yes. It's obsessing over our customers. We've got 2 customers. We've got the customers and we also have our consultants. We've got over 1,000 consultants that are actually on site at our customers. It's interesting, I created a vision to be the best in the eyes of our consultants, customers, and employees, but I just really didn't ... There wasn't any meat behind it until I was actually at a Mark Moser's CEO summit, and we had a gentleman there who was speaking on world class customer service, and I felt like he was talking directly to me on my vision. Over the last 6 months, we completely transformed how we look at customers, the customer experience, consultant experience.

For the first time, I went out and hired what we call a CXO, which is ... It's one of the fastest growing executive positions right now, it's a chief experience officer, and his whole role is to make sure that customers are having an amazing experience, again, if you have consultants, or also the internal employee experience. We've spent 6 months looking for the person, we ended up hiring a customer, which was great, because he has 20 plus years working with firms like us, and it's been an absolute game changer in our industry. We're really focused on the net promoter score. We've gone up, over the last 3 years, from an average of about 8 and a half to 8.6, and we just finished our last net promoter score, we do it twice a year, and we've averaged 9.3 on the customer side and 9.4 on the consultant side. Just huge improvements, but as one of my coaches says, what gets measured gets done.

We are just obsessed over this right now, and it's interesting, it's actually given all of our employees a little bit more of a purpose in life as well, and a purpose in their job, where it was really kind of focused on revenue and placing people, but really we're focusing on impacting lives, and that's really what we've done. It's really kind of the "why" behind why we do what we do, so it's been a huge transformation, and it's also been ... It's going to be a big game changer. Right now, from the customers that I've talked to, and the competitors that I know in the industry, we're the only ones that are doing it. We're kind of pioneering this in our industry, so I think it's going to be a big game changer for us.

Steve Sanduski: Okay, so you say, "obsessing over customers." Give me some specifics here. What do you mean by that? How does that actually ... How do you actually realize that in the work environment when you say, "obsessing over customers, your consultants and clients?"

Sheldon W.: Okay, so I'll give you a great example. We had a big customer that was going through some cost savings reductions. We found out that out of the 10 vendors

that they were using to help staff their critical projects, they were way over budget. We were the only company that actually came in and offered the most rate reductions, and we took one on the chin, and we realized that, but we held strong to our values, we held strong to our vision, and ultimately it's come back to repay us, because now that things are turning around, we've been turned on to more areas of business units within this organization, and our goal of being their number one vendor. It's the little things like that, where a lot of companies were not willing to take one on the chin, and we were. Even though it did hurt, it set us back a little bit on revenue, it was a tough conversation with some of our employees because a lot of them are paid on commission, it's going to come back to reward us ten fold.

Steve Sanduski: Okay. You mentioned that you're obsessing over customers, consultants, and employees. Let me ask you this question: If you had to rank those 3 in order of importance in terms of who you obsess over the most, how would you rank those 3?

Sheldon W.: Yeah, that's a great question and a tough question.

Steve Sanduski: It's like asking who's your favorite child?

Sheldon W.: Yeah, I know. I mean, without a doubt, I mean, I take after the Southwest Airlines philosophy that you have to take after your employees first, because if you have a happy employee, you have a productive employee, then it shows when they're interacting with the customers and consultants. I'd have to say our employees, and right behind that, our customers, because if it wasn't for our customers, then we wouldn't have any consultants to place, so I would say that would probably be the order. Without a doubt, employees number one.

Steve Sanduski: Okay, good. Now, you also mentioned that you had a customer service speaker at the CEO coaching international summit. Was that John DiJulius?

Sheldon W.: John DiJulius, yes sir. He's an amazing individual, he's got an amazing company, and we've had him come in and speak, and his group, we engaged with them over the next 6 months, and it's been an absolute game changer, and everyone's bought in, and I think the big Aha moment that I had is, we hire a lot of people. Some first time jobs, right out of school, sometimes second or third. What I realized is that we preach to everyone that we are going to deliver world class customer service, but the problem is, there's a lot of people that would come in to work for us, and never been taught what world class customer service means. The only way that they would ever be able to deliver that is if they worked for a Ritz Carlton or Nordstrom or Starbucks, or wherever you would envision world-class customer service. A lot of them have not. I had this expectation that we would come on, so now John's group has brought us on, we're doing rigorous training and testing, and making sure that everyone understands what the purpose is and the vision. It's been ... It's well received by the company, and again, it's going to be a true differentiator for us. He's got a

really, really neat thing going on there, and we attended his Secret Service Summit there, in Cleveland, and it's just been amazing ever since.

Steve Sanduski: Well good. Well, we also did a podcast with John, and for those of you listening, if you have not listened to the podcast we did with John DiJulius, I certainly recommend you go back to the [CEOCOACHINGINTERNATIONAL.COM](http://CEOCOACHINGINTERNATIONAL.COM) website and give it a listen, because it was definitely an excellent one.

All right Sheldon, let's talk a little bit about some challenges that you may have had in your business. Clearly, going from 10 million to 110 million, while it may sound like it's a straight line, I would imagine that there were some difficult decisions along the way, or perhaps, before you got to the 10 million, some make or break decisions. What was maybe one of the challenging periods in your company, and what did you do to overcome that?

Sheldon W.: Yeah, I had a very humbling experience early on in my career. I had a lot of success working for a number of different companies, and then I decided to venture off on my own in 1999, and as your know, 1999, I was in Raleigh, North Carolina. It was one of the top places, along with Silicon Valley to start a dot com, and it seemed like everyone in our industry was doing well. I mean, we were in the staffing industry, so things could not be any better. I felt like it was the best time to start the company. As we all know, the bubble burst, and 9/11 happened, and I ate some humble pie. I ended up, as we know, typically the staffing, the budgets get cut on hiring, and I ended up not making any revenue for 6 months.

On July 14, 2001, was one of the most difficult times in my entrepreneurial career, because I got a call from my mortgage company saying that they were foreclosing on my house. It was a really tough time. What it allowed me to do was really to reflect and get back to the basics. I think a little bit of luck and hard work is what allowed me to turn it around. Trading in the BMW for a Toyota Camry, getting a roommate to help pay the rent, refinancing my house. A little bit of luck came around, and while I was kind of struggling to figure out how I was going to pay the bills, I came across a credit card that I overlooked that had a "call to activate" sticker on it, and I called them up, and they said I had \$12,000 on there, and she was able to convert that to cash for me, and I was able to basically utilize that to really get aggressive on building the business back up.

I think the more important lesson that I learned is that I pretty much lost everything, and I was still okay. I had this fear of going broke, I was too prideful to really go back to my parents, because I was still a little bit out of college. I was able to kind of grind through, but it gave me ... I lost the fear of failure because I failed really bad, and that was probably the lowest point I'd ever been in my life, but I was still okay. I was still capable, and I was able to bounce back from that, but to this day, we're \$110 million company, I often reflect on those times, and



know that if something were to happen, that I'm going to be okay. It was a valuable lesson that I learned, and hopefully I won't ever see those times again.

Steve Sanduski: Well, I don't think you will, Sheldon, and I think you just made a very insightful point there about when you pretty much lost it all in terms of the monetary things, and you had to take, essentially, a cash advance from your credit card to turn things around, but you realized that you really had a lot more. Even though, on the surface, it looked like you didn't have much, because the business had almost gone bust, but the one thing that you still had was, you had your skills, you had your motivation, you had your hard work ethic, and you still had the opportunity, even if you had to start over, which you essentially did, to build something new again. That really gets down to, it sounds like you had tremendous confidence. I find that with entrepreneurs, one of the most important things that they have is their confidence. Even if their business isn't doing well at that point, that they can still maintain their confidence. Not arrogance, I mean, there's a big difference obviously, but have that confidence that you've got the skills, that you can turn this thing around, and maintain that, and present that to your employees as well, because they're going to be looking to you as the leader, and if they see fear in your eyes, boy, it's game over at that point. I think that's a very important point that you made there.

Sheldon W.: Yeah, absolutely Steve. I couldn't agree more. That was the big differentiator in turning the business around, and there was a lot of people that had continued to believe in me, and again, I had been making a lot of sacrifices, but one thing that no one could ever take away from you is your work ethic, and your tenacity, and your grit, and your heart. That's really what allowed me to be able to bounce back.

Steve Sanduski: Well, Sheldon, this has been great. I really appreciate the insights that you've shared here, and as we wrap up, is there anything else that you'd like to share that I haven't asked you?

Sheldon W.: No, you know what, I don't think so. I think the main thing that I've learned over time, and my coaches have allowed me to be focused on and shared with, is that ... For the longest time, they've been working with me on just trying to be more of my authentic self. I think for so long, as a CEO, and now that we're \$110 million company, and I see it a lot with some of my CEO entrepreneur friends, is that we have this perception that we have to have this Superman cape on all the time, and we have to be the spirit of the fearless leader that's coming in and making all the right decisions. I think that what my coaches have helped me do is really lose the cape, and really get more to my authentic self. With that, comes a lot of being vulnerable, having humility. The closer that I can bring that gap, I've had a more fulfilling life. That's just a big eye opener for me, and I've really transformed as a person, professionally and personally because of that. I just wanted to share that with the listeners as well, that it's really helped me out a lot.

Steve Sanduski:

I think that's a great point. As you know, David Bowie, the great singer, passed away here recently, and I saw a quote from him the other day, and I want to read it, and I think it really actually ties in really well with what you just said there. David Bowie said, "All my big mistakes are when I try to second guess or please an audience. My work is always stronger when I get very selfish about it." What I think he's saying there is exactly what you just said, which is, when he is performing to his authentic self, when he is being the person that he truly is as opposed to trying to present an image that he thinks his audience wants to hear, that when he's true to himself is when his work is always stronger. I think that dove tails right into what you said right there.

I think that's a great way to wrap up the show today. Sheldon, this has been phenomenal, I appreciate your time, and I look forward to watching the continued success of your company.

Sheldon W.:

It was a pleasure Steve, thank you so much.

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