MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 237 Transcript

(1s): Tom Bronson
Welcome to the Maximize Business Value Podcast, brought to you by Mastery Partners, where our mission is to equip business owners like you to maximize your business value and achieve the exit of your dreams, whatever that means to you. With insights gained from over a hundred business transactions, we share real-world strategies, lessons, and expert advice to help you build long-term sustainable value in your business. Each episode is hosted by one of our mastery-certified partners. They're seasoned experts who've helped countless business owners navigate the complexities of growth, scaling, and building value.

(45s): Tom Bronson
They bring firsthand experience, actionable insights, and a passion for helping you build a business that thrives. So, let's dive in.

(1m 2s): Dave Casey
So, hi, I'm Dave Casey, and welcome to the Maximize Business Value Podcast. So, this podcast is, is really designed for business owners that are serious about expanding their business, making it really investment grade,, and taking care of all the little things that they've overlooked over the years and building long-term sustainable value in the business. So today I'm excited to be joined by Neil Katz and CEO of Exceptional HR Solutions. So, Neil, welcome.

(1m 35s): Neil Katz
Well, Dave, thanks for having me. I'm excited to be here with you today and talk with you and let your audience hear some of the things about the HR world.

(1m 42s): Dave Casey
Well, super, super. Well, tell me a little bit about your background and, and how you came to form hr, you know, your, your company.

(1m 48s): Neil Katz
Sure. So Dave, I've been in HR for over 25 years, and I quit counting after 25, we'll just say 25 plus. But I've been doing this for a little while. And about 18 years ago, I had people reach out, just friends, family network, ask for help and support, and I was doing that here and there, and then here and there became a little bit more here and a little bit more there. And next thing I know, I'm having this pretty decent side hustle. And about four years ago I, I was at a pivotal point in my career where I had to choose what I wanted to do. And I was at the edge of the cliff. And as I love to describe the story to people, I looked over the cliff, and it was darkness, complete 100% total darkness. And the question always comes in is, what is the darkness?

(2m 31s): Neil Katz
I don't know.

(2m 31s): Dave Casey
You don't know.

(2m 32s): Neil Katz
Didn't know what you didn't know. If it was good darkness, bad darkness. You didn't know if it was cliffs or pillows of clouds. And luckily, I had an exceptional and still have an exceptional partner in my life, which is my wife. And she stood there and said to me, What are you afraid of? Just jump. If you land and it's good, great. If it's not, we'll figure it out. We'll work through it together. And she's been a, just a great supporter of the company, really going full-time into this. And that was four years ago. And now we have a team of 20 people. Wow. And we're scaling and growing the business to support clients throughout the United States and all industries.

(3m 8s): Dave Casey
Man, that is tremendous. What growth in four years? That's superb. Yeah. We're proud of ourselves. But candidly, I'll be honest, we're we're still looking to help more people. We know there are more companies out there that need this support. And it's, I, I heard people ask me all the time, what is it about growth? It's not growth for me, it's growth to help these organizations. Oh yeah. Achieve their goals and objectives.

(3m 28s): Neil Katz
Yeah. You know, and it's funny that we, as you know, with Mastery Partners, we work with owner-led businesses. I would say typically small to mid-market-sized businesses, probably from 3 million up to maybe 50 million in revenue. And HR always seems to be

one of the biggest challenges these business owners have, whether they know that or not, or accept that or not, I guess, is the deal. So what, what does, how, how do you see fractional HR services fitting into that ecosystem?

(4m 2s): Dave Casey
You know I, I get this question all the time, which is when you start a business, you're not an expert in all arenas. And you should never be, and you never will be. This is why the fractional, fractional CFO arena started many, many, many moons ago. Yeah. Yeah. And what we've done is the HR community's built similarly on that. And what we've decided is that the need for fractional HR is recognized, that there's no need in these small to medium-sized companies that are growing and scaling for a full HR person or an HR team. So what we've done is we've found a solution that says, we'll come in five hours a month to 30 hours a week, or anywhere in between, to be that expert. And you know, what's amazing about it is I can save a founder, CEO and executive anywhere from 10 to 30% of their time dealing with that drama and trauma of people that they just aren't experts at.

(4m 54s): Dave Casey
And candidly, they never will be. And it's okay, let us be the expert and let them get back to their superpower, their passion, what they love to do. And let's be real. It's not the people function, it's not payroll comp, Ben, employee relations. We got that. We can do it for 'em.

(5m 11s): Neil Katz
Wow. You know, and, and if a, if a CEO or any kind of executive actually measures the hourly value of their time, and then you figure out somewhere between 10 and 30% gets put back in the bank, I mean, that is significant. Wow. Wow. I'd never considered it in those terms, but that's a, that's a great way to look at it. So

(5m 31s): Dave Casey
It it's really about empowering leaders, giving 'em what they need. Yeah.

(5m 35s): Neil Katz
Yeah. That's, that's, oh, that's amazing. So I've gotta admit, you know, I had a company for over 25 years and we grew it, I think at maximum we probably had about 30 employees or so. And probably the thing in retrospect that, that I did worst as a CEO is, is the HR function within the company. And I, you know, I think if I had drawn an org chart back then, I think HR would've been at second or third level down in the org chart, which is, which is sad when you think about it. 'cause, you know, I've kind of seen this

evolution of HR just from like keeping you, you know, within the lines of, of legality, making sure payroll's done right.

(6m 19s): Neil Katz
Make sure that filings are done right with the IRS, all that kind of stuff. It seems to have expanded now. It's talent management, it's, it's really overall compensation strategy for the whole company and compliance. So, right. You know, what, have you seen this, I mean, is this, I know this big companies, public companies have done this forever, you know, is how, how unique is it for this to be coming down to the smaller size companies?

(6m 45s): Dave Casey
It's unique, yet critical. And let me explain what I mean by that. Dave is, what it really comes down to is, I don't see us as HR practitioners anymore. What I see this as is we're brilliant business people with an HR expertise. So we're the experts in hr, but we're business partners first. Yeah. We wanna understand your business, the critical components and all pieces of your business that tie to relate to and impact by people. And let us build the strategies, components and successes you need to be that great leader. Whether it be recruiting, onboarding, offboarding, employee relations, succession planning, talent planning, growth of the team, replacement of leaders as necessary, scaling the functions, expanding global operations or domestic, whatever it may be.

(7m 33s): Dave Casey
Tell us the business and we'll tell you how to build the people parts and we'll support you so you can focus on the critical strategic outcomes, those goals and objectives. Operationally, we'll manage the strategic and tactical people side.

(7m 47s): Neil Katz
Wow. Wow. You know, what a relief for, I think a business owner, you know, I know, again, going back to my own story, I mean, that was probably the reason we didn't spend as much time on it, is it was, we were a little bit unsure of ourselves how to handle those things. And it's always hard to have, you know, hard conversations, difficult conversations with employees. What I've found since actually, since been working with Mastery, one of the things we try to do is make sure each, each of our clients has a well-defined strategy on the HR side and document the systems and processes there. And I think one of the big things we've seen is that that takes some of the stress out of those conversations.

(8m 29s): Neil Katz

When, when you're, when you've got documentation and a guide that the employees should be following. And, and frankly, management should be following

(8m 39s): Dave Casey
For sure. And I think they, what it comes down to is, believe it or not, people wanna be held accountable. They wanna know what's expected of them in their role at any level. And it's interesting, we always hear our frontline employees or mid-level people, I'll be honest, I haven't met a leader yet that says, tell me what you expect, what you're looking for. What is the measure of success or not. Yeah. People want accountability and want to know that when they achieve success, we celebrate it. When they don't, we help them. And when they're not achieving those goals and objectives, those conversations aren't as difficult. Accountability, understanding the scope of what you need to do and what you need to deliver, and having those tools and resources are amazing for people.

(9m 22s): Neil Katz
I always say, when was the last person you met that woke up today and said, I want to do a bad job.

(9m 29s): Neil Katz
Really, it doesn't happen. No. So how do we help people do a better job?

(9m 34s): Dave Casey
Yeah. Wow. So, describe a little bit, how do you guys get engaged? Or what is, what does the process look like when you run into a prospective client or a new client?

(9m 47s): Dave Casey
Yeah. So what happens is, generally speaking, today we've been wildly successful with a great referral program. We'll have vendor partners, people we work with, organizations like Mastery, and others that will call us and say, Neil, we got a client that needs some people's help. Yeah, we gotcha. And we'll do a, we begin with an intake to understand what challenges they're facing. If they know what the challenges are, they don't think they know, we'll ask their routine list of questions, and we'll build a customized solution for them. And then what we normally begin with, with most of our clients, is an HR assessment. And it's a full deep dive into all things people, compliance policies, procedures, practices, programs, and systems to truly understand what they have and what they don't.

(10m 30s): Neil Katz

We'll then make recommendations based on that. But the difference for us, Dave, and many other groups we've worked with, is that we roll up our sleeves and go do the work. We're not consultants, we're not advisors. We are your HR partners, and we're your HR team. We will take on, run, manage, and support the full HR function. So leaders don't have to spend that time in that arena. And they get to spend the time on those components that grow and develop their talent, build strategic plans, celebrations, and those fun components that work great. And we know how to build a phenomenal HR infrastructure to support the organization where they are and where they're going.

(11m 8s): Dave Casey
Wow. Wow. So are there any particular verticals that you've seen that you guys particularly do well in or are, are, are engaged in more often than not

(11m 20s): Neil Katz
Any business with people? And I know that's, I mean, for us, if, if, if, and people are like, can you be more specific? No.

(11m 27s): Dave Casey
Well, there are probably a few holding companies out there that just have a half a dozen people or something. But most people have people, so, well, believe it or not, we have companies with two employees that we support.

(11m 33s): Neil Katz
Wow, 'cause they're building an infrastructure for the future. And they know, as I say, I'd rather build it with you than have to come back and fix it for you.

(11m 46s): Dave Casey
Yeah.

(11m 47s): Neil Katz
So it's companies generally with between five and 500 employees throughout the United States in all industries. And the reality is we learn the businesses we serve, and then we layer in the people components of how we support that company, individual to their industry, their team, their company.

(12m 4s): Dave Casey
Wow. So in, in a, I guess in the context of that, do you find yourself able to kind of benchmark, you know, between, you know, not disclosing any, any proprietary information, but certainly if, if you have an electrical contractor over here and you've

worked with 'em, you can kind of benchmark if you've got 10 electrical contractors, kind of what, what business practices work better or you know, what compensation strategies, you know, look like and that kind of stuff?

(12m 34s): Neil Katz
Absolutely. And what's great is we can share not just the same industries, but cross industries, geographies, and things of that nature. So yes, we can, of course, without company names, share the data, the information, the knowledge we learn. And our goal over the next few years is we're looking at some different analytics to be able to share an agnostic way to say, here's the trends and themes we're seeing from organizations this size, this geography, this area, to tell leaders and help them understand what the challenges are we're seeing. And one, are you seeing those same challenges? But two, if you're not, how do we ensure you never have those challenges? Yeah, yeah. So as we continue to grow, we'll see that the analytics coming from this will be amazingly successful and value-added for our clients in the future.

(13m 20s): Dave Casey
Yeah. So, since you've touched on analytics, I've got a couple of questions in that area. So the company I had for years was an IT services company. So we helped, we helped organizations almost universally, much, much larger than ours, with their IT and everything from vendor management to implementation training, and then IT services where we were watching the, watching the store for them essentially on the IT side of things. A big part of that evolved into cybersecurity. So actually, when I left that company or exited that company, I did several years of consulting in the cybersecurity area.

(14m 2s): Dave Casey
And of course, there are tons of activities in that area, unfortunately. But, you know, so a lot was going on and a lot of education, I think, of our client base of, you know, what, what are the proper things to do? And when you're building, for example, an employee manual, how do you address cybersecurity and talk about that and enforce that kind of stuff? So today, of course, the big challenge is AI, and I've seen AI implemented in lots of ways and lots of organizations, but it also looks like it can provide some challenges in terms of standards and practices and documentation and all that.

(14m 44s): Dave Casey
So what, what have you guys seen and is it a, is it a good thing, a bad thing, a challenging thing? How does it affect y'all?

(14m 52s): Neil Katz
I think the thing I would say about AI is, one, it's a tool like any other tool in the toolbox. I think what we have seen is I do think companies are behind in developing AI policies and procedures. And it's interesting, I'll ask in the organization, are you using AI today? And they're like, No, we don't use it, or we don't support it. And I'm like, okay, that's a problem because you're using it or your team is, whether you know it or not. Right? Yeah. So I do believe companies need to embrace the idea of developing and implementing an AI-engaging policy and procedure. Yeah. Understanding that that's gonna have to be updated a minimum of every six months with the changes in evolutions of AI and AI protections and securities.

(15m 35s): Dave Casey
But I do think it's not going away. So what I always tell companies is we need to learn to embrace the tools we're given and define ways to bring value with those tools. I was on a podcast last week talking about AI, and we've talked about, it can streamline repetitive tasks to a point where we can eliminate job functions, not job people or roles, but eliminate a function and allow those roles to do something of greater value than impact to the organization. So the reality is AI is here, what we do with it and how we embrace it, how we bring it into our companies in a way that brings in value and still protects the information, data content that needs to be maintained is critical.

(16m 21s): Neil Katz
But I do think there's a lack of information and education, and that's what we're gonna see, I think the second half of this year into next year, is a real strong push around developing the boundaries of what AI can and cannot do. But more importantly, what AI can and cannot do in the workplace. That's gonna be the piece we're gonna have to really kind of face the challenge with and develop those systems and processes and policies to outline that as well.

(16m 47s): Dave Casey
Yeah. And I'm hoping that, I know I'm, I'm still involved in the IT world for quite a bit, and I know some organizations on the IT side are looking at that, just figuring out what should be a good standard, a good practice, and something that to, to adhere to. And I would imagine on the HR side, you're seeing the same thing because I know one of the biggest fear, it's always a fear with technology, but in particular ai, I think the fear is, well, they're gonna replace my job with ai and in some jobs or some roles, I think that's a, a very real fear. But as you mentioned, if folks are, are self-actualized, they're, they'll, they'll find another role to fill and maybe use AI as a tool to, you know, to do that role and succeed much greater going forward.

(17m 41s): Neil Katz
So Dave, it's funny you bring that up. One of the things my favorite sayings I say is that AI will not replace a role. AI is going to replace the person not using it in the role today. Ah. So that's how I see it that I don't see this job being you being eliminated. I think if you choose not to use the tools given to you to maximize what you do and allow you time to learn additional functions, functionality, skills, abilities, and components of this organization, that's the people who will be replaced. Yeah, cause the reality is AI today is only limited by our imagination.

(18m 21s): Neil Katz
It is amazing what this tool can do. And I don't even think we have completely scratched the surface of the true functionality. And we're probably another few years away; that number can be debated a lot. But I don't, I think as we watch what organizations are doing and how they adapt to it, and I think the other component that we have to wait to see is regulatory and government regulations related to this, because we haven't seen very much yet. But I have a feeling we're gonna start seeing this in the next six to 24 months, where the government will come in and regulate appropriately what needs to be done. And that's where we'll have to pivot organizationally to figure out how do we, again use these tools again and maximize their value.

(19m 5s): Dave Casey
Yeah. I think that's, that certainly we've, we've been having those conversations with our clients in, in terms of, you know, what we do very much as you do an analysis and the intake you mentioned, you know, when we work with our clients, we do a deep dive, we call it a transaction or transition readiness as assessment, just to really see where's the state of the state of the, of that corporation. Everything from formation papers to any kind of exit planning they've already done. And everything in between. HR is a big component of that. Sure. I think we ask north of 70 questions in the AI section of what we do. And I think those questions may change in, in content and, and the way we do things, just as it, you know, as this evolves and when we try to dig into a company and find out how are they using these tech tools and technologies and, and what does the impact have on their workforce, you know, when they do that.

(20m 2s): Dave Casey
So tell me, is there a particular level of, with the organization that, that you typically deal with? I mean, how do you, how do you normally engage with a new client?

(20m 16s): Neil Katz

Sure. What we normally will do is we'll engage with the senior leadership, whether that be a DI director, VP C-suite, generally our key focus is our C-O-O-C-E-O and founders. One of those groups will be our executive sponsor, our partner that we work with. And then from there, we engage throughout the organization. We want to be HR at x, y, Z company. Yeah. And we'll engage with the individual contributor entry-level roles to the managers, directors, VPs, and all levels in between. We want to be that partner to these organizations and be that true burden-removing challenge that these leaders and orgs will face.

(20m 56s): Neil Katz
And part of our job is not just the tactical, but the strategic, working with leaders and teaching 'em how to have some of those difficult conversations. What we do is we will play a lot of scenarios. We're like, okay, here's what's coming out. Let's role-play it. We don't role-play, we don't make it up. We talk about the real situation and work through it, and build that muscle for that leader and help them become more comfortable having those meetings and conversations and addressing those things that need to be addressed. But we want to truly sit with them hand in hand and support them through their journey. Because ultimately, as you said, multiple times, the critical value of HR is so undervalued today in the workplace that we know we can bring great value, and the greater the organizations embrace it, the greater the return they will get.

(21m 37s): Dave Casey
And we get,

(21m 39s): Neil Katz
And it sounds like you've got some some cold hard facts when it comes to that, because I, I know I've seen, I was one of these guys, I was, I was kind of a pushback on allocating dollars to HR services, just saying, you know, boy, lots of these folks have worked here for a long time. I know 'em well. I know their families, you know, we, we go on picnics together, we'd all do this stuff. So it's, it's like, it's a familiarity. It doesn't necessarily mean that I had sensitivity I should have as an employer or as a manager. So what's the compelling message that you'd have for, how do you, how do you allocate budget dollars for hr? What should that look like within an organization?

(22m 19s): Dave Casey
I think what it comes down to is, you have to recognize, I want leaders and owners and founders to be friendly with their team. But remember, they are your employees. They're not your friends. And there is a difference between the two. And you have to remember, as you scale and build this organization, as you grow, you become a greater opportunity

for not the employee that loves you, that's been with you 20 years, that Yeah. Will go to all those picnics with you. It's the one that's becomes disenfranchised, disappointed, not happy with what's happened. And when they exit all of those things that weren't so good, sometimes and many times come back at you. So what I would tell you is to allocate, I would minimally have a fractional HR partner.

(23m 1s): Neil Katz
And as you scale and grow, one of the things that we built is the model that we will, in an organization that needs, like an HR generalist, we'll hire their generalist, we'll manage the generalist and we'll say on, on a very fractional basis to become your strategic partner and manage the tactical functions of hr. So we could do both. And I tell organizations to allocate and build programs that meet the scale of their business. So I have organizations that don't require any on-site HR or an HR team. I have other organizations' needs and HR generalists, and then a strategic partner. So anywhere in between there, we can support them and build a custom solution to that need.

(23m 40s): Dave Casey
Yeah. I have definitely seen the challenges of, as you grow an organization, the roles and responsibilities change. I guess as you get bigger and maybe your clients get more sophisticated, you get more sophisticated. And there are people that kind of get left behind sometimes, and that or that become, they're just not the right fit for that spot any longer. They may, there may truly be another place in the organization that they're a great fit for, but they're not a fit for that particular one. And those are tough conversations. And I could see in retrospect, it would be, it would've been very handy to have a professional HR firm alongside me to prepare me for those things.

(24m 23s): Dave Casey
And, again, what we, you, you build a culture within a company, you want a culture of inclusiveness and, you know, friendliness and so on. But it is business, and you do need the right person in the right seat, you know, at the right time, I think. And those are it, it's hard to unwind things if you start down on a path, I guess,

(24m 44s): Neil Katz
Dave, it happens all the time where I say, what the person or team that got you from here and got you there isn't the team that's gonna get you to that next level. Yeah. And I don't mean that negatively is, you said a minute ago. Yeah, there's a right place for them, but having that difficult conversation, getting that individual to recognize that they might not have the skills and competencies to take you from 1 million to 10 to a hundred million. Yeah. In fact, generally speaking, most, most people don't transition through those

levels. And this is why, what I've heard, the numbers I hear are that anytime a company is three X its growth, each three X is gonna result in a substantial change of talent and people

(25m 25s): Neil Katz
Yeah. Because you have to have the right leaders and individuals who fit those levels of growth. And not every person transitions through those. Now that doesn't mean eliminating those folks. That just means finding the right place of value and impact for those individuals, but recognizing you do have to make those tough decisions, and those are exceptionally hard conversations.

(25m 45s): Dave Casey
Yeah. And we've even seen that with executives and entrepreneurs. Entrepreneurs start a business, grow a business, it gets to be a certain size, and it's just a little bit beyond, not even maybe their capability, but just what they're, what they get a charge out of. They get a charge out of starting and growing businesses. Sure. And when it turns into a a big business, they're like, yeah, this is my fun. This is the kind of business I left to start a business. So, you know, they'll start the cycle over again. That's why you see a lot of serial entrepreneurs, I guess, but, well,

(26m 18s): Neil Katz
And as you said, it's, you gotta know when it's time to step out. Yeah. And there's nothing wrong with stepping out as a founder and bringing in A-C-O-O-C-E-O to run the business for you so you can do what you love and are passionate about. Yeah.

(26m 30s): Dave Casey
Yeah. Well, this, this is fascinating. This is, we're just, and we're just, we're just the tip of the iceberg with this stuff, so

(26m 38s): Dave Casey
Oh, very much so.

(26m 39s): Dave Casey
But, so we have, you know, we're, we're, this is the Maximize Business Value Podcast. So we are focused on that with business owners. So what is the one thing, the most important thing that you recommend business owners do to build value in their business?

(26m 56s): Neil Katz

Have an HR partner, have an hr, have a fractional, whatever it may be, bring in an HR expert, because the reality is, I can save you time and money and grief and pain when you need to focus on what you love. Let us do those components. We can build structured systems, but have an HR partner, whether it's us or somebody else, have somebody to help you in that journey, because you can't be an expert in everything. And the greatest thing for a company is to recognize where you are, where you're not, and bring in somebody to offset that. Yeah.

(27m 27s): Dave Casey
Oh, that's tremendous. Great advice. And, as you mentioned, you can start when you have two people in the company, you know? Exactly. So I guess with one, you just tell that guy, well, sorry, you're not, you're not the right guy, you know.

(27m 40s): Neil Katz
Exactly.

(27m 41s): Dave Casey
That's a tough one. Well, Neil, thanks so much. This has been, has been enlightening, and I think our listeners are gonna be all over this, just that, you know, the importance of this, this piece of doing business is just, I can't be under, you know, overstated. Just, I really appreciate your taking the time to spend it with us today.

(28m 2s): Neil Katz
Dave. Thank you. It's been great, and I look forward and I hope hopefully adding value for your listeners today. And the question I always get is, how do I reach me? If anybody has any questions, they can connect with me on LinkedIn and or they're welcome to go to my website@exceptionallyhrsolutions.com. Drop me a note I'll, I'll jump on a call with anybody and help any way we can. That's what we're here for: to help and make a difference.

(28m 24s): Dave Casey
Oh man. That's, that's great. We appreciate that so much. So again, this is the Maximize Business Value Podcast, where we give practical advice to business owners and on how to build long-term sustainable value in their business. Be sure to tune in each week and we'll be covering a different topic and subscribe to the channel so you won't miss a single episode. See you next week.

(28m 48s): Tom Bronson

Thanks for joining us for another episode of the Maximize Business Value Podcast. I hope today's conversation sparked new ideas on how you can continue driving value in your business. But remember, it's not just about listening, it's about taking massive action. Visit our website masterypartners.com for more resources. Grab a copy of any of the books in the Maximize Business Value series on Amazon or via the links below. And don't hesitate to reach out if you want to know how to apply these concepts to your business.

(29m 28s): Tom Bronson
So until next time, I'm Tom Bronson, reminding you to relentlessly execute while you Maximize Business Value.