Dennis Shuler, senior advisor to Sun Capital Partners

Strategic CHRO

Conversations with leaders who are transforming the world of HR.

"This is an Opportunity to Learn How To Make Organizations More Resilient."

Published on April 9, 2020

Adam Bryant

Managing Director at The ExCo Group (formerly Merryck & Co. Americas)

Dennis Shuler *has deep leadership experience in HR, at companies such as Kellogg's, Disney and Procter & Gamble, before moving to private equity, where he is a senior advisor to Sun Capital Partners. My colleague* ***David Reimer****, CEO of* ***The ExCo Group****, and I sat down with Shuler to get his insights on leading in a crisis, and to ask him what he's learned moving from public companies to private equity.*

Bryant: What's your advice on leading through a crisis?

Shuler: There are a few things that stand the test of time when managing crisis. The first is to protect the business, and that requires making very tough choices to ensure the business has the necessary liquidity to weather the storm. The second thing is to open up the lines of communication with your employees. Tell them what you know and what you don't know.

It's an opportunity to build and strengthen the relationships you have with your workforce, and you can do that in a variety of ways. Be very understanding of the stress that everyone's under. People are saying to themselves, "I don't know what's going to happen to my health and my family's health. I don't know what's going to happen with my job. I don't know what's going to happen when I return."

Companies that are being forced to do layoffs also have to be mindful of those who remain, because they're going to be asked to do more with less, possibly work longer hours, and are likely going to be part of a much smaller workforce for an extended period of time. You need to stay in touch with these folks and be attentive to their needs, as well. There will be some "survivor mentality" – those who haven't been affected directly by layoffs may have some guilt that they are still employed.

Bryant: Talk about the role of the CHRO on the executive team in a crisis like this.

Shuler: Great CHROs bring leadership to the most important imperatives. Great CHROs help maintain focus on a very few priorities. They do not create complexity. The first imperative is protecting the business and the balance sheet so the company can weather this storm. The second is to function as a "can-do" person as opposed to "can't-do" person. It's about saying, "You can count on me. Whatever needs to get done, I'm going to go do it."

The third thing is to bring a sense of balance. This crisis will pass, and savvy CHROs are already thinking about how their companies can be even stronger when they emerge from the storm. This is an opportunity to learn how to make organizations more resilient and open to change. We're going to learn things about how far we can stretch, in terms of our cost structure and our human potential, so that the business onboards the learnings from managing through a crisis and can perform at an even higher level.

"You better be calm and poised under pressure. That's what

we get paid for."

Finally, the CHRO needs to be the trusted confidante and indispensable aide de camp to the CEO. Those who occupy the corner office have the loneliest role in the best of times, and it becomes even more so in a crisis like this. CHROs need to be able to walk into the CEO's office and shut the door and allow the CEO to vent and release whatever emotions they are feeling because they can't do that in public. And therefore, as a CHRO, you have to have your act together. You better be calm and poised under pressure. That's what we get paid for.

Reimer: Let's shift gears to a broader discussion about the CHRO role. But first, tell us how you got into HR in the first place.

Shuler: The story probably starts when I was growing up. My father was a machinist – he worked on diesel engines at a factory. We were a one-car family, so when I was 16, if I wanted to drive during the summer, I would drive my dad back and forth to work. When I picked him up, I would see all these guys congregate to leave the plant when the horn would go off. One day, I asked my dad what it was like to work there.

He said, "Well, what do you think of me outside of work?" And I said, "Well, you're a husband, a father, great guy, church member and all that good stuff." He says, "Yeah, but when I go in there, I check my brains at the gate. I work eight hours and I'm told what to do, how to do it, when to do it and how long to do it, and then I pick my brains up on the way out." He had 39 years of that existence. I thought then that there's got to be a different, better way to manage human resources, and that's what led me into HR.

Reimer: What are the big lessons that you've learned about the CHRO role?

Shuler: Know the business cold and know how your company makes money. Many people say that, but a lot of people don't have a deep understanding of the answer. Second, have a keen eye for talent and set your bar exceptionally high, because there's no substitute for having good talent in your organization. Better the talent, better the results. Great people create great companies.

Third, get inside the head of your boss and really find out what drives them, what motivates them and what they lay awake at night worrying about. The CEO is in a tough spot. They've typically got a public board. They've got their natural insecurities like all of us. And they live in a bubble. They're the CEO. News doesn't travel to them unless it's good. And then when it's bad, it's usually late and "massaged" or "sanitized."

Bryant: How would you contrast the public-company experience versus the private-equity world in terms of a leadership test?

Shuler: We work with more than thirty small to mid-cap companies, with revenues typically from $100 million to $300 million. You've got to be able to perform quickly. We look for CEOs who have typically worked for a large company, so they understand what good is, and then left for a smaller company where they had to get their fingers dirty again.

That’s the key issue. Can they understand the business in very intimate detail as opposed to just managing it. They’ve got to run it. They’ve got to build systems, and often they’ve got to do it themselves. They don’t have large staffs around them.

Another difference is the pace. In private equity, you’ve got roughly two years to set and drive your agenda, so you have to move quickly. And you’re often going to inherit companies that have gaps in talent, and you’ve got to be selective about where you make changes and concurrently figure out how to mobilize the broader workforce.

That point is probably more important in a small company than a large one. Larger companies have layers and layers of management. In small companies, if you haven’t focused on the three of four things that make the most difference and mobilized the troops against those critical few, then it’s going to be a heavy lift.

"You’ve got one shot to get it right, and you better be right."

If I could go back in time and do one thing differently, I would have entered private equity a lot earlier. It’s just made me better. There’s no corner-cutting. You can’t be sloppy. It’s intense, and it’s results-oriented.

At some point in their lifecycles, larger companies, because of their size and complexity, get drawn inward. And they lose sight of their consumer and their business suffers for it. It happens; it is not a critique. Then they have to go through a contraction and fundamentally revisit their strategy. You don’t have that “opportunity" in private equity. You’ve got one shot to get it right, and you better be right.

Reimer: When you’re interviewing CEO candidates, what are the X-factors you’re looking for?

Shuler: The first thing is a record of accomplishment. Have they demonstrated the ability to get results in a variety of situations under different conditions? While I’m looking for “we” people, as in “here’s what we did,” I’m also trying to tease out and understand what they personally did. You need the organization to deliver your strategy, but I’m looking for what the candidate did personally to create intense focus and drive results. What was the revenue and EBITDA line when they joined and when they left? What levers did they pull?

The second thing I’m looking for is when there’s a pivot point, how ambidextrous are they? Can they adjust on the fly? Because while you want to get it right the first time, as I mentioned earlier, there’s fine-tuning adjustments that need to be made along the way. I want to know how fast and nimble the executive is at doing that.

"Do they have a track record of having people follow them to

new companies? Always a good sign."

The third thing I'm looking at is how they themselves assess talent. Again, much of our focus in PE is to get the right CEO and place the right team around them and then mobilize them, so what's the filter they use to gauge talent? Do they have a track record of having people follow them to new companies? Always a good sign. And what are the mechanisms they use to mobilize their organizations? Can they create a direct link between the boardroom strategy and what the average employee's doing? When that link is tight, good things happen.

The fourth thing is that I ask for those moments in their career where they were forced to reexamine how they develop strategy and how they lead. I ask about when they've had a failure. The really good candidates will look at you and say, "Which one do you want me to talk about?" The not-so-good ones will get this faraway gaze and tell you about one failure, but it's all externalized to somebody else. Somebody else was to blame. And this is also a key indicator of innovative thinking and risk-taking ability, because those who do take risks are going to fail sometime in their careers.

Finally, when it gets down to it, I ask myself the following questions, "Would I want to work for this person? Would I have confidence in them if I staked my family's livelihood on them? Would I have confidence in their ability to deliver? Do they have the ability to build a company that we would be proud to be associated with?" Those are my final gut checks.