All right.
Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.
Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.
Basically all the things you want to know about how to survive the tank and scale your company on your own.
If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.
All right.
Back to the show.
Hey, what's happening?
This is a special episode.
So here's what we do, folks.
With Trends, Trends is our subscription service, which you can go to Trends.co to learn all about it, but it's our community.
It's our research program.
It's basically kind of like My First Million, where we brainstorm and stuff.
It's way more in depth, and we show numbers and do all this stuff.
And normally, every podcast we do for My First Million is free.
But with Trends, we have a ton of stuff that's for paying subscribers only.
And today, I wanted to actually give you about 10 or 15 minutes of a free episode that we did.
So today's interview is with Andrew Wilkinson.
Andrew Wilkinson, you've heard him on this podcast.
He's a friend of mine, friend of Sean.
We really love Andrew.
And Andrew has about 20 companies that he owns, and he installs or hires CEOs for each company.
This is something that I'm in the process of doing, because I want to work at my company, but I don't want to be the CEO.
I just want to be creative and an individual contributor.
So Andrew taught me how to hire a CEO, and in this interview, I asked him everything about that.
And I've actually used it.
I've actually hired someone who will announce soon.
But I wanted to give you about the first 10 or 15 minutes of this episode for free.
So if you like it, go to Trends.co and sign up, and you can get the entire episode.
It's well over an hour, and it's really cool.
And when you sign up, you'll get access to this episode, as well as a ton more, as well as our library of research on all the companies that we've deconstructed and broken down and

all the trends that we're looking at.
And you're also going to get access to the community where I am part of and I pretty much live in that community.
And we have over 10,000 people who are also part of that, like the founders of HubSpot, the founders of Grasshopper, which sold for $200 million, all types of interesting people.
Harley, who is on this most recent podcast, is in the group, as well.
He's the president of Shopify, so all types of incredibly fascinating people building really cool companies.
So again, today's episode, you're going to get 10, 15 minutes of free stuff, just so you can kind of get a feel, and we can provide some value for you.
And if you want the rest, and if you want to join a community and be part of our research program, it's a dollar to sign up.
If you cancel in those 14 days, it's free.
So you just, or you only have lost a dollar, and you'll still get to hear the episode.
But if we can provide value and convince you how amazing this is, it's $299.
So not a big price tag, but we would love to have you check it out, trends.co, right after signing up, you'll see this episode.
So enjoy these next 10 or 15 minutes, and we will see you soon.
So the only folks who are going to listen to this, and we're live now, the only folks who are going to listen to this are the trend subscribers.
So say, if you don't want to talk about something, just say you don't want to talk about something, but I'm going to ask a lot of details.
But this will not be, I mean, it's going to be public, right?
If they listen to it, but it won't be like public, public.
Yeah, like a little more, a little more walled, I can be a little more candid then.
So I just tweeted out, so we kind of planned this a little less minute, we were going to do a normal podcast, Sean couldn't make it.
So I said, let's try this, you wanted me to do it.
So I said, we'll do it.
So I just posted actually on Twitter, and I got a lot of replies.
I'm going to see which I asked people if they want to talk about buying or delegating.
Do you have it?
Is there one that you think is more interesting?
I think they're both very interesting.
I think they're actually one and the same.
If you think about it, well, let's talk about, let's start, yeah.
So let's talk about delegating.
I actually am in the process of hiring a CEO, and I'm going to work, I want to work at my company, but I just don't want to be the CEO.
And I did it partially because of you when, how did you learn, when did you first decide that you didn't want to be the CEO?
Well, I actually never wanted to be the CEO.
I grew up reading biographies of Steve Jobs and worshiping him and thinking I wanted to

be that kind of person.
And then as I read more and more biographies, I realized that often those kind of creative genius CEOs who blow their brains out, working, have kind of bad lives or bad dads, are somewhat unhappy people day to day.
And so I kind of gravitated more towards starting businesses that didn't require that level of discipline and time commitment and stuff.
But even then, I found that what I would do is I'd kind of beat myself up for not being the perfect CEO.
So I actually didn't enjoy managing large groups of people.
I like managing about five people, 10 people max, and anything beyond that, you start to have to be, you know, a quote unquote, like CEO, like you've got to do talks, you've got to set culture, you have to write blog posts about what you think and all that kind of stuff.
And I really didn't enjoy that, but I didn't realize that I had an alternative.
And so I would just constantly beat myself up for not being a better manager, for always getting distracted and, you know, going down rabbit trails, trying to start new businesses and new products and that kind of stuff.
And then finally, probably around 2012, 2013, I started realizing that you can actually delegate the operations of an entire company and hire a CEO.
And to be honest, I felt guilty doing it.
It feels like the first time you delegate a hard task, you feel guilty, and it's hard to trust somebody to do it, but I realized pretty quick that when I delegated to someone else, they did a better job because they were better at that phase of the business.
And once I saw that, I was like, this is an amazing life hack, because you actually make more money by hiring a CEO who can execute, unless you're truly the best possible CEO for your business.
How many CEOs have you hired?
Probably like 15, 20, 25, something like that.
We've gone through, there's a few businesses where you've gone through different leaders.
What percentage, what's your hit rate for success?
I would say probably 60%, 70%, something like that.
Did you, okay, so when you hired someone at MetaLab, what year were you in?
That was probably like seven years in, but I didn't hire a formal CEO officially until seven years in, but within the first year, I actually had a general manager.
I hired my college roommate, and he effectively ran the business day to day.
So I was very disengaged.
I would only do kind of high level stuff or make big decisions if they needed to be made.
So I've always naturally kind of drifted towards having someone else do a lot of the day to day stuff.
Okay.
So I just Googled you, and I'm just reading it off the, I just wanted you to know this is no insider information.
It was the top thing that came up, and by your seventh year of business, you had 7 million

in profit according to this article on like CollinKeeley.com.
So you had a good-sized business.
Did you remember what you paid this first person?
So I think that would be global across all the businesses.
And I think I paid that person maybe 250K base plus a couple hundred thousand of variable as well.
To be honest, though, I really didn't know what I was doing in the early days in terms of comp.
I didn't really know how to structure it properly.
So I think it was like a very poorly structured comp that paid out in a major way.
Wait, it hurt you?
No, no, like it paid out for even like unexceptional results, right?
Whereas I've learned, like let's say like a business is already growing your earnings like 15% annually.
You want to incentivize them to at least grow that fast because that's what you're already doing and setting that bar.
Whereas I think what I did was I said, I had something like, you know, you get 5% of profit or something like that, which is not a good comp model because then they don't really need to grow the business.
They can just keep kind of being lazy and enjoying the 5% they're going to get at the current level.
You don't give equity though, right?
Or you prefer not to?
I do.
I sometimes do.
It depends on the state of the business.
So if the business is more of a startup where there's not a lot of profits, which we sometimes will buy, then we will consider equity.
Mostly we'll do that if we think that there's a possibility, like a good possibility of an eventual sale.
So there's some of our businesses where when we bought them, it was all about growth versus optimizing the short term for profits.
Those are some of the instances where we've done equity.
We're moving towards doing more phantom equity if we do do it because it's really complicated in a conglomerate like we have where you have, you know, 40 or so corporate entities to not be able to move stuff around and, you know, slam companies into one another for tax purposes and stuff.
So we're moving more towards phantom equity if we do it, but if a company is at scale, you know, already doing tens of millions of dollars of revenue and profitable, I wouldn't give equity unless the plan is to sell the business.
Do you, phantom equity can only be done with an LLC, can't it?
You can do it in anything.
I mean, what you're doing is effectively just mimicking equity, right?

So you're saying like if the business sells, you own, you know, X percent, whatever X percent of the outcome is, you're going to get it.
Yeah.
Subject to dilution and other stuff.
Yeah, phantom equity is basically a promise that you get a percentage of proceeds, right?
Or dividends.
Or dividends, but it's not actually equity.
You don't actually own the business, but you do get many of most of the perks of that.
It's like a royalty.
Yeah.
It's a, it's, I would say it's effectively like owning equity and there's some tax differences and other stuff.
The reason that we do it is we just don't like the complexity of, here's an example.
Let's say we have a CEO and they own 3% of the business and Tiny has to inject money into the business, like loan the business money or something.
There's a lot of complexity when you have outside shareholders where you go to the shareholder, like the CEO and you say, hey, we're loaning $100,000.
Can you chip in 3% or, you know, 3K and they're like, what the fuck?
And then you have to dilute them and it just gets kind of complicated.
So that's why we're moving towards phantom equity.
So for, let's say you, do you know what the average size of one of your company, like, let's say maybe I'll, I'll guess that your average company maybe does 10 million in revenue or we could use 10 million in revenue.
So 10 million in revenue, one to 2 million in profit a year.
What do you pay a CEO?
Well, I think it 100% depends on who the CEO is and what their expectation is and where they come from.
I'd say the less proven and the less experienced, the lower the comp.
And the other thing that you have to think a lot about is risk.
So if somebody is willing to take a lot of risk, then I'm willing to pay them a lot more in total comp.
So what I mean by that is if someone comes to me and they say, look, you know, I want to make 500K a year, I would say, okay, well, how much do you want to be salary and base salary versus variable comp and bonus?
And if they're willing to take more of that in variable comp and bonus, then we can move those numbers up to be bigger than 500K.
If they came to me and they said, look, I only want 100K salary and I want everything to be variable bonus, maybe I would give them way more.
And then the other thing we'll often do is we'll say, if we set a target, let's say our target is $10 million of EBITDA and you exceed that, let's say you do 15, then we're going to give you 150% of your variable target or your variable bonus.
So as the business does better and better and better, they still make, you know, more and more money.

It doesn't cut off.
Do you, MetaLab, I imagine is one of the bigger companies in your portfolio, but like, what would the, what would the highest comped CEO be?
Can you tell me?
Not who, but like...
I can't say.
I can't say who.
Do you have any CEO making seven figures?
Yes.
We do.
Got it.
And that's interesting, you know, like the person I'm going to hire, I'm going to pay them more than I make, a lot more than I make.
Does that ever rub you strangely?
Well, I always think I own the business.
So I, you know, all the profits are mine or, you know, Chris and I's.
So I don't really think about it in terms of like what salary I would have made when I, when I was working in the business and was CEO, I barely paid myself anything just because, you know, I preferred to just take dividends as the business was doing well.
So no, I don't, I don't really think about that.
I mean, the big thing is it sucks when you pay someone a lot of money and they don't measure up, but when they do measure up and they kick ass, I'm happy to pay them the money.
I love paying huge bonus checks because if I'm paying a big bonus check, that means that the business is doing well and we're hitting our targets and they're growing faster than I expected to.
A lot of people get caught up when they hear, you know, oh my God, I'm going to pay this person, you know, 400 grand, let's say a year, I'm saying in an at scale business, let's say it's 400 K total comp.
And they forget that what that really means is 180, 200, 250 in base and the rest in variable and you're only paying the variable and bonus if they're hitting targets and the business is growing the way you want it to.
So I think of it as like, that's a magnet to whatever outcome you want.
And having someone who's even more incentivized than you are and more diligent than you are, where the money is more meaningful, because let's say you've been making tons of money for the last five years or whatever.
It's amazing how effective it can be at growing the business more so than what you can do personally.
What's your interview process?
Well, it's changed over time.
What I used to do is I would meet someone and I'd like them and I'd hire them on the spot.
And that's how I met Chris, who was originally my CFO.
And in that instance, it obviously worked out incredible where, you know, basically best

friends and business partners for the last 10 years.
That said, I've also made all sorts of very, very stupid hires where I would have it in my head that I really needed to hire someone and the problem was annoying me.
I didn't like having to deal with the problem or the business.
And so I would make a quick decision, whoever came in.
What I've changed that to is a much more diligent process where we will either have four or five of our own candidates that we've sourced or we'll go to a corporate recruiter and have them bring in a whole bunch of candidates.
We'll go through a lot of interviews and then we will, before we actually sign with someone, we will usually, especially if it's a larger business, we'll do a really deep background check.
And the problem with background checks and reference checks that most people do is they call the people that they give you and they call the people that are on LinkedIn, right?
So someone says, hey, call my three references.
They're not going to tell you about the job where they got fired and, you know, they had a horrible, you know, relationship with their boss and they let a bunch of people down.
They're going to give you the best possible story.
So we have a firm that we use.
It's very expensive.
I think it's about 15 or 20 grand, but they will literally get on the phone with the person and they'll validate, they'll write down every single claim they make, walk through their employment history where they went to school and they'll validate it.
If you email me, I'll send it to you.
I don't want to overwhelm them.
They're pretty booked up and I don't want to lose them.
That's a, are there other services that do that?
There's tons.
Yeah.
I mean, most, um, one good one that we don't use as much, but they are very good as well.
Okay.
Sorry to be a tease, but that's the end of your preview.
If you want this entire episode, it's over an hour long.
So if you want this entire episode and if you want to hang out and talk to people who are implementing what you just listened to with Andrew's podcast, go to trends.co and sign up.
Um, you'll be able to hang out with the founders of, uh, HubSpot, the president of Shopify, me, Sean, all types of people.
So go to trends.co and sign up.
It's a dollar to start.
If you like it, it's going to cost you $299 a year.
If you don't like it, just cancel before your trial's up and, uh, we will see you there.
I will, I will see you there and talk soon.