



Former Home Depot Canada CEO on Keys to Scaling to \$1 Billion or More in Sales

Steve Sanduski: Imagine being part of the leadership team at Home Depot back in 1984, when the company had just 14 stores. And then, just a few years later, running a division of Home Depot with \$20 billion in annual sales. Now, that's a rocket ship, and in today's show we discuss how to build such a fast-growing company and the land mines you need to avoid that could destroy your best-laid plans. Hi, everybody, welcome to the CEO Coaching International podcast. I'm your host, Steve Sanduski, and my guest today is Stephen Bebis. Stephen headed up the merchandising division of Home Depot back in the 1980s as it grew to \$20 billion in annual sales. He also founded Aikenhead's Improvement Warehouse and built it from an idea to \$1 billion in sales before selling it to Home Depot. He also founded Golf Town, built it to 65 stores, then took the company public. And those are just a few of his successes over his more than 40 years career as an entrepreneur and executive leader. Today Stephen is a coach here at CEO Coaching International. With that, please enjoy my conversation with CEO Coaching International's Stephen Bebis.

Stephen, welcome to the show.

Stephen Bebis: Thank you, thank you for having me on the show, it's great to be with you, Steve.

Steve Sanduski: Yeah, well, we're happy to have you here, and welcome, as a coach here as CEO Coaching International. And you have a fabulous background here, much of it in the retail space. And you've had an opportunity earlier in your career, back in 1984 you had some previous experience with Sears Roebuck and another company, but in 1984 you joined Home Depot. The company had 14 stores at the time. Tell me a little bit about that, because I think it was a bit of a rocket ship once you started working there. Tell me a little bit about that experience there in the 1980s with Home Depot.

Stephen Bebis: Yes, it was a very exciting time to be there. We were just a core team, only 12 of us at the management level, and we knew we had an interesting concept. We knew customers loved our stores, and it was just a matter of rolling out this

concept across the country. And it was a rocket ship experience. It was fun being on a winning team, I learned during that time how important having the right people on the team for success. I also learned what it took to win. And we were winning every day. And so understanding that culture of winning was really important to me and my future, as part of my future, for sure.

Steve Sanduski: And then by the time you left, what was the size of the division that you were running?

Stephen Bebis: I was running a \$20 billion division as a head merchant, I was the VP of the southern part of the country. And so I was running that division for the Home Depot. And then, of course, I moved to Canada and I became the CEO of Home Depot Canada and helped open all the stores there for Home Depot early on in the '90s.

Steve Sanduski: Well, and that's really what we want to focus on here today in our conversation, is how do you start at, say, \$50 million in revenue and grow this thing to \$500 million, to \$1 billion, to in your case \$20 billion? So there's a lot of different levels and steps that are going to take place during that period of time, and you've been part of an organization and different organizations that have made those different leaps over time. So I really want to get into that here a little bit. So first of all, here we are, we've got this pandemic going on and it's been hard-hitting in the retail space particularly, and that's where a lot of your experience has been. So just any overall general thoughts right now as it relates to how retail needs to be surviving during this pandemic that we're in?

Stephen Bebis: Well, people still ... Sure, Steve, consumers will continue to buy. So it's not that they've stopped buying, but they just buy differently. So the transaction has changed, and the transaction is moving from at a bricks and mortar location to online. Doesn't mean people won't go to stores to look at merchandise, touch and feel, try on, compare product against product. But they might most likely today, they will come home, think about it, and then execute their transaction online. And so retailers that are doing well are pivoting from that bricks and mortar transaction to an online transaction, but using bricks and mortar as a media or a medium to showcase their products, knowing the consumer will actually finalize that sale possibly in their car on the way home or when they get home.

Steve Sanduski: And so it's likely going to take some different skill sets. Now, obviously we've had e-commerce for a long, long time, and I think the pandemic here is certainly accelerating the trends toward that. And we've seen a bit of a split here in some of the companies that already were doing well in the e-commerce space seem to be doing pretty well here during the pandemic, while others who hadn't really fully made the leap are starting to fall behind and end up in bankruptcy. So it definitely is showing a bit of a division here between the companies that were a little more forward thinking and those that were a little behind on the technology side.

Stephen Bebis: Yes, certainly. If you look at the department stores, they haven't been as aggressive on omni-channel retailing as companies like the Home Depot or Best Buy, who are very successful now in this economy and with this current crisis. They pivoted many, many years ago. And they invested heavily in e-commerce and technology, and so they're leaders in this space and are doing very well, considering.

Steve Sanduski: Yeah, so let's go back again to the time when you're working with a company that has maybe tens of millions in revenue and has ambitions to go to 500 million to a billion to five or 10 billion. And go back to that time and think about the management team that you had in place. So you mentioned here just a moment ago that in your early days at Home Depot you had a management team of 12 people. Now, how did you scale the management team? Were those 12 people at, say, 50 million in revenue, were they the same 12 that were there at 500 million or a billion or five billion in revenue?

Stephen Bebis: Well, I've done this twice, Steve, so ... Well, actually three times, to be honest. First of all, I joined Home Depot when we were just a very small company, and we had a core team. Then when I moved to Toronto and started the Home Depot concept and the Home Depot stores, I was the first employee in Canada with no team. And then when I started my golf retail business, which we grew to the number two in the world in Toronto, I was the first employee with no team. So three times in my career I was able to have the experience of what it took to scale a business from zero in some cases to a billion. And what I discovered early on is that the people that got you to your core business starting out, typically is not the same team that gets you to scale to much higher numbers. And so I was very careful about that as I built my entrepreneurial teams, knowing that a lot of them will not be with me when we scale up to a much bigger company.

Steve Sanduski: And so tell me about the core team. So you go into a business and you say, "Okay, I'm the first guy here and we're going to build this into a huge rocket ship." What are the traits that you're looking for, the entrepreneurial traits that you're looking for in that initial core team who can go from zero to 100 million or zero to 500 million, versus the traits that you need on the leadership team once the business is already substantial and has infrastructure? Are you looking for two very different people at those stages of the company's formation and growth?

Stephen Bebis: Yeah, it's a good question, Steve. As an entrepreneur, when I started these businesses I was looking for doers, not managers. So I was not looking for executives behind a desk who managed 10 people and had a team of 1,000 people. I was looking for executives who had experience, sure, who were very knowledgeable in their field and were best in class, but also were ready to be entrepreneurial, wanted to get their hands dirty, wanted to do it, wanted to be involved, wanted to get back to their early days in their career where they were doers and not managers. So I looked for people who could execute, make things happen, and get things done. And that's the key part of a team. So bright

people, people who have experience and are well regarded in their field, but yet are saying to me during the interview process, "Hey, I've been there, done that, I want to get my hands dirty, I want to be there, I want to make things happen personally, and I love that part of my career when I was early in my career, I love doing."

And so I was very careful to make sure I put together people, for example, when I started the golf business, I was the only employee. I was the apparel buyer for the first three years. I bought footwear, I bought apparel, I bought bags and balls. I didn't go out and hire a buyer, I could have, I was the CEO of a multi-billion-dollar retailer before that. But that's not how you build a business early on. So by learning how to buy apparel, which I never did in my career, I became a much better leader later on when we grew to 500, 600 million in revenue. So certainly the core team has to be doers, and Steve, that's what I spent time making sure that I put on my team early on.

Steve Sanduski: And then as the company grew and these doers did not really want to become the managers, how do you know when it's time for that initial, someone on the initial core team who really wanted to go from zero to rocket ship, and now that the company needs more management type work, how do you know when it's time for that person to go, because what they want to do is no longer what the company necessarily needs?

Stephen Bebis: Right, right, that's a good question, Steve. And what we've done is, when you're building the core entrepreneurial team, you're also hiring from within your early executives that joined your team early on as store managers, regionals, buyers, merchants, so forth. You start pollinating your team with internal executives. And that team matures over time as you grow the business. And the big change you have is, can your core team and your internal hire executives scale up to a much bigger business? And that means giving up responsibility, that means building management teams under you that can execute, so you can spend more time on the vision, on the strategy, spend more time on thinking about the critical investments the company needs to make going forward to be successful.

And so it's a different mindset. You've got to go from a doer now to a manager. And then managers have to ensure that they have the right team in place. So hiring, training, developing the right teams, then delegating and giving up responsibility in those areas is how you scale. And I find that a lot of the entrepreneurs' early teammates don't want to give up control. They don't want to give up ... I'm not saying all, I'm just saying many don't want to give up control, don't want to give up responsibility, and get stuck in the old days and say, "Geez, I don't want to give up responsibility for this particular division. I've always run it, I'm really good at it," and end up micromanaging and not building a high-performance team under them to perform for the business.

Steve Sanduski: So would you say that's one of the land mines that you need to watch out for, is that if someone on the early team doesn't want to give up control, they want to continue to micromanage, then how do you deal with that? Do you just confront them and say, "Hey, this is an issue," or how do you as a leader yourself, how do you deal with someone who is impeding the growth of the company?

Stephen Bebis: Yeah, well, of course you sit down with them and you say, "I see the team that you've put together, it just doesn't seem to perform. They just don't seem to have the responsibility necessary to get their job done. And instead of training, developing, and leading, you're actually doing their jobs for them. So we're not building people within the organization. They all rely on you as the leader to make all the decisions. They rely on you to tell them what to do, and yet you're not giving up control so we can build expertise and build people within the organization." Now, of course when you build people, they take ownership of the issue, they take ownership of the strategy. And when they take ownership they do a much better job of executing the plan. And so if they feel the boss is running the business, they acquiesce to him or her and nothing gets done. Because one person can't scale the company. It's got to be a team of people who take ownership of growth and take ownership of the business in order to execute the plan.

Steve Sanduski: So as you started Home Depot Canada, you started your golf business from zero, did you go in day one and say, "I have a mission, or I have a vision, and we're going to build a billion or a multi-billion dollar business"? Was that your thinking going into it day one?

Stephen Bebis: Steve, it's so interesting you ask that question, because it was. I remember opening that first golf store, and it was store number one in Toronto. And suppliers were at the grand opening, and we had a wonderful event and all our families were there, all our initial management team was there. And they would ask me, "So, how many do you plan to open, when are you opening store two? What's your long-term vision?" I said, "We're going to be number one in Canada within five years." And they'd go, "What? You only have one store." I said, "Yeah, but my vision is not one store. I wouldn't start this business to open one store. I'd start this business to be the number one market share leader in this country and in the top five in the world."

And we did achieve that within three years. And so yeah, for sure that was our vision. And at Home Depot our vision was to be the home improvement retailer, number one in America. And we didn't stop until we got to that mark.

Steve Sanduski: And with the golf business, did you have some venture capital behind you from the beginning to be able to start with a big bang, or what were the resources behind it when you got started?

Stephen Bebis: Yeah, sure. I raised capital through private equity. I put my own money in, and I think that's important because it shows commitment and it shows that I believe in the future. And I think that also drew capital. Secondly, I had a track record of success. So in raising capital they looked at my past successes and knew that I had a great opportunity to be successful in this enterprise. And I also had a very comprehensive, well written business plan that showed how I was going to get to where I wanted to go. And I think that's one of the most important ingredients, is a well-defined, well written business plan that shows potential investors the roadmap to success.

Steve Sanduski: Well, let's talk about that, the business plan. So some people would argue that, gosh, things are just changing so fast, we could have a pandemic that no one predicts and all bets are off. How valuable in this environment today is a five-year business plan or a 10-year business plan? Is that what you're talking about here? Or how do you think about a business plan in a world where things are just changing so rapidly, technology is changing so rapidly, businesses are getting disrupted? What is the value of the business plan, and how do you actually do a business plan? Is it different today than, say, maybe 20 years ago that we used to learn from textbooks in MBA school?

Stephen Bebis: Well, certainly change has always been with us. So today we're learning about, saying things are changing rapidly, but throughout my career we've had many changes. We had wars from Vietnam to wars in Asia, Cambodia, and Afghanistan, and Iran, so we've had recessions, we've had financial crisis. So in every business cycle there's going to be a crisis. And so good leaders really adapt their business plan regularly. When you put a five-year plan together, it's a point in time. But as you see things change, you update the plan. You go back and say, "Okay, this was our original five-year, we're going to make some adjustments. We're ahead on plan, we're behind plan. Why are we behind?" So if we're ahead, how do we accelerate this success? If we could achieve our five-year plan in three years, that's very exciting. So do we need more capital to do that? What are the resources we need?

If we're missing that plan, that business plan, what's wrong, what's missing, what haven't we thought of? And we adapt that plan. So a business plan is a living document and should be updated almost quarterly to ensure that you're on track.

Steve Sanduski: Well, I want to go into a little detail here on the business plan process, because I think this is so critical and something that we teach here at CEO Coaching International, the importance of the annual planning process, the quarterly planning process. So as a coach here at CEO Coaching, how do you work with your clients on the business planning process? Do you do the annual plan, do you do the quarterly plans, weekly leadership meetings? How does that work? What's the process or the meeting rhythm that you work on with clients? And in your experience as you were running companies?

Stephen Bebis: Yeah, certainly the strategy planning is so important to achieve the short-term and long-term business plan. Quarterly meetings are critical. I'm just surprised how many CEOs that I speak with don't have quarterly strategic planning meetings. They were critical, both at my Home Depot experience and in my companies that I ran. Probably the most important meetings as a CEO that I ran. Typically a day, day and a half of discussing what went right in the past quarter, what went wrong, what's working, what are the roadblocks to achieving our plans for the year? How are we doing against a three- or five-year plan, where we stand with that? And making sure that all the priorities were in order. What happens typically in companies that are growing quickly, priorities seem to change constantly and everybody's on a different page. But those quarterly reviews get everybody back and focused on what are the priorities?

And of course sometimes they change, a la COVID, right? Priorities could be different into the next following quarter. So I found those quarterly strategy meetings critical to the success of the enterprise. And then annual meetings where you sit together for sometimes two or three days. And I think those were important as well. I believe they were important as well, because building a company culture really helps you achieve that business plan. It's one thing we had at Home Depot and at Golf Town that I learned a lot about, is how critical a culture is to achieving the business plan.

Steve Sanduski: Well, a couple things I want to explore a little bit further there. So one is the culture, and then the second is accountability. so you've got this annual plan, you've got the quarterly strategic planning meetings, you've got numbers that you're measuring against. How are you holding your team accountable for meeting those numbers? And what happens when they fall short?

Stephen Bebis: Yes, for sure. So making sure that obviously the KPIs are in place around the business plan. So key performance indicators, and looking at those frequently, weekly at least to make sure that you're achieving the business plan. And secondly, developing key plots, or WIGs as they're called, that are wildly important goals, for example, WIGs, which are really short, measurable, specific and measurable goals that are put in place to help achieve the strategy. So they're not the typical KPIs of sales, margins, inventory. But they could be things like conversion rates, average customer transaction, delivery times, fill rates, and so forth, that are in place for a short term that energize and ensure that you reach your goals for that month or quarter. And I find those to be very effective outcome of the quarterly strategy meetings.

And then culture is also critical. And a lot of people don't understand the word culture. They think it means that it's a fun place to work and having a great company culture. So many people define that word in a corporate environment so differently. But I learned over the years what company culture really means. And that means to me, what it meant that everyone within the organization can answer most questions the same way. That means that you've trained, developed, and everybody knows the priorities. When that happens, that's

what's great company culture. So I'll give you an example from a retail perspective.

A customer wants to return something at a store, and the store manager doesn't have to go back to the computer and look for how to handle that return. He or she knows this is how we do things in the company. This is how we handle this very difficult return. Because we've trained, we know how to do it, and we know how important customers are to our business and how we take care of our customers, and makes the right decision based on understanding how we treat and take care of customers. And so that is replicated at any store across the country, 100 stores, 1,000 stores. It's not a different experience, the experience for that customer is the same no matter where you're at, what store, what state, what country. That's when you know everybody's on the same page in the company, and that's when you know that you've developed a high-performance culture.

Steve Sanduski: Now, we could do a whole episode on culture. But I just want to ask you one more question here on the culture piece, because this is so important, and we have a number of episodes where we talk about culture. But as you went into, say, Golf Town, and your time at Home Depot and some of the other companies that you've run, did you go into those in the beginning and say, "I want to specifically build a high performance culture," or, "I want to specifically build a customer service culture"? Did you have one aspect of the culture that you said, "I want this to just permeate the whole organization from day one"? Did you have something like that?

Stephen Bebis: 100% yes. 100%. And I learned that early at the Home Depot days. The Home Depot days, we said it's all about the customer. It's all about customer service. And if we take care of the customer, we will grow our business. So we spent more time with customers as executives than our own employees, talking to customers, working ... As an early executive, I spent two days a week on the sales floor at a Home Depot store talking to customers. That's how I learned the business. And so when I joined Liquor Stores North America in Edmonton, Alberta as CEO, billion-dollar retailer, I was a hired gun who came in to improve the business and to find ways to grow the business in North America. And the first thing we looked at, the first thing I looked at it, is what's our culture around customer service? And we didn't really have one. And so from day one we worked on converting our culture from just a transactional culture to a customer service culture.

Steve Sanduski: Excellent. So really the focus on the customer, the customer service, understanding what the needs of the customer are, that was really the key thing that you were trying to develop from a culture standpoint.

Stephen Bebis: Exactly. And everybody thinks what customer service is. So you could sit in a room with 10 people and ask them, what does customer service mean? You might get 10 different answers.

Customer service was about ... Whatever decision we made in the company, we thought of the customer. So if it was technology, if it was marketing, if it was people in our stores, if it was the way we displayed, the way we merchandised, if it was the pricing, we thought about the customer first. And then everything else came second. So we became a customer focused culture. And when you start focusing on the customer, you're going to win. You're going to gain market share.

Steve Sanduski: Excellent. All right, well, I just have a handful of things here that I want to wrap up with, so first one is, is there anything else, Steve, that you want to share here that we haven't talked about yet?

Stephen Bebis: It's critical that CEOs get the right people on the bus and make sure that he or she gives them all the tools necessary to be successful. I think that's the role of a CEO. Number one role. What I see as a coach today is there's lots of opportunities to improve performance in their businesses by really analyzing and looking at members of their management team, and ensuring that they have the best people in that position possible. You have a better chance of winning when you know you have a high-performance team in place.

Steve Sanduski: Well, Steve, you mentioned being a coach. So what made you want to be a coach at CEO Coaching International?

Stephen Bebis: My years of experience, I thought, could be very helpful to CEOs. As a CEO what I really enjoyed is building high performance management teams. But what was most rewarding is seeing these executives be successful. And for me to see them win, and the great joy they had of achieving their goals, both professionally and personally, was very rewarding to me. And now I can use those skills and background to help my clients be successful. And I really enjoy seeing the fruits of our work. I love to see them be successful and see them reach the goals that they're trying to achieve. So it's been very rewarding for me.

Steve Sanduski: You know, and that's one of the great things about coaching here at CEO Coaching International, is that all the coaches have such amazing experience as CEOs, as entrepreneurs, so they've been through it. They've been in the trenches, they've been through all these things, and so now as you're coaching other entrepreneurs and CEOs, you've got the ability to utilize your vast experience to help them shorten the learning curve, to help them avoid some of the land mines, some of the mistakes that are common as companies are trying to grow and scale their businesses. So I think anybody that has an opportunity to work with you and be coached by you is very, very fortunate. Well, Steve, let me wrap up here with a few rapid fire questions. This is always a fun part of the conversation to learn a little bit more about each person that is a guest on our show. So let's just start with some core personal values. Do you have maybe one or two or three of your core values that you'd like to share?

Stephen Bebis: Oh, that's a good question, Steve. I do. Honestly, I think that's probably one of the most critical core values that I have. You always know where I'm coming from. Authenticity, straightforward, I think that's important as a leader. Integrity. I've run businesses for 30, 40 years, I've never had any issues, because I always took the high road. And optimism. Even my family makes fun of me as an optimist, but that's what it took for me to be successful. Always looking as the glass is half full. And how do I fill it all the way to the top? And I know I can do it. So optimism really helped me be successful as well.

Steve Sanduski: Well, that's certainly one that can help us through some tough times. So another question I'd like to ask is, we talk about leadership often on our podcast here. So is there a leader that you admire? Maybe someone from afar, maybe someone you haven't met that you admire? And if so, why?

Stephen Bebis: Yes, I admire Jeff Bezos. I've never met him, but he built an empire, a very successful business. And he did it by customer service. If you read anything about the culture at Amazon, it's all about the customer. They think about the customer first and then they build infrastructure and programs around how to take care of the customer and how to give the customer what they want. And so I have a lot of respect for him. And there are very few leaders today that really take the customer first. He's done a great job of instilling that culture at Amazon.

Steve Sanduski: Yeah, and maybe related to that as we're talking here about leadership, is there a leadership trait that in your experience you've noticed that, when people have this kind of trait they tend to be successful? And then conversely, is there another trait that you've seen people exhibit that has not led to success, or kills success?

Stephen Bebis: Yeah, sure. Steve, I've found listening to be one of the most important ingredients of great leadership. If you're talking all the time, if you're barking out orders, if you think you know it all, you will not be successful and not able to scale. And so early on, entrepreneurs don't have to be the best listener because there are just a few employees. But as you grow, listening to the issues, asking great questions, probing, learning, learning from your customer, learning from your employees on the firing line, help you become a much better leader. So being a really active listener, I learned early on, is one of the most key ingredients to success. And then one of the biggest failures is not listening and thinking that you have all the answers, and that your job is to tell everybody what to do. I think that's a recipe for disaster, in my view.

Steve Sanduski: Great. Now, let me just finish with one final one here. So are you someone who tries to be better than others or are you just trying to be the best that you personally can be?

Stephen Bebis: Wow, that's an interesting question, Steve. I've thought about that in the past a few times, and the way I coach, both as a coach and coaching my executives, is

just don't focus on, try to be better than others. Just focus on being the best at what you can do. And that will lead to success. So by spending time trying to compete with your peers or trying to market yourself differently within the organization to be successful, it's a waste of energy in my view. But if you can just perform and get the job done where your peers respect you as a future leader, that's the best chance of success.

Steve Sanduski: Excellent. Well, I think we'll go ahead and wrap up there. And for those of you listening, if you want to get the details here, we've got a blogpost at ceocoachinginternational.com. We also have the transcript if you'd like to read the detail here of what we've talked about with Steve. And Steve, thank you. I appreciate you taking some time to be here on the show, and it's great to have you as a coach here at CEO Coaching International.

Stephen Bebis: Thank you, Steve, and thanks for your time today. Really enjoyed the conversation. Thank you.

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