



# **Selling Disruption™ Show**

**With Mark S. A. Smith**

*Deploying Disruption: Building a Lean  
Hierarchy Organization*

*Chris Stark*

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Mark S A Smith: In the context of selling disruption, you must have the infrastructure to scale rapidly, because if you can't deliver, you can't disrupt.

I met today's guest, Chris Stark, when he reached out to me through LinkedIn. He said, "You seem like an interesting guy. Let's have a conversation and see what happens." Since that time, we've talked routinely, as frequently as every week, and I've grown to appreciate his directness, his intelligence, and his processes that deploy extraordinary disruption.

You want an example? As COO of Red Robin restaurants, Chris developed and drove the system that grew them from 61 to 126 restaurants in just two years. That's almost three new restaurants every month. He drove sales to over \$275 million per year while maintaining solid system-wide operating profit, and a decade later almost every one of those stores are still operating profitably.

Chris, you are now the Practice Leader of the Strategic Managerial Leadership at Internal Consulting Group, a 21st century consulting company. It's the fastest-growing consulting company in the world because of how it operates. Chris, welcome to the Selling Disruption Show. I'm so glad you're here.

Chris Stark: Thank you very much, Mark, and hello podcast listeners.

Mark S A Smith: Most companies struggle to grow by single digits, yet you have driven your clients' businesses to grow consistently in the 25%-plus range for years in a row. What's the secret to that massive disruptive corporate growth, Chris?

Chris Stark: I espouse to a three-sided formula for making this stuff happen, and it's under the headers of people, process, and technology.

Mark S A Smith: Sure.

Chris Stark: I happen to have a knack from an early age of being very strong in the people part of that, pretty strong in the process part of that, and needing lots of help in the technology part of that. Most of what I work on and which are disruptive by their nature, their conception, inclination, and execution, I work on people issues, and people issues as it relates to how people naturally organize to get work done. I've done lots of research on that over the years. I've come to some understanding of how that's best done. Every organization, it wants to perform better. They want to hit aggressive goals. They want to drive their market share. They want to increase their gross profit and net profit. Employee disengagement is the main reason they don't.

Mark S A Smith: We've all experienced that.

Chris Stark: Unfortunately I think that's true, and anyone who hasn't has lived a charmed life I might say, Mark.

Mark S A Smith: Or they haven't bought anything recently from any store or restaurant.

Chris Stark: Right, or they've run their own company by themselves. Something like that, right?

Mark S A Smith: That's right.

Chris Stark: Everyone has heard of hierarchy, Mark. When you hear the word hierarchy, where does your brain go?

Mark S A Smith: It usually is how you stack up a government or how you stack up a military organization, and perhaps even the chain of command within an organization.

Chris Stark: Those are certain positive attributes, but let's get real. What do most people think when they hear the word hierarchy?

Mark S A Smith: Somebody's telling them what to do and they have no idea what they're doing.

Chris Stark: Right. What you're describing is what is called bureaucracy. Bureaucracy is exactly what you just said, Mark, and that is it's a layer in the organization that does not add value to the layer below it.

Mark S A Smith: Interesting.

Chris Stark: Which means a set of bosses that does not add and cannot add value to their direct reports.

Mark S A Smith: How can you make sure that doesn't happen? How do you get rid of that?

Chris Stark: I have coined a phrase called lean hierarchy. If you hear the word lean in front of hierarchy, what might that mean to you and to most people, do you think, Mark?

Mark S A Smith: I think lean is a very common buzzword in the world of manufacturing as a way of doing things rapidly, as quickly as possible, with the least amount of resources required to be effective. It's the concept of a minimum viable product or even a minimum viable company.

Chris Stark: That's a very good definition. Mark, when you think of that word in front of hierarchy, what promise might you be getting an indication of?

Mark S A Smith: Probably something that's flat or something that's extremely nimble.

Chris Stark: Yes. When we talk about lean hierarchy, it has just the right number of layers, not too many, not too few.

Mark S A Smith: I like that.

Chris Stark: I think we need to emphasize not too few. It really is a condition. It sounds idealistic. To be 100%, it is an ideal.

Mark S A Smith: We might as well shoot for something.

Chris Stark: Shoot for the top, right? Lean hierarchy is a simple concept. It means every single person in the organization at every level of the organization has a job they prefer and challenges them and they are able to succeed in doing, and reports to a boss who they believe when they need help can add real value to their work. Primarily when we say add value, we're really talking about they can add context, a broader, more proper and directional context to the work of their direct reports so that when the direct reports get puzzled or they get overwhelmed or they get confused and they bring those problems to the boss, then that manager can suddenly help them see opportunities for actions that were invisible to those people before.

Mark S A Smith: That's a really brilliant observation. Every single person has a job they prefer, the challenges that they can succeed with, and a boss that adds value by getting stuff out of the way. That's the ideal. How do you do that?

Chris Stark: Yes, it is the ideal.

Mark S A Smith: How do you do that?

Chris Stark: We have two main systems for doing that. Do you know that over two-thirds of people in organizations do not have that combination of relationships? Two-thirds of the time, an employee is either mismatched for their role by what we talked about — they don't prefer it, they can't handle the complexity of it, they don't have the knowledge, skills, and experience to handle it — or they report to a boss who's got the same problem at the next highest level, and they're either too close to them, which drives micromanagement, or they're too far away, which drives over-delegation. Those are the two conditions. The final one is, if they're a manager, they have subordinates that aren't properly leveled either. This creates tremendous disruption and disengagement in organizations.

Mark S A Smith: This isn't the good kind of disruption. This is the bad kind of disruption. I would say then, Chris ...

Chris Stark: Yeah, this is bad disruption.

Mark S A Smith: ... based on your experience, you're telling me that two-thirds of the people live in hell.

Chris Stark: That's a very quick way of saying it. It does not need to be that way.

Mark S A Smith: No, it doesn't.

Chris Stark: It doesn't at all.

Mark S A Smith: It's ridiculous. No way. Nobody listening to this podcast should allow that to happen to their company or to themselves. That's ridiculous. Life is just way too short, and there's lots of other better ways to do this.

Chris Stark: I couldn't agree with you more. The only thing I might disagree with is there's not a lot of ways to do it, but there is a way to do it. When you move from one level of the chain of command and you move to the next level, I think most people intuitively understand those jobs at the next level are more complex. They add a burden, a weight to the person that's moving up a level they didn't feel before. There's more moving parts.

Mark S A Smith: Yeah, a lot more moving parts, and they have to look further into the future to be successful.

Chris Stark: You hit the nail on the head. At each level in an organization, those time spans for making judgments go further and further out into the distance, so that if you're thinking about a line level employee, that person needs to be able to see out the ramifications of their actions up to about 30 days. You get up to the CEO, to that height, and the CEO is looking at 25 years-plus. Moving up in the chain of command has this burden of being able to see farther out there. You said it exactly correct, Mark.

Mark S A Smith: Interesting. That's one of the things I learned through our conversations, is this concept of how far can you look out into the future? That determines how high you can go and be successful in the organization. Let's go back to that concept of, okay, so how can we fix this? How can a person have the job they prefer, the challenges that they can succeed with, and they've got a boss that adds value? How do we do that?

Chris Stark: This is an organizational challenge, Mark, and it requires people at the top to make a commitment. That commitment is to seek new understanding in how organizations should be leveled. There's a lot of information out there. There are a lot of different ways people go about it. The way I have found that is most useful is based on a set of concepts, theories, and proven theories called requisite organization. What requisite organization basically says, as you go up the chain of command, at each level the level of work gets more complex, so the requirement of the individual to be able to handle that level of complexity also increases. There's three parts that will help determine whether somebody is going to be successful at a role they're brought into or when they're promoted, and that is they have to have the knowledge, skills, and experience.

Mark S A Smith: That's right.

Chris Stark: People know that they have to value the work and that they don't have any serious negative temperamental traits, like they get angry all the time and shout at people and all that. What's not well known and what we focus on is the idea that each person has a certain God-given level of cognitive power when they're born. By the time they get to be about 21, 25, you can start seeing this level.

Then it grows from there. The cool thing about what we're talking about, it's not like something static like IQ. You've got an IQ. You're burdened with it for the rest of your life or you're measured by that in some way. Your expectations are set by that in some way for the rest of your life. Actually, IQ is not that great a predictor of how well you're going to work in a managerial role. In fact, it's a poor predictor.

Mark S A Smith: Yeah, it really is. There's a lot of really smart taxi drivers.

Chris Stark: There are a lot of really smart taxi drivers, and there are a lot of really smart people that can't communicate with their direct report. If you're trying to get a group effort, a group result, that is critical. When we talk about cognitive power, we're talking about somebody who at a certain age can handle a certain level role because they possess the mental bandwidth, which is just like a big universe of variables that they can handle in their head, and the discernment to connect the right dots.

Mark S A Smith: Yeah, that's it.

Chris Stark: That is what cognitive power's all about.

Mark S A Smith: I think a really good example of somebody with a lot of cognitive power is obviously Elon Musk. He has the mental bandwidth and he's got the discernment to connect the dots. We can't all be that.

Chris Stark: Very well said. Elon Musk is basically one in 100 million in terms of that capacity. He's truly at the very top of the stack.

Mark S A Smith: Without a doubt.

Chris Stark: As far as the work we do, he is just pretty much off the chart, literally. He's off the chart for what we do with most organizations.

Mark S A Smith: That's right. We can make this work for the average person.

Chris Stark: Yeah, we can. I think of this stuff in terms of organizations of different sizes. You can use this with organizations with 50 people to 50,000 people or more and make sure that people you have in the organization, each one of them is able to handle the complexity of their work and have preference for that work, have the knowledge, skills, and experience for that work, and has a boss, because we've worked on this structurally, that is operating one level higher and is also in that same condition. They've got work they prefer, they're capable of handling it cognitively, and they also have the knowledge, skills, and experience.

Mark S A Smith: Powerful stuff. Very few people that I've talked with, executives and on, even consider the concept of cognitive power. After working with you for almost a year, I realize how important that one thing is. It is the determination of success,

both for an employee as well as for a manager and ultimately for a CEO or an executive.

Chris Stark: That is very true. It's been a subject that has been addressed through various sorts of tests for mental bandwidth, tests for logic, and these sorts of things, but those don't predict success in a given working environment.

Mark S A Smith: Yeah. A lot of people do take tests for cognitive capacity, I suppose, and also other temperament, personality tests are de rigueur for anybody who's making over \$100 million a year as a company. What are you doing to make sure that you can select the right people? How do you go about doing this, Chris?

Chris Stark: I'm glad you asked. One is we do assess candidates for hire and candidates for promotion using an assessment that gets at people's style, preferences, and temperament. That handles a third of it. We make sure that we have people who are technical and can interview folks to make sure that they have the technical capabilities. When it comes to that piece we were just talking about, and that is the cognitive power, we do that through a proprietary process. We have a way of interviewing people at any level of the organization and appropriate for their level. We can interview them about work they are doing moving into the future and how they describe their approach to doing it, and we're able through follow up questions determine at what level of complexity, of logic, they are using to express their arguments and supporting them. It's a very rigorous process.

We conduct the interview on the phone, because we don't want to get caught up in all the interpersonal body language and all that. We take the interview, we transcribe it, and we circulate it to a couple other folks, so the interviewer and a couple outside folks who have not talked to the candidate. We review the language and the embedded complexity of how they're communicating their ideas. From there we can judge with certainty at which level of the organization this person can be successful, and we can make predictions about how quickly they might be able to move to the next level, all from this interview. It's an incredible thing. I ran into this about five years ago, Mark, and I've never seen anything like it.

Mark S A Smith: That's fantastic, Chris. I know that you have kindly run me through the interview, and I have to recommend this process for any executive or anybody who has aspirations to be an executive. It's extraordinarily insightful. One of the things I felt was interesting was our conversation of how you determine what indicates high cognitive capacity. Would you share just a couple of those little insights of what you look for to indicate this person's got some capability?

Chris Stark: Let me just tell you what the first few levels look like from bottom up. Would that be helpful?

Mark S A Smith: Yeah, let's do that. Let's share that with our listener.



Chris Stark: Somebody's operating at a line level, and the question comes up, "Okay, so we've got a problem. Why do you think that is?" Somebody at the line level is going to give you an answer that sounds something like, "Well, it was either this or was that or this other thing or maybe this other thing."

Mark S A Smith: They'll usually blame somebody.

Chris Stark: That may be true, but the logical construct is "or, or, or, or." "It's this or it's that or it's this or it's that." They're not putting together that it could be a combination of things. At the second level, if the same question's asked, "Okay, there's a problem. What happened?" they'll say, "Well, I think it's a combination of this, that, and the other thing." You see they're not actually working with more information and they're using a broader scope to incorporate a number of things instead of just one thing or another. Do you see that?

Mark S A Smith: Yeah. It just is more complex. More factors are considered in doing the troubleshooting.

Chris Stark: That's right. It's an accumulation of factors. The next level is, "Okay, what do you think happened?" The person might respond, "Well, it's not that simple. There's a number of things that were going on, and we'd have to go back and see what caused what and from there determine, of many different paths we could take, which path we should go down based on what we learned." Doesn't that sound a little bit more complex?

Mark S A Smith: It sure does.

Chris Stark: Now we're getting into the logic construct of if-then. The fourth level, the question's asked, "There's a problem. What do you think might've caused it?" That person might say something like, "Well, I've got to tell you, there's a lot of factors involved, and from here I'm not quite sure, but we'll do a thorough investigation of it and come up with what we think are the real causes." That's similar to the level below, but now they take it and project it out differently.

They say, "Well, there's a number of paths we could take, but we can't put all of our eggs in one basket, so what we need to do is maybe try to solve three or four different things at the same time. Then, as those move forward, then we can manage resources, the interplay amongst these three efforts, and whatever effort seems or initiative seems to be working better than the other, we'll add more resources there, we'll pull back another." One more time, it's a, instead of a serial processing — "this, then this, then this, then this" — it's parallel processing in language.

Mark S A Smith: Even multidimensional parallel processing.

Chris Stark: There you have it. You can see hopefully from those examples how, first of all, the language gets more complex and the logic structure underneath it gets more



complex, and those are only able to be communicated by people who have more and more cognitive power.

Mark S A Smith: That makes a lot of sense. This conversation reminds me of what goes on in social media, where a lot of people gets this knee-jerk reaction and immediately call out and judge, "Oh, they should've been doing this," and yet the officials are taking what you're talking about is a level four, level five approach to, "Well, it's not that easy. There's a lot of things going on. There's a lot of moving parts." Yet what happens is we tend to do this knee-jerk reaction to people that are broadcasting at a low level of cognitive capacity versus judging it or discerning and saying, "Well, hang on a second. I don't think we have the full picture here, friends." I see that as really playing out in social media today.

Chris Stark: You see it everywhere. You see it in all your interactions with folks, social media and actually face-to-face and whatever it is that you're observing. You've heard of the old saying, "20/20 hindsight is perfect."

Mark S A Smith: Yeah, but doesn't do anything.

Chris Stark: There's truth to it, but what people don't realize is that 20/20 hindsight operates at seven different levels of complexity. In other words, what did you learn from that? People give you answers from that "or, or" level all the way up to a very high strategic level. I've claimed a word called 20/20 foresight, which may be even more important.

Mark S A Smith: Oh, I like it.

Chris Stark: Yeah, because even if we all understand what caused the problem and we learn the lesson from that, the question is what will we be able to do with that going forward? That operates at many different levels of cognitive power. Is that too complicated ...

Mark S A Smith: Not at all.

Chris Stark: ... or does that make sense?

Mark S A Smith: I like it a lot. I really love this concept of let's not just have 20/20 hindsight, let's have 20/20 foresight. How do we go about doing that?

Chris Stark: Again, we have to take organizations, and people have titles, people have duties. First of all, let's put the titles to the side, because they don't often describe what level a person's operating truly in an organization. People are called CEOs when they run a company of 20 people ...

Mark S A Smith: Or two.

Chris Stark: .... and there are CEOs that run companies of a million. The word CEO all by itself doesn't really communicate all that much, and yet these titles do confuse people all the time.

The key is not just to assess each individual. This stuff can be done in a large talent pool evaluation where you can get two or three levels of an organization done all at once. It's about working with the managers inside the organization, first of all to teach them the kind of stuff we've been talking about, Mark, and then guiding them in how to look at roles are reporting to them one and two levels below them, then sorting out not only at what level does the work people are doing, but what level the capacity the people have to do the work.

When you can get that sorted out ... And it is doable. This is not some sort of a magic mystery tour. This is doable. It's been done. It will be done in the future. When you do that, then everyone, like we started off at first saying, they have a job they prefer where they have the requisite amount of knowledge, skills, and experience, and they have the cognitive power to handle the upper end of complexity of that role. That's one. Then, secondly, they have a boss that can add that value. With a talent pool evaluation, that is exactly what you get. It's not perfect necessarily at first, but you get a really, really clean new start at a higher level, and then you develop from there. Because of that, you see these shocking increases in productivity in companies who have done it.

Mark S A Smith: Yeah. It makes all kinds of sense, because we're clearing out all the resistance. We're clearing out all the limiters to allowing people to function at their highest levels of capacity. We're choosing people for their capacity to do the job, want to do the job, want to get out of bed in the morning and do the job. That's extraordinarily powerful.

Chris Stark: Keep in mind some of the things I did not say. I did not say based on where you went to school. I did not say based on your IQ test when you were 12. I did not say because you went to the same school as the person who's hiring you. I did not say any of those things. Those are all reasons that make organizations not lean and need to be addressed. What we didn't talk about is what your résumé says. What we didn't talk about is what country club do you belong to. We didn't talk about any of that because it's all irrelevant.

Mark S A Smith: It is.

Chris Stark: Quite frankly, when people look at that stuff and even give it any consideration, they're bound to make serious errors.

Mark S A Smith: They're being fooled. Think about this, listener. How many times have you hired somebody and hired the wrong person? Okay, I've done it too, more than once, and I've paid a massive price in doing it. The reason why is I used not tools, not science, but I used what I thought would be a good criteria, and it's not. I think, Chris, what you've done is identified ways of absolutely every time nailing it. You've proven it over and over again with the clients that you've done, with your

work at Red Robin. It really is extraordinary that you've figured out how to put the right people in the right place to get the job done as quickly and efficiently as possible. It's fantastic.

Chris Stark: That's exactly what we did.

Mark S A Smith: One of the things you talk about is management succession planning and how it's done when you hire somebody ...

Chris Stark: It is.

Mark S A Smith: ... not from your talent pool within the organization, but hiring people into the talent pool is when that happens. Tell me more about that concept.

Chris Stark: I don't know if it's that mysterious. Succession planning has to be intentional. Let's put it this way: It should be intentional. For those who have succession planning that's not intentional, they have a lot of problems. In organizations where succession planning is intentional, then, when people come into the organization through our process, they not only can understand at what level this person can operate and in what kind of a role, but how they might be able to grow over discrete period of times in the future, such as where will their cognitive power be in five years, 10 years, 15 years, 20 years? This is invaluable to say that, hey, succession planning is embedded in the hiring process, or it starts with the hiring process. Of course, as it follows along, promotions fall within the same structure that we see people at certain points in their career. Now we see if they've had a track record in our company, we see them progressing, and we can project from there how long it's going to take for them to move to higher and higher level roles.

Mark S A Smith: You mean to tell me that succession planning, Chris, shouldn't be because of how many years you've been with a company? It does not have to do with seniority? It doesn't have to do with your relationship to the founder? It doesn't mean that you're the kid of a founder? That's not how this works?

Chris Stark: The thing about it is all those approaches usually indicate trouble.

Mark S A Smith: Yeah, almost always.

Chris Stark: Getting away from the nepotism, my guess is that the listeners have heard this kind of a situation take place. You're discussing somebody who's been passed over a few times, let's say a supervisor to a managerial role. Let's say his name is Joe. Joe, he bleeds the colors of the company. He knows everything he can possibly need to know about his job, the people's jobs who work for them, and also knows a lot about the job at the next level. The problem is that Joe has been passed over two or three times. The conversation goes something like this: "Joe is such a great guy and he bleeds the colors. Don't you think it's time that we give him a shot?" Have you ever heard that kind of language, Mark?

Mark S A Smith: Yeah. Ouch.

Chris Stark: Ouch is what's going to happen.

Mark S A Smith: It sounds like it should be fair, but fair has nothing to do with selecting the manager.

Chris Stark: Yeah. Fairness doesn't. It really doesn't. Actually, the only fairness is whether they can actually handle the job. That's what's fair.

Mark S A Smith: That's right.

Chris Stark: Very often when I hear something like that, I know a major mistake is about to occur.

Mark S A Smith: I see this a lot happening in non-profit organizations, and it just tanks them.

Chris Stark: Absolutely.

Mark S A Smith: The person just drives them into the ground. It's awful.

Chris Stark: Absolutely. When somebody gets promoted over their head, Mark, that means that they're not going to be able to do the work at the level they're supposed to do it, and everyone below them cannot get around them so they're squashed down. Leaders at every level in the organization, if they're in over their head, then they are going to take the organization backwards. It's like gravity. It just happens.

Mark S A Smith: I think that's a really important point to make, and I want to nail that one home. If you have the wrong person leading the team, everybody below them can't function.

Chris Stark: Furthermore, those people who can't function, the high potentials, are going to get frustrated and leave, so you get a brain drain that you couldn't even have anticipated, and the ones who stayed are the ones that aren't actually promotable.

Mark S A Smith: What you've just done is handed off your best assets to your competition who can. In fact, you point out that market leaders are usually operating at one cognitive level higher in key functions than their competitors.

Chris Stark: My colleagues and I say that. It was something said by a genius named Dr. Elliott Jacques who did 50 years of research and application of concepts around requisite organization. I think I mentioned that before.

Mark S A Smith: Yeah.

Chris Stark: With respect to the comment about market leaders, I'd venture to say that the key area of competitive advantage would be in execution. It would be in deploying disruption. An organization that is able to execute and is operating at one higher level of cognitive power for execution, the whole process of execution is going to beat the competitors. You and I have talked in the past about the role of a CXO, a chief execution officer, which as you recall comes from my esteemed colleagues, Gary Tomlinson and Miles Kierson from their book, *Discovering Execution*. People have thought that's kind of cute, but actually, no, it isn't. It's not cute. It follows up on that statement you had made earlier. Market leaders are operating at one higher level of cognitive power. The idea is to take basically what most people would think of as a project manager and elevate that role regarding execution to the C-suite. That way, everything that's being done is being coached, guided by somebody at that level. How can you not do a better job than your competitors who don't have that function operating that high?

Mark S A Smith: Chris, I think that's absolutely brilliant. This concept that a chief execution officer is the master project planner for the entire organization that makes sure everything gets executed as efficiently as they possibly can, operating at the C-suite with the cognitive power to handle the level of complexity, that's brilliant. That is disruptive.

Chris Stark: Yes. Disruption in the environment I'm talking about, in a lean hierarchy with a CXO involved, is just a matter of course. It just happens over time. It happens more often. It happens bigger. It happens more effectively than your competitors. People see disruption too often as something that just comes out of the clear blue sky. What I say, and what my colleagues and I know, is that you can have your organization structured correctly in lean hierarchy, and the disruption will just continually flow.

Mark S A Smith: I love it. It is intentional disruption built from the ground up to deliver.

Chris Stark: Right. It's what we would call structural execution.

Mark S A Smith: Absolutely fantastic. Chris, this has been a fantastic interview. What a great conversation. Thank you. How do people get ahold of you if they want to conversation with you about how to do this for their organization?

Chris Stark: They can call me, for one thing. They can call me at 919-345-2008, which is my direct line. It's my only phone. They can email me at [chris.stark@internalconsulting.com](mailto:chris.stark@internalconsulting.com).

Mark S A Smith: Great.

Chris Stark: They can go to my LinkedIn profile and send me a LinkedIn message if you like. I'm not that hard to find.

Mark S A Smith: We'll have all these things on the show page so the listener can get ahold of you. Who do you prefer to work with in an organization? Do you like founders? Do you like executives? Where do you like to do your best work?

Chris Stark: Everyone says this, and I'll say it as well, I like to start at the very top, but I have a reason for it. The people at the very top have the greatest possibility to impact the execution of lean hierarchy. We typically will work with presidents and CEOs, business unit president, CEOs, because those are the folks that, if you get their buy-in and you get their commitment, then anything we're going to try to do as far as how we reshape the organization to make it lean in its hierarchy, then they're the ones that can make sure it will happen.

Mark S A Smith: It requires a change in approach and a change in culture to make all this happen, but, boy, I've seen the outcomes that you've created for organizations, Chris. Powerful stuff. Thanks, Chris Stark, for a great Selling Disruption Show.

Chris Stark: My pleasure, Mark. It was good to talk to you again.