

*Predicting Success:*

## How ARS Identified High-Performing General Managers to Drive Business Growth

### THE SITUATION

*“Talent is the multiplier. The more energy and attention you invest in it, the greater the yield.”* - **Marcus Buckingham**, author and business consultant

A VIEW FROM THE TOP



#### What Did ARS Value?

*“MDA’s assessment and development process is a true differentiator for us. It gives us a window into how someone will perform in a real-world scenario before placing them in that situation. I value the ability to make smart decisions, reduce risk to our business, and help our leaders reach their full potential.”*

- **Luis Orbegoso**  
President & COO, ARS

With any service provider, predictable bottom-line results matter.

That’s why American Residential Services (ARS) approached MDA Leadership—to improve performance consistency and business growth across its geographic footprint, based on the leadership capabilities and impact of its General Managers (GMs). ARS, a leading national home and commercial plumbing, heating and air conditioning business, sought to better understand and gain more consistent performance from the GMs of its 72 locally managed service centers (branches) in 24 states.

Ultimately, ARS desired more predictable success. In the book, *Predictable Success*, the author notes how predictable success is the apex of a business’ growth curve—a stage in which organizations consistently achieve their goals. These businesses know why they are successful and use that information to sustain their growth over the long term.

Over the years, ARS had grown organically and through acquisitions to become a \$900 million business with 7,500 employees providing everything from traditional HVAC and plumbing services to indoor air quality, attic insulation, and ventilation services. In 2014, Charlesbank Capital Partners invested in ARS as one of its portfolio companies.

Though excelling at serving its residential and commercial clients, ARS was struggling to pinpoint why sales and profitability at some of its branches varied so widely from expected norms. While high-performing branches consistently grossed \$10 to \$20 million annually, bottom performers would struggle to reach \$5 to \$6 million in yearly sales. Were the



### PARTICIPANT EXPERIENCE



#### What Did the GMs Value?

*“In our business, turnover is everything, and any insight we can gain, such as whether we’re placing a potential low performer into a key role, is valuable. Turnover occurs because there wasn’t a good fit between the role and the person. Assessment minimizes the risk of a bad hire.”*

– Neal Zamore,  
Senior Vice President and  
Chief Marketing Officer, ARS

lackluster results due to geography or the strength of local competitors? Or could the sales shortcomings be related to each location’s leadership? ARS suspected the latter, and charged MDA with not only learning if, how, and why this was happening, but also what could be done to improve its underperforming service centers.

#### ARS had two clear objectives:

1. Gain an accurate understanding of the readiness of its GMs to lead their branches to more steady and consistent growth.
2. Establish clear plans and provide resources to help existing GMs close any critical gaps between the leadership skills they are demonstrating today and the capabilities the organization needs them to be demonstrating going forward.

## THE MDA SOLUTION

### Define the Requirements for Future GM Success

MDA guided the executive team through a future-focused analysis of the GM role requirements and summarized the findings in a success profile that captured the essential GM actions and outcomes, the differentiating leadership attributes and behaviors, and the prior work experiences that were considered foundational to success in the role. As MDA learned, success in the GM role requires a very unique mix of a) troubleshooting and problem-solving skills; b) engaging, focusing, and developing the team to execute the priorities essential for branch differentiation and growth; and c) fostering team alignment with the organization’s customer-centric values. The resulting profile became the ARS standard for assessing and developing its GMs.

### Configure and Implement an In-Depth GM Assessment Process

Based on the GM success profile, MDA configured an assessment process consisting of a structured background interview, problem-solving tests, and personality and motives inventories. These assessment components provided strong insights into GM leadership aptitudes, capacities, and potential.

However, understanding a leader’s true *readiness* to lead in a specific role requires evidence of that leader’s ability to translate those raw ingredients into effective leadership action and outcomes. Evidence of that ability can be readily observed through carefully crafted, day-in-the-life business simulations. Toward that end, MDA developed and implemented a business case that mirrored future-focused, real-life GM issues and challenges. Then three strategic, business simulations were created to allow observation of each GM’s skills-in-action, including a: (a) branch analysis and planning assignment, (b) meeting with a call center leader (a direct report to the GM), and (c) meeting with an HVAC leader (also a direct report to the GM). Assessments were then delivered individually and in groups to more than 80 existing GMs.

### Accelerate GM Growth

Immediately after the assessment, each GM received detailed feedback on his/her leadership capacities and demonstrated capabilities. Assessment and feedback were then followed by a robust growth planning process that engaged the GMs, their managers, and HR business partners in a series of experiences designed to ensure alignment on each GM’s growth priorities and plans, and ensure on-going execution and progress against those plans.

The depth, rigor, and immediate usefulness of the MDA assessment and growth planning process stood out to the GMs. “I always thought I was a good leader, but the results were eye-opening,” said Clint Schreck, Division General Manager for ARS, who at the time was the ARS General Manager in Columbus, Ohio. “In terms of becoming aware of my weaknesses, and learning how I could improve, and in turn improve the business, it was the most amazing experience of my life.”

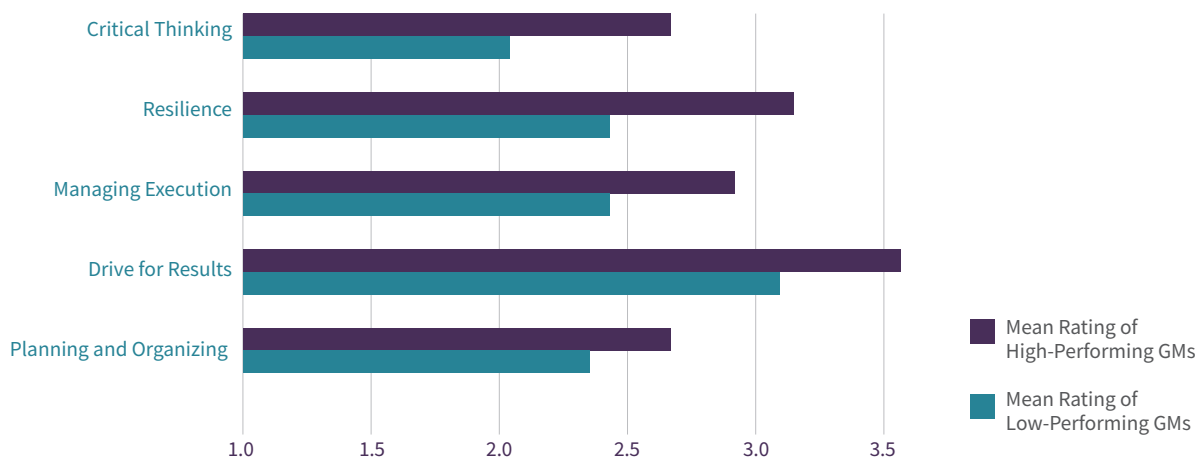
After Schreck completed his MDA assessment and growth planning, the Columbus service center more than doubled its annual revenue, and he was promoted to his current role. “MDA directly helped me get to where I am today, through the insights they provided me,” he said. “I wouldn’t be able to do half the work I do today without MDA Leadership’s input and guidance to help me get there.”

## THE IMPACT

### Assessment Results Predict GM Performance

Over the next two years, ARS measured GM job performance using both quantitative, objective performance metrics (e.g., revenue, EBITDA, staff retention) as well as qualitative, manager ratings of leadership competencies and overall performance effectiveness. As part of examining the relationship between assessment results and GM job performance, ARS combined the various measures to create an overall performance metric. Using this overall metric, ARS split the GMs into three groups: high-performing, moderate/mixed-performing, and low-performing.

### MDA Assessment Rating Means by High- and Low-Performing General Managers



The results of this study revealed that assessment ratings accurately predicted which level of overall performance the GMs would achieve two to three years post-assessment. The graphic above demonstrates that assessment ratings were uniformly higher (most differences were statistically significant) for GMs who ended up in the high-performing group versus those who ended up in the low-performing group. That is, GMs with higher assessment ratings were notably more likely to be high performers than GMs with lower assessment ratings. This research demonstrated the predictive power of the MDA assessment procedures, and provided ARS with strong justification for continuing to use this process to select future GMs who are more likely to be high-performing.

#### PARTICIPANT EXPERIENCE



### What Did the GMs Value?

*“It helped me delegate and operate at a different level, which I needed to, because running an \$11 million business is very different than running a \$23 million business. The experience absolutely helped me achieve what we have here today.”*

- **Clint Schreck**,  
Division General Manager, ARS

“In our business, turnover is everything, and any insight we can gain, such as whether we’re placing a potential low performer into a key role, is very valuable,” said Neal Zamore, Senior Vice President and Chief Marketing Officer, ARS. “Turnover occurs because there wasn’t a good fit between the role and the person. Assessment minimizes the risk of a bad hire.”

### The GM Experience

A progress check MDA conducted confirmed that all participating GMs had growth plans in place and were working on between one and three development priorities. This progress check also showed that 89% of participating GMs believed that they had made meaningful progress on their growth priorities. While their HR business partners indicated that the number who had made meaningful progress was closer to 78%, there was clear agreement that most GMs had demonstrated meaningful growth.

The ARS GMs can attest to the depth and degree of growth they’ve enjoyed since participating. “The training I received from MDA was so in-depth, was so collaborative and specific to ARS, that it’s really helped me work with it within the company,” said Mike Skourtis, GM of the Manassas, Virginia ARS service center for more than 30 years. “It was a significant help in developing my leadership skills.”

As a comparative newcomer to ARS, joining the company in 2018, Zamore can readily compare the positive impact of the MDA process with his experience at other companies. “The initial one-day assessment experience blew me away in terms of its quality, rigor, and usefulness. It was one of the most amazing experiences I’ve been part of as an executive,” he said. “I wish I had known about MDA Leadership in my prior job. The value of what MDA does is mind-boggling.”

### Conclusion

The strong relationship between the assessment results and actual GM performance two to three years later show that a well-crafted and comprehensive assessment process can significantly improve the accuracy of GM hiring and placement decisions. The costs of hiring and on-boarding the wrong leader are substantial, reaching up to 30% of the employee’s first-year earnings, according to the U.S. Department of Labor. With each ARS GM accountable for \$10 to \$20 million or more in annual revenue, the stakes for ARS are enormous. By smartly and effectively identifying those most likely (and least likely) to succeed as GMs, ARS is now much better prepared to achieve predictable business success—the apex of the business growth curve—and in the process, enjoy a higher likelihood of long-term, sustainable growth.

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