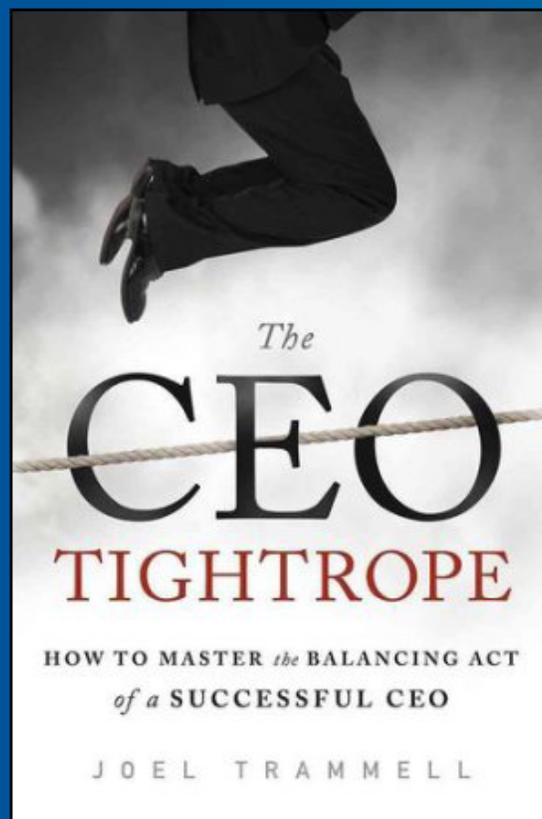# The CEO Tightrope

Executive Summary

INTRODUCTION

As CEO, you walk a tightrope every day. Khorus was built to help you excel in the key responsibilites of your role—leading to an aligned organization and predictable execution of strategy.

The CEO Tightrope, written by Khorus founder and chairman Joel Trammell, is a full guide to the unique demands of the CEO role. Because we know you're busy, we've created this executive summary of the book.

In the following pages, you will learn:

- The five key responsibilities of every CEO
- Twelve of the most common balancing acts the CEO must master
- Guidelines for making great decisions
- A framework for delivering predictable results
- Essential rules for bringing the best people into your company
- Ten ways to continuously improve as CEO
- . . . and a lot more.

Contents

Stepping onto the Rope

The CEO job is fundamentally different from any other job in a business. It requires its holder to take full responsibility for outcomes and events over which he or she has little control. Once it is taken on, the CEO is responsible for the whole enterprise and must balance a massive array of needs, demands, interests, and perspectives.

Like tightrope walkers, CEOs must not only balance the forces threatening to throw them off the rope; they must also move forward, by delivering ever-increasing results. You can't find a point of balance and then stand still; on a tightrope, that's barely even possible. As we try to master this balance and progress forward, we have no day-to-day boss to provide us guidance.

THE 5 RESPONSIBILITIES OF THE CEO

How do we, as CEOs or aspiring CEOs, master this balancing act? By developing a better understanding of the critical roles the CEO plays; by learning how to balance competing needs, interests, and priorities in order to succeed in those roles; and by learning to ask reflective questions that will push us to learn and improve.

It's surprising how little new CEOs understand about the job before they take it on. There's little content among the vast quantity of business books and research published every year to address the unique challenges of the CEO job. In this summary of *The CEO Tightrope*, we'll look at the five key responsibilities that successful CEOs spend their time proactively managing:

1. Own the Vision

2. Provide the Proper Resources

3. Build the Culture

4. Make Decisions

5. Deliver Performance

RESPONSIBILITY vs. CONTROL

Before we begin with the first CEO responsibility, it's important to acknowledge the overlap between responsibility and control in the CEO role. It's helpful to think about it in terms of management, leadership, and command, all of which are the CEO's domain, but the last of which is his or hers alone:

- **Management**—handling things you control (e.g., hiring, salaries, office facilities, overseeing work).

- **Leadership**—influencing things you don't control (e.g., employee engagement, loyalty, and creativity).

- **Command**—responsibility for everything that happens in the organization, regardless of whether you control it. This is unique to the CEO.

Facing full responsibility paired with lack of control can be an intense burden. This often leads CEOs to try to control every aspect of the business (the **total-control** CEO) or to totally disengage from the day-to-day, taking refuge in strategy (the **master strategist** CEO).

Neither extreme is effective. Successful CEOs master this balance by growing their influence—the ability to position the team for success without trying to control everything. Think of a jockey riding a thoroughbred racehorse: through small adjustments, he can position the horse for victory without being in full control.

> "
>
> Few things help an individual more than to place responsibility upon him and to let him know that you trust him.
>
> —BOOKER T. WASHINGTON
>
> "

GROW YOUR INFLUENCE THROUGH THE 3 Cs

CEOs grow their influence by displaying the three Cs:

- **Credibility.** Having people believe what you say when you say it. Even one slip-up here can kill your credibility. In addition to simply telling the truth, credibility involves showing your authenticity and being transparent about the business.

- **Competence.** The ability to show people you have a clear plan for the organization, and a deep understanding of the business model and how your offering is made and delivered.

- **Caring.** Showing people that you put their needs and the needs of the organization ahead of your own interests. You don't have to go down with the ship—but you can't be the first to rush for the lifeboat. Let the troops eat first, and give credit where it is due, without taking too much for yourself.

THE 6 HATS

In addition to exhibiting the three Cs, effective CEOs resist jumping in to firefight when something goes wrong, and don't overly rely on their background in a particular function, ignoring other areas and stifling the
executive responsible for that function. Instead, they alternate between wearing six different hats, as necessary based on the circumstances. (These hats were first described by CEO coach Jim Schleckser, though I added the sixth, the Priest Hat):

1. **The Player Hat:** Contributing. You wear this hat when you are directly contributing to a functional area, say sales or engineering. Use this hat sparingly, to build credibility or pinch-hit as needed.

2. **The Coach Hat:** Talent Development. You wear this hat when you focus on team members and how they are performing.

3. **The Architect Hat:** Strategy. When wearing the architect hat, you are working on the strategy of your business—owning the vision by determining how you will achieve it.

4. **The Engineer Hat:** Operations. You wear this hat when you are defining a goal, creating metrics related to the goal, analyzing those metrics, and improving the process.

5. **The Learner Hat:** Continuous Improvement. While wearing this hat, you constantly improve and expand your knowledge, both inside and outside of the business.

6. **The Priest Hat:** Morale. While wearing the priest hat, you are concerned with the morale of the organization, with how people feel, with helping others resolve personal or interpersonal struggles.

⑦ Considering the six hats, what role consumes the majority of your time?

1

Own the Vision

The CEO must own the vision, a phrase used here to indicate the CEO's personal relationship to the mission, vision, and values of the company. He must be able to communicate this—where the company is going and why—at the appropriate level for three key stakeholder groups (employees, customers, and shareholders), and ensure that everyone within the organization is clear on how the direction impacts his or her job and daily responsibilities. Other people may help create the strategic vision, but the CEO must tell the story of that vision in a way that is clear, engaging, and exciting. And everything the CEO does must support the vision.

PLANNING vs. ACTION vs. RESULTS

CEOs have to not only establish and share a vision, but also give guidance on what the plan behind that vision is. Unfortunately, most modern businesses don't lend themselves to precise planning. Prussian general Carl von Clausewitz explained in *On War* that all teams meet internal friction (the gap observed between planned actions and actual actions) and external friction (the gap between desired outcomes and actual outcomes) as they seek to carry out any vision.

To help people overcome these, CEOs must not try to plan out every detail of every employee's work, but should make sure that the mission, vision, and values have been taught to and are observed by every group within the organization; when these are understood and when people are aligned around them, they allow employees and teams to bring about the CEO's intended vision in their own way. When they understand the *why*, they can take care of the *how*.

> "
>
> The very essence of leadership is that you have to have vision. You can't blow an uncertain trumpet.
>
> —THEODORE M. HESBURGH
>
> "

? If you surveyed your employees as to the vision and key goals of the organization, would their answers agree with yours?

LEADERSHIP vs. CHEERLEADING

CEOs often lose credibility when they spin information in an effort to make the company's situation look good. Balancing the required enthusiasm with a realistic assessment of the business is one of the areas in which CEOs most commonly slip up. Look for a balance between the **cheerleader** CEO and the **Eeyore** CEO. The former ignores or actively hides negative news, while the latter looks for the negative in everything. Aim for "paranoid optimism"—focus on reality and adjust your attitude to counter-balance the natural ups and downs in a business.

> ⑦   How often do you talk about metrics and news that aren't positive?

FLEXIBILITY vs. FOCUS

CEOs have to communicate a vision and path for the company while also being flexible enough to change rapidly if business conditions change. In this area, you want to balance between becoming a **cult leader** CEO, who puts forth an unchangeable, unquestionable agenda, and the **Mr. Mayhem** CEO, whose agenda is always changing—leading to total chaos.

How do you know when it is time to adjust? Seek intel: from competitors, from customers, from employees, and by adding a new executive to your team every year or two.

> ⑦   When was the last time you solicited feedback on the vision, mission, or strategy of your company?

2

Provide the Proper Resources

CEOs are responsible for providing two types of resources to the organization: capital and people.

BUDGETING vs. OPPORTUNISTIC INVESTMENT

When it comes to budgets, avoid becoming either a **budget tyrant** CEO or a **budget blower** CEO. Budget tyrants treat the budget like an infallible document that can be violated in no situation, and thus may miss key opportunities. Budget blowers, on the other hand, are drawn to every shiny object, usually acquisitions.

To manage this balance and allow for opportunity-driven investment, where opportunity is seized as it arises without losing focus on the larger strategy, make sure that your executives are empowered to spend their budgets as they see fit and that they are continuously considering the cost/benefit trade-offs necessary to adapt to an ever-changing business climate.

> "
>
> At most companies, people spend 2 percent of their time recruiting and 75 percent managing their recruiting mistakes.
>
> —RICHARD FAIRBANK, CEO, CAPITAL ONE
>
> "

(?) How do you involve your leadership team and managers in the budgeting process?

(?) What metrics do you have in place to keep spending decisions aligned with company goals?

GROWTH vs. PROFITABILITY

Every CEO should strive for growth without sacrificing the ultimate need for profitability. Balance between the **growth junkie** CEO and the **penny pincher** CEO. The former pursues growth at all costs (which can often lead to death by growth). The latter—often entrepreneurs who have bootstrapped their businesses—cares only about the bottom line, to the point that the organization is slow moving, risk averse, and likely to lose

any competitive advantage it has. Regardless of the goals for growth, revenue, or profit of the company, it is the CEO's job to clarify the financial goals of the company and communicate them to every member of the team via quarterly plans, annual plans, and a three- to five-year plan.

> ⑦ How do you establish and communicate the financial goals of the company?

RECRUITING vs. HIRING

Many CEOs, especially in larger companies, are not involved in the hiring process. This is a mistake, as recruiting and hiring is a core component of success, not a tactical fire drill. Don't be the **body count** CEO, who views hiring as a seat-filling exercise, but don't be the **black swan** CEO either, who looks for an unrealistic set of experiences and skills for positions, leading to slow, ineffective hiring.

> ⑦ What role do you currently play in the recruiting process?
>
> ⑦ How are you setting the bar for recruiting and hiring throughout the organization?

TALENT vs. EXPERIENCE/KNOWLEDGE

CEOs must evaluate varying levels of talent and experience when looking for employees. Always go after talent when you see it, but don't ignore experience if it's needed for a particular position. Generally, hire experienced people to build teams and talented people to do the work.

10 RULES FOR RECRUITING THE BEST

1. Recruiting is a continuous process. Always be on the lookout for good people. Good people are available when they need a job, and not necessarily when you have an opening.

2. Always hire A-level talent when it is available. Unless your business is already filled with A players and you don't ever plan on growing, why would you turn down a top performer?

3. Recruiting is a dual sales process. Potential employees have to sell themselves to the company, but many CEOs forget that the company must sell itself to the candidate as well (a recipe for attracting mediocre employees). A players consistently look for the opportunity to grow, to be challenged, to win, to work with the best, and to reap financial rewards.

4. Time is of the essence. If you have an A player interested in a job, aim to make an offer within two weeks of having their resume in hand. Otherwise, they are likely to pursue another of the many opportunities they have.

5. One person has to set the bar. The CEO should personally interview as many candidates as possible; even in large organizations, she should interview hires in the top two or three tiers of the company. Anyone else with hiring duties should be trained to interview well and should be coached on how to identify the right talent for the job and the company.

6. Look for disruptive events. Top performers often become available because of disruptive events—acquisitions, businesses shutting down, recessions. Take advantage of these events.

7. Your recruiters must be top people. Anyone who represents your company in the role of recruiter—employees, vendors, or consultants—must be top-notch talent. For a fast-growing company, the recruiter role might be the most important individual contributor position in the whole enterprise.

8. Cultivate unique sources. Rather than looking where all your competitors are looking (like Harvard or Stanford), look for places that turn out candidates who might have a particular reason to work for your company.

9. Training is always required. Assume every employee will take three months of guidance to get up to full productivity. There should be a formalized training program for all employees, covering everything from where the bathroom is to the CEO's vision.

10. Track your performance. Keep metrics on the recruiting and hiring process, including time to fill an open job, time from engaging candidate to offer, percentage of candidates accepting offers, what competitors you lost candidates to, and percentage of hires rated "A" or "B" two quarters after hire.

In hiring, avoid becoming the **resume snob** CEO, who puts the perfect resume above all else, or the **temp addict** CEO, whose answer to everything is to bring in a contractor and see what happens.

When seeking great candidates, look for:

- **Exceptionalism** (something in the person's background that indicates a history of being exceptional)

- **Job-specific motivation** (people who are excited by the opportunity, not people looking to just pay the bills)

- **Cultural fit** (don't look for a perfect fit into the company culture, but figure out whether there are any hurdles to that person's cultural fit)

- **Creative initiative** (the drive and ability to think of ways to do a job better or to contribute more to the success of the organization)

- **Value** (people who produce more economic value for the company than they cost)

> ⑦ In the past year, did you hire somebody who had great experience, yet failed in the position? What was the root of the failure?

SAVING vs. TRADING UP

Some CEOs believe that everyone can be saved, possibly because firing someone would require them to admit they made a mistake in the first place (the **saint** CEO). The result is that they fail to serve their top performers, who don't want to work with poor performers. On the opposite end of the spectrum are leaders who expect employees to perform like automatons and boot them out the door upon the first sign of inconsistent performance (the **Chainsaw Al** CEO).

The fastest path to mediocrity is allowing poor performers to remain and pretending that it doesn't matter. To avoid this, institute quarterly

performance ratings (have managers rate employees A, B, or C); focus the majority of your time and energy on the As, and trade the Cs for As or Bs if they don't quickly respond to feedback and training.

> (?)   How frequently are employees in your organization reviewed?
>
> (?)   How do leaders in your organization support A players?

"

Great companies don't hire skilled people and motivate them; they hire already motivated people and inspire them.

—SIMON SINEK

"

3

Build the Culture

Culture is how things get done in an organization: how people communicate, how leaders build and develop teams, and how coworkers collaborate—or don't. It defines the employee's experience, and it heavily influences the customer's experience. It is important to understand that every organization has a culture and values, whether or not they are explicitly recognized, and that it's best to proactively define and communicate those elements rather than leaving them to chance.

REWARD vs. THREAT

Great company cultures maximize reward and limit threat for employees. When people do not feel threats, even those of a primal nature that we may not think of consciously, they are more likely to engage with the people around them, thus contributing to a strong culture.

Maximize reward and minimize threat by understanding David Rock's SCARF model, which lists five common areas of social experience that can elicit the reward/threat response:

- **Status.** Threats to social status can have huge implications for both health and on-the-job engagement. Minimize this by being transparent with information across the company and fostering an "all for one and one for all" attitude.

- **Certainty.** Minimize uncertainty by establishing consistent operational and leadership procedures (such as performance evaluations) and, again, by giving employees access to as much information about the business as possible.

- **Autonomy.** Give employees control over their work and environment, to the extent possible within a corporate structure.

- **Relatedness.** Foster a sense of engagement with others by communicating the common mission, vision, and values; by setting goals everyone can contribute to; by celebrating achievements; and by making new hires a part of the team right away.

- **Fairness.** Consistently apply rules to all employees, and make pay decisions based on objective data rather than subjective opinions.

> "
> No company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it.
>
> —JACK WELCH
> "

Although you can't directly measure culture, you can measure the outcome—employee engagement—by using tools like Gallup's Q^{12} survey.

RULES-BASED vs. VALUES-BASED

As companies mature, they often transition from a pure values-based approach (the leadership team can jump in and handle situations based on the unique circumstances) to a more rules-based approach to getting things done (larger size requires automation of transactions). At this point a cultural balance must be struck between trying to create a rules-based process for everything and trying to make every decision based purely on the values of the organization.

In this matter, avoid becoming the **bureaucrat** CEO, who obsesses over processes and rules and wants employees to function like robots. The other extreme to avoid is the **anarchist** CEO, who (often having escaped from corporate America) eschews processes and rules to the point that it's difficult for the business to scale or grow.

> ⑦   How often do you review or adjust the procedures in your company? Who is involved in the process?

To build a culture that effectively balances between rules and values, try these approaches:

- **Create values specific enough to guide decisions, and apply them consistently.** Values like "leadership" and "collaboration," leave people lost. Instead, establish values that can guide decisions (for example "We are easy to do business with" or "We attract, cultivate, and retain exceptional talent") and make sure they guide all decisions, even when things get tough.

- **Let those who have to follow the rules make the rules.** To the extent reasonably possible, let employees own the rules that apply to them. If the mission, vision, and values are strong and clearly understood, employees will create effective rules that don't feel stifling, pointless, and handed down from above.

- **Align corporate-level policies with values.** Don't let policies and procedures pile up over the years. Review them regularly to ensure they match up to the established company values.

- **Build a transparent work environment.** Transparency is a hallmark of most high-performance cultures. Give employees the information they need to understand the true state of the business and how they contribute to its success. Consider open-book management, and train employees on how the business works.

> ⑦   What are your organization's values? Consider a recent decision and determine if the values, as they're currently written, provided clear and appropriate guidance.

REQUIRING vs. RELATING

As they build a company's culture, every CEO must find a productive balance between requiring things of employees and relating to them. On one side, you can end up like the **best friend** CEO, who has no problem engaging personally with employees at all levels in the organization but who fails precisely because they try to be everyone's best friend; their desire to be liked hampers their ability to manage and lead.

The **Attila the Hun** CEO is closer to the chief-executive character most often portrayed in the media, but is a less common phenomenon than popularly perceived. Nevertheless, Attila the Hun CEOs do exist, and they hurt company performance by creating a culture in which employees are treated like minions but expected to deliver exceptional performance at all times.

For help getting to a productive middle ground, take the surveys included in *The 2R Manager: When to Relate, When to Require, and How to Do Both Effectively* (and give them to managers as well). This will help you understand your personal, natural tendencies toward requiring (Attila) or relating (best friend) and then build on your strengths and address your weaknesses.

⑦　　Do you believe you are better at requiring or relating? Why do you believe this?

⑦　　How do you think your leadership style affects the culture of your team?

4

Make Decisions

Decisions are the fuel on which every organization runs. The quality and speed with which decisions are made determine the productivity of the organization. The CEO cannot make every decision in the organization; rather, the decision-maker should be the person who has the appropriate context and greatest knowledge of the particular issue.

In making decisions, the CEO must find a way to balance the situation-specific knowledge of lower-level employees with the bigger-picture strategic view he or she has. This involves training people to make the decisions they should be making and teaching them to escalate the decisions that involve more than their own functional responsibilities. (One way to support this is through a detailed and updated org chart, which helps employees visualize decision rights.)

An even bigger challenge CEOs face is the fact that many of us (humans, not just CEOs) are very poor at making decisions. We must all keep in mind the "four villains" described by Chip and Dan Heath in their book *Decisive*: "narrow framing," "confirmation bias," "short-term emotion," and "overconfidence" about the future. CEOs face the additional challenge of balancing the needs of multiple stakeholders and obtaining their buy-in.

> "
> Deficiency in decision-making ranks much higher than lack of specific knowledge or technical know-how as an indicator of leadership failure.
>
> —JOHN C. MAXWELL
> "

DECIDING vs. BUILDING CONSENSUS

As CEO, you have to discern between when to allow employees to make decisions (even when you may believe them to be incorrect) and when to make a decision without consensus.

The **carpet bomber** CEO errs too much on the former side, being too busy most of the time to involve him- or herself in decisions; then he or she jumps in to dictate when something goes wrong. **Black hole** CEOs, on the other hand, entrench themselves in the decision-making process to the point that issues sent up to them disappear into a black hole, unable to escape the CEO's indecision. This CEO becomes a bottleneck to the decision-making process.

Find your balance by instituting a two-stage decision-making process. The first stage is *triage*. Sort each decision into one of

three categories: "not significant," "easy but significant," "difficult and significant."

- **When not-significant decisions** are presented to you, train employees to make these calls themselves.

- **For easy-but-significant decisions**, solicit the expertise of the executive team and get their input before deciding.

- **For difficult-and-significant decisions**, your active involvement is required. Start by getting the input of the executive team, but recognize your responsibility for the final decision. For decisions that are difficult and high-risk (i.e., hard to reverse) appoint a devil's advocate and consult with people who are not emotionally invested in the decision, including mentors and peers.

The second stage in the decision-making process is *communication and analysis*. Here you communicate the decision to everyone in the organization who is affected, along with the basic reasoning behind the decision. Then conduct an official post mortem for each decision, course-correcting if you find you've made a poor decision.
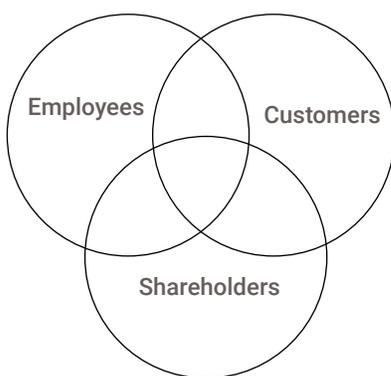
EMPLOYEES vs. CUSTOMERS vs. SHAREHOLDERS

In any decision, the best interests of employees, customers, and shareholders should be reflected. The "**decision nexus**" is where all three interests overlap. Look for the decision nexus when making a decision, and train employees to do the same. Be aware that different groups typically take precedence at different stages of a company's growth: employees in the start-up stage, customers in the growth stage, and shareholders at a stage when economic success has been achieved (especially for companies that reach public markets).

Employees   Customers

Shareholders

> (?) How do you encourage balanced decision making in your teams? How often do you talk to people about the interests of the stakeholders in the company?

DEPARTMENT vs. DEPARTMENT

The most broad and significant decisions should be made at the top of the organization, so it's vital that you and the executive team be optimized to decide effectively. Use these three methods to make better decisions across departments.

1. **Have the right direct reports.** People on the executive team (the CEO's direct reports) should be able to take off their functional hats and put on their company hats. Make sure you have the right functions represented on this team; two often-overlooked functions include customer experience and HR.

2. **Spend your time impartially.** Like good parents, CEOs cannot play favorites with any one executive (though this is fairly common). Carve out one-on-one time with all your direct reports, and meet with them together, preferably once a week.

3. **Manage conflict and trade-offs.** A certain level of tension will always exist between departments. Teach executives to escalate any cross-departmental conflicts to you quickly; only the CEO is in the position to make trade-offs between the conflicting demands of two different parts of the organization.

⑦   How many direct reports do you have?

⑦   Which functional areas do you think may be underrepresented on your team?

5

Deliver Performance

> "
>
> Times and conditions change so rapidly that we must keep our aim constantly focused on the future.
>
> —WALT DISNEY
>
> "

Everyone agrees that the CEO is ultimately responsible for the performance of the company, and so the CEO must take an active role in driving that performance. He or she has to be in touch enough with the core business functions to ensure proper execution. He or she is the interface between internal operations and external stakeholders, which means that he or she has to ascertain the expectations for performance from different stake-holders (shareholders may be concerned about stock price while the community is concerned about job creation), interpret those expectations for internal teams, and then drive and refine metrics that reflect the true performance of the business—because you get what you measure.

As CEOs seek to establish a performance culture by setting appropriate goals and metrics, they must consider the fact that performance in a competitive business environment is relative. If your company is growing at 10 percent while the market is growing at 25 percent, you are clearly underperforming. But the same 10 percent growth in a declining market might be exceptional.

Driving performance through alignment
Of course, the CEO cannot personally teach every employee in the organization how to do their jobs or set specific goals and metrics for each employee. Instead, they must help employees align their behav-ior with the corporate strategy and leverage their own expertise to carry out the work in the most effective way possible. To foster this alignment, the CEO should establish a set of specific, measurable corporate goals each quarter and have department heads create supporting quarterly goals. This practice should continue in a cascade down the organization, until all employees have goals (each with a related metric) that contribute to the priorities of their team and the company. Khorus was designed to help CEOs facilitate this process.

Leveraging the board to improve performance
In addition to clarifying corporate goals and helping teams and people set goals that support them, the CEO is also responsible for continually

driving improvement in performance—the company's and his or her own.

One of the best ways to improve both kinds of performance is by developing a strong relationship with the board. Do this by explaining how you run the business (not how each department functions day to day), by identifying a few key metrics to consistently track with the board, and by actively soliciting feedback. Ask the board for their feedback using two methods:

1. **Three areas of improvement.** Ask for three things you are doing well and three things you or the company can improve, then follow up in the next board member to show how you addressed the areas for improvement.

2. **The CEO scorecard.** Have each board member fill out a scorecard for you, grading you between A and F on each of the five CEO responsibilities (own the vision, provide the proper resources, build the culture, make decisions, and deliver performance). You should also grade yourself in each of these areas, and then have a session with the board or a subset of the board to discuss the grades.

TRUST vs. VERIFY

Do you tend to hold people strictly accountable for meeting their performance goals, or do you trust them to get their work done? While you should generally trust employees to deliver results, the best CEOs consistently measure progress and drive continuous improvement.

Look out for a tendency to be the **grandparent** CEO, who spoils employees and lets them get away with not meeting bench-marks (hurting their own credibility and allowing overall perfor-mance to suffer). Conversely, the **auditor** CEO is fixated on gath-ering performance data for everyone and everything, cluttering up his view of performance and burdening the organization with data-generating and data-collection responsibilities.

Strive to be a "good auditor," who understands the purpose of the business and verifies the *right* performance data, not all of it. The best metrics to encourage performance usually share similar

attributes (although you'll rarely, or more likely never, find one that fits all these criteria):

- They are **easily measurable**.

- They are **directly correlated with business performance**. Tie metrics to the business-fundamental goals established for the company and departments.

- They are **predictive of future performance**. Ask people what is likely to happen in the remainder of the quarter, not what happened last quarter.

- They are **isolated to factors controlled by the group that is being measured**. Because functions are often inter-dependent, this is difficult to achieve in all cases. However, metrics controlled primarily by one group will tell you much more about the performance of that group.

- They are **comparable to competitors' metrics**. Track your progress against competitors to see how well you're building or maintaining your advantage.

As you work to set metrics that match as many criteria as possible, have a collaborative discussion with the manager who will be doing the measuring. Some metrics you can return to again and again, such as

- The sales team's accuracy in predicting quarterly revenue

- Total quarterly revenue divided by total sales and marketing expense in that quarter

- Levels of employee satisfaction and morale (as determined by Gallup's Q^{12} engagement survey)

- The number of A-rated employees who leave the company

- Customer satisfaction levels, including your NPS

- How long it takes to fill open positions, and how many are filled through internal promotions

Crucially, metrics should be visible to anyone who can impact them (if not to the whole company). Posting metrics puts even more pressure on leaders to respond when performance falls off and the metrics start to slip. Holding people accountable begins with the CEO, though you can do so without being a jerk. In a high-performance culture, accountability to established goals and metrics is appealing, not something to be whispered about or shirked.

⑦ How many metrics do you currently track for each department or group and for the company as a whole, other than financials?

⑦ How well do your metrics follow the five characteristics outlined above?

INTERNAL vs. EXTERNAL

For many new CEO, the most surprising facet of the role is the CEO's responsibility to serve as the interface between (a) the external environment and stakeholders and (b) the internal operations and people. This role becomes only more complex as the company grows. The CEO is the one person whose every action reflects on the company, and for larger companies, this happens in the public eye. CEOs can also use their positive personal brands to provide value to the company. However, if the CEO becomes overly focused on playing a role in the external environment, she risks neglecting internal operations and losing touch with the day-to-day of the company.

The **celebrity** CEO becomes enamored with the popularity and status that comes with the role. The price of becoming a mover and shaker (on top of distracting you from the work of running your company) is a more prominent spot in the media than you would have otherwise, and the fact that the smallest of actions, down to an offhand comment, could negatively impact the

company. The **Howard Hughes** CEO, on the other hand, surrounds himself with a small group of people, cutting himself off from external resources and even his own employees. It's hard to provide leadership if you spend all your time isolated in your office or with a very small entourage.

> ? Would employees in your own company know who you were if they saw you in public, or even in the hallways of the company?

Your job is to remove obstacles and provide resources for growth, and to do that, you may need to shift between internal and external focus in varying circumstances. In general, the earlier the company is in the traditional business life cycle, the more time the CEO should spend focused on internal issues, building the right teams for growth, verifying the business model, etc. The more the company matures, the more time the CEO can afford to devote to external issues and the more that effort can bear fruit. In particular, CEO time is well spent in the "external" category when it is spent with

- Customers and potential customers
- Shareholders and potential shareholders
- Strategic partners
- Experts (including advisors, current vendors, and vendors who want to meet with you)

> ? What relationships have you developed with CEOs of related companies or leaders in vendor companies?
>
> ? What opportunities exist in those relationships?

PERSONAL NEEDS vs. COMPANY NEEDS

Some CEOs have trouble distinguishing between their personal needs (and wants) and the needs of the company. The **playboy king** CEO seems to enjoy the pay and perks of the position too much, reveling in private planes, luxurious accommodations, princely meals, and offices designed to impress. He struggles to lead effectively when employees see him taking advantage of benefits they will never see, from reserved parking to special compensation not tied to performance.

At the other end of the spectrum is the **martyr** CEO (usually a first-time or serial-entrepreneur CEO), who allows the needs of the business to overtake his life. To this person, setbacks in the business can become physically or emotionally crippling. The best CEOs find a happy medium between fulfilling their own needs and the needs of the company, allowing neither to suffer for the sake of the other.

Look to meet your own emotional needs as CEO by establishing a support network. CEO peer groups can be particularly helpful in understanding the unique challenges you face.

⑦   What benefits or perks do you have as CEO that no
     other employee has or that only a handful have?

⑦   What limits do you place on others in the organization
     that you do not place on yourself?

HOW TO IMPROVE AS CEO

Continuous improvement is vital to your success as CEO. Here are ten actions to take to improve your performance across the five responsibilities.

1. Learn from experience.
Do a postmortem on all decisions you make, examining past actions for ways to improve.

2. Attend training programs.
Training programs for CEOs do exist, and if you find one, you *do* have time to attend.

3. Read. Abundant reading is a great way to pick up new ideas, learn from the experiences of others, and understand the history of your industry.

4. Write. Writing—whether it's a personal blog or an email to your team—forces you to clarify your thoughts in a way that is highly beneficial for future action.

5. Meet with wise people. Find people from outside your company who can bring knowledge and experience to bear on your problems.

6. Teach. Teaching, inside or outside your company, is a great way to deepen your knowledge and improve your communication skills.

7. Study yourself.
Look for self-assessments to take. Learning about yourself, how you think and react, is critical to developing as a CEO and overcoming your internal biases.

8. Gather feedback. Actively solicit feedback (formal and informal) from your teams and board.

9. Seek out mentors. Most CEOs are first-time CEOs. Reach out to those who have gone before you to learn from their experience.

10. Apply your knowledge. As soon as you uncover a nugget of wisdom from one of these sources, follow through and put it in action.

Conclusion

Being a good CEO means doing the hard work of aligning teams, moving the company forward, and balancing, balancing, balancing every day. It requires constant vigilance. The challenges of the work are balanced by the rewards, though—and I'm not talking about money or power or other perks but the satisfaction of helping people wake up every morning excited about doing work that makes a difference.