15 CEO Best Practices for Exceptional Results

A Khorus CEO Guide

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The role of CEO is unlike any other in business. When you first step into the position of chief executive, you officially leave behind your membership in any one function of the organization—and become responsible for them all.

Recent research on the "CEO effect" shows that the CEO office matters more than ever. *Harvard Business Review* summed up a 2014 study by noting that "**the CEO of a company is a more significant predictor of that company's performance than at any time since the question has been measured**, starting in the mid-twentieth century."

No one said being CEO was easy, though. The role demands full responsibility without full control. It demands strong decision-making without all the information you'd like to have. It demands the ability to rally and motivate people around a vision, and then help them turn the vision into focused action.

Unfortunately, the corner office doesn't come with a handbook. I wrote my book, *The CEO Tightrope*, to give CEOs (and those who aspire to one day be a CEO) a methodology for this unique role. In this ebook, I extract 15 key best practices from the book and from my 20+ years in the CEO role, with the hope that it will give you practical pointers on how to turn your organization into a world-class company.

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Attract Great People

Best Practice #1

The single most important thing any CEO can do to ensure the success of their business is to attract the best talent. Yet in many companies—especially large ones—the CEO is not a part of the hiring process. Recruiting is treated like a tactical fire drill rather than a core component of the strategic plan, less about filling the company with top talent and more about getting bodies in seats.

Outsourcing the recruiting function to HR or other parts of the company is a dangerous mistake. Focusing on talent acquisition and development is not only an appropriate role for the CEO; it may also be the role that provides the greatest return on investment. I agree with Capital One CEO Richard Fairbank's statement: most of us spend **2% of our time on recruiting and 75% of our time managing our recruiting mistakes**.

Quick pointers

- **Constantly look out for A players**. If you wait until you need them, they won't be available.
- **Hire A players whenever you can**, even if you don't have a position for them now, and do it swiftly. I aim to have an offer in their hand no more than two weeks after receiving the resume.
- **Treat hiring like a dual sales process**. Don't expect candidates to just sell themselves to you; you have to also sell the company to them.
- **Take advantage of disruptive events** that shake loose top talent. When Google announced it was closing an office in Austin, I sent my HR director to their office with a flyer saying that we were hiring.
- **Cultivate unique candidate sources**. At a former company I led, we picked up great employees from the military and from regional Texas and Louisiana universities.

Further resources

- *Who: The A Method for Hiring*, by Geoff Smart and Randy Street
- "Provide the Proper Resources" chapter in *The CEO Tightrope* (pp. 103–136)

Keep Your Great People

Best Practice #2

Attracting top talent is only half the battle. Once you have them, you have to keep them. We all know that the direct monetary cost of turnover is high: the American Management Association estimates that the cost to replace a worker ranges between **25% and 250%** of the worker's annual salary.

This might be a necessary hit if you're casting off your C players, but if your A and high-B players are leaving for better opportunities, say good-bye to your competitive advantage.

Quick pointers

- **Center your HR strategy around keeping A players.** In my 20+ years as CEO, I've learned that this is much more effective than trying to attend to the B's and C's.
- **When you make decisions, worry about A players' reactions, not B and C players'.** You can afford a negative reaction from your average and low performers, but alienate A players at your own risk.
- **Build engagement.** High performers want to contribute to the larger mission of the company. Use Gallup's Q^{12} survey to assess engagement and improve it as necessary. High engagement is a win-win for employee and employer.
- **Engage with your A players.** Just as you want people engaged in the company mission, you should actively engage with your heavy hitters. Reach out to them, let them know that you value them and are interested in their development, and listen to anything they have to say.
- **Provide growth opportunities.** More on this in the next best practice.

Further resources

- Gallup's Q^{12} Engagement Survey
- "Provide the Proper Resources" chapter in *The CEO Tightrope* (pp. 137–151)

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Help Employees Grow

Best Practice #3

The best employees are always moving forward. When you help your employees grow—as professionals and as people—you increase the value they bring to your organization, and you increase the likelihood that they will stick around and keep adding that value longer. Make it part of the HR strategy to continuously grow talent by implementing personal development paths and learning opportunities.

Quick pointers

- **Make sure every employee has a personal-development goal each quarter**. At my current company, Khorus, we prioritize employee growth by ensuring that every employee has a goal for the quarter involving their own education and development, whether it's reading a book related to their job, taking a course, attending a conference, or something else.
- **Have employees take the StrengthsFinder assessment**, and once you have the results, put them somewhere prominent (we post them beside the doorway to each employee's office). With this information, you and other leaders in the organization can support the development of that employee's strengths.
- **Set a high bar for performance**. Recognize the growth of employees, and don't tolerate persistent underachieving.
- **Invest in employee growth**. Provide encouragement and resources for employees to pursue their own development, including classes, conferences, or side projects. Don't just tell them once; actively reinforce the message that growth is important.

Further resources

- Gallup's [StrengthsFinder assessment]

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Communicate Well

Best Practice #4

Communicating to your company is easy in the early stages, when you can call everyone into the same room. But it gets a lot more difficult as the company grows larger and perhaps spreads across states, countries, and continents.

Nevertheless, as the person who sets the tone for the entire company, you need to not just communicate but *over*-communicate important messages, to ensure that people understand where the company is going and why that matters.

The better you communicate, the more successful you will be. In fact, professional services firm Towers Watson found that companies with highly effective internal communications had 47% higher total returns to shareholders over the past five years than those with poor internal communications.

Quick pointers

- **Develop a consistent rhythm.** To communicate well as CEO, you must first establish a steady rhythm for your communication. I meet many CEOs who are surprised at how little their employees remember of what they say—even though they presented their message in one big chunk at the beginning of the year and never reinforced or followed up. The proper communication rhythm will depend on the size and distribution of your company, but even if you're the head of a huge, dispersed organization, make sure people hear from you regularly, whether it's in person or through video and email.

- **Communicate through the tough times.** I have seen many CEOs who communicate well when things are going well but then stop communicating if times get tough. This is exactly what you want to avoid. Stick with your communication rhythm through thick and thin. A constant line of communication establishes trust between leadership and employees, resulting in a motivated workforce.

- **Keep it relevant.** Keeping communication relevant to employees is difficult for even the best CEOs. If you talk about driving shareholder value to an hourly employee who doesn't own any stock, you're likely to alienate the employee—why would he care about something so far from his daily concerns? Tailoring the message to the audience is critical if you want engagement from the workforce.

Build Your Influence

Best Practice #5

Leaders don't exist unless people are ready and willing to follow them—and this only happens when a CEO wields influence over the organization. *Influence* is defined as the act or power of producing an effect without apparent exertion of force or direct exercise of command. To be great, the modern CEO must have tremendous influence over her organization while in some sense seeming to do very little. This is a far cry from the very active and commanding CEO who is often portrayed in movies and the press.

You can think of this subtle but active influence by picturing a jockey riding a thoroughbred racehorse. The jockey and horse must work together in a consistent rhythm. While the thoroughbred is running at forty miles per hour, no one would say the jockey is in total control of the horse. But he does have influence. The best jockeys know how to move the horse around the track and subtly position it for victory.

How can a CEO build influence? Through what I call the three Cs:

- **Credibility**. People must believe that what you say is true. This is not as easy as it sounds—one slip-up or half-truth is enough to permanently damage your credibility (and therefore your ability to lead effectively). Credibility requires self-awareness and authenticity in your communications, and it's not enough to simply be honest. You also have to be *transparent*, proactively telling people about issues that affect them in their jobs, even when it means discussing unpleasant topics.

- **Competence**. You can be the most honest person in the world, but if stakeholders don't believe you know what you are doing, you can't lead. You don't have to be right every time, but you must demonstrate mastery of your industry, and of your company's business model and operations.

- **Caring**. People only follow leaders who they believe have their best interests at heart. As CEO, you don't have to go down with the ship, but you can't be the first person running for the life raft either. To convince employees, investors, customers, and other stakeholders that you truly care about their interests, you have to let the troops eat first, accept responsibility when things go badly, and give credit for success where it's due—without taking too much for yourself.

Exhibiting the three Cs even corresponds to better financial performance. According to a study summarized on HBR.org, "CEOs whose employees gave them high marks for character had an average return on assets of 9.35% over a two-year period. That's nearly five times as much as what those with low character ratings had; their ROA averaged only 1.93%."

Further resources

- "Seek to Grow Your Influence" section of *The CEO Tightrope* (pp. 18–29)

Master the Art of Selling

Best Practice #6

The best CEOs are great salespeople. You don't have to be the wheeler-dealer *Glengarry Glen Ross* type, but the ability to persuade and convince people ultimately helps you gather resources and drive the performance of your business.

Even with a great sales team supporting you, you still need to be able to persuasively articulate what the company is trying to accomplish.

> *To me, job titles don't matter. Everyone is in sales. It's the only way we stay in business.*
> *—Harvey Mackay*

Quick pointers

- **Sell talent on your organization.** One of the five responsibilities of the CEO is being able to provide the proper resources, including top-performing employees. In order to do this, you have to be able to sell top talent on why they should work for the company.
- **Sell employees on your vision.** A CEO also has to convince all employees to support his vision for the company. That means not just saying what the vision is but also convincing people that it's worth pursuing.
- **Sell the company to the public.** Most of the best CEOs constantly sell their company to the outside world, explaining why its mission and purpose matters. When a CEO is able to do this well, she is building the brand of the company as well as her own personal brand.

Further resources

- Daniel Pink, *To Sell Is Human: The Surprising Truth About Moving Others*

Understand the Numbers

Best Practice #7

Finance is the language of business, and a CEO must be fluent in it—beyond simply knowing how much cash is in the bank. If you don't have a handle on the key financial metrics of your organization, you won't be able to understand what the numbers mean for your business.

Clearly, finance is a wide-ranging subject, but if your grasp of financial issues could use some work, don't hesitate to seek education.

Quick pointers

- **Acknowledge the trade-off between profitability and growth.** The most valuable, successful business would have a high level of profitability while also growing very rapidly. Of course, achieving this combination is almost impossible because the resources required by high growth are a drag on profitability. The question is, where do you want the company to fall on this spectrum?

- **Understand what affects the bottom line.** A CEO's job is to look three to six months down the road and make adjustments now to prepare for the future. Therefore, it's critical to understand how sales, employees, expenses, and so on all impact the bottom line.

- **Don't lock yourself into an annual budget.** I am a big believer in planning and drafting a budget. What I am not a believer in is locking in that budget on a twelve-month cycle. Instead, plan and draft a budget for the year, but revisit it every quarter to adjust according to where the business now stands. The market landscape is always changing, and a CEO should be aware that what was true a year ago in a budget discussion won't necessarily be true six months or a year later.

Build Operational Knowledge

Best Practice #8

To lead your company well, you need to understand its internal workings—especially during the scaling phase. This includes making sure that the correct process and systems are in place, and keeping track of which milestones are being met and which aren't.

Quick pointers

- **Set operational improvement goals each quarter.** Talk to your leadership team at the beginning of each quarter about the operational improvements they would like to see in their departments, and foster this type of communication across departments to ensure that collaboration happens. Determine which of these improvements should take priority, and make sure they are clearly reflected in company and departmental goals for the quarter.

- **Understand operations, but don't try to fully control them.** You need to understand how the company works—how your product or service is created, marketed, sold, delivered, etc.—but you shouldn't get deeply involved in functional issues unless they require your attention. Assuming that you have a competent leadership team in place, trust them to exercise their knowledge and expertise and guide the operations of their own functional area.

- **Run effective operations meetings.** The weekly ops meeting is prime time for learning about the operations of the company and ensuring that cross-departmental collaboration is happening. Download the ebook below to see how you can run an effective, weekly operations meeting.

Further resources

- Khorus ebook: *The Ultimate Guide to the Ops Meeting*

Keep Track of Regulations

Best Practice #9

Industry and corporate regulations are constantly changing, and these ongoing developments can impact your company in a major way. As CEO, it's your job to stay abreast of regulatory changes and not rely entirely on legal counsel to tell you what you need to know.

Quick pointers

- **Understand the impact of regulation.** According to a *Forbes* article, the regulatory environment has more impact on businesses than the economy—which is why CEOs need to actively keep track of regulations as they plan the future of the company and make key decisions.

- **Learn from vendors.** Vendors can often provide you with insight on what's coming down the road in terms of regulations; it's their job to understand what those policies (and their implications) are. Even if you're not committed to working with them, vendors are usually pretty open to discussing regulatory changes and what they mean for your business.

Know Your Market

Best Practice #10

You don't have to know everything your CMO knows, but you should understand how products and services are marketed, how customers buy, and what the competitive environment is like. Some CEOs make a lot of assumptions in these areas, but they're usually incorrect.

Quick pointers

- **Know your products/services**. You need to thoroughly understand not just what your company offers to the world but *why* it matters at all. What's the history of the category? What's new or unique or valuable about your offering? In what way does it make your customers' world a better place?

- **Know your customers**. Talk to customers at every chance you get. They are an invaluable source of on-the-ground information about how well your company is serving the people who, ultimately, keep it running. What are the lives of your customers like? How can your company make their lives a little happier, easier, or more fulfilling?

- **Know your competitors**. You don't have much of a chance of pulling ahead of your competitors if you don't understand how they work. In the Information Age, getting the scoop on the other operators in your field is easier than ever.

Tie Strategy to Execution

Best Practice #11

As CEO, **you own the strategy**. But don't forget to build that strategy into an executable plan. This is one of the biggest challenges CEOs face. As leading venture capitalist Arthur Rock said, "strategy is easy, execution is hard." If you set a high-level strategy but don't create the roadmap for how to get there, it will be extremely difficult to get started in the right direction, much less actually arrive at your desired destination.

Quick pointers

- **Set concrete company goals each quarter.** We CEOs often talk about strategy at an abstract level. But we have to back the strategic vision out and determine what it means employees need to do on a quarterly, monthly, and weekly basis. What activities, goals, and priorities will help pull the vision into reality? The ideal number to have, at the company level, is 5–6, and each goal should have a clear measurement tied to it.

- **Make sure everyone has goals that support the strategy.** Once the top company objectives are established, help everyone create goals for the quarter that directly support them. Employees should create these themselves, but they should be approved by the person they report to. When top company objectives are broken out into the employee goals that make them happen, people know exactly what they can do to help execute strategy.

- **Empower people to act within your intent.** To execute effectively, you must give everyone in your organization enough autonomy to get things done without adhering to outdated plans or getting permission for everything they do. As Stephen Bungay's *Art of Action* explains, this means that leaders should not set out a detailed plan of action but rather focus on conveying their *intent*. If the intent is consistently and clearly repeated, employees will be able to decide which actions align with that intent, and which don't.

Further Resources

- *The Art of Action*, by Stephen Bungay

Tend to the Details

Best Practice #12

It's indisputably the role of the CEO to own the big picture of the business, but at the end of the day, you own the details, too. The little things are particularly important at the start-up stage, where bad first impressions can torpedo a business, and they remain crucial even when you reach Apple or Exxon proportions.

Finding the right mix of high-level strategic thinking and attention to the important details of the business is a balancing act, and one that takes considerable skill to get right. Leaning too far in either direction is problematic.

Quick pointers

- **Don't be a "master strategist."** If you skew too far toward the big picture, you'll become what I call a "master strategist." The master strategist CEO thinks his sole responsibility is to come up with a great strategy and then sit back and watch. They are so removed from the day-to-day of the organization that they often don't see problems developing until it's too late.
- **But don't get mired in details, either.** On the other hand is the "total control" CEO. She believes it's her role to oversee and approve every last detail—the commonly complained-about micromanager. This approach slows up operations and undermines the creative initiative of employees.
- **Hire people you trust with details.** Details remain important as a company grows, even when you're overseeing a hundred people, a thousand people, or tens of thousands of people. You can't possibly look at all the details in a large organization, but you still have to set the quality bar and weigh in where it matters. This is where the CEO's role in hiring becomes key: you have to bring people on board who understand the attention to detail you expect.

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Anticipate Organizational Needs

Best Practice #13

As CEO, you have to constantly look toward the horizon to ensure that your company has the resources it needs. Otherwise, you might as well try to drive your car to work with the gas tank on empty—it's just not going to happen. The successful CEO has a firm grasp on the different puzzle pieces of his team and knows how to arrange them to meet the challenges of the future.

Quick pointers

- **Do a regular needs assessment.** At least once a quarter, carve out a chunk of time, pull up your org chart, and think carefully about what the company needs to look like six months, a year, or two years down the road. Consider the following:
  - What coming changes require beefing up certain capabilities within the organization?
  - What weak spots do you see?
  - Do you need to move people around to meet these needs?
  - Do you need to bring on new people to meet these needs?

  Then, take steps to make these shifts *before* they're necessary. If you hire or relocate someone too late, they'll be playing catch-up while the organization or outside customers need their support.

- **Break down organizational goals**. The practice of breaking down strategy into actionable goals is an excellent way to reveal capabilities the organization may need for the future. There have been many times when, while translating a strategic objective into smaller constituent parts, I've been suddenly confronted with a need I hadn't seen before: some capability we require but don't yet have, or some key task that's not currently on anyone's list. When a missing link like that pops up, I know I need to provide the necessary resources immediately, so we don't end up scrambling when it comes down to the wire.

Be Emotionally Intelligent

Best Practice #14

Early in my career, I thought nearly every business problem could be solved analytically. But I quickly realized that nearly *no* business problem can be solved without major attention to the people involved in the issue—without emotional intelligence.

Even today, some business leaders cringe at the thought of meddling in something as messy as human emotion. But sensitivity to emotions—your own and those of the people in your company—is recognized as a core job requirement of the chief executive. Without it, you'll never get the best out of your people, and your company won't perform at the top of its game.

Quick pointers

- **Upgrade to the Platinum Rule.** We all know the Golden Rule: *Treat other people like you want to be treated*. But today we need the Platinum Rule: *Treat other people like they want to be treated*. It's a higher standard, but it captures real empathy and emotional intelligence much better than the Golden Rule. A lot of CEOs are energetic, outgoing people, and they can run into trouble when they assume other people will respond to situations like they themselves do. Unfortunately, when you make such assumptions, you'll be wrong at least half the time.
- **Take the Post-it test.** For a quick, unscientific test of your emotional intelligence, try this test: Put a Post-it on your forehead and draw an E on it. Then visit here to get your results.
- **Stay vigilant.** Every CEO can benefit from increased vigilance of how she reacts to the emotions of others. Like any new skill, emotional intelligence takes practice. Set up a system to remind yourself to listen between the lines; to pay attention to what people think, do, and say; and to modify how you communicate with them and reward them based on what you observe.

Further resources

- *Emotional Intelligence* by Daniel Goleman

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Build the Culture

Best Practice #15

My favorite definition of culture is simple**: it's *how things get done in an organization***. That includes how people communicate, how leaders build and develop teams, and how coworkers collaborate. As CEO, you're the backbone of culture.

Culture is tough for many CEOs, especially the more analytical types. It's not something you can manage in a spreadsheet. Nevertheless, every CEO must step up and actively build the culture if he wants a healthy, high-performing team. (And don't get fooled by the business press into thinking that laundry service or an Xbox in the break room is sufficient.)

Quick pointers

- **Use the SCARF model to increase engagement.** No matter what kind of culture you have or want to create, you need people to be engaged. David Rock, a leading thinker at the intersection of neuroscience and leadership, offers a brain-based tool for increasing engagement: the SCARF model. For a full understanding of each factor, read [this article of Rock's [PDF]]. When your culture reduces the natural threat response of employees, employee engagement grows, as does the power of the culture you're building.

- **Strike a balance between a rules-based culture and a values-based culture.** Every CEO must walk the line between encouraging a culture based on values and a culture based on rules. The company's values should be the bedrock of culture, but rules are necessary, too, especially as the business grows. To keep either values or rules from dominating the culture: (1) create values that are specific enough to drive decisions, and (2) leave the rule-making to the people who have to follow the rules. This gives employees a guidepost without forcing them to follow rules that may not make sense for their position.

- **Stay vigilant through growth.** Building culture is fairly easy in the early stages of a business, when everyone's in the same office. Often, however, a strong culture will deteriorate as the company expands and becomes more geographically distributed. As your company grows, integrate culture-reinforcement into the hiring and onboarding process—particularly when hiring managers.

Further resources

- "Build the Culture" chapter in *The CEO Tightrope*

[Find out more about Khorus]