STEVER ROBBINS, INC.
Breakthrough Coaching

What do CEOs do? A CEO Job Description.

Responsibility, duty, and all that…

- Part 1: A CEO Job Description
- Part 2: Measuring Success as a CEO
- Part 3: Pitfalls and solutions for the CEO
- Part 4: Coaching tips to stay sane and skillful at the top of the heap.

Related podcast "What is a CEO's job?"

Related article The Executive Mind-Set

Related book on business leadership, It Takes a Lot More than Attitude...to Lead a Stellar Organization.

This essay is written using "she" to refer to CEOs. There is no deep agenda hiding here. I'm in the business of helping people think outside the box, and gender is an obvious place to start.

Admit it. We all feel a touch of awe when someone has it: the CEO title. The power, the salary, and the chance to Be The Boss. It's worthy of awe!

Too bad so few CEOs are good at what they do. In fact, only 1 in 20 are in the top 5%[1]. Many don't know what their job should be, and few of those can pull it off well. The job is simple—very simple. But it's not easy at all. What is a CEO's job?

More than with any other job, the *responsibilities* of a CEO diverge from the *duties* and the *measurement*.

A CEO's responsibilities: everything, especially in a startup. The CEO is responsible for the success or failure of the company. Operations, marketing, strategy, financing, creation of company culture, human resources, hiring, firing, compliance with safety regulations, sales, PR, etc.—it all falls on the CEO's shoulders..

The CEO's duties are what she actually *does*, the responsibilies she doesn't delegate. Some things can't be delegated. Creating culture, building the senior management team, financing road shows, and, indeed, the delegation itself can be done only by the CEO.

Many start-up CEOs think fund-raising is their most important duty. I disagree. Fund-raising is necessary, but the CEOs contribution is in building a superb business with the money raised.

What is the CEO's main duty? Setting strategy and vision. The senior management team can help develop strategy. Investors can approve a business plan. But the CEO ultimately sets the direction. Which markets will the company enter? Against which competitors? With what product lines? How will the company differentiate itself? The CEO decides, sets budgets, forms partnerships, and hires a team to steer the company accordingly.

The CEO's second duty is building culture. Work gets done through people, and people are profoundly affected by culture. A lousy place to work can drive away high performers. After all, they have their pick of places to work. And a great place to work can attract and retain the very best.

Culture is built in dozens of ways, and the CEO sets the tone. Her every action—or inaction—sends cultural messages (see "Life Under a Magnifying Glass"). Clothes send signals about how formal the workplace is. Who she talks to signals who is and isn't important. How she treats mistakes (feedback or failure?) sends signals about risk-taking. Who she fires, what she puts up with, and what she rewards shape the culture powerfully.

A project team worked weekends launching a multimedia web site on a tight deadline. Their CEO was on holiday when the site launched. She didn't call to congratulate the team. To her, it was a matter of keeping her personal life sacred. To the team, it was a message that her personal life was more important than the weekends and evenings they had put in to meet the deadline. Next time, they may not work quite so hard. The emotion and effect on the culture was real, even if it wasn't what the CEO intended. Congratulations from the CEO on a job well done can motivate a team like nothing else. Silence can demotivate just as quickly.

Team-building is the CEO's #3 duty. The CEO hires, fires, and leads the senior management team. They, in turn, hire, fire, and lead the rest of the organization.

The CEO must be able to hire *and* fire non-performers. She must resolve differences between senior team members, and keep them working together in a common direction. She sets direction by communicating the strategy and vision of where the company is going. **Strategy sets a direction.** With clear direction, the team can rally together and make it happen.

Don't underestimate the power of setting direction. In 1991, at Intuit's new employee orientation, CEO Scott Cook presented his vision of Intuit as the center of computerized personal finance. Intuit had just 120 employees and one product. Ten years later, it's a billion-dollar company with thousands of employees and dozens of products. Worldwide, it is the winner in personal finance, bar none. The success is due in no small part to every Intuit employee knowing and sharing the company's vision and strategy.

If vision is *where* the company is going, **values tell *how* the company gets there.** Values outline acceptable behavior. The CEO conveys values through actions and reactions to others. Slipping a ship schedule to meet quality levels sends a message of valuing quality. *Not* over-celebrating a team's heroic recovery when they could have avoided a problem altogether sends a message about prevention versus damage control. People take their cues about interpersonal values—trust, honesty, openness—from CEO's actions as well.

Capital allocation is the CEO's #4 duty. The CEO sets budgets within the firm. She funds projects which support the strategy, and ramps down projects which lose money or don't support the strategy. She considers carefully the company's major expenditures, and manages the firm's capital. If the company can't use each dollar raised from investors to produce at least $1 of shareholder value, she decides when to return money to the investors. Some CEOs don't consider themselves financial people, but at the end of the day, it is their decisions that determine the company's financial fate.

Footnotes for Part 1

[1] Pay no attention to the math background peeking from behind the curtain… *back*

Measuring Success as a CEO.

Knowing the job description is a good first step for a CEO, but to know how she's doing, she needs to design her own measurement system.

Unlike inconvenient lower-level jobs, no one tells the Chief Executive how she's doing. Do managers let her know she's undermining their authority, making poor decisions, or communicating poorly? Not likely. Even when a CEO asks for honest feedback, the fear is there: non-flattering feedback may stall a promising career [1]. Even when a company uses 360-degree feedback, no one penalizes the CEO if she doesn't act on the feedback.

The Board of Directors supposedly oversees the CEO, but they are far removed from day-to-day actions. Over time, they can evaluate performance, but they look mainly at share price and company strategy. They are rarely interested in—(or qualified to comment on!)—the CEO's daily behavior.

But the CEO's daily behavior will make or break the company! The CEO's duties don't change because they are unmeasured. Indeed, lax measurement makes it easy for the CEO to feel confident, even when she shouldn't. Good feedback is the only way to know what's working, but share price simply doesn't do it. External measures measure the company, not the link between the CEO's actions. A low share price tells her something's wrong, but it doesn't help her figure out what.

By measuring her performance based on her duties, a CEO can learn to do her job better. As explained in part 1, the CEO's job is setting strategy and vision, building culture, leading the senior team, and allocating capital. The last of these is easy to measure. The first three are more of a challenge.

How does a CEO know she's doing the vision thing? It's hard. *Having* vision isn't enough—that just takes a handful of mushrooms and a vision quest. *Communicating* the vision is the key. When people "get it," they know how their daily job supports the vision. If they can't link their job to the vision, that tells a CEO that her communication is faulty, or she hasn't helped her managers turn the vision into actual tasks. Either way, **a CEO can monitor her success as a visionary by questioning** and listening for employees to link their jobs with the company vision.

Culture building is subtle, the culture a CEO sees may be very different from the culture of the rank-and-file. One company had a facilities policy that all equipment within 450 feet of the senior management offices was kept in top working order. Senior managers saw a smoothly running company, while everyone else saw neglect and carelessness.

Surveys about openness, values, and morale can be used to develop a measure of culture. The questions to ask aren't rocket science. The book *First, Break all the Rules* gives a great questionnaire for measuring overall culture. Also, check turnover. When 95% of your workforce says they can't wait to get to work, something is going right. If people rarely leave, and if it's easy to attract top talent at below-market prices, you can be sure the culture plays a large role. If people leave (especially your top performers), again—look to culture. And don't underestimate the power of walking around and counting smiles. If people are having fun, it will show.

The CEO's success at team-building can often be measured through the team. Teams usually know when they're effective. They can also rate their team using assessments that measure specific behaviors. For example, "I can trust my teammates." "My teammates deliver their part of the project on time." "Every member knows what is expected of them." Regular team self-assessments can help the CEO track the team's progress and hone her abilities to keep the team running smoothly[2].

Easiest to measure is a CEO's capital allocation skill. In fact, financial measures are the ones made public: earnings and share price. But how can a CEO link those to her actual decisions? Working with her CFO, a CEO can devise financial measures appropriate to her business. Sometimes traditional measures are most appropriate, such as economic value added or return on assets (for a capital-intensive company). Other times, the CEO may want to invent business-specific measures, such as return on training dollars, for a company which values state-of-the-art training for employees. By monitoring several such measures, a CEO learns to link her budget decisions with company outcomes. Ultimately, the CEO's should be creating more than a dollar of value for every dollar invested in the company. Otherwise, her best bet is to return cash to the shareholders for them to invest in more productive vehicles.

In startups, earnings begin low to nonexistent, and share price is more about salesmanship and vision than earnings. So the CEO gets almost no useful feedback about her capital allocation wisdom. She doesn't know whether a dollar spent on a slightly nicer-than-necessary copy machine is wasted or is a wise investment in a long-term. Careful attention to the design and tracking of financial measures can help her prepare for the transition to an earnings-driven company.

In his 1988 Annual Report, Berkshire Hathaway chairman Warren Buffett included an excellent essay on CEO accountability. Click here to read Mr. Buffett's observations on CEO measurement.

Footnotes for Part 2

[1] The CEOs don't help the problem. Many of my CEO clients highlight the value of honest feedback from their coach. Yet they complain about employees who disagree with them, just don't "get it" or don't have enough information "to understand the real issues." In a coaching call, they can hear feedback and consider it. At work, they treat disagreement as dissension, and then wonder why everyone's a "Yes man." *back*

[2] There are dozens of team effectiveness surveys. You can start by checking out http://www.cambriaconsulting.com, http://www.ccl.org, and http://www.pfeiffer.com. *back*

Pitfalls and Solutions for the CEO

A CEO can tank a company by not understanding their duties, or failing to set up good measurement systems. But it's also true that the job itself can screw up the person, as well. It's said that power corrupts, and few positions are more powerful than CEO. While the USA may be a democracy, our companies are legal dictatorships with the CEO calling the shots[(1)]. While she may be having a great time playing Boss, the position may be taking a very human toll.

It's all too easy for the CEO to become a … jerk[(2)] … without realizing it. They can forget—if they ever knew—what it was like to have a boss. They are free to ignore feedback that they don't want to hear, and no one will call them to task for it. They can bypass the chain of command when they want to meddle. They can give themselves raises and genuinely believe they deserve it. And most dreadfully, they can forget what it is like to be "one of the little people":

worker	I have to leave early today.
CEO	Why?
worker	To pick up my kids from daycare.
CEO	Oh… *looks genuinely perplexed* … Why don't you have your nanny do that?
worker	I don't have a nanny.
CEO	Oh… *wanders away with a mildly confused expression*

The worker was an incredibly productive person. She worked harder than the CEO, got more done, yet couldn't have afforded a nanny if her life depended on it. The CEO didn't intend to be a jerk, but his lack of empathy didn't win many supporters.

A CEO can become arrogant by externalizing blame

Having no day-to-day accountability for her actions can also turn a CEO sour. When things go wrong, she can blame everyone around her without facing her own shortcomings. "My employees just don't get it," proclaims the CEO, never thinking for a moment that *she* is the one who hired them. Did she hire incompetents? Or has she failed to communicate goals consistently and clearly? "Market conditions have changed." she declares. A nice excuse, but isn't it the CEO's job to anticipate the market and position the company for success under a variety of scenarios? Without someone to keep her honest, she can gradually absolve herself of all responsibility.

Believing in a title can lead to overconfidence

Arrogance also threatens a CEO. "Because I am CEO, I must know the business better than anyone else." It has been said, but it just isn't true. No CEO can be an expert in all functional areas. A CEO who is doing her job is spending time with the big picture. If she knows the details better than her employees, she's either hiring the wrong people or spending her time at the wrong levels of the organization. It's appropriate for a CEO to manage operations if absolutely necessary, but she should quickly hire good operational managers and return to leading the whole business.

If she also comes to believe that the CEO title grants infallibility, watch out. Even the Pope is only infallible a couple of times each century. But CEOs can reinforce their delusions of grandeur by giving themselves higher salaries (surely she deserves it! After all, salary benchmarks show how underpaid she is) and more perks. Then when layoffs come, the CEO wants applause for having the moral strength to make "hard choices," quietly overlooking how her own poor decision making led to the need for layoffs.

CEOs can stop learning well

Of course, once infallible, there's no more to learn, and a CEO may quietly stop learning. Without daily oversight and high quality feedback on how she does her job, she can mistakenly believe her actions lead to success. In reality, she may be doing the wrong thing, but her staff may be working around the clock to cover for her.

Furthermore, sins of omission aren't penalized. A CEO who does an adequate job, but far less than she could/should have done—goes unnoticed. In hindsight, XYZ Software[(3)] could have had a $1 billion market niche, and gone public with a valuation of tens of billions. Instead, it stuck to one product, had little understanding of its markets, and ignored competition. Yet it still went public in a $300-million IPO. Was management penalized for a lack of vision and market responsiveness? Hardly! The top managers walked off with $60 million apiece, reinforcing the notion that they had done a great job. Yet with a slightly grander vision, the company might have been 10 or 100 times its size.

Setting vision is the CEO's job, but nothing tells her if her sights are too low. She isn't penalized for missing the grander vision. Such sins of omissions are a CEO's worst enemy. She can be lulled into mediocrity by not knowing what would have been possible. The four-minute mile was considered impossible…until Roger Bannister ran it. Now, it's commonplace. Likewise, a CEO may limit herself by not realizing she can do her job better.

Though salary benchmarks are common, performance benchmarks are surprisingly rare. Quality learning demands a CEO benchmark herself against other superb CEO's. Her central learning question is not "are you doing a good job?" but "are other CEOs doing a better job and if so, how can you learn to measure up?[(4)]"

Footnotes for part 3

(1) Ok, ok. Technically the Board of Directors has hire/fire authority over the CEO, but the Board can't control day-to-day operations. And while there are certainly boards that replace inept CEOs, it takes sustained incompetence over a long time to move a board to action. So for practical purposes, the buck stops with the CEO. *back*

(2) Her employees may use less diplomatic terms. *back*

(3) Names are changed to protect the innocent. *back*

(4) An excellent book on management best practices is "First, Break All the Rules" available by clicking here to go to the books page. *back*

Coaching tips to stay sane and skillful at the top of the heap.

These coaching assignments will help an executive avoid some of the pitfalls of the CEO job. They are simple, easy, and won't take much time. They'll help a CEO stay connected with workers, keep herself humble, and increase her learning while becoming more successful. The suggestions strive to be quick and easy to do, while still producing real results.

Make Space to Practice These Assignments

Set aside 5 to 10 minutes, daily, to developing as a leader and human being. This will be the time you think about the below topics and set your mind for the day. Schedule the time if necessary. Just make sure that you do what's right for your growth.

Pace yourself. Life is long. Adopt these suggestions one or two at a time, and practice until you make them your own. Then move on. Forcing won't help; this is about developing at your own natural rhythm. Do one assignment for a few weeks, then move on to another. Keep the ones that work for you and drop those that don't.

Staying connected with "the little people"

Cultivate an attitude of respect—your respect for them. The "little people" are the ones turning your vision into reality. Meditate on this for a few minutes and ask yourself whether you can their jobs as well as they can. If you can, then you're not hiring the right people—go change that! Otherwise, once a day, go talk to one of your low-level employees—someone more capable than you in their area of expertise—and learn from them. Choose a different person each day. Get as close to the front line workers as possible.

Listen with an open mind and learn. Learn about their job. Ask what works for them and what doesn't. Above all, listen to their comments without judgment. Your goal is to connect with their experience of the world, not impose your own. Learn about their life. Find out what motivates them. Why did they come work for you instead of somewhere else? Simply by spending a few minutes understanding their life, you can greatly increase your appreciation of how they're different (and similar!).

Share your vision and job with them, from a position of service. Pretend that your job is to make this person a success. Ask them how their job fits into the work the company does. If they don't know, take on the responsibility of helping them understand how their job links to the vision. Clarify any confusion they may have about where the company is going. And ask them what you can do to help them succeed at doing their best. Then do it.

Staying humble

Acknowledge, often! Without your employees, your dreams and plans wouldn't amount to much. Take every available opportunity to acknowledge the contribution of those around you and give them credit, especially in public. Feedback is rare in most companies, and positive feedback is rarest of all[(1)].

"Get" that it's all your responsibility. When things don't go the way you want, take responsibility—whether or not it's your fault. The mindset of responsibility will put you in a much more powerful place than the mindset of blame. Regularly review circumstances asking, "What could I do differently (or stop doing) to make a positive difference?" Identify the action and then take it. You'll be surprised how much more power you have over externalities, operating from responsibility rather than blame.

Gather honest advisors to held you accountable for your behavior. Sometimes a Board of Directors will give honest feedback, but they are removed from your day-to-day behavior. Actively solicit feedback from third parties: friends, peers, associates. Share your issues and how you're handling them, and ask for an honest assessment. Everyone in a comany is accountable to someone for their behavior, except the CEO. Make yourself accountable as best you can.

Identify your limits. Ask, "can someone else in the world do my job better than I am currently doing it?" If the answer is Yes, seek out that person and ask for their guidance in getting better. If the answer is No, validate that answer by asking your advisors, competitors, suppliers, customers, and employees. Many companies have crashed and burn because they believe they were the best, for no good reason but pride and ego.

Create measurable performance criteria for your executive team, including yourself. Make sure people within the organization know your goals, and know what you can be counted on to do. Hold yourselves accountable. If you don't meet your goals, withhold your bonus, take no raise, and treat yourself exactly as you would treat an employee who missed their targets. It sends a powerful message to the company than you're serious about performance.

Ask your direct reports, your Board of Directors, and anyone else you work with for feedback a couple of times a year. You can use a 360-degree feedback process or simply ask in an e-mail. It's a lot easier to hear feedback on your performance if you've explicitly asked for it.

Videotape yourself receiving bad news. Watch the videotape and decide whether or not you would want to work for that person. If the answer is No, learn to chill when you hear bad news.

Learning well

Study excellent CEOs. Call a CEO you admire and invite them to lunch. Exchange tips and adopt tactics that others have found useful. Read books like First, Break All the Rules, which are broad-based studies of habits of top-performers. Adopt at least one new habit a month.

Create systems for gathering feedback. Interview customers, competitors, analysts, and others in your industry to know how your company and products are perceived. Make sure you're gathering feedback that will disconfirm your beliefs about the world, as much as confirms it. For example, if you think you're #1 in your market, don't just ask customers why they like your products. Ask what other products they use, and how your products fall short.

Spend time learning about the fundamentals of a CEO's job:

- Setting strategy. The strategy and vision for the company determine where everyone will focus their efforts. Find a vision and strategy and use it to align your entire company.
- Creating the corporate culture. Your culture will determine what people do and don't try, who will stay, who will leave, and how business will get done. Culture starts with you. Decide how you want people to act and start modeling the behavior publicly.
- Capital allocation. Every dollar you raise and spend should produce more than $1 of return for the company, or it's a waste of money. Learn how to make these

judgements.

- Hiring and Firing. The job of executives is primarily team and culture building. Hiring and firing are must-have skills. Read, take classes, and review past hiring successes and mistakes. Do whatever you can to hone your abilities.

Raise the Bar

Hold yourself to higher standards next year than you did this year. Challenge yourself to learn to get more done with fewer hours and fewer resources while creating a more balanced life for yourself.

These are just a few of the things you can do to increase your chances for success as a senior executive. I also believe in working with a coach to identify and overcome (or compensate for) blocks in your performance. Success can be had with many different skill sets. The more you learn about yourself and your capabilities, the better you will be able to shape a job that works for you. The more you learn about the capabilities of those around you, the better you will be able to build teams that produce spectacular results.

Do Great Things!

Footnotes for Part 4

(1) Social psychology has shown that rewarding desired behavior is far more effective than punishing bad behavior or non-performance. For reasons that aren't entirely clear, our culture has evolved around using punishment as the main way of controlling behavior. Unfortunately, punishment doesn't work very well. Interestingly, animal trainers have known this for years. For an excellent book on the subject, check out *Don't Shoot the Dog* by Karen Pryor. *back*

Further Reading

You may also enjoy the article The Executive Mind-Set and my book on business leadership, It Takes a Lot More than Attitude...to Lead a Stellar Organization.

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