The Ten Deadly Sins of CEOs

Mohan Nair

Failing companies have blamed their troubles on the faltering economy, the 9/11 disaster, and other things. But it's more likely to be the result of bad decisions by CEOs, says the author, who counsels many of them. Can you avoid their mistakes?

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Recently, failing organizations have blamed the economy, the 9/11 disaster, and the dot-com crash for not meeting their business targets. However, when a company succeeds, it is the management team who declares their significant participation. Even though there is significant merit to these market conditions, just once, I would like to see a management team take the blame.

Markets create the need for products and services while customers are the ultimate unforgiving measure of the true success of a company. However, the decisions ultimately in the hands of a CEO determine the success of any organization.

Whatever the size or business of your company, one thing will always remain true: the chief executive makes the final decision. Hence the sins of the CEOs' decisions will drive the success or failure of the team. CEOs are highly respected because, to get to that level, one must have endured tremendous suffering but learned valuable lessons. The CEO's job is also a lonely and underestimated function. CEOs are subject to scrutiny and misunderstanding, now more than ever, given the unstable market view of business.

Still, business decisions have to be made and CEOs make them daily.

This article is about such decisions. Many a podium is populated with the "how to do it right" presentations, covering the "ten best strategic decisions I made to build this company." But the sins of the mind become the sins of the body in many cases. The sins of the CEO become the sins of the company. Let's take a somewhat whimsical view of the decision sins made by CEOs. In my advisory services, I meet and counsel CEOs who are troubled by their decisions. This is a collection of such challenges.

By no means are these ten pitfalls exhaustive or meant to declare a necessary and sufficient condition for failure. There are several other well-documented paths to failure. But these ten seem to be the ones seemingly left unexamined.

THE ART OF FAILING SUCCESSFULLY!

Every CEO will remind you of deadly decisions causing the company to fail. To an extent, true failure is a result of bad decisions made by good management. To fail successfully, one must really make a compounded set of decisions, because one bad decision seldom kills a thriving organization. In the past 27 years of running companies, I have made many bad decisions but the ones that kept me up at night, wondering over them, were the little seemingly insignificant combinations of decisions that really hurt the company. In other words, any set of decisions that hurt you or your company become significant only after they are elevated in status after their impact is seen. We have

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isolated ten such decisions which, if taken in combination, can devastate an organization.

Sin #1: Working without a "Cause"

People enjoy a hard-charging, "take no prisoners" CEO. They also like a CEO who believes in work–life balance and values. However, many CEOs reflect a combination of values, sometimes contradictory, which confuses the company in the life cycle of growth.

Once, I ran a motivated organization, driving them as much as they wanted. I worked long hours to symbolize the work-ethic, and showed that rewards came from sacrifice. Instead of rewards, I found that many of my team never wanted my job and did not long for the benefits of such work. I wondered for many years why this was the case. I then tried another way. I left work at regular hours, walked around a lot to talk to people, showing them that my job was worth taking. That did not work either. The problem was clear once examined. I was trying to impose my ideas of performance on them when I should find what the team's true work personality was. Teams need to inhale at times and exhale at times. This discovery brings performance.

CEOs know when they are imposing their will onto an organization and when they are bringing out the will of the organization. President Bush brought out the will of the nation in fighting terrorism by merely stating his position to the nation. Gandhi brought out the will of an entire nation by clearly articulating his purpose of nonviolent noncooperation to free his nation of subordination. These are powerful examples of finding that trigger to the motivation of any organization.

Many CEOs believe that their passion is the passion of the company. This is a delusion. Organizations are made up of multiple agendas and motivations. One must uncover the hidden common goals under the skin of the organization. Many employees may not seem like they are leaders in organizations but they go home and lead a scout troop or they lead a church or temple. They are choosing to find causes before they find work. If you can tap into the "cause" in them rather than the "work" in them, you will see a fast-paced sprint for your organization.

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Sin #2: Destroying Cultures of Nonconformance

CEOs like to have people who respect them and obey them. Disagreement is permitted, but within bounds of acknowledgement that "You are the boss and make the final decision." I have witnessed many a table top argument where an employee will challenge the ideas of the CEO and the fires will burn and the thunder bolts will fly and the CEO will hold his ground until he or she hears the words, "It is ultimately your decision and I will support you." Then the CEO changes his mind and agrees with the challenge that he fought for hours, with a new spin and justification.

Many a CEO wants to be challenged and wants opposing points of view, but within limits. Many would say, "I will take one half the performance for twice the attitude." How true that is. But we make one assumption in this recipe. We assume you can remove the loud ones and the quiet resistance will leave as well. Failing CEOs actually believe that conformance within the rules symbolizes motion. But momentum is driven by other forces. The successful CEO is an evangelist and a culture filter. He knows they can win by bringing all the wood behind the arrow aimed at the ultimate target, and that the partners of today for today's battle may become the battle of tomorrow. Keeping the partners, that is, organizational members and allies, in line opposing a common target is the ultimate challenge—not finding people of like thought and kind. Factions are opportunities for diversity. A failure to bring these factions into play is a failure of the Chief Executive. If you destroy that which does not agree, you will ultimately destroy everything.

Sin #3: Business Performance before Culture

In this rapidly changing business climate, a CEO must perform or perish. "A CEO is always on a 90-day employment contract," says the CEO of a billion-dollar high-tech company. You slip and you fall forever. Given the financial debacles compounding the issues, CEOs are not trusted until they prove themselves. The natural consequences of realizing the lonely CEO role can be isolation and focus on the financial results as the end, not the means. After all, no CEO gets fired for a high-performance, unhappy company. So why worry about culture first? Just drive for success and culture will follow, right? Everyone talks culture but results are more important—are they not?

The problem with this mental model is twofold. First, it really does work in the short term to be inhumane and get performance. It just takes tremendous energy to recycle employees, work the politics, and ensure that you don't get fired in the process. But the same energy focused and applied to the cultural development of an organization results in regular, predictable reactions that permit a CEO to focus on other growth-oriented strategies. If the goal of a CEO is to be surgical and not be like a blunt knife, he should spend time developing a culture of competence, not be a guardian of guilt and fear. Ninety-day probations are a way of life anyway. Why let that stop you from building a 2,000-day program. Culture is not defined as just happy people and a good working environment. Here, the CEO becomes the constructor of culture as defined by these questions:

- Can people get their jobs done effectively?
- How many decisions get made in what time frame and at appropriate levels?
- Does the management deal with dispute resolution effectively and how much?
- How do decisions get made? Are they followed through? And what is the average time for an action item to close?

Second, the "take no prisoner" model just does not breed excitement and motivation for the customers. Any customer who enjoys an "at all cost" mentality with its vendors is not a long-haul customer. Furthermore, customers can feel and taste culture without listening to words. Culture is the protection you provide to the customer-facing individuals. Ultimately, that is what they sell to your customers. Customers buy from companies with great culture and great products. Successful CEOs demand performance, but also for it to be achieved the "right" and differentiated way.

The relentless pursuit of advanced solutions to increase revenue is a longer term tactical move.

Sin #4: Chasing Technology Trajectories for Immediate Revenue Returns

Organizations, especially high-tech ones, are driven by technology. Many believe that bits and bytes solve almost anything. For example, a technology platform will increase customers; a new system will make payroll more effective; a CRM (Customer Relationship Management) system will increase revenue. Although some of these can be viewed as facts, two other axles must be working for the productivity wheel to move: People and Process. Without these three things holding the wheel, nothing moves.

I have a saying, "God created the earth in six days and rested on the seventh day because he did not have an installed base." Anything new in technology seldom brings immediate purchases from an installed base of users. The early adopters will pick some up but only to try. It takes time and adoption curves to build a real legacy of change. CEOs who believe that new technology and only new technology solves the woes of revenue are only partially complete in their thinking.

The relentless pursuit of advanced solutions to increase revenue is a longer term tactical move. Customers don't change till all forces compel them to do so no matter how attractive the features of the new products. IT purchases have stalled in the last two years and continue to be selective, at best. Successful CEOs understand that technology trajectories will always accelerate, and they must be on the curve; but to bank on that adoption curve and jump around looking for the next big untested thing is the mark of a bull's-eye in motion. The telltale comment is, "I am the CEO, I am the founder, I have met with customers and I know what they want even though they are incapable of telling me."

Disruptive technologies exist in any industry and any CEO must protect the company from this disruption. But one tends to assume that disruptive means advanced. Sometimes, the most disruptive technology can be one that just solves the most important problem a customer has.

Sin #5: Establishing Bullets and Toilet Paper

In wartime, soldiers need bullets and toilet paper to really perform. This is a crude way to illustrate the value of logistics and backup talent placed behind any powerful sales team. Bullets signify the sales process, toilet paper signifies the valuable back-end logistics. CEOs who charge ahead to battle with a "build as you go" approach to logistics, support, and intelligence systems do not recognize the transparency of their company.

I was an infantry soldier early in my life. In the course of this training I learned that there is no value in running ahead of your entire battalion and making it to the war first. You just get killed first. Without the entire team in play, the battle will be lost. Sales professionals, by default, are designed to believe the CEO and admire the role. These professionals have delusion built into their personality in order to succeed. Imagine the strength it takes, day-in and day-out, to get rejected 70 percent of the time and to be accepted only 30 percent of the time. These strong individuals want to know that they have backup. Once they are disillusioned by this lack of backup, sales will fall.

CEOs must protect their unit and make the customer-facing members successful, not just with sale tools but with the trust that they are not out there by themselves. Everything they say, think, and do is being observed and measured. You can never compromise their mission and their view of their world. One company insisted that every VP godparent a set of customers, and ensure that they are supporting to the fullest these key ones. This gave the sales teams tremendous confidence in timely and even anticipated responses from the firm.

On another occasion, I witnessed a team meeting including all VPs of sales, marketing, engineering, and support, in which the VP of engineering spent 20 minutes informing everyone of the problems he had with his team and how the product was limited in quality without talking about what he could do to make it succeed. He thought that his peer group would be supportive and listen to his session, as all secrets could be kept in the meeting. It took me many months to re-energize the teamwork in the group. This VP did not understand the fundamental requirement of the role—being the custodian of confidence.

By no means am I declaring that anyone should lie. However, a VP must build confidence in anything he does by providing confidence that the right person is on the job. This VP did not understand the "bullet" side of the business. Salespeople ran out of the meeting with no desire to sell anything. This VP did not realize that he was the custodian of the product confidence, and he relinquished that responsibility—resulting in a future loss of sales.

Customers appreciate companies that display an awareness of the competitive climate.

Sin #6: Love Thy Neighbor and Ignore Thy Competitor

CRM (Customer Relationship Management) has taught us to build relationships with our customers. Customer intimacy is the name of the game. But there are three players in the theatre of battle: the customer, the selling team, and the competitor. Neglecting one over the others is an organizational blind spot.

Many organizations talk competitiveness but seldom understand the true power of beating the competitor before the battle is even fought. Many do not use true human and machine-gathered intelligence, secondary and primary intelligence, to understand the changing terrain and the changing rules of engagement in the sales environment. If I were to characterize sales events these days using battlefield analogies, it would be like learning about how your enemy is winning by sacrificing troops regularly.

The smart CEO is competitive but not arrogant. He is dedicated to constantly understanding the competitors, and monitors their behaviors. He knows that the only thing standing in the way of a win is the competitor, and if removed or obviated with knowledge, that leaves the customer with no other choice but a purchase. Misguided CEOs believe that if they just love their customers, the win will take care of itself. Customers are not that ignorant or that loyal. They must win as well. Competitive intelligence (CI) has had a tough time getting past the "covert" identity but all in all this field of work requires skills not evident in the average sale person. CI must live mainstream, past the loyal and dedicated analysts to the day-to-day battlefields of sales.

Customers appreciate companies that display an awareness of the competitive climate. Once, I flew to Texas to convince a large Global 100 company that, as President, I was making the trip to show organizational respect for the company. On my arrival and presentation, one gentleman in the audience asked, "Why did it take so long for the President to turn up when your competitor had their President make the first call?" I answered, "Because he is not really a president … he is only the president of U.S. operations when R&D is done overseas. Ask him how long it would take him to get a product feature changed, and if he can do it as well as I can, I will step aside. With me, you are talking to the person to whom all worldwide operations report." The knowledge of my competitors created powerful responses. Without it I would have been at parity at best. The old rules still apply. If you are the incumbent and bigger than your competitor, try to ignore them in public but watch them always in private. If you are the small, fast, and nimble one chasing the bigger one, irritate them elegantly and get them to acknowledge you in public. Then you are in the frame of reference of their customers.

Sin #7: Without Me the Company Will Not Survive. But It Is So Difficult to Find My Replacement

Organizations go through four distinct phases of evolution:

1. Creating the venture
2. Emerging
3. Growth
4. Being established

Each phase is distinct in the sense that each requires different skills from all involved. The strategies employed at each level may not apply to the next level, and sometimes even the people don't fit. The company is losing its skin and becoming a different reptile at every phase. The role of the CEO and the board is to guide the company through all of these steps. The CEO is almost indispensable in the early phases of the company. In many cases, the CEO is the driving force behind such companies and the vision cannot be materialized without his direct involvement in almost everything.

Some organizations never grow out of this identity and remain that way and function well. Many organizations keep themselves under the guidance of a strong CEO with a stronger vision. The sin begins when the CEO lets that go on and when he does not do anything about it until it is too late. It's too late when the CEO wants to leave or retire. Then it becomes a mad scramble for a replacement when one cannot be found. Successful CEOs know that transition planning does not mean transition, and that hiring and growing more talent and bench strength does not undermine the position but actually enhances the position. If the CEO sees himself as the best player on the team, he would be threatened. If he sees himself as the coach, he knows the best players are essential to building the team—and if the players graduate to be coach, what a bonus! CEOs who are true to themselves know that they do not need any disruptive VPs challenging their job all the time or undermining their position. Despite this risk, the successful CEO denies that he is the sole reason the company grows. He finds others to credit for that.

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Sin #8: Entrepreneurial Spirit Is Indirectly Proportional to Growth

As organizations grow from the venture creation mode to the emerging to the established status, we hire process-oriented thinkers, leaving the entrepreneurial thinking behind. Then we attempt to bring it back using "skunk works" or "gurus in the garage" methods. These are fairly good methods, but the ideas that bring a company to greatness seldom come from a few manufactured entities. They come from deep within any part of the organization that dares to think out of the box. With the mainstream gaining momentum of conformance, entrepreneurial thinking dies a quick death unless the CEO builds it into the spirit of the company. All stages of a company must be carried along, else we all become established entities with pencil operators who know how to run a good meeting, bringing out the best of our team but never coming up with any authentic, creative, powerful, and disruptive idea.

What are the symptoms of this slow death? One example is the use of technology as a weapon, and not as a tool. The killer application of our century seems to be email and the application that kills seems to be the same! When you see a mail item with the CC list longer than your arm, it does not take long for us to know that we have gone from a rational organization to a political one.

The successful CEO understands the tension between the mainstream and the out-of-box thinkers/doers. The mistake lies in accepting one group as entrepreneurial and the other as plodders who can only row forward. He knows that miracles must happen with both sides, and that neither one is bad or good. Does he separate the new from the old? How about putting the disruptive technology research in a separate building? The bigger and more challenging question is, "How do we keep the fires burning on both sides of the camp?" There will be the team who believes that everything the CEO wants they can build with current incarnations, and there are those who know that they want creative destruction to happen for them to build the next new widget. Entrepreneurs are needed to keep things alive with money coming in, while innovations are being built. CEOs who have mastered the art of capturing thoroughbreds and not making them farm animals can create the next market inflection without sacrificing the core business, because the core business does not feel left out as entrepreneurs.

Sin #9: Build Operating Process and Rules, No Exceptions

CEOs are constantly bombarded with exceptions to the rule. Many times, the VPs have already informed everyone that they will not budge from their position and posture. The rule is the rule. Many VPs are looking to the CEO to affirm their position, only to discover that the CEO makes an exception, somewhat insulting the entire process. The CEO does not reinforce the rule. Is this wrong? When operating processes are in place, why make exceptions to the rule? Then there would be chaos.

Successful CEOs build exception handling as a process as well and not as an item that bounces out of the system like a stray ball while everyone wants to run away from it. CEOs in the know define rules of engagements especially at exception analysis and handling. It is in these exceptions that the customers understand who they are really dealing with. Many companies are wonderful to deal with if you follow their rules. Once you challenge the process, it sometimes seems that the doors close fast in front of you and you feel totally misunderstood. The most powerful thing a CEO can nurture in the team is the skill to really hear the problem to be considered as an exception.

We all agree that you cannot cut your way into success. However, neither can you grow your way to profit.

Moments of truth happen several times every single day. These moments or exceptions are defining moments for the customer. In one of my companies, the VP of services placed a picture of a fire fighter hat on the name of the person who needed customer assistance, and placed the customer support list near any walking area so that the entire company was aware of any crises facing the customer. This magnetized and galvanized the entire organization down to the first person answering the phone. I was aware of any problem and when the exception request hit my phone, I was ready, aware and challenged to make this problem into a new possibility.

Sin #10: Searching for Revenues, Forgetting Margins

CEOs have been pounded in the last years with shortfalls in the top-line. They tried to cut costs, but how deep can they go? With falling revenue targets, CEOs are now saying to themselves: Just get that top line up, because I've done all that I can on the expense side. But have they? Have they understood that it is not revenue that saves you, but revenue in combination with margins. The profitable products and services are the ones to keep, and the unprofitable ones are the ones to examine and improve. But true profitability cannot be found in traditional ways. One must turn the balance sheet and income statement on its side to uncover the activities that provide profit and ones that take it. We all agree that you cannot cut your way into success. However, neither can you grow your way to profit.

Profitability is an elusive challenge if CEOs don't demand transparency in understanding and analyzing which products truly produce the best results in the marketplace, and in profits. The age of analysis is upon us, and the ones that win will understand that Business Intelligence and Business Analytics are the necessary and sufficient conditions for corporate growth. The skilled CEO understands that he needs to use analytics and gut-feel. Usually, the gut is right and the analytic justifies it. For an organization to grow out of problems, both must be deployed at all levels of the organization.

Hence, fields of analytics like Activity-Based Analysis, Business Performance Management, Scorecarding, and Budgeting/

Planning systems move from nice-to-haves to must-haves in the enlightened CEO cockpit.

CONCLUSION

These ten CEO sins are obviously not the only sins available. We are constantly able to add to this list and I invite feedback on them. CEOs have tremendous capacities, and a responsibility for job creation and economic growth—which the world needs. These noble causes sometime take a backseat to other flamboyant tales of the time. But good CEOs understand that their job is a craft—one that takes years to master, and more years to pass on. The long-lasting CEOs whom I have had the pleasure of working with remember that respect comes not just from revenue creation but also from the manner in which revenue is created. CEOs who overcome their inner inhibitive characteristics graduate to become high-performance legends that can create legacies beyond themselves. These CEOs build companies into symbols—symbols that actually represent virtues rather than sins.

Mohan Nair is CEO of Emerge Inc., a firm focused on Entrepreneurial Strategy, Executive Leadership and Performance Management. For the last 25 years, Mohan has taken pivotal hands-on operational roles in companies ranging from Fortune 100 organizations to small startups. He was President/COO of ABC Technologies for seven years. From 1993 to 2001, he was adjunct professor at Kellogg Graduate School of Management. A sought-after speaker, he is also author of *Activity-Based Information Systems* (John Wiley & Sons). Mohan runs a regular CEO Forum for the AeA and has been a Board member since 1994.