



A CEO Only Does Three Things

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The Summary

Section I: The Essentials

Chapter 1: A CEO Only Does Three Things

One of the great venture capitalists of the last thirty years is Fred Wilson. He founded Flatiron Partners, one of the first internet-focused VC firms, as well as Union Square Ventures. Thanks to his genius for spotting concepts that will attract millions of active users, Wilson has led investments in enterprises such as Twitter, Tumblr, Etsy, Uber, and many others.

Before initiating a search for the CEO of a portfolio company that was in trouble after the abrupt departure of its founder, Wilson sought advice from a veteran of the boardroom. “What exactly does a CEO do?” Wilson asked the more experienced man, looking for something that would help his candidate search.

He wasn’t disappointed, as the man answered without hesitation: “A CEO focuses on only three things. He sets the overall vision and strategy of the company and communicates it to all stakeholders. He recruits, hires, and retains the very best talent for the company. He makes sure there is always enough cash in the bank.”

In this book, those three focuses are represented by one word each: Culture. People. Numbers. Properly focused, a CEO does these three things and nothing else. Every task of every day should relate directly to improving one of the pillars of this Trinity. Everything else has to be delegated to someone else. These three pillars serve to center your focus on the work that must be done. Focusing on them exclusively will clarify and inform your work at a level you've never reached before.

When CEOs of small companies hear this prescription, they often reject it, saying "That would be great, but right now I'm too busy doing what I have to do to survive." Of course, that assertion is valid. After all, startup CEOs who spend all their time thinking about the ideal Culture, the best possible hire, or what charities they will support once the profits start rolling in, won't be very successful.

But let's state the obvious. Being the CEO is hard; it's at least three times as hard as the next hardest job in an organization. A good CEO takes the credit for nothing and the blame for everything. A CEO is always alone; that's the joy and the hurt of it.

If the CEO fails to focus on the three things that matter most, does it mean they will go unattended? Unfortunately, no. Aristotle said it best: "Nature abhors a vacuum." Left alone, an asphalt parking lot will break apart, sprout weeds, grow trees, and return to its natural state. The same process is at work in our organizations. If we allow a vacuum to form—a place where executive action does not exist—it will be filled by others, and rarely with the beliefs, actions, and behaviors that lift an organization to new heights.

Chapter 2: The Psychology of A CEO

To lead others, you must understand People—how they think, how they process information and choose to accomplish certain tasks, what motivates them, and why. The greatest executives reach People at their deepest,

most fundamental levels. To understand people, we must first understand ourselves and rely on the universal laws of human developmental psychology.

Every person is comprised of three distinct yet interdependent psychological dimensions. Each dimension plays a role in your life, and they work together to bring levels of success consistent with your inner values and beliefs. Think of these dimensions as a pyramid. At the top is the "I Think" dimension, the intellectual part of you that learns, makes decisions and exercises choice. It operates entirely in the conscious sphere, processing information and giving voice to your inner thoughts. It is largely incapable, however, of propelling you toward action.

In the center of the pyramid is the "I Feel" or the emotional dimension. It is here that your feelings and emotions reside in a semiconscious state. Your entire inventory of possible emotions is stored here, ready to be called upon to initiate you into one of four actions: fight, flight, freeze, or fawn.

The foundation of the pyramid, "I Am," represents the creative dimension that gives rise to your sense of identity. Your values, beliefs, self-image, purpose, and several other powerful psychological mechanisms all reside here in a completely unconscious state. Everything in your life—the quality of your relationships, your financial success, your life achievements—finds its genesis in the "I Am" dimension.

Great leaders transcend the intellectual and connect with People at the level of belief (their "I Am" dimension). By recognizing and expressing shared values, they show their humanity. They create a common bond to inspire action and contribution. Once so inspired, People can deliver the extraordinary.

All great leaders are driven by a personal vision for their organization. But that's not enough. Leaders need to tap into the deeper levers of their stakeholders. It's the only way to galvanize them toward a shared goal.

Chapter 3: A Time for Choosing

Decisions are never easy. It's rare for a leader to be presented with a simple binary choice: "Should we do this or that?" Rather, every decision involves several options, each of which can appear to be the right choice given the circumstances. Often, the CEO will need expert advice or feedback from the senior management team, but ultimately, deciding is what CEOs are paid to do. When it comes to decisions regarding the Trinity of Culture, People, and Numbers, the CEO is the sole and final arbiter. These decisions cannot be delegated. The chief executive must own the consequences of these decisions, whether they're good or bad.

There's plenty to be discussed about what separates a good decision from a poor one. While we can't review all of that information, two universal factors define poor decisions.

First, when we make decisions without reference to our core beliefs of right and wrong—our values—the decision will be a poor one, regardless of whether it's technically correct or not. For example, maybe I'm facing tremendous pressure from a competitor. I've done everything I can to best him in the marketplace, and I feel that spreading lies and slander is now my only option, despite my core belief in truth as a defining value of my life. As soon as I tell the first lie, I've made a poor decision, and its weight will be with me until I acknowledge and make amends for it.

Second, and far more common, when we decide without the intent and commitment to carry it through to success, that's also a poor decision. In the words of the Stoic philosopher Epictetus, tentative efforts lead to tentative outcomes. Therefore, give yourself fully to your endeavors.

Section II: Culture

Chapter 4: Culture Trumps Everything

When you take inventory of what makes your business successful, you might look first at the quality of your products, then at the sophistication of your internal processes, and maybe even at your intellectual property portfolio of patents and trademarks. Some CEOs identify the team of People supporting the company's mission as the prime contributor to success. Increasingly, though, CEOs around the world have come to understand that a company's Culture is its most important competitive advantage.

This realization—that Culture plays a paramount role in a company's life cycle—has been a long time coming. The roots of Culture touch every corner of your business. When Culture thrives, you attract talented People who perform exceptionally on behalf of the business, which in turn drives positive growth in your Numbers. When a company's Culture is broken, your best People move on to other opportunities, and the People who stay are unlikely to act in the business's best interests.

The concept of Culture goes far beyond its dictionary definitions, and its relevance to your business should be immediately clear. Culture is the ethical environment in which we live and work, including the beliefs, behavioral rules, traditions, and rituals that bind us together.

Culture trumps everything. It trumps personality; it trumps biology; it trumps our previous education and training. Culture trumps everything because Culture drives behavior. It is unspoken, automatic, and almost invisible. It helps us determine what we should or should not do in a given situation. This is what makes Culture crucial to business: the CEO cannot be physically available to influence every choice that every employee has to make each day. But Culture can.

Your company's Culture can either be the result of deliberate choice, driven by your decisions as the CEO, or it can be the collective result of the unguided, unmonitored choices of your People. Culture is like a plot of land. If you choose to plant and water crops, you can grow a lush garden. If you instead leave the plot unattended, weeds will overrun the property. No matter what, something will grow. That's how Culture works.

Your choice as a CEO is to either ignore your Culture, which allows weeds to choke up your crops, or to invest in the intentional practice of tending and caring for the farm, giving your plants the nutrients and support they need to flourish. This is your garden. What will you plant?

Chapter 5: Your Values Proposition

To design the Culture that you want for your company, you must take inventory of the shared values of the group. What are those things that you and your team believe to be universally true? Those are the things you care about most, the things that you seek in your lives. These are your values.

Values are personally rooted in each person's "I Am" dimension. Collectively, they permeate your entire organization. Just as values are the foundation of our belief systems, so too do they form the foundation of our Culture. Tapping into the shared values and identity of a group of people gives you tremendous power to influence the group's behaviors.

The first step in creating your Culture is to take inventory of the Culture's primary values. Your task is to think about the behaviors that members of your team exhibit. Behaviors are the physical evidence of personal or group values, upon which individuals model their actions.

You'll want to play the part of the detective, observing them from a distance, maintaining your objectivity, and

watching to see what behaviors show up. You won't have to eavesdrop or spy on your People to observe their behaviors, but you may need to adjust your mindset to take it all in. This is not a time for judgment, only an opportunity to observe.

Listen to the voice of your company. What phrases pop up most often in conversations about work? How do your People describe the company and their roles in it? How do they perceive customers? What do these verbal clues tell you about your Culture?

Next, involve your team. Facilitate a high-level discussion in which each person is encouraged to give voice to the most important behaviors they see at your company. Don't share your list, but instead lead the team in brainstorming theirs.

Ultimately, you will have two lists: the one you made and the one your team compiled. Examine them side by side. Do you and your People see your Culture through the same lens? Are there areas of contrast between the two perspectives? Are there things that overlap?

Taking all of these things into account, ask yourself how well your organization manifests your values to the world each day. The number of core values you settle on does not matter—some businesses have as few as three, others more than twenty. Focus on cataloging those values that produce the behaviors most necessary for your business's success. In formulating your values, less can be more.

Chapter 6: Your Commitment to Values

A CEO must do certain things intentionally for the benefit of everyone in the company, from the receptionist to the CFO. If you do not personally own the responsibility of curating your Culture, someone else will. In this vacuum, the business drifts towards a Culture where the People making choices about what the company truly

values do not have the big-picture vantage point of the CEO. They don't have the impact on People that a CEO does, and they certainly do not see the Numbers the way a CEO does. So, it is impossible for anyone but you to champion and lead Culture.

This means that you must personally act according to your business's values and be accountable to them. When I say this in a speech, the typical response is a head nod from the audience. "Of course, we're accountable for our values," they think. In practice, though, we can be just as blind to our unconscious behaviors as anyone in our organization. This can lead to eye-opening and sometimes difficult conversations that challenge your commitment to your values.

We once hired a young intern who later transitioned into an entry-level position. She was intelligent and motivated, and her contributions to projects were positive and worthwhile. One day, she came to my office and asked if I had a minute to speak with her. I invited her in and she launched into a respectful explanation of why we should reverse course on a recent decision I'd made for the company. The implementation work had just begun, and she strongly believed that the direction did not align with our values. I sat across from an entry-level employee, listening. I had decades more business experience. I had run the Numbers. I had done the research. I had squared the new plan with our values in my mind. By all accounts, there was no reason I should let her tell me how to run my business. No reason, except for the fact that she was right.

In making the change, we had not conducted a basic impact analysis and she caught us red-handed making a choice that would inconvenience our clients. At that moment, in the face of proof that we were making a mistake, I could have easily let my ego rule the day and ignored the company's values. If I had kicked her out of my office for challenging my authority, the message would have been clear: we talk about our values, but we don't live by them.

In your leadership role, you will face dozens of scenarios like this one. Running a business is a complicated task with several obstacles and pitfalls. At some point, you could be held accountable for the values by which you ask your People to live. This is why you must get it right from the beginning. Being held accountable to values that you only half-heartedly believe will gut your efforts at a critical time in your business.

Chapter 7: Ritual Effort

Rituals are the outward manifestations of our inner lives. They define our origins and our aspirations; not only who we are, but who we wish to become. They support our values and give us purpose and structure. They provide us with an identity within our communities. Without them, we lose our sense of connection.

By packaging a specific aspect of Culture into a ritual, you make that aspect easier to share and promote, with repetition conditioning members of the community to think and behave in ways that align with the Culture.

Rituals are the route to practice. If you do not build rituals, your business will be just another venture where the values are on the website but nobody takes them seriously, and that will be most evident in the company's performance. Ritual is the path to preventing such a result.

Rituals come in all shapes and sizes, and each variation is important in its way. A variety of rituals come together to form the Culture. Ask yourself: What rituals are currently in place in your business? How does your organization informally introduce its Culture to new People joining the company? What actions are taken to express gratitude to the contributors to a project? Each of these is a ritual that underlines those things we find important.

You probably have more rituals in place than you realize, but be honest with yourself: do they represent the values you believe are important to your business? For

a ritual to be a positive force in your business, it should have the following ingredients:

- 1. Purpose.** Each ritual should have as its purpose the introduction or reinforcement of a shared value.
- 2. Repetition.** Rituals are meant to happen over and over again. While fringe aspects of the ritual may change, its core stays the same and is easily repeated.
- 3. Practice.** For rituals to be effective, they must be accessible and easy for all your People to practice. If the action is too complex or burdensome, the likelihood of regular ritual practice drops significantly.

Section III: People

Chapter 8: Understanding People

Understanding People is hard. They are bundles of walking contradictions, confusion, and irrationality. We're wired to be self-preserving, which can make us come off as selfish, egotistical, and greedy. And yet only by connecting with other People are we able to achieve our full potential. The trick is recognizing and joining with the right People.

Building a Culture of like-minded People is inherent in the CEO's role, and it is as much an art as a science. Hire the wrong person—morale crumbles and performance suffers. Bring on the right talent—performance increases and growth accelerates. Once the right People are on board, they grow and change, engage with new challenges, and embrace the lessons of success and failure.

A CEO who understands people has a sustainable competitive advantage few others can rival. In a previous chapter, we introduced a mental model of the Three Dimensions. That same model is useful when applied to understanding your current employees and potential hires.

The "I Think" Dimension: In recruiting, we must pay attention to a candidate's intellectual abilities. How they reason, their cognitive limitations, what they know, and how quickly they learn are items to be assessed in forming a full opinion of someone who may be joining the company.

The "I Feel" Dimension: We must focus on concepts such as "self-esteem" and "emotional resilience" in evaluating potential candidates for an open position.

The "I Am" Dimension: When you can hire, manage, and lead in a way that silently communicates with People's "I Am" dimensions, your life will be vastly different from what it is today. No longer will you have to drag People along on the mission path with you, motivating them to meet your expectations, and begging them to produce results. Instead, you will be surrounded by a team that shares your values and passion for the cause.

Chapter 9: The Talent Acquisition Mindset

Great CEOs recognize that hiring the right People is essential to the success of their business. Why is talent so important? A Harvard Business Review study reports that high performers typically produce 400 percent higher results than average performers. The gap only widens as jobs become more complex.

Though we may recognize the critical role talent plays in an organization, we often lack the tools and processes needed to best understand the People we want to hire and the positions they ultimately fill.

Finding candidates to fill positions is not hard. The challenge is to find the right person, who fits your Culture and will enhance the capabilities of the company. To achieve this, you must throw out preconceived notions of "recruiting" and focus instead on "talent acquisition" methods.

The talent mindset aims to implement a process that selects candidates based on these 4Cs: Culture, Capabilities, Compensation, and Commitment. This is a novel approach, and there are some key points to review before adopting it. Like all things worth doing, this process requires some preparation to make sure it produces the results you want.

First, you should begin hiring as soon as you recognize the need to do so. You should have your job postings archived and ready to publish on your recruiting platform and have your online profiling tools available.

Second, in this process, you're going to have at least four separate discussions with your candidates. Knowing this upfront prompts you to choose fewer People to meet with while spending more time understanding them.

Finally, this whole process needs to be fully transparent with the candidates. You should lay out the step you're going to take, the reason behind it, and the expected timeline.

Chapter 10: The Talent Acquisition Process

The Talent Acquisition Process revolves around the 4Cs: Culture, Capabilities, Compensation, and Commitment. If a candidate isn't a fit in all four categories, they're not a fit for the company.

Each category needs its interview and for this method to be effective, the process needs to be structured, consistent, and repeatable. It must also respect your time and be measurable. Use the following outline for each of the interviews:

Culture: In this interview, your task is to give the candidate a deep understanding of your organization's Culture so that they can judge for themselves whether or not the Culture is attractive to them. Introduce your Cul-

ture, tell your story, and then ask them if they think it's a fit for them.

Capabilities: Now, your task is to give the candidate a comprehensive understanding of the open position. You should review in detail the job description, and explain what a typical day, week, and month look like for the position. Answer all questions about the job honestly and candidly.

Compensation: This is an uncomfortable topic for most interviewers but it's also a central part of a candidate's decision-making process. An employee's pay should be based on the value that they bring to your company rather than the market trends. Educate the candidate on how you compute value for dollars, then ask them to tell you what they believe they are worth based on the whole of your conversation. You'd be pleasantly surprised by the results as this process eliminates any ill feeling about being unfairly compensated and urges potential employee to give their best performance.

Commitment: Finally, review the clear expectations that you and your new team members are setting for each other. Then, present the final legal documentation, and welcome them onboard!

Chapter 11: Talent Retention

People work for two reasons. One is the paycheck, of course, but there are a lot of jobs out there that come with a paycheck. In my experience, People are looking for more than just that.

This might be why higher wages don't automatically cause employees to perform at the highest levels of work. It sometimes has the opposite effect, as the complicated interplay of psychological forces drives performance down in the face of what seems like unearned income. In a nutshell, commitment, work ethic, motivation, and job satisfaction are not based on earnings. They are intangibles that come from a sense of purpose

and a Culture of appreciation. People want meaningful, fair-paying work at companies that acknowledge their contributions and give them the freedom to be good at their jobs.

Treat your employees with trust and integrity, and they will do extraordinary things. Deny them that trust, and they will leave. When that happens, your company will fall into a state of corporate hypoxia and slowly begin to die.

Section IV: Numbers

Chapter 12: Leading from the Numbers

I know that this seems insultingly obvious, but most companies I visit have only the vaguest of goals, expressed only in annual terms. Thoughts like “We should hit \$6.5 million in revenue this year,” or “We need to hire three new salespeople before Q3,” don’t count as goals. They are little more than wishes, and it’s easy to understand why.

Numbers are critical to predicting and confirming success in your business. If not properly monitored and managed, they can cause you to miss important opportunities, or worse, lead to financial ruin.

Start by defining your business’s key performance indicators (KPIs). These can be financial indicators like cash on hand, revenue, and gross profit, or they could be nonfinancial measures like client satisfaction and marketing outreach inputs. As you sketch out the KPIs that represent your business, you will likely see that some indicators (leading KPIs) help you see where you’re going while others help you understand where you are (lagging KPIs). Both are powerful and necessary in driving your business forward. A CEO is the master of both leading and lagging indicators.

Leading indicators reveal how a business is expected to perform in the future and serve as predictive tools.

Lagging indicators are rear-facing and reveal the past results of an organization’s activities. They might not provide an opportunity to correct a problem, but they do present a baseline against which leading indicators can be measured.

Chapter 13: Ownership Thinking

Creating transparency in your business helps to eliminate the apathy-breeding question, “What’s the point?” As your company grows and requires larger and larger teams to operate, even mid-level managers can start to feel that their contributions go unnoticed. When employees begin to feel this way, their actions shift accordingly. They execute some tasks half-heartedly. Others they ignore completely. The dips in performance may be small and isolated at first, but apathy can be contagious. As it spreads, the small losses accumulate, and the trajectory of the business begins to flatten.

Rather than blaming the employees for this, we as CEOs have to take responsibility for the Cultures we create and view the problem as an opportunity to foster change in the performance of our People. If we can show them the impact of their work and give them a meaningful experience, we can create a more profitable business and a mentally healthier workforce.

Ownership thinking is a strategic planning process. If you ask your People about their impressions of the business and work on those areas most in need of focus, you will move the needle much farther and with more internal support than you ever thought possible. I publish our strategic action plans and distribute them throughout the company. We hire a graphic designer to turn our goals and actions into visual reminders and post them throughout the office. We make those Numbers and the action plan a regular part of our conversations so that the entire company understands what we’re trying to accomplish.

Chapter 14: Rethinking Numbers

If the CEO focuses on the Trinity of Culture, People, and Numbers, the goal is to increase revenue and profits. As you improve your business and watch your KPIs trend in positive directions, the growth of the company will unlock additional opportunities. To sustain the momentum, you must reinforce the changes that facilitated your success, and use your expanded resources to introduce even more stability and opportunity into the business.

Enhanced revenue and profits aren't the endgame, though. They are tools that you can use to improve your business and your quality of life while making an impact on those around you. There are many ways to sow the seeds of profit back into the business. If your business is stable, growing, and producing a good return, it should be your most attractive investment opportunity. There is no other business in the world you know more about or have more control over.

After re-investing in the business, it is also important that you share the harvest with your employees. Reward them for the value they've brought to the business, making them feel that the company's success is their success. This way, an employee no longer simply punches a time clock and waits for their paycheck; they begin to look for ways to improve the business knowing that they'll share whatever upside is realized.

Next, it is essential to build a cash reserve for the business. Many CEOs feel intimidated by this concept, thinking that all capital should be put to use. But you need to understand that building up a reserve gives you incredible freedom and autonomy. It also gives you a springboard for pursuing growth. With capital on hand, you can seize opportunities more quickly, better calculate the potential reward of taking risks, and negotiate new opportunities. You'll be surprised how eager financial institutions are to deal with companies who don't need their help.

With your cash reserve established, what do you do with the funds? Money isn't the endgame either, and businesses have a corporate social responsibility to cater to as well. Your business can donate outright to charities and causes. You can sponsor events.

Of course, charity done for the wrong reasons ceases to be charity, but together with authentic passion and the proper intent, these kinds of programs can improve business results. When a brand supports a cause that aligns with the customer's beliefs, the choice to buy from that brand becomes deeply personal.

At a glance, it may appear as though you are sacrificing profit by devoting your revenue to employee incentives and corporate social responsibility. You're not. These expenses are investments, and their returns will make an impact on your business, leading to even more profit in the long run.