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The 6 Biggest Mistakes CEOs Make

I was a CEO for 25 years. I now coach CEOs and advise them as a Board Director. I have made every mistake you can think of. And, I see many variations of the mistakes I made with the CEOs I coach.

I've written this to help you stand on my shoulders by avoiding these mistakes. I want you to grow faster and with less pain than I did. This is my way of giving back. I recommend you read these lessons and learn from them. You'll be more successful and happier as a result!

Mistake #1: Doing too much

If you're running your own company, you (personally) have some serious talent. You have to, otherwise you'd never be taking on the challenges of being a CEO.

However, most CEOs suffer from the paradox of being really, really good at something. They know how good they are and have extremely high standards. I imagine you have very high standards as well. (You better!)

I did. I went crazy when things didn't live up to my standards. Because I knew what to do, I jumped in and just did it. The most important thing to me was giving the customer more than they expected, and I knew how to do that, so I did it!

What a huge mistake that was. Here's why:

1) I couldn't keep up. I was jumping in to so many things that I knew I could do better, that I didn't have time for anything else. Lots of important aspects of my business and my personal life were ignored and suffered as a result. I became the bottleneck to our growth.
2) My people weren't happy. Not only was I stepping on their toes and making them look bad, but I was taking the air out of their motivational sails. Why should they work hard to deliver a great result when the CEO is just going to re-do it anyway?
3) No one was learning! I was doing, not teaching. I had stepped onto a dangerous treadmill. I was solving the problem at hand, not working on preventing the problem from ever happening again. (More on that later.)

One time we were doing some work for Apple. For the first few months, everything was going well. The customer was happy. The team was performing at a high level and I was able to focus my energy elsewhere.

But then, at a milestone review meeting, I saw some things that didn't meet my standards. They might have been just good enough for Apple, but they weren't better than what we promised. (I believe in under-promising and over-delivering.) So I jumped in.

I worked long hours to raise the standard of what we were delivering. I spent a lot of time actually doing some of the work and when I wasn't I spent a lot of time reviewing (and criticizing) the work of my team. I pushed myself and the team very hard.

One important result was that Apple was happy.

However, it seemed like everyone else in the world was unhappy:

- My wife and family were unhappy because I wasn't spending any time with them.
- Other customers were beginning to become unhappy because I wasn't spending time with them.
- My team was unhappy because of my critical nature and my "do-it-overness". Since I wasn't crystal clear about what I wanted from them, they couldn't deliver what I wanted.
- My team was also unhappy about watching me do the work instead of helping them improve. They weren't motivated and didn't get what they needed from me to become better.
- Finally, I was unhappy because I created more problems than I solved!

Some take-aways for you:

- If you care a lot about exacting results, be extraordinarily clear about what those results look like. Get individuals and/or team leaders to feed back to you what they think you want from them. When you are aligned, they will deliver.
- If people don't deliver exactly as you wanted, don't criticize them -- ask them! For example, you can ask "Given that I asked for this item to look exactly like the following, what are your thoughts about having it look a little different?" Either they have a better idea than you (great result) or they didn't take you seriously the first time, and now will learn that you meant what you said (good result). Either way, you win.
- If you solve problems for people, you're not developing them and will stay on the hamster wheel (see Mistake #5 for more detail).

Mistake #2: Being cheap with your people

I was very careful in managing many aspects of the budget. I knew that human resources were always going to be at or near the largest single category of spend. Therefore, I focused on all the ways I could reduce those personnel costs.

I was cheap. I was cheap in the way I recruited. I offered low salaries. I was strict with raises and bonuses. I limited benefits. I carefully managed my human resource expenses well below industry averages.

I should have been happy with this. Instead I was horrified to discover what a huge mistake I made!

Because I was so cheap:

1) I had a hard time even finding the best talent
2) I could only hire people who were willing to settle for less, and could never land the superstars that would have made the biggest differences in our success
3) I couldn't hold on the best people. They didn't even tell me they were unhappy with their compensation. Instead, I would find out after they had accepted an offer (and weren't interested in a counter-offer) that they were leaving
4) I wound up doing more work (see Mistake #1) because I didn't have the talent I needed to deliver above and beyond the expectations of our customers

One time, we had to hire a team on a project for Google. We interviewed a lot of people and rejected quite a few that were too expensive. Ultimately, I hired a key team member who looked good and was inexpensive.

Fortunately, as a best practice, we did a lot of work with new employees before they interacted with customers. Thank God! Within two days, the key team member we thought was "good" turned out to be "terrible".

In retrospect, I realized our focus was on how much that person cost vs. how much they would cost us in lost business because they weren't a great hire. Fortunately, we had enough time to go back to others who were a lot more expensive, but were a fantastic value. They made me, and Google, very happy as a result.

Some take-aways for you:

- I eventually fixed this issue by hiring amazing people who were a good value.
- If you calculate the value an employee can bring rather than how much they cost, you will almost always hire the most talented person for those critical roles.
- This thought process applies to all employees. Quality is a cultural issue. If you hire low quality people in a non-critical function (e.g. accounting, facilities), you will discover they

bring down the performance of employees in critical functions. It's about the culture of the company.

Mistake #3: Treating everyone equally

I'm a good guy. I like being known as "a good guy". I'm fair and reasonable and want people to perform well for me because I treat them well. Sometimes that works. Many times it doesn't.

Sometimes you get lucky and you hire someone special. You hire a person who is better than everyone else. They perform at the highest levels because that's who they are. They are naturally motivated. They are happy. You are happy.

After hiring one of these wonderful people, I treated them fairly and reasonably. They performed incredibly well. Then they left.

I was devastated. One of the top assets of the company left, and I couldn't get them back. It was one of the most painful experiences I ever had.

My mistake was in treating this superstar only "fairly and reasonably".

What should I have done instead? I should have rewarded them much, much more often. They knew how good they were. Even I knew how good they were. If I had stepped back and discovered what was important to them, I probably would have discovered that they thrived on positive feedback. Some of that came from the accomplishment of their goals. However, they needed to get rewards from the CEO as well. They needed:

1) Public accolades of their achievements. If I stood up at company meetings and told everyone what they were doing and why that was so important and valuable to me, not only would I have made them more content in their job, but I also would have been teaching everyone else what was most important to me, the CEO.
2) Private discussions, with detailed feedback on what they were doing so well and how important it was to me. It's not enough to say "great job". People need to hear exactly why what they did was great.
3) Small awards (time off, dinners, perks) that wouldn't cost me too much, but were meaningful to them. Frequency of rewards is important to many people.
4) Improved compensation. While compensation isn't the main driver for most superstars, it is important. I could have provided them spot bonuses or other financial awards.

Some take-aways for you:

- Not everyone is created equal, and the better performers know this. They will move to the opportunities where they are most fulfilled.
- All people have different needs. Find out what your top performers really want. Sure, compensation is part of it (see Mistake #2), but many other factors will motivate and

keep them. It can be recognition, power, freedom, time off, perks, training and many other things. Listen to what's important to them and give them what you can.

- Don't worry about the "low performers" that complain they're not getting what the top performers are getting. Fact is, they don't deserve to get what your top performers are getting, and their complaints are an indication they may not be right for your company.

Mistake #4: Not really knowing your customers

Success is a funny thing. When things are going well, you want to leverage what's going well. I eventually started hiring (and paying for) very talented people. They were doing a great job delivering satisfied customers as a result of their work.

I was happy. I could focus on other aspects of the business now. Except that created a fatal flaw.

See, as CEO, you have so many functions to manage and grow that you get pulled in many different directions. In fact, you usually get pulled in the direction of those things that aren't functioning well.

I got pulled in the direction of improving our product development process. It needed work and I was just the person to help accelerate our improvements.

But I took my eye off the ball of our customers. I felt comfortable with this at the time. We were growing. The customer-facing teams were performing. The customers seemed satisfied and happy.

The issue is that customers change. Their needs change. Their interactions with your company change. The people your customers interact with change. You have to be on top of all of these changes.

I thought my customers were in good shape. I thought our relationship with them was strong. I thought we were under-promising and over-delivering.

I was wrong. Some of our customers wanted something different from us, and I didn't know it. Some customers like your company so much that they're afraid to give you valuable feedback. Their afraid to tell you that you fell from a 9 or 10 in performance satisfaction to a 7 or 8. The fall isn't so small that they want to complain, but it's enough that they start becoming aware of other options.

Before I knew it, some existing customers were buying more from the competition. And some prospects were taking longer to buy from us. This was a subtle shift at first. (Like the frog in the slowly warming water that eventually turns into a boil.) But soon, our rate of growth was slowing, and it became noticeable.

I didn't know why. We hadn't made any important changes to the product, or the team, or how we serviced and supported our customers.

What had happened is that our customers changed and we didn't change with them. These customers were making small but important shifts in their behavior. Sometimes these changes were so small that even the customers didn't really pay attention or notice.

I hadn't been spending enough time with customers. I hadn't been focusing enough mental energy on them.

Yes, I had a lot of other things to pay attention to, but I took my off the ball of our customers' changing requirements and paid dearly for that.

Some take-aways for you:

- If you have to focus on one thing (after cash), focus on your customers. They are the lifeblood of the company.
- Don't get complacent when it comes to your customers. Assume they are not very loyal and will shift when it suits them.
- Get ahead of the changes in the world that are impacting your relationship with your customers. Watch what is happening. Because so many things can and do change (technology, behavior, trends, competitors, etc.), the customers themselves are usually not aware of how all these changes are impacting their relationship with your company. And, many times, they don't even care about the relationship they have with your company. If they move on to someone else, they don't even think about it.

Mistake #5: Letting people languish (not developing them)

In Mistake #1, I talked about doing too much and not developing my people. I suffered as a result. In Mistake #2, I talked about not hiring the talent I really needed, and I suffered.

Very early on in the relationship with an employee you need to determine how coachable they are. If they're not coachable and they aren't that good, get rid of them quickly. I hired one employee that was very talented technically. There was no question they could to that part of their job. However, they needed to lead a technical team and they weren't good at leadership. Then, I discovered they weren't coachable -- they didn't want to learn how to be a better leader. I got rid of them.

If they're coachable and have talent and want to learn and perform, keep them, but commit to developing them. Regardless of how good they are today, any employee can improve. If they want to learn, then they are coachable. If someone is coachable and you commit to developing them, they will get better and better all the time.

Assuming you've decided they are worth your investment, then you need to actually make that investment in their development. Sometimes this comes in the form of one-on-one development from you. Sometimes the development can be done with an external coach, or a mentor, or courses.

The best HR quote I've ever heard is "What if we train them and they leave." vs. "What if we don't train them and they stay?" Given that everyone can improve in some way and that you've determined who the keepers are -- develop them!

Some take-aways for you:

- Determine employee-company fit quickly. Focus on this very early. Look carefully at the issues that make you uncomfortable and assume the worst. If they don't positively impact the teams they work with almost immediately, then they are pulling you down. Get rid of them.
- Regardless of how good someone is, help them understand that the top performers in all professions have coaches. It's one of the reasons they are top performers.

Mistake #6: Spending too much

I love growth. I love risk. However, I have not always carefully calibrated the risks I've taken to manage the costs associated with those risks.

Whenever we had a new product idea that I liked, I would invest in that product idea without an associated financial plan. I might be feeling comfortable with our profits and cashflow enough to "run an experiment".

The problem is the experiment often didn't have financial guardrails around it. For me, financial guardrails were the opposite of innovation. They felt more like weights the team needed to carry, making it more difficult for them to succeed.

This made it difficult for me to declare failure when the experiment didn't work out. I wanted the new idea to work out so much that I'd throw more money and time at it.

Without the financial discipline to run a controlled experiment, I lost a lot of money. These were "hope" experiments.

What's worse is that some of the experiments worked out! One time, we invested in an entirely new product offering and we "guessed right". Our investment in the new idea paid huge dividends. The problem of course is that I was rewarded for an experiment without financial discipline and (like any good lab animal) I did it again and again.

Animals (us humans included) react to unpredictable rewards. (See Pavlov's dogs). I was being rewarded with periodic successes and was willing to live with the unsuccessful experiments.

There's nothing wrong with this except for all the money I lost by not having financial discipline. With that discipline, I would have cut off many of those experiments much earlier.

Some take-aways for you:

- It's okay to experiment and innovate. In fact, I encourage it. The key is to build those financial guardrails around the experiment in order to measure success, or call it a failure.
- Most experiments go on too long, on the hope that they will eventually succeed. Most managers are afraid to call it quits "too early", so they keep a project going well beyond the obvious failure date.
- Sunk cost is the worst reason to continue any project. Consciously eliminate this natural bias from your decision-making.

If you've been paying attention, you should have gotten one or two gold nuggets of information that can help you. Learn from my mistakes. Pause when you recognize a situation that looks like something I've shared with you and ask yourself how you can be just a little smarter as a result.

I love coaching CEOs and want to help make you an even better CEO. Let's decide if we are a fit for each other. Schedule a time to talk with me at calendly.com/glenngow. I look forward to speaking with you soon.