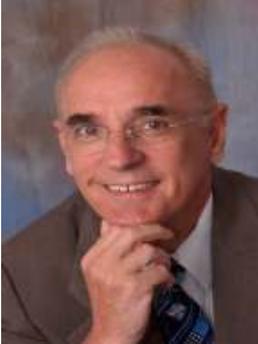




Style versus Substance in First-Time CEOs



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Great Executive, Terrible CEO

Many years ago I was on the board of a small technology company that had just been spun out of a government agency. We had to hire a CEO. We chose a man, who I will call Joe, who had had long experience as a senior executive in a large, American software company.

We were very pleased with our choice. Joe was strong in the area of sales, and sales were our major concern. He was experienced, confident and mature. He was also personable and charismatic. The staff rapidly fell in love with him. We felt that he was really the right man for the job and we waited for what we knew would be great results for the company.

At first things looked great. The sales pipeline exploded. He expanded the staff significantly, particularly in the sales area.

There were some disturbing signs though. He laid off some of the product development people to pay for salespeople. He himself had expensive tastes which showed up in his new office furniture and his entertainment expenses for prospects, not to mention first-class travel.

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But he explained that this was necessary to expand sales and the board went along with him. After all, he had an impressive background in sales and a lot of experience in a major company. These were just the early costs that were necessary in order to achieve later success.

The success never came. The expenses went up enormously but sales actually declined. After a year we had to fire Joe and the company never recovered. In the end we were forced to sell it for nothing to a competitor.

We had chosen the wrong CEO. It turned out that, as a CEO, Joe was all style and no substance. He talked a good game. He had fooled us. Moreover he had fooled himself. He didn't know himself that he could not be a CEO.

But actually, Joe had been a really good executive. He had been very successful in sales. He had had a lot of executive experience. The trouble is, being a good or even a great executive doesn't mean that you will be a good, or even a mediocre CEO. Joe was a great executive and a hopeless CEO.

The First Time is the Worst Time

Style without substance is, unfortunately, a common problem amongst first-time CEOs. I have been the CEO of several companies. No-one teaches you how to be a CEO. The first time one goes into a CEO Job, you don't have any experience as a CEO. You can imagine what it will be like. You can tell yourself you have had a lot of experience in senior positions before you became a CEO. But the fact remains that you have never been a CEO

before and you don't really know what it takes to be one.

There are a lot of temptations in being a CEO, even of a small company. People often accord you a lot of respect because of the title, even if you don't really deserve it. Your employees treat you differently. They laugh at your jokes, even when they're bad. They often don't tell you the truth because they think you might not want to hear it. Suppliers and vendors entertain you to get you as a client.

All of that can make a person vain and over-confident, even if they are not usually not like that. If they happen to be vain and over-confident before they get into the job, then they will get even worse.

What are the signals of a CEO who is going to fail due to problems in style? These are some of them:

- He likes to have expensive meals with people
- He has an expensive car
- He spends a lot on his own image, especially public relations
- He has a large office with expensive furniture
- He uses company money for personal expenses
- He doesn't like to be told the truth
- He criticizes employees in front of other employees
- He talks badly about particular employees to other employees when those employees are not present
- He doesn't allow his employees to disagree with him or he reacts badly to them having another opinion.
- He constantly tries to show his people that he knows more than they do
- He is not able to acknowledge to his people when he makes mistakes or is wrong about something.

Of course, there are many other signals. These are just a few of the more obvious ones. But if a CEO (first-time or otherwise) has one or more of these symptoms, he is basically showing that he favors style over substance. In this case a board needs to be concerned because it is likely that this person will fail as a CEO, even if he is making money. The failure will result because of one or more of the following reasons:

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- His **employees** will not trust him, the good ones will leave, the bad ones will stay, and he will find it difficult to get new employees who are good; his product development and sales will suffer and his employees will not come up with new ideas to help the company
- His **investors** will not trust him because he is spending their money irresponsibly, often to make himself look better rather than to benefit the company; that means they won't invest more money and they will not get their friends to invest either, so the company may run out of money.
- The **board** will not trust him because they see employees and investors losing confidence in him; in addition they will see in their meetings with him that he favors style over substance, and they will not help him to make the company successful.

Training for the First-Time CEO

So here are a few lessons and tips for the new CEO of a relatively new company:

You don't see a person's true personality until they are in a position of power: a first-time CEO will not know in advance how he will respond to a situation where he has a lot of power. He might think he will act responsibly and with humility. Some people do, many people don't. If you don't act with humility in this position of power, you won't know about it in advance because most people who become a CEO for the first time assume they will act well.

If they don't act well as a CEO and they let the power go to their heads, they won't realize that is happening to them. They will just believe that they are acting responsibly and proactively, as any CEO should do.

Also when they act badly as a first-time CEO, their employees won't tell them about it, because they will be too scared to do that. So the new CEO will not know that he is acting stupidly and arrogantly.

Your employees see everything about you, even though you don't realize it; people are very perceptive. Your employees see you making decisions many times a day on many different issues so they rapidly get a very good sense of who you are, including your strengths and weaknesses. If they don't like you or see you making big

mistakes they won't tell you, but will pretend to like you and they will make believe that you are making good decisions even when they know they are terrible.

If you can get your employees to trust you, they can be an invaluable source of great ideas and great advice. If they don't trust you, you will never receive the benefit of their support and so you will almost certainly fail. That is because running a good company is tough and you need all the support you can get.

Everything you do sends a signal about you and your expectations, even when you don't know you are sending these signals: One of the most disconcerting things about becoming a CEO for the first time is that people are watching your every move, you're every decision. They are even watching your body language, your facial expressions, your reactions and responses. That is because all of these things are sending signals to them about who you are, what you expect and how you are going to respond to them and their work.

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Of course these things happen too when you are not a CEO. But as a CEO, your employees become ultra-interested in these things because now you have a lot of power over them – to fire them, help them, give them more salary, make them look better in front of other employees.

If you are a first-time CEO you are rarely aware of these things. You probably don't understand that even a minor decision or a minor act, even a small facial expression, is being closely watched and interpreted for what it means about you and your relationship with each one of your employees.

If you look slightly dissatisfied because of a small facial expression, this will be monitored and interpreted. If you didn't mean to do that, it's now too late because you have already sent the signal to your employees.

So as a first-time CEO you have to become very aware of things such as your facial expressions, your reactions and your body language as well as your overt decisions. That is because these will have a huge impact on how your employees respond to you in the future and whether or not they will trust and support you.

Your most powerful tool as a first-time CEO is to listen to your employees, no matter how junior they are: As a CEO you might think you know a lot but that isn't true. There is so much to learn and your employees have a lot of the answers. The more time you spend listening to them, the more power you will have with them.

Remember the Golden Rule: the more you talk the less power you will have. The more approachable you are to your employees, the more they will trust you and the more honest they will be with you, the more support they will give you and the harder they will work for you.

PhDs, Big Company Types, Please Don't Apply

Here are a few more tips for first-time CEOs:

If your experience is only with large companies you are at a huge disadvantage in a small company: that is because in large companies you are supported by large teams which contain people with skills you don't possess who compensate for your weaknesses. So it's easy to believe that you are much stronger than you actually are.

Once you get into a smaller company or a startup, particularly as a CEO, you won't have any of this support and for the first time you will be confronted with weaknesses you never realized that you had. In this case you really need to find a mentor, say a retired CEO of a smaller company, who can help you address these issues.

“...Whatever you have learned in the past is good. But if you start to actually believe it, then you will get into trouble...”

If you have a PhD or someone who been a professional researcher you are also at a huge disadvantage in a small company. This is because you tend to see any problem as needing careful scientific research in order to find a solution. But of course in business, especially in smaller companies, there is never any time, money or resources to do this and you just have to make a fast decision that can be the best decision under the circumstances.

As a professional researcher you will find this to be uncomfortable or disconcerting. Unless you figure out how to cure yourself of your addiction to careful research you will quickly fail. Again a mentor who has already been a

CEO can be helpful.

If you come from a technical or product development background, you are going to need to figure out how to become good at sales: Often product development and technical people look down on sales and salespeople. They often don't understand the importance of sales, sales skills and sales training. Often they are introverted and don't like meeting with people, or selling or promoting their products.

It's possible to get to a CEO position without ever having had anything to do with sales. In this case my advice is to rapidly get into a sales training course. Also you should start going regularly on sales call with your salespeople to get more experience in this area.

If you don't come from a financial background that can be a major problem too: Most first-time CEOs don't have a financial background. That's understandable but soon you will discover that that is all that many people care about, including investors, shareholders and boards.

You will have to learn how to read income statements and balance sheets and to be able to interpret them because frequently companies massage their financials to look better than they really are. If you come from backgrounds such as sales, product development or marketing you usually won't understand any of this.

So either do a financial course (e.g. accounting for nonfinancial managers), or gets a good mentor and guide such as an experienced auditor, accountant or analyst who can teach you some of the tricks – of which there are very many.

Know Yourself

Of course, we don't really mean it when we say that if you have a PhD or come from a big company, you will fail as a CEO. There are plenty of examples of such people who have turned out to be excellent CEOs. But what we really mean is this.

Whatever you have learned in the past is good. But if you start to actually believe it, then you will get into trouble. It's only when you have the mental and leadership agility to recognize that what you know might be wrong or misleading that you will be able to move ahead.

True leadership agility lies in understanding that the true substance of leadership is the ability to constantly unlearn what is not useful and to constantly look around to see what is useful, no matter where you get it from.

The same thing applies to experience. You can't assume any experience you have, whether it is from a large or even a small company or startup is going to be relevant to you as a first-time CEO. Rather, what is most important is having enough self-awareness to understand what your behavioral vulnerabilities are, and how to address them constructively while you are in the CEO position.

The true difference between style and substance in leadership is not educational qualifications, technical knowledge or sales skills, background in a large or indeed a small company. The difference between style and substance is having self-awareness of your weaknesses, and the mental agility to change your beliefs quickly when you need to.

The difference between style and substance is the ability to learn from everyone around you, no matter what their position, title, or level of money and resources.

Once you have figured all that out, you can be sure that you will be a great first-time, or indeed an any-time, CEO.

Recommendations

- Get yourself assessed for your behavioral vulnerabilities
- Get a coach who will tell you (most of) the truth
- Ask your significant other if they think you would be a good CEO

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