Skill of the Successful CEO

In the past 20 years, much has been learned about successful entrepreneurial ventures and the skills required that seem to have the most positive impact of this success. Although many leadership skills are highly valued only five translate into successful corporate performance.

- Financial Management
- Effective Communication Skills
- Motivational Skills
- Vision
- Commitment

Another important finding relates to the people structure and chain of command. As a business grows for its initial concept, the sharing of responsibility and the skills of the founders (usually a number of partners) has to change for real success. Results clearly indicate that failure to address these issues has led to the collapse and bankruptcy of many such organizations. While of model of partners sharing responsibility for financing and related activities in the initial phases can be effective, there is a point where traditional business structures must be adopted for success.

Financial Management – This is the most highly ranked skill. The CEO must find and maintain adequate capital for the business. They need to be able to locate funding, secure it and maintain good relations with the source to ensure long term availability of the funding. This cannot be a shared responsibility within a successful organization. If the lender has no faith in the leadership of the CEO, they will not move forward with financial support. The CEO must also know how to use the acquired funds wisely – maintaining adequate cash reserves through expected cash needs, controlling spending, collecting receivables and monitoring cash flow.

Effective Communication Skills – These are critical. Good leaders can express ideas in a clear, simple and direct way – and equally important, they listen to others carefully and openly. The most successful CEO’s said that it is critical to express the company’s vision, goals and plans in a way that inspires understanding and action.

Motivational Skills – Crucial to CEO’s is the ability to transform employees from people who simply work together to people who work as part of a highly motivated team, creating and inspiring trust and loyalty in each team member through praise and support for their efforts, and through formal programs that reward team effort.

Vision – CEO’s are expected to see opportunities and potential pitfalls long before others do

Commitment – Success is created by a passionate and continual commitment to action and combined with a fiercely competitive attitude that they can accomplish their goals. The effort requires endless energy, self-discipline, resilience and a powerful work ethic. The most successful CEO’s put the motivation of others before their own.

In reality the successful CEO believe that their success depends upon their ability to help success happen for others. ‘If they win and make money so will I’ It is through the collective efforts of others that they realize their own greatest accomplishments. This they accomplish by creating reward systems within their organizations that allow their employees and often their partners to reach their own reasonable dreams. You note the emphasis on reasonable. They try to retain their best players and motivate them to excel everyday. Their organizations do not become entrepreneurial incubators in which future competitors are created when talented employees leave – as happens in many lower performance organizations.
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We know that the CEO has to adjust the level of emphasis involving each of the specific skills as a business moves through various stages of growth. These phases and their characteristics are as follows:

- Conception – The main goal at the earliest stage of development is the creation of the business
- Survival – The company has demonstrated its potential viability and has established a market niche for itself, keeping and satisfying its customers
- Stabilization – The company has become stable enough to support the owner(s) and is returning a profit. By the CEO’s choice this is the final development phase of many organizations.
- Growth Orientation – The resources and profits of the successful company are used to fuel growth, with the goal of becoming a big company. The questions now become how, when and where.
- Rapid Growth – The company has developed the resources to grow very quickly. Key problems arise from the focus on how to finance this growth. This is often not only monetary but people capital.
- Maturity – The company has weathered the perils of rapid growth. It now has the advantage of size, financial resources, well developed systems and an experienced well developed and mature staff.

It was interesting that when CEO’s were asked to identify which skills were necessary at each phase, their answers made it clear some changes in their style had occurred within each phase. Yet when asked, ‘Are the leadership and management skills you will use at the next stage of development different from the skills you use now?’ Almost everyone said no.

A number of interesting factors and results emerged from these analysis and findings. We have not detailed them except to capture a few concepts for the reader.

1. In hyper-growth companies, the CEO’s showed more of the top five skill attributes listed above than those in companies that had dropped back a stage.

2. Do the behaviors and skills of the CEO and management team affect both organizational culture and company financial performance? We found that CEO’s who underrated their skills as compared to their employees’ perceptions or rated themselves the same, had significantly more financially successful companies. Those that overrated their skills clearly had lower performance.

3. As for management teams, those companies inclined to have teams that were more highly adaptable to changes in the environment – and to individuals who are different in personality and perception than they were – had higher profits. Management teams in organizations with above-average levels of profit reported higher levels of team structure, morale, performance monitoring, innovation, co-ordination and adaptability.

4. The frequency of certain behaviors in organizational culture also seemed to have an effect on company financial performance. Certain factors – the level of customer satisfaction, the amount of communication between top management and the rank and file, job design, the occurrence of timely feedback from management on job performance – showed significant correlations with company profits. It is not simply product, price, design and delivery that matters.

We have found that CEO’s with superior leadership and management skills were in organizations that also had a better management team and corporate culture. However, the most significant implication of the research is that the quality of the CEO’s and their management teams is related to the organization’s financial performance. Specific skills and levels of functioning, such as vision, communication, leadership, delegating and bringing the best out in employees are positively related to company performance. CEO’s and management teams who, for whatever reasons do not demonstrate these skills have lower organizational performance.

Many management members put tremendous energy into activities that really have little long-term impact. The challenge lies in maintaining these skills as the organization grows.

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