

What Do CEOs Do? Testing a Model on How CEOs Add Value

The present study tests the theoretical framework on how CEOs add value proposed by Carrera et al (2006). According to this model, CEOs must manage three main processes for accomplishing their mission of providing continuity to their organizations: Business, Management, and Institutional Configuration Processes. This study tests the model through a survey with 89 CEOs, from medium to large Argentine firms and multinational companies within Argentina. Research results backed up the theoretical framework. To a further extent the study evidences inconsistencies between CEOs perception of their main concerns and the actual allocation of time they do daily to their tasks. In addition, by sample segmentation (concerning age, experience, capital origin and type of organization analysed), some broad differences among CEOs arose.

INTRODUCTION

Along the last 30 years research on CEOs role has emerged. Main research lines dealt with women acceding to management positions (Stevens, 1980; 1992; Appold, 1998), CEOs succession (Miller, 1993; Zajac and Westphal, 1996) and CEOs compensations (Boyd, 1994; Carpenter and Sanders, 2002). During the last years, it was also concerned with CEOs payment and stock ownership implications (Sanders, 2001; McGuire and Matta 2003).

Even though there is no recent extensive research about how CEOs add value to a company, there is to some extent a number of researches that . These are the cases of CEO characteristics and international interdependence management (Roth, 1995), the role and impact of top managers on social performance (Thomas, 1995), the industry structure and CEO successor characteristics (Datta, 1998), leading attributes and charisma (Waldman, 2001), the corporate strategic refocusing (Bigley, 2002), managing basic tasks and their mind-sets (Gosling and Mintzberg 2003), managers range of roles (Mintzberg 1990) and how effective executives approach their jobs (Kotter 1999 and 2001).

Carrera et al (2006) presented a conceptual omodel on how CEOs actually add value managing companies. The present study contributes to this research line by testing the way the model works to explain the job of CEOs in Argentina. The aim of this research is to strengthen the understanding of how CEOs add value to their organizations starting from the CEOs own experiences and to evaluate if the theoretical framework is operated by CEOs job.

BACKGROUND

Framework

The CEOs main goal and responsibility is to work for the organizations continuity and survival¹ (De Geus, 1997). In 1938 C. Barnard stated as a requirement for the organizations continuity:

- To be effective: "Organizational Effectiveness", understanding it as achieving its purpose and mission in a continuous way.
- To be efficient: "Organizational Efficiency", letting the people that decides to belong to the organization, to have the opportunity of satisfying the objectives that the people had when they decided to belong to it, also in a continuous way.

¹ In this point we understand that De Geus's proposal about the "priorities for management: commitment to the organization's long-term survival" through "encouraging growth and renewal" has a central importance and is the best way to resume the responsibility assumed by a person or a group of people when it accepts a company's management and direction.

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Consequently, the moment when a CEO works for the company's continuity providing it of future and being coherent with Barnard's propositions, is when he adds value to the organization. From this point of view, our framework proposes that CEOs work lays on the responsibility of managing three processes: the Business Process (BP), related with doing business, and the Management Process (MP) and the Institutional Configuration Process (ICP), related with governing the organization (Carrera and Perkins, 2004). In each one of the processes, he has to:

- Find potential wealth sources (BP),
- Drive the wealth creation process (MP),
- Develop the organization's internal and external context and strengthening confidence ties (ICP).

For achieving the goals the processes have the company must develop competencies and skills such as:

- Strategic thinking skills (BP),
- Organizational learning skills (MP),
- Leaders education and development (ICP),

We understand "doing business" as the action of creating wealth profiting from the opportunities generated by people and community's unsatisfied needs. While "governing" means managing human organizations aligning all stakeholders' interests toward more effective results and just realities. Governing is much more than having a strategy, managing is a political activity², if we want to understand its whole deep meaning we should analyze it from that perspective. On the same track, Valero and Lucas's work (Valero y Vicente and Lucas, 1991) has contributed to the development of the political aspect of the Top Executive's work and to the understanding of it as a synthesis of Top Executive's kind of work.

CEOs role is being the guide that manage all these three processes towards the accomplishment of the company's mission. Not only concerning about value creation for shareholders, but understanding the company as a human reality, a community of work, oriented to the satisfaction of needs and to wealth creation and wealth distribution in a sustainable and continuous way.

Consequently, each Process has specific actions that should be accomplished within the CEOs work and things to take care of and promote. For example, the CEO should be the responsible of managing or delegating the process for discovering new opportunities for wealth creation within the Business Process. We analyze the CEOs agendas for understanding these processes (Business – Management and Institutional Configuration), among the three of them there are variables managed by CEOs in different ways. The CEOs actions can be actions they require their collaborators to do, actions they teach other workers how to do, or actions they perform by themselves. These are three different ways in which the CEO adds value to a company. For working on each one of these ways he needs to develop different kind of skills and take care of diverse tasks and duties. We introduce now the group of actions and things he should take care of and promote that are part of each kind of process.

Accordingly, the Business Process demands the CEO to:

1. Have a clear understanding of the value chain where the company operates, and the competencies and resources demanded by the industry for being successful,
2. To define effectively on which businesses the company will focus its activities and the business operations it will carry on,
3. To develop and promote strategic thinking among the workforce,
4. To create and develop a Vision for the company,
5. To promote new businesses,

Within the Management Process the CEOs should be called for:

6. Guiding the subordinates actions,
7. Selecting collaborators and delegating responsibility, and taking care of the company's harmonic development.
8. Developing the organization's learning skills,
9. Leading the strategy definition, the strategy formulation process and its implementation.
10. Taking an operational role during crisis and driving the business processes,

For developing a harmonic working environment, distributing the generated wealth, motivating and promoting the cooperation with the different stakeholders within the Institutional Configuration Process, the Top Manager must:

11. Organize the co-existence and interaction with the different stakeholders,
12. Observe the organizational unity,

² We understand *political activity* as the job done by a person who is responsible of guiding a group of people towards the achievement of common and previously established goals.

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13. Promote innovation,
14. Develop and selects its successor,
15. Lead change during crisis.

Each one of the 15 variables is operationally defined in the paper. In the present study we aim to confirm the concurrence between this framework and CEOs argentine experience within the period 1999-2004. Hence we have designed an instrument for finding out which of the actions that we ascribe to each Process was part of CEOs personal job.

RESEARCH METHODOLOGY

Data and Sample

The data was collected through a survey to CEOs between 2005 and 2006.

Our final sample included 89 CEOs. These CEOs are on average 50 years old, and have worked 12 years as Top Executives.

The population chosen for this study includes Top Executives from large and medium sized argentine firms and multinational companies working in Argentina, from within diverse business sectors (e.g. retail, energy, financial, industrial, etc.) and a revenue average around US\$350 Million, with a maximum of US\$ 8 Billion.

For further analysing the information, we segmented the sample in different groups by combining two variables: the CEOs nationality and the Company's capital (foreign/argentine). Hence we got four categories:

1. Argentine entrepreneurs managing their own companies;
2. Argentine CEOs working for Argentine Companies;
3. Argentine CEOs managing Multinational Companies;
4. Foreign CEOs at Multinational Companies.

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