

WHAT DOES A CEO DO?

VERY PRELIMINARY

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BACKGROUND

- Recent studies have highlighted the importance of intangible capital for growth and productivity
- A growing literature focuses on CEOs
 - CEO succession matters for firm performance (Johnson et al 1985, Bennesen et al 2007)
 - CEO “style” matters (Bertrand and Schoar, 2003)
- However, still relatively little is known on the specifics of a CEO production function (and most of the evidence is from the US)
 - Design vs Process (Minzberg 1979)
 - Generalist vs Specialist CEO (Frydman 2008, Rajan and Wulf, 2004)

THIS PAPER

- Address gap in the literature collecting information on time use of 121 top Italian CEOs
 - Data collected by PA over a random week of CEO activity
 - Daily information on effort, type of activities, scheduling, participants in meetings etc.
- Time use survey data matched with observable firm and CEO characteristics
 - Firm: performance, ownership, industry, board
 - CEO: demographics, skills, career
- Main objectives:
 - Describe CEO activity
 - Analyze implications for firm growth and productivity
 - Study determinants of CEO behavior

PRELIMINARY RESULTS

- Data reveals significant variation in CEO behavior (so different “styles” coexist)
 - Effort
 - Time spent working alone or in meetings
 - People involved in meetings
 - Planning
- However, only a very specific style is associated with productivity
 - Higher effort
 - Inward focus (more time spent alone or with insiders)
 - More unplanned activities
- Open question is why does heterogeneity exist? (in progress)

WHAT DOES A CEO DO?

DATA

SUMMARY STATISTICS

A POSSIBLE INTERPRETATION

NEXT STEPS

THE SURVEY

- CEO Time use questionnaire to completed by the PA over a pre-assigned week
- Information on all activities undertaken by the CEO:
 - Type
 - Duration
 - Planning
 - Location
 - Number of people involved
 - Type of people involved
- Sampling frame of top 620 Italian firms
 - 18% response rate, 121 firms

ADDITIONAL DATA

- Match survey data with external information on firm performance and characteristics including
 - Accounts
 - Ownership
 - Boards
 - Public/private
 - Organizational structure
- Currently collecting information on CEO biography including:
 - Age
 - Education
 - Career

WHAT DOES A CEO DO?

DATA

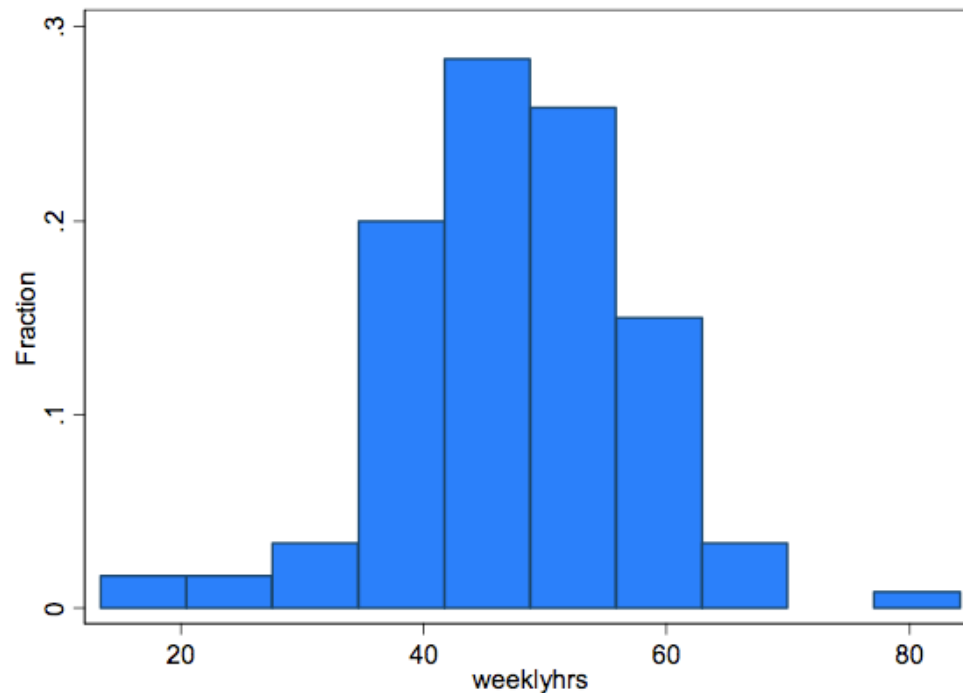
SUMMARY STATISTICS

A POSSIBLE INTERPRETATION

NEXT STEPS

THERE IS SIGNIFICANT VARIATION IN CEO EFFORT

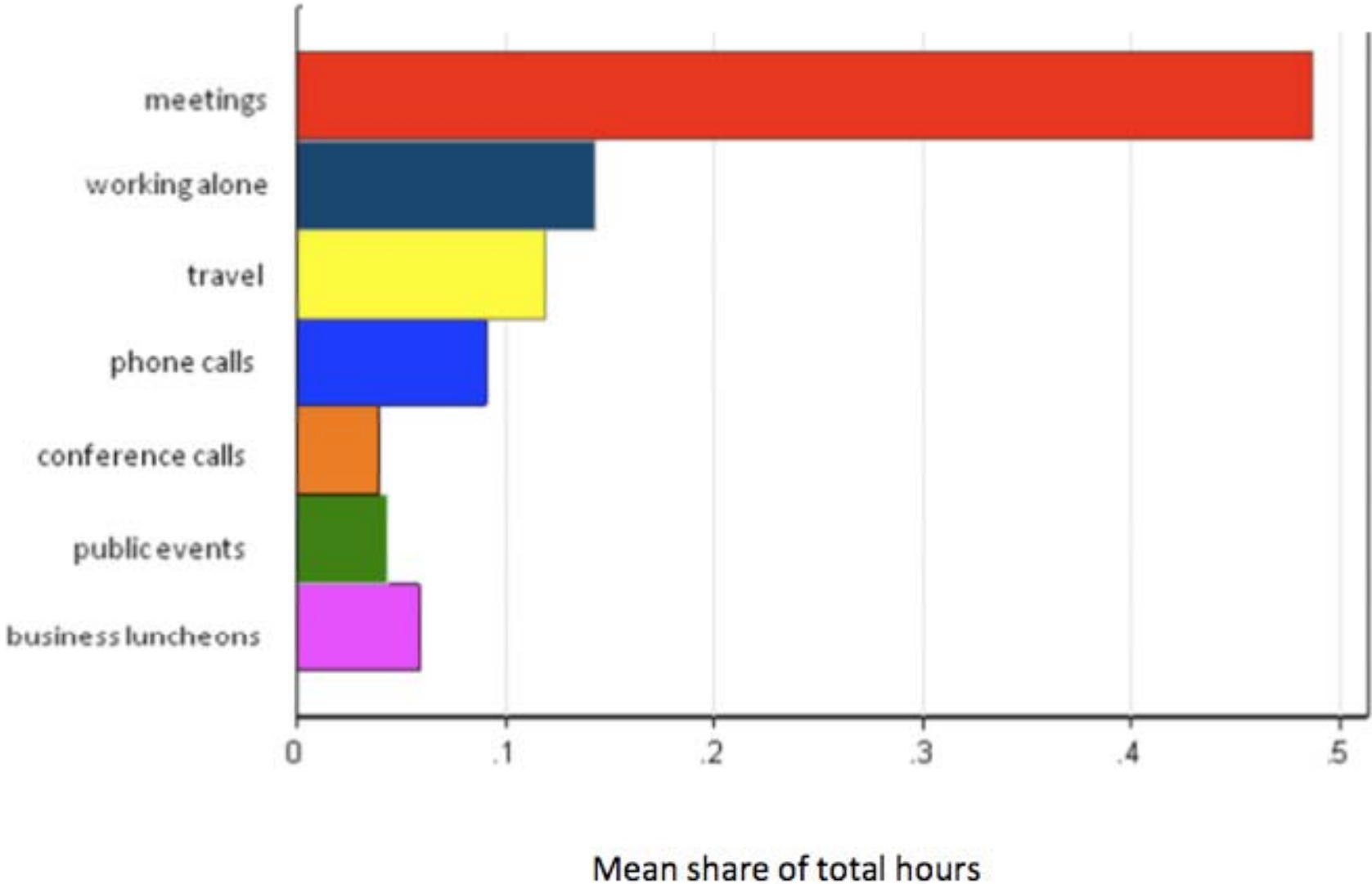
Figure 24: Hours worked by sample CEOs



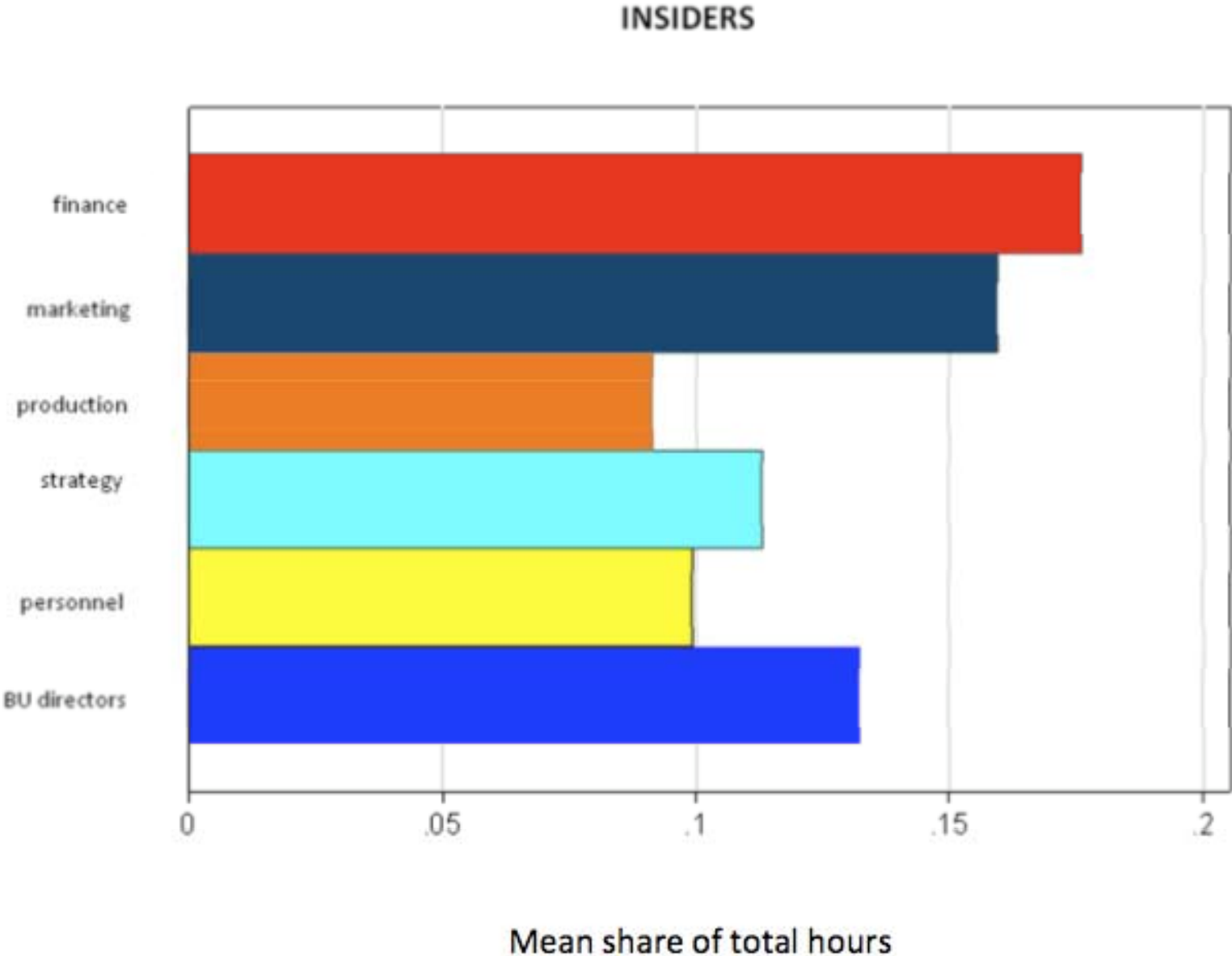
- Average hours worked is 47.8,
- On average the CEO engages in 7 activities per day
- More hours worked correspond to more and longer activities

CEOs SPEND MOST OF THEIR TIME IN MEETINGS

Figure 27: CEOs' Use of Time

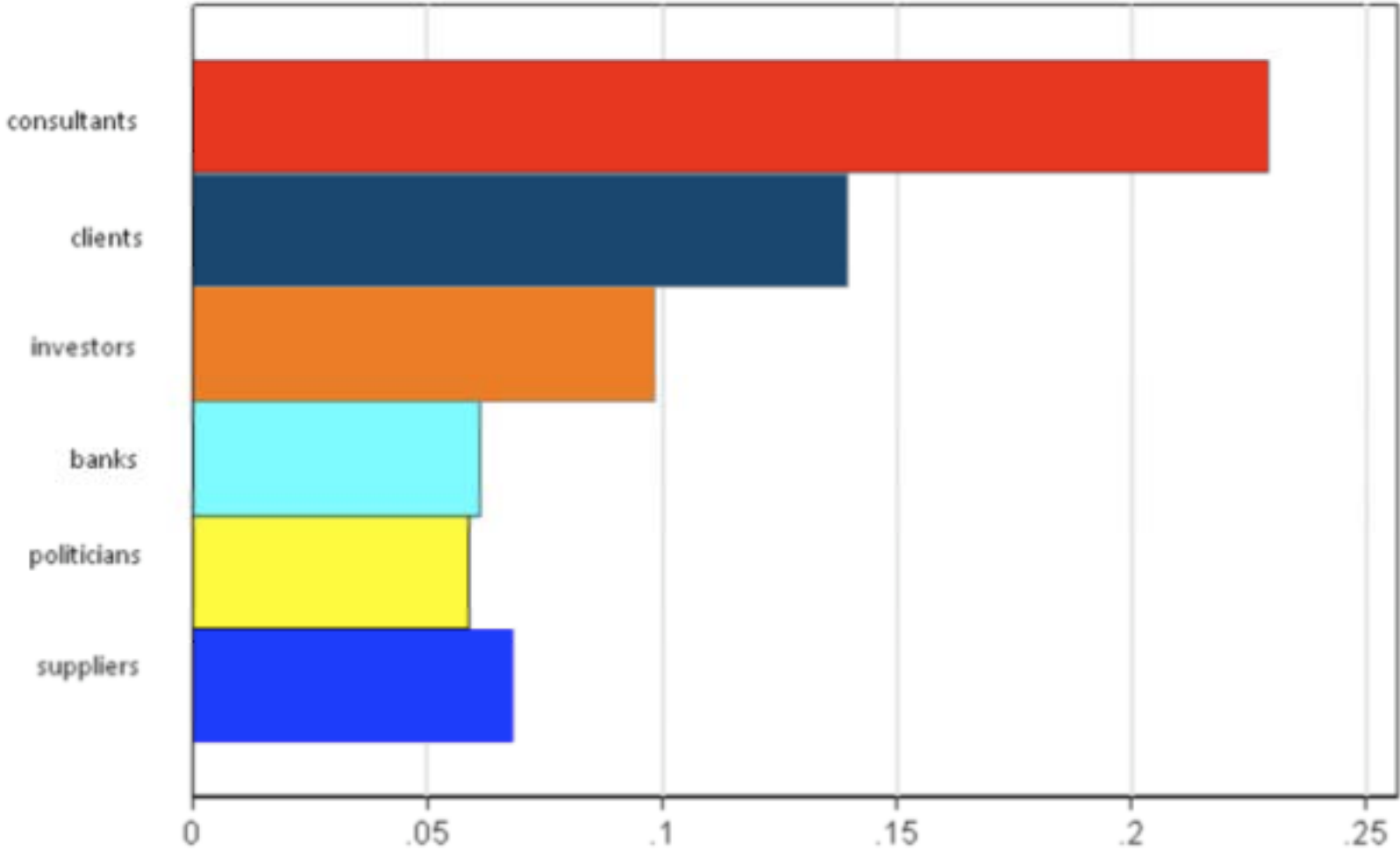


THERE IS NO CLEAR PREFERENCE WITHIN INSIDERS



CONSULTANTS DOMINATE ALL OTHER OUTSIDERS

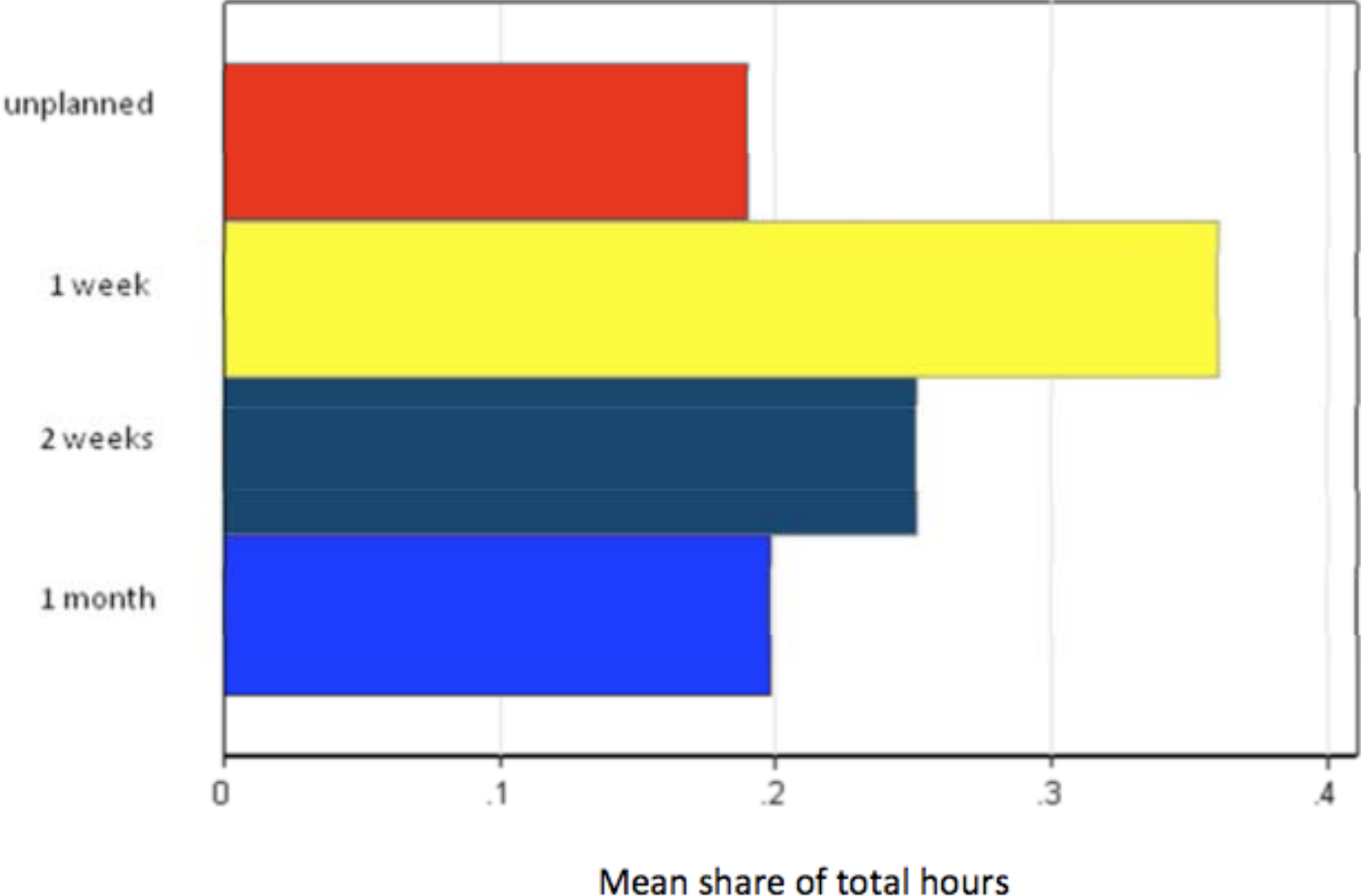
OUTSIDERS



Mean share of total hours

A SIGNIFICANT SHARE OF ACTIVITIES ARE UNPLANNED

Figure 30: CEOs' use of time by scheduling horizon



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NEXT STEPS

CEO EFFORT AND PRODUCTIVITY

- Should the CEO matter for firm performance?
 - No, if CEO market is perfectly competitive or if CEO leverage is constrained
- However, the data shows a significant and large correlation between CEO effort (weekly hours) and firm productivity
 - A standard deviation increase in CEO log weekly hours is associated with $\frac{1}{4}$ of a standard deviation increase in log productivity
 - Much higher elasticity compared to standard inputs (1.48 compared to 0.3 for capital)

WHAT DOES A PRODUCTIVE CEO DO?

- Preliminary regressions reveal that a specific CEO style is associated with higher effort
- Number of weekly hours worked are positively and significantly associated with:
 - More time spent working alone (less meetings and lunches..)
 - More time spent within the firm
 - More time spent with insiders (and a variety of them)
 - Less time spent with consultants
 - More time spent in unplanned activities

INTERPRETATION

- We can link these findings to two debates on CEOs:
 1. Management by design or management by process?
 - Traditional view: The top chooses long-term strategy, the organization implements it
 - Mintzberg view: Strategy "happens" and the top plays a facilitating role.
 2. Generalist or Specialist CEOs?
 - Long run figures show growing importance of generalized vs technical skills (Frydman 2007)
 - Flattening of the corporate hierarchies imply interaction with larger set of employees

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SUMMARY AND NEXT STEPS

- We collect information on the daily activities of 120 top Italian CEOs
- We document:
 - Significant variation in CEO styles
 - Significant correlation between CEO effort and productivity
 - Significant correlation between CEO effort and inward focus
- Next steps
 - Study determinants of CEO behavior (link with CEO biography)
 - Study selection of CEOs