

# [Role of ceo and top management team business essay](https://assignbuster.com/role-of-ceo-and-top-management-team-business-essay/)

Shaping an organization is a complex task. For a organization to be shaped in proper manner, CEO and Top management team have a major contribution. They have to be aware of every decision they make . In shaping of an organization CEO and Top Management team has to formulate effective strategies for any organization Strategy, Work culture and operations are the three main pillars on which it stands. And the role of CEO and Top management team is building these 3 pillars.

To have a competitive advantage in today's corporate race organizations have to be shaped in such a way that, they can with stand the worst scenarios and turbulences'. To shape an organization in a positive manner, an effective work culture has to be shaped.

An organization as whole can be viewed as a collection of systems and for synchronous operation of these systems an effective strategy and decisive operational measures are organization comprises of all executives and directors. Thier collective decisions and ideas are the core to Shaping of these pillars. CEO has a major role to play in designing the organizational characteristics and this in a way is related to his/her own values and character. The synergy of Operations, strategy & work culture has to be in balance and this where the TMT's come into action. Thus in shaping of a Organization effective strategy, operational strategy, strong organizational structure and a Dynamic work environment is required.

## 2. Role of CEO & TMT in Shaping of Organizational Culture:

Referring to Appendix 1. 1, we can say that there are certain prominent elements in the shaping of work culture in a organisation and CEO and top management play the role of a manager in shaping it.

These elements are detailed by c. kane-urrabazo, in her journal very effectively. The key elements are

## > Trust and trust worthiness

## > Delegation

## > Empowerment

## > Consistency.

(Refer to appendix 1. 1, for details). These can also be known as the building blocks to a positive work culture.( C. kane-urrabazo, 2006). Catherine has postulated based upon these building blocks, where in Management should concentrate to build a positive work culture. The most important thing is to get the employees do work, Leaders must gain the trust of the employees, and for this they have to be consistent in what they do and what they say. And must create a sense of self value in the employees by personally contributing and communicating at all levels. This is what Steve Jobs did, he made employees feel they are special by directly involving with them and, empowering them, this intern would improve employee job satisfaction which in turn would contribute to positive growth of the organization.

Consider Pepsi co example (refer to appendix 2. 4(a) &2. 5 for details), based on the 3 hypothesis suggested by (Y. Berson et. al. 2008) (refer to appendix 1. 2), and referring to conclusions made by c. kane-urrabazo,(2006) (refer to appendix 1. 1) risk and challenging decisions made by Indra really created gained the trust of her employees are supported here. (when Indra Nooyie decided to lay off the Fast Food business of Pepsi, which contributed to 35% of the revenue of the overall revenue of the organization, that was very risk decision to make to attain a better entrepreneurial opportunity that was re invent Pepsi Co. the creativity, and innovation by diversifying the organization into healthy food segments in the industry. creativity, innovation and self direction value of the Indra contributed to the empowerment of her employees and thus built a positive , and dynamic work environment (refer to appendix 1. 1) .

Best example of type to hypothesis 2 suggested by Y. Berson et al.(2008) would be General Electric work culture (refer to appendix 1. 3 for details). Such an organizational culture comes under Hypothesis 2: The Security values of CEO's will be more positively associated with the Bureaucratic work culture,(Y. Berson et. al., 2008), in such a work culture as indicated by (Bhargava Kelkar, 2000; Sherman & Smith, 1984; Clark, 2001)(refer to appendix 1. 1).

(for details on Google work culture refer to appendix 1. 6). Google would fall under Hypothesis 3: CEO benevolence values will be associated with a supportive work culture.

Consider the work culture at Enron a classic example of what could go wrong if things are not well managed. (Refer to Appendix 1. 5, for details) By Referring to the appendix (1. 1), we can say that in case of Enron, what went wrong? Enron becomes a classic example, contradicting to conclusions of C. kane-urrabazo, in her work (C. kane-urrabazo, 2006), a good work culture, helps to improve performance of the Organization.

Thus there was good empowerment, and trust and trust worthiness between employees and management. The motivation level was really good for the employees. Then why it crumbled. Based upon this example we can conclude that, in Shaping of organizational work culture, other factors than personal values of CEO's and focus of management on (building trust, empowerment , consistency) must be considered. so that, we can effectively measure the performance of a organization. organizations such as Google, where non bureaucratic work culture is prevailed and employee job satisfaction sis very high, but again corporate disasters such as Enron remind us that power and money can really blind the leaders at times, a level of Bureaucracy in organizations is must this statement is in contrary to conclusions of Bhargava & Kelkar, (2000); Sherman & Smith, (1984); Clark, (2001), ( C. kane-urrabazo, 2006).

We can conclude that whatever be the case in future mitigating circumstances and mitigating factors will come into play while Shaping of organizational culture but, it's all in hands of the leaders, to device efficiency in organizations.

Thus in shaping a organization culture CEO and Top Management has to focus on the building blocks according to ( C. kane-urrabazo, 2006)which would improve employee job satisfaction and thus helps to improve performance of the Organization. This abstract tells where to, and how to achieve

Also based on(Y. Berson et al, 2008) we can say that personal characteristics contribute to formulation of culture by CEO's and Top Management, which would contribute to overall performance. This abstract tells what contributes to how to achieve.

## 3. Role of CEO and TMT in Shaping of Organizational Strategy.

Strategy in a organization exists at all level, for example the study of HR strategies in UK and French Firms by Olga Tregaskis, shows that HR strategies promote HR planning mechanism,(Olga Tregaskis, 1997). As Jim Hart President and CEO of Senn Delaney says that an organizations culture plays a prominent role in executing a organizations strategy. Personal Values and goals of CEO are associated to the formulation of Strategy and their Strategic Decisions(Y. Berson et al, 2008). T

Also Jim Hart says that 'leading the culture is a important part of executing your organizational strategy (Senn Delaney, n. d). Thus the shaping of organizational strategy is linked unidirectionally with shaping of culture. Thus lets look from the perspective of formulation of organizational Strategy and the roles of CEO and Top management based on conclusions from J. Sarrazin.

Like CEO of D&B Sarah Mathews, says in a exclusive interview to Rube field, " Analyze what's happening in the market and position the company targets accordingly". Thus as a first step to formulate a effective strategy he/she mush have clear understanding of what's going on around in , In any organization, if a CEO fails to communicate his commitments and does not firmly support the plans and strategies, the plans and the strategies cannot be effective, Steiner (1969).

Sarrazin based on his findings has proposed 5 models of enterprises with varying role of top management and CEO in its strategy formulation (refer to appendix 2. 2). Based on these 5 types of forms we can explain the role of CEO and TMT in each firm & the factors effecting their decision making.

Fig.(2. 1). This diagram outlines 5 different business firm settings in relation to strategy Shaping.

source:(Sarrazin, 1981: p. 13).

## Type 1: Mono Activity Enterprise:

Type2: Enterprise with homogeneous diversification of its activities and a simple stable environment. Here the role of Top management is that of a Leader and Integrator of Decentralized strategic thinking.(Sarrazin, 1981; p. 22).

Type 3: The enterprise with heterogeneous diversification of its activity and a simple stable environment: Here the role of Top management is that of a Entrepreneur, who builds strategy at a corporate level on the basis of synergetic effects among activities.(Sarrazin, 1981; p. 22).

Type 4: The enterprise with homogeneous diversification of its activity and a complex unstable environment: Here the role of a top management is that of a Pilot, who evaluates long term goals and formulates short term objectives(windows).(Sarrazin, 1981).

Type 5: The enterprise with heterogeneous diversification of its activity and a complex unstable environment: Top management here plays the role of a negotiator, who maintains the vital networks of the organization. (Sarrazin, 1981).(Details pertaining to these 5 types refer to appendix 2. 3)).

source:(Sarrazin, 1981: p. 21),

Fig. 2. 2: This figure details the role of top management in each of the 5 types of enterprises.

Based on findings of (Y. Berson et. al. 2008) (refer to topic 1 page no. 2 for details) and (Sarrazin, 1981) the type of organization culture formulated is associated to the personal values (details, on personal values refer to appendix 1. 2) of CEOs and top management. (For other evidences refer to topic 1) and a clear relationship of these organization culture and strategy formulated and personal values of CEOs is established (also Refer to Appendix 2. 6 & appendix 2. 5, last paragraph for details on and leadership style). These drivers act as the sole characteristics of one's decision making capability. All these combined findings we will analyze in the following example of Indra Nooyi (refer to appendix 2. 6 for details).

Based on Sarrazin findings we can explain this diversification strategy as follows. Pepsi Co. comes into Type 4, homogeneous diversification of its activity and a complex unstable environment (Sarrazin, 1981). (Refer appendix 2. 5 ) In the food industry Customer taste keeps changing, as in here the customers were shifting towards healthier foods .

Indra Nooyi's personal characteristics and values are revealed in her strategic decisions, (refer to Appendix for details on Indra Nooyi's personal characteristics and decision making skills).

On the contrary there are examples of various organizations where in even though there was clear long-term objective, tough it ended up a failure. For example Jonathan Schwartz, the Ex CEO of Sun Micro Systems, ( refer to Appendix 2. 5(b)).

Let's consider the failure of Wal-Mart, in Germany (Refer to appendix 2. 5(b)). CEO and top management team taught their success strategy in US, would work in other countries and turned down any sort of analysis before stepping into Germany. And this turned to be a fatal error for them.

Ram Charan and Geoffrey Colvin in a Fortune magazine article argue that lack of Vision is not the only factor contributing to the failure to strategies, but there are other factors contributing to it, like the economic factor, market situations, environment factors, cultural differences, constant pressure on CEOs. Leaders know the problem but ignore to accept it, also the CEOs loyalty towards, and their subordinates with who they have been working for a long time they are blinded in their decision making (Charan, Colvin, 1999) just as it happened in the case of Walt Disney.

Again taking example of Pepsi Co and Indra Nooyi's Strategy to re invent Pepsi co. Her strategic decisions was creating a lot of positive influence on her employees job satisfaction and performance, as they saw their leader making tough decision which was again linked to her Personal characteristics and values. Thus her strategic decisions were building a positive work culture, and this in turn was Shaping the strategy of the Organization with her every decision she made. The role here she played was that of a pilot referring to (Sarrazin, 1981).

The role of CEO in shaping of Strategy in organization is that of a developing a clear vision and conveying his commitment toward his objective clearly to the top management. The CEO and the top management plays the role of Negotiator, Entrepreneur (look for new opportunities), and Pilot etc. In formulation of Organizational strategies, which in turn is shaping a culture of the organization, which in turn effects the Shaping of Strategy of organization on a over all basis.

But again as said by Andrew C. Taylor Chairman and CEO of world's largest car rental company Enterprise Holdings " There is no single solution, no silver bullet and no individual provider that meets all the mobility challenges facing our world today, ultimately the market place will decide the best solution" (Enterprise holdings, 2012).

## 4. Role of CEO and Top Management Team in Shaping of Organizational Operations.

Shaping of effective operations is key to an organizations effective performance. Shaping the organization operations should be in such a manner that it should yield high output also at times of market fluctuations . Thus to shape a organization's operations in a positive manner, its work culture , organizational structure , effective strategies have to be shaped in a decisive manner, based on the correlation existing between organizational strategy, cultre and personal values and characteristics of CEO provided by(Y. Berson et al, 2008; J. Sarrazin, 1981).

Thus measure of Organizational operations effectiveness will be the measure of shaping of Organizatinal culture, strategy formulation and personal values.

Operations are all about transforming inputs to outputs (end goods and services). 'Operations in an organization are central to the organization because it produces goods and services which are the reason for existing' (N. Slack et. al, 1995; p. 8). In organization there are other functions (refer to appendix 3. 2) coordinated by operations management. Thus operations prove to be a vital tool to attain competitive advantage. As stated by N. Slack et. al. (1995) , that these operations have boundaries in which it functions and definition of these boundaries , means Shaping of operations in a organization. Organization culture a measure of organizations performance (refer to Appendix 3. 3). Based on the evidences (Y. Berson et al, 2008 ;( refer to Appendix 1. 2 &3. 3); Sarrazin, 1981), we can conclude that in Shaping of operations in a organization TMT's and CEO's have a central role and their characteristics are core to all these.

Considering the example of Pepsi Co. Which has an innovative work culture where in failures are tolerated and the CEO is looking for new entrepreneurial opportunities, and risk taking is encouraged the performance is more related to sales growth. The work culture is shaped such that employees are empowered and motivated, the employees trust the management decisions. In such a organizations the operations formulated will be in accordance to their performance which is sales growth (refer to appendix 3. 1). Thus by establishing an effective organizational structure (refer appendix 3. 1) Pepsi co is able to maintain its operations (refer appendix 3. 1) and meet its customer needs.

In a letter to her share holders, indra Nooyie states the importance of work culture and employees on the performace she says" Performance with Purpose is not a stand-alone initiative. Instead, our sustainability goals, across the four planks-Performance, Human, Environmental and Talent sustainability-are woven into the fabric of our brands, guiding how they do business, while generating significant sourcing, operational and consumer impacts that improve both our top and bottom lines."

CEO and TMT play a central role in shaping organizational operations which in turn would form a measure of the performance of Organization related to work culture. Based on this in shaping op Organizational operations the role of CEO and top management might vary, but it's not limited.

## 5. Conclusion:

It is evident that role of a CEO and TMT in a organization is not limited to Shaping of organization culture or strategy and Shaping of operations but rather he/she plays a entrepreneurial role i. e. finding new opportunities in a organization (Mintzberg, 1973). In Shaping of strategy the role of CEO is to have a clear idea of his vision and analyze his surrounding and formulate a strong objective, and the role of top management team would be to make sure these objectives are successfully implemented and monitor them. In Shaping of Organization culture the role of CEO is equally shared with his TMT, both envision and implementation. When it comes to Shaping of Operations, the Role of CEO is to create a good organizational structure and strategy and the role of Top Management Team is to implement these strategies and monitor the performance. The individual characteristics of a leader reflect his or her actions and decision he/she makes. But a far extent there are other factors also that need t be considered. Be it Wal-Mart failure in Germany (refer to appendix 3. 5) or Enron's Multimillion scandal, the results show that a organization is at times bullied by its own shadow of growth and Work culture. Rather other factors come into action such as market conditions, change in customer taste one should not aim perfection but rather look forward to learn from the mistakes and move forward. The conclusions and hypothesis postulated by (Y. Berson et al, 2008; Sarrazin, 1981) has major contribution to this essay. There have been cases of organizational disasters and failures like the case of Enron which open new windows of studies in the field of management practices and challenge the existing theories and management principles.

From a managerial point of view these studies shows what kind of firms are able to sustain turbulent and uncertain conditions and factors contributing to it. These details contribute to effective and efficient decision making in an organization. Putting it together it provides a frame work to measure the performance and predict the organizational behaviour over time. Such non financial analysis is very important for financial predictions and decision making.

But for the success of a organization, a healthy work environment is the fore most requirement, to motivate employees and in today's corporate culture, motivating employees is key problem faced by TMT's and CEO's. To conclude their roles are not fixed to particular activities in real world.

Thus shaping of organizational culture would be central element and the role played by CEO and TMT in shaping culture would comprise shaping of Organizational operations and strategy formulations. Thus CEO's role would be more of creating a sense of ownership in employees there by boosting their performance , formulating strategies for this and communicating to all levels and top management role would be in hand to the role of CEO.

## Appendix 1:

## Importance of Organization Culture.

Culture represents a personality of organization , it has considerable impact on both employee satisfaction and organizational success(Christine Kane, 2006). Christine in her work hjas brought some some major areas of cultural impact in ornazation, and waht qualities of employees are effected by this in turn. And job satisfaction is one element in shaping of Organizational culture.

According to evidence the (eg. Bhargava &kelkar, 2000; Sherman & Smith, 1984; Clark, 2001) based on their findings we can say that work flexibility and the perception of an organization culture does have a positive or negative effect on the job satisfaction of employees.

According to deal and kenedy(2000) a strong work culture is the one which , with the help of its informal rules tell how employees should behave all time.

Handy(1985) oulines 3 kinds of organizational cultures prevailing today, and these are,

Power culture: in such a work culture there is a single owner., thus trust and personal communication are important elements in such a work culture.

## Role culture:

" this is also knownas bureaucracy. here employess work according to their job discriptions

## Task culture:

Thay focus mainly on the particular job or function. The main focus here is that, right people are allocated to correct job with correct resources so that job is completed effectively.

Personal Culture: is very uncommom 'exists to serve and preserve the individuals within it'(Handy, 1985, p. 195).

managers have major role to play that is they have to value certain elements , such as trustworthiness and trust, delegation, empowerment, consistency and mentorship.

These are kown as the building blocks of an successful organization(c. kane-urrabazo, 2006).

## Trust worthiness and trust:

Covey(1991) argue that, trustworthiness is more than integrity. Trust worthiness is actually believing in someone and having confidence in them. if employees feel that managers are not trust worthy then the performance of employees is negatively affected. Thrust worthiness is a important element linked to the performance of employees (lashinger et al, 2000). trust on the other hand is willingness to make risky decisions , and the one believing that others will act in favour of him. gilbert & tang(1998) define trust as the faith that employees have in their leaders and believing that the actions undertaken by the firm will benefit them.

For establishing trust the ceo and the top management must do what they say, if management says something and does something else , employees don't find you trust worthy inturn thier trust in the decisions of their leaders goes down this would affect their performance at last. Trust is nt only from top to bottom but it's also from bottom to top, a manager believes his employees so he allocates the respective work onto them. To build trust the ethical behaviour also contributes. Employees evaluate the way leaders treat them, to the ethics of the company. also employees look over to their leaders to make sound decisions and this would in turn build trust of employees over their leaders.( (c. kane-urrabazo, 2006)

## Empowerment:

if you have achieved /gained employees trust and trust worthiness then its easy to gain empowerment, empowerment is the process of making others to do something. Empowerment is related to employees feeling that they are being valued and for this CEO and top leader have to personally contribute. (covey , 1991).

## Delegate:

employees do tasks because they want to do it, and pass on task if they feel they are not interested in, or feel its not meant for them. Managers should not allocate such tasks to employees.

## Consistency:

This means that the organisational values , philosophies, mission statement must be al aligned as one. Employees will build a sense of trust when they realize there is consistency in the firm.

## 1. 2 Organization Culture and CEO Values.

Among these characteristics are personal values, which have been argued to be among the most influential leader characteristics. Top managers aim to pass on their values to employees as a means

Of shaping behaviour and directing the firm (Enz, 1988; Schein, 1992).

In an organization the role of a top manager is more focused to passing on their values and characters on to the employees in a organization. According to Agle, Mitchell and Sonnenfeld (1999) Strategic decisions made by CEO's are mere tools to imprint their organization culture. These values can be pictured as ones actions or means influenced by the desirable(Kluckhohn, 1951). values are defined as having influential effect on the interpretation of events and how individuals actuate to apprehend events such that they are in line with their personal values(Hitlin & Piliavin, 2004). These research works tend to give a good overview about the values of individuals . Based on these examples and findings Y. Berson et al.(2008) conclude that personal values does have considerable effect on their behaviour and characteristics and this in turn effects moulding of organizational culture and performance.

Three dimensions (kinds) of work cultures are prominent in all organization's (Wallach, 1986).

> Innovation: in this dimension the focus is on entrepreneurial orientation and creativity and risk taking work environment.

> Bureaucratic: in this dimension the focus is more towards formalized and centralized work environment. Distinctive set of rules and regulations are embedded and strictly meant to be followed.

> Supportive: in this dimension the emphasis is more towards employee well-being, openness, and employee needs.

Based upon these work cultures (Y. Berson et. al, 2008) has postulated 3 Hypothesis

Hypothesis 1: The self direction Value of CEO's will be more associated with the innovative work culture dimension. This means that, CEO's who identify values such as individuality, innovation and opportunity oriented, formulate a work culture that prefers taking risky decisions and looking for more entrepreneurial opportunities and good rewards are given to employees who follow this. They do not stress that only particular sets of rules and guide lines have to be followed etc.

Hypothesis 2: The Security values of CEO's will be more positively associated with the Bureaucratic work culture. CEO's who are concerned with security and smooth running of the organization will formulate a set of strict guide lines and rules to be followed by employees.

## Hypothesis 3: CEO benevolence values will be associated with a supportive work culture.

This means that the CEO's who prefer employee's welfare and well being will formulate a work culture that is supportive, encouraging &cooperative.

## . GE work culture:

Work culture at General Electric is they follow a completely bureaucratic work culture and re focused to following rules and regulations and smooth operations of the organization. Their work culture is more committed to meeting results and performance Organizations like GE have a where performance and smooth running of the form is the primal focus of CEO and TOP Management, very formalized and centralized culture is prevailed. GE comes under the category of role Culture.

## Work Culture at D&B:

D&b culture is passionate about winning and all we care is about being energetic team to winning with our customers, she actually indentifies 3 constituents for gaining a remarkable performance and these are wining shareholders, wining customers and winning as a team. In a podcast interview to Robert Reiss, Sarah Mathew CEO of Dun & Brad Street says that " I am the architect of the D&B culture and what i do the organization is actually mirror of how I behave" she also lays stress on Communication as a tool resolve various cultural issues(Robert Reiss, 2007). D&B culture is oriented towards success and market driven that is their main goal is to attain customer satisfaction and the performance has been good given that the customer satisfaction is going up for the past 3 years.(Robert Reiss, 2007), this is another added evidence that culture is related to the organizational performance,(Y. Berson et. al., 2008).

## Work Culture at Enron:

Enron was a American energy company based in Houston Texas, and world's 7th largest corporation with a long Enron, which had gone Bankrupt in late 2002 and today stands as a classic study material, for scholars and researches, for bad management practices.

'Enron's approach to compensation and incentives included many perverse features: It encouraged growth over profitability. It rewarded employees for closing commodity deals and power-generation projects without concrete evidence of their future profitability. It deepened a deadly addiction to pumping up the price of the stock through a variety of obfuscating manoeuvres. It helped encourage a corporate culture that tolerated and sometimes encouraged deception. It created many opportunities for executives to reap enormous personal gains from gaming accounting and SEC rules.'(S. Salter, 2006; p. 1).

At Enron anything done was always bigger and flashier, for example they had allocated 1. 5 million dollars for a New Year party, or be it the expensive lunches in the most expensive restaurants in Houston. Everything at Enron was lavish, be it the expensive gifts to the top executives, etc. the easy going attitude of the top executives and lack of information on the financial details all this contributed to the down fall of the organization. (Banerjee et. al, 2002).

the work environment was luxurious , be it the free laptops to workers, best ergonomic chairs , office lunches at the Houston's best restaurants, at one instance for Enron family picnic they had booked a 85 acre theme park, all these depict the work culture practices at Enron. The top managements and directors' lack of knowledge on financials and easy go, and lavish spending attitude all contributed together for its down fall.

## Appendix 2:

## 2. 1 Importance of Strategy:

Importance of strategy in the organizations has seen a shift. Strategy has seems a shift in early 1950-605 corporate decision making was more about planning but with the starting of 1970-80s the companies became aware of economic instability and international competition, because of which here was a shift from corporate planning to strategy, with the primary goal of achieving competitive advantage, also with the burst of technology and continuous changes strategy becomes more about flexibility and temporary competitive advantage. (Robert M Grant, 2010).

Strategy opted by Samsung Mobiles recently of the launch of their new smart phone Samsung Galaxy S3, helped it to outrun apple i phone in sales numbers and revenue. Strategy was very simple, Samsung decides to launch its product 5 months after the launch of Apples iphone 4 s which gave it a ground breaking opportunity in the market. Together, over 50 million units of the S series have been sold by Samsung till June 2012'(Ashwin Shree Kumar, 2012).

Michael Dell, CEO of dell computers started in 1995 his strategy was very simple all orders were made via telephone and custom built as per their requirement in factories, with the advent of internet era, all purchases were done online. In an exclusive interview to Geoffrey James , Michael says ''My responsibility is more along the lines of determining what businesses we're going to be in, and where we're going to make our investments, prioritizing investment decisions, and establishing the criteria for success in the different businesses that we're in, and, obviously, prioritizing opportunity. '' (Geoffrey James, 2010).

## 2. 2 Rumelt Diversification Scale:

Based on Rumelt scale(Rumelt , 1974), Sarrazin(1981) classified 3 kinds of diversified enterprises.

> Monoactivity enterprise:

> Homogeneously diversified company:

> Heterogeneously diversifies company:

## 2. 3 Strategy Shaping in relation to Type of Enterprise:

Also based on the assumption made by De Woots concept of an Enterpreneual Company, Sarasin(1981) defines top management as also an important entrepreneur and not just an coordinator of various activities in a organization. Another important element of these models is the environment, b