

The work of chief executive officer business essay

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Professor: Course Number: Who is CEO? CEO is the contraction for chief executive officer. He/she is the top ranked officer in a corporation or a business entity. A chief executive officer is a person whose work is to utilize the knowledge and skills obtained through knowledge and experience to run an organization. He or she should be able to interpret all the functions within the organization from the top management level to the low level of management. What Is The Work Of Chief Executive Officer? The highest position in an organization is the one of the chief executive officer. A person who is appointed as chief executive officer of a company reports to the board of governor. In many countries, a chief executive officer is usually referred to as the managing director others executive director and other refer them to as the corporate officer. The most important role of the Chief Executive Officer is to connect energy, talents and creativity of the individuals that make up the organization (Thomas, 3)Purpose of the salaryAs individuals, we always want to be involved in activities that would be of benefit to us, Whether we would reap the reward directly or indirectly, it does not matter as long as we benefit from the fruits of our labor. This is what led to the development of salary, in which employees do not obtain the effect of the labor but are compensated instead in monetary terms equivalent to the labor given. For instance, a cook is not rewarded with the food he cooks, but with the salary he receives in terms of currency. Workers do not benefit from the work they do on behalf of the company, but receive a salary from their companies in exchange for the work done. People should be compensated according to the work they have done and also according to the level of employment if one works in a junior position he or she should be compensated according to the work he or she does, and since the CEO holds <https://assignbuster.com/the-work-of-chief-executive-officer-business-essay/>

the high position in the company he deserves more than the other employees in the company. Before payment was just normal payment whether the company performed or not, but of today's compensation is determined by the performance of the CEO. Components of a CEOs Pay

Despite many different practices by most firms, most chief executive compensation package entails five components, annual bonus, salary, long term incentives plan, payouts restricted stock grants and restricted option grants. They also receive benefits in terms of contribution which consist various pension plans. But, with the changing economy the compensation elements have changed considerably, one needs to compare the salary of the CEOs starting from 1950 to up to today (Caruth 123). Why CEO's, earn more than average employees? In recent years, CEOs have come under inspection for their high earnings, business practice, and their relations with employees. The CEO has the primary responsibilities of creating the communicating and implementing the strategic decisions of the company. The value the CEO adds to the company is enormous because of the high position he holds in the company. So a CEO is like an asset to a company once he is removed from that position the company becomes a total mess. As a result, due to his position, a high compensation would indicate control and authority. It is essential for an individual in a leadership position to be awarded for the work he or she contributes to the company. For instance, if a company has issues it is the work of the CEO to ensure that the company goes back to profit making and establish a good image of the company. Over the years there has been a debate in many governments and countries on how the CEOs should be compensated. A recent done research indicated that the highest paid Company CEO takes home an average of 36 million dollars a

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total compensation for a full year salary despite the company's performance (Upadhyay 2-10) So Why More than the Average Employees CEO Roles and Responsibilities CEO plays a big role in managing and controlling of an organization. His roles and responsibilities demand for a hefty salary package as he is involved in driving the organization in attainments of its goal. In this capacity, the chief executive officer has three main roles/responsibilities that qualify him to get a good compensation (a) Design the Organization Purpose, Vision, And Core Values. The chief executive office work is to design the company's purpose, and its core values. The CEO has to ensure that the company is in consistence with its objectives. For a company to establish its purpose, the top management which comprises of the CEO and other top official must come up with an approach that will ensure that a company is heading in the right direction. His work is to ensure that the employee's roles and performance are consistence with the organization objectives. (b) Oversees the Creation of Policies and Strategies of the Company Secondly, the chief executive officer must oversee the creation of policies, strategies, and structure that translate purpose, vision, and core values into business decisions. The CEO work is to ensure that the organization has implemented or adopt policies that would ensure the company is run in an efficient manner. He or she selects the best policies on behalf of the employees that would ensure smooth running of the company. (c) Creates a Conducive Environment for Learning Thirdly, chief executive officer should create an environment for organizational learning by serving as a coach, facilitator and a teacher. A learning environment is created by assisting the company members question their assumption about the business and its environment. The questions are; what do the clients want?

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What are the competitors likely to do? Which choices or technology will work best for the company? And how does the company solve certain problems? A chief operating officer plays the basic role of enhancing an environment where workers question assumptions, understand interdependency, see the strategic significance of their actions, and are empowered to lead. Finally, the chief executive officer and managers must serve as steward for organizations in the sense that they care about the company and the community in which it functions. It is the work of a CEO to demonstrate the passion of the company in contributing toward the need of the society. The Chief executive officer typically shares leadership responsibilities with a select group of the high ranking officials, called the top management team. For instance, most companies top management team usually consist of the chief operating officer, the vice president, the chief financial advisor and the chief human resource executive. The basic element of a company's success is an efficient top management team that ensures smooth running of the company through efficient decision making system. For Chief executive officer to perform his function, he or she should appoint an efficient top management team that will assist him or her in accomplishing the company objectives. The top management team should possess a variety of strength, knowledge and capabilities (Vallabhane 5-9). Education and Experience Most people are considered for the CEO position if they have attained the right education and experience for the job in question. For a CEO to run a company, he or she should have attained the right and the relevant education relating to the position in question. Most CEOs are people who have been to good schools and university and also who have had wide experiences in working with different organizations. So with the knowledge

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and the experienced possessed with the top management, that what entitles them to a good pay since they are the ones who steer the company to the right direction. Global Market Competition A CEO of a company 40 years ago operated in a world which was controlled by labor unions and predictable markets where its competitors were not that aggressive. With the rise of globalization and competition, a modern day CEO is in a totally different world. There are no standardized procedures or rules that touch on the compensation of the CEO. Due to high competition, companies have become aggressive in terms of compensating their workers from the top management to the low level of management. So companies and institutions have been forced to maintain a competitive package regarding their compensation of their top management and their productive workers. If a company is performing well, the CEO is the one who receives the honor on behalf of the company if it is performing poorly the CEO is the one who is blamed for the company performance. Most companies have been known to poach good CEO from companies that are performing better. This is where they entice the CEO with good compensation packages with this problem most companies have been forced to review their top management yearly to ensure that the CEOs remain in place for the next year. Developing and Maintaining Company Image A CEO has also been used to enhance the image of the company. Most organizations have maintained a good image as a result of the reputation of the CEO. Companies are mostly built by the image their CEOs portray, so a company has to enhance the image of the CEO by giving him a good compensation package. Good compensation on the part of the top management and employees of the organization in a way tends to improve the image of the company. Advantages A good compensation

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package will boost the CEO morale. If a company is not compensating their CEO well, then probability of company experiencing problems is high. Good compensation by the CEOs act as a way in which the top managers can be motivated in the accomplishing of the companies objectives. High compensation also acts as a way of distinguishing the positions of different people in the company. Salaries act as a way of differentiating roles and function of different people in the organization, with high salaries people are able to identify with their task thus leads to the attainment of personal goals and the organizational goals. High compensation also ensures job stability. If a company is not paying its top managers well, then the company is likely to experience high job turn over. This often leads to poor quality and low performance on the part of the top managers and employees. But with good salaries most people prefer to grow with the company. Disadvantage High compensation on the part of the CEO has proved to have little effect on their performance. Most CEOs have been known to receive hefty package of their salaries, yet they have not portrayed any accomplishment in attainment of the organizational goals. Most CEOs have been known to amass wealth for themselves leaving the companies in a worse-off state than they were previously. High compensation of the top management has also led to division and has enhanced conflict within company. Due to the wide payment gap experienced between the employees and the top management, most workers tend not to associate well with the top management. This has often resulted to emergent of strikes, go-slows as workers are demanding for increase in their pay. High payment of the CEOs has also led to the some companies being bankrupt. The company lacks money to conduct the daily operations and to pay their employees (Reda 4-5). Conclusion For a company <https://assignbuster.com/the-work-of-chief-executive-officer-business-essay/>

to achieve its objectives, it has to design a salary package for the CEO that is well balanced with the work and the performance of the work. This can be achieved by the company doing a thorough review of their salary to ensure that the CEOs compensation package remains competitive.