

Lecture 2: What do Managers Do?

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Reference

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- Background reading:
 - ▶ Drucker, Peter F. (1966): “The Effective Executive,” New York: Harper and Row.
 - ▶ Mintzberg, Henry. (1973): “The Nature of Managerial Work,” New York: Harper and Row.

Approach

- Effective management: Effective executives know that time is the limiting factor. The output of any process is set by the scarcest resource (Drucker 1966).
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 - ▶ A very common approach used in research of management (survey).
- Two types of activities:
 - ▶ Work with insiders: working alone, meetings with subordinates.
 - ▶ Work with outsiders: public events and business lunches.

Findings

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- Working with insiders: benefiting firm most; working with outsiders: private benefit.
- Key findings:
 - ▶ CEOs who work longer hours, devote more time to activities that mostly benefit the firm and less time to activities that mostly yield private benefits.
 - ▶ CEOs who work for firms with stronger governance devote more time to activities that mostly benefit the firm and less time to activities that mostly yield private benefits.
 - ▶ Time devoted to activities that mostly benefit the firm is more strongly correlated with productivity than time devoted to activities that mostly yield private benefits.

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- PAs are randomly assigned to one of five weeks in the sampling period (cross-sectional).

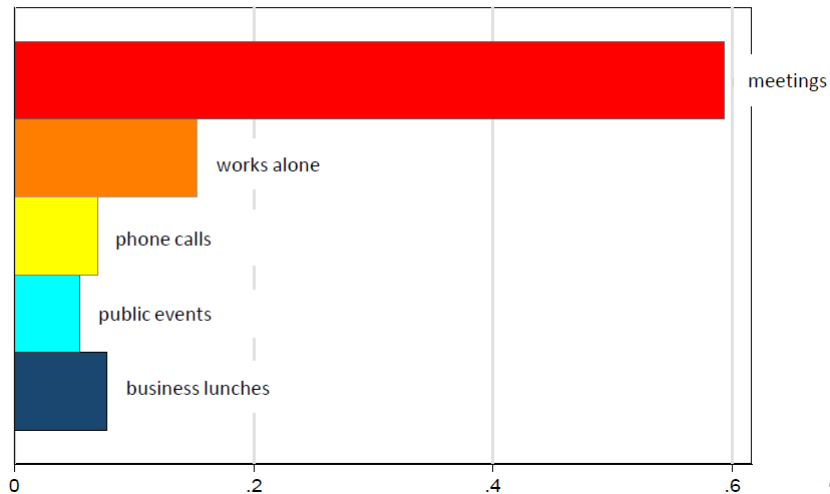
Data Description

- Outsourced to a private firm in Milan.
- Use CEO's personal assistant (PA) to record data.
- PAs are randomly assigned to one of five weeks in the sampling period (cross-sectional).
- Any activity longer than 15 minutes are recorded.
- Response rate is 18% (selection issue).

Time Use

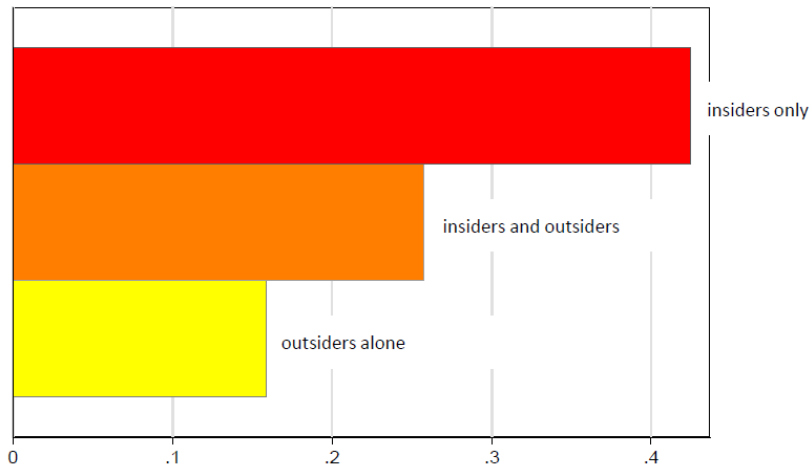
FIGURE 1: CEO's Time Use

1.A Share of time devoted to different activities



Time Spent

1B. Share of time spent with different categories of people



Categories of Time Spent

Insiders, Top 5 Categories:

Finance	8.69 (6.96)	.79
Marketing	8.32 (7.62)	.73
BU Directors	6.85 (7.18)	.71
Strategy	5.87 (5.97)	.69
Human Resources	5.47 (5.86)	.74

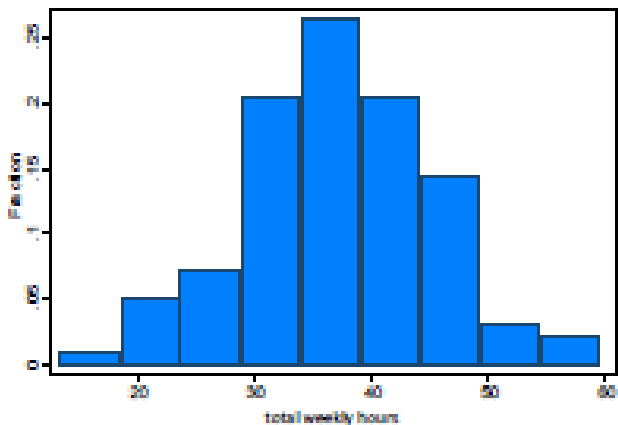
Outsiders, Top 5 Categories

Clients	2.59 (4.03)	.40
Suppliers	1.27 (2.19)	.34
Investors	1.74 (3.05)	.33
Consultants	4.70 (4.82)	.67
Banks	1.38 (2.68)	.30

Distribution of Time Use

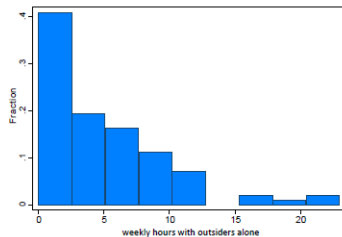
FIGURE 2: CEO's Time Use

2A. Hours Worked

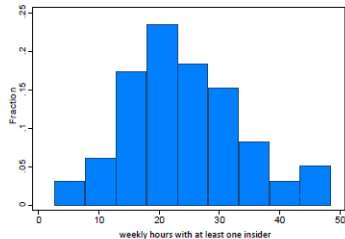


Distribution of Time Use with Insiders and Outsiders

2B. Hours spent with outsiders alone



2C. Hours spent with at least one insider



Working Hard and Working with Insiders

Panel B - Insiders and Outsiders, by number of categories involved

	3	4	5	6
log(total hours) spent:	with one category of insiders	with more than one category of insiders	with one category of outsiders	with more than one category of outsiders
log (total hours)	0.909*** (0.260)	1.082** (0.448)	-0.926*** (0.317)	0.381* (0.223)
log (number of employees)	0.024 (0.038)	0.028 (0.054)	-0.053 (0.046)	0.029 (0.027)
listed firm (=1 if yes)	-0.164 (0.255)	-0.631** (0.287)	0.906*** (0.214)	0.146 (0.202)
H0: log(total hours)=1	.73	.85	.00	.00
Adjusted R-squared	0.138	0.253	0.205	0.166
Controls	size, listed	size, listed	size, listed	size, listed
Industry Dummies	yes	yes	yes	yes
Observations	94	94	94	94

Working Hard and Working with Insiders (Cont.)

Panel C - Insiders and Outsiders, by number of participants involved

	7	8	9	10
log(total hours) spent:	with fewer than two participants and at least one insider	with more than two participants and at least one insider	with outsiders only and fewer than two participants	with outsiders only and more than two participants
log (total hours)	0.594* (0.303)	1.387*** (0.224)	-0.789*** (0.276)	-0.075 (0.365)
log (number of employees)	-0.010 (0.040)	0.027 (0.032)	-0.040 (0.037)	-0.013 (0.039)
listed firm (=1 if yes)	-0.082 (0.201)	-0.182 (0.130)	0.566** (0.251)	0.640** (0.248)
H0: log(total hours)=1	.18	.08	.00	.00
Adjusted R-squared	0.136	0.422	0.168	0.142
Controls	size, listed	size, listed	size, listed	size, listed
Industry Dummies	yes	yes	yes	yes
Observations	94	94	94	94

Time Use and Firm Governance

TABLE 4. CEOs' Time Use and Governance

dependent variable is log(total hours) spent with:	1 with at least one insider	2 outsiders only	3 at least one insider	4 outsiders only	5 at least one insider	6 outsiders only	7 at least one insider	8 outsiders only	9 at least one insider	10 outsiders only	11 at least one insider	12 outsiders only
Foreign MNE	0.428*** (0.123)	-0.594** (0.257)			0.438*** (0.125)	-0.612** (0.260)						
Domestic MNE	0.288** (0.122)	-0.233 (0.227)			0.217* (0.124)	-0.122 (0.233)						
Family owned- External CEO			0.277** (0.125)	-0.337 (0.293)	0.313** (0.135)	-0.486 (0.301)						
Family owned- Family CEO			-0.115 (0.106)	0.135 (0.272)	-0.072 (0.118)	0.046 (0.288)						
Log (board size)							-0.243* (0.135)	0.474** (0.230)				
At least one woman on the board in an executive role									0.165* (0.096)	-0.328* (0.190)		
At least one woman on the board in a non executive role									0.032 (0.108)	-0.250 (0.241)		
Private benefit index											-2.605* (1.152)	9.095* (4.266)
Industry Dummies	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Firm Size	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Firm Listed	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Adjusted R-squared	0.199	0.230	0.115	0.190	0.243	0.253	0.128	0.218	0.103	0.206	0.291	0.299
Observations	94	94	94	94	94	94	88	88	88	88	30	30

Notes: ***,** indicate that the coefficient is significantly different from zero at the 10%, 5%, 1% level, respectively. OLS Estimates, robust standard errors in parentheses. All regressions include industry dummies, the logarithm employees and a dummy equal to 1 if the firm is listed. Sample size in columns 7-10 falls due to missing values of the board variables. The private benefit index is the country-level indicator of private benefits of control computed (2004) on the basis of block control transactions in 39 countries., which we match to the country of origin of the foreign multinationals in our sample. Consequently, the sample in columns 11-14 is restricted to foreign multinationals.

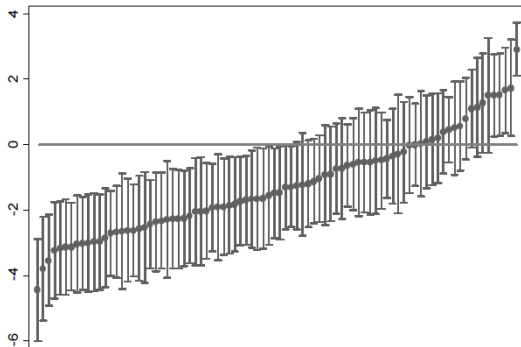
Time Use and Firm Performance

Table 5: CEOs' Time Use and Firm Performance

	(1)	(2)	(2)	(3)	(4)	(5)	(7)	(8)
dependent variable:	Log(productivity)	Log(productivity)	Log(productivity)	Log(productivity)	Log(productivity)	Log(productivity)	Profits/Employees	Sales growth rate
Log total hours	2.145*** (0.611)							
Log total hours with at least one insider		1.229*** (0.431)	1.274*** (0.413)	1.223*** (0.418)		0.740** (0.319)	72.340* (41.758)	0.071 (0.077)
Log total hours with outsiders only		0.227 (0.249)				0.072 (0.189)	31.758 (21.187)	-0.016 (0.061)
Log total hours working alone		0.258 (0.162)	0.278 (0.168)	0.284* (0.161)	0.237 (0.157)	0.166 (0.152)	3.619 (13.439)	0.005 (0.046)
Log total hours with outsiders at headquarters			0.326 (0.294)					
Log total hours with outsiders outside			0.114 (0.152)					
Log total hours with outsiders planned in advance				0.210 (0.215)	0.205 (0.204)			
Log total hours with outsiders unplanned				-0.196 (0.342)	-0.219 (0.347)			
Log total hours with insiders planned in advance					0.857*** (0.323)			
Log total hours with insiders unplanned					0.340* (0.186)			
H0: hours with insiders=hours with outsiders		.000				.006	.184	.244
H0: hours with outsiders at HQ=hours with outsiders outside			.421					
H0: hours with insiders planned=hours with insiders unplanned					.131			
H0: hours with outsiders planned=hours with outsiders unplanned				0.288	.247			
Industry Dummies	yes	yes	yes	yes	yes	yes	yes	yes
Controls	size, listed	size, listed	size, listed	size, listed	size, listed	size, listed, log (capital), log(materials)	size, listed	size, listed
Adjusted R-squared	0.480	0.476	0.491	0.483	0.478	0.526	0.476	0.111
Observations	80	80	80	80	80	78	76	66

Time Spent with Insiders and Firm Performance

Figure A1: CEO Fixed Effects with 95% Confidence Interval



Note: Each dot represents the coefficient on each CEO dummy in a regression of $\log(\text{time with at least one insider})$ on firm size, industry dummies and CEO dummies at the activity level. The bars are the 95% confidence intervals.