

# Managerial Capital at the Top: Evidence from CEOs Time Use in India

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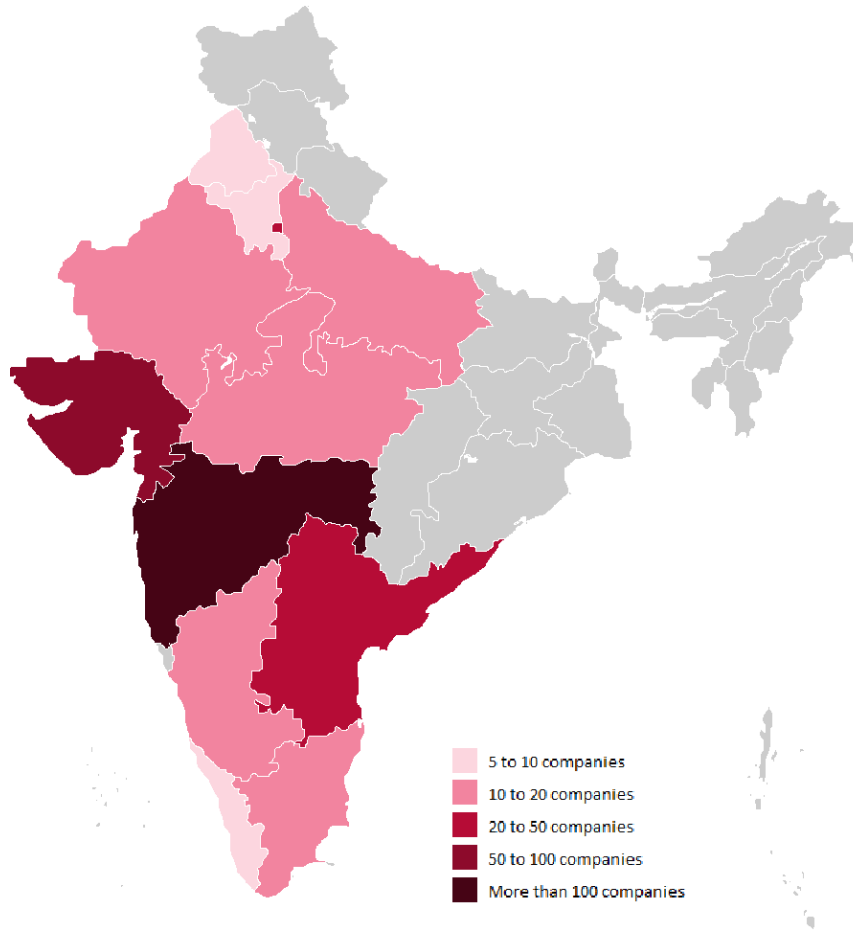
# The questions

- Differences in productivity account for a large share of cross-country income differences
- Differences in managerial practices can explain differences in firm productivity
- Yet little is known about the people who shape such practices
  - what do CEOs do?
  - does it matter for firm productivity & growth?

# We ask them

- Develop a new survey methodology to collect data on **time use** of CEOs
- **Time use:**
  - what they do
  - who they meet
  - where they meet
  - how far in advance they plan
  - ..

# Our sample



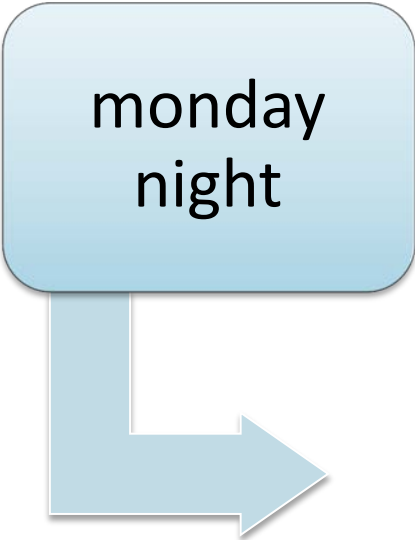
- 364 CEOs of listed manufacturing firms
- Firm characteristics
  - 1230 employees avg. (median=400)
  - 15 states (Maharashtra 36%, Gujarat 15%)
  - 75% family owned (70% also family CEO), 2% government
- CEO characteristics
  - 50 years old
  - 13 years in post
  - 41% with MBA

# Collecting time use data

- Team of 15 analysts and 3 managers based in Mumbai- May to July 2011
- Call each CEO's PA every day for a week
- Collect detailed information on all activities longer than 15 minutes


# Collecting time use data

monday  
night



- ask about activities done on monday and schedule for tuesday

tuesday  
night



- ask about activities done on tuesday and schedule for wednesday

wednesday  
night



• ....

# EXAMPLE

- We first ask for a list of all the activities undertaken during a day

## ACTUAL AGENDA

**Monday**

On Monday, at what time did the Executive START working? Please consider all work-related activities (e.g. calls from home, breakfast meetings).

On Monday, at what time did the Executive FINISH working? Please consider all work-related activities (e.g. calls from home, dinner meetings).

**Please enter all activities lasting more than 15 minutes for Monday. You can report up to 15 activities if necessary.**

Activity 1:	<input type="text"/>	Start Time:	<input type="text"/>	End Time:	<input type="text"/>
Activity 2:	<input type="text"/>	Start Time:	<input type="text"/>	End Time:	<input type="text"/>
Activity 3:	<input type="text"/>	Start Time:	<input type="text"/>	End Time:	<input type="text"/>
Activity 4:	<input type="text"/>	Start Time:	<input type="text"/>	End Time:	<input type="text"/>

- We then ask a LOT of detail for each activity

**Activity 1:**

Start Time

End Time

Type

When was the activity scheduled in agenda?

If unscheduled, was the activity undertaken due to an emergency?

Did the activity take place inside the firm and/or HQ?

Where did the activity take place, relative to HQ?

How many people were present at the activity, excluding the Executive?

Who participated in the activity, excluding the Executive? (check all that apply)

People employed by firm INSIDERS <input type="checkbox"/>	
People not employed by firm OUTSIDERS <input type="checkbox"/>	

What type of INSIDERS participated in the activity? (i.e. people employed by the firm)

Finance <input type="checkbox"/>	
Marketing/Communication <input type="checkbox"/>	
Production/Logistics <input type="checkbox"/>	
Strategy <input type="checkbox"/>	
Human Resources <input type="checkbox"/>	
Business Unit Directors <input type="checkbox"/>	
Others <input type="checkbox"/>	

If "Others", specify:

What type of OUTSIDERS participated in the activity? (i.e. people NOT employed by the firm)

Clients <input type="checkbox"/>	Politicians <input type="checkbox"/>
Suppliers <input type="checkbox"/>	Government <input type="checkbox"/>
Banks <input type="checkbox"/>	Officials <input type="checkbox"/>
Investors <input type="checkbox"/>	Journalists <input type="checkbox"/>
Lawyers <input type="checkbox"/>	Unions <input type="checkbox"/>
Management <input type="checkbox"/>	Competitors <input type="checkbox"/>
Consultants <input type="checkbox"/>	Others <input type="checkbox"/>

If "Others", specify:

# A week in the life of the average CEO

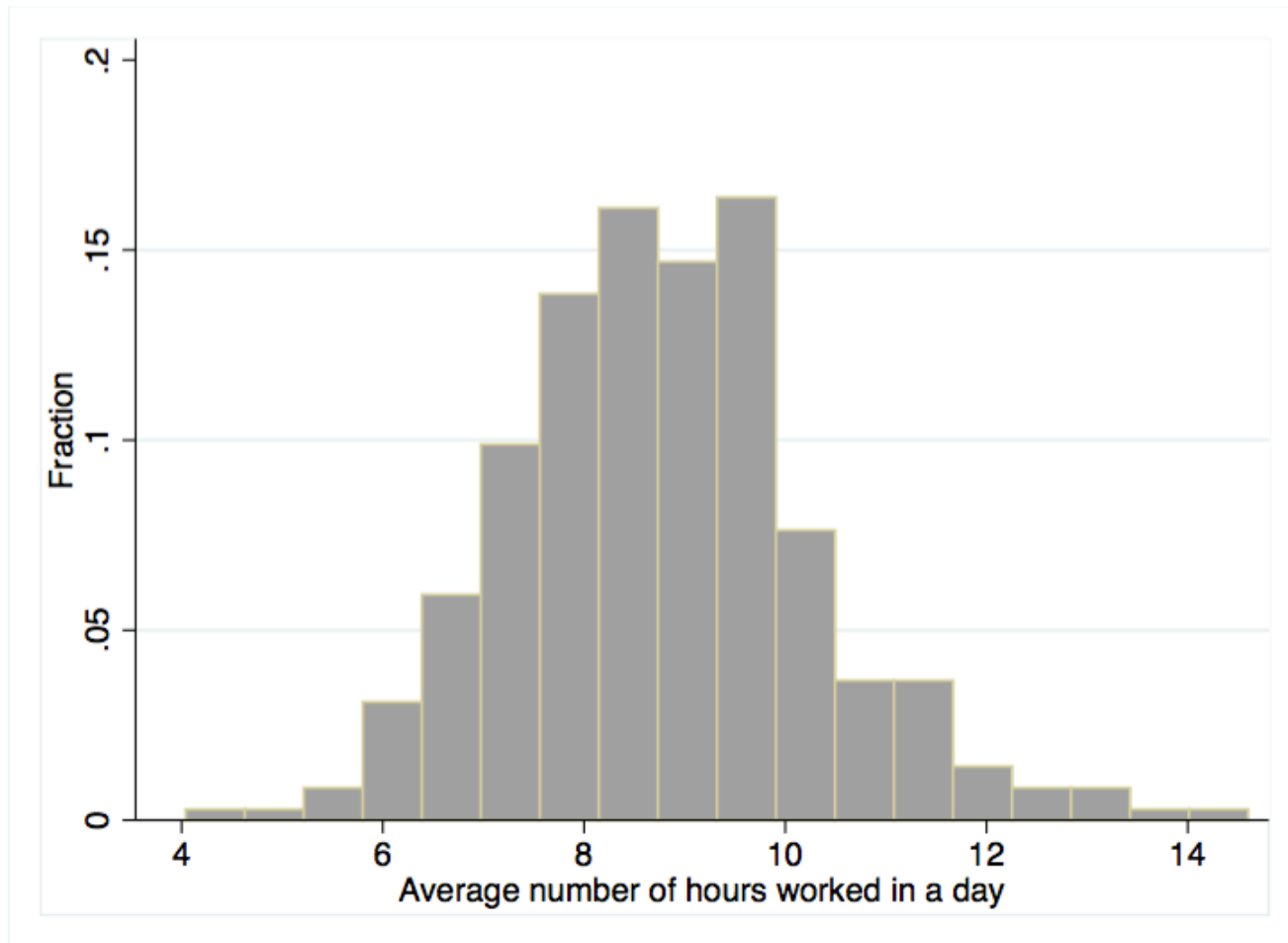
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	<b>Mean</b>	<b>Standard deviation</b>	<b>Min</b>	<b>Max</b>
<b>Days worked</b>	5.3	0.5	4.0	7.0
<b>Hours reported</b>	46.2	9.5	24.3	88.3
<b>Hours recorded</b>	43.4	8.9	17.0	76.3
<b>Personal activities</b>	4.4	4.3	0.0	25.3
<b>Work</b>	39.0	9.4	14.0	75.5
<i>Planned</i>	29.2	11.2	0.0	70.8
<i>Unplanned</i>	9.8	6.8	0.0	44.0
<i>Face to face interactions</i>	26.7	8.6	5.5	57.8
<i>E-meetings</i>	4.6	3.5	0.0	19.0
<i>Work alone</i>	4.6	4.2	0.0	20.5
<i>Travel</i>	3.1	4.3	0.0	23.7
<i>Other</i>	0.0	0.5	0.0	8.5

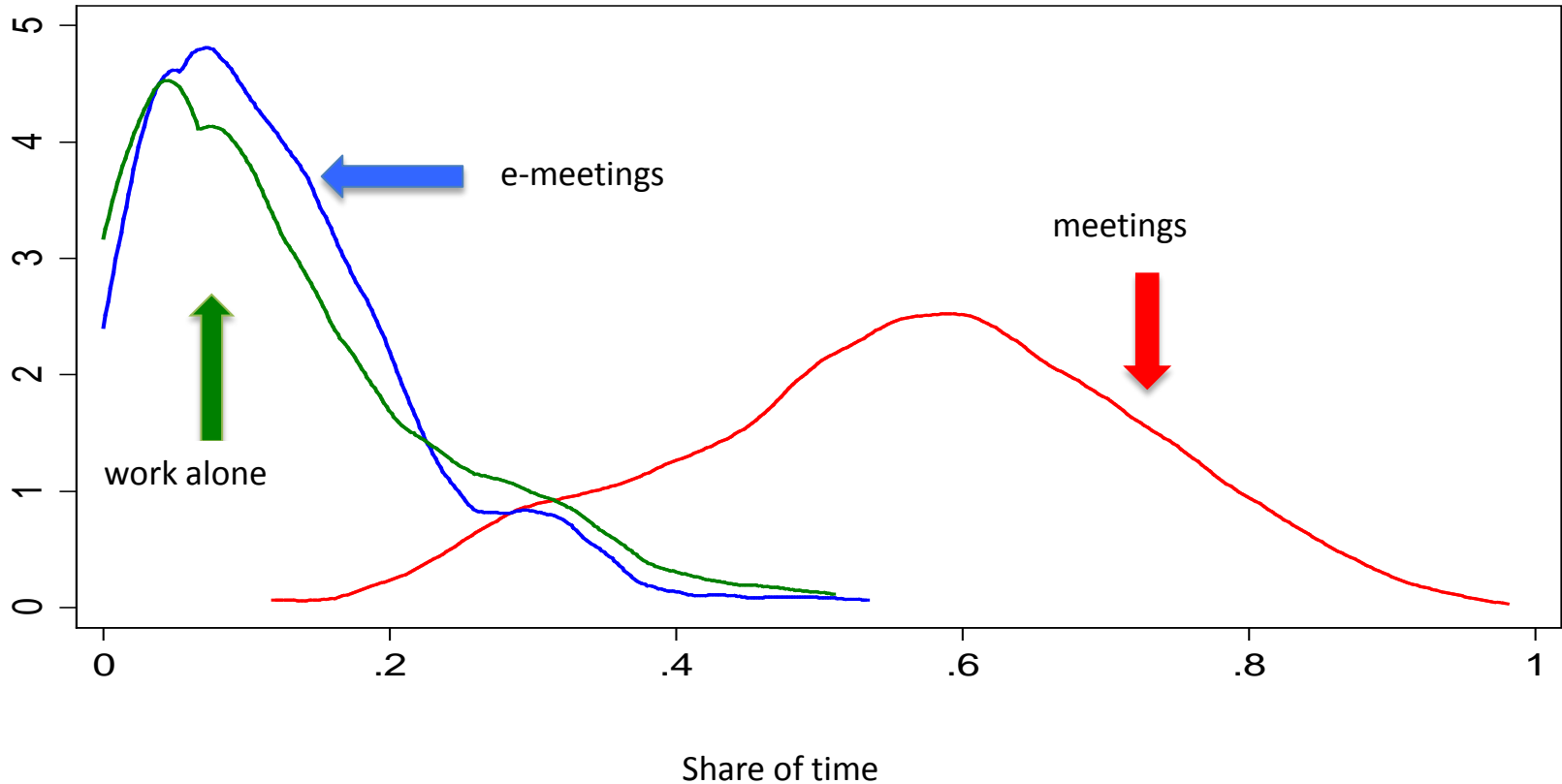
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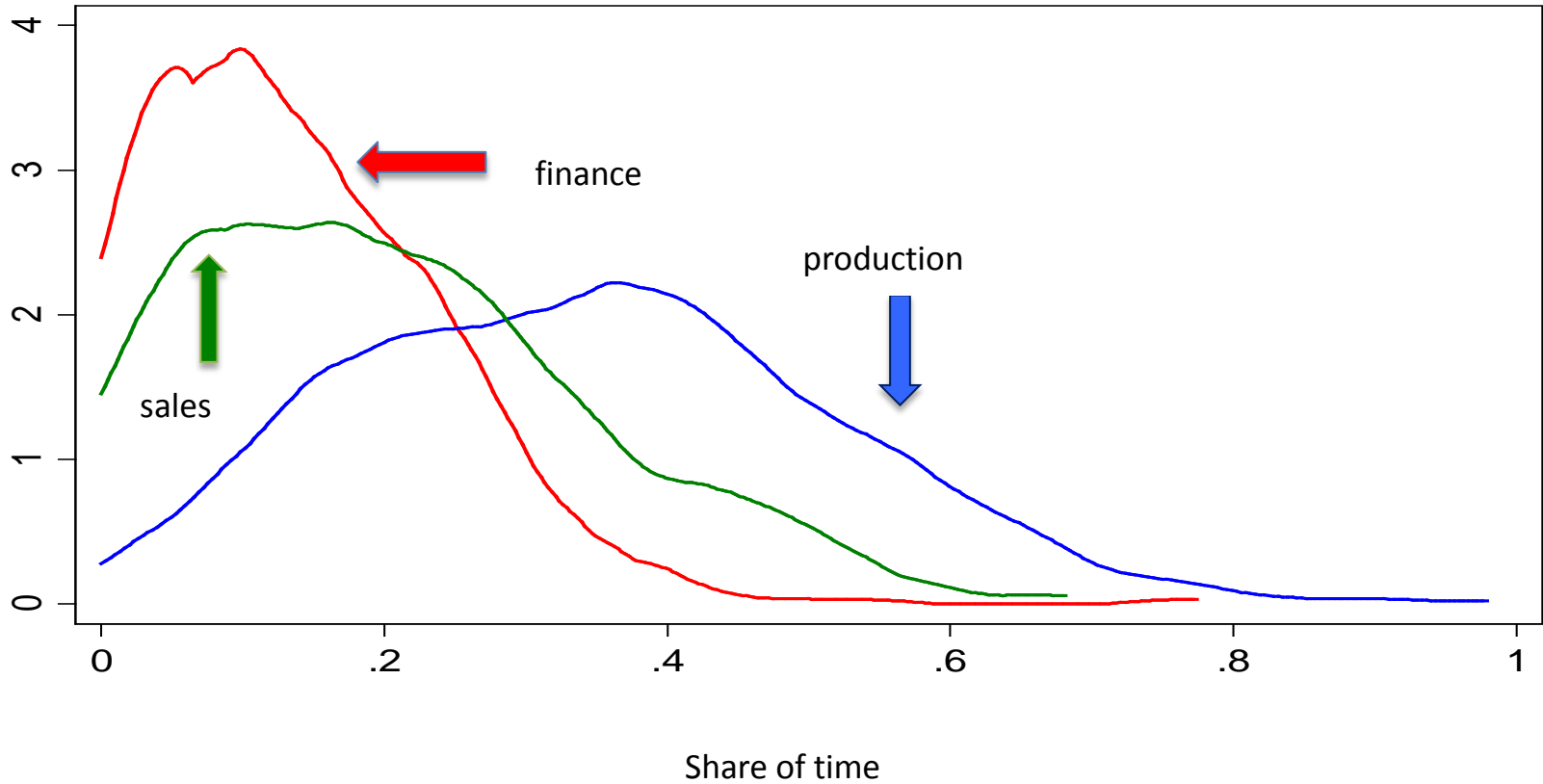
# CEOs work very different hours



# Do different things..

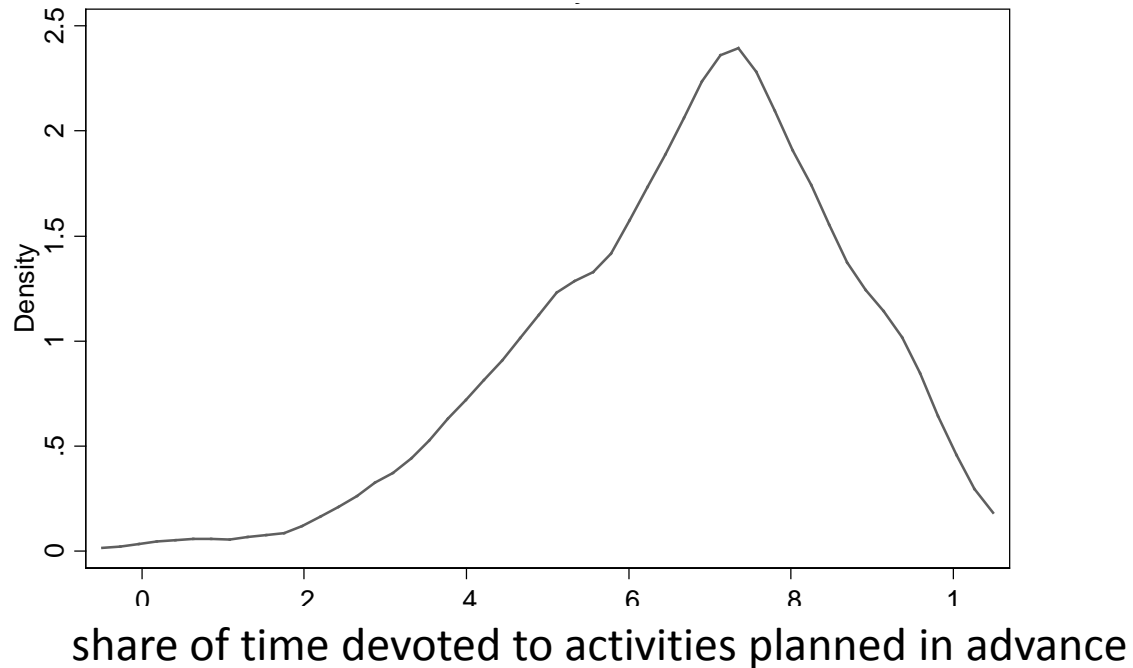


# ..with different people



# Some plan a lot, others don't

First Quartile = .56  
Median = .67  
Third Quartile = .8



# So what?

- Do CEOs differ systematically in style?
- Is this correlated with productivity?
- Is it shaped by their preferences or by the environment they operate in?

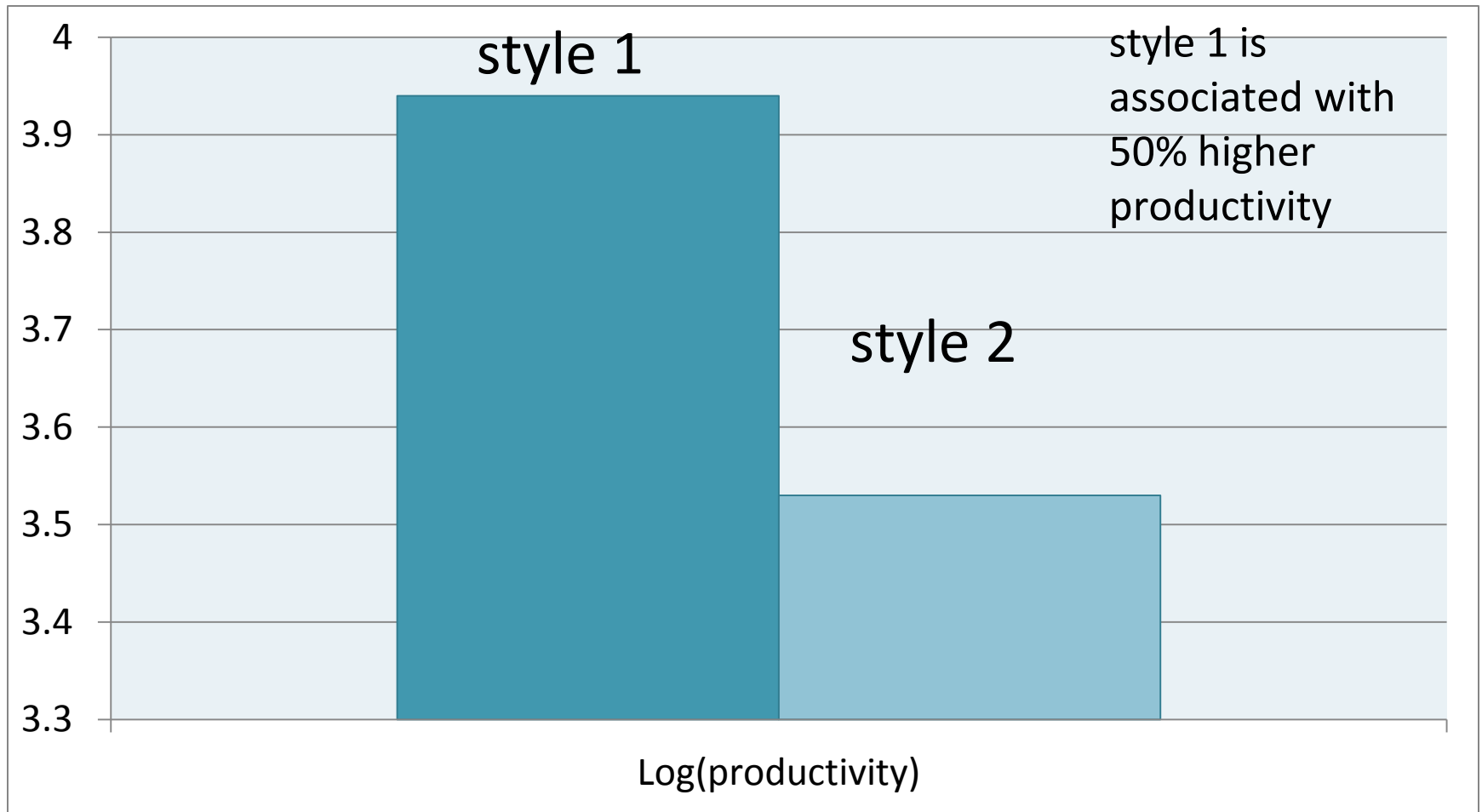
# Looking for “style”

- Clustering analysis helps us find “styles”
  - differences along different dimensions related in a systematic way
  - e.g. is more planning associated with more work? more work inside or outside the firm? more or fewer meetings?

# Two styles

share of time spent in:		
activities planned in advance	.72	.64
at the firm	.74	.52
in meetings	.67	.49
with insiders	.68	.45
with production	.27	.22
with many different functions at the same time	.35	.18

# One style is definitely more productive





# External constraints or choice?

- External constraints plays almost no role in explaining style
  - no differences across industries
  - no differences by several measures of development      gdp, credit pca, banking penetration, communication infrastructure, labor regulation
  - with one exception

the more productive style 1 is more likely to be found in states with good transport infrastructure (roads and rail)

# Who chooses which?

- Style 1 is more likely to be chosen by CEOs of:
  - large firms
  - multinational or export oriented firms
- Style 2 is more likely to be chosen by:
  - 2<sup>nd</sup> generation family CEOs
  - but only in domestic/non-export firms

# Why are family firms different?

- Two hypothesis
  - optimal response to a different environment
    - e.g. no need to plan meetings with your brothers
  - softer focus on productivity/profits
    - e.g. stronger preference for leisure

# Two tests

- Idea: find events that make it more costly for all CEOs to go to work to the same extent
- Test whether family CEOs reduce hours worked to the same extent
- Events:
  - extreme rain
  - cricket matches

# Going to work with extreme rain



# Family CEOs work less when cost of effort goes up

- Family CEOs are much more responsive:
  - to extreme rain (9% difference)
  - to cricket matches than other CEOs (18% difference)
- Family CEOs who lead multinational or export oriented firms do not respond differently

# In a nutshell

- Time use analysis reveals that different CEOs have different “styles”
- Style is correlated with productivity
- 2<sup>nd</sup> generation family CEOs choose the less productive style
- Consistent with putting less weight on productivity/profit, more on leisure
- Only true in less competitive environments