Raelin, Joseph A.

Article — Accepted Manuscript (Postprint)

Executive Professionalization and Executive Selection

Human Resource Planning

Suggested Citation: Raelin, Joseph A. (1997) : Executive Professionalization and Executive Selection, Human Resource Planning, ISSN 1946-4606, Human Resource Planning Society, New York, Vol. 20, Iss. 2, pp. 16-27

This Version is available at:
https://hdl.handle.net/10419/268647

Executive Professionalization and Executive Selection

A Paper by

Joseph A Raelin

Professor
The Wallace E. Carroll School of Management
Boston College
Chestnut Hill, MA 02167
1-617-373-7074
j.raelin@neu.edu

The final definitive version of this paper has been published in *Human Resource Planning*, Vol 20, No. 2, 1997, pp. 16-27
by HR People & Strategy
https://www.hrps.org/resources/people-strategy-journal/pages/default.aspx

Executive Professionalization and Executive Selection

Abstract

Executive management as a distinct occupational category from general management seems to be becoming increasingly professionalized. From a power perspective, CEOs dominate the decision making apparatus of our major business enterprises. From an attribute aproach to professionalization, there also appears to be an evolving executive skill set which could be applied across organizations and industries. Executive professionalization could contribute to the strategic leadership of our major organizations. This paper critically examines executive professionalization from both power and attribute perspectives. In particular, it considers whether the growing taste for outside successors in the CEO selection decision results from professionalization. A database search finds that neither professionalized power considerations nor executive skills constitute critical bases for CEO external selection.

Executive Professionalization and Executive Selection[1]

The subject of the professionalization of management has occupied management educators and researchers for some time although there is little consensus whether professionalization would be possible let alone desirable (Donham, 1962; Andrews, 1969; Osigweh 1986). The business organization as an institution exercises great power in our society but that power does not necessarily devolve to the individual manager as a professional. There is no monopoly over the knowledge base of management by any outside professional association or society, as in the more established learned professions. The practice of management is itself subservient to the organizational hierarchy and thus locally governed and interpreted. In the private sector, furthermore, the market is the arbiter of performance, and managerial work is evaluated and interpreted by the enterprise's executives in relation to that market performance (xxxx, 1990).

Given the unique position of the executive in the organization, however, it may well be that executive management, unlike middle and first-line operating management, qualifies for professional status. In addition, professional qualification might accord executives a unique opportunity to further the strategic goals of enterprise in the 21st Century. Two classic studies in the U.S. of the state of management education (Gordon and Howell, 1959; Pierson, 1959), and later ones in the U.K. (Constable and McCormick, 1987; Handy et al., 1988) resulted in the process of qualification through the acquisition of standardized knowledge and skills. Executives would learn their competencies both from classroom education as well as through on-the-job experiences acquired through progressive managerial positions. Indeed, in the United States, the classroom component was overseen by an

[1] The author would like to acknowledge the dedicated research assistance of Stephen T. Fulton.

accrediting institution, namely the American Assembly of Collegiate Schools of Business (AACSB). In the United Kingdom, the on-the-job component has been supported by the Management Charter Initative which has established professional status through standardization of workplace competencies qualified through the National Council for Vocational Qualifications (NCVQ).

The benefits of professionalizing executive management could be legion. Having identified an executive skill set, executives could be trained in applying universal techniques to successfully manage both the financial and behavioral affairs of most organizations. Further, the additional status provided them could allow for the exercise of strategic leadership without constant interference from non-professional constituencies. Imagine the potential value of having a cadre of professional executives who could reverse the operating miscues of wayward managers and bring floundering companies back to stability and growth. At the helm of our leading organizations, professional executives could determine the means to compete in a global environment. They would be trained in the latest information technologies, financial systems, flexible production techniques, and network structures to capitalize on their company's resource base, allowing it to establish strategic dominance in its markets.

As ideal as this scenario sounds, it is speculative whether executive management can be professionalized. The main goal of this paper is to determine this very question. First, however, we will need to determine how the process of professionalization works; how does one establish professional qualifications. There are two approaches which will be briefly reviewed: the power and the attribute approach. Referring first to the power approach, we will determine whether executive management, particularly given its agency relation to capital, merits consideration as a special professional category, independent from other management roles and positioned not as an agent but as part of a network of leaders of corporate organizations. Next, we evaluate executive professionalization using the attribute approach, and attempt to determine whether an executive skill set has been developed which might apply across organizations and industries. Finally, we explore the premise of executive professionalization using a special form of case analysis. In particular, we will review the popular literature to examine whether the taste for resorting to outside candidates in CEO selection constitutes a *de facto* case of executive professionalization.

Two Approaches to Professionalization

Let's review the two approaches to professionalization. The conventional approach used to distinguish one profession from another is called the "attribute approach," wherein the occupation in question is assessed against a list of recognized attributes that presumably constitute the ingredients of professionalism (Carr-Saunders and Wilson, 1933). Consonant with a human resource perspective, the attribute approach suggests that professionalism can be maintained and/or developed by an occupation's adherence to a set of recognized competencies associated with performance and integrity. More recent sociological research has begun to challenge the attribute approach as not sufficiently dynamic or process-oriented to describe emerging professionalization; hence, an alternative has been proposed - the "power approach." Accordingly, professionals purposely differentiate themselves from other occupations by using political and social influence (for example, through professional associations or unions) to advance the status of their occupation (Johnson, 1972; Klegon, 1978). The net effect of a power process would be that the professional group in question would be able to exercise a monopoly over the provision of its expert services while enjoying relative freedom from external intervention.

Executive Professionalization from a Power Approach

As a means of determining the relative power of CEOs, we need to review the role of executive management within our capitalist system. First, who are the executives? I propose that executives constitute those individuals who manage the policy and affairs of the organization at the highest level, even beyond the more encompassing layer of senior management. Hence, in the publicly held modern corporation, I am referring to the CEO and his or her immediate staff (perhaps the corporate financial and operating officers and a few other executive vice presidents), and the chairperson of the board of directors (being in the U.S., in approximately 70 percent of the cases of the largest corporations, the same person as the CEO). This designation is consistent with Galbraith's (1967), except for his inclusion of department heads.

The roles constituent to executive management are different from the more generic role of manager. Management is a stratified occupation. Executives tend to be associated with the strategic decision making of the enterprise, whereas middle and lower-level managers are in some cases delegated routine administrative duties subject to tight performance inspection (Scase and Goffee, 1989).

Should we consider executives as occupying a distinctive class who have established a professional order using the mechanism of raw power? The identification of a network or "inner circle" of business leaders who possess sufficient power to shape a corporate culture beyond the individual firm presents a strong argument in behalf of executive professionalization (Mills; 1956; Useem, 1984;

Mizruchi and Koenig, 1991). Although their consolidation as a virtual class may have evolved from difference sources in England and the United States, both countries seem to be simultaneously witnessing the rise of a "transcorporate" organization (Bedardia, 1979; Silk and Silk, 1980). On the basis of such formal and informal mechanisms as economic leverage, interlocking directorates, common stockholders, policymaking organizations, social ties, and kinship, the leadership cadre is seen as assuming a systemwide awareness of big business' long-range concerns and as promoting public policies to serve its needs (Barratt Brown, 1973; Domhoff, 1979; Pennings, 1980; Mintz and Schwartz, 1985). For example, Useem (1984) reported that the inner circle of the corporate community was overselected up to six-fold in forming nonprofit governing boards and speaking for business in the media. Granovetter (1985) found that nearly 50 percent of the variation in political contribution patterns was accounted for by firms' embeddedness in social networks. The transcorporate network as a quasi-autonomous actor in its own right is also thought to supply the candidates for promotion into seniormost positions and directorships on the basis of their reputations within the inner circle.

Elite theory supportive of the identification of a transcorporate network is bolstered by a separate stream of research which grants executives differentiated power beyond operating management below and board members above. It has been contended, for example, that executives are not subject to the same level of capitalist control that confront other managers (Giddens, 1981). As Willmott (1994) reminds us, they have an investment in their continued employment and in an occupational identity. They do not mindlessly assimilate and implement the capitalists' principles of work organization.

Recalling the managerial revolution recorded by Berle and Means (1932) over 60 years ago, executives - no longer the hirelings of powerful entrepreneurs - have long been considered the "princes of industry." Corporate power has been attributed to owners in name only. Few having frequented the corporate executive suite since the time of Berle and Means would dispute the reality of stockholder dependence on self-perpetuating executives who have become answerable mainly to themselves. Although there is some dispute, even from class theorists, whether separation of ownership and control has occurred, there is little debate that there has been a separation of management function from ownership (Zeitlin, 1974).

Let's consider the case of management control of the board. In spite of formal public policy embodied in case law and SEC rulings requiring outside directors to stand at arm's length in monitoring operating management (Cohen and Loeb, 1979), most directors tend to rubber-stamp executive recommendations since they are often handpicked by the CEO as part of an executive network. Directors are unfortunately relatively uninformed as regards the more complicated technical details of corporate affairs. When making assessments of corporate performance, they often resort to the metric of stock price which as an indicator is qualified by a myriad of factors often outside executive control. Those directors who can make objective assessments of corporate performance tend to be insiders who are themselves subject to CEO control.

Small group dynamics occurring within board meetings also tend to lead to agreement among directors, thereby weakening their potential impact as a body. No one wants to "look bad" by making a foolish observation in front of his/her peers. Moreover, outside board members, in taking their role seriously of representing outside interests, paradoxically at times end up paying more attention to stakeholder interests than to the governance of the whole corporation. Finally, active institutional involvement is often accompanied by large stakes in the company which produces liquidity problems for those who might wish to protest executive actions with the selling of stock.

If the board cannot control executive management, one would hardly expect more from dispersed stockholders. The latter, as principals, are in little position to even modestly control their agents (Jensen and Meckling, 1976; Kimberly and Zajac, 1988). In the large publicly-held corporation, stockholders hardly have the ability nor are they in sufficient direct face-to-face communication with the executive staff to audit their decisions. Most shareholders continue to vote as their executives would have them vote. Moreover, the proposals that they vote on tend to concern structural questions that could apply to their industry in general rather than to critical local policy decisions.

It may appear, from the above analysis, that executive management is a monolithic force on the corporate scene, unchecked by either internal corporate forces or outside overseers. This is hardly true especially given the effective counterforces of labor and its political agenda in England and formal regulations in the United States, especially the newer "social" regulations which are industrywide in scope (Price and Bain, 1976; Weidenbaum, 1977). Moreover, it is by no means axiomatic that individual firm and wider business interests will converge (Vogel, 1978). For example, although an oil company may be a bank's important customer, it may be opposed to a mass transit proposal while the bank may support the measure (Whitt, 1982). Economic leverage seems to be critical in enforcing business consensus and normally comes about through concentration and hence is industry-specific. In the absence of this cohesive force, companies will tend to pursue their separate interests (Mizruchi and Koenig, 1986).

The pluralist argument that industries with conflicting interests are unlikely to act in unison is given credence by those who find executive power decentralized to the level of the firm. In the United States, there is no universal association of management representing all managers, although the National Management

Association and the American Management Association might dispute this assertion in spite of their meager numbers when compared to the actual size of management in the country. Both the Business Roundtable in the U.S. and the more encompassing Confederation of British Industry (CBI) in Great Britain have emerged to push for a common corporate position on a wide range of public policy issues, but their role is generally limited to the political arena and is confined to the interests of their members. The problem of association is compounded when considering that every functional area of management, whether it be human resources, finance, marketing, has its own professional association to advance educational standards in the respective function. In Britain, both the Management Charter Initiative (MCI) and the British Institute of Management (BIM) have pushed for the certification of management as well as acceptance of management as a profession. Both have met with considerable resistance mostly from employers but also to a lesser degree from academic professional associations, such as the British Academy of Management (Willmott, 1994).

The decentralization of executive management can be observed in many of its critical practices, ethics and education being typical examples. When it comes to the very matter of professional conduct, there is no universal business code that is widely recognized as establishing norms of proper ethical behavior. Such standards tend to be promulgated through organization-based corporate codes of ethics and practices.

Meanwhile, the education of managers, especially in North America, is highly segregated. The enterprise is normally allowed to dictate standards of work-based performance leaving the institutions of higher education to concern themselves with formal education. Most skill-based training, then, is provided in-house although the educational institutions and the consultant community are frequently relied upon to service executives. The alliance between business and business schools is nevertheless held at arm's length since the educational institutions are inclined to consult with not so much the employers as their own accrediting bodies to evaluate their programs.

Furthermore, in contrast to those who have written off the oversight responsibility of the corporation's board of directors, some recent evidence suggests that boards have begun to exert their legal authority. According to SEC rules, this can be interpreted as "due diligence," meaning, standing at arms length in checking the product of operating mangement (Cohen and Loeb, 1979). Consider, for example, the "corporate governance" movement. Corporate governance has become a code phrase for making executive management more accountable to shareholders. U.S. pension funds represent a special force to be reckoned with. Having invested some $1.5 trillion in common stocks, they own approximately 20 percent of all shares in U.S. business, with the percentage rising above 50 percent among the largest corporations (Linden and Rotenier, 1994).

Institutional investors made their initial appearance in the Eighties when they joined forces with corporate raiders who used the threat of a hostile takeover to discipline tranquil corporate executives. Beyond being antagonistic, the takeover battles of the era often resulted in unproductive leveraged buyouts supported by massive debt. Target companies often had to slash their payrolls and liquidate operations to pay off the borrowings (Zonona and Flanigan, 1993).

In the Nineties, as corporate takeovers waned, institutional investors decided to take their case directly to executive management, for example, through their representatives on the company's board of directors. In many instances, some of these major stockholders had become too big to rebuke poor management by summarily selling their shares. So, they began to take their responsibility for oversight seriously. In 1992, SEC (Security and Exchange Commission) rules strengthened investor involvement by allowing freer communication between shareholders and by reducing the cost of a proxy fight. Chief executives also began to lose control of the board nominating process. For example, two-thirds of firms responding to a Conference Board survey said they now used independent nominating committees (McMenamin, 1993). Even in instances where executives continued to control board nominations, this in no way insured that board members, once in office, would passively support management. Directors have seen fit to remove CEOs especially in times of poor performance (Herman, 1981; Mizruchi, 1983). According to Eugene Jennings, 21% of the 91 CEOs chosen by major corporations in 1993 failed to survive their first year in office (Lublin, 1994).

Meanwhile, in Britain, institutions have been demanding better accounting and auditing procedures and have balked at any attempt to alter the prevailing custom of retaining a non-executive chairperson. In the wake of the Robert Maxwell scandal in 1991, the investor community lent support to the recommendations of the Cadbury Committee on Corporate Governance to make corporate boards more independent (The Economist, 1994).

The obvious conclusion from all of the foregoing arguments taken together is that business institutions and their agents, their executive managers, exercise great power in society; however, it is not unbounded power. Their power has not been consolidated through classic occupational differentiation or control of a knowledge base (Abbott, 1988). Hence, executives derive power from means other than professionalization. They build and enact power in their own organizations, first; their industries, second; and then, thereafter if the conditions are right, business itself as an institution.

Executive Professionalization from an Attribute Approach

Another way to consider the professionalization of executive management would be to evaluate whether an executive skill set has been developed, and if so, whether it can be used to guide performance. Professionalism further assumes that there be a commitment and identification with one's field of endeavor. Finally, if there is a field which we might call executive management, we should assume that it is proper that executives be prepared to practice their craft in virtually any context.

First, in spite of concerted efforts by the exponents of the competency movement, there is as of yet little agreement about which skills ought to be standardized across organizations and industries. In fact, there is as much questioning about whether executive skills ought to be standardized as to the constitution of any prospective skill set (Vaill, 1983; Smith, 1992). Executive management in practice is not so far removed from operating management in requiring extensive local interpretation. Any learned skills would need to be modified to take into account particular applications or contexts.

Commitment and identification in executive management are likewise devoted more to practice in one's organization, or perhaps in one's industry, rather than in one's occupation. We expect our corporate executives to be quick-footed with respect to their industry, to anticipate problems, and to meet specialized markets and clients. Treating one's businesses as a financial portfolio rather than as a series of interconnecting enterprises over which one has intimate knowledge can be shortsighted and even potentially nonproductive. Kotter (1982) suggests that if being professional means relying upon a set of universal principles and skills (not necessarily detailed knowledge of specific businesses) and upon a series of well-organized formal strategies to manage any kind of company within any kind of industry, then not too many executives appear to be acting professionally these days!

Executives need to commit themselves to learning the language and establishing the contacts required in their industry and to handling assignments with an intuition and spontaneity which seems only to be gained by contextual familiarity.

On the other hand, are there not overarching, executive competencies, which transcend contextual limitations? Whether one is practicing the traditional, static POLE functions - planning, organizing, leading, evaluating (Fayol, 1951) or the more dynamic interpersonal, information, and decision making roles (Mintzberg, 1973), one is not limited to this practice by organizational affiliation. Perhaps the boundaries of the organization matter far more at the middle and lower managerial levels where operating decisions are carried out, not at the upper levels which require more of a strategic and environmental perspective.

Executives are expected to contribute competencies which serve the organization over the long run. Hence, it may not be critical that these executives come from the very industry into which they are hired, merely, that they be good at these competencies, which often include: monitoring the environment; serving as the company's liaison, spokesperson, and figurehead; disseminating information; and coordinating, negotiating, and integrating the organization's interests and activities (Katz, 1974; Pavett and Lau, 1983; Kraut et al., 1989). Research also suggests that there are so-called "meta-competencies," such as judgment, learning how to learn, forecasting, handling and creating change, deploying balance and perspective, which presumably can be developed and practiced virtually anywhere while one is in the process of managing (Burgoyne, 1988).

The Case of CEO Selection

The preceding discussion has set the conditions for establishing executive management as a profession. It appears that the evidence is more propitious for the attribute compared to the power approach, but both merit a more detailed look. An opportunity to explore potential executive professionalization is afforded by the recent increase in the U.S. in the reliance on external candidates in the selection of chief executive officers. For example, in the first half of 1993, according to the Corporate Elite annual survey by Business Week, 18 or 35% of the 51 new CEOs hired were outsiders (Business Week, 1993). The most famous of these was Louis Gerstner, Jr., hired by IBM from RJR Nabisco.

If the taste for outside candidates results from the search for individuals who possess the highest level of executive skills regardless of the industry they come from, then it is conceivable that executive professionalization has occurred via the development of a universal set of skills. Executives chosen would display not only breadth of skill use - the ability to deploy a wide range of executive competencies - but also selectiveness - the knack derived from experience of knowing which skill to emphasize for which situation. On the other hand, it is possible, according to the power approach to professionalization, that the choice of outside successors derives from the preference of powerful business leaders who may also be members of an inner circle of executive candidates committed to the furtherance of not only their own interests but also to the overall welfare of business as an institution. There are nevertheless competing hypotheses to explain why boards of directors, often through executive search firms, resort to outsiders in selecting their CEO.

Identification of CEO Selection Factors

A search of the relevant literature has produced four sets of factors which separately and in interaction appear to explain the choice of outsider/insider successors in the CEO selection decision. They are: strategic, power, organizational demographic, and skill factors. Brief reviews are provided below of each of these factors to include the identification of specific variables.

Strategic variables: The strategic importance of CEO selection has become relatively undisputed. Notwithstanding the important critique of population ecologists (Hannan and Freeman, 1977), the CEO role is thought to be of critical strategic value to the firm (Lorange, 1980). With regard to the outsider/insider distinction, outsiders are likely to change the status quo more than insiders (Chung et al., 1987; Wiersema, 1992). Outsiders tend to lack familiarity with past organizational practices whereas the organizational tenure of insiders serves to restrict their knowledge base (Cyert and March, 1963). Hence, insiders might be more reluctant to adopt new strategies, preferring instead to consolidate or adapt existing strategies, whereas outsiders are inclined to push for strategy redirection (Hambrick and Mason, 1984). Outsiders are often expressly chosen to build or reshape the company's core business, whether it be along product or geographical lines, especially when inside candidates have been long identified with and committed to past courses of action (Gupta, 1992).

CEO selection also appears related to corporate development strategies (Herbert and Deresky, 1987). Familiar hypotheses are that an internal visionary might be needed during the growth stage of the organization, an internal bureaucrat during the consolidation phase, but an external belt-tightener during a turnaround stage (Helmich, 1977; Chung et al., 1987). Turnarounds are normally associated with shocks to the status quo in an attempt to break what might be referred to as "organizational inertia" (Wiersema, 1992).

Power variables: The power factor in the CEO selection decision has been developed more from the resource dependence perspective than from the power approach to professionalization. The former suggests that internal dominant coalitions control the CEO selection process through their ability to respond to critical external contingencies (Pfeffer and Salancik, 1978; Pfeffer, 1981). External hires tend to suggest that a shift in the power structure of significant coalitions has occurred (Smith and White, 1987). The power variables, though often interactive with firm performance and strategy, focus as much on who controls the selection process as the qualifications of the candidate.

Looking first at the power of the board itself, an initial consideration is whether the board is dominated by insiders or outsiders. According to Mizruchi (1983), boards dominated by insiders typically choose insiders both because they know them and they pose minimal threat of disruption. Agency theory, referred to earlier, corroborates this power perspective by reasoning that under information asymmetry, boards are more comfortable with insiders since they can ward off adverse selection by choosing candidates whom they have come to know better (Zajac, 1990).

Power may also be viewed as a question of owner concentration (Boeker and Goodstein, 1993). If ownership is concentrated, there is a reduction in the "free rider" problem, that is, the costs of monitoring executive management are not unequally borne (Fama and Jensen, 1983). Hence, inside ownership, especially where the owners are family members, favors inside CEO selection. Outside owners, on the other hand, can afford to be less protective of current management (McEachern, 1975; Salancik and Pfeffer, 1980; Allen and Panian, 1982).

CEOs may amass power not only by establishing dominant coalitions within their companies and boards but through participation in and leadership of transcorporate networks affecting the wider business community (Useem, 1984). It is through the establishment of mutually supportive social and political networks that executive professionalization through the power approach can make its mark. The preference of institutional investors for an outside successor may ensue as much from the comfort of selecting a known member of a leadership cadre as from the replacement of a prior poor performer. Boards may serve as a countervailing force to executive management or may be co-opted by the latter. Where CEOs develop close ties with boards or even assume the role of chair of the board, they normally can influence an allied board to approve a variety of their decisions, including executive selection. Where boards develop independent power from executive management, they may feel little obligation to follow the CEO's advice regarding the succession decision (Dobrzynski, 1992).

Organizational Demographic variables: There are conditions within organizations which may predispose CEO selection to inside or outside candidates. The most frequently researched variable in this entire field is the performance variable cited as a sole property, a moderator, or interactive condition with other independent variables. The standard prediction is that organizations which are performing poorly are more likely to name outside successors than insiders (Helmich, 1977). This commonsense relationship has held up under differing conditions, although some contrary results have also been cited. For example, Dalton and Kesner (1985) found outside CEO succession to more likely occur in firms with moderate performance whereas Chung et al. (1987) found it more likely among high-performing firms. Researchers have begun to sort out the performance factor by using it as a moderator variable. For example, Allen and Panian (1982) found the inside family ownership power variable to be moderated by profitability of the firm. Family members were less likely to hold sway on CEO selection decisions when their firm had been unprofitable rather than profitable.

Organizational size, though frequently associated with executive turnover, has had no definitive relationship to CEO selection (Harrison, Torres, and Kukalis, 1988). James and Soref (1981), however, reported a positive relationship between size and CEO tenure and Reinganum (1985) found size to be positively associated with inside succession. The rationale for the size effect on inside succession is that large firms have not only larger internal pools from which to draw executive talent but also have more organized succession plans (Trow, 1961: Fredrickson, Hambrick, and Baumrin, 1988). Dalton and Kesner (1983) have also suggested that size might serve as a gateway to power dynamics in that larger organizations tends to induce an "entrenchment" of vested coalitions which might ensure inside replacement.

The tenure of the predecessor has been associated with inside succession but perhaps also due to resource dependence moderating effects (Boeker and Goodstein, 1993). Fredrickson et al. (1988) see long-tenured CEOs gaining power over time by gaining voting control, establishing a patriarchal aura, or co-opting the board. They are likely to use their tenure and power to groom a successor from inside the organization.

Finally, corporations which find themselves in industries which themselves are subject to dynamic change are more likely to entertain outside candidates for the executive office than those in relatively stable industries. The classic case corresponding to the industry change variable has to be IBM which saw its core business in mainframes face the industry shift to personal computers (PCs) and workstations by 1990. Compared to mainframes, PCs are virtually commodities, requiring faster speed of decision making and the ability to compete on cost. It is not surprising that IBM's board eventually turned to a master red-tape cutter and commodity merchandiser, Louis Gerstner, Jr., to turn the company around (Gupta, 1992; Dobrzynski, 1993).

Skill variables: We now come to the factor which, most associated with the attribute approach of professionalization and earlier identified with the human resource perspective, encompasses the skill variables. I have already reviewed some of this literature. There are many studies which have sustained the "conceptual" and "institutional" nature of executive work. Accordingly, executives are those managers in the organization who coordinate the organization's interests and resources and insure its legitimation through surveillance of and negotiation with the external environment (Katz, 1974; Shetty and Peery, Jr., 1976; Pavett and Lau, 1983; Kraut et al., 1989). Of course, executives are not only thought to be responsible for external relations but must also oversee internal affairs requiring such skills as communication, managing change, and social networking (Mintzberg, 1973; Kotter, 1982).

Other researchers have attributed executive skills to particular settings. The "upper echelon" perspective holds that functional executive skills are differentiated based upon the strategic orientation of the firm (Hambrick and Mason, 1984; Smith and White, 1987; Govindarajan, 1989). For example, CEOs with marketing backgrounds are best at environmental relations, those with production and accounting backgrounds excel at internal operations, and those with legal or finance backgrounds are most competent on divestitures and diversifications. Some studies suggest that there is no substitute for the hiring of inside executives who are thoroughly trained in the industry or "business" in question (Kotter, 1982). The critical task for executive succession, according to this view, is developing future executives who can prepare the business for future competitive conditions.

Table 1 displays the variables associated with executive selection according to the four principal factors described above.

Company Use of the Selection Factors

A database study was undertaken of the use of the four factors of explanatory variables in the CEO selection decision. In particular, we wanted to know whether any of the skill variables and those power variables associated with professionalization played an important role in the hiring of outside CEO candidates relative to the other explanatory factors. If outsiders were selected because of their contribution of generic, externally derived managerial skills, as opposed to more contextually-based functional and industrial skills (normally associated with insiders), then a case might be made for the gradual professionalization of executive management according to the attribute approach. If outsiders were selected because powerful CEOs/chairs and their external constituencies decided to choose a member of their transcorporate network, then a case could be made for power professionalization.

The study conducted for the aforementioned purpose consisted of a popular source database search of news stories and commentaries of major companies recently having undergone a CEO succession. The database deployed was the LEXIS/NEXIS services, a full-text news and legal/business service. This database provides up-to-date information on corporate news and trends. Sixteen major American companies, which were widely cited in the press as having recently experienced a CEO succession, were identified. Another criterion in the identification of companies was that there be an equal number of outsiders and insiders; hence, eight of the successions were of outsiders and eight were insiders. Extensive news reports and analyses were gathered from the database on each of the companies' succession.

An expert trained in the field of executive human resource management combed the information sources to assess the citations of any of the 21 variables identified in Table 1. Valence ratings, scaled from 1 (low) to 10 (high), were subjectively attached to each citation to indicate the degree of importance of the particular explanatory variable according to the cited source. Signs were also attached to each rating to indicate positive or negative direction. The interpretation of the sign would be based on the nature of the variable. If the variable was continuous, a positive sign would indicate more of the quantity, i.e., larger vs. smaller size. If the variable was discrete, a positive sign would indicate either the greater presence of the item, i.e., more coordination skill, or the first of two contrasting elements of a classification, i.e., change rather than preservation of status quo. Once the ratings were assembled, another expert rater reviewed the same documentation. There were few disagreements on the variables assigned, but the raters did disagree somewhat on the valence ratings. These differences were resolved by the assignment of a compromise rating unless one rater was able to convince the other of the veracity of his assignment. Table 2 depicts the ratings for the sixteen companies as a matrix. Obviously, some variables were given far more attention by the sources than others.

As Table 2 discloses, the strategic and organizational demographic factors, labelled S and O, dominate as explanatory variables of CEO selection both in terms of number and weight of citations. Organizational performance received the most citations, 15 in all, but the first three strategic variables received the highest overall valence. The power and skill factors (Ps and SKs) were infrequently cited. For measures cited at least three times, there are virtually no dedicated variables in terms of external vs. internal selection. Even the signs disclose little preference except for some of the strategic variables, wherein status quo, consolidation, and harvest strategies favor an internal replacement.

With regard to the skill factor, it cannot be concluded from this data that external hires are favored because of their possession of any set of professionalized executive skills. The external skills of negotiation and coordination are cited for internal candidates as well as external candidates. The skills of communication and managing change are reserved for internal candidates but their valences are relatively low compared to the less professionalized industry-specific skills. The functional skill citations, also though to represent a contextual orientation, are equally apportioned between outsiders and insiders.

Meanwhile, power variables are so seldom cited that it is difficult to make any assumptions about professionalization on the basis of frequency alone. The only possible justification for a transcorporate effect is that allied boards influenced two successions, in the first instance, the Goodyear board turned to well-connected Stanley Gault, and in the second, the board of American Express aligned with irate institutional investors and several disgruntled outside directors to oust the predecessor, James Robinson.

It may well be that the ratings of Table 2 are biased on the basis of the source and the rater. LEXIS/NEXIS, for the most part, incorporates popular sources which may not probe to the depth required, for example, for the elicitation of power variables. Further, the experts' ratings were based on subjective, secondary assessments of the use of an explanatory variable by another source, be it a corporate spokesperson or a news reporter/analyst.

Discussion

It is interesting that no trend has evolved from our albeit cursory method nor is there any promising explanation for CEO selection on the basis of executive professionalization. As regards the skill factor, chosen to represent in part the attribute approach to professionalization, the data provided little support for professionalized skills as a basis for CEO selection. The skills were just not cited as a major consideration nor did they discriminate well between inside and outside selection. As an example, Robert Palmer was chosen to head hemorrhaging Digital Equipment Corporation not so much because of any generic executive competence but because DEC's board thought that as an insider with operational talents, he would know how to restructure the company internally while getting it to focus more strategically on diversified consumer products.

The power factor was also infrequently cited and where it was, the variable in question appears to have taken control out of executive hands and placed it into those of outside board members or constituencies. This dos not speak well for executive power although for a complete analysis of the power approach to professionalization, we would also need to determine if an "inner circle" was orchestrating the succession process. If it was, the popular news media was either not privy or partial to the circle's back-room dealings. Nevertheless, that Stanley Gault was handpicked to head up Goodyear for three or more years by a board quite tied to him as a director himself does little to dispel the possibility of an inside arrangement. On the other hand, at Wang Laboratories, it wasn't so much an external inner circle which replaced An Wang's son, Fred, with outsider Richard Miller but Wang's board still dominated by family owners.

After reviewing the executive succession literature and considering the results of the informal study, it appears that professionalization is not a dominant factor even in the selection of an external CEO. Obtaining a CEO is not a question of finding the very best "professional" executive in the field, akin to a first-round players' draft in the "professional" sports industry. It is more a question of finding the very best fit between the prospective CEO and the organization in question. A preferred metaphor used by Van Clieaf (1992) comes from the game of chess whereby prospective chief executives be viewed not as interchangeable pieces on the board but as knights, rooks, or bishops, each with different capabilities. Executive selection, then, becomes dependent on strategy and business conditions. There do not appear to be any overriding generic (as opposed to organic) leadership competencies at the executive level any more than at the operating levels of management (xxxxx and Cooledge, 1995). Power dynamics may enter the mix as an extension of personal affiliation and preference which may have been established through transcorporate contact. However, if power variables are operant, they would most likely not apply unless combined with careful consideration of the strategic needs of the company at the time of succession. Further, although executive power is still undaunted especially when it comes to day-to-day management, owners/investors through their boards are playing an increasingly critical role in selecting CEOs to guide the organization in the increasingly competitive world of the global marketplace. If organizational conditions become unfavorable, boards may look to successors who have specialized skills in turning a company around. External candidates are considered, acknowledging the cost of sacrificing familiar organizational routines. Their ultimate selection is based less on their professionalism, however, than on their provision of a timely elixir.

References

Abbott, A. D. (1988). The System of Professions. Chicago: University of Chicago Press.

Allen, M., and Panian, S. (1982). Power, performance and succession in the large corporation. Administrative Science Quarterly, 27, 538-547.

Andrews, K. R. (1969). Toward professionalism in business management. Harvard Business Review, 47, 49-59.

Barratt Brown, M. (1973). The controllers of British industry. In J. Urry and J. Wakeford, (eds.) Power in Britain. London: Heinemann.

Bedardia, F. (1979). A Social History of England, 1851-1975. A. S. Foster, trans. London: Methuen.

Berle, A. A., and Means, G. C. (1932). The Modern Corporation and Private Property. New York: The Macmillan Co.

Boeker, W., and Goodstein, J. (1993). Performance and successor choice: The moderating effects of governance and ownership. Academy of Management Journal, 36, 172-186.

Brudney, V. (1985). Corporate governance, agency costs, and the rhetoric of the contract. Columbia Law Review, 85, 1403-1444.

Burgoyne, J. (1989). Creating the managerial portfolio. Management Education and Development, 20, 56-61.

Business Week (1993). CEOs with the outside edge, October 11, 1993, 60-62.

Carr-Saunders, E. M., and Wilson, P. A. (1933). The Professions. Oxford: Clarendon Press.

Chung, K. H., Lubatkin, M., Rogers, R. C., and Owers, J.E. (1987). Do insiders make better CEOs than outsiders? Academy of Management Executive, 1 (3): 323-329.

Cohen, A. S., and Loeb, R. M. (1979). Corporate Governance. New York: Practising Law Institute.

Constable, J., and McCormick, R. (1987). The Making of British Managers. London: BIM/CBI.

Cyert, R., and March, J. (1963). A Behavioral Theory of the Firm. Englewood Cliffs, NJ: Prentice-Hall.

Dalton, D.R., and Kesner, I.F. (1983). Inside/outside succession and organizational size: The pragmatics of executive replacement. Academy of Management Journal, 26, 736-742.

Dalton, D.R., and Kesner, I.F. (1985). Organizational performance as an antecedent of inside/outside chief exexcutive succession. Academy of Management Journal, 28, 749-762.

Dobrzynski, J.H. (1992). A GM postmortem: Lessons for corporate America. Business Week, November 9, 87.

Dobrzynski, J.H. (1993). Rethinking IBM. Business Week, October 4, 86-97.

Domhoff, G. W. (1979). The Powers That Be: Processes of Ruling-Class Domination in America. New York: Random House.

Donham, P. (1962). Is management a profession? Harvard Business Review, 40, 60-68.

The Economist (1994). Corporate governance. January 29, 3-18.

Fama, E., and Jensen, M. C. (1983). Separation of ownership and control. Journal of Law and Economics, 26, 301-325.

Fayol, H. (1949). General and Industrial Management, trans. C. Storrs. London: Pitman.

Fredrickson, J., Hambrick, D., and Baumrin, S. (1988). A model of CEO dismissal.

Academy of Management Review, 13, 255-270.

Galbraith, J. K. (1967). The New Industrial State. New York: New American Library.

Giddens, A. (1981). A Contemporary Critique of Historical Materialism. London: Macmillan.

Gordon, R. A., and Howell, J. E. (1959). Higher Education in Business. New York: Columbia University Press.

Govindarajan, V. (1989). Implementing competitived strategies at the business unit level: Implications of matching managers to strategies. Strategic Management Journal, 10, 251-270.

Granovetter, M. S. (1985). Economic action and social structure: The problem of embeddedness. American Journal of Sociology, 91, 481-510.

Gupta, A.K. (1992). Executive selection: A strategic perspective. Human Resource Planning, 15(1), 47-61.

Hambrick, D. E., and Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. Academey of Management Review, 9, 193-206.

Handy, C. et al. (1988). The Making of Managers. London: Pitman.

Hannan, M.T., and Freeman, J. H. (1977). The population ecology of organizations. American Journal of Sociology, 82, 929-964.

Harrison, J. R., Torres, D. L., and Kukalis, S. (1988). The changing of the guard: Turnover and structural change in the top-management positions. Administrative Science Quarterly, 33, 211-232.

Helmich, D.L. (1977). Executive succession in the corporate organization: A current integration. Academy of Management Review, 2, 286-294.

Herman, E. S. (1981). Corporate Control, Corporate Power. New York: Cambridge University Press.

Herbert, T.T., and Deresky, H. (1987). Should general managers match their business strategies? Organizational Dynamics, 15, 135-147.

James, D. R., and Soref, M. (1981). Profit constraints on managerial autonomy: Managerical theory and the unmaking of the corporation president. American Sociological Review, 46, 1-18.

Jensen, M. and Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics, 3, 305-350.

Johnson, T. (1972). Professions and Power. London: Macmillan.

Katz, R. L. (1974). Skills of an effective administrator. Harvard Business Review, 52 (5), 90-102.

Kimberly, J. R. and Zajac, E. J. (1988). The dynamics of CEO-Board relations. In Hambrick, D. C. (ed)., The Executive Effect: Concepts and Methods for Studying Top Managers, Greenwich, CT: JAI Press, pp. 179-204.

Klegon, D. (1978). The sociology of professions: An emerging perspective. Sociology of Work and Occupations, 5, 259-283.

Kotter, J. (1982). The General Managers. New York. The Free Press.

Kraut, A. I., Pedigo, P. R., McKenna, D. D., and Dunnette, M. D. The role of the manager: What's really important in different management jobs. Academy of Management Executive, 3, 286-293.

Linden, D. W. and Rotenier, N. (1994). Good-bye to Berle and Means. Forbes, January 3, 100-103.

Lorange, P. (1980). Corporate Planning: An Executive Viewpoint. Englewood Cliffs, NJ: Prentice-Hall.

Lublin, J.S. (1994). White knights asked to save companies find boards are getting harder to please. Wall Street Journal, April 27.

Machalaba, D. (1993). Burlington Northern shows risks of hiring an outsider as CEO. Wall Street Journal, April 6.

McEachern, W. A. (1975). Managerial Control and Performance. Lexington, MA: D.C. Heath.

McMenamin, B. (1993). Help wanted. Forbes, November 22, 186.

Mills, C. W. (1956). The Power Elite. New York: Oxford University Press.

Mintz, B., and Schwartz, M. (1985). The Power Structure of American Business. Chicago: University of Chicago Press.

Mintzberg, H. (1973). The Nature of Managerial Work. New York: Harper & Row.

Mizruchi, M.S. (1983). Who controls whom? An examination of the relations between management and boards of directors in large American corporations. Academy of Management Review, 8, 426-435.

Mizruchi, M.S., and Koenig, T. (1986). Economoic sources of corporate political consenses: An examination of interindustry relations. American Sociological Review, 51, 482-491.

Mizruchi, M.S., and Koenig, T. (1991). Size, concentration, and corporate networks: Determinants of business collective action. Social Science Quarterly, 72 (2), 299-313.

Osigweh, C. A. B. (1986). Management and professionalism. The Mid-Atlantic Journal of Business, 24 (2), 1-20

Pavett, C. M., and Lau, A. W. (1983). Managerial work: The influence of hierarchical level and functional specialty. Academy of Management Journal, 26, 170-177.

Pennings, J. M. (1980). Interlocking Directorates. San Francisco: Jossey-Bass.

Pfeffer, J. (1981). Power in Organizations. Marshfield, MA: Pitman.

Pfeffer, J., and Salancik, G.R. (1978). The External Control of Organizations. New York: Harper and Row.

Pierson, F. C. (1959). The Education of American Businessmen. New York: McGraw-Hill.

Price, R., and Bain, G. S. (1976). Union growth revisited: 1948-1974. British Journal of Industrial Relations, 14, 339-355.

XXXX. (1990). Let's not teach management as if it were a profession. xxxxx, 33 (2): 23-28.

XXXX., and Cooledge, A. S. (1995). From generic to organic competencies. xxxxx, 18 (3): 24-33.

Reinganum, M. (1985). The effects of executive succession on stockholder wealth. Administrative Science Quarterly, 30, 46-60.

Salancik, G.R., and Pfeffer, J. (1980). Effects of ownership and performance on executive tenure in U.S. corporations. Academy of Management Journal, 23, 653-664.

Scase, R. and Goffee, R. (1989). Reluctant Managers: Their Work and Lifestyles. London: Unwin Hyman.

Shetty, Y.K., and Peery, Jr. N.S. (1976). Are top executives transferable across companies? Business Horizons, 19, 23-28.

Silk, L, and Silk, M. (1980). The American Establishment. New York: Basic Books.

Smith, M. E. (1992). The search for executive skills. Training and Development Journal, 46, 88-95.

Smith, M., and White, M.C. (1987). Strategy, CEO specialization, and succession. Administrative Science Quarterly, 32, 263-280.

Trow, D. (1961). Executive succession in small companies. Administrative Science Quarterly, 6, 228-239.

Useem, M. (1984). The Inner Circle. New York: Oxford University Press.

Vaill, P. (1983). The theory of managing in the managerial competency movement. Exchange: The Organizational Behavior Teaching Journal, 8, 50-56.

Van Clieaf, M.S. (1992). Strategy and structure follow people: Improving organizational performance through effective executive search. Human Resource Planning, 15, 33-46.

Vogel, D. (1978). Why businessmen distrust their state: The political consciousness of American corporate executives. British Journal of Political Science, 8, 45-78.

Weidenbaum, M. L. (1977). Business, Government, and the Public. Englewood Cliffs, N.J.: Prentice-Hall.

Whitley, R. (1987). On the nature of managerial tasks and skills: Their distinguishing characteristics and organization. Working Paper No. 153, Manchester Business School.

Wiersema, M. F. (1992). Strategic consequences of executive succession within diversified firms. Journal of Management Studies, 29, 73-94.

Willmott, H. (1994). Management education: Provocations to a debate. Management Learning, 25, 105-136.

Zajac, E. J. (1990). CEO selection, succession, compensation and firm performance: A theoretical integration and empirical analysis. Strategic Management Journal, 11, 217-230.

Zeitlin, M. (1974). Corporate ownership and control: The large corporation and the capitalist class. American Journal of Sociology, 79, 1073-1119.

Zonana, V. F. and Flanigan, J. (1993). Leading the boardroom revolution. Los Angeles Times, February 5.

Table 1

CEO Selection Variables Grouped By Four Factors

Strategic Factor:

S1 Change/preservation of status quo
S2 Strategy redirection/consolidation
S3 Turnaround stage of development
S4 Build/harvest strategy

Power Factor:

P1 External/internal composition of board
P2 Concentration of inside or family owners
P3 Influential outside/inside board member
P4 Influential institutional investor(s)
P5 Independent/allied board

Organizational Demographic Factor:

O1 Performance
02 Size
03 Succession planning
04 CEO tenure
05 Changing/stable industry

Skill Factor:

SK1 Negotiation with external environment
SK2 Coordination
SK3 Comunication
SK4 Managing change
SK5 External/internal networking
SK6 Functional skills
SK7 Industry-specific skills

Table 2: Ratings of Company Use of CEO Selection Variables for Inside and Outside Candidates

	External Selection								Internal Selection							
	Allied Sig. L. Bossidy	Egghead Turnpaugh	GM J. Smale	Goodyr. S. Gault	Kodak G. Fisher	N. Telecom J. Monty	Wang R. Miller	Westing. M. Jordan	Amex H. Golub	Compaq E. Pfeiffer	DEC R. Palmer	HP L. Platt	R.H. Macy M. Ullman	Rubbernaid W. Schmitt	Time G. Levin	Xerox P. Alliare
S1	5	7	6	6	6			4		5	6	-8		-4		-5
S2	6	7	6	6	8		3	8		-4	-4	8	4		-5	-3
S3	7		6	6						6	4	7				
S4															-5	-5
P1																
P2							4									
P3							5		5		4					
P4									7							
P5				-5					-5							
O1	-7	-5	-6	4	5	3	-8	-6	-4	-3	-5	5	-5	-5		1
O2				3		5				3						4
O3	-5			2		5					4	7			3	
O4																
O5	4	7		3	4	5	6				6					
SK1			4										3			
SK2		6			7								3			
SK3													3			
SK4									2	4						
SK5																
SK6		6						3			7				4	
SK7											7				4	