

The Role of the Chief Executive Officer

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The purpose of this paper is to provide a preliminary framework for an examination of the role of chief executive officer in a co-operative society.

The basic position is that the chief executive officer is involved in the management of an organisation which has to be viewed as a system, i.e. it can be considered in the following terms, as

- (a) comprising a plurality of parts (individuals, small groups, units, departments, etc.) which
- (b) maintain themselves through their inter-relatedness, and
- (c) achieve specific objectives.
- (d) While accomplishing (b) and (c) it adapts to the external environment; in doing this it contributes to its survival.

Basic tasks

From this formal statement can be derived the essential basic tasks of the chief executive in the co-operative society; these are:

- (i) to guide the society to the achievement of its objectives,
- (ii) to maintain the internal stability of the society,
- (iii) to adapt the society to its external environment.

The chief executive officer is primarily concerned with the total operation of the society in relation to its environment. This implies that he is concerned with something which is different from, and more than, the individual units considered separately: a co-operative society is more than simply a collection of separate departments. This concern for the total society must pattern the chief executive's activities; it means, among other things, that he has to avoid the error of equating (a) the notion of viewing things in their totality with (b) doing everything himself. The delegation of tasks and discretion must be a significant activity in his role.

Let us now consider in greater detail the three core tasks enumerated above.

Achievement of objectives

The achievement of objectives is related to the need to define the society, to consider who is the society and what groups of people are involved in the society's operations. It is inadequate to think simply of members, directors, managers and staff. It is necessary to consider those groups whose co-operation is essential to the success of the society, for example, suppliers. Further, the chief executive

has to commit the society to a concept of itself and to force it to re-examine the appropriateness of that concept as conditions change. Basically the question is, what is the society? This leads to further questions: what customers are we interested in? What specific customer needs do we wish to satisfy? Which products will we include in our line? These are related questions and the answer to one limits the freedom to answer the others.

The chief executive officer is concerned with the definition of objectives for the society. The accepted objectives such as profits, share of the market, return on capital are often too simple, their ambiguities are not obvious and they can be expressed numerically and so give an aura of objectivity; they also appear as logical measures of past performance.

They fail to indicate the complexity of the society's operations and make the chief executive officer focus his attention on the society rather than on the relationship between it and the broader environment of which it is a part. In other words the chief executive's role involves him in the problems of corporate performance arising out of the society's interaction with its environment, rather than the result of factors wholly within the society.

This means that the chief executive is involved in the establishment of sets of objectives each corresponding to particular groups and institutions both within and external to the society. He has to determine how the society has performed in relation to these different objectives. The achievement of any one of these objectives may only be reached by:

- (i) increasing the level of performance of the total organisation,
- (ii) paying out what might have been saved for the future,
- (iii) by raising pay-out to one at the expense of another.

Thus the chief executive officer is never concerned with a single objective but with a set, and the balancing of the claims of the various objectives is a critical aspect of his responsibility.

Clearly examination of the chief executive's role in the achievement of objectives involves consideration of his activities as a resource seeker and a resource allocator. He is concerned with obtaining the necessary supply of human, material and financial resources that are requisite to the achievement of the society's objectives. These resources may be internal to the society but often they lie beyond its boundaries and he has to propose to the board the necessary policies to obtain them. With the resources available he has to determine their allocation to various activities, in line with the declared preference ordering of the objectives.

Maintaining internal stability

The second core activity is that of maintaining the internal stability of the society, that is, of ensuring that there is a co-ordinated and integrated set of activities within the society. A significant way in which the chief executive's managerial skill is evident is in the creation and change of the society's structure.

This illuminates a critical area of responsibility, for while the chief executive officer needs to devise structures and systems which have some degree of stability he is at the same time concerned with changing what he has established. He requires a stability for the present operation of the society and he needs change if the society is to move into the future.

In the maintenance of stability he is again concerned with problems of resources and this includes the question of management succession at the higher levels. He has to determine the type of managers who will be required in the future.

Adapting to environment

The third core activity is concerned with adapting the society to its environment; this entails recognising that the society is an open system continually influenced by and influencing its environment. It involves an appreciation of the inputs into the society, the way in which the society processes them, and then the outputs that result. Clearly these inputs, which include finance, materials and labour are subject to change from factors outside. Changes in the input can affect the process and output of the society, which can then affect the sales and the subsequent feedback of cash. The chief executive officer is deeply concerned with the various inputs and with the various factors that influence them. He operates at the boundary of the society mediating between it and the environment. He has therefore to be sensitive to changes in the environment and to interpret these changes in the light of the present internal situation in his own organisation. He has to determine the significance of these changes: which of them involve internal changes for the society and which do not. Because of the need to maintain internal stability he will be involved in developing strategies which will cushion the impact of change and so prevent too great a disruption. Clearly he has to seek a balance between change and stability; too great an emphasis on the first may destroy the society but too great a stress on the second may mean that the society is so out of line with its environment that it has no future.

A major function of the chief executive officer is to understand the environment, to recognise the significance of changes in it and to appreciate the productive opportunities that it offers, for the society is not entirely at the mercy of the forces within the environment: it can influence. How far the chief executive will respond to this boundary role will depend in part upon his own personality, in part upon his board of directors and his relations with it and in part upon the quality of his immediate subordinates. He cannot personally know of all the developments in the environment and because of this he must depend upon his subordinates providing the necessary information. Here indeed is a significant limitation on his understanding of the environment and on the decisions he makes. In a sense his decisions are partially made for him by his subordinates, hence the important question of their managerial ability. This has important implications for the management structure around the chief executive and the staffing of that structure.

Two significant questions

Examination of the core tasks suggests that the chief executive officer is involved in a whole series of relationships: with the board of directors, with his subordinates and with significant elements in the environment. A great many of his activities are concerned with establishing viable relationships with these groups. For him there are two significant questions. What interest does any particular group have in the activities of the society? Does it have some measure of power to affect the activities of the society if it chooses to do so? A major contribution of the chief executive officer lies in the area of his relationship with individuals and groups over whom he does not exercise control yet without whose co-operation it is unlikely the society will be successful. Thus his role carries with it the need to consult and negotiate, not merely on immediate matters but on matters of long-term interest to his society. In turn this calls for consideration of the amount of discretion that has been given to him by his board; what scope of discretion and what time-span of discretion are significant questions.

This is essentially an outline paper and it is hoped that the development of several of the issues briefly raised above will make a contribution towards a greater understanding of the role and attendant problems of the chief executive officer of the co-operative society.