Abstract / Resumen

The principal aim of this research has been to identify the critical competencies required for effective performance in the position of CEO in subsidiaries of multinational companies from the perspective of the players themselves. Eleven critical skills have been identified; the most significant of them are communication and interpersonal relationships, using a qualitative approach consisting of interviews with thirty CEOs.

Key words: CEO; competencies.

El objetivo principal de esta investigación ha sido identificar las competencias críticas requeridas para el desempeño efectivo en la posición de CEO en subsidiarias de empresas multinacionales, desde la perspectiva de los propios actores. Se han identificado once habilidades críticas, entre las cuales la más significativa es comunicación y relaciones interpersonales, utilizando un enfoque cualitativo consistente en entrevistas con treinta CEOs.

Palabras claves: CEO; competencias.
Introduction

The term CEO, CEOs in plural, stands for Chief Executive Officer. In some organizations CEOs are granted other titles, such as General Manager, Managing Director or Country Manager, although their job descriptions are basically the same.

CEOs are part of the organization’s structure and they perform the functions of maximum responsibility over domestic business units that, in turn, are part of the global organization. These roles are highly critical for the multinational subsidiaries operation of and are part of the organizational leadership factor.

In relation to the competencies in the world of organizations, as per International Labor Organization their development is an essential aspect for the employability of workers and the sustainability of companies. So, one of the objectives of competency development systems is to ensure that the competencies acquired correspond to those valued in the workplace.

It is considered that such systems should help workers and companies to adapt to new socio-economic conditions and structural changes resulting from globalization, the markets opening, the highly competitive environment, demographic trends and technological advances.

For this reason, organizations today are interested in identifying the relevant competencies for positions in their structure, especially for leadership roles, and in implementing strategies for their management. Because leaders occupy a central role in the business context as articulators of the organizational strategy, the processes of identification and development of critical competencies to successfully carry out their function is absolutely relevant.

Due to the importance of competency management, especially in leadership positions, companies have been incorporating management competency development practices, aimed at management and direction levels, to ensure the effective performance of these roles and the organization itself.

Consequently, the identification and development of competencies is what allows organizations to ensure the conditions to achieve the strategic objectives. And in this sense, it is crucial to ensure that people who occupy the high-ranking position in multinational corporations have the necessary skills necessary to perform these functions.

The variety of prevailing approaches in terms of managerial competencies and the diversity of tools aimed at their development emphasize the need to construct precise categories that allow them to be identified and to order the different conceptualizations on the subject, as well as to define the set of concepts that allow their identification in the different levels specifically for CEO, who constitute the particular focus of this work.

Problem Wording and Bibliographic Review

CEO is the senior executive of a head office or subsidiary and is particularly adopted by multinational corporations. The CEO is the link between the inside (the organization) and the outside (the society), and this person needs to interpret and understand the conditions of the context so that the organization can guide to business development (Drucker, 2004; Lafley, 2009).

According to Kotter (2019), general managers face challenges when acting in times of uncertainty, as they are confronted by an enormous amount of potentially relevant information and they need to achieve their aims by means of a large and diverse group of people, despite lacking little direct control over the majority of them. For this reason they must develop a network of cooperative relationships among those people necessary to satisfy their emergent agendas.

CEOs competencies have been the subject of numerous studies, because from an organization and human perspective, their management is especially important in the pursuit of strategic objectives. For example, employee development, understood as the process of raising their skill levels, has been shown to have a positive impact on the innovative performance of an organization (Berber & Lekovic, 2018).

The importance assigned to competencies is due to the fact that the behavioral characteristics, are necessary to perform a given position effectively (Boyatzis, 1982; Spencer & Spencer, 1993). This definition derives from an initial approach consisting of the fact that professional success cannot be predicted solely on the basis of traditional intelligence tests (McClelland, 1973). It is precisely the sum of the individual performances of the people making up an organization that have a preponderant influence on its performance as well...
as on the quality of its results.

CEOs are a central part of the organization’s structure. It represents the highest senior positions of responsibility within domestic business units that form a part of a global organization. The subsidiary in which they are inserted is a value-added unit located outside the multinational company country of origin and is semi-autonomous, as it is able to take its own decisions and act independently within limits established by the corporation and the opportunities of the domestic market that condition its role (Barlett & Ghoshal, 1992; Bartlett et al., 2004; Birkinshaw, 2001; Birkinshaw & Hood, 1998; Quelch & Bloom, 1996).

Although there are numerous opinion pieces, articles and bibliography at global and regional level dealing with the matter of management and leadership skills, in most cases they are theoretical or general in nature, and do not refer to one specific leadership position in particular. There are not many studies of empirical nature, and only a few have been formally designed as empirical research specifically concerning CEO positions, as is the case of this study.

From the analysis of empirical studies performed previously in other countries specifically dealing with CEO positions, it can be seen that there is general agreement on the importance assigned to skills related to the ability to establish contacts, both internal and external, the development of listening skills, leadership and team management.

However, whereas some research such as that by Botelho et al. (2017) and that by Kaplan et al. (2012) emphasizes problem-solving and decision-making skills, other studies such as those by Maidique et al. (2014), Spencer et al. (2008) and Wood and Vilkinas (2007) not only shine a light on the relevance of skills such as self-awareness and inner strength and focus more on introspection.

Other empirical studies establish typologies and models. McLean et al. (2005) in their results identify three different types of CEOs by examining their employees, defining them as either practical, structured or traditionalist. Hurd and McLean (2004) drew up a competencies model for CEOs based on six factors, each also split into sub-groups: business acumen, communication and marketing, relations with the community, leadership and management, evaluation and planning and professional practice.

The main objective of this research has been to identify the competencies that are considered critical for the effective performance of the CEO in subsidiaries of multinational companies. This objective was approached from the standpoint of the players themselves. It is understood that the individual mental attitude of each manager, translated into their ways of thinking, determines the management behavior that is finally put into action (Kouzes & Posner, 2019). The viewpoints and visions of the CEOs themselves are also taken as a point of reference, because as indicated by Zapata et al. (2015), different perceptions also lead to different behavior and decisions by executives and organizations.

**Methodology**

The methodological strategy has required a mainly qualitative one, allowing the subjects themselves to assign significance and meaning to their own perceptions, assessments and thoughts. In addition, a qualification of the aspects in percentage terms was made with the purpose of establishing a ranking for the analyzed aspects. In the case of the paradigm from which the research was addressed, which had a constructivist and approach and interpretive approach, when understanding that reality is constructed in interaction with the study subjects while seeking explanations through understanding and the search for significance. At the same time, emphasis was placed on subjectivity as the viewpoint of those people holding a CEO position was taken into account.

**Sample**

The population covered by the research was made up of CEOs of subsidiaries of multinational companies in Argentina. The sample was chosen with the requirement that all the CEOs should have, at least, one year’s experience in such positions in domestic subsidiaries of multinational companies and were currently holding a CEO position. This resulted in a uniform sample in the case of the profile of the units analyzed as they shared those common features; in addition, all people interviewed were men. The CEOs worked in well-known, successful companies of various sizes, nationalities and industries. As a result, a sample of test cases made up of thirty subjects was created, based on their accessibility and availability.

**Tool**

The tool used in the field work to collect information from each subject was a semi-structured in-depth
interview, with open questions and focused on gathering opinions and experiences from the subjects. A total of thirty voluntary and in-person interviews were carried out. The cut-off criterion for the gathering of information through interviews was saturation.

Data Treatment and Processing

As to the analysis technique for the data collected during the field work, interpretation has been made on the basis of analysis of the contributions of the participants through their accounts. With their permission, the accounts obtained were recorded, digitally stored and then transcribed. Later the data was encoded using Atlas.ti software to facilitate subsequent analysis, as the study was finished at the end of 2019.

Empirical Results Obtained

The following 11 competencies were considered critical based on the analysis and overall interpretation of the ideas and perceptions of the 30 CEOs interviewed.

1. Communication and interpersonal relationships: mentioned by 21 of the people interviewed (70%), as the ability to receive and communicate information and generate links both in relation to head office and domestic operations and people, in a clear and concise manner, as well as the possibility of adapting the style of communication to the various different intermediaries and stakeholders, with the aim of building close links through listening.

2. Leadership and people management: mentioned by 16 of the people interviewed (53%), described as the ability to relate effectively with different people, with particular focus on the development of people and teams.

3. Strategic thinking and planning: mentioned by 13 of those interviewed (43%), as the ability to think not only in the short term but also in the medium and long terms, analyzing problems in depth and establishing plans.

4. Flexibility and adaptability to change: mentioned by 13 of those interviewed (43%), associated with the particular domestic context and the need to take decisions in a flexible manner in the face of unexpected changes in the environment.

5. Agility: mentioned by 11 of the people interviewed (37%), grounded in the need to decide on courses of quick action, in line with the speed at which changes take place, and the way of responding to the various intermediaries, being able to rapidly shift the focus from one topic to another.

6. Handling of complexity, uncertainty and ambiguity: this was mentioned by 10 of the CEOs interviewed (33%), who used these three words to describe the way of working in an environment of complex problems that are difficult to predict and to communicate to head office, for that reason decisions must be taken with a limited amount of information.

7. Empathy and emotional intelligence: mentioned by 10 of the CEOs interviewed (33%) as relevant in social interaction with a diversity of intermediaries, to generate self-awareness and to be able to diagnose other people with the sensitivity required to understand other people.

8. Business and market insight: mentioned by 10 of the people interviewed (33%), referring to understanding the reality in which the company operates and the specific business in which the company carries out its activities.

9. Resilience: mentioned by 5 of those interviewed (17%), referring to the ability to successfully recover and become stronger.

10. Learning and vulnerability: mentioned by 4 of the people interviewed (13%), as the capacity to constantly seek out learning challenges, recognizing the need to accept the help of others to meet that need.

11. Financial knowledge: mentioned by 4 of the CEOs interviewed (13%), because of the characteristics of the domestic market and the need to possess technical knowledge of financial matters in order to confront them.

Analysis on the basis of demography was made with the purpose not only of analyzing similarities but also of detecting differences. Significant differences of more than 10 percentage points were detected, depending on the nationality of the company where the CEO was currently working, the business of those companies, the number of employees and the years of seniority in CEO positions. There were no differential findings in the remaining demographic combinations.

This analysis of the nationality of the current company where the CEOs were working at the time of the survey considered whether the company was from the US or Europe, being the most representative regions. In the analysis, in
general a greater criticality impact was noted for US companies, except for the resilience competence, where the impact was greater for European companies.

In the case of US companies we can observe a far greater relevance in communication and interpersonal relationships, flexibility and adaptability to change, agility, handling of complexity, uncertainty and ambiguity, empathy and emotional intelligence, business and market insight and financial knowledge. On the other hand, there were no significant differences concerning the nationality of the companies where the CEOs were working at the time of the survey with regard to the list of competencies according to the numbers mentioned before.

Three industries with a minimum sample of three companies were taken into account to analyze possible differences regarding the industry of the companies where the CEOs were working at the time of the survey.

In the three types of industry analyzed, certain competencies were considered more relevant in one industry than in the other two. For example, CEOs in the pharmaceutical sector considered learning and vulnerability competency to be more critical, and it was furthermore mentioned among the top four competencies according to criticality.

The same occurred in the case of competencies for services, such as flexibility and adaptability to change, resilience and financial knowledge. The latter two competencies were considered more critical than the former one. Communication and interpersonal relationships, leadership and people management, and business and market insight competencies became more significant in the case of technology and IT companies, being the last one included among the top three competencies by order of criticality.

Some differences were also detected based on the analysis of the number of employees of the companies where the CEOs were working at the time of the survey. In the case of CEOs of companies with up to 250 employees, flexibility and adaptability to change competencies acquired greater relevance. In this category, business and market insight was included in the top four most relevant competencies. In the case of CEOs in companies with between 250 and 1000 employees, strategic thinking and planning as well as other competencies such as agility and empathy and emotional intelligence acquired greater criticality in the general order.

In the case of CEOs of companies with more than 1000 employees, the most relevant competencies, with a greater percentage points difference in relation to the previous cases, and in a greater number, were communication and interpersonal relationships, agility, handling of complexity, uncertainty and ambiguity, empathy and emotional intelligence and financial knowledge. In this case, agility and empathy and emotional intelligence were second and third in order of importance, respectively.

An analysis of the perception of the CEOs according to their seniority in this position also revealed discrepancies depending on whether the total years of experience were more or fewer than 5. Interviewees with between 1 and 5 years of experience as CEOs assigned greater weighting to communication and interpersonal relationships, strategic thinking and planning, empathy and emotional intelligence and learning and vulnerability competencies.

On the other hand, interviewees with over 5 years of experience as CEOs gave greater relevance to the competencies of flexibility and adaptability to change, handling of complexity, uncertainty and ambiguity and business and market insight. This last competency acquired particular relevance, reaching fourth place in the weighting order, while strategic thinking and planning was ranked among the last four.

Field observations

A few general observations were arisen based on the researchers’ perceptions following each of the interviews carried out. Generally, these helped to confirm a wide and collaborative attitude as the interviewees generously shared their own ideas and perceptions in relation to the subject matter.

All the interviewees agreed to the record of the meetings without hesitation. In some cases, the first email contact to arrange the interviews and the visit to the company was with the assistants or secretaries, while in others it was the interviewees themselves who arranged all the details.

In general, the way they answered and how they talked show them very firm, evidencing conviction in their ideas, together with a reflective attitude, either because they had some thought about the matters previously or because they
considered them during the interview, so that they could clearly express what they wished to communicate. In only four cases it was necessary to ask further questions to help to focus replies on the matters at hand.

The emphasis on punctuality and being worried about time limitations was notable, right from the initial contact as well as during the meeting, reflecting a desire to comply with the interview despite an increasingly demanding agenda. Their attitude when answering questions was assertive, specific and agile, without neglecting the quality of their participation.

Interviewees displayed notable passion and commitment regarding their position and their organization, as determined from their words and the positivity of their emotions while speaking. The climate of the dialogue tended to be informal, with a certain warmth, transparency and closeness that made the opening up easier and led to a conversation without any hierarchical barriers or distancing. There took place 13 interviews in meeting rooms and 17 of the interviewees´offices, mostly in living-rooms, special places designed to receive visitors.

Conclusions

The analysis of the results leads to various considerations, assumptions and hypotheses. The competencies identified in this study bear some similarity to those in studies performed elsewhere in the world. This is the case of the research carried out by Botelho et al. (2017) in which certain key behaviors for positions of this kind, such as quick, firm decisions in ambiguous or unfamiliar environments, are considered similar to the agility and handling of complexity, uncertainty and ambiguity competencies. Proactive adaptation is comparable to the flexibility and adaptability to change competence indicated in the results.

Maidique, Atamank and Perez´ study (2014) also highlights self-awareness and the recognition of one’s own weaknesses, which are part of the empathy and emotional intelligence and learning and vulnerability competencies. They also considered listening as a factor in communication and interpersonal relationships and persuasive communication which is linked not only to the principal competency identified in this study but also to the ability to become a leader. Kaplan et al. (2012) also stress empathy, communication and team management competencies.

Spencer et al. (2008) have identified certain key competence areas such as the team potential boosting which has points in common with the leadership and people management competency; handling of the environment, which implies concern for communication and interpersonal relationships; and inner strength, which reflects the importance of empathy and emotional intelligence and resilience when facing difficulties. Wood and Vilkinas (2007) also identify self-awareness, which is an attribute of emotional intelligence.

HurdandMcLean(2004) mention leadership and people management, communication and the establishing of relationships as well as evaluation and planning, similar to the strategic thinking and planning competency described in this study.

However, these results do not fully agree with any of the previous studies carried out globally, although similarities can be found with parts of them and all the competencies are represented with the exception of financial knowledge, which is exclusive to this research. This technical aspect is granted particular importance as it is required in order to meet effectively to specific market needs.

This last aspect also differs from Boyatzis´management competencies (1982) in which specialized knowledge is defined as a threshold competency, that is to say, it provides a basis for performing a job but is not causally related to superior job performance. In the case of national CEOs, handling of financial knowledge can be a differentiating factor according to some interviewees.

Also, some of the competencies identified relate to those mentioned as management or leadership competencies in studies of a general nature that do not focus specifically on the CEO. This is the case of the communication and interpersonal relation, connected with the use of socialized power detected in Boyatzis´ research (1982) in which the introduction of forms of influence to build alliances and relationships is implied. Stamina and adaptability, mentioned by this author, include aspects of resilience, flexibility and adaptability to change.

Leadership and people management competency agrees to its focus on the development of others with the first of the competencies in the study by Spencer and Spencer (1993). The aim of this competency is to train or promote the learning
and development of one or several people. While the learning and vulnerability competency finds a parallel in what has also been identified by Boyatzis (1982) in the form of self-assessment as the capacity to see oneself in a realistic manner, recognizing strengths and weaknesses or limitations.

Strategic thinking and planning, communication and interpersonal relationships and empathy and emotional intelligence competencies correlate with the studies mentioned by Schein (1988) that indicate three similar skills required to occupy senior management positions: analytical capability, to identify and formulate problems, relationship ability, to establish and maintain different types of relationship and groups, and emotional capacity, to control the emotional pressures of the management function itself.

Certain competencies are in turn associated with the specific challenges which face multinational subsidiary CEOs, as defined by Kotter (2019): the need to determine what to do despite the uncertainty and a huge amount of potentially relevant information and also to succeed in getting things done through a large and diverse group of people, in spite of having little direct control over most of them. With the aim to overcome these challenges this writer’s analysis shows the need to emphasize strategic thinking and planning competencies to be able to plan for the short, medium and long term; to cope with complexity, uncertainty and ambiguity, to handle vast amounts of information, communication and interpersonal relationships and to develop a relationship network of people who can help to implement their agendas.

Strategic thinking and planning are part of the CEO’s functions as indicated by Lafley (2009) when being required to balance short, medium and long-term priorities. The need to confront difficulties in a more short-term context, leads to the implementation of competency conflicts slightly with the emphasis placed on financial knowledge. The suggestion of the existence of a special challenge as part of the country’s economic conditions is a particularity of a CEO in the domestic subsidiaries of multinationals.

In addition, there is evidence that certain factors can have an impact on the perception of the criticality of the competencies being considered, such as the nationality of the CEO’s company, the business the companies are in, the number of their employees and total years of seniority in similar positions.

The greater predominance of the business and market insight and financial knowledge competencies in US companies could be due to the fact that in general they tend to be more results-oriented than companies of other nationalities, which could in turn lead their senior executives to focus more on matters with a direct impact on results and financial aspects.

The preponderance of the communication and interpersonal relationships and leadership and people management competencies in the technology and IT sector which relate more to personal links and the development of others, could be attributed to the greater complexity of the profiles it includes, and the particular demand for these skills in order to develop and retain talent. Another explanation could lie in the collaborative work systems that industries of this type encourage.

The relevance of financial knowledge in companies with more than 1000 employees could be due to the obviously greater complexity of companies with larger structures and greater commercial activity. As regards the other competencies highlighted by this segment, it is clear that as the number of employees increases, so do the skills directly related to communication and interpersonal relationships and empathy and emotional intelligence, both of which become more critical as the payroll increases.

The special importance assigned to business and market insight by the group of CEOs with more than 5 years of experience in the position could be due to the fact that most of these profiles also have a lengthy history in the same type of business. This could lead to certain performance advantages, as they manage companies in an industry or sector with which they are thoroughly familiar.

These variations in segments according to the demographic variables could be explained by the very essence of the management of the competencies within the corporate sphere, since the need for their presence and their relevance are not determined in an isolated manner but always in relation to a given position in a particular organization. This is in line with Levy-Leboyer’s statements (1997) when she says that competencies depend on the given situation in the company where they are designed and used.

Despite the demographic distinctions, the communication and interpersonal relationships competencies consistently remain in the top...
two places in the ranking of the importance with which it is regarded; this leads to the hypothesis that the level of development of that competency represents the greatest contribution towards achieving effective performance in the CEO position in subsidiaries of multinational companies.

The criticality relevance of communication and interpersonal relationships competencies, followed by that of the rest of the competencies, not only highlight the core skills required to perform CEO functions, but also indicates to the human capital areas those skills that could be of particular interest as aspects predictive of success in executive positions and that should be especially taken into account in the assessment, development and training processes for people in these positions. In various studies, communication has been shown to be a skill with a high impact on individual and organizational performance and in the case of managers and executives it has an impact on strategy execution and the level of satisfaction and commitment of their collaborators (Argenti, 2017; Brown et al., 2019; Paksoy et al., 2017; Penley et al., 1991; Radovic Markovic and Salamzadeh, 2018).

Practical Implications

On the basis of this study, it has been possible to identify eleven competencies viewed as most critical by the CEOs of subsidiaries of multinational companies, with communication and interpersonal relationships being the most relevant.

It should be stressed that the study’s findings are of particular importance because they represent a beginning in the country of formal empirical research on this specific subject matter, which serves as a guide for research in other locations, contributing to global research on CEO positions.

From an organizational point of view the findings are very important for the human resource area in particular, as it is responsible for designing and implementing the people management strategy of which the CEO is an essential part. These findings could be of use to the human capital areas in designing processes for the incorporation and development of competencies for current executives or those intended to hold such positions in the future.

The study’s contributions also provide a valuable guide at personal development level for those professionals who seek to manage their own careers with the aim of attaining such an executive position.

Limitations and Recommendations for Future Research

The fieldwork carried out found difficulties and challenges inherent to the CEO profile while establishing contact, setting a time for the interviews and fitting into schedules, which were fortunately able to be overcome. Nevertheless, these latter factors, a consequence of the limited availability of the senior executives in question, were a limitation when attempts were made to arrange more extensive interviews or add evaluation tools, for example, or when considering the possibility of a further exchange of information as part of broader field work.

This entirely male composition has been no more than a reflection of a social problem. The lack of gender equality in positions of this kind, either locally or globally, goes beyond the scope of this research. In future studies, this work could be carried out with the support of women executives associations to boost female participation and thus be able to analyze distinctive gender traits.

With the aim of continuing and complementing this research, studies could be made from other perspectives by means of interviews regarding critical incidents, with evaluation of participants and panels of executives and other business community participants. A business documents analysis could also be made, such as job descriptions and career histories, all of which would help to further enrich the research and deepen its findings.

Undoubtedly, the special situation produced after this research, due to the global pandemic, presents the need to continue analyzing the relevance of the competencies considered critical in this recent context. Also, to broaden the scope and to extend the work, studies comparing other locations and business leader profiles could be carried out, with similar research among CEOs from other countries and executives in the same position in local companies.

In a second stage, the qualitative analysis could, in the future, be complemented by quantitative methodologies, such as surveys, that would make it possible to reach a greater number of key informants; not just CEOs but also other players such as the directors of functional areas and other
company members. To conclude, certain new topics, that could be explored in greater depth, in other studies, have been identified from the research, not only in relation to CEO positions and others, such as the influence of personality, values, beliefs and individual learning styles in the acquisition and development of competencies, but also those involved in the process of confirmation of perceptions. Another topic for investigation could consider the biases that prevent the development of women in executive positions. All these matters require the posing of new questions and specific objectives which could also serve to complement these results.

References


