

CORPORATE LEADERSHIP

BACKGROUND OF LEADING CEOs 1990-2002

1. Introduction: On the Traits and Origins of Business Leaders¹

The importance of corporate leadership is increasingly acknowledged around the world. The value of corporate leadership increased when some of the most focal top business people do not live up to what was expected of them. Whereas leader scandals in the past were primarily related to the kleptocratic and self-enriching behavior of state leaders (in particular in developing countries), nowadays, excessive executive pay with business leaders has made them the prime target in the media. This research memorandum reveals the background of Chief Executive Officers (CEOs) and chairmen of the one hundred largest non-financial core companies (in revenues) in the period 1990-2002. The memorandum reports on the first results of a CEO dataset that was created as part of an extended leaders' profiles database (see general methodology document).

2. Methodology

Corporate leaders are primarily the Chief Executive Officers (CEOs) of leading companies. In this research project, it was chosen to include Fortune 100 companies. These core companies are not only big in terms of sales/revenues (like Wal-Mart), but also amongst the largest multinational enterprises (such as General Electric, Toyota, Siemens or Royal Dutch Shell).

Following the six spheres in which leaders can mature and function (state, market, civil society and three hybrid positions), the career and educational (learning) paths of business leaders were studied. Besides personal characteristics and family circumstances, the style of the leader can be supposed to originate in at least three sources: 1) national cultures, 2) educational background and 3) institutional career path.

The selection of the core companies provided with some spread of national cultures – in particular across the Triad region. Personal data of leaders like 'date of birth' and 'country born' belong to the 'national cultures' background. The educational background of a CEO – together with family characteristics – shapes the nurture starting-position for a leader. To establish the level of education for each leaders the following basic characteristics were checked: (1) the maximum education which was finalised (ranging from no schooling to university), (2) what type of university degree was earned (bachelor, master or PhD), (3) when appropriate, what type of study was followed (4) at which university and where (home or abroad). On the basis of the

¹ This document was written by Li An Phoa and Rob van Tulder. It is based on ongoing research after effective leadership strategies and leadership profiles conducted under the aegis of the SCOPE expert Centre. This part of the research project has also resulted in the Thesis by Li An entitled: *Fora for the Future, Business Leaders visions on globalization*, RSM Erasmus University: MA Thesis

categorisation applied by the universities of Cambridge, Oxford and Pennsylvania, six academic disciplines were distinguished (Table 1). Whether the leader has been educated at home or abroad provides an indication of the basic international orientation of this particular leader.

Table 1 Academic background

Academic divisions	Education
1. Social sciences	Sociology Economics Business Administration/Management Law Politics
2. Humanities	Languages Art History Philosophy Theology
3. Life and environment sciences	Anthropology Chemical Engineering Biochemistry/Biology
4. Mathematical sciences	Mathematics
5. Physical sciences	Chemistry Engineering science Physics
6. Medical sciences	Medicine Psychiatry

Source: www.ox.ec.uk/departments and <http://www.cam.ac.uk/cambuniv/index.html>

Following the distinction in the six different societal spheres, the career path of each leader can be further specified after finalisation of his/her basic schooling. At four years the profile of the top100 business leaders was drawn: for 1990, 1995, 2000 and 2002. For each of these years, it has been calculated how long the acting leader's career has been active in any of the six societal spheres before being formally appointed as the leader of the core company. The top 100 rankings over these years resulted in 400 possible company positions and a total of 167 *different* corporations. These firms originate in 19 different home countries. Of the potential four times hundred rankings, European Union (EU) firms lead with a total of 143 rankings, followed by 133 American companies and 95 Japanese company rankings. The European rankings can be further specified into: Germany (50), France (36), the United Kingdom (25, including dual nationality firms like Shell and Unilever), Italy, Switzerland, the Netherlands, Spain, Sweden, Belgium, Norway and Finland. There are twenty-eight companies largely from four emerging markets: South Korea (16), China (5), Venezuela (3), Mexico (3).



The total sample consisted of 289 different CEOs of who two recur in all four years: the American CEO Joseph A. Pichler (left) from Kroger and the German CEO Jürgen F. Strube (right) from BASF.



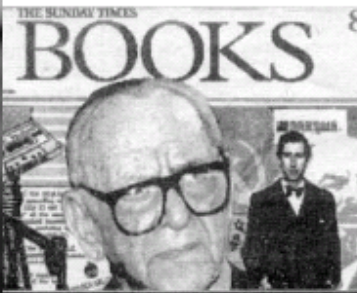
3. Personal traits

There is only one woman in the whole sample of top CEOs in the 1990s. The American Carly Fiorina became CEO of Hewlett Packard in July 1999 and got ousted in February 2005. She has a remarkable, diverse and international background. She attended five different high schools: in Ghana, London, North Carolina, and in Palo Alto in California. Mrs. Fiorina received bachelor degrees from Stanford University in both medieval history and philosophy. Following her father's advice she then studied law for one year. She found out that the legal profession was not what she liked, so she started working as a receptionist and taught English in Bologna (Italy). Later she received her MBA from Maryland University and her Master in Science from the Massachusetts Institute of Technology (MIT) at Sloan Business School. Before starting to work for Hewlett-Packard she worked with AT&T and Lucent Technologies.

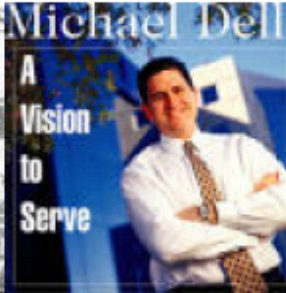
One Female



Oldest



Youngest



Inter-cultural Leader



C.S. Fiorina (HP); Dr.A. Hammer (Occidental Petrol); M.S. Dell (Dell); Dr.C. Ghosn (Nissan)

Nationality

There are 23 different nationalities represented in the sample – which outnumbers the home countries of core companies (19). So a number of people lead a core company with a different nationality than their own. For example the Frenchman Carlos Ghosn was born in Brazil, but became the CEO and the Chief Financial Officer (CFO) of the Japanese company Nissan [after which he finally became also the head of French Renault], the German Eckrodt is CEO of Mitsubishi Motors, and the Frenchman Garnier is CEO of the British GlaxoSmithKline. The American oil company ChevronTexaco was headed from January 2000 by the Irish O'Reilly. However, the overwhelming majority of core companies are still headed by their own nationals. In case a 'foreigner' lead the company, this is often related to a (minority) take-over or the case with relatively related business cultures (like Ireland, the UK and the USA).

Generation

Most CEOs were born between 1898 and before 1965; the oldest CEO was born in 1898, the American Dr. Armand Hammer from Occidental Petrol (CEO in 1990) and the youngest was born in 1965, the American Michael Dell from Dell (CEO in all four years: 1990, 1995, 2000, 2002).

4. Educational background

Most of the business leaders have a high level of education. Having a university degree seems almost a prerequisite for a leadership position. The large majority (235 out of 289, i.e. 82 %) obtained a university degree. Three CEOs who have had no secondary nor university training. They were all European, namely: Cor Boonstra from Royal Dutch Philips (CEO in 2000), Vittorio Mincato from ENI (2000 and 2002), and Helmut Ricke from Deutsche Telekom (CEO in 1990). From the 235 CEOs that obtained a university degree around 14 % earned a PhD degree. The three most popular educational institutes to get a PhD for CEOs have been: Stanford University (3 graduates), the University of Munich (3 graduates) and the University of Tokyo (3 graduates). The German CEOs appear internationally to be most erudite; more than half of them (19 out of 32) have a PhD. These were primarily earned at German universities. Only Ron Sommer, CEO of Deutsche Telekom, earned his degree abroad: he was born in Haifa (Israel) his Jewish mother is a mixture of Russian and Austrian, his father is a German émigré. He lived in Israel until his 7th birthday, then moved to Austria until the age of 18, subsequently went to the USA and eventually to Germany. He worked in the USA (New York), Germany (Paderborn) and France (Paris).

Location educational institute

The university at which most degrees (bachelor, master and PhD) of the Top CEOs have been earned is the University of Tokyo with 24 graduates; all are earned by Japanese CEOs except one American CEO - Philip Condit, CEO of Boeing. Condit, a native of Berkeley (California) received his engineering PhD at the Science University in Tokyo. Harvard University comes second with 10 graduates which are all American CEOs except one Japanese CEO - Minoru Makihara from Mitsubishi (CEO in 1995). Makihara is strikingly international for a Japanese CEO. He was born in the United Kingdom, studied in the USA and worked in London, Washington, New York and Seattle. In third place are the two most popular French universities are École Polytechnique (9) and the École Nationale d'Administration (ENA - 6) at which merely French CEOs graduated.

Type of study

The CEOs followed in total seventeen different types of studies (also including the seven CEOs that followed three studies and the 68 CEOs that followed two studies). Business Administration/Management (108 of the total of 400 possibilities) has been the most popular first study, followed by Engineering sciences (114), Economics (54), Law (42), and combined studies of economics and business administration (16). Predominantly leading CEOs have either studied social or natural sciences.

5. Career background

For each of the years in which the Top100 CEOs were observed, it has been calculated how long the acting CEO has been active in any of the six societal spheres *before* being formally appointed as CEO. The majority of the CEOs have been active in the 'market' sphere. Jürgen Schrempp (picture) for example, CEO of Daimler-Crysler (in the years 1995, 2000 and 2002) worked for 34 years in the market sector and is thus weighted as (34 x 3) 102 years 'Market'. None of the Top 100 CEO ever worked in 'civil society' previous to his/her corporate position. We know of



some CEOs that have started to work for civil society organisations *after* they terminated their job as CEO.

French CEOs have the most diverse career background. Two out of the three Mexican CEOs of the state owned enterprise Pemex worked their entire career for the state before becoming CEO: Rogelio Montemayor Seguy who became CEO in 2000 worked as deputy minister and as governor of Coahuila, whereas Francisco Rojas Gutierrez, CEO in 1990, previously worked as general controller at the Secretariat Mexico's Minister.

Masashi Kojima (right picture), CEO of Nippon Telegraph & Telephone (NTT) worked all his life for the same company. French CEO Raymond Haim Levy (left picture) CEO of Renault has worked his entire life for different state owned



enterprises both in France and Belgium until he became CEO of Renault in 1986. In 2002 nine CEOs out of a total of 100 had experience in the state. For example the French François Roussely (below right picture), CEO of Électricité de France (EDF) worked previously for twenty years as civil servant - as auditor at the National Accounting Office, at the Ministry of Interior, as an advisor at the National Assembly, with the Police, and at the Ministry of Defence.



In 2000, the number of CEOs who spent some of their career years on the interface between state and civil society (hybrid A sphere) are highest. Joachim Milberg, CEO of BMW, for instance leads with 40 % of his his pre-CEO career time (12 years) working at the Munich Technical university.

In 2002, the percentage of career time spent exclusively in the market sphere by CEOs has become highest (88%). Around 10 percent of the CEOs have international educational experience. At least thirty percent of the CEOs have international career experience. Two thirds of CEOs with an international educational experience also have experienced an international career. Around one third of the CEOs, have international experience either in their education, in their career, or both.

International education

The United States has been the most popular country for prospective CEOs. Half of the CEOs that pursued an international education, studied there. German speaking CEOs had a preference for Switzerland (the German CEO Strube and the two Austrian CEOs Piëch and Hahn). Around one third of the CEOs that had been engaged in international studies came from a variety of



smaller and developing countries. Remarkably, and contrary to the general belief that they are extremely parochial, the Japanese CEOs represent the most internationally oriented group in the Top100 CEOs. 17.9 % of the CEOs with an international student background turns out to be Japanese. Five Japanese CEOs followed very international paths, with four of them going to the USA. One Japanese CEO, Norio Ohga (left picture) from Sony (1990, 1995), went to study fine arts and music at the University of Arts in Berlin (Germany). The second most international students were four German CEOs (14,3 %) and four French CEOs (14,3 %). There was only one American CEO (3,6 %) who had an international educational experience, Philip Condit (right picture) who was CEO of Boeing (until December 2003) and has received his engineering PhD at the Science University of Tokyo in Japan.



International careers

In the 1990-2002 period, 84 CEOs worked for a host-based large (core) company, four CEOs worked for a host-based Small-Medium sized Enterprise (SME) and three CEOs worked for a host-based State Owned Enterprise (SOE). Two CEOs worked for an international organisation: Bible and Bernabè. The Australian CEO Geoffrey Bible (right picture) of the Altria Group (CEO in: 1995, 2000, 2002) worked for the United Nations in the Middle East (Lebanon and Jordan) and for the International Labour Organisation in Geneva (Switzerland). He has also worked in Switzerland for Esso International/Africa and for the SME Australian stockbrokerage and investment company Ralph W. King. The Italian CEO Franco Bernabè of ENI (1995) got part of his education at an American high school in Oregon and has worked for the OECD in Paris for two years.



Compared to studying abroad, both American and English CEOs often follow an international career path. The three most international or inter-cultural CEOs of the whole sample can be considered:

1). French Jean-Pierre Garnier (right picture) who is CEO of the English GlaxoSmithKline, born in France, studied in the USA and worked in Belgium, Denmark, the USA, and Switzerland for 23 years.



2). Japanese Minoru Makihara (left picture) was born in the UK, studied in the USA and has worked in both in the UK (London) and USA (Washington and Seattle) for 30 years.

3. Australian Geoffrey Bible, CEO of the American Altria Group, was born in Australia, studied in the UK and worked in Lebanon, Jordan and Switzerland (8 years for international organisations and 24 years abroad in the market sector for both SMEs and large companies).

There number of CEOs with an international career outnumbers the ones with an international educational experience. But there is a strong link between an international education and an international career. This correlation is bound to become stronger in the future.