

The Mind of the Indiana CEO: Views on Emerging Business Issues

Jeffery Garten, dean of the School of Management at Yale University, has extensive exposure to the domestic and international business scene. The opinions expressed in his book, *The Mind of the CEO*, were shaped by his contacts with executives of forty world-leading firms, people with a sharp eye on the changing world environment and possessing thoughtful insights about emerging trends.

A reading of this book reveals a number of interesting yet controversial statements. Garten believes that CEOs must take a more active role in shaping public policy. CEOs should abandon narrow corporate and industry agendas and assist governments in developing appropriate national economic policies and forming international economic institutions to guide economic development. His proposals for a more proactive business community in economic policy development appear throughout *The Mind of the CEO*.

Do Indiana CEOs agree or disagree with Garten's position on these emerging business issues? To answer this question, we administered a survey of Indiana CEOs to find out (see sidebar).

Views on Emerging Business Issues

But why should Garten's viewpoints on emerging business issues be important to CEOs in Indiana? While Garten is respected

for his background, he holds a distinct East Coast perspective when defining issues and proposing solutions. He favors an *intense and necessary* public-private partnership approach when outlining possible solutions. Thus, if Indiana executives share his views, how far does agreement with Garten also imply accepting his remedies? One inference from an agreeing position is tacit acceptance of Garten's solutions and, thus, accepting whatever economic impact these remedies may have on Indiana's economy. The exact impact on Indiana of a particular issue is difficult to say without knowing the specific nature of the proposed solution. But using previous experience with Washington-based economic policies, perhaps Indiana has reason for guarded concern.

For example, a primary concern is the income transfer out of Indiana. We calculate that about ninety-five cents is returned to Indiana for every dollar of taxes sent to Washington in 2001.¹ At this rate of income transfer, in twenty years the equivalent of the entire state's personal income disappears. And there is the loss of \$1,662 of state taxes per average taxpayer,² plus the local tax revenues forgone on this lost wealth. Such a slant from Washington-imposed policies could be at odds with the state's long-term economic health. Thus, what might seem a suitable policy from an East Coast viewpoint may not be seen in the same favorable light from a Hoosier perspective.

Statewide Results

As seen in **Table 1**, only one statement with a 5.36 value indicates agreement with Garten's position (knowing what value the firm brings to its customers is a key to successful business). Two more statements are within two standard errors below 5 (exceeding a 4.70 cutoff point), also indicating that respondents agree with Garten on these two issues.

Of the total forty statements examined (only the highest and lowest ten are reported here), twenty-six (65 percent) either exceed the critical value of 4 or are within two standard errors below (exceeding a 3.70 cutoff point). In addition to the three agree with statements, respondents tend to somewhat agree with Garten on twenty-three other statements, inferring that Indiana CEOs tend somewhat favorably toward his views.

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Surveying CEOs

Indiana executives were asked their opinions on a series of statements about emerging business issues considered important for this decade. The forty statements are based on an interpretation of statements found in Jeffery Garten's book, *The Mind of the CEO*. Respondents indicated the extent they agreed or disagreed with Garten. Possible answers ranged from 1 (strongly disagree) to 6 (strongly agree). A NR choice was available if the statement did not apply or if the CEO had no opinion. Using the survey scale, a critical value of 5 indicates agreement with Garten, a critical value of 4 signals

somewhat agree, while a critical value of 3 means a somewhat disagree position.

The forty statements were condensed into six summary dimensions to facilitate data analysis and subsequent discussion. Each statement was classified into one of the summary dimensions using a thematic categorization scheme.

Results were reported at both the statewide level and at the group level for the forty statements. Only the six summary dimensions were analyzed at the business segment level. The authors would like to thank the seventy-three CEOs who responded to the survey.

Table 1
Top Ten Survey Statements at Both Ends of the Survey Spectrum

Most Agreement with Garten		Least Agreement with Garten	
Survey Statement	Mean	Survey Statement	Mean
The communications revolution is about customers. These days a company has to ask: "What is the real value that we bring to the customer?"	5.36	In the current environment, a company needs to reassess itself so often that the idea of a strategy threatens to devolve into little more than day-to-day tactics.	2.99
While having a vision is a prerequisite for being a great CEO, it is the failure to execute a strategy well that will get the chief executive into trouble.	4.77	With the range of challenges faced by CEOs, today's executive position is too much for one person to be effective. Forming an "Office of the Chairman" team is a possible option.	3.00
A core thing with people working for a company, if they are proud, if they are respected, and if they are listened to, then the company will thrive.	4.72	In today's New Economy, governments are being pared down as market-oriented policies are gaining ground and the norms for CEOs and their companies are changing.	3.28
Government regulation is one of the biggest potential problems on the horizon, enough so that extensive regulation could undermine economic progress.	4.66	CEOs recognize the need to enrich shareholders while paying increasing attention to customers, employees, and suppliers. Balancing all these objectives simply may not be possible.	3.34
Knowledge is the most critical business asset. Over half of it is in people's heads, so when they walk out the door, that knowledge goes with them.	4.59	Unless CEOs construe their mandate in a broad social context, they risk becoming targets of resentment by those who see the global movement as a negative trend.	3.45
What is required for the future of U.S. corporate success is a simultaneous focus on profit and community, an approach that ought to become the model for big companies.	4.55	Consumers are increasingly swayed in their purchases by the overall image of a company. They see social responsibility as an important part of a company's brand.	3.48
The issue of outsized CEO compensation packages is relevant to today's employees. If the CEO performs well, this is accepted, but if he fails this does not make for much trust.	4.52	Because of the Internet, prices are becoming transparent and subject to comparison. This creates a hyper-competitive environment that makes it almost impossible to raise prices.	3.51
One thing very clear now is that the on-line world is going to change everything. There will be increasing focus on and need for understanding different distribution channels and matching products and services to these channels.	4.45	From the corporate standpoint, there is logic in holding back until public problems are adequately defined and a course of action is clear and supported by the governments involved.	3.60
The Internet could be used to reduce cost of supplies or to reduce inventories. Thus, business fundamentals don't change; only the tools do.	4.36	Commerce on the Internet should not escape taxation since fees are levied on other types of commerce. But aside from the unfairness, too much essential tax revenue would be lost.	3.62
Competitive pressure from abroad is a cyclical thing. It is inevitable that European and Japanese firms once again will challenge the U.S. the way they did a decade or so ago.	4.31	Foreign companies have come to realize that to be truly global players and attract the best talent to their industries, sooner or later they would have to play by U.S. rules.	3.62

* A critical value of 5 indicates agreement with Garten's opinion, a critical value of 4 means somewhat agree, while a critical value of 3 indicates somewhat disagree.

Figure 1 shows the statewide results for the six summary dimensions (see the discussion in sidebar concerning summary dimensions).

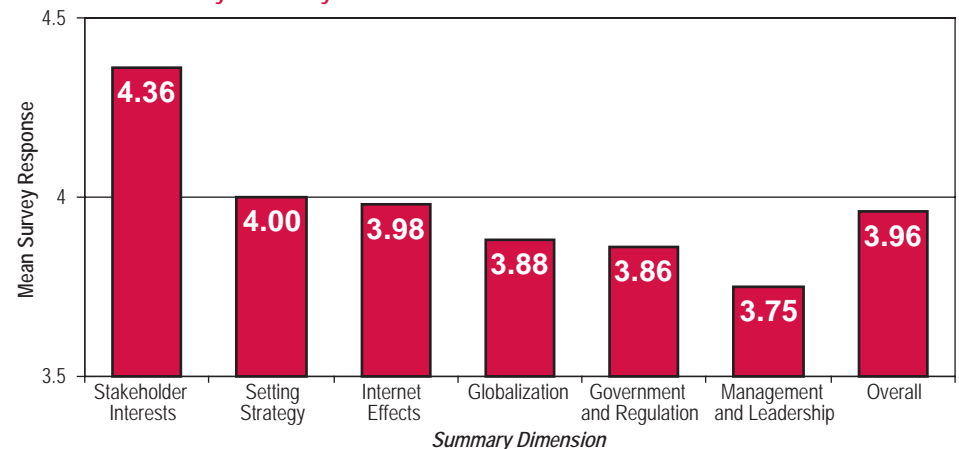
Indiana CEOs somewhat agree with Garten on five of six dimensions (exceeding a 3.82 cutoff point), the highest being stakeholder interests and the lowest being government and regulation.

It is the management and leadership summary dimension where opinions vary most from Garten's position. The varying opinions between business segments account for this divergence.

Business Segment Results

The management and leadership dimension illustrates a pattern of divergent opinions between business segments (see Figure 2). CEOs at

Figure 1
Statewide Results by Summary Dimension



* A critical value of 4 is somewhat agree with Garten's opinion, while 5 indicates agreement. Standard error ranges from 0.061 for the overall summary dimension, to 0.088 for management and leadership.

FOR MORE INFORMATION

The entire study, with detailed tables and a complete analysis, is available online at www.ibrc.indiana.edu/ibr.

variance most with Garten's viewpoints work in manufacturing, at a north location, in a large firm, in a public firm, in older companies, have a favorable experience with NAFTA, have a favorable experience with the Internet, and have export sales exceeding 6 percent of total sales.

This analysis points to the idea that Indiana CEOs appear to express confidence in their own capabilities to solve emerging problems.

Specific to the management and leadership dimension, there is no cross-the-board agreement as positions within the industry segment illustrate. Manufacturing and financial firms somewhat disagree with Garten while service firms somewhat agree with his positions. This pattern is also noticed for other segment comparisons.

Indiana executives prefer to be self-reliant in dealing with problems, even if Garten

believes these issues are beyond the average CEO's ability to handle effectively. We conclude that Indiana executives

- ▶ are confident they can cope with the changing world environments;
- ▶ discount the seriousness of the challenge that Garten believes exists;
- ▶ appear more upbeat about their ability to meet the new global competition.

Summary

Results indicate some differences between Indiana CEOs and Garten with respect to the complexity of the business environment. In particular, CEOs differ most from Garten regarding their ability to effectively manage in the new environment. Garten asserts that this environment is becoming "a turbulent sea" and "too difficult for most CEOs to successfully handle all at once."³ Indiana executives, on

the other hand, surmise that the business environment is already complex and that these emerging trends of greater complexity that Garten speaks of are already "business as usual" for them.

Implications for Indiana

First, Indiana CEOs appear more conservative and self-reliant, believing they are capable of dealing with the complexities of a changing global business environment. As a corollary, this suggests that turning to the public sector for direction for solving problems might be pursued only after careful consideration.

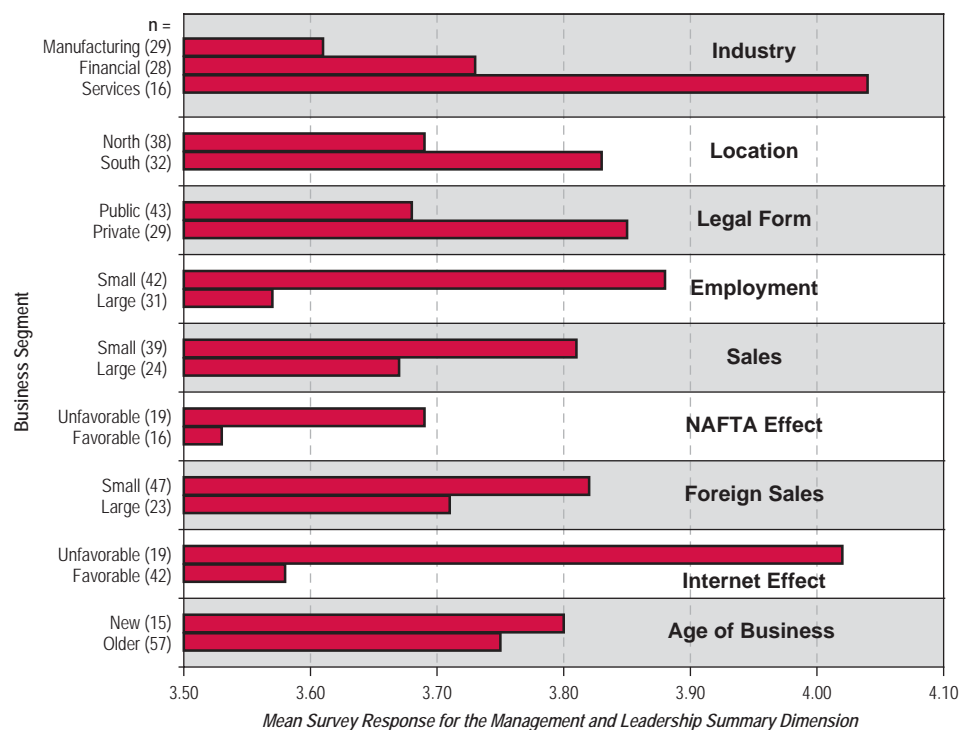
Second, Indiana executives generally hold homogenous views (as seen in Figure 1). This implies that backing efforts through a statewide business community approach might be possible, thus speeding up and focusing effort on solutions. The advantage of "one mind" is that massed support gets more attention and generates more impact than when different approaches are pursued.

Third, a large proportion of executives expressed no opinion about the effect that NAFTA has had on their businesses. Of those that are impacted by NAFTA, just under half reported a favorable experience. Also noteworthy is that one-third of companies indicated export sales exceeding the 6 percent mark. This leads to the idea that foreign market development has potential for Hoosier business expansion.

Fourth, well over half of respondents indicated that the Internet has had a favorable effect on their business. This implies that enhancing development of the Internet within the state should be encouraged.

Will Indiana executives come to a common position for addressing key emerging issues? Will it be along Garten's suggested approach of a business-government combination or some other path? Based on our survey results, we think the direction for Indiana CEOs is towards self-reliance versus the public-private partnerships that Garten favors. ◀

Figure 2
Analysis of the Management and Leadership Summary Dimension by Business Segment



*A critical value of 4 is somewhat agree with Garten's opinion, while 5 indicates agreement. Standard error ranges from 0.09 to 0.21. Not all seventy-three firms responded in each category. (n = number of respondents.)

Endnotes

1. Internal Revenue Service 2001 and 2002; Indiana MapStats 2003; calculations by authors.
2. David Mendall, "Illinois Not as Taxing as Many States," *Chicago Tribune*, 27 July 2001.
3. Jeffery Garten, *The Mind of the CEO* (New York: Free Press, 2001), 277-278.