

Who Lives in the C-Suite? Organizational Structure and the Division of Labor in Top Management

Maria Guadalupe, Hongyi Li, Julie Wulf

Published Online: 22 Nov 2013 | <https://doi.org/10.1287/mnsc.2013.1795>

Abstract

Top management structures in large U.S. firms have changed significantly since the mid-1980s. The size of the executive team—the group of managers reporting directly to the CEO—doubled during this period. This growth was driven primarily by an increase in functional managers rather than general managers, a phenomenon we term “functional centralization.” Using panel data on senior management positions, we show that changes in the structure of the executive team are tightly linked to changes in firm diversification and information technology investments. These relationships depend crucially on the function involved; those closer to the product (“product” functions, e.g., marketing and R&D) behave differently from functions further from the product (“administrative” functions, e.g., finance, law, and human resources). We argue that this distinction is driven by differences in the information-processing activities associated with each function and apply this insight to refine and extend existing theories of centralization. We also discuss the implications of our results for organizational forms beyond the executive team.

This paper was accepted by Bruno Cassiman, business strategy.

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Volume 60, Issue 4

April 2014

Pages iv-vii, 805-1081

Article Information

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Cited 112 times

Information

Received: January 05, 2012

Accepted: June 18, 2013

Published Online: November 22, 2013

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Cite as

Maria Guadalupe, Hongyi Li, Julie Wulf (2013) Who Lives in the C-Suite? Organizational Structure and the Division of Labor in Top Management. *Management Science* 60(4):824-844.

<https://doi.org/10.1287/mnsc.2013.1795>

Keywords

communication

organizational design

functions

centralization

M-form

hierarchy

top management team

C-Suite

information technology

activities

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