

# Value of experienced CEO fades when working in regions vulnerable to corruption, political instability

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Apparently, experience is not always a good thing. In fact, for CEOs of

small and medium-sized enterprises, it can eventually prove to be a liability.

"At some point in time, our knowledge becomes obsolete. If we spend too long in one particular industry—like in [high-tech](#), where the [knowledge base](#) is changing—we will become less effective at some point," said Vincent Barker, the Edmund P. Learned Professor at the University of Kansas School of Business.

But this becomes further problematic when CEOs run businesses in less-than-optimal locations.

That's the subject explored in Barker's new article, "CEO's industry experience and emerging market SME performance: The effects of corruption and political uncertainty," published in the [Journal of Business Venturing Insights](#).

It finds that the value of industry experience of CEOs to firm growth increases with initial years of experience but levels off at around the 11-year mark. For small and medium-sized firms in less corrupt developing countries, further years of CEO industry experience do not affect firm growth. However, firm grow rates start to actually deteriorate after 11 years of CEO industry experience in countries vulnerable to corruption and political instability.

Co-writing the article with KU doctoral graduate Juan Carlos Morales-Solis of West Texas A&M University and Arkangel Cordero of the University of Texas at San Antonio, Barker compares a CEO's tenure to that of a football team's head coach.

"As a coach, you employ a system. You come into a new program and establish your system, and then you stick to that system. Then new systems come along and pass them up, and you can't adapt to the new

ones," he said. "So you rarely see coaches be effective with the same team for more than a decade."

Similarly, there may be an optimal amount of industry experience for a CEO in any industry. And the complexity of the industry may determine how quickly their knowledge becomes obsolete.

"The surprise in our study is how quickly it starts to deteriorate," Barker said. "Eleven years is not that much time spent in an industry. It suggests that the value of additional years of industry experience is offset by the depreciation of the value of your existing industry knowledge."

This depreciation is more substantial in countries susceptible to corruption and political instability. Essentially, those factors make running a small or medium-sized enterprise that much more challenging.

"You have this extra set of things to plan for and figure out such as who do we have to pay? Who is going to be in charge next year? Is somebody new going to come in and ask for money?" he said. "Some of this stuff at the government level is comparable to organized crime."

Barker said it's already demanding running a business as it is—even in a nation like the U.S. that has strong property rights and is relatively predictable in terms of laws and lack of corruption.

He said, "A whole new slate of problems is introduced once you get into a country where somebody can come up and say, 'Well, your nice little plant here that employs 50 people, we're going to shut it down unless you pay my cousin 5,000 bucks to inspect it for the regional health department.'"

The researchers tested their hypotheses using data from the World Bank's Enterprise Survey of firms in emerging economies from 2006 to

2019. They received responses from 91,017 SMEs in 106 emerging market countries. (The survey defines SMEs as firms between 10 and 250 employees.)

At KU since 2002, Barker's main area of expertise focuses on chief executive officers. "I study everything from how they affect strategies to what happens to them after they get fired," he said.

Barker said it's always interesting peering into the world of powerful people.

"In some ways, it would be nice to be one, moneywise. But their lives are under a microscope. Their [personal lives](#) are probably messier than the average person's," he said.

Now he's confirmed such messiness—at least as applied to a firm's growth—is exacerbated once corruption and political instability enter the mix.

**More information:** Juan Carlos Morales-Solis et al, CEO's industry experience and emerging market SME performance: The effects of corruption and political uncertainty, *Journal of Business Venturing Insights* (2023). [DOI: 10.1016/j.jbvi.2023.e00424](https://doi.org/10.1016/j.jbvi.2023.e00424)

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