

# CXO Bloat: A Critical Analysis

<sup>[1]</sup> Dhruva G, <sup>[2]</sup> Pavan Bharadwaj A R, <sup>[3]</sup> Sajeev Nair

<sup>[1]</sup> <sup>[2]</sup> <sup>[3]</sup> PES University, Bengaluru, India

Corresponding Author Email: <sup>[1]</sup> dhruva.pesu@gmail.com, <sup>[2]</sup> pavanbharadwajar@gmail.com, <sup>[3]</sup> sajeevnair@pes.edu

**Abstract**— As contemporary organizational structures continue to evolve; it becomes necessary to critically evaluate the role of leadership and senior management in driving the growth of the organization. We examine the detrimental impact of “CxO bloat” on organizational dynamics, particularly in the context of decision-making, accountability and organizational hierarchy, underscoring the need for lean leadership principles. Subsequently, this paper lays a framework for executive restructuring, with a focus on consolidating executive roles rather than duplication, facilitating a streamlined approach to corporate management. Through empirical evidence and anecdotal examples, we demonstrate the tangible benefits of embracing lean principles, empowering organizations to navigate the complexities of “CxO bloat”. Thereby, the proposed downsizing and consolidation can help create a thriving leadership culture that is inherently agile and nimble, to meet the demands of an evolving and fiercely competitive market.

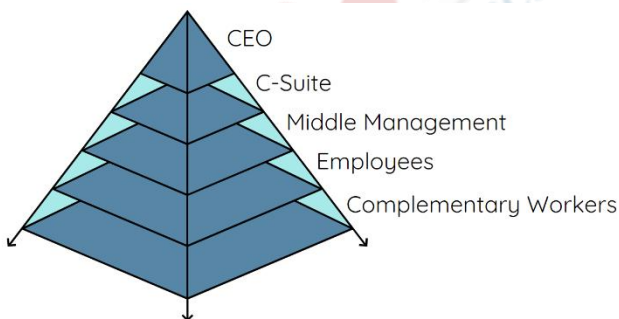
**Index Terms**— C-suite, leadership, restructuring, organizational design, lean management, human resource management.

## I. INTRODUCTION

### A. Organizational Structure

Organizational structure refers to the formal framework [1] that outlines the arrangement of roles, responsibilities, authorities, and communication channels within an organization or enterprise. Thereby, such structures establish the inherent hierarchy of power and decision-making, and chain of reporting relationships, and define how various discrete components of an organization contribute towards a shared goal.

At its core, organizational structure forms the underlying blueprint that delineates the division of labor, coordination of activities, and distribution of authority across different levels and functional areas of the organization. Subsequently, it provides clarity by defining the reporting structure, task allocation, and how information flows within the organization. Organizational structure can take various forms [2], ranging from traditional hierarchical structures (Fig. 1) to more decentralized [3] and matrix-based arrangements.



**Fig. 1.** Hierarchical organizational structure

A hierarchical structure provides organizations with clear lines of authority and fosters cross-functional coordination. Centralized decision-making at the top of the hierarchy ensures alignment with strategic objectives, facilitating

consistency and uniformity in organizational operations, and thereby contributes to the enduring prevalence of such a structure in large enterprises across sectors.

### B. The C-Suite

In such hierarchical structures, the C-Suite represents the apex of executive leadership, with the Chief Executive Officer (CEO) at its helm. The C-Suite, comprising top-tier executives such as the Chief Financial Officer (CFO), Chief Operating Officer (COO), and Chief Technology Officer (CTO), among others, wields considerable influence in shaping organizational strategy, direction, and culture. The CEO shoulders the primary responsibility for steering the organization towards its goals [4], while also navigating the complexities of a competitive business landscape. With a diverse range of roles and responsibilities distributed among C-Suite executives, effective coordination, accountability, and strategic alignment are essential for driving organizational success



**Fig. 2.** CxO bloat

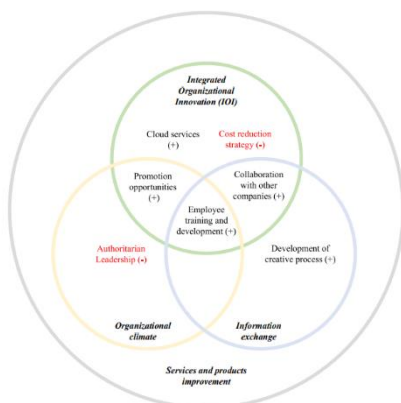
The rapid proliferation of C-suite executives (CxOs) for various disciplines within organizations raises several questions about its impact on managerial efficacy, hierarchy,

decision-making processes, and organizational agility. By examining the root causes and consequences of CxO bloat, our research attempts to propose a sector-agnostic framework [5] to mitigate the adverse effects of CxO bloat, to foster a more agile leadership structure conducive to organizational resilience.

**II. LITERATURE SURVEY**

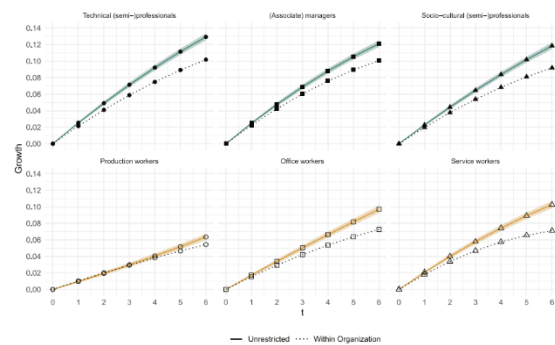
**A. Literature Review**

Osorio-Gómez et al. (2024) [6] propose the notion that successful digital transformation necessitates collaborative efforts and strategic cost-reduction measures. Furthermore, the authors study the impact of leadership styles, employee training, and integrated organizational innovation in reshaping organizational structures for digital adaptation, underscoring the importance of organizational agility and flexibility (Fig. 3). The authors argue that aligning organizational structures with digital transformation objectives is paramount for achieving sustainable improvements in product quality.



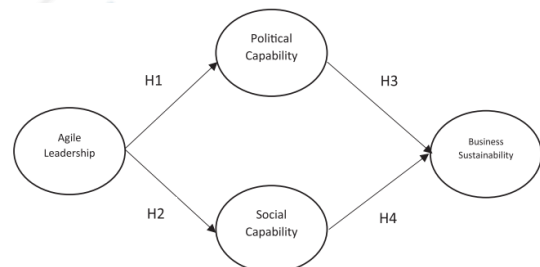
**Fig. 3.** Framework for digital transformation with an emphasis on organizational climate

In their study, Janietz (2024) [7] dissects the mechanisms behind wage growth differentials within organizations, highlighting the role of occupational positions and organizational contexts in shaping individuals' career trajectories. Moreover, the author unveils disparities in relational wage growth (Fig. 4) among different occupational classes, with professionals and managers experiencing more pronounced improvements in their relative wage positions compared to service, office, and production workers. While disparities persist, the study explores the potential of promotions into leadership roles for alleviating the impeded career growth. By advancing into managerial or professional positions, employees not only stand to benefit from wage growth but also contribute to a more equitable distribution of opportunities within organizations. Such strategic promotion practices can serve as a tool in addressing wage inequality and fostering upward mobility for workers across occupational classes within organizations.



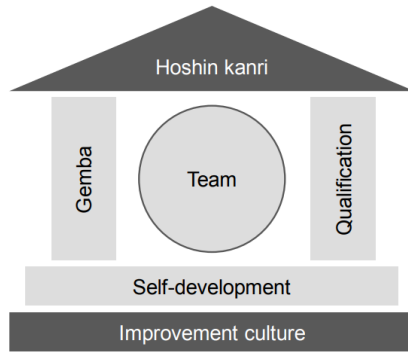
**Fig. 4.** Limited growth within organizations across functions

The research by Siregar et al. (2023) [8] investigates the role of agile leadership in achieving business sustainability through the development of political and social capabilities in the nonmarket environment. Utilizing Partial Least Squares-Structural Equation Modeling (PLS-SEM) and data from 75 listed companies on the Indonesia Stock Exchange is evaluated (Fig. 5). The study found significant positive relationships between agile leadership and both political capability (t-value = 12.451, coefficient = 0.706) and social capability (t-value = 13.399, coefficient = 0.753), supporting hypotheses H1 and H2, respectively. Additionally, political capability positively influenced business sustainability (t-value = 4.648, coefficient = 0.645), supporting hypothesis H3. However, social capability did not significantly influence business sustainability (t-value = 1.542, coefficient = 0.199), contrary to hypothesis H4.



**Fig. 5.** Proposed theoretical model

According to Dombrowski and Mielke (2013) [9], lean leaders prioritize empowering shop floor workers, cultivating a culture of improvement, and aligning organizational goals with customer needs. Key principles include striving for perfection, embracing failure as a learning opportunity, promoting self-development & qualifying employees. However, challenges persist in effectively implementing these principles across organizations.



**Fig. 6.** Lean leadership framework

**B. Research Gaps**

Despite extensive research on leadership and organizational dynamics, there remains a notable research gap concerning the phenomenon of “CxO bloat” and its detrimental impact on organizational performance. While studies have explored the challenges faced by C-suite executives, there is limited theoretical research that defines strategies for leadership restructuring and consolidating C-suite roles to mitigate duplication of roles & responsibilities, and improve organizational effectiveness. This paper attempts to address the gap by exploring the potential for coalescing CxO roles in enterprises.

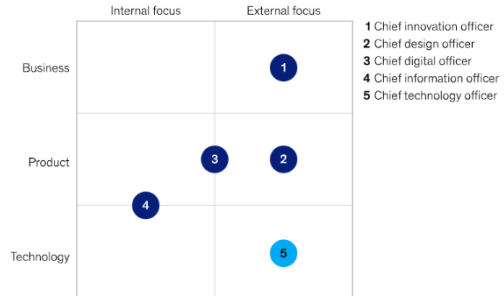
**III. CXO BLOAT**

**A. The Role of the CxO**

In contemporary organizational structures, the role of C-suite executives (referred to as CxOs) holds paramount importance. These executives play multifaceted roles [10] in shaping organizational strategy, driving innovation, managing operations, and ensuring long-term financial stability. Their expertise and decision-making ability are instrumental in navigating complex business landscapes, promoting growth, and maintaining a competitive advantage. Furthermore, C-suite executives serve as key liaisons between the organization's internal functions and external stakeholders, including investors, regulators, and the broader community. Their leadership [11] not only influences the direction and culture of the organization but also sets the tone for ethical & corporate responsibility.

In various sectors, especially regulated industries like healthcare and finance, the roles and responsibilities of C-suite executives (CxOs) can vary significantly based on industry-specific requirements and regulatory frameworks. For instance, in the healthcare sector, the Chief Medical Officer (CMO) plays a crucial role in overseeing clinical operations and ensuring compliance with healthcare regulations and standards. In the finance industry, the Chief Risk Officer (CRO) is paramount, responsible for managing financial risk, and ensuring compliance with regulatory requirements such as Basel III, and implementing risk management strategies to protect the organization's assets. In

this context, sector-specific requirements for CxOs emerge, each performing specific functions [12].



**Fig. 7.** Distinguishing the roles played by different CxOs (McKinsey)

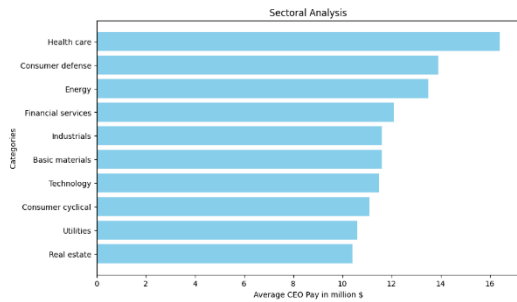
The convergence of C-suite roles into overlapping roles could potentially lead to ambiguity, conflicts of interest, and inefficiencies within organizational structures. As traditional boundaries blur, the delineation of responsibilities becomes hazy, impeding accountability and decision-making processes. For instance, in the case of the CHRO and Chief Diversity Officer (CDO), overlapping mandates may result in the redundancy of initiatives, undermining the effectiveness of diversity and inclusion efforts. However, the role of the CHRO becomes essential for driving organizational culture, making it irreplaceable in the age of global workforces. Moreover, the proliferation of overlapping roles might signal a lack of strategic clarity or a reactionary approach to emerging trends, rather than a deliberate and well-thought-out organizational strategy. This fragmentation of responsibilities could hinder agility and strategic alignment.

**B. CxO Overload**

CxO bloat can be defined as “the proliferation of C-suite positions in organizations, resulting in diminished accountability, resource strain, and decreased strategic focus, often stemming from a perceived need to address specialized functions or regulatory requirements.” Our research evaluates the consequences of CxO bloat using a multi-pronged approach, focusing on cost, diminished accountability, hierarchy and organizational bloat.

- 1) Cost-centre: In examining CxO bloat from a cost perspective, a large number of executives leads to increased organizational expenses, primarily driven by executive salaries [13] and administrative costs. This expansion can significantly strain resources and diminish strategic focus, as financial resources are diverted towards supporting a larger executive team. Additionally, the cost associated with each additional C-suite position may not always yield proportional benefits, potentially leading to inefficiencies and diminishing returns on investment in leadership. Fig. 8 illustrates the massive payouts of CEOs in 2019 [14], which may adversely affect cash-strapped organizations.



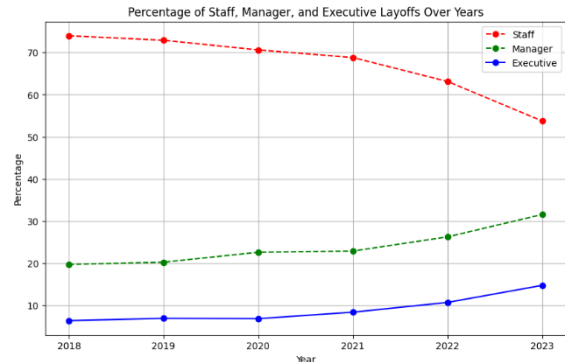


**Fig. 8.** Average salary of CEOs across sectors (in 2019)

- 2) Diminished accountability: CxO bloat can significantly impact leadership accountability [15] and focus by diluting the clarity of roles and responsibilities within the executive team. With an increasing number of C-suite positions, lines of accountability can become blurred, leading to confusion regarding decision-making authority and performance evaluation. This can result in a loss of focus on key strategic objectives as attention becomes fragmented across multiple leadership roles, hindering the organization's ability to effectively execute its vision and achieve desired outcomes.
- 3) Lack of a defined hierarchy: CxO bloat can result in duplicity within the organizational hierarchy [16], where multiple executives may have overlapping responsibilities without clear delineation. For instance, in a company with both a Chief Marketing Officer (CMO) and a Chief Customer Officer (CCO), there may be duplicity in their roles, as both executives focus on customer-centric strategies, leading to confusion regarding their respective areas of authority and accountability. This duplication of roles can lead to inefficiencies, conflicts of interest, and a lack of coherent direction, ultimately undermining the organization's ability to effectively serve its customers and achieve its strategic objectives.
- 4) Organizational bloat: CxO overload can contribute to organizational bloat, characterized by an excess of leadership positions without clear accountability or strategic alignment. When multiple C-suite roles overlap or duplicate responsibilities, it can lead to a proliferation of managerial layers, increased decision-making complexity, and reduced agility in responding to market dynamics. This organizational bloat can impede innovation, hinder effective communication, and ultimately diminish the organization's ability to adapt and compete in a rapidly changing business landscape.

Fig. 9 illustrates a macroeconomic trend of layoffs across different hierarchical levels within organizations between 2018 and 2023 [17]. While there has been a notable decline in staff retention, with the percentage of staff layoffs decreasing from 73.96% in 2018 to 53.73% in 2023; there is a consistent increase in managerial layoffs, with the percentage of layoffs among managers rising from 19.69% in 2018 to 31.54% in 2023. The trend is even more pronounced among executives,

with the percentage of executive layoffs increasing from 6.35% in 2018 to 14.72% in 2023

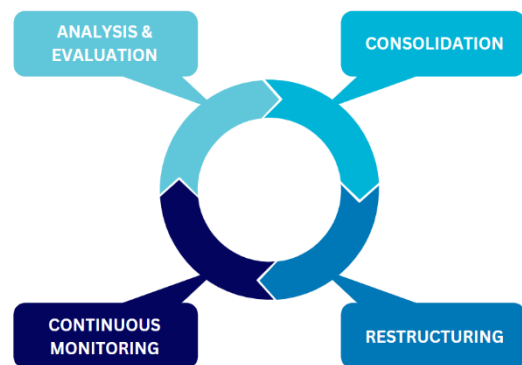


**Fig. 9.** Layoffs (in %) across different hierarchical levels (2018-2023) from a sample of 6.5 million layoffs

The above pattern indicates a strategic restructuring or downsizing at higher organizational levels, possibly as a response to global challenges such as cost pressures, organizational inefficiencies, or abrupt changes in market dynamics. The substantial increase in executive layoffs underscores the impact of CxO bloat or redundancy, prompting organizations to realign leadership structures.

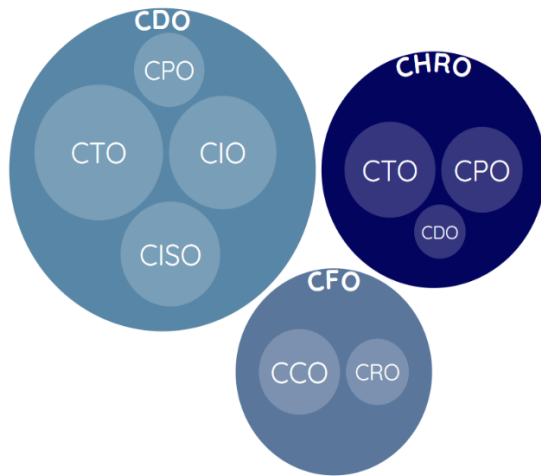
#### IV. THEORETICAL FRAMEWORK

There is a pressing need for proactive measures to mitigate CxO bloat and ensure the continued resilience of organizations. In this theoretical framework, we propose a structured approach to address the phenomenon of CxO bloat, with analysis, evaluation, consolidation, restructuring [18], promotion and monitoring, aimed at optimizing executive performance and organizational outcomes. Through consolidation of roles, delegation of tasks, and promotion of employees, organizations can proactively manage CxO bloat. The proposed framework illustrates the need for CxO positions for functions that are key to operations & nature of the business, while relegating secondary leadership roles to be consolidated under a titular executive, to prevent duplicity of leadership roles.



**Fig. 10.** Theoretical framework to migrate from CxO bloat towards lean management

- 1) *Analysis and Evaluation:* Comprehensive analysis of the current leadership structure and the responsibilities of each CxO position. This evaluation identifies overlapping roles, redundant functions, and areas of inefficiency contributing to CxO bloat. Through detailed analysis, companies can pinpoint specific areas where consolidation and restructuring are needed.
- 2) *Consolidation:* Once areas of overlap and redundancy are identified, consolidation of CxO roles is initiated. This involves merging similar functions and responsibilities under a single executive position. For example, roles like Chief Information Officer (CIO) and Chief Technology Officer (CTO) can be consolidated into a unified Chief Digital Officer (CDO) role (Fig. 11).



**Fig. 11.** Potential consolidation of CxO roles

- 3) *Restructuring through Internal Promotion:* Internal promotion can be a strategic approach to restructuring CxO roles while retaining institutional knowledge and expertise. Talented executives within the organization can be promoted to consolidated CxO positions. This approach ensures continuity and minimizes disruptions & expenditures associated with external hiring.
- 4) *Continuous Monitoring:* By maintaining vigilance and adaptability, organizations can ensure that CxO roles remain aligned with strategic objectives and evolving business needs, thus mitigating the risk of bloat over time.

However, such consolidation & restructuring is organization-specific and must be tailored accordingly. In highly regulated industries like healthcare, duplicity of executives (such as the Clinical Regulatory Officer and Chief Medical Officer) may be warranted & mandated.

## V. IMPLICATIONS

### A. Theoretical Implications

The trend towards consolidating C-level executive roles into fewer, more effective leadership positions is based on the notion that streamlined management can enhance

organizational efficiency and agility. Theoretical implications of such a structural shift suggest that by reducing the number of top-tier executives, organizations can mitigate the complexities and inefficiencies often associated with a bloated leadership team. A leaner leadership hierarchy is posited to facilitate faster decision-making, clearer communication, and more direct accountability. This can be particularly effective in dynamic industries where rapid response to market changes is crucial for maintaining competitive advantage.

A significant implication of reducing organizational bloat at the top level is improved strategic alignment and execution. With fewer executives, the risk of misaligned goals and strategies among top leaders decreases, leading to a more unified strategic vision across the organization. This consolidation can also enhance the quality of decision-making, as the streamlined group of leaders can spend more time on critical issues without the need for extensive consultation across a wide array of executives. Additionally, fewer C-level positions can lead to cost savings on high salaries and associated benefits, which can then be redirected towards other strategic investments such as technology, research and development, or employee training programs.

Moreover, with consolidated leadership positions at the top, there is a greater emphasis on the quality and effectiveness of individuals performing these roles, creating a culture of accountability. This creates a high-performance environment where only the most capable leaders are tasked with steering the company, potentially leading to a more robust and focused leadership team. These leaders are often better compensated, not just financially but also with greater autonomy and a larger scope of influence within the company, which can increase job satisfaction and reduce turnover among top executives.

### B. Managerial Implications

Reducing C-level executives and consolidating leadership roles involves significant managerial implications, particularly in terms of resource allocation and talent management. Managers must adeptly reallocate resources previously spent on maintaining a larger executive team towards other strategic initiatives such as technological upgradation or expanding market presence. This lean approach to top-tier management not only cuts costs but also allows for focused investment in areas that can drive competitive advantages. For instance, funds saved can be redirected towards enhancing customer service capabilities or investing in innovative product development. Managers must strategically decide how to best use these freed resources to support the overarching goals of the company, ensuring that the savings realized from reduced executive overhead translate into tangible organizational benefits.

The consolidation of C-level roles also demands a reevaluation of talent management strategies. With fewer executives, organizations need to cultivate a robust pipeline of middle management capable of stepping up to broader responsibilities. This involves identifying (and fast-tracking) potential leaders early and providing them with the necessary training and developmental opportunities to prepare them for ascending into leadership roles. Managers play a critical role in this process by mentoring these emerging leaders, offering feedback, and systematically preparing them for future leadership positions. This not only helps in smoothing the transition during the restructuring phase but also secures continuity in the long run.

Moreover, the shift towards fewer but more effective leaders necessitates a cultural shift within the organization, with an increased emphasis on accountability and transparency. Managers must foster an environment where decisions are made with greater visibility and involve input from diverse stakeholders to ensure all perspectives are considered. This cultural realignment helps mitigate the risks associated with having fewer decision-makers and promotes a more inclusive decision-making process. As a result, managers need to promote open communication and cross-functional collaboration to maintain a cohesive organizational culture.

### C. Limitations of Research

The consolidation demands a higher caliber of leadership due to the increased workload and broader responsibilities placed on the fewer executives. This can lead to challenges in finding suitable candidates who are capable of managing these larger, more complex roles effectively. The increased pressure and responsibilities may also lead to higher stress levels and burnout among the top executives, potentially impacting their ability to lead effectively over the long term.

Despite these benefits, the reduction in executive positions can lead to power centralization, which might stifle innovation and risk-taking, as fewer individuals have a say in the strategic direction of the company. Moreover, such significant changes can cause uncertainty and anxiety among employees, potentially affecting morale and productivity.

There is also the risk of reduced internal advancement opportunities, which can impact employee motivation and retention. However, such limitations can be proactively mitigated by expanding into different verticals or regions, opening up avenues for newer leadership roles.

Furthermore, poorly structured leadership development programs for employees may create unintended burnout, due to abrupt changes in expectations and responsibilities on elevation to leadership roles. Such burnout can be accelerated by increased workload & pressure on assuming leadership roles. Therefore, such internal elevations require strategic forethought, planning, processes and stakeholder

management.

As such, while the theoretical benefits of reducing C-level executives can be substantial, the approach requires careful implementation and ongoing management to mitigate potential negative impacts and ensure it contributes positively to the organization's goals.

## VI. CONCLUSION & FUTURE WORK

The research underscores the critical need for lean leadership principles in navigating the complexities of modern organizational landscapes. By proposing executive restructuring and consolidation of leadership roles, rather than duplication, organizations can foster a streamlined approach to corporate management. This can create a thriving leadership culture characterized by accountability, agility and nimbleness, essential qualities for success in today's competitive market. The paper also delves into the growing trend of executive layoffs, against the traditional grain of employee layoffs.

Researchers are encouraged to quantitatively evaluate the impact of CxO bloat on organizational performance. Employing quantitative methodologies, such as regression analysis and structural equation modeling, researchers can quantify the relationships between C-suite consolidation and organizational performance. The proposed research can be extended to analyze the impact of CEO changes on C-suite bloat.

## REFERENCES

- [1] Ahmady, G. A., Mehrpour, M., & Nikooravesh, A. (2016). Organizational structure. *Procedia: Social & Behavioral Sciences*, 230, 455–462. <https://doi.org/10.1016/j.sbspro.2016.09.057>
- [2] Potochnik, A., & McGill, B. J. (2012). The limitations of hierarchical organization. *Philosophy of Science*, 79(1), 120–140. <https://doi.org/10.1086/663237>
- [3] Nassou, Y., & Bennani, Z. (2023). Decentralized Organizational Structure and its Impact on Managerial Performance in Moroccan SMEs. *European Journal of Theoretical and Applied Sciences (Online)*, 1(6), 930–938. [https://doi.org/10.59324/ejtas.2023.1\(6\).89](https://doi.org/10.59324/ejtas.2023.1(6).89)
- [4] Zou, Z., Fu, J., Zeng, Y., & Huang, Y. (2024). Do young CEOs matter for corporate digital transformation? *Economics Letters*, 111636. <https://doi.org/10.1016/j.econlet.2024.111636>
- [5] Balogun, J. (2007). The practice of organizational restructuring. *European Management Journal*, 25(2), 81–91. <https://doi.org/10.1016/j.emj.2007.02.001>
- [6] Osorio-Gómez, C. C., Herrera, R. F., Prieto-Osorio, J. M., & Pellicer, E. (2024b). Conceptual model for implementation of digital transformation and organizational structure in the construction sector. *Ain Shams Engineering Journal/Ain Shams Engineering Journal*, 102749. <https://doi.org/10.1016/j.asej.2024.102749>
- [7] Janietz, C. (2024). Occupations and careers within organizations: Do organizations facilitate unequal wage growth? *Social Science Research*, 120, 103005. <https://doi.org/10.1016/j.ssresearch.2024.103005>



- [8] Siregar, A. A., Afiff, A. Z., & Halim, R. E. (2023). Linking agile leadership and business sustainability through the mediation of political and social capabilities. *Journal of Open Innovation*, 9(4), 100153. <https://doi.org/10.1016/j.joitmc.2023.100153>
- [9] Dombrowski, U., & Mielke, T. (2013). Lean Leadership – Fundamental Principles and their Application. *Procedia CIRP*, 7, 569–574. <https://doi.org/10.1016/j.procir.2013.06.034>
- [10] Dawson, G. S., Ho, M., & Kauffman, R. J. (2015). How are C-suite executives different? A comparative empirical study of the survival of American chief information officers. *Decision Support Systems*, 74, 88–101. <https://doi.org/10.1016/j.dss.2015.03.005>
- [11] Khan, H., Rehmat, M., Butt, T.H. et al. Impact of transformational leadership on work performance, burnout and social loafing: a mediation model. *Futur Bus J* 6, 40 (2020). <https://doi.org/10.1186/s43093-020-00043-8>
- [12] What are the responsibilities of a CIO versus a CTO? (2023, December 11). McKinsey & Company. <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-are-the-responsibilities-of-a-cio-versus-a-cto>
- [13] Gunawan, H., & Amalia, R. (2015). Wages and employees performance: the quality of work life as moderator. *DOAJ* (DOAJ: Directory of Open Access Journals). <https://doaj.org/article/509bbd1e07c647bdb17e38407fe87fb8>
- [14] The average income of a CEO of a Fortune 500 company. (2020, October 12). *Work - Chron.com*. <https://work.chron.com/average-income-ceo-fortune-500-company-5348.html>
- [15] Wood, J. A., & Winston, B. E. (2005). Toward a New Understanding of Leader Accountability: Defining a Critical Construct. *Journal of Leadership & Organizational Studies*, 11(3), 84-94. <https://doi.org/10.1177/107179190501100307>
- [16] Schneeweiß, C. (1995). Hierarchical structures in organisations: A conceptual framework. *European Journal of Operational Research*, 86(1), 4–31. [https://doi.org/10.1016/0377-2217\(95\)00058-x](https://doi.org/10.1016/0377-2217(95)00058-x)
- [17] Kelly, J. (2024, March 20). Layoffs and pay cuts hit CEOs and managers. *Forbes*. <https://www.forbes.com/sites/jackkelly/2024/03/18/layoffs-and-pay-cuts-hit-ceos-and-managers/?sh=3f4f231867f9>
- [18] Park, C., & Kim, S. (2008). Corporate governance, regulatory changes, and corporate restructuring in Korea, 1993–2004. *Journal of World Business*, 43(1), 66–84. <https://doi.org/10.1016/j.jwb.2007.10.008>