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The nature of control

A study of CEO behavior

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Abstract

How do CEOs exercise control over their organizations? This question is to be answered through a study, which consists of direct observation of eight Swedish CEOs in their everyday work. Of special interest is to investigate whether the primarily role of a CEO is to be a decision-maker or to be a leader. Interpreting the role as a decision-maker or a leader respectively has consequences on how a CEO is expected to behave. The study shows that the leadership perspective is of much greater relevance for interpreting the behavior of the CEOs. The article also discusses potential drawbacks of obtaining effective control by the use of decision-making. The previously dominating view of the CEO as a decision-maker can finally bring about an explanation why earlier research in managerial work has stressed the lack of control.

Keywords: Managerial work; Managerial behavior; Control; Decision-making; Leadership; CEO

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1. Introduction

The aim of this article is to investigate in what ways CEOs are trying to influencing their organizations. The empirical material primarily consists of field notes from direct observation of the everyday work of eight Swedish CEOs. From the 300 hours of field notes, situations when the CEOs were trying to exercise control have been identified and categorized. It's therefore possible to make a description in what ways and by which means the CEOs are influencing and controlling the organization.

The article starts with a discussion about the importance of CEO work, followed by an examination of two dominant views of managerial work roles; the CEO as a decision-maker and the CEO as a leader. In the mid-section of the article, the setting and the empirical material are presented. In the final section, the empirical observations are being discussed in the light of previous research - both descriptive and normative – about managerial work.

The powerful CEO, the powerless CEO and the moderate view

Numerous views, both popular and academic, have been put forward over the years about the importance of the top-leader (Thomas, 1993). The opinion range from the CEO as the omnipotent hero, masterminding the work for thousands of people, to the CEO as a purely symbolic figure, isolated from the real operations and constrained by external factors. The causes for the diverging pictures are both political (to the extent the viewer is "manager-friendly" or not), philosophical (whether he/she believes that social processes can be controlled by the will of an actor) and also due to the difficulties of settling the question by empirical research.

Business press and popular books about management often articulate a glorified view of executive work. The genre, by Mintzberg (1973) labeled *as* "The great man school", often consists of books in which successful CEOs (Sloan, Geenen, Iacocca among others) present their recipes, or when consultants/journalists try to depict what this kind of business leaders are doing. Also in more research-oriented books this view on management has been put forward. Chester Barnard for instance, wrote in his classic book that the most strategic factor for creating human cooperation is executive capacity and that the endurance of an organization depends upon the quality of leadership (Barnard, 1938: 282). Another example is the influential management thinker Peter Drucker, who over the years inexhaustibly has stressed the importance of management. Just listen to the first sentence of his most widespread book: "The manager is the dynamic, life-giving element in every business." (Drucker, 1954: 1)

In other traditions the CEO is regarded as a rather unimportant figure, more or less as a victim of circumstances. Several schools of thought within organization theory for example emphasize the importance of external factors, such as population ecology (Hannan & Freeman, 1977), institutional theory (DiMaggio & Powell, 1983) and the resource-dependence perspective (Pfeffer & Salancik 1978).

However, there are strong reasons to assume that the capability to exercise influence is not equally distributed among all CEOs regardless of different contingencies and institutional patterns. There is also evidence of a relation between company performance and CEO cognition (Westerberg, et al, 1997). Stewart (1982: 6ff) presents a useful model of examining managerial influence. A necessary requisite for exercising influence is the relative existence of freedom of choice. If not, you are only being influenced. Stewart sees choice as "the area" between demands and constraints. If the demands (from others) are high and the constraints many, the freedom of choice is restricted. If the demands are low and the constraints few, the freedom of choice is large. The successful entrepreneur, who has overcome external constraints and is not pressured by demands from others, can exercise more influence than a manager who is very dependent on external and internal support can. School managers, studied by Hannaway (1989), are often examples of the latter case, entangled in a web of uncertain tasks, ambiguous outcomes and biased feedback. In such environments no great leaders seem to emerge. When did you last see a school principal or a vice chancellor for that matter on the cover of a leadership magazine?

This article builds on a moderate view of CEO control and the model by Stewart (1982) will be used for analyzing the possibility of choice. Neither can this article once and for all establish the extent and limitation of CEO control, since it is such an elusive matter. However, through the presentation of an empirical study of CEO behavior, it is possible to reproduce real situations where CEOs are trying to exercise control. It will then be up to the reader to judge whether these kinds of action can lead to effective control. The limits of CEO influence should therefore be more viewed as an empirical question than as a philosophical one.

A second controversy: The CEO a decision-maker or a leader?

Several scholars have identified two major schools within management theory and management research (Barley & Kunda 1992; Waring 1991, Wren 1972). The first school emphasis rationality, design, structures and decision-making and it has been located within scientific management and organization theory. Effective management is seen as the preparation and the execution of well-conceived decisions. The subordinates' role is largely regarded as to carry out orders and instructions.

The second school emphasis normative control, the communication of values and motivation. This school has primarily resided in the traditions of human relations, organizational behavior and leadership research. The role of the manager is according to this tradition to be a leader who set goal and visions, communicating values and motivates the subordinates towards high performance.

The CEO as a decision-maker

Probably the first major inspiration for viewing the CEO as a decision-maker was Fayol. He emphasized a rational view on management. The manager should be aware of all activities, know the details but still have time and freedom to think in order to maintain direction and control of the main business tasks (Fayol, 1949: 102).

Herbert Simon has contributed more than anyone else has for the establishment of the view of the manager as a decision-maker. In the book "Administrative behavior", decision-making is seen as the central activity within administration (Simon, 1947). This idea was further developed in two seminal books within organizational theory "Organizations" (March & Simon 1958) and "The Behavioral Theory of the Firm" (Cyert & March, 1963). During the fifties and the sixties Simon pursued his interest in decision-making into new areas such as cybernetics, management science and artificial intelligence. During this period numerous techniques for problem solving and decision support system were developed, with the purpose of making the role as decision-maker more effective and professional. Faced with more and more complex problems, organizations hired staff experts to give a helping hand to the decision-maker. Even if this in reality made the CEO dependent on his staff expert, he was nevertheless perceived to be executing his working task by making choices on various topics. Simon's favorite metaphor for managerial work was programming, and therefore were instructions the natural tool for control (Waring, 1991).

The first major study of CEO work (Carlson, 1951), emanated to a large extent from the view on management of Henri Fayol and Herbert Simon. Carlson viewed the main task of a CEO to take decisions (ibid. 38) and they preferably needed to work undisturbed and systematically with planning and development issues. Therefore he was surprised when he the CEOs worked in a fragmented way mainly through various personal meetings. Carlson considered that they worked too reactively, in a too detailed way and that they had a reluctance to establish policies. These administrative deficiencies led according to Carlson to heavy work pressures and difficulties of establishing an effective control. Carlson even indicated that the CEOs could be more controlled by his co-workers (which initiated most of the contacts with CEOs) than vice-versa (ibid. 52). Clearly Carlson was guided from a view of the CEO as a decision-maker when he made his analysis of the working behavior of nine Swedish CEOs during the late forties.

Mintzberg (1973) analyzed the CEOs situation in a same vein as Carlson. The CEOs worked in a fragmented, reactive and superficial way, dealing with current issues in personal meetings in a vicious circle of ever-increasing work pressures. Despite this empirical observations Mintzberg regarded the CEO as the "nerve-center" of the organization (p. 97). He also constructed ten managerial roles which has a strong orientation to the manager as a information processor and a decision-maker. Four of the roles are labeled as "Decisional Roles" and being a "Leader" is only one of the ten roles (p. 59). Mintzberg's emphasis on the CEO as a decision-maker is manifested when he categories "Ceremony" as "Secondary" and "Negotiation" as "Decision-making" (p. 32). From a leadership perspective, ceremonies are an important activity in which values are articulated, while negotiation is a more secondary activity. Mintzberg suggested the CEO to get help from a management scientist, who should analyze and (re) program most of the routine activities. This argumentation resembles to a large extent those of Herbert Simon.

The CEO as a leader

The conception that a CEO should been viewed primarily as a leader has emerged gradually. The Human relations movement, which emerged during the 30-ties and 40-ties in the United States put focus on the importance of group norms, motivation and communication for creating harmony and productivity. At least managers who had frequent contact with workers should try to influence the group norms towards a larger congruence with company objectives and acknowledged the social needs of the workers. Carlson, well aware of the Human relations school, still considered the role for higher managers as primarily administrative (Carlson, 1945: 90).

The leadership role for the CEO was instead emphasized early in Barnard (1938) who stressed the importance of setting, communicating and instilling of an organizational purpose. Selznick (1957), who made a distinction between administrative management and institutional leadership further developed this idea. The main duty of a top leader was seen as developing, infusing and maintaining central values of the institution. This work according to Selznick should rely on many techniques for infusing meaning, not at least "the elaboration of socially integrating myths" (p. 151).

McGregor (1960) who with reference to Maslow argued that the manager should offer conditions for the employees' self-actualization took the next step. The goal was to achieve integration between the individuals and organization by creating conditions in which the individuals best can reach personal goals by concentrating their efforts on the success of the organization.

The view that the CEOs most important role is to be a leader has during the last 40 years been duplicated in numerous books about leadership, organizational cultures and change management.

Kotter (1982) has made a well-recognized empirical study of the behavior of 14 general managers, and interestingly he departed from the Organization behavior tradition. Kotter basically find similar behaviors as Carlson and Mintzberg. His general managers spend most of the time with others often engaged in short and disjointed conversations in a reactive mode (pp. 80-81). They worked fragmentally; they seldom made decisions and rarely gave orders. However Kotter did not perceived this as a lack of control and he did not suggest any reform in order to improve the observed behavior. On the contrary, he stated that these behaviors could be effective and that they frequently was engaged in attempts to influence others by asking questions, making requests and by being cajoling, persuading and intimidating (p. 80).

Kotter argues that there are simply more ways of influencing than systematic decision making and giving of orders. He found that the studied managers had developed agendas, which they pursued in an opportunistic way. A minute random meeting with a subordinate at the elevator could thus be as "influential" as the same period of time spent during a board meeting. One important contribution of Kotter, which is guiding the analysis of this article, is the multifaceted nature of control. Seemingly inefficient behavior can be functional given the complexity and the hectic pace that surrounds administrative work.

Two propositions

Decision-making and leadership are not two mutually exclusive concepts. All managerial activities can be seen as decision-making (the absence of decision-making can be seen as a choice) and all managerial activities can be seen as leadership in some sense Also, decision-makers can be seen as leaders and leaders do make decisions. But the concepts have different connotations and are highlighting different aspects of managerial work. To see the CEO as a decision-maker implies a behavior that are circling around decision-making processes; gathering of information, evaluating of alternatives and giving of instructions. To see the CEO as a leader implies a behavior focused on influencing activities, the communications of goals and values and motivating for high performance. The differences between the two concepts make it possible to formulate two contrary propositions:

Proposition one:
The CEO does primarily exercise control by making decisions. He/she spends most of the time on receiving information, to plan ahead and to make choices.

Proposition two:
The CEO does primarily exercise control by communicating values and motivating the subordinates to work towards the goals and mission of the organization.

2. The method

The article belongs to a larger study of CEO behavior, in which a replication, fifty years later, of the classic study "Executive Behavior" (Carlson, 1951) has a central place. The follow-up study that covers many aspects of CEO work is presented separately in Author(forthcoming).

The total fieldwork, conducted from March 1998 to August 1999, covers the work during four weeks of eight Swedish CEOs. During most of the total period of investigation (159 days), the CEOs themselves kept a diary, but during 26 working days the author was allowed to be an observer. The observation covered in four cases a working week and in the remaining cases 1-2 days. With some few exceptions all working activities during these days were observed. In total the observation covers little more than 300 hours of work.

The observation was carried through by a combination of structured recordings of activities (for the replicating study) and of unstructured field notes. The latter, which are in focus here, mainly consist of verbal exchanges in internal and external meetings. The verbal exchanges were more or less comprehensible to an external observer lacking deeper knowledge about organizational and technical circumstances. But many of the exchanges were of a more general nature and open to interpretation for students of organizations and management.

A second problem of the observation concerned the difficulty of keeping up with the speed of conversation. With average skill in handwriting, involuntary gaps in the field notes appeared recurrently. However it was generally possible to summarize the gaps in a protocol and then weaving together the dialogue sequences in its context. Nevertheless, due to exhaustion and lack of context knowledge large parts of the work observed remained unrecorded. However, regretting the lack of a complete recording from the observation, the following excerpts from the field notes still represent "highlights" from 300 hours of work when the CEOs were striving towards control.

3. The participants and the settings

All eight participants were men and their age at time of study ranged from 36 to 66 years (mean 53 years). Five of them had an educational background in business administration, while two had university degrees in engineering and social sciences respectively and one had joined his industry at a very early age. Their experience of CEO positions ranged from one to 17 years, (mean eight years).

The CEOs were in charge of companies representing manufacturing (2), banking and insurance (2), forestry, media, retailing and energy. Six of the companies are listed on the Stockholm Exchange and one is jointly owned by the companies of an industry. The last is a large family business. All of the CEOs of the public companies had been recruited internally, while the other two CEOs recently had take office without prior experience from their industry.

The median turnover of the represented companies was 27 billion Swedish crowns at time of study. The combined market value of the public companies was then close to 200 billion.

Some of the companies were oriented to the Swedish market while others were truly international: Three of the companies had more than 90 per cent of their employees outside Sweden. These companies were also growing at a high rate, both due to organic growth and through acquisitions. The international companies were organized in business area subsidiaries while the Swedish oriented companies were organized functionally or regionally.

The total workload for the CEOs was challenging. They worked on average 62 hours per week, with an individual variation from 47 to 76 hours. They generally expressed satisfaction about their working situation, even if they could feel loneliness especially at times when the company performance was lower than expected.

This author was surprised about how sporty and unpretentious the CEOs were. A general consensus was that taking care of one's health was a condition for coping with the job demands. Most of the participants exercised regularly. Activities such as jogging, tennis, golf, basketball, badminton, strength training and sailing were mentioned during the observation. None of the CEOs smoked.

All but one had a Volvo as company car, typically a rather "normal" sedan or station wagon. One CEO saw this as a symbolic message: "If you want your co-workers to have Opels you can't drive a Jaguar yourself". Other examples of unpretentiousness were a participant who transported his children to the day-care center in the mornings and another participant who lived in the working-class part of town. Their own offices were also generally more functional than luxurious. White walls and wooden floors were the most common interior. More than once, they lunched at McDonalds during the observation period. Despite personal fortunes of many hundreds of millions Swedish crowns in some cases, they seemed to live a rather ordinary upper-class life. This may be a reflection of the fact that almost all of the participants had had a middle-class upbringing in the countryside of Sweden.

The culture of top management is in Sweden, just as the rest of the world, male-oriented. Occasionally, it can also be male chauvinist. Jokes with sexual allusions occurred during the observation although without female presence. But men and women got preferential treatment occasionally. An example was on the beginning of a management development program in an international company when a young secretary, responsible for the practical arrangements, presented herself to the group:

> "My name is Johanna Holm. I am 28 years and if you have any questions, please contact me."
>
> Her boss: "Are you married? "
>
> General laughter
>
> Someone: "Unfortunately yes"
>
> Johanna: (flushing)

The role of being a secretary was replaced by the role of being a young and attractive female in front of the participants, and the secretary's superior made this.

In the next section activities related to monitoring performance will be discussed. They were numerous and were occupying a large proportion of the working days of the CEOs.

4. Monitoring performance

A vital condition for control is access to information about the controlled object. "Getting information" was the single most frequently recorded activity (23% of total working time), with regards to the nature of activities from the CEO point of view. The CEOs were eager to obtain information about both financial and personal performances ass well as competitors and developments in the industry. One participant used the Internet for more than one hour per day, reading Nordic and international business press. Annual reports from major competitors were also treated with great interest. But in this article means for "obtaining information" about the CEO's own organization is in focus.

Financial and operational reports

The main instrument for monitoring the financial situation is the monthly performance report. Typically this report is compared with a budget, which in turn reflects goals and projections about the following year. The CEOs generally considered the budget to be an important instrument of control and they wanted to commit their subordinates towards ambitious financial goals. When negative deviations occurred the subordinate managers were expected to bring convincing arguments about the reasons for the deviation and also to be able to take measures for closing the gap between the budget and the actual outcome. The ideal was to create a self-regulating system, where the subordinates becomes guardian of their own financial performance:

> We have a very fast accounting system. In eight days we have a monthly performance report. It's very good because is there a problem one month which also appears the following month, then they know I will be calling them. So actually, you don't have to interfere much, it regulates itself. (CEO of an international company)

In three companies, benchmarking over financial performance was used extensively. The main purpose of benchmarking was to create a will of improvement and a competitive spirit among the units. In one company the unit managers eagerly wanted to see the results of the latest benchmarking, hoping that their unit had bettered its relative position within the group.

Judging managers' performance informally

One of the most frequent techniques for gaining control was to get information about how well other persons in the organization were doing. These situations, when the CEOs were requesting opinions about other managers, occurred in many different settings; during breaks, lunches, travels, recruitment activities, management training, budget follow-up meetings and during development talks. The excerpts given below exemplify the three last categories.

After a module in a management development program at an international manufacturing company, the CEO and his chief financial officer summed up their impressions about the participants:

> CEO: "Is Donald someone who is heading for top management? I am not sure about that."
>
> CFO: "He is somewhat controversial. And he can be loutish."
>
> CEO: "They seem to be a good crowd, but different. Not many have been near the machines during the last few years."
>
> CFO: "I think they are good individuals. I talk to Paul, goddamn how intensively he was listening, and he had a hell a lot of good ideas. But Barthes seems to be more sluggish."
>
> CEO: "Yes, I think so too."

In another international manufacturing company I was attending a budget follow-up meeting for the sales units. No figures were mentioned during the meeting. The discussion instead circled about whether the responsible manager were trustworthy and capable for the task of meeting the financial objectives:

> CEO: "How about Canada?"
>
> Marketing manager (MM): "He will probably manage. But the targets are not high."
>
> CEO: "He is a yellow-belly. (...) In US there are problems for the X-products. The manager brings about bad explanations. Holidays, all kinds of reasons to avoid coming out on the field."
>
> MM: "He hasn't been out because he had problems at home."
>
> Divisional head: "But that problem has been resolved."
>
> MM: "Yes. His wife has left him now."
> CEO: "We have to let him put together an action plan, which the board has to follow up. [...] Brazil does not look good."

> MM: "He complains like hell how tough it is. But he always does that."
>
> CEO: "Whiner. What about South Africa?"
>
> Divisional head: "It is awful. Bob has sent my some articles about the economic crises."
>
> CEO: "They usually do that when things go bad. It's called cover your ass."
>
> MM - But the situation is really bad. Hospitals are being closed down."

The meeting continued in this vein for more than one hour. The corporate morality in this setting can be described as "You are what you deliver!". And martial problems shall not interfere with the commitment to the budget.

In a service company I was attending a development / appraisal talk with the CEO and the finance manager. The meeting mainly was supposed to concern mutual feedback about the cooperation between the two, but this topic was accomplished in a minute. Instead the meeting was focussing on the financial manager's opinion about the other members of the top management team and the subordinates within the finance function:

> CEO: "What about the units you are cooperating with?"
>
> Finance manager (FM): Concerning the southern region, there is no problem, however it's a little thin of competence around the director. Then Jan in region East. I know him well and it's important that he has good co-workers.
>
> CEO: "How is Jan doing. It is important that it goes right. He has a large operation."
>
> FM: "Jan is dependent on good co-workers."
>
> CEO: "Why do you keep saying so? Is that a way of saying that he is not a good manager?"
>
> FM: "He is not 100% in his judgements. I noticed that already when I worked with him. Then Lars in the Western region is the one who I trust the most. Enormously judicious."
>
> CEO: "I'm very pleased to hear that."

The "development talk" took 40 minutes. During this activity the financial manager assessed over 20 managers. Together with talks with the other members of the top management team, the CEO got good knowledge of who respects whom and was able to compare his own impressions with collegial impressions.

Meetings and field visits

In contrast to financial reports and informal judgements, this category concerns "live" activities of great informational value for the CEO. In average the CEO spent more than 14 hours a week on meetings with subordinate managers and nearly five hours a week on field visits and meetings with personnel. The CEOs generally wanted to create a personal opinion of promising young managers and of middle managers. Meetings with subordinate managers both reveal information about different units and of the managers themselves.

A problem however in meetings with CEO presence was often a lack of critical and constructive discussions. In many settings, the subordinate participants were eagerly demonstrating their loyalty to the CEO by conforming to his argument. The problem arises primarily when judgements are requested. The question "What do you guys think? ", seldom led to something else than concurring statements. Exceptions from this rule were mainly conversations with a few members of the "inner circle" of the CEO.

In one company, an attempt to acquire a Nordic competitor was conducted during the observation period. During the bimonthly group-management meeting the CEO presented the deal. He received only joyous acclamation.

> CEO: "...To conclude, this deal represents one of the last opportunities to acquire a midsize competitor in this country. After that, there is only the big players left. What are your opinions?"
>
> Manager 1: "There is large confidence for our way of doing business and this goodwill will help us succeed in this deal."
>
> Manager 2: "It must be the right way."
>
> Manager 3: "Nobody can question our competence in this area."
>
> Manager 4: "Are we not already viewed as a domestic company (in the country in question)"
>
> CEO: Are some of you guys prepared to move there?
>
> Silence
>
> CEO: "It is a challenging task. We will discuss the position with John. What do you think?"
>
> Manager 5: "He is stable."
>
> Manager 2: "He knows the market very well and is at his best age."

Manager 6: "He is a suitable candidate."

The effort to acquire the competitor failed. The Board viewed it as a hostile takeover and a white knight was invited. The outcome may have been different if a more constructive discussion had taken place in the management group about possible reactions from the targeted company and from competitors.

A second excerpt comes from a recruitment interview for a position as an assistant project-leader for a business development team. After the meeting the administrative manager, the project leader and an external consultant in hierarchical order connect their opinions to those of the CEO:

> The candidate leaves the room.
>
> CEO: "I think this will be good. And she is a fanatic of structure."
>
> Administrative manager: "l think this is going to be very good."
>
> Project leader: "This will be good."
>
> Administrative manager: "She had the right attitude, did you notice that?"
>
> External consultant: "She has straight hair. The straighter the hair is, the more structured one is." (The consultant had a crew cut).

In a group discussion one CEO justified a frequent use of field visits with the opportunity to obtain more "direct" information about the organization. Front-line personnel and supervisors are not involved in the "political" power game that flourishes higher up in managerial hierarchies. Especially the CEOs of companies organized in branches conducted many field visits. The awareness that the CEO had a good knowledge of operational conditions probably makes the subordinate managers more cautious towards efforts to deceive the CEO.

The use of informal chats as a control technique has also been noted by Munro (1999) in a study of control in a financial company. He interprets seemingly neutral and general conversation between senior managers and ordinary employees as crucial measurements of employee morale. This may also be an explanation of the use of informal judgements. But I will also emphasis that the CEOs do not considered the financial reports and meetings with the directly reporting managers to display the whole picture. This information is molded in order to show loyalty to the CEO and the competence of the subordinate managers. Negative information is thus often filtered away or downplayed.

5. Influencing the organization

It is to be assumed that a major reason for getting information about financial and personal performance is to establish a foundation for influencing activities. Not even the CEOs of the most successful companies were satisfied with the present state-of affairs, they still believed the company could improve profitability, growth-rate, customer satisfaction, and employee involvement. The CEOs therefore constantly initiated activities to influence the organization. Three major means of influencing, identified in the empirical material, will be presented here: Communication of values, influencing through decision making and giving of orders, and finally reward and punishment activities.

Communication of values

16% of the total working time (i. e. ten hours a week) was categorized under the label informing and advising. Even if some of these activities concerned informing about conditions in a neutral way, the "information" conveyed by the CEOs mainly had an ideological touch. The information generally contained messages about a desired state as well as about values and norms. Ideological messages (for instances formulated as "Ten Commandments", cornerstones, business mission, core values) were also transmitted through booklets and brochures in most of the companies. But printed material was not considered to be the most effective way of instilling values.

Meetings with personnel, management training sessions, management conferences, visits to subsidiaries generally contained moments when the CEOs had opportunity to make normative statements. A first excerpt was recorded during a management conference in which the 60 most important managers participated. In the opening speech the CEO settled the agenda for the two days conference:

> CEO: [...] We have had a very good year. Results are up 35 percent. The stock has risen even more. We have such a high valuation because we have delivered what has been expected, I think. When we don't deliver then our fun period is over. I like you to remember what Mr. Johansson (a senior executive within the company) once said: "Sales is an estimate but profits is a promise." It has become a proverb in our Group. We all have to meet expectations.

The importance of meeting expectations was underlined by the CEO while showing the last OH-slide of the conference, which stated: *"Failure is not an option"*. The CEO several times also reminded the participants of the conference that they were to be held accountable for the company performance and to the establishment of a shared culture:

> CEO: Our success is dependent on good communication at all levels in the Group. We are all ambassadors. If the message from this conference doesn't reach lower levels in the organization we will take the blame, but we also blame you. You are our hostage now. You can only blame yourself if we don't succeed in creating a group spirit.

A second excerpt (they could have been multiplied) derives from a visit to the management team of a national subsidiary. The subsidiary had problems keeping up with delivery schedules because of a high absentee rate (nearly 20 percent):

> CEO: "One week a month. That's crazy. People are not sick that much."
>
> Group controller: "It is hard to understand. You have such a great tradition. So high numbers only existed in Sweden in conveyor belt manufacturing during boom times."
>
> Subsidiary CEO: "Many people have tiresome and boring jobs."
>
> CEO: "During the bus driver strike in Sweden, a bus driver got the question "What happens when you are sick". He said that then the 58 bus wouldn't come. He knew that people were waiting, he felt his responsibility. It's that feeling that has to be implemented."

Generally speaking, the content of the ideological messages sent by the CEOs didn't appeared to be particularly unique or Swedish. In all companies a "hard" message about the need for efficiency, customer satisfaction and profitability and that the managers for accountable for its implementation, were put forward. In some of the companies, especially in those who were oriented towards the Swedish market, the hard message was complemented by a "soft" one. This message also stressed the value of competence, good ethics, high employee satisfaction and corporate responsibility. The soft message is not viewed as a challenge to the hard one. Rather was by the CEOs viewed as an effective way for reaching efficiency, customer satisfaction and profitability.

Decision-making and giving of orders

The activities of decision-making has as earlier described been seen as the most central activity of top management. The CEOs in this study hardly resemble this view of the top manager. On average, only seven percent of the activities were categorized as decision-making and four percent as giving of orders (labeled as "Assignment of working task"). The decisions that were observed did not follow normative prescriptions of rational decision-making. The decisions instead evolved during sense-making discussions. It was, given the emerging character of decisions, difficult to study the decision-making process in the companies with access only to a working week.

The following except about a decision is from a meeting in which an Internet venture was discussed. The meeting had an open and easy-going character, but at the end the temperature was heated. The CEO wanted to establish an ambitious result goal for the venture:

> The CEO rises and starts to summarize the meeting.
>
> CEO: "OK. Time is running out. We continue to work on the vision. [...] There is a demand from the board that the local channels reach break even within 18 months. That should apply to our Internet venture as well. Can we agree on that?"
>
> Manager for IT-media (MIT): (Surprised) "But...have we decided that?"
>
> CEO: "We don't have to decide it now. But is it possible to reach break even in 99?"
>
> MIT: "I don't think so, seen as an independent product. But together with cost reductions in our core business, it can be possible."
>
> CEO: "Because nobody else says it, I say break even 1999. Our archive service is a good example. Go for high volumes directly and charge full price for it. It can pay its way already the first year."
>
> Administrative manager: "Is it realistic to reach 12 million in revenues 1998?"
>
> MIT: "If we can make savings then it can work. But we have to see this as a long-term investment."
>
> CEO: "Our chairman of the Board uses to say: If you don't take care of your short-term profit, you won't survive in the long term."
>
> The CEO then closed the meeting with a phrase that was to be interpreted both as a confirmation of the decision and as a joke. Earlier in the meeting the administrative manager had pointed out that all operational initiatives had to be contained within the existing budget frames. The CEO then said that this was *"written on the forehead"*, implying that this really should be taken for granted. The final phrase was:

> CEO: "And remember this - break even 99" (while drawing a finger across his forehead)
>
> Laughter

The episode above also illustrates that activities of determining and decision-making don't have to happen simultaneously. The decision was made during the meeting but the CEO had determined earlier on that the goal of break even in 1999 also should by applied to the Internet venture.

"Giving of orders" was one of the least time-consuming activities for the CEOs. The most frequent receivers of orders were the secretaries, responsible for practical arrangements and forwarding messages. Giving of orders also occurred during meetings and telephone calls, however often wrapped up in a more gentle language such as: "Maybe you can try to do something about it?" Saying no to such requests requires good reasons. The power to command is in the CEO hands, but they don't want to be seen as autocratic.

An example of giving orders comes from the management conference described earlier. The CEO was not satisfied with the sales figure and feared that this might effect the company's image on the stock markets as a "growth company":

> CEO: A last point: Our growth was only one percent in January/ February. March last year was a very strong month. It seems like we actually are going to present a negative growth. This will not be well received by the market. Therefore we have to ship out as much as possible before March 31. This is the "delicate" message to you.

In the financial report for the first quarter of 1999 the company presented an organic growth of 2 percent, thanks to this tactical maneuver. The stock took nevertheless a dive by ten percent after the report, but no crisis of confidence arose.

The carrot and the whip: motivating through reward and punishment

A third important tool of influencing is the reward and punishment system. On the reward side financial benefits are increasing upwardly in the managerial hierarchy. High salaries are used as a mean for creating loyalty and commitment. All of the six public companies in the study also had a management compensation program in form of stock options. In two of the companies stock options had created personal fortunes for the top management.

Rewards can also be of a symbolic nature. In one company, the use of color slides presentations were only allowed in internal meetings if the unit performed a return on investment of 20 percent and more. During a management development program in this company the CEO gave another example of a symbolic reward:

> Mexican manager: "You mentioned that we could save money with the use of investment coordination. I am going to expand the production in my factory and maybe there are machines in the rest of the Group that can be used. Is it a good idea to create a database over machinery available in the Group, which can be checked out before we contact external suppliers?"
>
> CEO: "An excellent idea! You will have a star in the company scorebook."

Rewards are used to make sure that the subordinate managers do their very best to meet expectations from the CEO. If rewards do not seem to generate results, the CEOs also have the power to give punishment. The ultimate punishment is to fire badly performing managers. This tool place in two of the companies during the observation period. The phrases "he will pursue other opportunities" or "he will be available to special assignments from the CEO" are often used as euphemisms for dismissals.

But the use of dismissals is viewed as a failure even for the CEO who maybe was the one who recruited the person originally. The CEOs instead want managers whose units do not perform satisfactorily, to feel a pressure to improve. During a visit to a regional unit, the CEO and the region director drives from the airport. The conversation circled about the Clinton testimony in the Lewinsky affair, but a new topic was introduced:

> CEO: "Changing the subject for a moment. The rationalizations plan that your predecessor worked out in order to lower the costs. Have you fulfilled that plan?"
>
> Region director (RD): "Yes we have. We have also accelerated the plan."
>
> CEO: "Our Group controller has gone through your figures and he says that the rationalizations in your region has slowed down."
>
> RD: "No that is not the case."
>
> CEO: "Maybe you´re right there."
>
> RD: "But of course, there is a certain redundancy of personnel. The competition is also very strong, even if we have slowly increased our market share."

CEO: "Otherwise one can sometimes feel a lack of a strong culture in this region. Business orientation and thriftiness you know. And there has been a lack of self-confidence. Everyone was talking about how good the main competitor was."

RD: "But that time has passed. Now we have a strong self-confidence."

The CEOs can also be more frank in their critique and openly show dissatisfaction. This was the case during an effort to acquire a French company. In the excerpt the CEOs phones his country manager in France. One matter dealt with whether the country manager should move to the town in which the prospective company had its head quarter.

CEO: "What is the total cost of the company at a stock price of 50 francs?"

CEO: "You don't know! Haven't you studied the deal, then it is no use for us to discuss."

CEO: "I will not accept this as an alibi for not taking care of the cost structure and for you to move from Paris. If the enthusiasm isn't larger than this, we are in trouble. You should be prepared to move to Africa if I ask you to!"

The telephone call continues with some other items. Then the CEO asks:

CEO: "How big savings are you counting on within three years?"

CEO: "But you must have made some plans about cost reductions?"

CEO: "No calculations had been done. This is so indifferent. Joakim, we can't make an acquisition without having an opinion whether it is a good deal."

CEO: "I don't understand you argument. Maybe you don't either. You have to take charge, otherwise we'll send someone from Stockholm."

CEO: "You can't blame someone else. You have to be engaged in this deal. I have felt before that you are tired and uncommitted. If I should be in a deal like this, I would have worked night and day. Haven't I the right to demand you to work your guts out. You are to phone me by four o'clock, and then be informed! Put everything else aside. You don't have a more important working task than this on!"

CEO: (slamming the receiver): "Lazy-bones!"

The CEO acted out his dissatisfaction also during the next telephone call and during a meeting two days later. In an another setting he described his country manager in France as "a fat and lazy farmer's cat, who one has to be little cruel to so that he understands what is required."

Intertwining of forms of influencing

The presentation of the excerpts of different forms of control can lead the reader to believe that these are taking place in separate activities. In reality the forms of control were often intertwined; decisions articulate values, just as rewards and punishment do. It also seems to be the case that they reinforce each other. Arguing for values like loyalty and efficiency is more powerful if decisions and sanctions back them.

A situation when evaluation, setting values, decision-making and punishing took place simultaneously was when a redundancy case was discussed. Three positions should become two and the person least wanted was protected by the Swedish Law of employment security:

Marketing manager (MM): "The problem is that he with his education and year of service he can claim that someone else should leave."

> CEO: "What is his education?"
>
> MM: "He is an MBA."
>
> CEO: "He had hidden that well."
>
> MM: "You don't know him."
>
> CEO: "Maybe I don't. But he is too much an 8 to 5 person and perhaps a little too rigid. But the job may no longer be a challenge for him."
>
> MM: "When he arrived, things were in mess and then he worked hard."

It was decided to offer the unwanted person a new position and a new salary in the expectation that the conditions would be regarded as unacceptable and that he would leave "voluntarily". The interconnected form of controls is showed by the fact that the decision had the character of punishment, that an informal judgement took place, and that the value of hardworking was expressed. No 8 to 5 attitudes should be accepted.

The CEOs conducted many attempts to influence each working day. These interventions seldom had the character of formal decision-making and giving of orders. Instead they made clear what they felt was important by communicating values and by asking questions. They expected their subordinates to work hard and committed towards the company objectives. The subordinates were generally seen as their own guardians of performance and therefore to do a close supervision and to give detailed instructions were not considered as necessary.

6. The nature of control

The empirical material presented covers situations when the CEOs were monitoring performance and used different means of influencing. It is therefore possible to start to discuss the possibilities and the limitations of exercising control and whether the CEOs primarily should be seen as leaders or decisions-makers. But first a comment about the working conditions of the CEOs in this study is to be made.

The everyday work of CEOs

The observation excerpts reveal quite a different view about leadership and CEO work than what is normally presented through interviews, annual reports and mission statements. These are more of the character of impression management where the CEOs want to stand out as good as possible. As an observer I witnessed some rather severe internal organizational problems which in the annual report were referred to as "low demand" or "effects from the Asian crisis". Managers not being able to handle the situation, miscalculation on public tenders, deficient product quality, delivery problems, etc in annual reports are not described, instead bad performance is blamed on external factors such as increased competition, weakened market and extraordinary circumstances.

The work tasks of the CEOs are challenging. There is not much room for either "strategic visioning", "considerate leadership" or "activities for fun". The CEOs have a tight agenda and long working days. There is little time for entertainment, relaxation and celebrations. Much of the work also consists of rather boring routine activities such as transportation (on average 21% of total working time was spent on this), reading reports and routine communication.

The working hours for the CEOs were mainly spent on monitoring performance, communicating values and discussing current affairs. Also, CEOs have external roles to play (which have not been in focus in the article). On average, 41% of the total meeting time was spent on externals.

Pressures to perform, pressures to conform

Conformity in managerial work has been discussed by Whyte (1956) and Dalton (1959) as related to group-orientation in business life (Human relations) and by Kanter (1977) as a structural consequence of large-scale and bureaucratic organizing.

In this study conformity can be related to high performance pressure and the exercising of different means of control. The CEOs generally made use of their power-base by setting high demands on the organization to perform. Especially strong pressures are directed towards the direct-reporting managers. The CEOs expect total commitment and loyalty from their side. A negative effect from the strong pressures to perform is that the subordinate managers often also feel a need to conform to whatever the CEO suggest. They are in danger of both making of what can be seen as ill-conceived statements (if they are "wrong") and to embarrass the CEO by pointing out that his statement was stupid (if they are "right"). To be a yes-man becomes a way of showing loyalty to the CEO agenda and not to make either the CEO or oneself to "loose face".

The more afraid the subordinates are that the CEO will be dissatisfied with the actual state of affairs the more inclined they will be to "polish" their statements in accordance whit what they feel that the CEO wants to hear. The really "strong and powerful CEO" is in danger of becoming disconnected from the reality by the co-workers who want to please him. This represents a limit of control; if rewards and punishment are executed in a forceful way the sincerity in the internal communication is threatened.

A possible solution for the CEO is to rely more on other sources of information such as lower-level employees and external analysts. An honest internal communication is nevertheless of great value, and it's a delicate problem of exercise control without creating yes-men.

Implementing agendas

Even if the cognitive dispositions of the CEOs are not in focus in this study, it's obvious that they had developed set of ideas about what's important, which in line with Kotter (1982) can be labeled as "agendas". Common content in these agendas was growth, concentration on core-businesses, reaching financial targets and improving productivity. The CEOs spared few opportunities to implement the agendas by using different means of influencing the organizations. If a CEO feels that a certain action is in line with the agenda, then he is normally willing to act. Speed is more valued than correctness and carefulness.

The agendas are implemented both through planned and opportunistic processes (cf. Mintzberg, 1985; Tyrstrup, 1993). Some activities are strictly planned regardless what the future bears in mind, for instance the financial reporting and the annual shareholders' meeting. Also many internal meetings are held on a regular basis such as board meetings in subsidiaries, confirmation and follow ups of budgets and visiting tours. Then there are events that require CEO attention instantly: An unexpected loss in a local unit, an important employee leaves for a competitor, an opportunity to acquire a company arises, etc. When such occasions happen, the previous planning will be of little use, solutions have to be found fast and pragmatic.

Whether a certain "agenda" represents the best possible way to live up to external expectations and stakeholder preferences is a matter of belief. The "correctness" of the agenda is negotiated in external and internal discussions in sense-making processes. The agendas can be seen as corporate myths (Jönsson & Lundin, 1977). They can create enthusiasm and energy if people have beliefs in them.

Demands, constraints, and choices in managerial work

The study shows that CEOs have opportunities to make choices and to exercise control. However their freedom of action is restricted by (external) constraints and also by demands which has to be fulfilled. Using the model presented by Stewart (1982:6ff.), important demands, choices and constraints are:

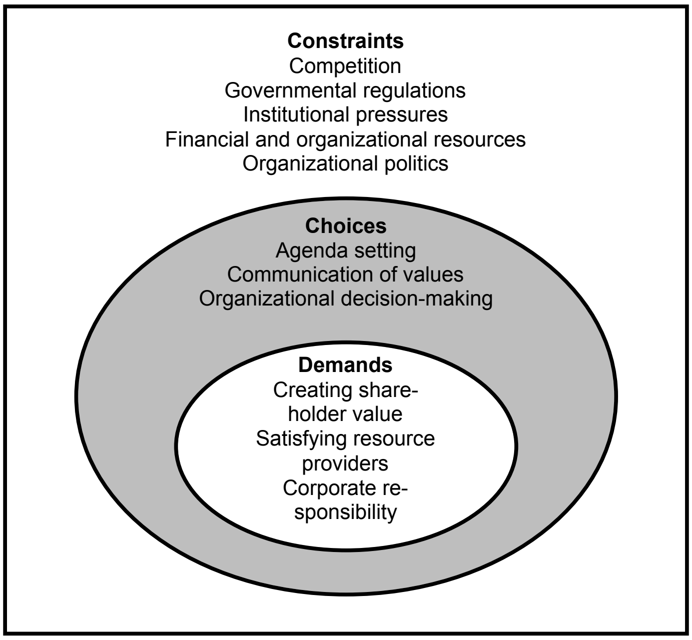

Figure 1 Possibilities of choices in managerial work

Starting with the demands that the CEO has to acknowledge; the CEOs perceived the demand from shareholders to receive return on investments as very important in this private business setting. CEOs are often fired because of unsatisfactory financial performance and their job description is much about taking care of the shareholders' interests. Also providers of financial, material and human resources; customers, lenders, suppliers, employees and experts, demands compensation for their efforts in form of money, good product quality, etc. Finally the society puts demand on the firm to behave ethically, often expressed in the phrase "to be a good corporate citizen".

The competition represents an important constraint for the CEOs freedom of action. Also the CEO has to acknowledge various governmental regulations from pollution control to diversity. External constraints in forms of institutional isomorphism (DiMaggio & Powell, 1983) are also curtailing the freedom of choice in a subtler and more unconscious way. Looking at internal constraints the available financial, organizational and intellectual resources are a most relevant restriction for all organizations. Finally, the occurrence of organization politics counteracts the CEOs ambitions of control by confusing information channels and the existence of hidden resistance in the organizational everyday life.

On the choice side, the CEO has opportunities to develop an agenda of objectives, strategies, plans, and ideas. This agenda can be implemented through communication of values and decision-making. The CEO can design the functioning of the top management systems to a large extent through his/her working patterns, leadership style, composition of the Executive Group, and use of information systems. The CEO can exercise firm control over the subordinate managers, but not primarily by making decisions, but by making sure that they are motivated to work for the implementation of the agenda. Without consent from the management and other resource providers the CEOs are powerless, even if they are positioned in a nexus of control.

The power and influence of a CEO is not inherent in the title and the position. This is dependent on the CEO actions, how the environment perceive the CEO and of institutional arrangements. The CEO for the Media Company had to deal to a strong, outspoken and highly unionized profession, (journalists), and was not always able to get the last word. The CEOs for the financial companies had no such problems; their employees were willing to conform to whatever the CEOs put forward. On the other hand critical debates were rare, which apart from being laborious for the CEO in the Media Company, contributed to a well-founded agenda for the company.

The multifaceted nature of control

Earlier studies of top management behavior (Carlson, 1951; Mintzberg, 1973) emanated from a decision-making paradigm. The CEOs main task was seen as making decisions based on systematic planning. The observed absence of such behavior was therefore seen as a sign of administrative pathologies (Carlson) or that the manager was trapped in a vicious circle (Mintzberg). If decision-making is not seen as *the* task for the top manager but rather as *a* means of control a different picture emerges. In this article *influencing* is suggested to be the main task for the top manager. The activities earlier described; primarily monitoring performance, communication of values and motivating (rewards and punishment) appear then just as important activities as decision-making. Exercising control by this arsenal of means can be done in a much more unstructured and opportunistic way than formal decision-making is supposed to be conducted. "Unstructured" ways of working does not necessarily imply lack of control (cf. Kotter, 1982)

With the use of activities for monitoring, communicating and motivating it is possible to delegate the decision-making further down in the hierarchy. The managers below the CEO, knowing the CEO agenda and values can make the most of the organizational decision-making, at least if their performance is monitored and if they are motivated for their job. Decentralized decision-making release energy for the CEO to concentrate on the other forms of control. The CEO control can actually increase when decision-making is decentralized. More people are then working on implementing the CEO agenda and the CEOs can strengthen the grip over values, rewards and punishment.

Another reason for a CEO not trying to be the ultimate decision-maker who directs the entire organization is that the CEO is dependent on consent. Competent co-workers prefer not to be patronized, then they could quit or be de-motivated. In Neustadt's (1960) analysis of presidential power, the ability to persuade stands out as the most crucial factor in a successful presidency. Neustadt's conclusion is also valid in this setting. If the CEO can convince his co-workers that it is in their own self-interest to act in accordance with the CEO agenda, the possibilities of influencing are very promising.

Control over organizations should not be viewed as an end in itself. The CEO could, at least symbolically, expand the power of the CEO function with the better use of assistants, as Carlson (1951: 74/91) suggests. Then the CEO could make more decisions benefiting from preparation work of the CEO assistants. The participant CEOs, who didn't have any assistants, opposed this idea strongly. They argued in a feed back discussion that this would reduce commitment and responsibility of their directors. Also it's a difficult to monitor performance of managers only carrying out orders. If things go badly; was it then the decision which was wrong or was it a bad implementation? Letting subordinate managers take decisions in their own area of responsibility makes them more accountable for their performance.

Finally, the decision-making paradigm is based on a conviction that one is better suited for rational decision-making the higher upon the hierarchy one is. The CEO is then generally seen as the person with the best overview and competence as Fayol did. This is probably not the case in the knowledge-intensive society of today. The CEO of a larger firm has no capacity to master all the specialist competencies that are needed for high organizational performance. The decision-making can be more "rational" if responsible knowledge workers conduct it on the basis of good professional judgement than if the CEO does it on the basis of hierarchical power.

7. Conclusions

The article ends with the conclusion that CEOs can be able to exercise control. However this is not primarily being done through by being a decision-maker, rather by being a leader or preferably an "influencer" (thus avoiding the positive and normative connotations in the leader concept). Also the prescriptive view of the CEO as a decision-maker can explain why earlier research (Carlson, 1951; Mintzberg, 1973) emphasis deficiencies in the administrative process. From a leadership perspective (such as Kotter 1982) reactive, personal and fragmented way of working do not have to be dysfunctional.

Exercising effective control is strongly related to the ability of establish consent for a certain agenda. Being an influencer implies the use of different means of control of which decision-making is one technique among others. The trick is to make the co-workers feel that they act in their own self-interest when conforming to the agenda of the CEO.

The ability of influencing can be increased if the different means of control are linked to each other. The monitoring system should for instance measure critical success factors in accordance with goals and values, and rewards/punishment should also be related to values and levels of performance.

The fact that the CEOs has legitimate right to use different means of control makes him/her potentially powerful. However, there are important limits of control in form of demands from others and from external and internal constraints. The CEO needs consent from important providers of resources such as employees, managers, owners, suppliers and customers in order to implement the agenda. In this work of gaining influence, institutional and structural arrangements can be helpful or something hampering.

A result in this study is also that the CEOs were frequently engaged in collecting informal judgements about other managers and to make field visits. Given the harsh demands on the managerial ranks, a lack of sincerity and openness in the internal communication existed in many cases. This makes the task of centralized decision-making even more problematic.

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