Insight into the 'TOP MAN' Free Will and Corporate Disaster

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Abstract

Corporate leadership crisis has entered a new phase of its problematic life and the intrinsic role of Top Leaders in companies' downfall is an open secret. It is a big question that ultimate autonomy, endless powers, extreme control over weak Board members and un-questionable authorities enable the Top Man of the organization to remain in the state of Free Will but this free will blended with number of above captioned negativities indulge him in to such actions and support him towards making those decisions that lead to complete disaster and now it has become a problem round the globe needs immediate solutions. This paper postulates the theoretical construct of the concept of Free Will and look into some of those episodes that advocate the deadly permutation of Top Management worst decisions and eventual adversity.

Key Words: Free will, Decision Making, Corporate Disaster, Top Management, Downfall

Introduction

The functional connection between the top leadership and performance of the organization is apparently very lean (Christodoulou, 1996) and the relevant factors of organizational performances are duly effected by the behavior of CEOs. The personal traits, attributes and tendencies coupled with fundamental knowledge, rational proficiency and methodical abilities (BM, 1990) develop the whole persona of a CEO in a compendium. He must not be taken as a pile of certain characteristics but understood as a complete *unified totality* (Mumford, 2000; Magnusson, 1995) which leaves a lasting impact on the overall effectiveness and helps maintaining consistency in organizational performance (Hackman, 1986; McGrath, 1962; Fleishman, 1991) in a never-ending manner.
The visionary insight of the Top Man gears up the whole organization to act in accordance with the on-going, prevailing and forthcoming environmental changes (Hambrick, 1982) as these environmental changes affect the linkage between strategic human resource management and organizational performance (Bjorkman, 2002; Chan, 2004) and the core function of the top management is to bridge the lag between the two in order to maintain the long-term sustainibility in competency management. The core job description in its qualitative form describes the indispensible personality attirbutes of the CEO and it must be comprehended that these individualities are the fundamentals for the said job.

We need to look into the relevant personality profile of CEO with respect to behavioral complexity and social intelligence (Klimoski, 2001) as they are the ones who hold the powerful lever requried to mould desired behavior of other employees (Martin, 2011) and they are well followed by the people down the line, even the shareholders, as it reflects the value creation process of the organization. Unfortunately, as discussed comprehensively in *situational psychology* (delbecq, 2008) with respect to the behavioral effects of power and the failure of prominent executives like Kenneth Lay, the former Chairman of the Board and Chief Executive Officer of Enron, or Dennis Kozlowski, former CEO of Tyco International are acknowledged specimens of where men who topped the uppermost level of executive leadership by applying their gifted persona were then distorted by power which resulted in their downfall; and stamped the notion that "*Power corrupts and absolute power corrupts absolutely*".

The decisive Free will (sense of power) exaggerates the individual temprament and continuity of this abnormal state eventaully leave harsh impact on the surroundings and when we focus upon a person like CEO then means that it tarnishes the whole organization in a go.

Conceptual Framework Referncing 'Free Will'

The intrinsic and fundamental concept of free will derives out of the ability of an agent to make choices free from any constraints and these choices are not determined by prior causes or divine intervention (van Invagen, 1983) but the course of *determinism* rejects the concept of free will and maintain the discourse that for everything that happens there are conditions such that, given them, nothing else could happen and theoretical predictions can be made thereof (Smart, 1961) and it shows that all of our actions are pre-determined and we are not free. On the contrary *metaphysical libertarianism* argues that the notion of free will is logically incompatible with determinism and agents have free will so the determinism is false (Strawson, 2004; Nozick, 1981; Dennett, 2003; Ginet, 2003), *Causal factors* are always there and related actions based on free will are fully cased by the reason and one is free to choose among the available alternatives and the responsibilty of any such action lies with the agent (Kane, 2002). In the continuation the responsibility of any such action, taken in the state of free will, lies to the agent as prescibed by *Principle of Alternate Possibilities* that a person is solely responsible for the action taken if he/she could choose otherwise (Frankfurt, 1969).

It must be kept in mind that freedom of will and freedom of action are two distinguished states relate to one's personality, Rene Descrates defines the faculty of will coupled with freedom of choice as the ability to do or not to do something (Descartes, Meditations on First Philosophy [1641]: The Philosophical Writings of Descartes, vol. I-III , 1984) and further elaborated the will as a free in its very nature and cannot be constrained (Descartes, Passions of the Soul (1649): The Philosophical Writings of Descartes, vol. I-III, 1984) while David Hume carried forward the same with the notion of *liberty as power of doing or not doing accordng to the determination of will* (Hume, 1748 /1977). In the same context Jonathen Edwards undertakes the subject of free will based upon one's own desires (Edwards, 1754 / 1957) as the greatest extent of satisfaction is reached when one is fully satisfied with the course of decision taken;whatsoever the circumstances would be.

It so happens that people at powerful positions decide in the perspective of their desires or own set of values, involving their very own intellectual and volitional abilities (MacDonald, 1998) regardless of consequences. Moreover, moral responsibility for an action requires only that the agent acted freely, not that the action proceeded from a free will (Frankfurt, 1982), but the sort of freedom needed to be linked with the notion of free will is the fundamental ability of an agent that he/she could have acted differently, as Aristotle elaborates that *when the origin of the actions is in him, it is also up to him to do them or not to do them* (Aristotle, 1985) means freedom of choice.

In order to establish a clear relationship between *free will* and *morality*, it must be ascertained that free will and freedom of action are two different facets, it is quiet possible that a person with extreme power may decide to go for a specific course of action but prevented by external forces and he/she cannot implement his/her choice of action; it shows the limitation and clarifies that we cannot make that person responsible for his free will since that, the corresponding action with reference to that *will* did not take place. Linking freedom and responsibility forms a thesis that an agent can act freely if he/she has the ability to choose the true and the good (Wolf, 1990), if the case is otherwise then that would not be free will as the combination of false and bad would eventually generates imbalance in the society. We give reward to a person for an heroic act or punish someone for a crime, on the basis of considering him cause of the act as it is in his power to perform or not to perform the act. (Maher, 1909)

Organizational Context

CEO is the top ranking officer in an organization, responsible for running day-to-day operations, answerable to Board of Directors, keeps all the employees well motivated and act as change catalyst (Publishing, 2003) being a role model for the employees and face of the organization for the external world. Another perspective reveals that CEO is generally regarded as the most powerful organizational member and the known assumption supports the argument that a powerful CEO impacts firm's performance (Catherine M. Daily, 1997) but we need to establish a certain direction in order to prove this very argument as this impact is positive or negative in its real sense of words.

The CEO retains a unique position of influence in the company (Pfeffer, 1992 ;Vance, 1983) and this influence is, for sure, is so diversified in nature as cannot be understood in a compendium. CEO moves along with the top management's team members and possesses certain qualities that make him eligible to be the holder of top position (Norburn,1989) and potential impact of CEO on firm's performance are numerous but we need to ascertain the level of this impact in the very right perspective of its direction. Inter group relationships are very pivotal in an organization's success and failure, and it has been observed that the impact of CEO power play infliences these groups exist at different levels within an organizaiton and this impact eventualy affect the overall performance (Klimoski & Koles, 2001).

'CEO' the Power House

The power at executive level, in its most isolated sense, is multi-dimensional (Astley & Sachdeva, 1984; Finkelstein, 1992; Krackhardt, 1990); seemingly *objective* (Provan, Beyer & Kruytbosch, 1980) and *perceptive* in nature. The measurement and quantification of power, based upon certain objective is quiet easy a task and scores of organizational documents are available to prove that the objective power base of CEO is working well and objectives are met; on the other hand the perceptive measure of power is complicated and complex as it replicates the behavior and basic personality profile of the Top Man. The psychological dimensions of this perceptive power encircles vision, mission, organization design, culture, values, functions, intra-organizational relationships, behaviors and attitudes of senior and middle level employees, and over all productivity (Pfeffer J. , 1992); in fact, the influence of CEO's charisma rolls over entire organization and employees at different tiers develop their own sense of comfort and the more they are into it, the more they appear loyal and productive. Things go turtle once this charisma re-appears in the form of *false ego* and a conceptual *manhood* which derails the process of prevailing progress and undermine the ratio of success across organization.

The company's corporate structure witnesses tremendous power in its CEO, it is for sure that, the BOD is the final source of power but the power of the board is focused in CEO. This balance of power is affirmative when used in faovor of the company but if the same power is used to run the company into grounds then it would defintely be negative and disasterous. Michael Eisner, former Chairman and CEO of Walt Disney between 1996-2001 and during his tenure Disney's five-year net income shrank an average of 3.1% yearly, even though as quoted by one of the analysts (declined to be named) that the board is a cluster of Eisner associates, They're all chosen by Mr. Eisner in order to save his decisions being challenged. These board members may be Mr. Eisner's friends, but one thing is for sure that they aren't friends to investors (Schiffman, 2004).It is needed to build a split between the role of CEO and Chairman in order to break the power barrier in favor of the company, According to data from GMI, in the U.K., 98% of the largest 394 publicly listed companies have already split the roles of Chairman and CEO and more companies may want to start to consider the merits of enhancing board independent oversight by separating the roles of chairman and CEO.

CEO's use of authority for personal gains (*tunneling),* transfering business/capital in such a way that patronize their personal gain without any question is another show of power, Robber Barron quotes in *Tunnelling Example* as, many of Ex-Hollinger CEO Conrad Black's decisions appear to be based upon his personal advancements/gain or the gain of his closest aides ,rather than the for the benefits his company; after shareholder roars in 2003, an investigation discovered Black overpaid family and friends for every service they could possibly provide. Special attention was paid to "non-compete" payments made to Black and other insiders following Hollinger's sale of various newspaper assets. The grand total came to more than $400 million over seven years. After several lawsuits and countersuits Black was convicted on three counts of mail fraud and one count of obstruction of justice in 2007, he was sentenced to 78 months in jail. (Beattie, 2008) The imbalance due to this exercise of power is in fact does not only incur financial loses but even devastates the culture of entire organization.

It has been noted that scores of empirical and rational research has been done in order to establish the effects mof intraorganizational politics and other influences on the compensation plan of CEO. Even CEO with sheer power and lobbying abilility influences the compensatio process especially in case of Long Term Incentive plan (LTIP). Zajac (1994) captioned in his study as Studies propose that disengaging LTIP acceptance and use is predominantly established in firms with influential CEOs and companies with poor past performance. In such a case CEO influences the compensation package against board of directors' suggestions.

The outcome of CEO impact on the specific arrangement or configuration of CEO reward bonds, such as longstanding enticements against cash benefit, has gained meager consideration, though, regardless of the fact that large proportion of CEOs' total compensation is increasingly based upon long-term incentives. (Jarrell,1993). Powerful CEOs influence the compensation process and advocate the long term incentive plan, in fact the long term incentive plan encouraged the pay for performance model and ensures the shareholders interest, it means that it incorporates both the ways in a balanced fashion. Influential CEOs favor the Long term plan as symbolically it shows their commitment and sincerity towards the shareholders and substantially it ensures their presence for long term with in the organization, (Meyer, 1977) It can be a reputation building and face saving tactics as by aligning long term incentives with shareholders benefits builds an impression and their verbal alignment iwht normative set of dtandard ensures a long term placce for them in corporate bandwagon (Schlenker, 1980; March, 1984). Intraorganizational politcs, demographic differences, professional biases play a key role in branding the tension between CEO and board of directors on the question of finalizing compensation package. It is not the matter of CEO only as setting of a well defined package for CEO gives way to other employees to be more vocal in their respective vicinity and often it creates an organizaitonal imbalance.

Who has forgotten the collapse of Lehmen Brothers, as described by Lawrance G. Mcdonald; The leadership of Lehman worked on the 31st floor, which McDonald characterizes as "one of the most mysterious places on Wall Street." Richard Fuld, CEO of Lehmen had his office there but once he enters the office then he never meets any one except his chauffer and pilot. In the same book Mc Donald narrates the scene of his arrival in office as When Lehman's CEO arrived by limousine in the morning at a VIP entrance at the back of the building; his driver had already called ahead alerting the front desk in the lobby of his majesty's imminent arrival. The front-desk attendant then hit a button programming one of the elevators in the rear bank to go directly to the thirty-first floor. A security guard would then hold the elevator until Fuld's arrival. This was Fuld's private transport to the heavens, the one that preserved his godlike existence. Into this rarefied capsule he slipped silently, and was, in a way, beamed up to his somber mahogany-paneled office, far from the madding crowd. He left the building the same way, which was not, I thought naively, much of a way to keep your finger on the pulse. (McDonald, 2009); the fate of the poor company cost $ 40-50 billion to American taxpayers.

Frances Miliken in one of his studies captiones that Powerful CEOs when confronted with a situation contains risk, they appear more optimistic and tend to think more abstractly as compared to others but this combinaiton of Power, optimism and abstractness make these powerful people more certain about their decisions (Heffernan, 2011) and it is dangerous as they do not invite second opinion and never go for itas it goes against their personal protocol.Their level of confidence flourishes in isolation and this isolation costs dearly to the organizations they are working for as their self centered decsiions seem disasterous for hundreds of people.

A recent study by Cameron English suggests that people with too much power actually have a harder time making good decisions, since that they are consumed by their own power and the resultant factor which works very sharp is the essence of overconfidence and this overconfidence never let them be rational and logical and it is fundamentally a start of a vicious cycle, and eventually this overconfident decision making takes away their powers prematurely.

What to do next?...

It has been observed that in most of the renowned cases CEO and organization comes face to face in critical situation and it seemed that CEO was not working for organization but trying to save his own face and in this very struggle he lost and his loss trembles entire organization. The BOD does not appear so powerful as it ought to be in order to control the CEO and keeps informed regarding all the decisions that are taken so far in their absence. They come across these decisions in scheduled meeting when the consequences of these decisions are in making or tracking.

Here comes the role of BOD to control the power play of CEO, powerful and competent board members can chain down the CEO and save the organization from any sudden shock. It has been observed that members of BOD with previous management experience and independence for the firm are apparently the most composed and influential members on the board, (F.Radin, 2009) their experience, knowledge of the industry, management expertise and inheret set of skills paves the way for them to provide value added investment in the form of intellectual human capital during the board meetings.

The collapse of Enron and Worldcom has revealed the deficiency of BOD in comparison with the top Executives and Excutive Management, it is a major possibility that CEO with extensive, applied and comprehensicve knowledge of the organization can influence the decision made by the board of directors and it is an alarming situation as the BOD is named as 'cosmetic stamp pad' busy in recording the facts rather than generating them; or it can be said that the knowledge, experince, expertise and skills of the board (Becker, 1975) is overpowered by the CEO.

The true behavioral perspective implies that the expertise and skills of the board must be helpful for CEO to make important decisions, (Pye, 2002; Westphal, 1999) especially at the time of Risk. The unfortunate dilemma is that the due consideration is not given to the viability of human and social capital and at the time of composing the board these variables are not considered in the desired manner and *influence* is used as a key while forming the board. (Parker, 2007). Social norms, culture and vlaues cannot be considered as social capital as these are the overall outcome of the society and the term social capital is more advisable when applied to the output gained from an individual in his personal capacity, the individual faculties, trust, personal value, composition and intellectual investment. Decision making is the most difficult task board has to udertake, even policy development and planning, the vision and mission which charts the future dimensions for an organization, leadership and strategic planning are the key areas where board is in need to give concrete and prominent input/fee back. The independence of the Board ensures active and affirmative display of captioned role and it has been observed that independent board seems more objective and commanding over CEO and when it comes to compensation they appear more aligned with shareholders' objectives (Ryan, 2003) and aims as they guard their intersts on their behalf. Pi and Timme (1993) in their study regarding CEO and role of the board for commercial banks observed a weak relationship between owenership and CEO chairing the board.In another study Hermalin and Weisbach (1998) observed declines in the efficacy of Board performance as CEO gains power over them.

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