WORKING PAPER SERIES - 214



# EXECUTIVE IMPERIALISM:
# THE MYTH OF NOBLESSE OBLIGE

by

Karen Stephenson

Karen Stephenson
Professor
Anderson Graduate School of Management
University of California, Los Angeles
405 Hilgard Avenue
Los Angeles, California 90024

Telephone: 213/825-5826
FAX: 213/824-4668

DRAFT: September 1991

**INSTITUTE OF INDUSTRIAL RELATIONS**

**UNIVERSITY OF CALIFORNIA**

**LOS ANGELES**

# EXECUTIVE IMPERIALISM: THE MYTH OF NOBLESSE OBLIGE[1]

Karen Stephenson

Anderson Graduate School of Management
University of California at Los Angeles
405 Hilgard Avenue
Los Angeles, California 90024

PH = 213-825-5826
FX = 213-824-4668

[1] Please do not cite without prior permission. Direct all inquiries to Karen Stephenson, AGSM 5341, UCLA, 405 Hilgard Avenue, LA, CA 90024.

# EXECUTIVE IMPERIALISM: THE MYTH OF NOBLESSE OBLIGE

September, 1991


## Abstract

The ideological juncture between individual and institution is abstract and difficult to see in a complex social landscape. A model is presented which makes the abstract concrete through the use of three case studies drawn from participant-observational fieldwork. This model explains how executives are authorized to exercise power and authority through their differential incorporation within an institution. Differential incorporation is a dialectical mechanism which operates on individuals in an ascending or descending fashion by means of three institutional factors: (1) visibility, (2) norms, and (3) accountability. The ideal of noblesse oblige, a quality we admire and expect of our corporate leaders, may be deconstructed into the dual concepts of privilege and responsibility. This duality is a mis-recognition of the dialectical interplay between ascending and descending individualization as it operates on the three institutional factors.

## INTRODUCTION

_Noblesse oblige_ is a phrase typically associated with the dual concepts of privilege and responsibility. Generally one thinks of corporate leadership as a form of benign dictatorship in which the chief executive officer is the embodiment of _noblesse oblige_. However, during the eighties this myth was largely dismantled as American stockholders witnessed the harsh realities of hostile takeovers and leveraged buy outs. Once venerated, corporate leaders became imperious rulers assuming "khan-like" qualities as they plundered profits. Responsibly acting on behalf of the stockholder was rationalized away as the privileges of high office were assumed, not granted. In this milieu, _noblesse oblige_ became executive imperialism, privilege became a right and responsibility was forfeited. In this paper, I will examine the institutional factors which may led to these transformations.

Common ailments of elite incumbency are isolation and, on occasion, a diminished capacity to govern. This has been popularly touted in the press as "CEO disease" (_Business Week_, April, 1991). Against the backdrop of fewer institutional restraints (such as unlimited expense accounts, unchallenged decisions and occasional performance appraisals) corporate leaders are likely to succumb to the pressures and privileges of the office. Probable causes range from personality traits (Navavandi, et.a. 1991), lack of "good sense" (Horton, 1989), and the felt constraints of maintaining a "veneer of authority" (_Newsweek_, 1991:56).

I argue that these rationales are myopic and mistaken. In this paper, I use three case studies to reveal how executives acquire the attributes of domination, virtue, and power as they regulate the actions of others, aspire to positions of rank and respect, and make manifest institutional norms within a corporate setting. Using material from the case studies I illustrate how the institutional factors of visibility, norms and accountability are features of an institutional mechanism which is revealed in the unfolding of social events. I call this mechanism "differential incorporation" (Smith, 1974, 1978) as it materially bears upon individual autonomy and is differentially invoked in an ascending or descending manner. Under these conditions, executives are both demoralized as well as empowered[1] as they become the unwitting objects and willful agents of institutional power. Ethical concerns alone justify a closer look at how these processes pollute even the most wary in their climb through a corporate hierarchy.

This understanding of the interplay between individual and institution is very different from traditional over- and under-socialized accounts of individual behavior (Granovetter 1985; Macneil 1986; Weber 1964, 1968; Williamson 1975) or descriptive schemes of ad hoc or ambiguous organizational processes (Mackenzie 1986; Mintzberg 1979, 1983; Moore 1975, 1978; Bourdieu 1977, 1984, 1988, 1990). Rather, I draw upon an anthropological and philosophical literature devoted to analyzing the deep structure of social process (M.G. Smith 1974, 1978; Durkheim 1933; Levi-Strauss, 1966; Foucault 1979, 1980a, 1980b).

## THEORETICAL BACKGROUND

This section briefly reviews institutional theory in the anthropological literature. It is generally understood that individualization is greatest where sovereignty is exercised within the echelons of power:

> "Jealousies whirl around the king, maintaining the social balance. The king plays on them like an artist. His chief interest in this, apart from simply keeping it in motion, was in being able to control, which undoubtedly contained within it a good deal of explosive material" (Elias, 1983:131).

In this regard, one of the most thorough analysis of institutional power is provided by Foucault (1979, 1973). He persuasively argues that power does not reside within the institution but is constituted through the "apparatuses of the institution without being exactly localized in them..." (1980:93). The uncertainty in locating institutional power generated a classic question for me concerning the nature of the relation between the individual and the parent institution. On a practical level, this relation is invisible because of its ubiquity in day-to-day situations. As such, power is typically attributed to either the institution or the individual. In fact, it resides in neither. Rather, power is virtual.

Foucault's analysis of the rise of various institutions inspired me to reflect on power with regard to the structural properties of institutions, that is, how institutions train and discipline their members. In describing how power is constituted within institutions, Foucault isolates three institutional factors or "techniques". These factors are: (1) hierarchical observation, (2) normalizing judgement, and (3) the examination. In addition, he describes two institutional processes: (a) ascending individualization and (b) descending individualization (1979:192-4).

However, Foucault is silent as to how these institutional factors and processes are invoked. Furthermore, the exact relationship between (1) institutional factors (hierarchical observation, normalizing judgment and the examination) and (2) processes (ascending and descending individualization) is oblique. I will argue that the manner in which executives are authorized to exercise power and authority by their institution is related to how these institutional factors and processes are differentially distributed within an institutional hierarchy. One could envision any combination of the three institutional factors invoked in a simultaneous fashion or sequential fashion. Given the variety of ways in these theoretical factors and processes can be combined, what are the practical effects and consequences, if any, for the executive in corporate contexts?

How these institutional processes are operationalized becomes an important question. This question is partially answered when we look to the allied field of anthropology. Here, M.G. Smith (1974, 1978) develops the notion of "differential incorporation". Differential incorporation is a structural process that is invoked as individuals work within an existing institutional frameworks. He developed this notion as he observed how groups and offices are explicitly regulatory structures and are endowed by their organization with capacities for continuous productive action. Even so, there are many instances in which groups lack the necessary legitimacy. By lacking established procedures for individual succession, perpetuity is forfeited and groups will rise and disappear situationally" (Smith 1978:434).

Without adequate autonomy, no group can productively regulate its own affairs. Rather than focus on ideal types (Weber 1964) or perfect corporate groups (Smith 1974, 1978), Smith was intrigued by these imperfect formations of corporate "categories" and "commissions," both of which lacked adequate autonomy. For instance, when corporate categories lack autonomy, they become unresponsive. As such, corporate categories, subject to imposed regulation by larger institutional agendas, are often <u>differentially</u> incorporated; that is, they do not completely control their own internal affairs. Consequently, these corporate categories will lack autonomy, organization and collective resources. Smith (1978:438) comments that "such categories are objects rather than agents of administration, and the policy of other groups is often designed to ensure their subjugation by anticipating and frustrating the conditions necessary for their organization."

By setting out the principles of collective action in imperfect corporate groups, Smith (1978:442) attempted to "specify how changes at the concrete level of corporate organization are related to changes in the composition and articulation of the political and administrative systems that represent the analytic structure of government." He proposed that changes in the external articulation of corporate groups would involve changes in their relative autonomies and that such changes of autonomy would in turn modify the capacities and scope of the groups affected. By establishing a relationship between the conditions of corporate groups and the principles of their organization, Smith concluded that any changes in that relationship would be logically correlated to collective action.

In this way, Smith maintained any organization could constitute a perduring group of public regulation. An organization could also permit a group to organize its own resources and administer a portion of power and authority within the parent organization. This dialectical position empowered corporate groups to (1) influence the parent organization as well as (2) be co-opted by monolithic institutional governance. Thus, imperfect corporate groups appeared and disappeared situationally as a function of their differential incorporation within a larger institutional milieu. While Smith developed a typology of corporate groups and argued for their differential incorporation within institutions, he did not explicitly isolate and discuss specific institutional factors and processes upon which differential incorporation must act.

I have advanced Smith's ideas in an earlier paper in which I develop the notion of highly unstable collectives called virtual groups (1990a, 1990b). Virtual groups are neither presumptively perpetual nor prescriptively unique. I use a model of differential incorporation to explain how these groups appear virtually powerful within their institutions. In so doing, I demonstrate how the specific institutional factors of exploiting ambiguity, routinizing uncertainty and instituting leadership are differentially invoked in group processes. I show how de facto differences between groups gradually become officially recognized distinctions of power (Stephenson 1990a, 1990b).

## THE MODEL

We are all familiar with the fact that our mental maps of cultural categories ("social norms") do not necessarily correspond in a one-to one fashion with collective behavior as that behavior becomes socially constructed on the ground. This malleability, or "slack" exists in every cultural system and may be manipulated by individuals with chameleon-like finesse when they wish to change categorical identities. Precisely how executives transform themselves is directly related to how they finesse cultural ambiguity to appear powerful within their institutions.

In this section I outline a theory which accounts for how de facto differences between <u>individuals</u> become "officially sanctioned" distinctions by the parent institution. Here, I will use the term "individual" to mean the ideological fabrication of the institution. Within organizations, the individual will be broken, deconstructed and reconstructed by the parent institution. Thus, the executive, as a product of the organization, belongs to an impressive production of institutional transformation whereby institutions "make up people" through social control.

In this paper, I have reformulated Foucault's notions of hierarchical observation, normalizing judgement and the examination and his notion of two institutional processes into a two-dimensional matrix displayed in Figure 1. My model animates Foucault's static typologies in that each cell in the matrix may be invoked through differential incorporation.

I will review the basic structure of the model as shown in Figure 1. This model consists of a functional and formal dimension, each of which has separate components. The functional dimension represents institutional features which are invoked at various times within an organization to coerce individuals to conform. This functional dimension is divided into three components: (1) visibility, (2) norms, and (3) accountability. Visibility implies that there is an institutional mechanism which makes possible the observation of individuals by other individuals in an network of relations, e.g., a microscope of conduct. Norms establish a principle of coercion by classifying, standardizing and distributing individuals by rank. Accountability is a form of evaluation which is at the heart of institutional power because it claims to establish a form of "truth". It is a whole meticulous archive that chronicles individuals according to their own particularity and places them within a network of record keeping.

The second dimension is based upon whether the formal processes of individualization within institutions are considered to be (1) ascending or (2) descending. Ascending individualization consists of commemorative rituals and events which empower individuals. On the other hand, descending individualization consists of ubiquitous functional operations which virtually go unnoticed. An example of the simultaneous use of ascending or descending individualization is to isolate an executive through commemorative or award ceremonies while subjecting him or her to monitoring procedures such as internal and external audits, stockholder suits, etc. Alternatively, these formal processes may be invoked in a sequential fashion.

Executives are likely to experience different methods of individualization simultaneously, e.g., the "double reality of intrinsically equivocal, ambiguous practices" (Bourdieu 1990:118). For instance, the contingent social relationship created by the privilege of executive position coupled with the responsibilities of governance may be transformed into an unequal balance of power between executive and institution (Bourdieu 1990:195).

Ironically, the institution cannot act unless it succeeds in hiding the mechanism of its power through the process of differential incorporation which renders unrecognizable the true principle of its efficacy - that is, subtly channelling the memories of its constituents and justifying its own form of parochialism. In this way, executives are beguiled by a veil of moral relations which hides the lasting relations of dependence created by the parent institution.

In the next section, I summarize three case studies extracted from field notes. Each case contains an explicit or implicit reference to this veiled moral dependence between the executive and the institution. These cases are representative of many such cases obtained from participant-observational fieldwork among executives.

## OBSERVATIONS

Case Study 1:

SOFTEK is not a real name but it is a very real place. Publicly traded on the New York Stock Exchange, the computer hardware and software company consisted of five subsidiaries and approximately 3,000 employees. The subsidiaries constituted a loose federations of groups permitting the flow and exchange of personnel and knowledge across semi-permeable boundaries. For instance, throughout the corporate history executives had always been exchanging jobs and sharing the managerial responsibilities at

SOFTEK. This management style generated a free-wheeling organization.

During my two year residency, declining corporate profits were cited as the justification for an unprecedented lay-off of ten percent of the corporate population. A few of the chosen were senior business executives, although the majority of the dismissals came from the research and clerical ranks. On a Thursday, senior executives met in a closed door session to select those to be "let go". Late Thursday afternoon, the direct managers and supervisors were notified. By nine o'clock Friday morning, those fired or laid-off were informed and instructed to clean out their desks by day's end.

During this tumultuous time, the paternal corporate image was shattered as the lumbering organization slowly bent into a defensive posture - paternally hovering to protect its select few and turning its back on the dispensable and ineffectual. Employees shuddered and wondered if they were the next to be fired as the cherished corporate motto, "our people are our resource" was unceremoniously swept away in a corporate house-cleaning. Like any social body, the organization as the body politic began to systematically dismiss certain categories of persons based on whatever normative principles of exclusion or privileges were legitimated by those in power.

The person orchestrating the event was the president of SOFTEK, Jason Tiner. An irreverent president, he was always in the halls talking to employees rather than pinned behind a desk. At every company-wide picnic or function, Jason demonstrated his personableness by knowing all of his employees by their first names. This was the same man who conducted tearful dismissals during the layoffs. He subsequently admitted that the firings were a form of corporate house-cleaning which were sanctioned by Dick Sewell, the Chief Operating Officer (COO) of the parent company.

One year after the layoffs, Jason was laterally moved to a larger subsidiary, the ranks of which swelled to over 1000 employees. Jason spent weeks pouring over his employees' photos, names and corporate histories. No sooner had he learned their names, rank and job descriptions, when the company again experienced serious financial setbacks. Once more, Jason was told to lay off another ten percent. Resigned, Jason reluctantly complied with corporate orders. During this round of lay-offs, Jason looked weary and down-trodden. "I'm tired of feeling", he reported.

In my interview with Dick Sewell, the Chief Operations Officer, who authorized the layoffs, he admitted that he was grooming Jason. I dryly snapped back, "...couldn't happen to a nicer guy". Appreciating the irony of my comment, Dick expounded on the various aspects of executive grooming. Essentially, grooming in this context was putting Jason through his paces by having him perform executive chores some of which were very unpleasant. Essentially, Jason was being broken, deconstructed and reconstructed by his mentor, who merely represented the institution at large.

Case Study 2:

BANKNON was a premier bank providing diversified financial services for over 100 years. Located in the heart of Philadelphia's financial district, its reputation was built on catering to the privileged client. The executive floor emulated this privilege through conspicuous elegance: Queen Anne secretaries, Italian marble floors, gold-leaf ceiling panels, a renown art collection, and an executive dining room.

Up until the last five years, corporate leadership had been steeped in the clubby, conservative and crusty old money world of the "blue blood" - that is, until Steve Gellman arrived on the scene. As new chief executive officer, he was the embodiment of New York's go-go style. Steve spared no expense: he chartered private jets for well-heeled out-of-town client meetings[2], hired a 66 piece band to play at the glitzy opening of a new office and earned a reputation for hiring and firing chauffeurs in quick succession until he could find one that would drive a limousine on sidewalks. Naturally, this form of leadership was very different from the previous understated style of avoiding the spotlight.

In day-to-day affairs, executive committee meetings were run like firing squads. Steve pressed hard for those profits. After a five year trend of unprecedented profits, he could not set anything but record performance goals for himself and his subordinates. This was backed by a bonus system for top executives that rewarded them up to 50 to 100 percent of their six-figure salaries. For example, Steve was in line for a bonus of approximately 3 million.

Therefore, it was common to see unusual behavior at year's end as executives scrambled to make their bonuses by "fudging" the balance sheet with short term liabilities to enhance immediate profitability. To further aggravate the situation, a policy was instituted that permitted the posting of profits before the money was actually in hand, thus delaying the reporting of expenses until long after they occurred. Dressing up profit became a blatant charade of numbers.

Finally the momentum stopped when the controller refused to sign off on the quarterly balance sheet. To make matters worse, she resigned. Steve ordered that she be rehired at all costs. She did return, but not until she set her own terms in a contract which included a sizable increase in her salary. Her action set off an inquiry from a suspicious board member. When he looked into the situation, he discovered horrifying stories of management by intimidation. He brought this to attention of the board. These events catalyzed long dormant internal policing mechanisms revealing an earnings overstatement totaling approximately 50 million. The Securities and Exchange Commission was notified and after a tedious two year process of depositions and hearings, many executives were either fired or cut generous severance packages in a corporate house-cleaning.

All fifteen of the senior executives were aware of Steve's overly aggressive management style in attempting to finesse, at significant risk, the appearance of continued profitability. Their implicit participation was coerced by the imposed reality of either making the profitability target or losing their job. With Steve, there were no second chances, no readjustments. Thus, by boosting or lying about performance, senior executives participated in a form of collective collusion. One of these fifteen described to me his work situation: "Working on the 50th floor is like standing on the platform with the noose around your neck just waiting for the trap door to open." In this corporate housecleaning, golden parachutes did not without the added stigma of mismanagement, making it difficult for many executives to get jobs again. As one executive retorted, "There but for the grace of God go I".

Case Study 3:

MICRO-SCIENCE was a scientific instrumentation corporation and part of the diversified corporate empire of James Montgomery. James was the CEO's CEO. "Airborne" at 59, he had a reputation for carving up companies from his corporate jet. From the profits he reaped from his acquisitions, mergers and LBOs, he hoped to start his own investment bank within the year. The fate of MICRO-SCIENCE was to be no different from his other companies. He appointed CEO Cliff Swenson to do his bidding: MICRO-SCIENCE was to be broken into separate technologies to be sold off or merged with existing firms. This "slash and burn" management style had won him the enmity of his subordinates including John Mason, the Vice President of Research and Development at MICRO-SCIENCE.

The Research and Development division employed 500 people and was "matrix-managed". This required constant maintenance under the watchful eye of John Mason. An engineer by training, he had designed and managed this division successfully for five years. During those five years, the division had seen an increase in new products and profits. Mason had no intention of letting two "outsider" CEOs tamper with his well-oiled organizational machine. Furthermore, he had successfully lobbied the other senior managers to resist any efforts to divide and conquer his R&D empire. This underground effort had effectively stalled the reorganization plans for approximately six months. However, one day Mason suddenly collapsed at work from a heart attack. Although recovering, it would be a month before he could return to work.

James Montgomery had dismissed Mason's professional disobedience as an insignificant irritant. Now with Mason out of the way, he could reorganize the company. However, he realized that if he acted too quickly on the heels of Mason's heart attack, he would open a Pandora's box of work slowdowns, collusion and fraud from Mason's loyal employees. So he waited.

During the wait, he enlisted the efforts of Cliff Swenson, the junior CEO. Cliff was to lobby the R&D group: commending them on the quality of their work, extolling the accomplishments of Mason and expressing concern over Mason's present state of health. Under the directions of James Montgomery, Cliff openly questioned if

Mason's management style might have something to do with his heart attack. After all, Mason was a dedicated manager. Was he too dedicated? In a calculated way, he planted the doubt about Mason's management style, even suggesting that it was "neurotic". With a few well-placed questions following on the heels of illness, the neurotic metaphor stuck. For the few loyal employees who recognized this manipulation, their anger was directed at Cliff, the junior CEO, not at James Montgomery, the true source of the character assassination.

Stigmatized during his absence, Mason's authority was undermined on his return. He discovered that his managers were more receptive to James Montgomery's plans. In fact, they urged Mason to reconsider the merits of restructuring. Impotent to change the tide, Mason watched as his organization was divided into independent business units, some of which were sold to other firms. Although offered a generous severance package (a golden parachute), Mason decided to remain as Vice President of Research and Development. Within the year, the two CEOs had left in search of more lucrative business opportunities[3].

## DISCUSSION

In this section I demonstrate how executives are trained, disciplined and transformed within an existing institutional milieu. I will briefly review the model. Ascending and descending individualization are two countervailing processes simultaneously at work within institutions (see Foucault, 1979:193). These processes operate upon the functional dimension consisting of three components: (1) visibility, (2) norms, and (3) accountability. These components may be differentially invoked in an ascending or descending manner. This produces a dialectical struggle between the individual and the institution in which institutional power supplants individual autonomy.

I will use the case studies to illustrate the ideas contained in the model. To simplify the discussion, I will number my explanations to correspond to the numbers identifying the individual matrix cells in Figure 1. This will make it easier for the reader to follow the discussion using the model in Figure 1.

(1) Descending individualization is evident in the typical functional operations of a corporation, e.g. employee records, photo identifications, performance evaluations from peers and superiors, individualized training, etc. These practices are put in place to ostensibly assist, benefit and reward employees within their organizations. As the machinery of production becomes more complex in corporations, the number of professionals and the corresponding divisions of labor necessarily increase. Supervision becomes difficult.

In these increasingly complex organizational contexts, institutional visibility operates as an integrative system of anonymous power. This becomes a felt reality in unanticipated events such as layoffs (Case #1), SEC investigations (Case #2), and traumatic illness (Case #3). In the unfolding of events, contingencies such as external market conditions, traumatic illness, the mis-management of information or redirecting corporate funds require omniscience where there is none. Lay-offs or dismissals may ensue. However, these layoffs may be reformulated as the unwitting empowerment of the institutional principles of exclusion and privilege.

(2) Norms establish a principle of coercion by standardizing individuals, processes and products. To some extent, institutions create the realities in which individuals are embroiled. This has been called "making up people" (Hacking, 1985) after Foucault's concept of the constitution of subjects. Examples are tokenism, "the glass ceiling", and other forms of discrimination in a diversified work place. Although discriminatory law has been largely dismantled from the legal apparatuses of our institutions, discriminatory lore is still vividly in force.

An excellent example of making up people as a form of descending individualization can be found in the phenomenon of grooming (Case #1), standard accounting and business practices captured in the phrase "the cost of doing business" (Case #2) and stigmatization (Case #3). In Case #1, Jason was being groomed for more senior executive positions within the parent corporation. Dick Sewell, his mentor, believed it was necessary to train and discipline Jason by running him through unpleasant executive chores. In Case #2, white collar crime or "getting caught" stands in contradistinction to standard business practices. It is precisely because the norms of standard business practices are occasionally forfeited that standardization of accounting procedures becomes so necessary. Stigmatization (Case #3) is another example of making up people. John Mason's competent management style was transformed by a legitimate illness into a metaphor of neurotic management because he openly opposed the CEO. Although Mason wasn't fired, he was effectively undermined with his peers and subordinates.

(3) Institutional accountability is a whole meticulous archive that situates individuals within a network of writing and records. Writing permits the individual to be describable and analyzable as well as to be inducted into a comparative system of groups or populations.

Examples of institutional accountability in the form of descending individualization is evidenced in treating employees as stakeholders in the corporation. This is violated when there are company-wide layoffs (Case #1). Cases #2 and #3 are examples of stockholders can be counted on for long-term interests thereby giving corporations and their executives enormous power to make decisions that affect aspects of the corporation as well as its stakeholders (employees) and its stockholders. This trust is violated when executives forfeit responsible behavior and act in self interest. "The question 'to whom are the managers of the great corporations accountable?' has not yet been satisfied" (Monks and Minow, 1991:17).

(4) As executives gain more experience and are promoted within the ranks of their organizational hierarchy, the downwardly focussed techniques of descending individualization are augmented by the countervailing (and often contradictory) techniques of ascending individualization. Ascending individualization consists of commemorative rituals which welcome the newly appointed executive into an elite circle of executives. This form of empowerment may be evident in elaborate corporate offices, board memberships, community appointments and club memberships. These are paraded in front of the new incumbent to court and coax him into the spirit of noblesse oblige.

However, noblesse oblige is a two-edged sword. Packaged with privilege is responsibility. However responsibility is rarely invoked. Rather, privilege is transformed into a public display of riches or showmanship. This embarrassment of riches can have quite an impact upon the inexperienced executive. To be marked as an executive by the power one possesses over the livelihoods of others may be overwhelming, simultaneously dazzling and tranquilizing the executive. The increased isolation associated with exclusivity often fuels executives to seek an even greater range of visibility in company-wide functions (Case #1), conspicuous consumption (Case #2) and infamous managerial styles (Case #3).

(5) Norms play a significant part in the classification and distribution of rank among individuals. Paradoxically, normalization imposes a form of homogeneity, but it also individualizes by categorizing differences. In ascending individualization, status, privilege and affiliation are supplemented by a whole range of degrees of normality indicating membership within a homogenous social body. Thus, instead of being at the center of an institutional triad of board, stockholder and employee, the executive is elevated to the vertex. The panorama of accountability looks very different from the top of a hierarchy than from within.

Emergency situations such as lay-offs (Case #), unpredictable behavior in management by intimidation (Case #2) and traumatic illness (Case #3) do not necessarily lead to a breakdown of norms. It is common to observe a corporate community switching from a regular set of business practices or principles to an emergency set. However, the emergency set is not an abrogation of all principles. In fact, there is rarely a collapse of conventions. Rather, the emergency set starts with a gradual tightening and narrowing of the normal distributive principles. Typically this is known as the "golden rule", that is, he who has the gold makes the rules.

(6) Institutional accountability in the form of ascending individualization elevates individuals by fixing individual differences and pinning down each individual in her or her own particularity. In such cases, the seductive lure of privilege and power may compromise critical judgment. Assimilation rather than reflection may diminish the capacity to govern, to discriminate, to question, to decide when to say no and, just as important, when to say yes.

This abysmal state of affairs is partially due to the institutionalization of extravagant compensation packages. Overcompensation is an example of externalizing costs through neutralizing mechanisms for accountability. Every year Business Week, Fortune, and Forbes, publish the business press equivalent of the "swimsuit issue" on executive pay. Who is there to say "no" to the CEO when he asks for a raise? After all, the "independent" directors who predominate on corporate boards are biased; most of them owe their jobs to the executives whose compensation they must determine and are themselves executives of other corporations, where they hope for the reciprocal favor. It represents a large network of generalized exchange.

Summarizing my model, I propose that changes in the external articulation of executive power will involve changes in the executive's relative autonomy and that such changes of autonomy will in turn modify the governing capacities and scope of the executive. I argue that a relationship between the conditions of institutional factors (visibility, norms and accountability) and the principles of their incorporation (e.g. differentially invoked in an ascending or descending manner) is established. Changes in the relation between the individual and institution may be reformulated as the usurpation of autonomy by institutional power. In this way events catalyze the differential incorporation of individuals into the institution.

The whole matter is paradoxical. Every attempt to downwardly individualize executives through rigorous training and grooming is by implication a recognition that the reverse is true. Ironically, what may first appear as noblesse oblige quickly becomes a bitter reversal of fortune as the executive becomes institutionally individualized and co-opted. Together, responsibility and privilege constitute a mis-recognition of the dialectical interplay between descending and ascending individualization, respectively. These forms of individualization are simply two sides of the same coin. The danger is that most executives are "unconscious caterpillars", unaware of the transformative processes that are occurring as they substitute one institutional mantle for another in their climb up the corporate hierarchy.

The implications are potentially grave. Executives who have succumbed to repeated institutional barrages may slowly sink into an abysmal institutional malaise. As such, executives forfeit responsible behavior and compromise their critical judgment to allow themselves to mindlessly flow along the paths of least resistance. These paths serve the interests of institutional hegemony. In this way noblesse oblige becomes imperialism, privilege is replaced by assumed right and responsibility to employees and stockholders is rationalized away.

## CONCLUSION

My developmental scheme provides a dynamic dimension which animates the typological distinctions of ascending and descending individualization developed by Foucault (1979). My scheme also implements the notion of differential incorporation developed by M.G. Smith (1986). I demonstrate how the institutional factors of visibility, norms and accountability are differentially invoked by institutions to individualize executives within their institutional milieu. The classification schemes of Foucault and Smith devote minimal analytical insight on the actual mechanism of incorporating individuals: Foucault focusses on the constitution of the individual and Smith develops a mechanism for incorporating groups. Both authors have in common a classificatory characterization of institutional control that is fundamentally static, whereas I regard this formation process as dynamic.

This paper explains in social-theoretical language the general processes whereby executives become subtly co-opted within institutional settings. Precisely how executives are authorized to exercise power and authority is directly related to the manner in which individuals are differentially incorporated and distributed within a hierarchy. This distribution of individuals is directly related to the dialectical interplay between (1) the institutional factors of visibility, norms and accountability, (2) processes of individualization, and (3) the mechanism of differential incorporation. In this regard, my model raises interesting questions regarding the policy issues surrounding length of incumbency, collusion and institutional hegemony.

Occasionally, we thoughtlessly forfeit our right to decide and thereby empower the "thinking" institutions we have created. We do this because the ubiquity of these institutional factors and the constancy of differential incorporation ultimately influence and channel the memories of individuals. In this way, institutions justify their own form of parochialism, that is, the narrowness and naturalness of their rules. When this is done successfully, institutions wield a power that is hardly noticed and little dreaded.

Mary Douglas (1986) argues that institutions are substitutes for reality. This paper represents an explicitly effort to push her argument one step further. We live in institutions - they are the reality within which we work. Therefore, I have attempted to illustrate how the institutional strategies are immanent in the rise and decline of individuals in positions of authority. Ironically, we often become "unconscious patients" (de Tocqueville, 1969:270; see also Proctor, 1988) when we let the long fingers of monolithic institutions reach into our individual lives to influence the decisions we make. Yet we are in a partnership with them because that there is no other way to make important decisions except within the scope of the institutions we build (Douglas, 1986:128).

## Endnotes

1. Durkheim postulated that institutional authority animates individuals, "making them intensely human [while simultaneously] destroying their egotisms" (1933:26).

2. On one such occasion, I was attempting to fly to Washington D.C. to be present at a gallery opening showing many of the paintings collected by one of Steve's vice presidents. When I discovered that my flight had been canceled, I called the executive floor of BANKNON to let them know I would be late. I was surprised when Steve immediately offered the use of one of the corporate jets. Fortunately, I was able to secure another flight on another airline and arrived in time at the gallery opening.

3. This case is similar to the plot contained in The Prince as told by Niccolo Machiavelli (in Adams 1977:22). When Cesare Borgia, natural son of Pope Alexander VI took over Romagna in 1500, he discovered it had been controlled by impotent masters. The province was full of robbers, feuds, and lawlessness of every description. To establish peace and to bring order, Cesare Borgia named Remirro de Orco his minister and gave him absolute powers. In short order this man pacified and unified the whole district, winning great renown. However, Borgia decided that such excessive authority was no longer necessary and that it might be turned on him. He knew that the recent harshness had generated hatred. In order to clear the minds of the people and gain them over to his cause completely, he determined to make plain that whatever cruelty had occurred had come, not from him, but from the brutal character of his minister, de Orco. Two years after he named de Orco minister, Borgia imprisoned de Orco on December 22, 1502, and put him to death on the morning after Christmas day. Taking the proper occasion, he had de Orco cut into two pieces and placed on the public square of Cesena with a piece of wood and a bloody knife beside him. While the ferocity of the scene stunned the people, they were satisfied.

## BIBLIOGRAPHY

Adams, R. 1977. The Prince: Niccolo Machiavelli. New York: Norton.

Aron, R. 1968. Main Currents in Sociological Thought. New York: Harper.

Bourdieu, P. 1977.Outline of a Theory of Practice. New

---- 1984. Distinction: A Social Critique of Judgement and Taste. Cambridge, MA. Harvard University Press.

---- 1988. Homo Academicus. Stanford, CA. Stanford University Press.

---- 1990. The Logic of Practice. Stanford, CA. Stanford University Press.

de Tocqueville, Alexis. 1966. Democracy in America.

Douglas, M. 1986. How Institutions Think. Syracuse, N.Y.

Durkheim, Emile. 1933. The Division of Labor in Society.

Elias, N. 1983. The Court Society. New York. Pantheon.

Foucault, M. 1973. The Order of Things. New York. Vintage.

---- 1979. Discipline and Punish. New York. Vintage.

---- 1980. The History of Sexuality. New York. Vintage.

Granovetter, M. 1985 Economic Action and Social Structure: The Problem of Embeddedness. American Journal of Sociology. 91(3):481-510.

Levi-Strauss. 1966. The Savage Mind. Chicago. University of Chicago Press.

Mackenzie, K.D. 1986. Virtual Positions and Power. Management Science 32:622-42.

Macneil, I.R. 1986. Exchange Revisited: Individual Utility and Social Solidarity. Ethics. 96:567-593.

Michael, D. N. 1991. Leadership's Shadow: the dilemma of denial. Futures, 69-79.

Mintzberg. H. 1979. The Structuring of Organizations. Englewood Cliffs, NJ.

----1983. Power In and Around Organizations. Englewood Cliffs, NJ.

Monks, R.A.G. and N. Minow. 1991. Power and Accountability. New York: HarperBusiness.

Moore, S.F. 1975. Epilogue: Uncertainties in Situations, Indeterminacies in Culture. Symbol and Politics in Communal Ideology, ed. S.F. Moore and B. Meyeroff, pp.211-39. New York.

----1978. Law as Process. Boston.

Nahavandi, A., Malekzadeh, A. Mizzi, P. 1991. Corporate Strategy: Leaders and How They Manage. The Journal of Business Strategy. 12(3):47-9.

Smith, M.G. 1974. Corporations and Society. London.

----1978. The Affairs of Daura. Berkeley.

Stephenson, K. 1990a. On the Emergence of Virtual Groups. Cross-Cultural Management and Organizational Culture, ed. T. Hamada and A. Jordan, pp. 247-266. Williamsburg, VA.

Stephenson, K. (cont'd)
----1990b. The Emergence of Virtual Groups. Ethnology. 26(4):279-296.
Taylor, F.W. 1911. Principles of Scientific Management. New York. Harper & Row.
Weber, M. 1964 [1947]. The Theory of Social and Economic Organization. New York.
----1968 On Charisma and Institution Building. Chicago.
Williamson, O.E. 1975. Markets and Hierarchies. New York: Free Press.
Zuboff, S. 1988. In the Age of the Smart Machine. New York: Basic Books.

| Individualization: | Descending | Ascending |
|---|---|---|
| Visibility | (1) Unexpected Events | (4) Elitism |
| Case 1: | layoffs | company functions |
| Case 2: | audits | noblesse oblige |
| Case 3: | trauma | slash & burn mgt |
| Norms | (2) Education Training | (5) Conspicuous Consumption |
| Case 1: | grooming | status/privilege |
| Case 2: | standard protocol | intimidation |
| Case 3: | stigmatization | golden rule |
| Accountability | (3) board, employee, stockholders | (6) hierarchical paternalism |
| Case 1: | corporate house-cleaning | profitability |
| Case 2: | coercion | compensation |
| Case 3: | accountable to CEO | CEO accountable to himself |

Figure 1. The differential incorporation of individuals: institutional factors of visibility, norms and accountability invoked in an ascending or descending manner.