Defeating the Minotaur: The Construction of CEO Charisma on the US Stock Market

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Abstract

This paper illustrates the construction of CEO charisma within the US stock market. By metaphorically employing the myth of the Minotaur, we discuss three forces underlying the rise of heroic CEO images in the USA: Ariadne, or charismatic leadership theory and its formulation of charisma; Theseus, or the CEOs struggling to obtain power over stock market actors; and the Minotaur, or the stock market itself and the securities analyst profession. Building on the literature on organizational symbolism, we present a qualitative study of two CEO successions, focusing on the form and content of the *persona* and the *vision* projected by CEOs and elaborated by securities analysts. The results suggest that jointly constructing charisma through discourse, CEOs and analysts enact a form of power that does not lie in top-down coercion, but rather on the emergent, active involvement and contribution of its very subjects.

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'I'm not really known for losing market share.'
Stanley Gault, CEO of Goodyear, shortly after his nomination (Schiller 1991: 35)

'I've been involved most of my life in turnaround situations. I look at this as another mountain to climb.'
Allen Questrom, CEO of J. C. Penney, shortly after his nomination (Forest 2001: 57)

Business discourse places a considerable faith in the magical powers of chief executive officers. According to *Fortune*, CEOs 'exert enormous influence over entire enterprises. In the aggregate, they determine the prosperity of the nation' (Charam and Colvin 2000: 228). For management textbooks, executives bring the alchemic touch: 'Good managers can turn straw into gold. Poor managers do the reverse' (Robbins and Decenzo 2001: 245). Even academics turn hot when speaking of charisma: a spark that triggers 'a fire [of] followers' energy and commitment, producing results above and beyond the call of duty' (Klein and House 1995: 183).

Despite the enthusiasm, hard evidence that CEOs significantly affect firm performance is, at best, equivocal (Lieberson and O'Connor 1972; Hawawini et al. 2003; Rumelt 1991; Salancik and Pfeffer 1977; Schmalensee 1985; Wernerfelt and Montgomery 1988). The result is a paradox: the less proof of CEOs' magic powers, the more they are invoked, particularly on the stock

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market, as *Fortune*'s cover for 22 May 2002 shows: 'Is John Chambers the best CEO on earth? Is it too late to buy his stock?' Like Theseus confronting the Minotaur, the heroic CEO portrayed in these accounts annihilates the unpredictability of the stock market, turning it into a domesticated servant of humankind.

This paper focuses on the construction of CEO charisma through discourse, illustrating its effects of power within the US stock market. Specifically, we focus on the form and content of the persona and vision projected by CEOs; on securities analysts' discourse about the persona and vision of CEOs; and on the interplay between these discourses. The joint construction of CEO charisma, we believe, engenders a type of power that does not lie in top-down coercion, but rather in the emergent, active involvement and contribution of its very subjects — a 'third-order' power (Foucault 2000; Mouzelis 1991; Olsen 1993) operating on and through language.

In order to structure our discussion, we employ the Greek myth of the Minotaur (Graves 1955). Minos, King of Crete, demanded a tribute from Athens for the death of his son. Every nine years, seven youths and seven maidens from Athens were sent to Crete and shut into the Labyrinth, where they would wander, hopelessly lost, until the flesh-eating Minotaur — half bull, half man — caught them and feasted upon them. Volunteering to be one of the victims, Theseus arrived in Crete. Minos' daughter, Ariadne, fell in love with him and gave him a magic ball of thread so he could find his way through the maze. With Ariadne's help, Theseus entered the Labyrinth, killed the beast, and got out safely. As a literary device, the myth describes well the climate of the stock market: 'Athens' falls into mourning each time a tribute of disparaged shareholders ends up devoured by the cruel stock market —today's Minotaur. The dual nature of the stock market beast — half bull and half bear, half dispenser of riches and half source of despair — calls for a hero to confront it. The CEO becomes, then, a modern Theseus, who promises to defeat the Minotaur with audacity and skill — that is, annihilate the unpredictability of the stock market and save stockholders with the help of 'Ariadne' and her string — that is, a theory legitimizing charisma as an antecedent of firm performance and supporting the belief in its magic powers.

The paper is organized as follows. First, we present an overview of charismatic leadership theory. Subsequently, we describe the structure of the stock market and of the securities analyst profession. Next, we present data, methods, and evidence on the construction of charisma in the stock market from a qualitative study of two CEO successions in the USA. Finally, we discuss theoretical and practical implications.

Ariadne: Charismatic Leadership Theory

Charismatic leadership theory (CLT) depicts charisma as a mechanism leading to superior organizational performance — contrary to Weber, who stressed its intractable and uncontrollable features.

Briefly, CLT (Conger and Kanungo 1998; House 1977; House and Aditya 1997; House et al. 1991; Klein and House 1995; Shamir 1995; Waldman and Yammarino 1999) defines charisma as a relationship characterized by specific leader behaviors (such as communicating high expectations, making sacrifices, etc.) and subordinates' responses (such as trust and admiration for the leader, etc.). Most of the leader's behaviors are symbolic and refer to the projection of personal qualities, such as 'extremely high levels of self-confidence, dominance, and a strong conviction in the moral righteousness of his/her beliefs' (House 1977: 192). Other 'visionary behaviors' (Fairhurst 1993; Gardner and Avolio 1998) refer to discourse incorporated in the CEO's vision, 'providing followers with an understanding … of why they are doing what they are doing' (Conger and Kanungo 1998: 172).

A major contention of CLT is that charisma affects firm performance: 'effective leadership has the potential to enhance organizational performance and promote more rewarding workplaces' (Conger and Kanungo 1998: 36–37). This theory was not demonstrated empirically, but surfaced from a selective interpretation of Weber, coupled with the application of concepts and methods from psychology: some of Weber's ideas 'which should have posed numerous dilemmas for organizational scholars, were largely ignored' (Conger 1993: 281), while the methodological outlook of psychology was entirely retained and directly applied to research.

Weber characterized charisma as 'specifically outside the realm of everyday routine and the profane sphere' (Weber 1997: 361), a direct antithesis of rational and traditional authority. Inherently transient, volatile, and evanescent, charisma in its pure form 'exist(s) only in the process of originating. It cannot remain stable, but becomes either traditionalized or rationalized, or a combination or both' (Weber 1997: 364). Furthermore, charisma is a 'typical anti-economic force … [that] can only tolerate, with an attitude of complete emotional indifference, irregular, unsystematic, acquisitive acts' (Weber 1997: 362).

As Conger (1993) noted, these 'shortcomings of [Weber's] ideal type to capture reality accurately' were quite a thorny issue for CLT researchers, who 'focused their studies largely upon business leaders whose organizations were very economic in character and who … employed elements of rational planning in the search for money' (Conger 1993: 281). CLT's focus on how 'formally appointed superiors affect the motivation and satisfaction of subordinates' (House 1993: 325) resulted in a 'subtle, yet very clear shift of focus from meta- and macroleadership to microleadership processes' (Shamir 1995: 20). Although subtle, the shift to supervisory leadership was not trivial, for it amounted to an epistemological turnaround. Weber's concern with understanding (*Verstehen*) 'social action in order to arrive at a causal explanation of its course and effects' (Weber 1993: 88) was substituted by a concern with predicting leader effectiveness, or 'how [charismatic] leaders are able to lead organizations to attain outstanding accomplishments [and] to achieve extraordinary levels of follower motivation, admiration, respect, trust, commitment, dedication, loyalty, and performance' (House and Aditya 1997: 439–440). Such a nomothetic orientation seeks to increase the effectiveness of charisma as a form of control within business organizations, placing it entirely within the domain of *leadership*, as 'a process that includes influencing the task objectives and strategies of a group or organization, influencing people in the organization to implement the strategies and achieve the objectives, influencing group maintenance and identification, and influencing the culture of the organization' (Yukl and Van Fleet 1992: 149).

CLT hinges on the assumption that firm performance results from the effort and motivation of individuals and groups operating in the firm. While such an assumption might be true with regard to some dimensions of organizational performance, it is rather problematic in the face of the complexity and multidimensionality of firm performance (Fanelli and Misangyi forthcoming; Meyer and Gupta 1994). Indeed, the few CLT studies directly focusing on firm performance shared this assumption but reached inconclusive evidence (House et al. 1991; Tosi et al. 2004; Waldman et al. 2001; Waldman et al. 2004). Yet, with its depiction of charisma, CLT cooperated symbiotically with executives, the business press, and stock market actors in maintaining the belief that charisma leads to higher firm performance. As a result, the 'iconization of CEOs', particularly on the stock market, reached today's relevance: 'Align your CEO's defining characteristics with your corporate identity and you've got an extremely powerful reputation management tool' (Anonymous 2000c).

The Minotaur: The Securities Analyst Profession

A central characteristic of the stock market is its social nature (Zuckerman 1999). Stock prices do not depend so much on the firm's performance as on investors' expectations of future performance. This generates three different and interrelated arenas for stock market actors: categorical knowledge, political behaviors and status, which affect both securities analysts and CEOs. Securities analysts' specialization by industry affects stock performance, so that if a CEO's strategy contradicts 'the logic of the accepted structure of valuation' (Zuckerman 2000: 595), lack of coverage and stock losses ensue. Both CEOs and analysts engage in political behaviors. Financial analysts channel recommendations to investors, thereby influencing stock prices (Beneish 1991) and, ultimately, the CEO's reputation, career, and compensation (Puffer and Weintrop 1991). On their part, CEOs control information (Clemente 1988) and financial resources in the form of investment banking business (Hayward and Boeker 1998), thereby influencing analysts' reputations, careers, and compensation (Stickel 1992). Status is also central for both actors: analysts initiate and terminate coverage, imitating each other (Rao et al. 2001), and frame their recommendations so as to protect their reputation (Hong et al. 2000). The status of a firm's CEO is also a concern for analysts: 'When you find good management, … you go for it … You look to see a management working for the shareholders' (analyst reported by Useem 1996: 158).

In a context where performance *is* perception, charisma becomes executives' and analysts' discursive battlefield: 'To the outside world … the persona of the chief executive plays a role akin to that of the architecture of company headquarters. The image of the CEO and of the building's façade speaks of the quality of the organization on the inside' (Useem 1996: 154). Indeed, some studies on the relationship between CEO charisma and firm performance seem to suggest that, more than internal effort and motivation, CEO charisma affects the perceptions of external stakeholders, and therefore stock prices and CEO compensation, rather than internal performance (Tosi et al. 2004; Waldman et al. 2001). Thus, perceptions of stock market actors are a central arena for the form of power engendered by charisma. In order to illustrate this point, we are going to analyze two CEO succession events, showing how CEOs and analysts jointly construct charisma through discourse, ultimately affecting investor perceptions.

Data and Methods

The study relies on content analysis (Weber 1985) of corporate documents and analyst reports released around two CEO succession events. By viewing language as 'culturally and historically embedded and socially communicated' (Marshall 1994: 93), we approach documentary sources 'for what they are and what they are used to accomplish' (Silverman 2000: 826). With the aim of uncovering the historical causality and meaning of charisma, we employ Gephart's (1993) textual approach, as it 'allows systematic assembly, presentation, and interpretation of a set of related texts or documents concerning an event' (Gephart 1993: 1466). The method is based on a pivotal theory, a focal event, and a method for analyzing textual data.

As pivoting theory, we chose organizational symbolism (Morgan et al. 1983; Pfeffer 1981; Smircich 1983) for three reasons. First, successions involve the generation and distribution of symbols to multiple audiences, 'so as to legitimate the organization to its constituents' (Pfeffer 1981: 4–5). Second, organizational symbolism links legitimacy and individual compliance, whereas in the stock market social cues (Festinger 1957), such as analyst recommendations, are transformed into the 'objective realities' (Berger and Luckmann 1967) of stock prices. Last, organizational symbolism stresses that 'language, symbols, settings, stories, ceremonies, and informational social influence … [are] as much the tools of managers as are economic analysis, finite mathematics, and theories of leadership and organization design' (Pfeffer, 1981: 45–6).

The focal event of the study is CEO succession. During successions, the qualities and vision of the CEO dominate organizational discourse and stock market actors' attention (Hambrick and Fukutomi 1991; Pfeffer 1981). Methodologically, successions are critical incidents (Eisenhardt 1989; Pettigrew 1979; 1990) that make the construction of charisma 'transparently observable' (Pettigrew 1990: 275). We selected the appointments of Stanley Gault at Goodyear (1991) and that of Allen Questrom at J. C. Penney's (2000) through theoretical sampling (Eisenhardt 1989). The two succession events satisfied the following sampling criteria: a) US publicly traded firm; b) availability of both CEO and analyst discourse; c) visibility of the events in the public arena, such as business press, news reports, interviews, etc.; d) a firm crisis at the time of the succession; e) the appointment of an outside successor; f) a positive stock market reaction to the appointment, signaling trust in the newly appointed CEO. Overall, these criteria increase the likelihood that the selected events represent, indeed, cases where a charismatic image would be attributed to the CEOs (Canella and Lubatkin 1993; Shamir 1995).

We analyzed the first letter to the shareholders signed by each CEO and 12 news reports and interviews (four for Gault and eight for Questrom) published within six months from the appointment and obtained from the Lexis-Nexis® and ProQuest ABI-Inform databases. The letter to the shareholder is the most widely read part of the annual report; is relatively free from legal restrictions about its form or content; communicates both facts and beliefs in a form directly approved by the CEO (Fiol 1989); and reflects managerial attributions (Staw et al. 1983), locus of attention, and framing strategies (Westphal and Zajac 1998).

On the analysts' side, the study relies on 45 analyst reports (three for Gault and 42 for Questrom) obtained from the Invest-Text® database. Analysts embed their forecasts and recommendations in textual documents supporting the analyst's judgment to investors, fund managers, and the like. Reports are a communication channel between CEOs and the general investor public (Balog 1991; Beneish 1991), potentially triggering an 'active emotional contagion' (Judge and Ilies 2002) going from CEOs to the investor public. Such a 'discursive contagion' is traditionally used to measure communication effectiveness (Andsager 2000).

In terms of the method, we coded all sections of each document containing one of two broad themes developed theoretically. The first theme (the CEO's *persona*) included all text mentioning the appointed CEO's exemplary behaviors, in the form of presentation of personal characteristics or of a narrative implying some specific characteristic. The second theme (the CEO's *vision*) included all text containing an evaluation of the status quo, the CEO's organizational goals, and his proposals for achieving these goals. Although the two themes overlap with constructs developed by CLT, we focus on the persona and vision *conveyed through discourse*. While for CLT these constructs represent 'true' leader characteristics measured by follower perceptions, we conceptualize them as *discursive themes,* or social cues that orient the perceptions and beliefs of others in conditions of ambiguity (Festinger 1957).

Theseus Meets the Minotaur: Constructing Charisma through CEO and Analyst Discourse

First, we focus on CEO self-presentations and analysts' discourse concerning the two CEOs' *personae*. Then, we illustrate CEO and analyst discourse concerning the two CEOs' *visions*. Based on these data, we propose a set of propositions summarizing our observations. These are not generalizations per se (future research might seek generalizations), but rather a condensation of our reading of the data, or our 'construction of the construction of the actors' we studied (Schwandt 1994: 118).

CEO Self-presentation: The Projected Persona

The CEO's persona includes discourse about qualities, achievements, or exemplary behaviors projected by the CEO toward internal and external constituents (Biggart 1989; Conger and Kanungo 1998; Fanelli and Misangyi 2006; House 1977; Steyrer 1998). During successions, such discourse sets the tone for subsequent discussions concerning the CEO and has a direct effect on investors' perceptions — and therefore on stock prices:

> 'You must have also access to people because it is the perspective that you get that goes beyond the numbers that is important in describing the business and giving investors the confidence that they understand the company and what it's trying to do.' (an investor relations manager quoted by Useem 1996: 187)

After Gault's appointment as Goodyear's CEO, *Business Week* asked: 'Is Gault a miracle man who can turn around the ailing tiremaker …?' (Schiller 1991: 35). Indeed, Gault's first priority was to convince investors, through a compelling self-presentation, that he was a 'miracle man':

> 'I pride myself on being a people-person. It's very important to me to communicate our objectives to all our associates at every level … I have a high energy level. I'm curious about everything. I don't know how to give anything less than 110% effort to anything I do and I'm committed to returning Goodyear to prosperity.' (Anonymous 1991: 11)

The qualities invoked by Gault ('a people-person', 'a high energy level', 'curious about everything', 'committed to prosperity') suggest to Goodyear's frustrated shareholders an important message: Gault's qualities can (and will) affect workers' commitment and, as a result, Goodyear's performance will increase. A similar reasoning is contained in the opening paragraph of J. C. Penney's 2000 'Letter to the Shareholders', the first one signed by the new CEO, Allen Questrom:

> 'The challenge of regaining focus and winning with customers is what attracted me to J. C. Penney. Throughout my 35-year retailing career, I've had the good fortune to help a number of retailers regain their footing and get back on course. Helping a company succeed is extremely satisfying work. Success unleashes tremendous energy that allows people to win.' (JCP 2000 Annual Report: 1)

Here, Questrom invokes a set of qualities surprisingly similar to Gault's ('attracted to challenges', experienced, wanting to 'help people to win'), suggesting that charisma affects employee effort and motivation, which, in turn, affect firm performance. While research supports the premise (Lowe et al. 1996), it does not support the conclusion, save for the fact that the *projection* of prototypical qualities triggers attributions of charisma among followers, because certain terms (e.g. 'inspiring', 'involved', 'dynamic') activate people's implicit leadership theories (Offermann et al. 1994). Indeed, the simple announcement of Gault's appointment sent Goodyear's stock up more than three points in one day, to 30 1/8. Similarly, on the day of Questrom's appointment, J. C. Penney's shares rose 16% (Shaw 2000). Thus, our first proposition:

Proposition 1: The CEO's persona influences stock market perceptions through the projection of prototypical characteristics.

A second element affecting stock market perceptions is the *relationship* between the terms incorporated in the projected persona. Steyrer (1998) suggested that charismatic attributions stem from hyper-prototypical (i.e. exaggerated), or anti-prototypical (i.e. deviant) qualities. Yet, looking at Gault's self-presentation, we find elements of both ends of the continuum:

'I called on Goodyear in 1949 as a young GE salesman in Akron, selling light bulbs and other electrical products. Later, when I ran GE's major-appliance and television businesses, Goodyear … was our largest customer. So I would be here every six months to see the top people. I spent the past 11 years in Wooster with Rubbermaid. Tom Barrett was on the Rubbermaid board, and I joined Goodyear's board in 1989. So I know Goodyear. It has a great heritage, a great trade name, and talented people. But Goodyear is obviously a company under great stress. The people here have not had a taste of victory for a long time.' (Sheeline 1991: 104)

Here, Gault's persona incorporates seemingly contradictory traits: passionate yet tolerant, conciliatory yet dominant, knows every detail but has a good general idea of the whole as well. The image of the young salesman of light bulbs coming back, after 40 years, to supply his old customers with the ultimate product they need — a 'taste of victory' — is a vivid example of a narrative aimed at the release of emotions (Wasielewski 1985), the communication of a rupture (those responsible for today's appetite for victory, the 'top people' Gault met as a young GE salesman, are now gone), and the creation of a bond (after a long wait, Gault has finally rejoined Goodyear). The rupture speaks to the need for change, reassuring stakeholders that past arrogance will be soon wiped out. The bond speaks to the doubt that Gault might not possess enough knowledge of Goodyear, linking the CEO and the company across time and space.

A similar game of opposites appears in the persona of J. C. Penney's new CEO, Allen Questrom:

'And this outsider is not just any new face. He is considered a merchant of panache, a highly stylized, polished retailer who prefers double-breasted suits and whose demeanor and comportment defy the corporate blue, pinstriped, button-down shirt, rep-tie, squeaky-clean Middle America image of all of his Penney predecessors … It is hard to picture any of Questrom's predecessors in anything but a J. C. Penney Stafford Executive suit. It is even harder to picture Questrom dressed in one. The clash of cultures begins Sept. 15.' (Anonymous 2000a: 61, 63)

The central element of Allen Questrom's persona is his breach of the entrenched *style* of past management, symbolized by his clothes, showing to JCP's frustrated shareholders that he is an outsider, thus able to 'initiate and implement strategic change' (Cannella and Lubatkin 1993: 763). A deviant persona, however, is a double-edged sword, for 'there is no more important topic for the successful management of organizations than the orderly replacement of leaders' (Cannella and Shen 2001: 253). As a result, opposing characteristics enter the CEO's image, so as to reassure insiders' fears:

> 'Remember Jimmy Carter when he was in office and Ronald Reagan when he came into office? Ronald Reagan focused the country on what they did well and not what they did wrong and why they had to pull in ... some of that has carried over to Clinton.' (Anonymous 2000a: 63)

A persona incorporating seemingly contradictory traits allows the CEO to shape the perceptions of audiences with contradictory interests. Through the persona, an ordinary person is transformed into a personage, in whom audiences recognize their own experiences and existential dramas (Blasi 1991). Thus:

Proposition 2: The CEO's persona balances internal and external tensions by projecting contradictory qualities.

Analyst Discourse: The Persona of the CEO

Charisma cannot exist without followers' attributions and recognition (House et al. 1991; Weber 1997), and followers 'are active players who work with the leader to construct his or her charismatic image' (Gardner and Avolio 1998: 34). As followers, securities analysts jointly construct the CEO's heroic image, as exemplified by the following report:

> 'Allen Questrom, a proven winner … He should bring new life to the company … Without question, we think that Mr Questrom is a powerful choice … Mr Questrom is both a leader and a visionary who is willing to take decisive steps forward. He typically surrounds himself with the most capable team available so that he can continue to manage a company and not burden himself with every detail.' (Bear & Stern Report 21 September 2000: 1, 4, 21)

Here, the analyst endorses Questrom's projected persona, starting from the title of the report: 'In Allen … We Trust.' Corroborating Questrom's achievements, the analyst sanctions him as an 'experienced climber of the turnaround peaks', and becomes a channel to investors by issuing a summary 'recommendation'. Following Questrom's appointment, PaineWebber's analyst Jeff Edelman promptly upgraded the company to 'attractive' from a lower 'buy', and noticed the impending turnaround:

> 'In our view, [Questrom's appointment] is a great opportunity for J. C. Penney to "clean the slate". We believe the initial emphasis will be a ridding of all of Penney's excess baggage and non-core businesses, including the ailing drug store chain and direct marketing division.' (Anonymous 2000b)

Testifying on the hero's achievements, the analyst assumes the role of witness and cooperates in institutionalizing the charismatic image among investors: 'If the analysts are convinced that a remarkable CEO is at work, this should have a positive effect on their evaluation of the stock' (Hegele and Kieser 2001: 307). Ultimately, the analyst participates of, and enacts, the CEO's power over the investor perceptions. Thus:

Proposition 3: Securities analysts contribute actively to the construction of the CEO's persona by incorporating his/her persona into analyst reports.

Like the CEO, analysts employ categories and labels: in Questrom's case, 'a proven winner', 'a leader and a visionary'. As noted by performance evaluation research, once a subject is assigned to a category, further memory-based judgments of that subject are colored by the category prototype (Feldman 1981). Once a CEO is assigned to the 'proven winner' category, subsequent judgments will most likely be in line, as exemplified by the report Bear and Sterns issued five months after Questrom's appointment:

'New CEO can breathe life into this organization. We upgraded J. C. Penney Company Inc. to Attractive from Neutral on January 29 … Our upgrade is not based on a clear vision of how, or even if, J. C. Penney will regain market share … Rather, we think that because expectations are so low at J. C. Penney and the track record of new management is so strong … an interesting trading opportunity currently exists.' (Bear & Sterns Report 2 February 2001: 1).

Financial analyses are 'a belief over investors' beliefs': rather than representing facts, they construct them by suggesting a line of action, such as investing in J. C. Penney. Once framed as a 'trading opportunity', low expectations have *real effects* in the form of higher stock prices. Obviously, for this to happen, other analysts (and ultimately investors) must follow suit. This might not always be the case:

'*Expectations have been held low and for good reasons* [emphasis added]. Plans appear reasonable and conservative, as they should be … At its current price of $15 and 18× (FD 11×, MAY 13×) our 2001 estimate we believe the stock is ahead of itself and maintain our Neutral rating.' (Salomon Smith Barney Report 5 March 2001: 1)

Diverging from Bear and Sterns, the Salomon Smith Barney analyst frames low expectations as the reflection of an 'overvalued stock'. Labeling Questrom's plans as 'reasonable and conservative' signals that a condition for the attribution of charisma — the transcendence of expectations — is not met (Hegele and Kieser 2001). Indeed, six months before, the same analyst held a similar skepticism:

'We believe that it is premature to be more constructive on JCP shares. Reiterate our NEUTRAL rating on JCP … We quickly point out, however, that we believe there are big differences between the restructuring at Federated led by Questrom, which was a financial restructuring, and the issues/challenges he faces at JCP where the image of the company has diminished with its customers.' (Salomon Smith Barney Report 27 July 2000: 1).

By 'quickly pointing out' the differences between the CEO's previous and current situations, the analyst suggests that Questrom's 'good fortune in helping retailers regain their footing' will not apply to J. C. Penney: the discursive link between Questrom's achievements and JCP's situation is broken.

The contrast between the two analyst reports suggests the presence of a consistency motive (Chen and Meindl 1991): once the author makes an initial attribution about the CEO, such an irrevocable, volitional, and public act exercises a binding effect on subsequent ones, so as to maintain consistency and credibility. Such a 'stickiness' of analyst attributions, however, is not necessarily a psychological phenomenon: the endorsement of the CEO's persona is just another form of the 'bet' that analysts place on the company. Conferring legitimacy on Questrom's claims, Bear and Sterns 'bets' on a successful turnaround and, to the extent that it persistently drives investors to follow suit, it cooperates in that success. In contrast, by presenting a skeptical stance vis-à-vis Questrom's charisma, Salomon Smith Barney 'bets' on an unsuccessful turnaround. To the extent that skepticism materializes in weak investor interest, it proves the analyst right about his initial assessment. Both sides are central elements in the institutionalization of a charismatic image, similar to legends and counter-legends: 'Asking the question who is closer to the truth … is beside the point … the only adequate question here is which functions the publications … fulfill' (Hegele and Kieser 2001: 305). Thus:

Proposition 4: Securities analysts' attributions are subject to a consistency motive, exacerbated by competition.

CEO Self-presentation: The Projected Vision

Oftentimes the first letter to the shareholders presents the kernel of the CEO's vision. Here, 'an imaginative vision of the future, a realistic portrayal of the present, and a selective depiction of the past … serve as a contrast to the future' (Eccles and Nohria 1992: 32), preventing contradictory evidence from appearing and eliciting confirming evidence. Here, the essence is having a *good story*, as Gault's first letter exemplifies:

'In 1991, Goodyear significantly improved its operating performance and financial strength as a re-energized team of 97,000 associates put the "Go" back into the word Goodyear … Since my role change from outside director to your chairman and CEO in June, the company has concentrated on two priorities — reducing debt and improving operating performance … Together, our focus is on actively managing Goodyear to make more money and to capitalize on our worldwide presence as a market-driven supplier of high-quality tires, industrial products, chemicals, polymers and services.' (Goodyear 1991 Annual Report: 2)

Gault's pillars, 'concentrating on priorities' and being 'market driven', establish a first set of metaphors and linguistic devices articulating the vision. The first step to trigger attributions of charisma is 'recogniz[ing] deficiencies in the present context … to advocate radical changes' (Conger and Kanungo1998: 52). A critical evaluation of the status quo adds to the CEO's credibility, and ultimately to his charismatic image, as exemplified by the opening statements of Questrom's first Letter to the Shareholders:

'For J. C. Penney, our 2000 performance was disappointing. Neither our investors nor our associates can be happy with our performance last year. And our customers have let us know that we are out of focus — and out of favour.' (JCP 2001 Annual Report: 1)

Here, in order to project an image of charisma, Questrom's de-legitimizes the firm's past strategies and signals his ruthlessness in driving out past mistakes. Gault shows a similar attitude:

'We're going to examine everything … So I'm not used to having debt, and I'm certainly not used to spending more than a million dollars a day for interest, every day of the week, even on Saturdays, Sundays, and holidays. That we cannot live with … I've told the people that nothing is sacred. Nothing. That means we'll look at everything: research and development, capital expenditures, the company's 1,200 retail stores, even the Goodyear blimp.' (Sheeline 1991: 104–105)

For both CEOs, evaluating the past amounts to explaining the crisis: JCP's crisis comes from being 'out of focus', while Goodyear's crisis stems from having to spend 'more than a million dollars a day for interest', which also comes from an unfocused strategy. By shaping shareholders' attributions of causality for the firm's performance, the CEO's vision influences their definition of the situation (Goffman 1959). Once a consensus is reached about the reasons for the firm's crisis, the stage is open for a 'back-to-the basics' vision to appear. Thus:

Proposition 5: The CEO's evaluation of the past influences stock market actors' definition of the situation.

The second element in the construction of a charismatic vision is an ideological, emotional, and moral articulation of the future contrasting with the status quo (Conger and Kanungo 1998). As Goodyear's 1991 Letter to the Shareholders shows, the revolutionary character of the vision stems from the contrast with the firm's situation:

'We need to sell more tires; sell a richer product mix; continue to improve pricing beyond the increases last fall; and do it on a more cost-effective basis … We have a new spirit at Goodyear, we offer great products, we have the greatest name in our industry, we have developed a market-driven value and quality program, and we are proud to have 97,000 associates who are committed to keeping the "GO" in Goodyear.' (Goodyear Annual Report 1991: 4)

To the outside observer, it might be difficult to label as 'charismatic' a CEO whose vision is to 'sell more tires'. Yet, such a message *is* revolutionary in the context of Goodyear's failed diversification strategy and first money-losing year since 1932. A revolutionary vision, in such a context, is one that 'keeps the GO in Goodyear', answering dealers' concerns that Goodyear has no advertising executive at the vice president level:

'We have one, but without a title. It is "I". I have an advertising, merchandising and sales background and you can be sure this will be a market-driven company. We'll take a look at the things we've done well and at some we may have wished we had done differently.' (Anonymous 1991: 11)

Just as with the CEO's persona, the charismatic vision hinges on ambiguity and a game of opposites between radicalism and continuity, so as to project an image of radical revolutions within a context of incremental continuity, as shown by Questrom's 'visionary statements':

'The changes at Eckerd are more fundamental, but at Penney's it requires a 180-degree shift in structure … We have to learn new dances and new moves.' (Palmieri 2001: 6)

'But that's not going to happen in 60 days … If what you think you're going to do is totally change the culture in a company that's been around 98 years in two years you're wasting your time.' (Anonymous 2000a: 61–62)

'The ongoing challenge is to drive top-line growth and, at the same time, manage expenses … And we must also provide a competitive wage to our associates. We will challenge every expense, yet spend where required.' (JCP 2001 Annual Report: 2)

Once juxtaposed in this way, the interplay of revolution and continuity creates a bizarre atmosphere: the J. C. Penney elephant has to learn radically new dances, and has to do it quickly. However, this learning must happen slowly, and only on a limited basis, for the two pillars of Questrom's vision are a continuous revolution and a revolutionary continuity. Indeed, ambiguity and contradiction are crucial to satisfying the expectations of heterogeneous internal and external audiences. Thus:

Proposition 6: The contradictory messages projected by the vision of the CEO balances both internal and external expectations.

The simultaneous projection of seemingly contradictory features contrasts with Steyrer's (1998) argument that charisma stems from either self-stigmatization or exaggeration. One explanation points to the inherent ambiguity of CEO successions, calling for CEOs to make sense of both order and change at the same time: 'A transformational leader … is one who can formulate or facilitate the formulation of an inspiring vision of something to be sought even if it is unattainable, although it must also be approachable without limit' (Ackoff 1999: 22). A second explanation points to the role of time: emphasizing discontinuity at the beginning of his tenure, the CEO secures support from external constituencies, while continuity in the following stages secures internal cooperation (Hambrick and Fukutomi 1991).

Analyst Discourse: Translating the CEO's Vision

The discursive opposition between revolution and continuity enters the competition between analysts as a raw material for, and an influence on, alternative social constructions. Analysts cooperate actively with (or actively oppose) the CEO's vision, as well as become bound by their initial attributions. Some, like Bear and Sterns, 'bet' on a quick and radical revolution, and maintain this attitude over time:

'We believe that the board of directors and executive management are finally poised to implement enormous changes … With Mr Questrom at the helm, the pace of change should accelerate.' (Bear & Sterns Report 21 September 2000: 18).

'We also believe that the new management team is capable of either improving the fortunes of both these [JCP] franchises over the next two to three years, or it will be able to create sufficient shareholder value in that period.' (Bear & Sterns Report 2 February 2001: 3)

Others, like SSB's Richard Church, 'bet' on a slow and incremental change, and keep their 'bet' over several months:

'We believe that it is premature to be more constructive on JCP shares. Reiterate our NEUTRAL rating on JCP … Mr Questrom offered no insight as to what his priorities will be … At first blush while the marriage is an odd one given Mr Questrom's more upscale background and JCP's middle market positioning, the company is probably marginally better off today than yesterday.' (Salomon Smith Barney Report 27 July 2000 [the day of Questrom's appointment]: 2)

'Nothing substantially new emerged from the meeting … However, although some progress appears to be taking shape, we believe a turnaround is still at least 2–3 years away. Reiterate Neutral rating'. (Salomon Smith Barney Report 22 June 2001: 1)

In this case, Church suggests that Questrom's upscale outfit is that of an 'odd husband' for JCP. The absence of enthusiasm for Questrom's background supports the 'neutral' recommendation, and signals that the analyst 'does not buy into' Questrom's story, putting his assessment at odds with Bear and Sterns's evaluation. As seen for the CEO's persona, both the consistency motive and competition among analysts fuels divergence of opinions about the CEO's vision. Ultimately, analyst competition engenders power over investors: analysts compete with each other on their respective capacity to highlight to investors the presence (or lack) of 'corporate direction and responsibility' (Clemente 1988) or, in other terms, to 'forecast' accurately the firm's future performance (Sheikholeslami et al. 1998; Stickel 1992). In the end, however, both the 'enthusiastic/bullish' and the 'skeptical/bearish' analysts cannot but reconfirm the link between top executives and firm performance: if performance is unsatisfactory, it is not because of a weak link with executive action, but because of weak executives. Thus:

Proposition 7: Securities analysts contribute actively to the construction of the CEO's vision by translating and incorporating it into their reports.

Proposition 8: Securities analysts' reports are subject to a consistency motive, exacerbated by competition.

Categories and labels allow analysts to compete for the 'best understanding' of the CEO's message, while making sense of the ambiguous process of stock evaluation (Zuckerman 1999). Status, and thus power over investors, is the outcome of a game where analysts channel the emotional contagion from the CEO to investors. Constructing charisma allows analysts and CEOs alike to manage their reciprocal interdependence while raising their standings in their respective labor markets (Cannella and Lubatkin 1993; Tosi et al. 2004). By promoting contradictory ideas, themes, and images, CEOs compete with other CEOs, with analysts, and with the investor public. By accepting, modifying, or rejecting them, securities analysts do the same – compete with other analysts, with CEOs, and with investors. In the absence of ambiguities and contradictions, the game could not be played, and what counts in the stock market — that is, *perceptions* — would remain uncontrolled and evolve accidentally.

Summarizing, the data show how the two CEOs constructed their image among analysts and, with their help, among investors, through a charismatic persona and vision. Both elements influence stock market perceptions and balance internal and external tensions by projecting prototypical terms (*P1*), in spite of their seeming contradictions (*P2, P6*), as well as by de-legitimizing the past (*P5*). Together, these elements situated each CEO's discourse in the firm's context. Securities analysts contribute actively to the construction of the image by conferring or denying legitimacy to the CEO's claims (*P3, P6*). At the same time, they are bound by their initial attributions (*P4, P8*).

Discussion

Our results suggest several considerations concerning the role played by charisma in the stock market and its operation as a mechanism of power.

First, charismatic symbolism is important *outside* organizations, not just inside them (Fanelli and Misangyi 2006). Discourse, narratives, and symbolism '*constitute* the organizational consciousness of social actors by articulating and embodying a particular reality' (Mumby 1987: 125). As our study shows, charismatic discourse constitutes the consciousness of social actors within a central domain of today's society — the stock market. Through a process of *cultural organizing* (Alvesson 1996), charismatic symbolism establishes and reinforces within the stock market certain views about the qualities, decisions, and ways of thinking that characterize successful leaders — first and foremost the idea that charismatic CEOs affect firm performance. In a way, a charismatic CEO *is* today's Theseus: by controlling investor perceptions, charisma regulates the ambiguity of stock evaluation. As long as analysts and investors *believe* in the CEO's magical qualities, charisma will manifest its effects — regardless of whether employees are motivated or not.

From the viewpoint of organizational symbolism, we provide further evidence of the effects of symbolic action on stock market perceptions (Westphal and Zajac 1998), as well as documenting the *process* by which this happens. Informational intermediaries such as analysts are a crucial link between charismatic discourse and stock prices: as witnesses and joint authors, they confer or deny legitimacy to the CEO, thereby transmitting his influence to, or modifying his influence on, the stock market. The use of prototypical imagery and emotional language are also central elements of the process. By projecting prototypical personae and articulating emotional rhetoric, executives mobilize and orient the attention of external audiences toward certain aspects of their actions and far away from others (Eccles and Nohria 1992; Elsbach 1994; Wasiliewski 1985). Future research should expand our understanding of how discourse affects, through emotions, several classes of intermediaries (fund managers, investor newsletters, etc.) as well as developing quantitative measures of the degree to which such intermediaries reproduce and diffuse among investors the emotional discourse projected by corporations.

The second consideration concerns the operation of power: as a social construction, charismatic symbolism incorporates and reproduces relations of power (Berger and Luckmann 1967; Mouzelis 1991). As Deetz and Mumby (1990) suggested: 'One of the most important areas in which power is exercised is in the struggle over meaning' (Deetz and Mumby 1990: 32). Yet, within the stock market, meaning struggles are different from those occurring within organizations, for the exercise of power hinges primarily on cooperation, rather than on hierarchical coercion. For CEOs, a charismatic image is a way of influencing analyst evaluations, status, and stock prices. The price for such an opportunity is the possibility that analysts might translate, modify, and ultimately destroy such an image regardless of the actual performance of the firm. The same is true for analysts, who get the opportunity to influence investor decisions, their careers, and compensation, at the price of keeping their evaluations more stable over time. Charismatic symbolism is not a *unidirectional control* located in one social domain (the CEOs) and exercised over another (the analysts), for analysts are both central agents in, as well as beneficiaries of, the diffusion of charismatic imagery. As Foucault (2000: 341) argued: 'The exercise of power is not a violence that sometimes hides, or an implicitly renewed consent. It operates on the field of possibilities in which the behavior of active subjects is able to inscribe itself. It is a set of actions on possible actions.' The end result is a relentless game of diffused power, where multiple subjects compete with each other while incessantly reinforcing, together, the very basis of their power: investors' and, ultimately, society's beliefs in leadership.

From the viewpoint of the literature on power, we suggest several considerations. First, the exercise of power outside organizations (and within, we suspect) hinges upon relational practices such as the *presentation of the self*. Stock markets are probably the most entangled maze where 'organizational men' wander today. Paradoxically, the mythical, emotional, and magical symbolism of charisma is more effective than rational and technical discourse in the struggle with evaluative uncertainty. Such a practice of power is inherently *relational:* it incorporates, and adapts to, various classes of actors and interests, transforming the persona and vision of the CEO into a collective project. Second, the study allowed us to identify some of the mechanisms through which meaning is 'fixed' (Fletcher 1992): emotions, archetypical and prototypical discourse. These mechanisms demarcate a form of power that is inherently *productive*, thus making it difficult to identify the 'real interests' of the subjects of power (Fletcher 1992), let alone possibilities for resistance. Indeed, charisma, as 'an emotional form of communal relationship' (Weber 1997: 359), points us to an *affective dimension of power* whose relevance might be, we suspect, notable when compared to its cognitive, rational, dimension: if anything, emotions are orthogonal to material interests, and charisma demarcates a domain of power that would be impossible to conceive were it not for the operation of emotional processes. Last, beyond its immediate effects, the wider context of charismatic symbolism is the definition of subjectivity as a 'complex, contradictory and shifting experience … transmuted or reproduced by way of social practices' (Alvesson 1996: 99). The carefully projected set of behaviors, decisions, personal mythologies, ways of dressing, attitudes toward people and social issues that comprise today a 'chief executive officer' encompasses a role model, a cultural object, and a public identity. Research on power should take such topics into consideration — starting, for example, from the diffusion of charismatic images as the emotional and productive mechanisms of power inside modern corporations.

Conclusions

In terms of practical considerations, this study suggests that executive leadership hinges on language and discourse not only inside, but also, and perhaps more importantly, outside the firm. If anything, this has important consequences for leadership development. In the USA, where a 'social movement on corporate control' constantly threatens to control executive decisions, compensation, and strategies (Davis and McAdam 2000; Useem 1996), executives rightly look at language, reputation, and symbolism as ways of reducing their dependence on the stock market. From this viewpoint, charisma is simply a response to an institutional change — investor capitalism. By the same token, securities analysts and stock market authorities should be aware of the influence of language in general, and charismatic symbolism in particular. Once firms and analysts are allowed to produce and reproduce narrative accounts of 'who is doing what and for what reasons' in a relatively free form, the opportunity is born for investors to disregard risk — with the inevitable consequence of bubbles and bursts. A society increasingly preoccupied with accountability and corporate governance should at least recognize that heroic imageries present a risk. Since the study relied on US data as well as on charismatic leadership theory, which was developed mainly in the USA, our considerations might not extend to other contexts. However, to the extent that other countries incorporate and adapt the framework of 'investor capitalism' within their financial institutions, our conclusions apply.

Researchers can, and should, try to understand why and how executives become today's saints and heroes, and what the consequences of this institutionalization might be for society at large. In our opinion, one of the priorities is to study systematically how external followers acting as 'discursive intermediaries' (analysts, fund managers, etc.) construct, strengthen, translate, or weaken the discursive tactics of large corporations. Paraphrasing Paul DiMaggio (1988), we should ask: who has institutionalized a CEO's charisma, and how; and who has the power to legitimize (or de-legitimize) a charismatic image? Stock market actors are today confronted with new challenges and risks, and each of their responses engenders new and elusive strategies of power. Academic research is not immune from the power game played in the 'real world'. As we suggest in this study, CLT cooperated in the diffusion of heroic imagery. If CEO charisma occupies an important position in the reproduction of relations of power within the stock market, it is also thanks to the existence of a field of knowledge claiming that charisma affects performance. Researchers, like securities analysts, are not simply passive observers of an external, objective reality, and the idea that leadership scholars are 'completely ignored by policy makers, the press, and practicing managers' (House and Aditya 1997: 444) seems a bit exaggerated. Knowledge fields participate in relations of power within society, and contribute to their reproduction. For the myth to stand the proof of time, all three characters must be in place — Theseus, the Minotaur, and Ariadne.

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