1 HEROES AND VILLAINS

Sir Martin Sorrell's grandparents arrived in 1899 as immigrants to the UK, after fleeing a pogrom in Ukraine. Fearing anti-Semitism, they changed their surname to Sorrell. Martin's father, Jack, worked tirelessly to improve the family's prospects. He had to leave school at 13, passing up a scholarship at the Royal College of Music, but he eventually became a manager of a modest chain of electronics stores. This enabled him to send Martin to a fee-paying school. The sacrifices made by his father, which he was keenly aware of, instilled in him a steely determination to succeed.[1]

Following an undergraduate degree in economics at Cambridge and an MBA from Harvard Business School, Sorrell worked his way up the corporate ladder at the advertising giant Saatchi & Saatchi to become the group financial director. He then decided to strike out on his own. In 1985, borrowing against his Saatchi & Saatchi shares, he bought a controlling stake in Wire and Plastic Products (WPP), a maker of wire supermarket baskets that was listed on the London stock market. He attributed this decision to the andropause (the male menopause), but it allowed him at the relatively young age of 41 to become a CEO.[2]

Over the next three decades through exceptional drive and ambition he transformed this manufacturer of wire shopping baskets into the world's leading PR and advertising company.[3] His career experience as an insider in the advertising industry and as a finance director gave him a distinctive vision for the company. Sorrell had spotted that to satisfy the global outlook of its clients the highly fragmented advertising industry in the 1980s needed to be consolidated, and he set about doing this through

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an aggressive strategy to acquire a large number of advertising agencies. He subsequently managed the resultant organisational complexity of integrating about 400 advertising agencies into WPP. In 2018, the year of his exit, his vision and strategy ensured that WPP generated £15 billion in revenue and employed 130,000 people in 112 countries.[4] Sorrell's transformation of WPP from a domestic manufacturer to a global services firm was remarkable and emblematic of a long-run dynamic in the UK economy away from manufacturing and towards global services.

His family roots equipped him with an extraordinary work ethic: he was renowned for an insatiable appetite for work. His Jewish heritage gave him a very clear self-awareness of himself as an outsider.[5] As a result, he could see opportunities that others overlooked and possessed a ruthlessness that meant he was willing to upset the apple cart to achieve his ambitions.[6] David Ogilvy, the 'father of advertising', famously called him an "odious little shit" during WPP's hostile takeover of Ogilvy and Mather.[7] Sorrell was happy to ruffle feathers in the clubby world of advertising agencies: another executive whose company was taken over by WPP stated that he would "rather lick an abattoir floor than work for Sorrell".[8]

He was also handsomely remunerated for his success in building WPP. In 2015, for example, he was paid £70.4 million: 2,549 times the median salary in the UK that year.[9] His pay between 2009 and 2015 altogether totalled £190 million. His success also brought him a knighthood from the Queen in 2000 and it turned him into something of a celebrity CEO and a prognosticator on the global economy. He was a regular speaker and star turn at the World Economic Forum in Davos and received an invitation to President Obama's inauguration. His presence at the wedding of Prince Harry and Meghan Markle in 2018 spoke of a CEO at the very heart of Britain's establishment.

Despite the ongoing success of WPP, within a few weeks of attending the royal wedding Sorrell had stepped down as CEO following allegations that he had bullied and verbally abused his employees, and used company funds to pay for personal expenses, including a trip to a Mayfair brothel.[10]

For some, Sorrell is an archetypal corporate villain, a member of the Davos elite unduly influencing politicians and policymakers in pursuit of his self-interest, whose bullying and aggressive approach to business destroyed not only competitors, but also his own employees.[11] For others, Sorrell is a feted hero of capitalism. His hard work, flair, and ruthless

Portrait 1.1 Martin Sorrell at the World Economic Forum.
Source: Bloomberg/Getty Images.

ambition built a world-leading company, creating jobs and wealth. He was also an outsider, the grandson of impoverished immigrants, who had worked his way to the heart of the British establishment. His business success was a key driver of his social mobility.

Martin Sorrell's career is emblematic of the debates that have grown up around CEOs. It raises the questions: What do they do? And are they worth their vast pay packets? In effect, are they heroes or villains? From these debates emerge three major reasons why we should care about CEOs and why they warrant serious study. These comprise their importance to their companies, their wider economic and political power, and what their careers tell us about social mobility and income inequality.

Most obviously, CEOs matter to the companies they lead. Sorrell was directly responsible for the success of WPP, and academic research has shown that individual corporate leaders can have a significant effect on business performance.[12] Their vision and decision making have been identified as critical factors in the effective running of large companies.[13] But not all CEOs are business superheroes. Failures by corporate leaders to grasp innovations and modernise business practices have been identified as serious drags on company performance and the economy. In recent years, for example, low-quality corporate leadership has been blamed for the poor performance of many British companies and is reflected in the abysmal performance of the UK's stock market as a venue for raising capital.[14] This managerial malaise has also played some part in the UK's poor productivity performance since the turn of the twenty-first century.[15]

Claims about the poor management of British companies have a long pedigree.[16] Alfred Marshall, one of the most influential economists of the twentieth century, noted in 1919 that the performance of large British companies lagged behind that of their peers in the United States and Germany.[17] He claimed that the managers of these large companies were amateurs, who unlike their US and German counterparts lacked appropriate education and training. Alfred Chandler, the doyen of business history, echoed Marshall's view that British management in the first half of the twentieth century was amateurish.[18] Without relevant experience, training, or market-based competition to identify the best candidates for the role, these amateur leaders failed to adopt from their US peers the same sophisticated organisational structures and managerial development programmes for use in their own businesses.

The origins of Britain's managerial amateurism may in fact have much deeper cultural roots. American-born poet Ezra Pound observed in 1918 that Britain was a "country in love with amateurs" and a country unable to criticise charming and beautifully mannered incompetents.[19] For some economic historians Britain's economic malaise can be traced back to this chronic British disease.[20] How valid are these claims of poor management? Does poor management persist today?

If the CEOs of major businesses matter to the companies they lead, then they also play an outsize role in the economy because their firms are significant contributors to a country's economic performance and development. In the Organisation for Economic Co-operation and Development countries – the club of advanced economies – one third of all business activity was undertaken by companies with revenues over $1 billion. The contribution of these large companies to national economic performance through employment, income, and tax is therefore substantial.[21] For example, the top 100 public companies in the UK together employ over 6 per cent of the UK's workforce, contribute about 13.7 per cent of the country's tax receipts, and support 6,000 times as many small businesses through their supply chain.[22] In the case of Sorrell, he had ultimate authority over 130,000 employees, and his company in the year he stepped down contributed 1 per cent of the UK's overall corporation tax take.

CEOs are also an important topic to examine because their substantial economic power gives them influence in politics. During his 1953 Senate confirmation hearing as US Secretary of Defense, Charles Wilson was asked if he could make a decision that would hurt General Motors, where he was CEO. His answer, often misquoted, highlighted the perceived positive symbiotic relationship between large corporations and the countries in which they reside. He answered yes, but added that he could not conceive of such a situation "because for years I thought what was good for the country was good for General Motors and vice versa".[23]

The relationship between corporate and political power gives CEOs a lot of sway over the economy because they can shape policies in a pro-capitalist and pro-business direction via the influence they exert on politicians and political systems. Whether what was good for WPP was good for Britain is debatable, but, due to his position, Sorrell was close to political elites around the world and able to make a forceful case for pro-business policies. In fact, WPP acquired numerous public affairs and lobbying companies specifically to manage corporate relationships with politicians. The extent to which CEOs have used their position to pursue and protect their own economic interests raises important questions about how the relationship between CEOs and politicians has evolved.

Their economic and political power makes CEOs important actors in society. The pertinent question therefore is whether the CEO position of large companies is the preserve of a social elite or whether a meritocracy prevails in that anyone from any background can become a CEO. Thus, who becomes a CEO is a good indicator of social mobility. Studies of CEOs in the United States since the 1930s have been obsessed with this question.[24] The American dream of a meritocratic society is perceived to be still potent if the son of a small Midwestern farmer can rise to the position of CEO of a *Fortune* 500 company. CEOs have long been recognised as part of Britain's elite and it is important to know whether this managerial caste has been open or closed to talented outsiders and whether its openness has changed over time.[25]

In a class-conscious society like Britain, do people from the working and middle classes ascend to the office of CEO of a large public company? In the UK, anecdotes about old Etonians and Oxbridge

(University of Oxford or University of Cambridge) graduates versus barrow boys and entrepreneurs dominate discussions about the path to the top of the corporate world. In the case of Sorrell, he was an outsider to Britain's class system and his progress to CEO suggests that there was an elevator at work in the 1970s and 1980s to lift the grandson of Jewish immigrants to the leadership of a public company. But was Sorrell typical? This question has become even more pressing as business and society come to recognise the value and importance of diversity in leadership and decision making.

CEOs also matter because they have recently become lightning rods in debates about the causes of growing wealth and income inequality. In his best-selling book *Capital in the Twenty-First Century*, the economist Thomas Piketty showed that in the decades after 1979 the income of the top 0.1 per cent of earners in the United States grew annually at five times the rate of average earners.[26] CEOs were an integral part of this 0.1 per cent. Indeed, their pay growth significantly outstripped even that of other members of the economic elite.[27] Whilst Sorrell's pay was certainly high, it simply reflected wider trends in both the United States and the UK. The average ratio of CEO-to-employee compensation in the United States went from 30 in 1978 to a staggering 270 by 2016.[28] Where the United States leads, the UK soon follows. CEO pay in the UK started to creep upwards in the 1980s, and by 2016 the UK's CEO-to-employee compensation ratio was 129.[29] Questioning what corporate 'Fat Cats' (the moniker used by the popular press) do to justify such huge compensation packages has captured the attention of a public attuned to rising inequality.

Concern over the influence and impact for both good and bad of CEOs on companies, the economy, and society has become a feature of public discourse and provides a periodic impetus for government and business handwringing. In the 1990s alone, three reports were commissioned in the UK to address questions of corporate governance and the remuneration of CEOs: Cadbury in 1992, Greenbury in 1995, and Hempel in 1998. These reports highlighted the importance of CEOs, as well as the growing need to check their power and behaviour. In July 2016, in one of her first pronouncements as prime minister, Theresa May called for excessive CEO remuneration to be curbed, and for reform of corporate boards to give stakeholders more say in the running of companies. The fact that these same debates continue today indicates the limited effect of these reforms and keeps open the question of how CEOs should be kept in check.

Despite their importance, we know relatively little about the men and women who have formed Britain's corporate elite. Business leaders in the United States are venerated by the wider society, whereas the UK's snobbery about business leaders and commerce more generally is long-standing. One historian described Britain's business leaders as a "curious and unloved species".[30]

Whilst wider public knowledge of CEOs has changed somewhat in the 2000s, hagiographic and hatchet-job biographies and autobiographies have shaped much of what we know, alongside the self-promotion of CEOs who have tried their hand as TV personalities. Outside the pink pages of the *Financial Times* and business pages of the broadsheets, general media coverage of CEOs in the UK's tabloid press has tended to relish their peccadillos and falls from grace. More recent coverage, such as podcasts like *The Diary of a CEO*, also points to a growing interest in the stories and characteristics of successful businesspeople.[31]

In this book we want to counter the indifference towards business leaders by looking at the history of the CEO from 1900 to the present day. We take this long-term approach because hindsight gives insight into many of the important questions raised in the debates around CEOs. A historical perspective can establish long-term trends and the effect of CEOs in a variety of different contexts. This helps us understand how we arrived in a world where CEOs are all-powerful in their companies and where exceptionally high CEO pay has become the norm. The final reason for taking a long-term approach to the study of the CEO is that the history of Britain's economic change in the twentieth century is typically viewed through the lens of politicians and policy. But this approach tends to omit the major influence of corporate leaders on the economy. In this book, therefore, we are telling the story of Britain's economy since 1900 through the lens of its corporate leaders.

Charting Our Course

In writing this history, we address three questions. First, who were the CEOs and how did they get there? To answer this question, we look at the role of familial, social, and educational background in helping people become CEOs. We examine the extent to which changes in the economic and social environment reshaped the profile of archetypal CEOs. We also investigate how, or indeed if, they acquired the skillsets needed to build or run a large business organisation.

The second question we look at is: what did they do as CEOs? In particular, we focus on their vision and strategy (or lack of it) for their company. We are chiefly interested in understanding what they saw for the future of their company's products or services and the plan they implemented to help their company achieve its vision. We explore whether their insights about the future were technological, organisational, or socio-economic in nature. Technological insights include the development of new products or services or innovative ways of manufacturing or delivering existing products and services. Organisational insights include the internal reorganisation of a company's bureaucracy and top team to help make the company leaner and more competitive. Finally, socio-economic insights include understanding changes in the political and regulatory landscape, geopolitics, consumer tastes and behaviour, demography, labour markets, and the market structure of an industry.

Third, we ask whether CEOs mattered for the companies they managed, and examine the effect they had on Britain's economy and society. Did CEOs with particular characteristics perform better than others? How did they influence the country's economic policy and performance? How did those in the corporate elite reflect and affect changes in social mobility? How have their actions shaped Britain's place in the world?

To help answer these three questions, we have assembled a database of the individuals who have been CEOs of the top 100 most valuable UK public companies on the London Stock Exchange since 1900. Our database consists of 475 companies and 1,397 CEOs.[32] To explore whether our findings for the top 100 companies are representative of smaller companies, we have also constructed two larger databases for 1911 and 1999.[33]

Having identified the CEO for each of the companies, we subsequently created a career biography for each, using numerous sources such as the *Oxford Dictionary of National Biography*, the *Dictionary of Business Biography*, individual biographies, obituaries, and interviews from various British news publications, including the *Times*, the *Telegraph*, the *Guardian*, and the *Financial Times*. From these sources, we gathered data on their education, social background, career development and pathway, and reasons for their exit. This biographical database helped us uncover common characteristics, which we have used to identify archetypes and create a typology. We consider four types of CEO. Gentlemen CEOs were from the aristocracy and obtained the position because they were members of the social elite. Family CEOs obtained the position because they were descendants of the founding family, whilst founder CEOs were in the role due to having founded the business. Finally, professional manager CEOs were salaried individuals who had worked their way up the corporate ladder.

To help us analyse how the different types of CEO evolve and perform we draw on several bodies of academic research. First, to understand the connections between the individual characteristics and actions of CEOs, we draw on Upper Echelons Theory (UET). It posits that companies and their strategy reflect the innate values and abilities of their CEOs and top managers.[34] This theory has spawned an extensive literature that seeks to understand the effect CEOs have on corporate performance.[35] One strand has sought to explain the proportion of company performance caused directly by the CEO rather than other factors in the firm or the industry.[36] An interesting element of this research has found that since the 1960s the effect of US CEOs on the performance of their company has increased from 10 to 20 per cent.[37]

UET is in some sense the formal expression of the long tradition of explaining history through the characteristics and actions of individuals. The essayist and historian Thomas Carlyle, in his 1843 book *Past and Present*, coined the well-known phrase “captains of industry”.[38] Carlyle is renowned for his view that “the history of the world is but the biography of great men”.[39] His great man theory carried over into his thinking about captains of industry. These ennobled heroes of commerce, not the aristocracy or politicians, were the only ones capable of pulling the lower classes out of dire poverty.

To analyse the importance of CEOs, UET proposes that their values and complex psychological drivers affect the way that they lead and the decisions they make. These factors cannot be measured in a systematic manner but are reflected imprecisely in observable characteristics. For example, the age of a CEO may reflect their conservatism and attitude to risk-taking.[40] Why might older CEOs take less risk and be more conservative? Many older CEOs have less physical and mental stamina, a greater psychological commitment to the status quo, and may be more concerned with their personal financial security.[41]

A further example of an observable characteristic is education, which is generally regarded as a good measure of a CEO's cognitive ability.[42] University degrees may be indicators of a superior ability, formed through analytical and critical thinking, to deal with administrative complexity. Education may also indicate emotional intelligence, that is, skills which contribute to the accurate appraisal, expression, and regulation of emotion in oneself and in others.[43] Other observable characteristics that reflect the values and psychological drivers of CEOs include their career experiences, socio-economic and family roots, functional and professional specialisms, and their social networks. Martin Sorrell's career neatly illustrates the interplay of these characteristics in shaping his actions and the subsequent outcomes for WPP.

To understand the incentives and behaviour of CEOs, we draw on agency theory. This theory explores how the owners of a company (the shareholders) can control and incentivise the agents (the CEOs) who are appointed to run the company on their behalf. In turn, it can also help us understand the ability of CEOs to impose decisions unilaterally on the company as well as their accountability for poor outcomes. At its core, agency theory examines how mechanisms can be used to stop CEOs misusing the company's resources for their own interests.[44] A board of directors who exercise oversight is one of the most often used tools to make sure that CEOs act in the interests of shareholders. Government policies, social norms, and cultural facets, all of which vary over time, also determine the power of CEOs and what is viewed as acceptable behaviour for corporate leaders.[45]

Agency theory has long historical antecedents. Writing when the early foundations of the modern corporation were being laid, Adam Smith, the eighteenth-century Scottish philosopher and founding father of economics, anticipated the governance problems that we experience today. In *The Wealth of Nations*, he castigates corporations and those who ran them. For him, "the managers rather of other people's money than of their own . . . cannot well be expected [to] . . . watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own".[46] In other words, because CEOs run companies funded by other people's money, they are less likely to run them with the same care that they would their own business. They would be more likely to divert company funds by rewarding themselves with high salaries and perks to fund their extravagance. Notably, as well as his high salary, Sorrell in 2016 made expense claims totalling £453,000, which included £274,000 in travel expenses for his wife.[47]

Finally, we draw on historical scholarship to understand the external environment in which CEOs operated. Context matters, and history reveals how changes in the economic, political, social, and technological environments reshaped the role of the CEO, pathways to the top, and the characteristics which matter for the performance of the CEO's role. This context also allows us to understand how CEOs affected their external environment by exerting their economic power to influence political, societal, and technological change. For example, the two world wars and the post-1945 era were periods of increased government intervention in the economy. The industrial policies which emanated from this intervention weakened competition through government-sanctioned cartels and restrictive practices. This anti-competitive environment, however, was shaped in conjunction with CEOs who exerted their power and influence through their connections to the political elite.

Although this book is structured chronologically, we develop five important threads which speak to ongoing debates about CEOs. The first thread explores how the role of the CEO has changed. This tells the story of how over the past 120 years the professional manager CEO came to dominate the leadership of the UK's largest firms. This was a bumpy journey, as amateurs gave way to professionals, and authority within companies was gradually concentrated within a single powerful executive. The scope of the role expanded as companies grew in size and complexity, and CEOs became increasingly important as political and social actors.

Alongside the evolution of the CEO role, we follow a second thread which looks at how their training and career experiences developed. As salaried professional managers proliferated, their level of formal education and specialist management training slowly rose. Professional experience in fields including accounting and engineering became more widespread, whilst those with deep insider experience of the company and industry were preferred to outsiders. We find, however, that British corporate leaders have had relatively low levels of education and specialist management training in comparison to competitors in other advanced economies. Indeed, many of these professional manager CEOs lacked the necessary expertise to run the increasingly large and complex corporate bureaucracies that emerged in the interwar era.

The third thread examines how the scope of the CEO role has been determined by changes in corporate governance regimes. Aligning the interests of the shareholders of the company with those of its managers is a challenging problem and mechanisms to resolve it such as the *noblesse oblige* of the aristocracy, the social ties of family ownership, empowered boards of directors, codes of behaviour, and the increased threat of dismissal have all been tried. We show that as corporate power has become increasingly vested in the hands of professional executives, these mechanisms have proved of limited value in holding CEOs accountable and keeping their pay in check. At the end of our story, the failure to check the 'Fat Cats' created several catastrophic corporate failures.

To investigate the wider societal impact of CEOs, we follow a fourth thread that examines the social mobility and diversity of CEOs. We explain how aristocrats and social elites rapidly disappeared as the leaders of big business and were superseded by professional managers. As a result, the pathway to the top became increasingly meritocratic and socially diverse, with CEOs from working-class backgrounds appearing more frequently. Gender diversity was, however, much slower in taking root, although we show how women played important roles in corporations over the century.

The final thread looks at the performance of the CEOs and the effect they have on their companies and the wider economy. The question of performance is considered in the context of the era and in relation to competitor companies and economies. This pulls together the other threads and shows how changes to the role and the characteristics and experiences of CEOs have led to both the successes and failures of individual CEOs and affected the performance of the British economy.

Were the CEOs of major British companies since 1900 'great men' who transformed their companies and society around them? Or were they grasping rogues out for themselves? Were they heroes or villains? As you meet the CEOs in this book, you will see that the answer to these questions is complex – heroic visionary actions were often offset by the naked self-interest of the same individual. Some were villains. Some were heroes. And most, like Martin Sorrell, were mere mortals marked by greatness but with all-too-human failings.

When these five threads are pulled together, our story of the CEO briefly stated is as follows. In the Edwardian era gentlemen CEOs dominated corporate leadership roles. Despite their amateurish backgrounds with regard to business, the gentlemen CEOs performed just as well as their peers. Later, dynamic founders and family networks cooperated closely with the government to navigate the sea of instability and upheaval of the interwar years, leading to the establishment of some of the UK's biggest and most successful companies of the twentieth century. Then, after World War II, the leadership of Britain's top companies was in the hands of a cadre of salaried managers. But the inadequate professionalisation of this cadre was a major contribution to Britain's economic stagnation after the war. The remedy to this malaise came from a group of buccaneering entrepreneurs in the 1970s and 1980s, who used takeovers, the stock market, and a financial lens to run businesses in a way which challenged vested corporate interests and amateurish approaches to running large companies. The changes ushered in by these buccaneers gave CEOs greater freedom to run their businesses, as long as they delivered for shareholders. These newfound freedoms and pressures on CEOs came home to roost in the 1990s and 2000s, when CEOs became 'Fat Cats', and hubristic CEOs created several catastrophic corporate failures which greatly damaged Britain's economy.

The Origin of the Species

To begin our examination of British CEOs, we must understand the origins of the species. The word 'CEO' first appeared when Elbert H. Gary assumed the leadership of US Steel, the world's first company with a market capitalisation of $1 billion.[48] Although appointed to the top job in 1903, Gary was not named 'chief executive officer' until seven years later. It took some time before the appellation caught on – 198 of the leaders of the top 200 US corporations in 1917 were called 'president' or 'chairman', with 'chief executive officer' coming into more regular use in the late 1920s.[49] According to Google Ngram (an online tool that charts the frequency of word use on an annual basis), the use of 'chief executive officer' took off only after 1950, coinciding with its more widespread adoption amongst the corporate elite in the United States.[50]

Not many acronyms become words, but CEO is afforded this privilege. The *Oxford English Dictionary* states that one of the first times the word CEO rather than the acronym C.E.O. appears in print is in the *Harvard Business Review* in 1972. Google Ngram suggests that the use of the word CEO remained low until the late 1970s, but then soared during the 1980s and 1990s.

As far as we can tell, the first use of the term in the UK occurred in the 1930s, and was an American import. Medley G. B. Whelpley, an American, was listed as both 'Chief Executive' and 'Chairman' of Lautaro Nitrate, a British listed subsidiary of the US-based Guggenheim Brothers. Figure 1.1 from our database of 1,397 CEOs demonstrates that for much of the twentieth century, 'chairman' and 'managing director' were the more common titles for Britain's captains of industry. Throughout this book, for the sake of consistency and to avoid confusion, we use the modern word CEO to refer to the officeholder even though the title CEO only became commonplace in the UK in the 1970s.

The change in the use of terminology represents a series of significant transformations in the role and functions of the CEO. Today, the CEO is peerless in the company – they, and they alone, are the ultimate decision-making authority. Are CEOs autocrats? Some appear to be. Most CEOs, however, are more akin to a prime minister, who is the pre-eminent and ultimate ruler of a country. As with prime ministers, CEOs face checks and balances on their power. The top management team and other executives are like cabinet members with their portfolios of responsibility, and senior employees are like MPs.

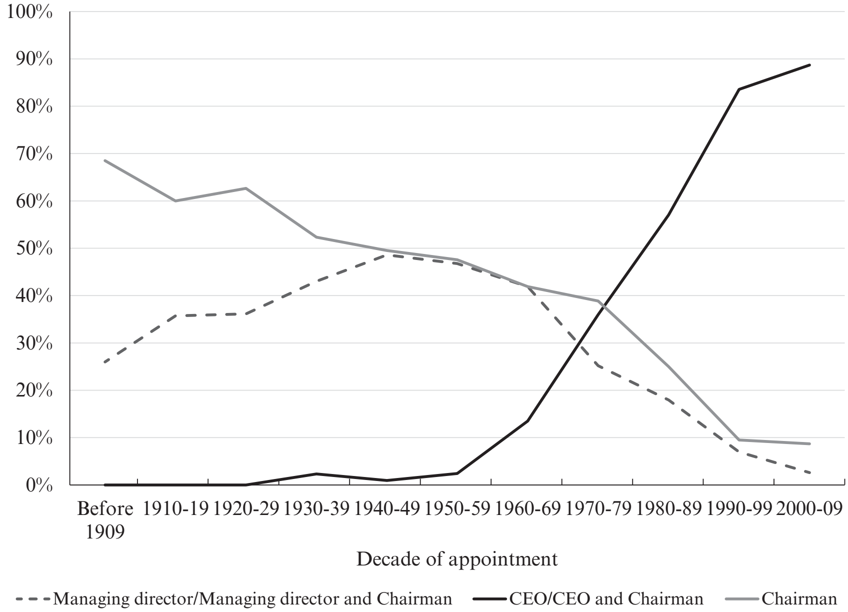

Figure 1.1 Designations of Britain's top corporate officers (%).

The non-executive directors are akin to the House of Lords – they have little power, but they ought to prevent CEO excesses. The shareholders are like the electorate. If they do not like what the CEO is doing, they can vote against them in regular elections or they can do the equivalent of emigrating to another country by selling their shares.

There are variations in the way that this configuration operates, with some CEOs acting as *primus inter pares* whilst others take a more dictatorial approach. Many would have described Sir Martin Sorrell as an autocratic CEO. His power was such that his behaviour went unchecked for a long time. But a few complaints from employees and an investigation by the board of directors resulted in him being forced out of office. The checks eventually kicked in.

What functions does a CEO perform? The answer to this question will differ from person to person and company to company. Nevertheless, four core functions are generally expected from CEOs.[51] First, and maybe most importantly, they plan. They set out what the company will be in the future (i.e., a vision) and how it will get there (i.e., a strategy). Martin Sorrell's tenure as CEO perfectly illustrates this core function. He saw the future – a consolidated advertising industry. His strategy to meet his vision was to grow WPP by engaging in serial acquisitions. Second, CEOs allocate the necessary resources within the company to implement their vision. Third, CEOs hire and promote a top team to execute the strategy. Fourth, they monitor performance against the strategy and reallocate resources, fire members of the top team, and change course if required.

Yet over time there have been important shifts in the nature and scope of the CEO role and these core functions. The all-powerful CEO is a relatively recent phenomenon. The early decades of the twentieth century saw the balance of power in a company fluctuate between a managing director or general manager and a chairman. Broadly, the chairman oversaw the company on behalf of the shareholders and made big strategic decisions, whilst the managing director ran the company day by day. This was often a fluid arrangement: the power to set strategy varied between companies and between industries.[52]

Such fluidity encouraged experimentation with the locus of power, which can be illustrated through the emergence and growth in the number of leaders holding dual titles. Initially, this allowed individuals to act as both managing director and chairman, and then, as the term 'CEO' emerged, CEO and chairman. There were also examples of the roles being held in succession. From the 1980s, however, corporate power was gradually centralised in an individual professional manager known as the CEO. The role of chairman was retained, but it became one of oversight rather than strategy making. The emergence of all-powerful CEOs towards the end of the twentieth century and growing interest in protecting the rights of shareholders resulted in the increasing formalisation of scope and division between the roles of CEO and chairman.[53]

To explain this evolution of the professional manager CEO, we now go back to the late nineteenth century to meet our first CEO – a charming and well-mannered aristocratic chairman.