**Top CEOs, Financialization and the Creation of the Super-Rich Economy**

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**Abstract:** This piece takes a close look at top CEOs in the UK. CEOs are not only amongst the ranks of today’s super-rich, they have played a vital part in the evolution of an economic system which supports the super-rich generally. As the paper argues, they have done this in two key ways: first, by promoting a set of financialized free-market ideas about managing the economy to news media and policy-makers, and; second, by managing large companies as financial assets for the benefit of financiers and the super-rich. In both ways, they have encouraged financialization and the funnelling of capital away from the real economy and ordinary employees, and upwards towards the super-rich. The paper is based on 30 interviews with top UK business leaders, including 20 FTSE 100 CEOs, as well as other demographic and qualitative data.

**Key Words:** financialization, elites, corporations, financial markets, CEOs

**Introduction**

This article looks at large company CEOs in the UK. Not only are such ‘captains of industry’ members of the super-rich, they have played a vital role in the creation of the economic system which supports the super-rich. They have done this in two ways: by publicly and privately promoting neoliberal market philosophies which facilitate financialization and extreme inequality; and by managing major corporations as financial assets and investment vehicles for wealthy investors rather than for the benefit of the wider economy. As such, they have been key architects of a system which increasingly sucks capital out of the real economy, away from ordinary citizens, and then syphons it off to financial institutions and the super-rich.

In many ways, big company bosses are the public face of the super-rich. After several decades of neoliberal economic policy-making we appear to be entering a new ‘gilded age’ of corporate behemoths, billionaire businessmen and extreme inequality. Then as now, vast personal fortunes were built up on the back of industrial monopolies. Then, it was the likes of Andrew Carnegie, John D Rockefeller, Andrew Mellon, JP Morgan and Cornelius Vanderbilt. Now, it is Jeff Bezos, Mark Zuckerberg, Bill Gates, Carlos Slim and Amancio Ortega. Such business leaders are seen as drivers of the capitalist economy in all its historical manifestations. Corporate CEOs have created such economies while also profiting hugely from them.

However, in today’s gilded age the economic system, and therefore the basis of extreme wealth and inequality, are different. Instead of big industrial companies producing energy, commodities and transport, an increasing proportion of corporations and billionaires profit from not making anything. It is financiers, investors, ‘rentiers’ and the new owners of digital platforms, who are profiting most (financiers also did well in the first gilded age). ‘Financialized’ (Krippner 2011) and ‘platform’ (Srnicek 2017) forms of capitalism sit at the heart of modern economies and growing income inequality. Such systems are far more detached from the real economy of goods, physical infrastructure and employees. They are less nation-bound and more global and mobile. States and real economies depend on them; but they have less dependence on states and real economies. In fact, they provide the kinds of extensive, global infrastructures and networks needed for extracting national capital, funnelling it towards and then securing it for the global super-rich.

Although CEOs play a vital, creative role in developing and managing the new super-rich economy, relatively few end up joining their ranks through their efforts. Most of those that do, do so through other means (inheritance, shares, financial investments, property). The majority, although highly rewarded, do more to enrich others: a variety of financial elites, oligarchs, corrupt politicians, property magnates and others. In fact, key corporate figures, including many with high public profiles, increasingly appear to be subservient agents of big finance and the super-rich.

This article explores the contribution of top CEOs to this billionaire-generating system. While there is quite a lot written on this topic, much of it is based on quantitative data on capital shifts or company reports. There remains relatively little in the way of more close-up, qualitative academic studies of CEOs, which seek to explain these developments at a more micro level. This article attempts to fill in some of this gap with a focused social and cultural investigation of UK Financial Times Stock Exchange (FTSE 100) CEOs. It draws on three forms of evidence. The first is a set of 30 semi-structured interviews with top CEOs: 20 from FTSE 100 companies and, for comparison, 10 selected from a list of top 100 private companies. The second is a demographic audit of all FTSE 100 CEOs in 2014, drawing on multiple sources. The third is an analysis of trends revealed by existing surveys of British CEOs going back to the 1970s.

The article is in four parts. The first discusses key mechanisms of the UK economy that support the super-rich, situating FTSE 100 CEOs within that system. It argues that the generation of extreme wealth and inequality are more a result of financialization than neoliberalism. Corporate heads have come to play an important intermediary and facilitating role in the financialized economy. Part two focuses on the ways CEOs have done this. On the one hand, they are the public face of the economy, the ‘primary definers’ (Hall et al. 1978) of wealth creation in the media. On the other, they influence government policy-making as they alternate between financial and political networks, providing vital connectivity between the two.

Part three looks at the reshaping of CEOs themselves by tracing how their professional profiles have changed with the advance of financialized capitalism. This reveals that, over recent decades, those who have risen to the top are those most equipped to direct companies towards serving ‘shareholder value’. This new generation are more likely to be drawn from finance and accounting, and also now operate according to an expectation of shorter leadership tenures. So, they are both more able and more incentivised to achieve quick profits for wealthy investors with limited investment horizons. Part four documents some of the key business strategies adopted by such FTSE CEOs, arguing that they are increasingly geared towards advancing share price increases rather than long-term company innovation, employment and stable growth. In effect, they have come to manage large corporations as if they were merely the financial assets and investment vehicles of super-rich investors.

**CEOs and the Super-Rich Economy**

Historically and now, large company CEOs have been closely associated with the super-rich. They are both very wealthy and key participants in capitalist democracies in all their manifestations. In classic and post Marxist accounts, those owners and managers of the means of production have worked closely with the state to maintain wealth and control. In critical elite studies (Mills 1956; Domhoff 1967; Useem 1984; Scott, 1979), corporate elites and business leaders shared power with other elite sectors to ensure their hegemony in the US and UK.

It is also widely assumed that corporations and their CEOs have played a lead role in the rise of neoliberalism since the late 1970s (Crouch 2004, 2011; Harvey 2007; Mirowski and Plehwe 2009). Neoliberalism has several elements (see Larner 2000). It is a political project and policy framework derived from a broader set of ideas and values oriented around individual freedoms and choices. It is also an economic paradigm linked to neoclassical economics, which emphasises market mechanisms over state ones for social and economic management. In practice, it has directed a set of political and economic policies across the world, which are closely associated with growing inequality (see Chang 2010; Wilkinson and Pickett 2010; Piketty 2014). These include: supply-side measures such as low taxes and less regulation, monetarist policy levers over fiscal ones, programmes of privatization and market deregulation, reduced employee and union rights, scaled down welfare state provision, globalisation and open trading borders.

Although neoliberalism has been applied quite differently and to different degrees across the globe (see Fourcade 2009), inequality has continued to grow everywhere (Piketty 2014). In fact, historical data shows that the Gini coefficient, an inequality measure which had been declining steadily in the post-war period, went into reverse in the US and UK at the end of the 1970s. This was precisely the time that the neoliberal policy era began implementation under the Reagan and Thatcher regimes. Despite a number of economic crises, inequality and the ranks of the super-rich have continued to increase ever since (see Hardoon 2017; UBS-PwC 2017).

Clearly, big business and big business leaders have benefitted from programmes associated with the neoliberal turn, including privatization, deregulation, the erosion of trade union rights, reduced higher and corporate rates of taxation (see Crouch 2011; Freeland 2012; Wedel 2014). Average CEOs have done extremely well financially over this period. In 1979, mean US CEO pay was 38 times that of the average worker. By 2005 it was 262 times (Palley 2007: 14). In the UK, in 1998, FTSE 100 CEO pay was 47 times that of the average employee. By 2012 it had reached 185 times average (High Pay 2012). Take a look at any list of the ultra-wealthy, in the *Sunday Times Rich List* or *Forbes’s World’s Billionaires List*, and corporate heads feature prominently.

However, the focus of many critical scholars on neoliberalism has distracted from another key economic transformation: financialization. Financialization and neoliberalism are clearly related and are frequently discussed as either mutually reinforcing or having a direct causal link (e.g., Dumenil and Levy 2004; Epstein 2005; Lazzarato 2009; Fine 2012). However, financialization has many distinct elements (see Davis and Walsh 2017). Most importantly for this discussion, several such elements have proved essential for the rapid growth of the super-rich class. Arguably, it is financialization rather than neoliberalism which has done most to create extreme inequalities and the rising number of global billionaires.

Financialization, in Palley’s words (2007: 2): ‘is a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes. Financialization transforms the functioning of economic systems at both the macro and micro levels.’ At the start of this century it was becoming clear that a process of financialization had been taking place in conjunction with the spread of neoliberal-driven free market economics (see Engelen review 2008). Several overviews (Epstein 2005; Palley 2007, 2013, Stockhammer, 2010; Krippner 2011), recorded how this transformation has taken place in the US, UK, and elsewhere, tracing patterns of capital accumulation as they shifted towards the financial sector.

Most obviously, financial market activities and values have grown hugely relative to both the state and the real, productive economy of goods and services. Thus, the capital managed by banks as well as their ability to create credit, has risen several-fold compared to state expenditures, central banks or national GDPs. The UK is one of the countries where the shift has been particularly pronounced in recent decades. Until the 1970s, UK bank assets had been equal to roughly half the value of UK GDP for a century. By the mid-2000s, they had risen to five times the value of GDP (Haldane 2010). In 1979, the equity value of the stock market was roughly two fifths of government income. By 2012 it was worth three times government income (see Davis and Walsh 2017). According to Kay (2016), currently some 97% of ‘money’ in the UK economy is just circulating around the financial sector. Only 3% is either fiat (paper) money or capital lent to firms and individuals operating in the material economy.

In effect, processes and institutions associated with financialization are geared toward extracting capital out of the real economy and from ordinary people, then passing it to be managed and invested by financial institutions and the super-rich. Banking becomes less about capital investment in non-financial companies, or ordinary savings and loans. Instead, it is more about short-term profit-seeking through activity within financial, property and other markets. Large NFCs (non-financial corporations) are increasingly run to create ‘shareholder value’ by any means including through purely financial activities (see Crotty 2005; Froud et al. 2006). Financialized economies actively enrol citizens into finance (see Seabrooke, 2006, Leyshon and Thrift 2007; Lazzarato 2012) through a mixture of personal credit card and mortgage debt, investment of public pension funds, and securitization. Financial intermediaries then enable ‘rentier behaviour’, and global tax avoidance and evasion on behalf of the global super-rich (Epstein and Jayadev 2005; Shaxon 2011; Piketty 2014).

However, although many large company CEOs have been made wealthy through financialization, others have benefitted more. Yes, there are many super-rich business leaders with high profiles. However, there are many more billionaires who have inherited their wealth or gained it through political corruption, financial investment or rentier activities. CEOs may earn millions and be the object of tabloid outrage for their incomes, but top financiers and super-rich investors earn tens or hundreds of millions annually. Of the 20 best paid FTSE 100 bosses in 2017 (Business Insider 2017), only two made it onto the *Sunday Times Rich List* (2017): Martin Sorrell, the highest paid, came 258th, and Simon Borrows came 484th. As recent accounts of elites note (Savage and Williams 2008; Freeland 2012; Davis and Williams 2017), it is the financial sector which has provided the fastest contribution to the growing ranks of the global 1% (or 0.001%) and has boosted the expanding ‘rentier class’ (Dumenil and Levy 2004; Piketty 2014).

At the same time, traditional CEOs have fallen down the elite pecking order in various ways (see Moran 2008; Mizruchi 2013; Naim 2013; Davis and Williams 2017; Davis 2018). They have become more fragmented, less collective, and have declining levels of influence in Washington and Westminster. There is a clear sense that the dominant CEOs of the recent past now have far less political power and economic authority than they once did. Top financiers, a select group of tech industry leaders and the super-rich have taken their place.

This leaves us asking what exactly is happening at the social and organisational levels? How have CEOs as individuals shifted their professional behaviours and practices in ways that, almost imperceptibly, have aided the expansion of big finance and boosted the ranks and incomes of the super-rich? The question has added bite because it also needs to explain how corporate CEOs have colluded in a process that has rewarded and given more power and influence to others.

This is the question addressed in the following investigation of UK FTSE 100 CEOs. Most of the largest UK-based companies are listed on the London Stock Exchange. In the financialization literature, it is these companies, as opposed to those owned by individuals or funded by conventional banks, that have been most systematically affected by the demands of the global financial system.

The research drew on three main forms of qualitative data on the UK business elite in 2014. The first was a series of semi-structured interviews with 30 large company heads: 20 public FTSE 100 CEOs and, for comparison, 10 CEOs of private *Sunday Times Top Track 100 Companies*, as ranked by sales. Each group was selected as a purposive sample, reflective of the distribution of industry sectors in the index (e.g., manufacturing, finance, construction, retail, etc.[[1]](#footnote-1)). Interviewees were asked about a number of themes, including: their background and education, social relations and professional networks, information sources and decision-making processes, larger business strategies, and wider views on and relations with non-business sectors (government, the financial sector, media, unions and communities). Interview lengths varied with most being 45 minutes to an hour. In total, they generated over 250,000 words of transcript material. This was then coded and aggregated. Interviewees are named unless anonymity was requested. The sample of 30 is relatively small, although it is also an extremely difficult group to gain access to with a limited pool of potential subjects. At the same time, with such a small number, the data is less likely to be representative and to contain more instances of bias. Thus, the findings have limitations while also providing some directions for further research.

The second form of data consisted of an audit of demographic and biographical information on all FTSE 100 CEOs in post in mid-2014. Sources were mainly individual profiles from *Who’s Who*, *World of CEOs*, *Bloomberg* and *Business Week*. Information collected included school education, higher education, postgraduate qualifications, nationality and tenure of CEO position. The third form of data was a collection of past social studies and surveys of CEOs going back to the early 1970s.

**FTSE 100 CEOs as Promoters of Financialized Capitalism**

First, there is quite a bit of evidence to show that large UK company CEOs support neoliberal policy agendas in general, and the Conservative Party more specifically (Fidler 1981; Hill 1990; Boswell and Peters 1997; Davis 2002, 2017). Periodic surveys show they have united around an anti-state, pro-market ideology, promoting privatisation, competition, deregulation, lower taxes, reduced union and labour rights, globalisation and free trade. In election data going back to the 1980s, the percentage of ‘captains of industry’ voting Conservative has been over 85%, with the exception of 1997 when it was 69% (Davis 2017).

The interview cohort, both public and private, appeared to reflect this pattern accurately. 27 of the 30 made two or more statements of a pro-market, anti-state nature. In terms of party allegiances, four fifths were Conservative Party supporters. This came out in a mixture of public statements and direct interview responses. The alignment of the remaining fifth was not clear.

FTSE 100 CEOs have been vociferous promoters, not always consciously, of financialized forms of neoliberalism. While publicly and privately supporting free markets and reduced states they have also supported and/or colluded in a series of economic policy shifts which have aided financialization’s growth. By pushing market deregulation, new accounting practices, globalisation and free trade generally, they have spurred on financial engineering, capital concentrations and global liquidity, all vital to financialization’s rise. Their cooperation with political and financial elites on a number of shifts in corporate governance, privatization methods, takeover regimes and fiscal practices, have handed more wealth and influence over to big finance and the super-rich (Davis and Walsh 2016).

FTSE 100 CEO support for the neoliberal policy agenda has come in several forms: via public promotion of financialized, free-market economic policies in mainstream media; through funding and direct access to the Conservative Party; and by forming a vital bridging network between the financial and state elites.

Public promotion of financialized free market policy has come through business and financial media. Studies of news content in the 1970s and 1980s (Hall et al. 1978; GUMG 1980) found that business leaders and government sources dominated coverage of economic affairs in mainstream news. They acted as the ‘primary definers’, framing public debates about industrial action and economic policy. Business voices, especially those of CEOs and City-based analysts, came to dominate all the more from the 1990s onwards as the public relations and investor relations industries expanded (Parsons 1989; Davis 2002). Since the 2007-08 crash, CEOs have continued to use their primary definer status in economic and business news to support welfare state cuts, reduce corporate taxes, and weaken new business and financial regulations. They have also blamed government and the Labour Party, rather than financiers, for the economic crisis (Davis 2011; Knowles 2015; Berry 2016). Their support for such policies and austerity economics was evident during the 2015 and 2017 elections, encouraging a public perception that the Conservatives were far more economically competent than Labour.

Second, as Moran (2008) points out, business leaders have maintained direct forms of personal political influence through the Conservative Party, even as other forms of collective business influence have declined (Daguerre 2014). Studies of parliamentary candidates and MPs consistently show that people from business and finance make up by far the largest proportion of the Conservative Party (Norris and Lovenduski 1997; Childs et al. 2005). Wealthy business and financial donors also contribute the great majority of party funds. Business lobbyists continue to gain greater access to ministers and civil servants than other sector interests (Mitchell 1997; Miller and Dinan 2008; Wilks-Heeg et al. 2012).

Third, what became increasingly apparent during the interviews was the high level of networking and meetings that FTSE 100 CEOs had with both financial and political elites, especially when compared with the private company CEO cohort. Private company CEOs were far less London-based, spoke little about such networks and were rather less likely to have regular dealings with civil servants, ministers and big investors. In contrast, most FTSE companies either have their head offices in London or large, permanent bases there. Most FTSE CEOs were self-confessed ‘networkers’, devoting a large part of their time to meeting leaders at different levels of government, business and finance. In effect, FTSE CEOs were very much part of metropolitan-based, national and international networks of corporate and non-corporate elites:

(Stephen Hester) “I’ve always been in international businesses that deal with lots of other businesses, and deal with government and so on and so forth. ... It’s reinforced, because, well, there’s pure work and then there’s what I call social work, which is cocktail parties and CBI meetings and international conferences and so on, where you meet people in a sort of quasi-social setting.”

FTSE 100 chiefs regularly moved between big investors and government policy-makers and regulators. As they alternated between the City (the financial sector) and Westminster (the political sector), they established a sense of network connectivity between the two. So, on the one hand, they talked of needing to meet major shareholders to agree corporate investment, strategy and financial goals:

(Paul Walsh) “But ultimately the final judge of whether it’s the right thing to do is the shareholders.”

(Ian Cheshire) “But above all else just tell the owners of the business [investors] what you’re doing and why.”

On the other hand, they came into frequent contact with ministers, civil servants and others in government. This would be for a variety of reasons: direct lobbying, negotiations with regulators, social invitations and being volunteers for government-organised task forces or policy communities. Much of this, although regular, was informal and ad-hoc, taking place instead of formal board meetings, often on the basis of CEOs advising ministers on economic policy matters:

(Paul Walsh) “There are so many groups that need to be paid attention to, be it governments, regulators.”

(Ian Cheshire) “I do work for the Department of Work and Pensions. That is an extraordinary network of very senior business people who are interested in government, who meet quarterly, which Lord Brown organises.”

In effect, FTSE heads made up a key communicative network, at one end being directed by financiers, and at the other, promoting free market wisdoms to policy-makers; wisdoms which also enable those CEOs to achieve their financier-agreed goals. Maclean et al. (2014), when looking at French business elites, detected a higher, more powerful and exclusive group that they referred to as ‘hyper-agents’. These agents or ‘bridging’ actors, they argued, were central players moving across multiple networks of elites, thus playing a key role in maintaining the French establishment status quo. Arguably, FTSE 100 CEOs play a similar role in UK politics and economics. They provide a fundamental level of connectivity, formal and informal, between big finance and big government. In so doing they have not only encouraged the evolution of a neoliberal, free-market policy process that has advantaged international finance, they have reified certain financialized forms of economic management in the eyes of successive governments. Thus, in the UK, as with the US, financial markets have come to be regarded as the best institutional centres for managing the economy generally; as investor, promoters of market competition, as corporate governance enforcers, and so on.

**The Financialized CEO**

As this next part argues, successful FTSE 100 company CEOs have also adapted to accommodate financialization in terms of their professional identity and function. They have become less diverse in their educational backgrounds. In particular, there has been a clear growth in those who have studied accounting and/or taken the finance route to the top. They have also come to operate under an assumption that they are likely to be in post for a relatively short period. Thus, they have been reconditioned to achieve results within two to three-year accounting cycles.

In general, there has been a longer trend towards professionalizing the CEO occupation. Go back four decades and CEOs had a greater variety of educational backgrounds, coming from science, engineering, the social sciences, and professions such as law. In 1974, only 7% had some kind of business degree. In Maclean et al.’s study (2006) using 1998 data, the trends showed that roughly a third of CEOs had a business-related degree, a third a science one and a third had something from the arts, social sciences or professions. Moving to the present, the 2014 audit of FTSE 100 CEOs shows that 48% have a first degree in business studies, economics or a related subject. Sciences and engineering have dropped a bit and all other subjects now make up only 15% of degrees. In effect, creative and critical HE subjects have been minimised amongst today’s business leadership.

Most significant has been the rise of financial over all other forms of expertise amongst top CEOs. In Fidler’s (1981: 102) study, using 1974 data, 18% gained an accounting qualification, and just 10% had taken the finance route to the top. Maclean et al. (2006: 131), using 1998 data, found that 27% had come up through the finance and accounting pathway. In my 2014 demographic audit, many of those with professional, business-oriented degrees included curriculum elements of finance or accounting. 26% had a higher education accounting degree or other qualification, with 12% having worked at one of the big four international accounting firms. 50% of CEOs had held at least one senior financial position (e.g., finance director, CFO) during their career pathway prior to becoming a CEO. 53% in total had accounting and/or finance included in their professional qualifications and/or pathways.

The interview cohort of 30 matched this pattern, considerably more so for the FTSE 100 respondents than the private company cohort. 17 of the 20 FTSE 100 chiefs had either economics, accounting or related degrees and/or an MBA. For those listed company CEOs, the accounting and finance route was clearly a common pathway to follow:

(David Nish) “Chartered accountancy training to me I think is really one of the best professions to go into, because of the opportunity you do get to access business. You know, and in some ways, particularly through initially the auditing route, you actually get to access business at reasonably high level quite quickly.”

Second, what became clear during the research was just how much CEO tenures had declined in such large, international corporations. Freeland (2012: 53) noted that the average tenure of a Fortune 500 CEO had fallen from 9.5 years to 3.5 over a decade. Several interviewees commented on this and the 2014 audit confirmed it. A third of FTSE 100 CEOs had been in post less than two years, and another third less than five years. Private company heads, in contrast, seemed to have been in post for twice as long on average. The longest-serving Plc heads were usually those who had started the business themselves, like Martin Sorrell or Ian Wood. This sense of short-term existence was clear to those who were interviewed, especially in relation to justifying their huge pay levels and bonus systems:

(Martin Sorrell) “One of the problems is that CEOs last on average at the moment less than five years and if you’re a CMO in America you might last two years.”

This has consequences for FTSE 100 CEO behaviours. Indeed, the interviews revealed a clear sense of the pressures felt to achieve short-term profits and share price increases in limited time spans. CEOs in general, private or public, talked about balancing long-term and short-term goals, but private heads all strongly emphasised the importance of the long-term. Most said they only made ‘long-term decisions’, promoted the ‘steady, continuous building up’ of a company by, for example, developing settled teams, investing in employee training and research. In contrast, many plc heads talked about the impatience and ‘blind short-termism’ of big shareholders, and the pressures to pay dividends or ‘gear up’ (use debt finance to purchase assets):

(Warren East) “The fund manager is completely motivated by delivering the best possible return for this year, and if the companies which deliver that best possible return this year aren’t around next year, that doesn’t matter. ... It means that there is pressure to do sort of short-term things which, from a business point of view, are not sustainable. ... I’ve had investors request a one-on-one meeting with the CEO and sit me down and say: ‘You should be leveraging up the balance sheet and taking on lots of debt’”.

Such answers confirmed the findings of other studies which argue that London Stock Exchange quoted companies have become overly focused on short-term share movements (Froud et al. 2006; Kay 2012; Cox 2013). Since funds hold shares for ever shorter periods, this is no surprise. The average length of time by which a share is held has dropped from eight years in the 1960s to just three months this decade (High Pay Commission 2012). Another study of FTSE 100 annual report statements on CEO performance and pay (High Pay 2013) found that 96 of them used either EPS (earnings per share), TSR (total shareholder returns), or both as key performance measures. Only 38 used other ‘alternative’ non-financial measures, such as employment retention, customer satisfaction or innovation, in their performance metrics, and only seven contained LTIPs (long-term incentive plans).

What was concerning in the interviews was that several respondents were simultaneously aware of these short-term pressures while also admitting that figures could be simply manipulated over a two to three-year period:

(Anonymous FTSE 100 CEO) “When people only focus short term then they start hiding stuff as well. Give me a balance sheet or short-term incentives, short term sales … I’ll change it for your assumptions, I’ll get you a 12-month result, a piece of cake. It’s going to burn me next year, or maybe in two years’ time or as long as three, but any idiot can get a short-term result.”

This combination of short-termism, ability to manipulate accounts, and the expectation that one’s tenure was unlikely to be long, had obvious implications for CEOs. The clear message was that corporate heads were personally incentivised to maximise short-term performance on behalf of big investors, regardless of the long-term consequences for the company or employees. As one interviewee put in:

(Samir Brikho) “You read about the average CEO and the businesses is like almost becoming three years. And if that’s the case, it’s bad news for the industry. … If you don’t spend it on the R and D then you can convert that to profit. That’s great if you are there only two or three years but do you kill the company maybe later on. ... So, if I'd been optimising only for the first two years in order to make the big buck at the third year and then thank you very much and bye, that would not be great for the company’s future.”

**Financialized Management Strategies and Decision-Making**

How do CEOs manage their companies in order to achieve big investor demand for short-term share price rises? All interviewees, private and public, were asked about their larger business strategies and the processes they used for making major decisions. The discussions revealed several approaches. These fell into two categories. The first involved directing regular mergers, acquisitions, asset sales, and other activities which were designed to keep up shareholder interest and company share values. The second guided companies away from risky innovations and long-term investments, instead orienting them towards maximising low-risk profits. In effect, FTSE 100 CEOs had adopted a series of strategies designed to manage financier and super-rich capital investments in order to gain short-term returns without taking on longer-term risks and liabilities.

The first strategy involves maintaining what Folkman et al (2007) term an “economy of permanent restructuring”. As they and others have noted (Froud et al. 2006; Kay 2012; Cox 2013), successful publicly-listed company CEOs continually enter into big change activities and financial deal-making. Activities include: using debt finance and leverage, merger and acquisition activity, asset sell-offs, equity buy-backs, and global tax avoidance.

Several FTSE 100 heads interviewed, especially those who had held their position for more than a few years, appeared to conform to such patterns. They had long track records of doing big deals and large-scale restructuring. Half had done multiple mergers and acquisitions and two thirds had made major disposals. Such activity grows and reshapes a company in quick, large steps rather than expanding it steadily and organically. It is the kind of activity that maintains investor interest, boosts share prices and brings profits to a range of financial intermediaries and institutional shareholders. This is in spite of the fact that most studies of takeovers find the large majority do not add value in the long-term to a company (Sudarsanam 1995; Hutton 1996; Bootle 2009). For some CEOs, all this activity was clearly connected to their success and longevity in post:

(Gareth Davis) “The Harvard Business Review quoted me as being the 33rd most successful CEO of all-time, recently, in terms of value creation for shareholders … obviously people say you made a lot of money for the institutions … We did two mega deals. There was one in 2002 and one in 2008. I mean they were multi-billion deals with associated rights issues and everything. But I think we did 26 in all.”

Accordingly, the LSE is now regarded as one of the top exchanges to float new companies, carry out demerger and merger activity. Since the 1980s the UK has had a significantly higher level of takeover activity than other advanced economies (Jackson and Miyajima 2007). From 1998 to 2005, takeover activity in the UK as a percentage of GDP was 21.8%; double that of the US where it was 10.7%. The UK also had the highest success rate for hostile takeovers at 67% (Jackson and Miyajima 2007). Several CEOs commented on the general pressure from investment banks and large investors to get involved in such activities in the London Stock Exchange:

(Anonymous FTSE 100 CEO) “There is so much pressure to do deals in London, more than anywhere else in the world. The banks, the brokers, the PRs, they all make money from these deals. The UK is unique. I never did these deals unless I was convinced it would help me and I did do some 100 deals at XXX. If you don’t deal you get a reputation for being ‘dull’. … The long-term economy will not have [benefitted]. It’s only the shareholders and the institutional intermediaries that would.”

The second general strategy involved guiding the company away from higher risk practices of innovation and long-term investment. Instead, FTSE CEOs preferred to exploit their size and position, existing products and customer bases, and to seek out monopoly opportunities. Such approaches, once again, are inherently short-term in nature and are geared to gaining greater returns on capital rather than developing anything new or long-term.

This first became clear when comparing attitudes towards ‘risk’ during decision-making between Plc and private company CEOs. Both sets were cognisant of risk. However, private CEOs talked in terms of needing to take ‘measured risks’, with several advocating sensible risk-taking as being necessary for innovation in business. Plc heads, on the other hand, talked a lot about risk but did so far more in defensive terms. They talked about needing to make risk ‘evaluations’ or ‘audits’ before making big decisions, and the need to implement risk reduction strategies. The term ‘risk’ was rarely mentioned by private company CEOs but over 100 times in the 20 interviews with FTSE 100 bosses.

This sense of risk in making decisions seemed to feed directly into larger company strategies. Private heads thought about long-term plans and investment. They looked to a range of sources for new business inspiration, from news and popular culture to businesses in very different sectors. In contrast, FTSE 100 heads tended to be more managerial than entrepreneurial, more influenced by business consultancy literature, and more insular. When asked about their sources of inspiration, it was clear they spent a lot of time observing and talking to other business leaders in their own sector. Rather like financial investors whose trading decisions are based on what other traders are doing (Keynes 1936), Plc chiefs keep a close eye on their competition.

A third, when asked about strategy and innovation, said they much preferred to ‘steal ideas’ or be a ‘fast follower’ rather than an innovator. As they explained, new ideas were hard to come by, true innovation was risky, and the window of exclusivity was now much shorter as rivals copied you. Such a finding tallies with one UK study (Ownership Commission 2012: 35) which found that 75% of managers would avoid investing in projects with potential long-term value creation if they were damaging to short-term earnings. As one interviewee explained:

(Alan Parker) “We went through a big investment in enterprise-wide systems, which frankly turned out to be not best in class for our various activities. And I would say from that experience … I would definitely always want to see it working elsewhere. Rather than paying the price of being a leading-edge innovator, I’d much rather be a fast follower.”

What also came through was a sense of exploiting existing resources, advantages and market dominant positions. So, a very common business strategy involved better utilising of existing resources, products and customers. Thus, the aim was to do ‘the same things better’, ‘more cheaply’ or with minor variations, rather than developing risky new products. Very often, the aim was to ‘protect margins’ or ‘offer more to the same customer base’. Three fifths of interviewees talked about such cautious, low-risk strategies:

(Terry Leahy) “The common denominator for us was actually if we keep the same customer set, can we serve that same customer set with a wider range of services as well as products? And actually, we were able to do it. … If you can find out something that works and keep doing it for as long as possible, then that’s the way to build really big numbers, big benefits.”

Two fifths of FTSE 100 CEOs followed this logic further, stating that the best way to gain strong profits was to gain and exploit a leading market position. This entailed moving into sectors where a company could use its size and resources to quickly become one of the dominant players. The best low risk, high returns strategy of all was to gain a monopoly situation in a market, something a handful of CEOs openly admitted was a goal:

(Guy Berruyer) “Yes, if you want to be highly successful and very profitable, you might as well find a way to get sort of a micro monopoly, because that’s the best way to be highly profitable. … Every market is highly competitive, so how do you protect your margins, how do you make sure that you make money? And there’s various ways, but the best way is to create a micro monopoly.”

Ultimately, most FTSE 100 CEOs followed two overall strategies (sometime simultaneously), both of which were aimed at pleasing wealthy and institutional investors over relatively short-term horizons. One involved big, eye-catching activities, such as acquisitions or asset sales, which maintained investor interest and pushed share prices up in the short term (although often not in the long term). The second involved decisions that were defensive and risk averse, and more about exploiting existing size and assets and gaining dominant market positions to increase profits. Neither involved much in the way of innovation or long-term investments. The end impression was of CEOs managing large organisations as financial assets on behalf of big investors over limited time spans.

**Conclusion**

FTSE 100 CEOs are clearly part of the current economic system which produces extreme wealth and inequality. They are the very public face and cheerleaders of that system. However, as this article has shown, they are more likely to be rich than super-rich. Their main function has been to facilitate financialization and the mechanisms that produce and sustain such inequalities. Although well rewarded for their part in this transition, in the process they have done more to increase the wealth and influence of others.

The piece then went on to explore the ways this transition has been put into effect at a more micro, sociocultural level. Three important social mechanisms were set out to explain this. First, FTSE 100 chiefs have become lead promoters of financialized forms of free-market thinking. They have pushed their views through public media as well as through private elite networks spanning political, financial and other super-rich elites. In effect, they have maintained vital connectivity between wealth, finance and politics.

Second, they have adapted professionally to better service the expectations of wealthy investors and financial institutions. Thus, they have become more financially expert, as a growing number have accounting qualifications and/or have worked in finance departments. That knowledge, combined with shortened CEO tenures, has worked to orient corporate behaviour more towards limited, financially-oriented horizons.

Third, successful business leaders have adopted strategies which do more to please big investor demands in the short-term than to develop companies successfully or sustain working populations in the long-term. These alternate between continual deal-making to boost share prices, and seeking out low-risk market opportunities, such as copying successful rivals and developing monopolies. Consequently, CEOs have moved from being key drivers and beneficiaries of neoliberalism, to becoming intermediaries for financialization and servants of the super-rich.

**Interviewees Cited**

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**Samir Brikho**, CEO AMEC, April 1st 2014.

**Sir Ian Cheshire**, CEO Kingfisher, January 10th 2014**.**

**Gareth Davis**, Chairman of William Hill, Wolseley and DS Smith, former CEO and Chairman of British American Tobacco 1996-2010, June 27th 2013.

**Warren East**, former CEO ARM 2001-13, February 5th 2014**.**

**Stephen Hester**, CEO Royal Bank of Scotland, November 14th 2013.

**Sir Terry Leahy**, former CEO Tesco 1997-2011, July 15th 2013.

**David Nish**, CEO Standard Life, July 24th 2014**.**

**Alan Parker**, Chairman of Mothercare, former CEO Whitbread 2004-10, July 17th 2013.

**Sir Martin Sorrell**, founder and CEO WPP, September 11th 2014.

**Paul Walsh**, CEO Diageo, August 28th 2013.

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1. For FTSE 100 Plcs, the sectors were Finance (4 interviewees), Utilities (2), Media/IT (2), Pharmaceuticals (1), Mining (2), Consumer (3), Property (2), Manufacturing (2), Supermarkets (2). For top 100 private companies: Retail (2), Utilities (2), Construction/Engineering (1), Wholesale/Distribution (1), Manufacturing (1), Food Production (1), Entertainment (1), Finance (1). [↑](#footnote-ref-1)