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In recent years, institutional investors, shareholders, and the general public have become increasingly critical of boards of directors, claiming these boards fail to meet their perceived legal responsibility to monitor and control management decision making on behalf of shareholder interests (Useen 1993). Those critical of these governing bodies continually call for changes in the board structure, in hopes of increasing the board's ability to exercise control. Suggested changes include increasing the presence of outside or non-employee directors on the board, allocating board leadership to someone other than the CEO, increasing demographic diversity on the board and selecting directors who lack social ties to the CEO (The Economist, 1994). The implementation of such changes has become a trend in corporate America; today boards of directors are increasingly ready to exercise control and, if necessary, replace CEO's in large corporations.

Empirical studies in this area have attempted to discover whether specific changes in board structure influence specific outcomes with implications for shareholder interests (Westphal and Zajac, 1994). The theoretical basis of this analysis is rooted primarily in "agency theory" (Westphal and Zajac, 1994) and the structuralist view of power and control (Westphal and Zajac, 1994). According to these theories, the more structurally independent boards are from the top management, the better able they are to control management decision making on behalf of shareholder interests (cf., Fama and Jensen, 1983).

The dominant perspective on this subject suggests that structural board independence increases the board's overall power in its relationship with the CEO. However, research also suggests that while structural board independence may reduce the viability of overt forms of CEO influence and power, there is only a weak correlation between board structure and a firm's overall performance. In fact, it has been shown that "there does not yet seem to be consensus support for the conventional wisdom that [increased board independence] necessarily improves corporate performance"(Walsh and Steward, 1990).

The present study seeks to understand why greater structural board independence may not necessarily strengthen the board's overall power in its relationship with the CEO; and, further, it aims to determine what factors do affect board leader-follower relations. Existing research has studied CEO's reactions to the implicit loss of their structural sources of power. However, very little research has been devoted to the suggested notion that CEO's may use unconventional influence tactics in order to maintain their power at levels equivalent to before structural board change. This study strives to discover what tactics CEO's may use in order to sustain effective leader-follower board relations. These tactics may be utilized despite the board composition, or in order to offset the effects of the board composition. Yet, when used, these tactics serve as a mechanism for CEO's to maintain effective control and high levels of influence with the members of the board. This study hypothesizes that CEOs often maintain more effective control over the board through the use of influence tactics and behavioral indicators, and as a consequence board composition plays a less significant role than originally suspected in determining the level of control which the CEO can maintain over the board.

STRUCTURAL BOARD INDEPENDENCE AND ITS EFFECTS ON CORPORATE PERFORMANCE : A LITERATURE REVIEW

Due to a corporate trend of increased board diversification and independence, there has been an increase in research attempting to determine the implications of these actions on organizational performance. There have been several studies in search of indicators that CEO/board relationships may affect the directors' ability or willingness to responsibly meet their fiduciary duties (e.g. Pearce & Zahra, 1992). In general, this literature suggests that because board decisions are typically decided by majority rule, boards mainly comprised of independent directors are expected to more effectively monitor management self-interest than are boards with higher proportions of "inside" directors.

An article written by Johnson et. al (1996) attempted to classify board composition into interactional categories, and define the relative degrees of independence associated with each category. Inside versus outside directors are the broad categories used because this is often the breakdown associated with the classification of board members. "Inside" directors are generally defined as those directors also serving as firm officers; outside directors are typically classified as all non-management members of the board (Johnson et al., 1996). The appropriateness of inside directors is regularly questioned based on the notion that one of the primary tasks of the board of directors is to conduct periodic evaluations of upper management's performance, especially that of the CEO. Many feel that, given this duty, inside directors may find themselves in an uncomfortable position (Johnson et al, 1996). Moreover, the board is responsible for several duties which may present inside directors with areas of conflicting interest – e.g., executive level compensation, the adoption of anti-takeover provisions, and executive succession (Johnson et. al, 1996). Therefore, to avoid a potential conflict of interest, outside directors are often viewed as crucial in order to ensure an acceptable level of control and efficiency among members of the board.

However, there are many who speculate, consistent with "agency theory" (which maintains the need for a small number of insiders who can utilize their in-depth knowledge of the organization to guide meetings), that at least a few inside directors, including the CEO, are necessary on the board (e.g. Fama & Jenson, 1983). Moreover, "agency theory" also addresses the need for the board as a monitoring mechanism. According to this viewpoint, inside directors provide valuable insight on board deliberations regarding CEO's activities and overall performance. Inside directors are effective at supplying an internal monitoring function because they possess a strong knowledge of the company on many levels (Johnson et. al., 1996).

Outsider directors, due to their independence from the firm on an employment level, are often viewed as more effective monitors of firm management than insiders. The Securities and Exchange Commission (SEC) offers specific guidelines used in determining if a member is independent from the firm. One can be deemed "independent" if he/she has not been:

- Employed by the firm or an affiliate within the past five years;
- Part of a family relationship by blood or marriage with a top manager or other director, or had
- An affiliation with the firm as a supplier, banker or creditor within the past two years;
- An affiliation with the firm as an investment banker within the past two years or within the upcoming year;
- Association with a law firm engaged by the corporation, or

- Stock ownership resulting in the SEC designation of a control person (Johnson et al., 1994)

Research has also attempted to depict and understand relationships among the various forms of board composition and organizational outcome variables (i.e. financial performance, executive turnover, CEO compensation, and anti-takeover defenses). Most studies (although inconsistent with each other in their results) have not revealed substantial positive relationships between inside director proportion and a firm's financial performance (Molz, 1988), CEO compensation (Westphal and Zajac, 1995), or being taken over (Davis, 1991). However, substantial relationships have been discovered with regard to board composition and executive turnover (Boeker, 1992), organizational financial disasters (Daily and Dalton, 1994), shareholder lawsuits (Kesner and Johnson, 1990), and organizational strategic orientation (Baysinger and Hoskisson, 1990).

In a study focused on the evolution that has occurred in CEO leadership styles and their relationship to board independence (The Coreland Group, 1996), a positive correlation between the two factors was <u>not</u> discovered. Instead, the study revealed that, armed with their new independence, boards of directors are now facing role conflict and ambiguity (Coreland Group, 1996). The format of this study is of interest, and included three sections. Section One summarized findings about CEO performance contracts and reviews that were obtained through surveys presented to directors (345 directors responded). The results were inconclusive, suggesting that leadership effectiveness standards are unclear and allow a high degree of subjectivity (Coreland Group, 1996). Thus, the researchers sought a accurate measure of determining CEO effectiveness on a non-biased scale. Section Two offers a conceptual framework for defining CEO leadership requirements in relation to the market and business situation facing a given corporation. This section assessed CEO's leadership in accordance with the degree of organizational change required before a leader can be expected to produce adequate results. Organizational changes were divided into four categories (incremental evolution, portfolio changes, operational changes, and multi-dimensional changes) and the CEO leadership requirements for each of these categories was determined through a degree of frequency chart – meaning the level of leadership increased as a greater degree of change occured. The final section of this study extended the leadership effectiveness framework into clear measures of performance. These measurements were created in order for CEOs and Directors to measure and increase the effectiveness of the CEO selection and evaluation processes. The study concluded that the type of organizational changes necessary should dictate the type of CEO that should be chosen.

The Coreland research identifies the major problem many studies in this area face - the development of a clear definition of CEO effectiveness, and the determination of director roles within the organization. In general, this study served the sole purpose of stimulating an awareness that the area of organizational and CEO effectiveness is abstract, and many factors play into the measurement of "effectiveness." Therefore, it is impossible for researchers to simply conclude that board independence leads to greater organizational effectiveness because "effectiveness" is a result of numerous independent organizational factors.

In light of the research above, a study by Westphal (1997) used a different tactic to explore board independence and organizational effectiveness. Westphal assumed that there is no concrete evidence that board independence from management enhances board effectiveness. Therefore, the study sought to determine how low levels of board independence from management can promote board effectiveness by increasing the board's involvement in strategic decision making. The study developed a theoretical framework based on research concerning social ties in organizations to consider how social factors such as trust and perceived social obligations can encourage more interactive relationships between CEOs and their boards. The study also rationalized that a more interactive relationship would lead the board to provide advice to the CEO on a more frequent basis and promote rather than hinder board effectiveness in overseeing the firm (Westphal, 1997).

Westphal founded his research on the notion that strong CEO/board relationships enhance board involvement by encouraging CEO/board collaboration, rather than reducing involvement by lessening control. Westphal identified two distinctive board leadership styles - the independent board model and the collaborative board model. The independent board model suggests that the function of boards is to reduce agency costs resulting from the delegation of strategic decision making or "decision management" to top executives by exercising "decision control" over management, which includes the monitoring of managerial decision making and performance (Fama & Jensen, 1983: 303). The collaborative board model suggests that the board can extend their involvement beyond monitoring to provide on-going advice and counsel to management on strategic issues (e.g. Baysinger & Butler, 1985; Johnson, Daily, & Ellstrand, 1996). Therefore, despite the fact that most empirical research in this area cites the independent board as more successful in engaging the group in productive decision making, Westphal's study suggests that on the independent board, CEO/board social relations decrease director involvement by reducing board monitoring of decision making and performance.

A unique aspect of Westphal's study is that he evaluated CEO/board friendship ties and determined if these ties were negatively or positively associated with advice and counsel interactions on strategic issues. The study then looked at outside directors to determine if board composition (in terms of numbers of outside/inside directors) had a positive or negative impact on productive interaction with the CEO. Westphal then looked at incentives and determined how they impact CEO/board relations. And finally, the study determined if board involvement positively or negatively affects firm performance. Firm performance was judged in terms of positive net gains and increased shareholder value.

Westphal tested his theory through the use of a comprehensive data set that combined longitudinal archival data on board structure, CEO compensation and performance with primary survey data from a large sampling of CEO's and outside directors. He then used the data to evaluate processes and dynamics associated with CEO/board relationships (Westphal, 1997). The sample Westphal used consisted of 600 companies randomly selected from the Forbes 1000 index of U.S. industrial and service firms. Two hundred and forty-three CEO's and 564 directors responded to the questionnaires that were sent. The findings of Westphal's questionnaires provided a unique perspective on how social board independence from management affects the board's role in strategic decision making. The results showed that, despite the notions of conventional wisdom, stronger friendship ties between CEOs and directors serve to strengthen involvement and effectiveness of boards by encouraging advice and counsel interactions with outside directors. The findings also serve to challenge current thinking about CEO relationships and board administration by showing that trust and a reciprocal kinship between the CEO and outside directors can enhance rather than diminish board effectiveness by encouraging collaboration on decisions. The study also proposes that firms can enhance effectiveness by creating close, trusting CEO/board relationships, while maintaining high levels of CEO incentive alignment (Westphal 38). The findings also suggest that incentives can often be more effective in influencing board members with the a board-CEO "camaraderie" (non-hostile work) environment exists, as opposed to hostile ones. All of these findings counter results from previous empirical research. Therefore, this study leads us to further question the discrepancies in earlier research and contemplate the reasons for these discrepancies and the means which CEO's use to maintain influence in both dependant and independent board relationships.

In an effort to answer research questions left unanswered in his earlier work, Westphal conducted a second study on CEO/board relations. He suggests that when CEO's are faced with greater structural board independence, they may opt to use interpersonal influence tactics that significantly offset the intended effects of structural board independence and the boards overall power to protect shareholders. This study explored the use of two distinct influence processes, persuasion and ingratiation, examining whether increases in various structural sources of board power may prompt the use of particular influence tactics by CEOs.

This study used Yukl's definition of persuasion, which involves the application of reason or logic to "convince the target that the agent's request or proposal is feasible and consistent with shared objectives"(Yukl and Tracey, 1992). Ingratiation was defined as "a set of influence tactics which serve to increase one's attractiveness in the eyes of [another] person" (Jones, 1964). After carefully defining his use of terms, Westphal states his hypothesis: "greater structural board independence from management will lead to a higher level of CEO ingratiation and a higher level of CEO persuasion attempts [and subsequently these] CEO ingratiation attempts and CEO persuasion attempts will lead to more positive subsequent change in the level of corporate diversification"(Westphal, 1997).

Westphal defined structural board independence as "those aspects of formal position and informal structure that can potentially reduce the extent to which directors are socially or professionally beholden to the CEO" (Westphal 10). In addition, he outlined a variety of variables which have the potential to enhance the board's power to protect shareholders in the absence of alternate sources of influence by the CEO. These variables include: the ratio of outside to inside directors; a CEO/board chairman split; low CEO/board friendship ties; and demographic distance.

Data for Westphal's study were collected from board members of 600 large and medium sized companies through a questionnaire format. The findings revealed strong evidence that widely-hypothesized relationships between board structure and organizational outcomes are affected significantly by the use of persuasion and ingratiation in CEO/board relationships. In particular, results showed that the use of influence tactics by CEOs moderates the potential effects of increased structural board independence. Therefore, the findings in this study serve to challenge the conventional perspectives regarding board power. In fact, this study contradicts prior beliefs and suggests that structural board independence may decrease the board's overall power to protect shareholders by prompting CEO's to use interpersonal influence tactics.

More specifically, results indicate that individuals "compensate for structural disadvantages" by making greater use of interpersonal sources of influence (Mowday, 1978). In fact, CEOs are suggested to be especially prone to such actions due to their high levels of intrinsic power motivation (Mowday, 1978). In addition, it is noted that ambiguity and uncertainty inherent in judging CEO performance provides numerous opportunities for the use of interpersonal influence (Pfeffer, 1981; Westphal and Zajac, 1995). It is also recognized that, according to the psychological reactance theory, changes that threaten to reduce discretion over important outcomes will motivate efforts to maintain that discretion (Brehm and Brehm, 1981). In the case of CEO/board relations, the theory implies that when faced with the fear of losing control over their boards, CEOs will attempt to reduce this control loss by asserting other personal control mechanisms. Thus, CEO's will search for alternate avenues to maintain discretion over the firms strategic action (Westphal, 1997). In addition, according to empirical research, reactance is most likely to occur among individuals with particularly high self-esteem, or an "internal locus of control" (Brockner and Elkind, 1985). Assuming that these traits are highly likely among top managers, CEO reactance to increased board dependence is extremely likely. In brief, Westphal reasoned that "reactance may represent a fundamental mechanism leading CEOs to compensate for the loss of structural sources of power over their boards by initiating interpersonal influence attempts toward relatively independent board managers"(Westphal 1997).

There are, however, several limitations to this study. First, this study was based on the self-reports of board members and CEOs, as opposed to observations of boards in action. The second limitation is that Westphal's study did not consider CEO/ board interactions at various levels of analysis and in both formal and informal settings. Instead, this study simply considered CEO/board interaction in the boardroom. The final limitation of this study is that it did not consider the full spectrum of influence tactics that might be employed by CEO's. The majority of empirical research on influence tactics cite a wider variety of influence tactics than Westphal studied. Yukl commonly identifies eleven forms of influence, and study of influence by Kipnis, Schmidt and Wilkinson identifies eight influence tactics that are commonly used in organizations. However, despite these limitations, Westphal's study is important in that it greatly increased our understanding of the scope of interaction between CEO's and boards of directors.

The present study will build upon Westphal's efforts, attempting to account for previous research limitations by using multiple measures, including archival research and critical incidence analysis. Through these means, the study will assess how variations in board composition may affect CEO/board interactions. Using power and influence tactics as indicators, this study will attempt to determine if these tactics affect the overall relations and actions of the board. In leadership studies, it is hypothesized that leaders can improve their effectiveness by appropriately coordinating their power or influence tactics in accordance with the traits and personalities of the followers they are hoping to appeal to and the current situation(Hughes 340). Corresponding to that notion, this study analyzes power bases and influence tactics in CEO/board relations as related to the composition of the board in terms of independence vs. dependence. Using this information, this study then attempts to determine how much effect these power and influence tactics have on levels of leader/follower interaction on profit-oriented boards of directors. The next section defines the influence tactics that were a focus of this study.

POWER BASES AND TACTICS OF INFLUENCE

Power has often been defined as "the capacity to produce effects on others or the potential to influence"(Bass 1990). Influence tactics typically refer to "one person's actual behaviors designed to change another person's attitudes, beliefs, values, or behaviors"(Hughes 339).

French and Raven identify five bases of power by which an individual can potentially influence others. These five bases include: expert power, referent power, legitimate power, reward power, and coercive power.

Expert power is the power of knowledge; it is the ability one has to influence people through their relative expertise in a particular area. Referent power is utilized through interpersonal relationships. It refers to the potential influence one has due to the strength of the relationship between the leaders and the followers. Legitimate power refers to the leader's ability to make things happen because he or she is in the position to do so. Reward power involves the potential to influence others due to one's control over desired resources. And finally, coercive power is the ability to influence through the administration of negative sanctions or the removal of positive events (Hughes 340-44).

There are nine significant influence tactics that are commonly referred to. These tactics, which were identified by Yukl, Lesinger, and Lepsia, have been placed into an

Influence Behavior Questionnaire, which is frequently used to analyze organizational influence behaviors.

The influence tactics that I will use for the purpose of this study are, as defined by Yukl: rational persuasion, inspirational appeals, consultation, ingratiation, personal appeals, coalition tactics, exchange, pressure tactics, and legitimizing tactics.

Rational persuasion occurs when an agent uses logical arguments or factual evidence to influence others. Inspirational appeals occur when a leader makes a request or proposal which is designed to arouse enthusiasm or emotions in the followers. Consultation is the process by which the leader requests that followers participate in the planning and execution of the activity. Ingratiation occurs when the leader attempts to place his/her followers in a good mood before making a request. Personal appeals are used when requests are made on the basis of a personal relationship. Exchange occurs when a cross offering of favors takes place. Coalition tactics are used when the leader seeks the aid or support of others when making a request. Pressure tactics occur when threats or persistent reminders are used. Lastly, legitimizing tactics occur when the leaders make a request based on their position of authority (Hughes 348).

All of the above tactics are organized from the leader's perspective, yet it is important to note that followers also have varying amounts of power which they can use to resist a leader's influence attempts (Hughes 340).

I now plan to use the knowledge I have gained regarding power bases and influence tactics and combine it with the background research I have conducted on CEO/board relations. I will use this research to determine the cause and effect relationship between power bases and influence tactics in accordance with CEO/board relations on independent and dependent boards.

METHODOLOGY

In order to conduct this study, I performed critical incidence analysis interviews with a variety of board members. I hand picked the board members that were interviewed and tailored the member composition so that it consisted of board members from across the dependent-independent board spectrum. The sampling I used was accidental, composed mainly of family friends and acquaintances. I conducted 20 interviews, in hope of having 10 respondents from independent boards and 10 from dependant boards. The results I obtained were based on a sample of 20 board members from 15 different organizations. However, as I began interviewing board members, I discovered the relative infrequency of dependant boards. This infrequency is based on the corporate trend of boards striving to achieve their independence from CEO's so they can better represent shareholders (as discussed earlier). Therefore, I interviewed eight members of dependent boards and 12 members of independent boards. Of the 15 boards represented, 5 were dependent and 10 were independent. **(Appendix 1).**

Prior to conducting critical incident analysis interviews, I obtained archival information on each company and its boards of directors. Through this company research, I determined how the stakeholders, employees, and the general public perceived the organization. These perceptions, though they may be misconstrued, enabled me to develop a basic understanding of the general level of interaction that occurred within the organization. This was useful because provided me with a feel for the formality of the organization, thus allowing me to tailor my interviewing style to suit the nature of the company.

After developing a general organizational perspective, I contacted the board members to be interviewed. The critical incidence analysis process involved the interviewer guiding the respondent to tell stories which correlated with the research being conducted. Therefore, when conducting my interviews, I proceeded in a very distinct fashion. First, I asked the board member a series of questions about the board. These questions were meant to enable the researcher to obtain a "feel" for the organization - the levels of discussion, the way information is presented, the strength of relationships among members and the overall involvement of the board members in the decision making process.

This first line of questioning proceeded as follows:

- How long have you been a member of this board of directors
- Are you currently, or have you ever been, an employed member of organization X?
- Describe the climate of this board?
- Tell me what you can about the relationships that board members have with the CEO?
- What is the discussion level that transpires between the board members and the CEO?
- How is information on issues of importance typically presented to the board members?
- Do you feel that you know enough about the issues in order to be able to cast an educated vote?

After determining the general logistics of the board, I then began my series of critical incidence questions, which attempted to discover what occurs in a typical discussion regarding an issue of concern on each particular board of directors. In order to discover the information necessary, I requested that my subject recall, in detail, a specific incident that occurred in a recent board meeting and relate that incident to me. These incidents enabled me to infer what occurred in the board meeting, how the CEO and the board interact, and what influence tactics the CEO typically uses to persuade the board.

The line of questioning for my critical incidence analysis proceeded in this manner:

- Think of the last issue that was of great concern to the board, or inspired a high level of discussion amongst the board members. Please tell me what this discussion was about and how it proceeded.

- Did the CEO attempt to influence the board in any way during this discussion?

- Is this type of discussion, including the CEO's interaction, typical of the types of discussions that occur on this board?

- If not, please tell me of a typical incident or discussion that occurs on this board and how the CEO and board members normally interact.

- If this is typical, what was your role in this discussion?

- Using yes or no answers, tell me which of the following statements appropriately summarize the tactics which the CEO typically uses to influence or gain support from the board of directors:

  1. Uses logical arguments or factual evidence to persuade;
  2. Attempts to arouse enthusiasm or excitement among board members;
  3. Requests the help of the board, and makes them feel involved;
  4. Attempts to put the board in a good mood prior to making a request from the board;
  5. Utilizes the advantage of personal relationships with the board members in order to gain compliance;
  6. Offers something in exchange for the board, or a particular members, compliance;
  7. Attempts to form a coalition of board members who favor his side on the relevant issue;
  8. Uses threats or persistent reminders in order to persuade the board;

9. Uses his/her position of authority as a reasoning why the board should comply with his/her request.

- How long do you plan to continue serving on this board of directors?
- Has your experience on this board been positive?

I realize that when conducting these interviews, it was necessary that I was careful not to guide my respondents or make them feel as if I was negatively judging their organization or their CEO. I also realized that throughout the interviews, follow-up questions were absolutely pertinent in order for me to obtain the information I needed. However, these follow up questions varied depending on the context of the interview. Therefore, it is impossible for me to document each exact question which I asked in each interview.

After obtaining the information necessary for my study through these interviews, I proceeded by analyzing the data in order to draw conclusions on the leadership effectiveness of CEO's in dependent and independent boards. I first analyzed the critical incident analysis interviews I conducted and formed conclusions and ideas based on this data. Next, I combined and organized the more quantitative data I received and placed it in both charts and written format in order to enable me to analyze the information in a variety of ways. Finally, I compared the qualitative and quantitative responses I received and drew conclusions from these analyses.

RESULTS

The majority of relevant and useful information I received came as a result of the critical incident that I requested that each respondent recount for me. I asked that these incidents pertain to the last issue of importance that the board had discussed. I had hoped to extract from this information an idea of how the board typically handled significant issues and obtain a feeling for the CEO and the board members' roles in these discussions. The results I obtained were extremely informative.

There were several unique issues of importance that were discussed; however, it is important to note that the underlying principle in all issues related to bottom line profits. The majority of issues mentioned can be classified into three areas: loans and reallocation of financial resources, strategic acquisitions and expansion, and sales or mergers.

On the dependent boards, all of the issues involved were either directly related to financial allocation or involved a sale or merger. A typical discussion on a dependent board appeared to proceed in a fairly "communal fashion" (meaning that everyone participated and felt involved in both the discussion and the outcome). For instance, on one of the bank boards, the discussion involved the altering of standards by which loans are approved. Loans are very important to banks, and smaller banks are having difficulties obtaining loan customers because bigger banks have lower standards and can afford to have an occasional default customer. Smaller banks do not have the resources to support default customers, so typically their loan standards are higher.

The CEO was in favor of lowering the loan standards; however, many of the board members were extremely wary of this decision. During the discussion, pros and cons were weighed, alternatives were suggested, and opposing points were discussed; yet, each member was aware throughout the discussion that the bank would have to do whatever was best in terms of its overall profitability. This is the exact point that the CEO brought up towards the completion of the discussion. He pointed out the necessity of bottom line profits and the need for this bank to move forward and take risks in order to receive those profits. He then appealed to each member through their "pocketbooks", claiming that this decision would effect not only the bank's financial future but each member's financial future as well – "the bank cannot move forward without agreeing to this decision." Finally, the CEO added pressure to the situation by strongly recommending that the board vote decide that evening because the clients needed a response the next day. After using this rational appeal, combined with inspirational appeal and slight pressure, the board agreed to lower their loan standards which was the recommendation that the CEO had made.

The interesting thing about this discussion, which was something found to be true in all discussions on dependent boards, was the groups focus on the need to pull together and make a decision considering the entire group's opinion, occasionally ignoring personal preference. For instance, one of the members on this board stated, "I was opposed to this decision, but in the end, I voted for it because we are a team and we are all in this together. If they all wanted to lower the standards then who am I to place judgement on their future financial prosperity - I cannot see into the future, I don't know what the solution is. So, I had to go with them on this one". When questioned further, the member admitted that he did not concede until the final moment, hoping that his resistance would force the board to explore all other options.

The interesting thing about dependent boards, that I discovered through this incident and several others, is the power the CEO has to influence the board members because the members have such a great personal stake in the organization. For instance, in this case, the CEO brought up bottom line profits and future sustainability of the firm in general. According to respondents, this form of reasoning and influence seemed to have more of an impact on members who work for the firm and have invested their daily time and efforts into the organization. In comparison, this form of appeal seems less influential on firms in which the members simply serve as an advising body.

However, there is a downside to the notion of board member's personal involvement. On dependent boards, even though the one member cited the "team" and his need to go along with them, many members take a "me" approach which is not prevalent on independent boards. The members are very involved in the organization and sometimes appear to confuse personal issues with their objective position on the board. For instance, on the one dependent board which was discussing "spinning off" or selling an arm of their business, the member I spoke with brought up the concept of job security for his "friends" who worked in this arm of the business. It appeared that these kinds of "personal involvement" issues occasionally got in the way of members' fiduciary responsibility to remain objective.

On independent boards the discussion process appeared to proceed somewhat differently. There was a greater diversification of the issues debated on these boards, and often these boards appeared to engage in more heated discussions. The most often mentioned issue of importance on independent boards involved strategic acquisitions. One board, which had a history of acquisitions - some successful, some not - was debating another aquisition. The main issues involved in the discussion pertained to financial investments involved, the strategic importance to the company, and the original organization's major customer's reaction.

Prior to the meeting, the board received information regarding the acquisition and was given the opportunity to do research. Once the board met, the CEO presented the information and his reasoning on why he considered this acquisition to be beneficial for the firm. After his presentation, a debate ensued involving the previously mentioned issues. The process of this discussion basically revolved around the board member's questioning the CEO's proposal, and the CEO responding on the various issues presented. After the board had received what they considered to be satisfactory responses from the CEO, a vote was taken, and the CEO received the support necessary.

This process appears to be fairly typical on many independent boards – the CEO presents his proposal, the board asks questions to ensure that the CEO has examined all issues involved, and then, if the board is satisfied with the CEO's responses, they will vote in favor of the CEO's request. As one member stated, "Rarely do board of directors vote down the CEO's proposals – that is difficult to do. Instead, the board usually ensures that the CEO has done proper research, and considered all angles of the issue. Then, if the CEO feels that the decision is in the company's best interest, the board will go along with it."

There are many cases, however, in which the board does not feel that the CEO has done adequate research in order to make the decision. In these cases, the board will usually table the motion or vote on the motion pending certain research findings. As one member stated, "the CEO doesn't usually call for a vote unless he knows he has the support – doing so hurts his credibility. Instead, the CEO will table the motion and conduct further research before presenting the idea to the board again."

In one example, an independent board was discussing expansion into a new city. The CEO requested that the board approve this expansion proposal; however, he had conducted no demographic or consumer research on the new area. Therefore, even though they agreed that expanding was necessary, the board did not feel comfortable approving this expansion because of the lack of statistical information provided by the CEO. The board agreed to table the motion until further research studies on the city were conducted. Once the studies were performed, the board, which meets semi-annually agreed to hold a special meeting in order to resolve this issue.

In another case, the CEO needed the board to vote on an acquisition proposal. The proposal had arisen suddenly, and the CEO needed immediate support from the board or the opportunity would be lost. The CEO could offer very little research information on the acquisition. A board member I spoke with refused to support the CEO on this acquisition proposal without receiving the necessary research. The CEO used several influence tactics to convince this board member including rational persuasion, legitimizing tactics and pressure tactics. However, the board member refused to be cajoled. As he stated, "It's a rare thing when a board member adamantly refuses to support the CEO. But, I couldn't support him on this one – the plan was just not well thought out…He definitely attempted to persuade me in a variety of manners, and our relationship has not been the same since".

Throughout my discussions with independent board members, one aspect was continuously apparent – the board's fiduciary duty. This is what I feel distinguished independent and dependent boards. On dependent boards, the members felt that they belonged on the board and considered membership an aspect of their job. They thought of the board as a mechanism for making the best decisions for the company. These members had an intrinsic understanding of the issues involved and appeared to have a stronger internal notion of what was best for the organization. On the other hand, independent boards considered their membership a duty – which they may or may not enjoy. Either way, these members saw themselves as having specific tasks that must be performed in accordance with this duty. They seemed to view their role as advisory more than participatory and this was reflected in the decision process.

These differences among the dependent and independent boards seemed to have an impact on the leadership styles and influence tactics that the CEO used. On independent boards, the CEO used rationale as his primary form on persuasion. On many issues, this was the only tactic necessary because the board members liked the CEO's analysis of the issue, felt the CEO had performed adequate research and felt comfortable trusting the CEO's opinion. On dependent boards, rational persuasion was also prevalent; however, generally the board already had a strong understanding of the issues and other tactics were needed to influence the members. For this reason, inspirational appeals and slight pressure tactics were sometimes used. As I stated earlier, the CEO's on dependent boards typically appealed to the board members through their "pocketbooks," reminding them that this decision may financially impact their personal future. These statements inspired members to consider their financial prosperity and provided members with the added pressure that if they made the wrong decision their personal lifestyle may suffer.

On both types of boards, consultation was an important tactic. However, this tactic took different forms depending on the board composition. For example, on independent boards, the members typically researched the issues and offered advice to the CEO in accordance with what they discovered through research. Yet, on dependent boards, consultation took on a more participatory meaning - members also worked in various facets of the organization therefore offering expert advice to the CEO. In these cases, the CEO would frequently consult with a board member on his or her opinion because that member had a stronger intrinsic knowledge of a particular area of the company.

The other forms of influence that I had previously suspected as having a role in CEO/board relations, including coalitions, exchange, and ingratiation, seemed less prevalent in the critical incidents which I obtained from my subjects. Coalitions were never mentioned in accordance with the CEO; however, it is possible that coalitions are formed through committee usage (this concept will be discussed later). Exchange tactics were also not mentioned. This could be either because they are not frequently used on boards of directors or because directors did not want to mention that they are used. If the latter is true, this will serve as a limitation to my research. The last tactic that I found to be infrequently used was ingratiation. This was surprising because it was one of the two tactics that Westphal had analyzed in accordance with CEO/board relations. However, after examining my interpretation of this tactic, it is apparent why it would typically be unsuccessful with board members. For the purpose of my study, I defined ingratiation as "putting the board in a good mood prior to making a decision". Under this classification, it appears that this tactic might be more successful with a less formal decision making body than with a for-profit board. However, when examining a broader definition of ingratiation, "a class of strategic behaviors illicitly designed to influence a particular other person concerning the attractiveness of one's personal qualities"(Jones 11), the inconsistencies I obtained in comparison to Westphal's study become understandable.

While conducting the critical incident interviews, it became obvious that a variety of factors that I had not previously considered, affect a CEO's influence over his/her board of directors. These factors include CEO personality, complacency of the board, importance of the issue, and the board's knowledge and interest in the issue.

In numerous discussions with board members, I asked about the CEO's role in the discussion, and the responses I received often focused on the CEO's personality traits. For example, I asked one board member the CEO's role, and he responded, "[The specific CEO] has a very domineering personality, so of course he involved himself every chance he had". Another board member, responding to the same question, answered, "[The specific CEO] likes to kind of stay out of the heat of the discussion, he sits back and listens and let's us hammer out the issues a while before he intervenes". These two responses clearly demonstrate the role the CEO's personality has on the board's interaction style and the CEO's influence tactics.

Another issue that often arose, affecting CEO influence, involved issue importance. During my critical incidence analysis, I requested that the board members provide me with an analysis of an important issue that the board had discussed. However, this served as a limitation in my research because the CEO's level of influence and involvement varies in accordance with the importance of the issue. When I asked one board member if the board's discussion that he had recalled for me was typical, he stated, "It's typical for big issues, however, if the issue is small often very little debate or discussion occurs, we simply comply with the CEO". When further questioning this respondent, it became clear that issues were defined as 'big' or 'small' in accordance with the level of controversy they inspire. Therefore on this board, it would appear that the CEO would have more influence and power in dealing with less controversial issues. From this information, it can also be concluded that, on some boards, the significance of the issue plays a strategic role in the level of CEO influence.

The final factor involving CEO influence that I had not previously considered involves the level of interest and knowledge the board member has about the issue. Some members reported having a low level of interest or knowledge about the issue at hand. Therefore, they followed the CEO's advice on the issue much more closely. In one specific case, the board member reported having little or no knowledge of the area in which the company was considering expanding. He stated, "I had had little time to research the issue, and knew only general information concerning the demographics of Latin American. Therefore, I pretty much felt the need to abstain from the debate and support the CEO on this one". This, and other similar incidents, led me to believe that the board members knowledge and interest about an issue played a large role in the member's involvement in the discussion, thus impacting the CEO's ability to influence the member.

Once I completed carefully examining the critical incidents I had gathered from respondants, I began to examine the more quantitative data and open-ended interview responses I received. **(See Appendix 2, Tables 1 and 2)**.

Among the members interviewed representing dependent boards, all respondents described their board's climate as enjoyable, hardworking and accomplished. The members emphasized positive relationships with the CEO, and the CEO's strength in performing adequate research on issues before presenting them to the board. Members of dependent boards typically received information on the issues prior to the board meetings through written reports sent by the CEO. However, there was an implied weakness on the level of background research performed by individual board members prior to attending their board meetings; it often seemed that members left the analytical research aspect in the CEO's hands. Yet, this weakness was not consistent – varying in accordance with how comfortable and knowledgeable the board felt about the issue.

All members of dependent boards interviewed acknowledged blatant attempts by the CEO to influence the board during the discussion. However, these attempts were met with questions, challenges, alternate ideas, and informed discussions. It was reported that the influence tactics consistently used by CEO's of dependant boards included rational persuasion, consultation, and legitimizing tactics. On occasion, it appeared that CEO's utilized ingratiation, inspirational appeals, coalitions, and personal appeals. CEO's of dependant boards also appeared to exercise their expert, referent, and legitimate power on a frequent basis. However, there were no reports on CEO's using pressure or exchange tactics, or exercising reward or coercive power.

On dependant boards, the meeting process typically proceeded in a pleasant, yet not submissive, manner in which the CEO presented his ideas and reasoning on issues and made a request of support from the board. The board would ask questions, present challenges, offer different solutions, and engage the CEO in an attempt to uniformly reach an ultimate solution or compromise. The majority of dependant members questioned reported an active role in the discussion, and all indicated that they felt comfortable and useful in their position on the board.

Of the independent members questioned, most described the climate of their boards as enjoyable, challenging, and goal oriented. Almost all indicated an amiable relationship with the CEO, and a high level of open discussion among board members and the CEO. There were a variety of ways in which the CEO presented information to the board members. Often written reports on impending issues were sent to board members prior to meetings – this was the method most preferred by respondents. On other occasions, CEO's presented an in-depth analysis of the issue once the board convened. This method was not as favorable among board members. Members of independent boards frequently indicated their desire and willingness to perform background research on issues prior to attending board meetings. They felt that this research allowed them to be a more informed and active participant in the discussion, thus providing them with the opportunity to better serve the shareholders.

Summary

Members of independent boards consistently indicated the use of influence tactics by CEO's. They reported the CEOs used, on a consistent basis, rational persuasion, inspirational appeals, and legitimizing tactics. On an occasional basis, CEO's of independent boards were reported as using consultation, ingratiation, personal appeals, and coalitions. These CEO's were also known for exercising their expert, referent and legitimate power on a consistent basis. There was only one report of a board that encountered a CEO who attempted to influence a board member through the coercive power or the use of pressure tactics. There were no independent members who reported ever having encountered exchange tactics. These influence tactics seemed to be met by a variety of reactions including compliance, open discussion, both friendly and hostile challenges, presentation of alternatives, and opposition. On independent boards, the discussion process appeared to proceed in a variety of manners. Often, independent boards would engage in challenging, yet positive, discussions involving the issues at hand - the CEO would request support, the board would ask questions and offer suggestions or alternatives, and a agreeable solution would be reached. Occasionally, however, independent board members indicated discomfort in the CEO's decisions, and members opposed would present arguments and challenges, questioning the CEO's rationale. These discussions would sometimes result in the tabling of issues or rejection of an issue in which the CEO was in favor. Despite these occasional pitfalls, most members of independent boards agreed the board they were on was effective, that all members had adequate knowledge of the issues, and discussions were usually helpful in reaching an optimal result.

DISCUSSION

When comparing my quantitative and qualitative data there were several discrepancies noted. For example, I sensed the use of pressure by CEOs on dependent boards; however, when asked, board members reported no use of pressure tactics. Another discrepancy included a noted use of ingratiation in the quantitative data, which I did not sense from the critical incidence analysis interviews. A final discrepancy which I noticed was the implied level of opposition on several issues between the board and the CEO indicated in the quantitative data, which I did not sense in the qualitative data.

However, despite these few discrepancies, the data I received in both qualitative and quantitative forms was typically consistent leading me to form several conclusions about the influence tactics used by CEOs with independent or dependent boards.

I have concluded, through careful analysis of my research, that:

a). The CEO's use of influence tactics is prevalent with both independent and dependent boards, and

b). The CEO's use of influence tactics is one of the primary means by which he/she maintains control over the board.

The correlation between the level of influence initiated by the CEO and the level of control which the CEO has over the board appears to depend on numerous factors that are both directly and indirectly related to the independent/dependent variable. There appear to be certain factors that would tend to make the dependent board more easily influenced (i.e. personal stake in the issues which allows the CEO to utilize pressure tactics). However, there also appear to be several components of the independent board that tend to make them influential targets as well (i.e. lack of personal stake and willingness to simply comply with the CEO). In addition, there are several factors which were not previously considered in other studies, but which appear to have a large impact on the level of CEO influence as seen through both the qualitative and quantitative data (i.e. CEO personality, issue importance, and board interest and knowledge). Therefore, it is difficult to make any conclusive statements on the amount of CEO influence in accordance with the independence/dependence of the board.

However, through this research I did find a basic concept of leadership studies to exist in CEO/board relations. The concept, as cited by Hughes, states that leaders can improve their effectiveness by appropriately coordinating their power and influence tactics in accordance with the followers they are hoping to appeal to (Hughes 340). CEO's do adjust their use of power and influence tactics in accordance with the board members they are attempting to appeal to. However, the current study hypothesized that the CEO's adjustment of power and influence tactics would directly correlate with the relative dominance of inside or outside directors on the board. This was found to be true in some circumstances, but not consistently. In contradiction to that hypothesis, it was discovered that CEOs often adjust their use of influence tactics based on specific members and in response to more abstract factors which may or may not correlate with the independence/dependence of the board. These factors include the previously mentioned issues of CEO personality, issue importance, and board interest and knowledge.

The findings in this research were generally inconsistent with the findings of Westphal's second study. His study had concluded that influence tactics may represent "a fundamental mechanism leading CEO's to compensate for the loss of structural sources of power over their boards by initiating interpersonal influence attempts toward relatively independent board members" (Westphal 1997). This conclusion indicated that the CEO typically increased his/her use of influence tactics as the composition of the board became more independent. Westphal formed this conclusion based on the study of two specific influence tactics, persuasion and ingratiation. When examining the entire spectrum of influence tactics including persuasion, ingratiation, consultation, inspirational appeals, personal appeals, exchange tactics, coalitions, pressure tactics, and legitimizing tactics, it is apparent that these influence tactics are heavily used on both independent and dependant boards. It is also evident that no direct correlation can be linked between the level of dependence and the amount of influence the CEO exerts over the board. This discovery leads one to believe that CEO's typically rely heavily on influence tactics and their variability in use of these tactics is more related to individual board or situational characteristics than the level of dependence of the board.

The results obtained from this study were more closely tied the results of Westphal's first study, which concluded that close, trusting CEO/board relationships, and board cohesiveness can enhance a board's effectiveness. It was apparent, after talking to the board members, that an easy camaraderie among the board members and the CEO was a necessary factor in the successful operation of the board. This camaraderie was necessary because it challenged the board to have open discussions on issues and form agreeable solutions and compromises. Although this camaraderie was more prevalent in the dependent boards (i.e. the "team" factor), it was often also found in the independent boards as well. However, there was an apparent distinction in the board interaction on these two types of boards. Whereas on the dependant board the camaraderie led itself to amiable discussions and compliance, the camaraderie on independent boards offered the opportunity for challenging discussions and unique compromises.

Therefore, it may be concluded that the selection of board composition in terms of a "personality fit" may be more productive than selection of board members based on insider versus outsider. As stated by one respondent, "Boards need to be comprised of team players. Members need to be independent thinkers – nobody wants rubber stamps. However, no one wants a know-it-all, troublemaker either". This statement leads one to believe that certain personalities would be more successful on boards of directors, but no concrete conclusions can be formed.

While conducting this study, I discovered several unconsidered factors that were also related to the success of the board and the leadership effectiveness of the CEO. One distinctive factor was the prevalence of committees that met without the CEO. On several of the boards studied, committee meetings without the CEO served as an integral part of board operations and member interaction. The CEO was not capable of using any influence tactics during these meetings because he/she was not allowed to be present. Therefore, the members had an opportunity to discuss the issues without the CEO's involvement.

Another factor, which many respondents mentioned as significant in assessing the CEO's ability to influence the board, was the CEO's personal leadership tactics. Many consider these tactics the "art of leading". Included in this "art" are several factors such as the CEO strategically calling on certain members to respond, the CEO looking at certain members as he/she speaks, the CEO strategically choosing where the board meets, or the CEO systematically assigning committees.

With the knowledge of so many "unconsidered" factors, which were not controlled for before data for this study were gathered, it is difficult to draw any concrete conclusions on the use of power bases and influence tactics by CEO's, and the variability of these factors in accordance with the independent/dependant boards. Therefore, the research conducted is inconclusive and only serves to remind us that there are many factors that serve to impact board operations and CEO/board relations.

CONCLUSION

From the data obtained in this study, it can be concluded that influence tactics have a great effect on overall leader/follower interaction on profit-oriented boards of directors. Influence tactics appear to represent the primary means by which a CEO maintains control over his/her board of directors - greatly surpassing board composition as the most effective way to sustain a high level of power and influence over the board members. Independent and dependent boards sometimes operate differently and have disparate priorities, implying, most likely, that occasionally the CEO must use alternate methods of influence in accordance with the board composition. However, both types of board composition appear equally subject to influence, indicating that a more dependent board will not strengthen the CEO's power in his/her relationship with the board. Therefore, it can be deduced that the CEO will be more successful in controlling the board through the use of influence tactics, than by placing a high level of significance on board composition as a method for asserting authority over the board of directors. It can also be concluded that the CEO/board relationship is comparable to many other leader/follower relationships in that the influence tactics and power bases are a highly effective means for asserting control.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

There were several limitations that I encountered when conducting this study. The first, as earlier mentioned, was the lack of available dependent boards. Dependent boards are becoming less prevalent; therefore, when collecting data I found it more difficult to gain access to members of dependent boards. The second limitation I encountered was the personal bias that all respondents had in favor of the board they represented. Members were extremely hesitant to offer negative information regarding the board on which they served. This could be for a variety of reasons. Most likely, board members thought positively about the board they currently served on and the way it operated, or they would not be continuing to serve on it. A second possibility is that the respondents did not want to place their board in an unfavorable light because they are part of that board, and making the board look bad ultimately makes them look bad. A third reason might be that because they are currently serving on the board they are not capable of looking at board operations objectively.

A third limitation I encountered was that I was unable to observe the boards' operations firsthand. I had originally hoped to participate as a "silent observer" on several boards and personally observe the influence tactics the CEO used. However, time became a limitation and I was unable to find enough boards to observe in the limited time available. A fourth limitation that I encountered was the size of the sample and the means by which I selected the sample. Were I to conduct this research again, I would use a more methodical means in order to select the sample and utilize a larger sample size. The final limitation of this study was that I was unable to control for the other factors which I determined to have a large impact on CEO effectiveness and board relations. These factors included the board's use of committees, CEO personality, board complacency, issue importance, and the board's knowledge and interest of the issues they were discussing.

Suggestions for future research on this subject include observing boards in action in order to best determine the many forms of subtle influence which the CEO likely uses on a regular basis with board members. Secondly, researchers in this area should be more aware of the impact that factors such as the use of committees, CEO personality, board complacency, issue significance, and the board's knowledge have on the CEO's leadership effectiveness with the board. In future studies, an attempt should be made to control for these factors before comparing independent and dependent boards. Another suggestion for future research is to study the effects nontraditional board on CEO/board relations. These nontraditional structures include; having an "outsider" co-chair the board with the CEO; allowing someone besides the CEO to chair the board completely, strengthening the power of committees in the board process; or altering the traditional demographic (i.e. race, gender, color, etc.) atmosphere which constitutes traditional boards. A final suggestion for future research would be to more carefully study the CEO/board relationship in the context of leadership. The unique relationship that constitutes CEO/board relations would be interesting to study in terms of the situational leadership theory.

Appendix 1

Subjects used for Interview

Dependent Boards

1. Director on Union Bank and Trust's Board
   - Dependent Director
   - Member for 11 years
2. Director on Union Bank and Trust's Board
   - Dependent Director
   - Member for 15 years
3. Director on National Bank's Board
   - Dependent Director
   - Member for 5 years
4. Director on Scott & Stringfellow's Board
   - Dependent Director
   - Member for 25 years
5. Director on Scott & Stringfellow's Board
   - Dependent Director
   - Member for 13 years
6. Director on Forensic Technologies Board
   - Dependent Director
   - Member for 4 years
7. Director on Forensic Technologies Board
   - Dependent Director
   - Member for 2 years
8. Director on T. Rowe Price's Board
   - Dependent Director
   - Member for 9 years

Independent Directors

1. Director on Crestar Bank's Board
   - Independent Director
   - Member for 6 years
2. Director on Virginia Heartland Bank's Board
   - Dependent Director
   - Member for 11 years
3. Director on Virginia Heartland Bank's Board
   - Independent Director
   - Member for 10 years
4. Director on A. Smith Bowman Distillary's Board
   - Independent Director
   - Member for 14 years
5. Director on Tellabs Board
   - Independent Director
   - Member for 3 years
6. Director on General Product's Board
   - Dependent Director
   - Member for 23 years
7. Director on General Product's Board
   - Independent Director
   - Member for 9 years
8. Director on Cadmus Communication's Board
   - Independent Director
   - Member for 12 years
9. Director on Eskimo Pie's Board
   - Independent Director
   - Member for 8 years
10. Director on Old Original Book Binder's Board
    - Independent Director
    - Member for 4 years
11. Director on Reynold's Metals Board
    - Independent Director
    - Member for 7 years
12. Director Americomm's Board
    - Independent Director
    - Member for 2 years

APPENDIX 2

TABLE 1

INFLUENCE TACTICS	Percentage and #of times influence tactic was reported as being used on Independent Boards	Percentage and #of times influence tactic was reported as being used on Dependent Boards
Rational Persuasion	100% 12/12	100% 8/8
Inspirational Appeals	100% 12/12	62.5% 5/8
Consultation	83% 10/12	100% 8/8
Ingratiation	66.7% 8/12	75% 6/8
Personal Appeals	50% 6/12	37.5% 3/8
Exchange Tactics	0% 0/12	0% 0/8
Coalitions	25% 3/12	12.5% 1/8
Pressure Tactics	8.3% 1/12	0% 0/8
Legitimizing Tactics	91.7% 11/12	100% 8/8

TABLE 2

POWER BASES	Percentage and #of times Power Tactics were reported as used on Independent Boards	Percentage and #of times Power Tactics were reported as used on Dependent Boards
Expert Power	100% 12/12	100% 8/8
Referent Power	100% 12/12	100% 8/8
Legitimate Power	100% 10/12	100% 8/8
Reward Power	0% 0/12	0% 0/8
Coercive Power	8.3% 1/12	0% 3/8

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