The Impact of Chief Executives on Reputation

"People are voting for the artist, not the painting" - Warren Buffett, "America's Most Admired Companies", *Fortune* magazine, on business leader reputations

Background

Ever more media savvy, CEOs have in recent years become the embodiment and personification of the corporations they lead. Often rising to CEO via managerial roles, the CEO has recently through intense media scrutiny been increasingly seen as a "leader" not only responsible for the bottom line but also, and possibly more importantly, in charge of enterprises' brands and corporate reputation.

This new focus on the CEO's contribution to corporate value has given rise to attempts to quantify it. One professional services company has assessed it as worth up to 35% of total reputation. Germany's *Wirtschaftswoche* (Economy Week) magazine set it at 67%.

Meanwhile, CEOs themselves recognise that people judge the company by them, with 96% of the 600+ chairmen / CEOs in *Chief Executive* magazine survey agreeing: "The top person's standing has an impact on company value".

Financial pointers have emerged too. The Top 10 Most Admired CEOs' companies recovered four times faster than the bottom 10, while 95 per cent of Wall St investors claim to buy stocks based on CEO reputation.

The media's own interest is a telling index. In the US, CEO coverage has grown by 21 per cent over a five-year period. And the media are acknowledged by heads of companies to be important opinion-formers in the area. The press (print media) is, research shows, a key source of opinion about CEOs for business leaders (82 per cent derive their opinions via business magazines, 78 per cent through the nationals, 22 per cent via books written by or about chief executives).

And although the visual media (TV) are felt, in the same research, to convey impressions rather than detail, they leave a strong imprint on viewers' minds.

The upcoming business-leader generation (under-40s) claim to be influenced increasingly by niche and new media – investor reports, trade magazines, internet – and by "relationships", ie through meetings and conversations.

Echo has conducted research into the impact of CEO communication in the media. This sample analysis is based on media coverage, benchmarking companies spanning the Energy, IT, Telecoms, Consumer and Professional Services markets.

CEOs attain higher media favourability.

A study of CEOs' interventions in the press (table 1, chart 1) shows that coverage featuring the CEO is, on average, rated more favourably than other media coverage across all industry sectors.

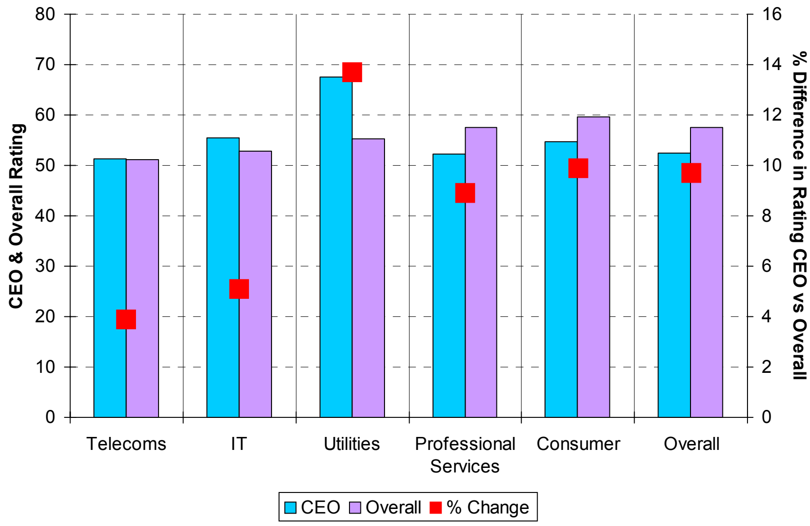
Table 1 Volume and Rating of Coverage by Sector

Annual Averaged Data

Sectors	Total volume of coverage	CEO volume	CEO coverage as % total	Overall rating	CEO rating	% Difference CEO vs Overall rating
Telecoms	10,500	452	4.3	51.1	51.3	0.4
IT	13,296	508	3.8	52.8	55.5	5.1
Finance	2,736	264	9.6	55.2	67.6	22.5
Utilities	6,535	412	6.3	53.3	60.6	13.7
Consumer	2,582	78	3.0	54.8	59.7	8.9
Prof. Services	29,653	435	1.5	52.3	57.5	9.9
Average	-	-	4.8	52.5	57.6	9.7

Source: Echo Research

Chart 1 - CEO vs Overall Favourability Rating



Source: Echo Research

Message transmission by CEO is key to improved favourability and the promotion of the brand. While the higher rating achieved by CEOs reflects a complex range of factors, one of its key components is the forum which the press affords them to promote brand messages. Looking at major IT, Telecoms, and Professional Services firms in our sample, some 31 percent of CEO coverage included one or more messages, while this proportion fell to just 16 percent for all sources (other spokespeople etc) (Table 2).

Table 2 Message Transmission by Type of Coverage
IT, Telecoms, Professional Services Firms

	Key Indicators
Total coverage (volume)	40,061
Sources coverage (volume)	13,937
Sources Items with messages	2,231
CEO items with messages	287
% CEO coverage with messages	31.2%
% All sources coverage with messages	16.0%
Percentage point difference CEO coverage vs all sources	+15.2

Source: Echo Research

Expectations during the First 100 Days as CEO.

Analyses of CEO media-relationships cast light on the expectations the media have of new heads of companies in their First Hundred Days.

Fixing the obviously and quickly fixable eg Larry Weinberg of Unisys, who fired its advertising agency on Day 2 and stopped the advertising.

Signalling intent through a careful choice of action – Arthur Martinez of Sears Roebuck shut 100 branches and got out of financial services (signal: "*we're focusing on core business*") and Miles White of Abbott Labs put in volleyball pitches at HQ (signal: "*we want more communication and interaction*").

Delivering news of success ("quick wins" which are morale boosters for staff, who will be watching the media as avidly as anyone).

Some journalists will recognise – and need to be encouraged to recognise – that one year may be ***a more realistic*** time for CEO to immerse her/himself and come fully to grips with the issues. Lou Gerstner of IBM, for example, took his time to recast strategy as e-business and refused to be stampeded.

Echo Research's analyses show that the media use characteristic techniques to give CEOs favourable or unfavourable positioning. Awareness of these can help to guide CEO / media relationships.

Table 3 Ten Common CEO Failings in Relationships with the Media

1.	Seeing the media as friends or enemies when they are neither – just trying to do their job
2.	Thinking they can talk to journalists as to their own team (from a position of authority)
3.	Thinking they don't have to prepare for media encounters with rehearsed messages they want to embed
4.	Not treating journalists like clients (returning calls quickly, being focused in interviews)
5.	Firing off opinionated views eg predictions that press don't let them forget (Ken Olson of Digital Equipment: "The PC has no future")
6.	Over-researching the response and being too late for the media opportunity
7.	Getting burned by the media after saying too much to curry favour – media's remit is to report
8.	Whitewashing in times of trouble – because corporate leaders are winners by nature and find it hard to concede
9.	Behaving inappropriately and inviting press scrutiny (Apple's Steve Jobs allegedly berating staff publicly, Conseco's Hilbert appearing to flaunt his wealth and 5 alimonies)
10.	Falling victim to yes-men who shield them from bad news based on private agendas

In a recent analysis by Echo Research, the following journalistic techniques (adopted consciously or unconsciously) were applied to coverage of CEOs.

Table 4 Examples of Media Treatment of CEOs

Device / technique	Example
Raising the stakes from low-key beginnings	CEO's decision to construct new office block becomes in the media "a massive precedent for tall buildings throughout the city"
Portraying CEO as part of a polarised conflict	Ex-CEO Jac Nasser versus the Ford family
Implying CEO qualities by association with third parties	Ex-CEO for insurance company mentioned in same context ex-businessman imprisoned for share-rigging
Depicting CEO as a gallant David or bullying Goliath	Charlie Ergon of company EchoStar shown outmanoeuvring Rupert Murdoch in bid for US DirecTV
Taking interest in financial promise expressed (with a view to later comment on actual track record)	IForce CEO quoted "This new channel is going to be a very big business"
Glamorising private rags-to-riches story	BA's new CEO Eddington described as "An Australian bush boy who became king of the first-class cabin"
Using CEO photographs to give unspoken meaning	Comfortable-looking CEO whose company is bankrupt but who has held on to £3M pension

Source: Echo Research

The signs are becoming clearer that chief executive officers, especially of large companies, need to win intelligence about their profile in the media as a component of reputation and a key to commercial confidence – and, not least, benchmark themselves against sentiment towards other comparable business leaders.

Echo Research Ltd.
Craven House, Station Road,
Godalming, Surrey GU7 1EX
Tel: + 44 (0)1483 413600 Fax: + 44 (0)1483 413601
Email: info@echoResearch.com
Internet: http://www.echoResearch.com

Offices in:
LONDON • NEW YORK • PARIS