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The CEO Branding Mix

Marc Fetscherin
Rollins College, mfetscherin@rollins.edu

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What do Donald Trump, Mark Zuckerberg, Oprah Winfrey, Richard Branson and Jeff Bezos have in common? They are not only CEOs and living icons of the brands they created but also brands themselves. There are many reasons why CEOs today get more attention than in the past. When the media are looking for a business story they often turn to CEOs or founders. Some companies are larger than countries in terms of number of citizens or employees or in revenue. For example, Walmart has about 2.2 million employees, comparable to the population of Qatar, Namibia, or Slovenia, and its revenues are larger than the GDP of Singapore, Denmark, or South-Africa. Like movie stars who signal and generate expectations about the success of a forthcoming movie, so too do CEOs herald company performance expectations to the market and specifically to shareholders. Their personas and personality impact their image and reputation which are tied to their organizations' reputation.

In many instances, the CEO is often perceived as the *face* of the company and usually receives the most publicity and therefore it an integral and important part of the company's reputation. Researchers found that the CEO impacts *financial* aspects of the company such as financial performance, profits and stock returns, as well as *non-financial* aspects such as job application and retention of employees, trust of the financial industry and analysts and overall company reputation. Clearly, Steve Jobs brought the concept of CEO as a brand to a new level. His image and reputation as a CEO were very positive. To such an extent that when he announced his resignation as CEO on 24 August 2011, Apple stock dropped almost 3% that day, equal to about $10 billion of company value. This short-term selloff of Apple's stock immediately after Job's announcement was driven among others by lack of confidence that Apple would continue to perform as it did under Job's leadership. In contrary, an example of a negative CEO brand is Daniel Vasella, CEO and Chairman of Novartis. When he announced on 26 January 2010 to resign as CEO shares jumped about 2% that day. When he resigned as Chairman on 23 January 2013, again shares jumped that day almost 3.5% in anticipation of a shift in leadership and strategy. The decision to leave Novartis was among others due to public and investor criticism of excessive compensation package. Clearly, there are advantages and disadvantages for companies to either build a brand around a company's leader or having a known CEO. If well planned and executed, putting a face to a faceless company has advantages for both, the CEO and the company. The fact is that putting a human face on the company allows stakeholders not only to identify more with the company but also allows to better relate to the company. For example, employees feel good when they are working for a person and not a concept.

Researchers discovered a multitude of attributes of the CEO which impact companies such as CEO's personality, the number of years the CEO is in the executive position (CEO tenure), whether the CEO is also the chairman of the board (CEO duality), CEO's compensation or CEO's reputation in terms of awards won just to mention a few. This article examines how all these attributes relate to each other. While editing my book *CEO Branding: Theory and Practice* and after reading numerous articles about this, four primary elements emerged as key elements. In this article I present the *4P's of CEO branding* which constitute to four key elements of the brand CEO. This serves as a useful framework for CEO's as well as corporate communication departments and enables them to systematically measure and manage the CEO's image and reputation, and consequently company reputation and performance (Fetscherin, 2015). It forms the basis for developing a consistent and comprehensive CEO and company communication and branding strategy.

4 P's of the CEO Branding Mix

CEO branding is complex as it considers multiple attributes of the CEO, it affects multiple aspects of companies and is important for various stakeholders. This is probably one reason why a CEO branding is discussed in multiple disciplines such as Finance, Economics, Accounting, Management, Psychology and Strategy. When I studied the vast swathe of studies across all these disciplines, I identified four primary elements recurred as the *4Ps of the CEO branding mix*:

- CEO Performance
- CEO Personality
- CEO Prestige (Reputation)
- CEO Persona

CEO performance and CEO prestige contribute to CEO's reputation whereas CEO's personality and CEO's persona impact CEO's image. For example CEO of Swatch Group Nick Hayek who wears multiple watches on both arms and Steve Job's public appearance in jeans. All together, they constitute the CEO brand. Note that the 4Ps are interdependent and they impact company reputation and performance individually, regardless of the others, but collectively they constitute the *CEO branding mix*. One can see the 4P's as a holistic web of interactions between themselves as well as company reputation and performance as illustrated in Figure 1.

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CEO Prestige

The impact of CEO prestige or CEO's reputation on companies is mixed. There are two schools of thought on this. One, the *Efficient Contracting Hypothesis*, states that reputable CEOs are more likely to take actions that are in the best interest of their companies. On the other hand, the *Rent Extraction Hypothesis* shows how reputable CEOs over emphasize their personal career enhancement and take actions that may be in their own best interests rather than that of their companies.

Positive Impact

Most analyses focus on the *positive* relationship between CEO reputation and companies. One by Gaines-Ross (2000) shows that CEO reputation represents almost 50% of the company's reputation. There are many examples where the reputation of the CEO impacted positively on companies, such as Bill Gates, Jeff Bezos or Steve Jobs. The multi country benchmarking study by Kitchen and Laurence (2003) shows that 83% of Italians, 66% of Canadians, 54% of Americans, 48% of Dutch, 42% of Germans or 36% of French believe that at least half of a company's reputation is based on the CEO's reputation.

Negative Impact

Some studies assess the *negative* impact of CEO's reputation to companies. For example, a study by Malmendier and Tate's in 2009 found that "award-winning CEOs subsequently underperform, both relative to their prior performance and relative to a matched sample of non-winning CEOs. At the same time, they extract more compensation following the award, both in absolute amounts and relative to other top executives in their companies. They also spend more time on public and private activities outside their companies, such as assuming board seats or writing books" (p. 1593). One explanation is that those CEOs often use their position to build their personal reputation rather than long term shareholder value. This is a typical *Principal-Agent Problem* where the CEO (agent) is motivated to act in his or her best interest rather than in the best interest of the company (principal). Daniel Vasella provides a great example of this where during his tenure at Novartis he eared around $400 million. Another notable example of a CEO with a negative reputation is Mike Jeffries of Abercrombie & Fitch (A&F). How did it come about? First, employees of A&F earn low salaries and Jeffries made several statements which impacted employee morale. Second, he also made some racial comments and was accused of discriminating against plus-sized shoppers. All those actions affected his reputation. The result was that Jeffries was removed as chairman of the board and some major shareholders also wanted him gone. On 9 December 2014 Jeffries stepped also down as CEO of Abercrombie & Fitch.

Special Case of Celebrity CEO's

A special subgroup of reputable CEOs is those who get significant media coverage and become so-called *Celebrity CEOs*. In fact, such CEOs have either been singled out by the media or through active self-promoting, genuinely narcissistic behavior have sought out media exposure to appear for example on covers of business magazines. Celebrity CEO's bring both benefits and burdens when it comes to company performance. It appears that the benefits are short term where the award winning CEO enjoy positive abnormal stock returns in the days following the announcement of an award. The burdens are long term where most studies found that company performance declined in the following years. One explanation is that analysts have heightened performance expectation for those celebrity CEOs and that over time they cannot meet those expectations. This is known as the *Burden of Celebrity Effect* (Wade et al. 2006).

CEO Personality

The *Normative Stakeholder Theory* and *Leadership Trait Theory* discuss the importance and impact of CEO's personality on companies. Studies provide mixed results.

Positive Traits

On one hand, certain personality traits such as *honesty* and *humility* result in mainly positive interpersonal relationships and company outcomes. A CEO considered to be sincere, loyal, faithful, honest, charismatic or modest is not only more liked by employees but also impact positively CEO's image in the media. Examples of humble CEO's are Carl Elsener, owner of the 130 year old 'Swiss Army Knife' company Victornox or Ingvar Kamprad, founder of IKEA. A study in 2014 in the *Administrative Science Quarterly* (Ou *et al*., 2014) shows that the more humble the CEO the more mid-level and top managers had positive reactions towards the CEO and the company. Top managers reported to feel their jobs was more meaningful, they felt more confident, participative, satisfied and motivated to collaborate and share information. Middle managers felt more engaged and committed to the company when their CEO was more humble. However, *humility* runs on a scale from too much at one end, which leads the CEO to lowliness or low self-esteem, to too little on the other end which leads the CEO to arrogance, egotism and self-centered behavior. Finding the right balance is the challenge for any CEO. For example, studies show that a modestly humble CEO who seeks advice when taking decisions or who acknowledges mistakes is more successful.

Negative Traits

There are some personality traits which have been identified as mostly *negatively* impacting companies. For example, *machiavellianism* and *narcissism*. Machiavellianism is characterized by misusing others due to lack of morality or motives of self-interest. Like humility, *narcissism* is a sliding scale where some manifestations such as pride, grandiosity or great vision (low degree of narcissism) can have a positive effect on companies. Leaders such as George Soros and Jack Welch are examples of productive narcissists, meaning they take risks to get the job done but also charmers who can convince people. Most others such as arrogance, lack of empathy, poor listeners, egotism or amorality (high degree of narcissism) can have negative effects on companies. Exaggerated self-confidence or what the literature refers to as *CEO hubris* is associated with premiums paid for acquisitions and subsequently losses in shareholder wealth (Hayward and Hambrick, 1997).

Attitude to their compensation is one example of how CEO personality is interrelated to the other Ps of the CEO branding mix, in this case CEO persona. For example, CEO risk taking behavior depends on the compensation mix of stocks versus stock options. Research shows that equity pay can either encourage or discourage risk taking of CEO's. Potential gains from options can increase risk taking, specifically at the beginning of CEO tenure but, over time, may discourage CEOs in order to protect compensation.

CEO Persona

People form judgments about others based on objective physical characteristics such as gender and age but also on more subjective characteristics such as education, social status, appearance and facial expressions. All these attributes of the CEO can impact the CEO's image and subsequently company reputation and performance.

CEO Power

For example, one such attribute of the CEO's persona is whether or not the CEO is the founder of the company. Founder CEO's get in many instances more media attention than non-founder CEOs of similar sized companies. If they are non-founders, *CEO duality* (where the CEO is also the chairman of the board of directors) and *CEO tenure* (the number of years in the CEO position) both can impact positively and negatively companies.

In the case of *CEO tenure*, one study found that CEOs at their beginning of their tenure tend to do more in the best interests of their company and a positive relationship exists between the CEO's persona and company performance. However, the study shows that with CEO's tenure, CEO's begin to do what is best for them personally, increase their compensation and CEO reputation, or plan their next career step.

The impact of *CEO duality* on companies is mixed. It can impact negatively companies as this allows a CEO to act freely in personal best interest and as the case of Daniel Vasella shows, get significant compensation packages. However, some believe there is a positive effect of CEO duality on company performance as well as it can improve organizational efficiency in company leadership and consequently maximize shareholder value. In a *Harvard Business Review* article in 2006, Pozen concludes that there is no systematic and significant difference in valuation between companies with CEO duality and those without.

CEO's "Look"

According to a recent article published in the *Psychological Science Journal* (Rule and Ambady, 2008; Wong *et al*., 2011) first impressions are powerful and rich sources of information about other people, and they predict performance in numerous domains. For example the study by Rule and Ambady shows there is a positive relationship between CEO's facial attractiveness and company performance. Facial attractiveness is one of the most powerful predictors of how individuals are treated and numerous studies show attractive individuals are treated more positively than unattractive individuals. Specifically, attractive people are usually perceived as more intelligent and more socially competent. Some researchers evaluate the *babyfaceness* or *teddy-bear effect* of CEOs faces. A study published in the *Journal of Consumer Research* found that corporations with baby-faced spokespeople are trusted more than those with mature-faced spokespeople during a mild public-relations crisis (Gorn, Jiang, and Johar, 2008). However, the flip side of having a baby face is, like babies, baby-faced adults are perceived as being incompetent and weak suggesting that this might be also a liability for people getting leadership positions.

CEO Performance

CEO performance and company performance can be the same if you look only at financial-performance indicators such as profits, net operating cash flow, ROI or market-performance indicators such as market share or stock price. However, CEO performance also includes other aspects as Kaufman's (2008) *Harvard Business Review* article outlined. It includes how well the

CEO motivates and energizes the organization, how effectively the CEO executes company strategy, how well the CEO plans his succession, or how well the CEO engages with customers, suppliers, employees, and shareholders. Take CEO succession planning as another example. According to a survey by the Corporate Leadership Council (CLC) of 276 companies (Charan, 2005), only 20% of HR executives were satisfied with their top-management succession planning process. In fact, either there is hardly any dialogue between the new and ‘old’ CEO or often the departing CEO’s pride can get in the way. The challenge is that many CEO’s love their role and company but don’t love the idea the company moving on without them. However, investors, customers or employees want the company to outlive CEO. This is especially true with founder CEO’s. In those instances a carefully CEO succession planning is imperative.

CEO Performance has direct and indirect relationships and interaction effects with the other three Ps of the CEO branding mix. CEO performance also depends on both controllable and uncontrollable factors. Controllable factors include the other three P’s of the CEO branding mix as well as the top management team hired or firm strategy just to mention a few. Uncontrollable factors are mostly external to the company and can be industry competitiveness, industry life cycle or the overall global economy. Some might argue that uncontrollable forces mean the CEO has limited power to influence company performance. Maybe it’s limited that the CEO cannot and are not expected to change the world, but their power is limited to what the company can do best within this environment. That is why within the same industry, some CEO’s perform better than their others.

For example Apples' one year total stock price return was 49.68% and P/E ratio of 17.47, with sales to year growth of 6.95% and operating margins of 28.72 compared to Samsung's performance with 3.1% total one year return, 7.59 P/E ratio, with -10.15% sales one year growth and 12.14 operating margin (Bloomerberg, 2014)

FORWARD | PERFORMANCE METRICS | KEY INDUSTRY

Ratio of the price of a stock and the company's earnings per share

Global	Current stock price	1 year total return	P/E ratio
Lenovo Group Ltd	$0.87	-44.89%	12.30
Hewlett-Packard Co	$28.03	-24.85%	8.79
Acer Inc	$0.37	-50.91%	23.01
Asustek Computer Inc	$9.04	0.87%	11.52
Apple Inc	$113.29	12.41%	13.08
Toshiba Corp	$3.14	-15.62%	16.04
Samsung Electronics Co Ltd	$913.45	-10.39%	7.87
Sony Corp	$26.16	58.89%	n/a
Fujitsu Ltd	$4.86	-14.73%	10.90
Industry median	*	*	*

FORWARD | PERFORMANCE | KEY INDUSTRY METRICS

Global	Sales - one-year growth	Operating margin (%)	Gross margin	Free cash flow ($M)
Lenovo Group Ltd	19.60%	2.39%	14.43%	-$406
Hewlett-Packard Co	-0.75%	6.45%	23.88%	$8,480
Acer Inc	-8.45%	0.72%	8.78%	$178
Asustek Computer Inc	3.05%	4.55%	13.70%	$819
Apple Inc	6.95%	28.72%	38.59%	$50,142
Toshiba Corp	13.54%	4.47%	25.35%	$831
Samsung Electronics Co Ltd	-9.83%	12.14%	37.79%	$14,187
Sony Corp	5.78%	0.83%	25.05%	$4,925
Fujitsu Ltd	-0.19%	3.76%	26.93%	$741
Industry median	3.05%	4.47%	25.05%	$831

Conclusion

What should CEO do with all of this? CEO branding is complex and incorporates many different attributes of the CEO which can be grouped into four key elements which individually and collectively impact various aspects of companies. The CEO is often seen, by the various stakeholders, as the face of the company. Analysts and investors can see him as the embodiment of the company, specifically if the CEO is also the founder of the company. Whereas consumers can see the CEO as an authentic brand ambassadors or representative of the corporate brand. In that respect, the CEO is tied to their organization. Whether the CEO or the companies want this to happen or not, the CEO brand has become part of the company brand. Like all aspects of the company's reputation, it needs to be build, measured and managed.

These four elements presented in this article of Performance, Prestige (reputation), Personality and Persona make up the *CEO branding mix*. It helps in developing a consistent and comprehensive CEO and company communication and branding strategy. It's also useful when planning and executive a PR event, launching a new product, IPO or shareholder annual meeting amongst others. The 4Ps provide a hands-on, useful management framework to assess and identify any gaps between the intended image and reputation of the CEO compared with the actual perception of the CEO's image and reputation among the different stakeholder groups. Once these gaps have been identified, specific actions should be taken to fill them. Therefore the 4Ps allow a systematic assessment over time and over space of the CEO's image and reputation. The intention is to establish the CEO as a significant ambassador of the corporate brand and to align both brands.

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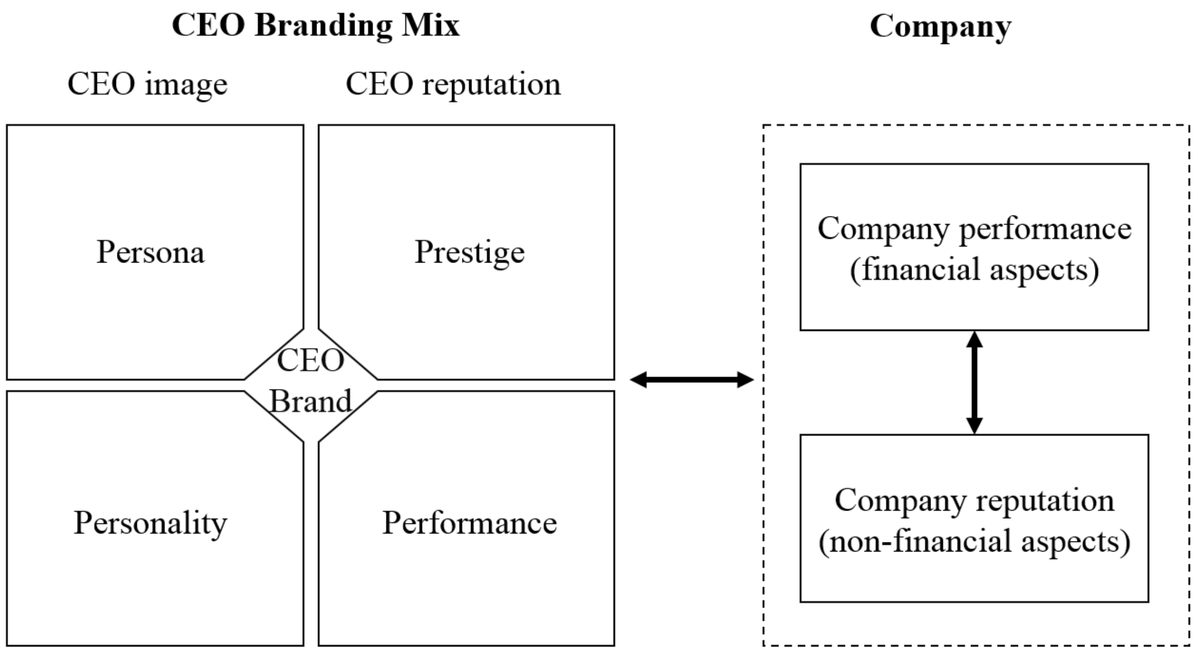

Figure 1: The 4Ps of CEO Branding