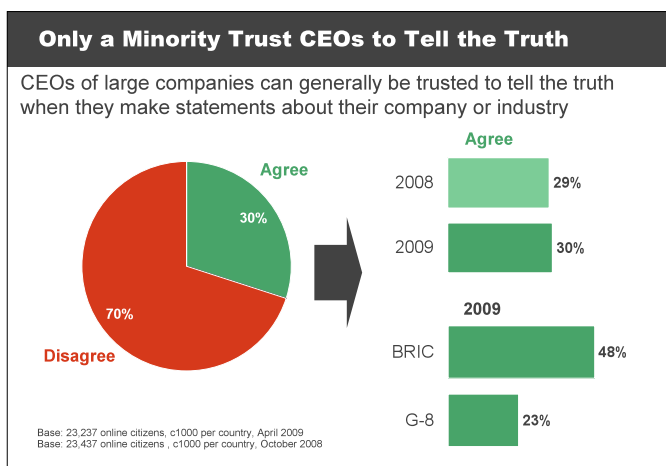


LEADING EDGE

THE ROLE OF THE CEO IN REPUTATION MANAGEMENT

Given the importance of reputation to companies, it is generally accepted that the CEO should be its ultimate guardian. Reputation is built (and damaged) by the actions and behaviours of all employees, but the organisation's leader is its most visible spokesperson. Part of this role is to articulate what the organisation stands for, how it makes a difference and the core values it lives by.

Our recent Global @dvisor study (run online among the public in more than 20 markets) gives cause for concern for business leaders, in that only 30% of the online public around the world trust the CEOs of large companies to tell the truth. Trust is particularly low in Europe and North America. The challenge for CEOs is to demonstrate that they are indeed living the values associated with their corporate brand in order to overcome this trust deficit.



This is particularly important to businesses where the CEO and the organisation attract a joint profile. In the UK, a successful example of this partnership is, of course, Richard Branson and the Virgin brand. Such is Branson's popularity among consumers, the Virgin companies tend to benefit from his influence, occasionally despite poor performance. In 2008, in spite of a reputation for dire customer service, as evidenced

by terrible ratings on consumer websites such as *The Review Centre*. The service was perceived to be so poor that another website, avoidvirginmedia.com was established. However, despite this, Virgin Media was voted the most trusted internet provider in the *Readers Digest* trust awards – an annual survey of consumers. In June 2009, Branson suggested on BBC Breakfast that an apparently ailing British Airways should not be bailed out by the government, and that morning BA's shares fell 8%.

Michael O'Leary at Ryanair is another CEO personality who is inexorably linked with his brand. O'Leary is regularly in the media spotlight and rarely far from controversy with his pronouncements on the potential to charge passengers for using the toilet, for being overweight or simply wanting to take more than a small overnight bag on holiday with them. However, this attitude reflects the Ryanair brand and its offer to the marketplace; low cost travel to those who can travel light and check in at home. If you can, Ryanair's costs are lower, and so is the price of your ticket – if you can't, you pay the extra. Plenty of passengers seem to accept this policy, as despite O'Leary's abrasiveness, Ryanair has enjoyed sustained growth over the past 20 years, with the CEO promising that the organisation's first operating loss, announced in June, was a blip. Such is his influence and notoriety as a successful businessman in Ireland, O'Leary has recently turned his attention to campaigning for a 'yes' vote when the Republic polls the Lisbon treaty again. In typical style, O'Leary has suggested that he is more likely to be successful in this pursuit than politicians.

It would seem therefore that a highly visible CEO, even an individual that some consumers find disagreeable such as O'Leary, is generally a good thing for a business's reputation. However, a CEO is only one person, and any human being is capable of an error of judgement. Such an error can have grave consequences for a company.

A famous example of such poor judgement was Gerald Ratner, CEO of the jeweller Ratners. While not a top-end retailer, it was nonetheless a successful and popular feature on the UK high street, offering jewellery at affordable prices. At a business conference in 1991, Ratner succinctly explained that the reason his products were so affordable was because they were “total crap”. These remarks were not well received by Ratner’s customers, and nearly £500 million was wiped off the value of the company. Almost 300 stores had closed by May 1994 as the public stayed away in their droves, and even the company name had to be changed (to Signet Group).

More recently the generous retirement package that outgoing Chairman Sir Fred Goodwin received on his departure from RBS further tarred the reputation of the struggling bank (along with that of Goodwin personally and the British government).

Incidents such as these can damage the trust between the consumer and the company, and threaten the organisation’s future. The Edelman Trust Barometer published in January 2009 revealed that trust in a company is a more important issue to consumers than:

“a company’s financial future, job creation, giving back to the community, and innovation in products and services. Transparency, defined as frequent and honest communication, also outranks those attributes”

Clearly then, if a CEO is to convey a high profile and visibly represent the brand, they need to be seen as trustworthy, open and honest. Through a lifetime of successes and generally good PR, Richard Branson has built up both himself and the Virgin brand in this fashion. Michael O’Leary and his policies divide opinion, but it is hard to accuse him of not being open and direct in his statements.

Occasionally however, the association between CEO and brand can be damaging through no real fault of either the individual or the company. Apple has enjoyed enormous success through its Ipods and Mac computers under the high profile leadership of Steve Jobs. But ongoing concerns about Jobs’ health seem to be in the headlines as much as the company’s products. As Danielle Levitas, an analyst for industry research firm IDC summarised in the LA Times in June 2009:

“Steve is Apple. The company was on the skids, and he came back to revive them. No doubt, if he were gone, it would be a different company. There aren’t a whole lot of people out there like Steve Jobs.”

A CEO must satisfy investors, customers, employees, even governments, regulators and the media, while at the same time staying one step ahead of rivals and those on the hunt for a mistake. To satisfy all these stakeholders and maintain a public profile is an extraordinarily difficult balancing act that very few CEOs (never mind normal people) are capable of. Consider the 2008 US Presidential Campaign debates. Barack Obama conveyed inspiration and developed what seemed an effortless rapport with the electorate. John McCain’s attempts to seem more relaxed looked as if they almost visibly pained him. If a company is fortunate enough to have an inspirational leader, they can be a great asset, and there are clear advantages to the business. If the CEO is less media-friendly, they should perhaps focus on what they do well and steer well clear of the limelight in case they “do a Ratner”.

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