Credibility, vision and communication: Keys to a good reputation

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A survey of top Spanish CEOs reveals that personal credibility and offering a strategic vision are considered paramount.

Shakespeare once said that "the purest treasure mortal times afford is spotless reputation." Truly, the reputation of the CEO has become vital to success in business, as it constitutes a potential source of competitive advantage and a boost for financial results.

In fact, it has been demonstrated that there is a direct correlation between corporate reputation and stock price, and the reputation of the CEO is among the chief factors determining that of the company, by means of a process of reputational transfer.

So which characteristics count the most? To find out, IESE researcher Lourdes Susaeta, Prof. José Ramón Pin and research assistant María Jesús Belizón surveyed 234 chief executives from the 1,000 highest-grossing businesses operating in Spain. Their quantitative survey was based on previous studies carried out in the United States by the PR firm Burson-Marsteller and adapted to the Spanish context.

Their objective was to discover, through the top executives' own perceptions, which factors influence reputation and to what degree, while drawing distinctions between the various sectors analyzed. This constitutes a new approach, they say, since discussion on this topic had previously been based on deductions, due to the lack of analysis based on real data.

The results, "Factores determinantes de la reputación del CEO: un análisis sectorial entre las principales empresas españolas" ("Determining Factors of the CEO's Reputation: A Sectorial Analysis of the Leading Spanish Businesses"), cite credibility, strategic vision and external communication as the three most important characteristics of the CEO's reputational profile.

What is reputation?

Reputation can be defined as the opinion regarding the excellence of an individual in his or her profession or craft. Corporate reputation is closely tied to corporate behavior and is, in fact, a consequence of it.

Building a solid reputation requires organizations to have a certain organizational sensitivity, to manage their reputation proactively and to be committed to ethical corporate behavior. A reputation is achieved either entirely or not at all. Thus, it does not suffice to merely adopt a few specific sales or human resources policies; instead, it calls for a comprehensive management strategy.

According to Burson-Marsteller, one of the primary factors affecting the way a business is perceived is the image of its chief executive, who serves as the public face of the company, the one who represents its personality. If handled the right way, the prestige of the CEO can be one of the most useful means of earning support in times of crisis, creating value for stakeholders, and attracting and holding onto the best talent.

The connection between the CEO's reputation and the success of the business is essentially a two-sided coin: good when the leader is good, but if the image of the leader becomes tarnished, then sales may also take a hit. This is especially important in times of crisis, since the way the CEO responds to a situation will have a major impact on the organization.

The ideal CEO

The CEO's reputation derives from the various perceptions of the company's stakeholders: employees, customers, the media, government regulators, social leaders and other agents with an influence on the company. According to the study, the 10 most important factors for the CEO's reputation are ranked as follows:

1. Credibility
2. Strategic vision
3. External communication
4. Ability to attract talent
5. Ability to motivate and inspire employees
6. Customer orientation

7. Knowing how to negotiate crises effectively
8. Ability to increase shareholder value
9. Delivering expected results consistently
10. Building culture

The authors point out that ethical behavior, though not listed among the top 10, comes in at No. 11. Moreover, they argue that this aspect should definitely be given more consideration, especially in light of the current economic crisis.

Good corporate governance ranks 18th, and one must go down the list to the 20th and 21st spots to find social and environmental responsibility.

Meanwhile, the factors that differentiate certain CEOs from the rest are "the control of complexity" and "management of change," both of which are most appropriate for the complex and changing business environment in which companies currently find themselves.

Reputation by sector

Extracting data on five sectors from the sample of businesses analyzed reveals that things are not viewed the same way across the board.

In the industrial sector, for example, one notable difference is the importance placed on ethical behavior and social responsibility in environmental issues - two aspects rated lower by respondents from the financial sector.

The financial sector placed more value on their CEOs being able to understand the market and manage change, as well as knowing how to manage the expectations of different stakeholders and increase shareholder value.

For the professional services sector, the most highly valued attributes were customer orientation, innovation and leadership.

In the telecommunications sector, however, priority was given to good corporate governance, social and environmental responsibility, and ethical behavior.

The commerce and hospitality industry, meanwhile, gave top marks to behavior that was ethical as well as credible, along with knowing how to manage change and having a knack for motivating employees.

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