

Is there a leadership crisis? CEO Positioning and Communication in Relations to Reputation Management

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The aim of this article is to explore the role of CEO and its reputation management in relations to the overall effectiveness and communication strategy of a company, institution or organization. According to the latest research on the development of public relations and communication management in Europe, more companies are stressing the positioning and profiling of CEO as a visible representative, who is embodying the corporate or institutional values and norms. CEO reputation has a direct impact on the reputation of the represented institutions; however, this varies not only from country-to-country, but also in different areas of strategic communication, such as marketing, internal or political communication. Also, differences between joint stock or private companies, governmental organizations or NGO's are significant. This article provides a new in-depth look on how the CEO reputation is being currently managed within European companies and organizations and shows the dominant approaches in CEO positioning and communication.

Keywords: CEO, communication, management, public relations, organisational behaviour, leadership, communication in organizations

Introduction

In 2006, Steve Jobs, co-founder, Chairman and CEO of Apple, got into problems, when federal prosecutors investigated past options grants given to Apple executives between 1997–2001. If this investigation had confirmed the existence of irregularities in Apple stock-option plan, not only had the financial results had to be restated, but also, Steve Jobs would have had to resign or might even be arrested. According to Helm et al. [1, p. 225] “some analysts have estimated that should Jobs be forced out of the company, the stock price would fall 20% overnight”. As Elkind remarked, “Steve Jobs running the company from jail would be better for the stock price than Steve Jobs not being CEO” (as cited in [Ibid.]).

This example shows us the trend of personalization in corporate communication, which became more and more influential in the recent years. Theoretically, personalization and reputation management of CEO can be placed under the public relations or communication department of each organization [2, p. 46]. Since the reputation arguably the most important public relations asset, the CEO stands as an embodied vision of trustworthiness of the company or institution — CEO serves as a main ambassador of the brand (Dorley — [3]). As Gaines-Ross [4] stated, CEO capital needs to be built along with the company's communication strategy. Antho-

nissen [5] provided useful insight on crisis communication and PR strategies for reputation management and company survival. Griffin [6] explored new challenges for reputation management, which are appearing mainly with the information evolution and online social networks, globalization and rise of NGO's, where stakeholders are more empowered than ever.

But as an old proverb says, reputation takes long to build but fast to destroy — and this can be applied also to CEOs. Tony Hayward, a former CEO of BP, and his infamous communication epitomize an influential example of such a trouble after the Deepwater Horizon Spill, which caused several deaths and major environmental damage. Before the accident, Hayward proclaimed in postgraduate lecture at Stanford Business School, that “...our primary purpose in life is to create value for our shareholders. In order to do that you have to take care of the world”¹. Several months before the accident, Tony Hayward sold coincidentally about 1,4 million GBP of his own BP shares. However, after the accident happened and tons of oil started to leak in the Gulf of Mexico, Hayward firstly downplayed and diminished the environmental consequences, only later admitting that the damage will have a major impact. About a month after the spill, he told a reporter “we're sorry for the massive disruption it's caused to their lives. There's no one who wants this thing over more than I do, I'd like my life back”², and went later on vacation on yacht with his son. After the media reported about this news, the shares fell subsequently in value by about 30%, despite BP invested in previous years more than 200 million USD in rebranding campaign to enhance its environmental symbolism (from British Petroleum to Beyond Petroleum)³.

Although some media admitted that “There is no suggestion that he acted improperly or had prior knowledge

¹ Zarroli J. (n.d.). Before Gulf Spill, BP CEO Tony Hayward Won Praise. NPR.org. Retrieved November 2, 2013, from <http://www.npr.org/templates/story/story.php?storyId=127884525>.

² BP's Tony Hayward: “I'd like my life back”. (n.d.). USATODAY.COM. Retrieved November 2, 2013, from <http://content.usatoday.com/communities/greenhouse/post/2010/06/bp-tony-hayward-apology/1>.

³ Winnett B. J. S. and R. (2010, June 5). BP chief Tony Hayward sold shares weeks before oil spill. Telegraph.co.uk. Retrieved from <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/7804922/BP-chief-Tony-Hayward-sold-shares-weeks-before-oil-spill.html>.

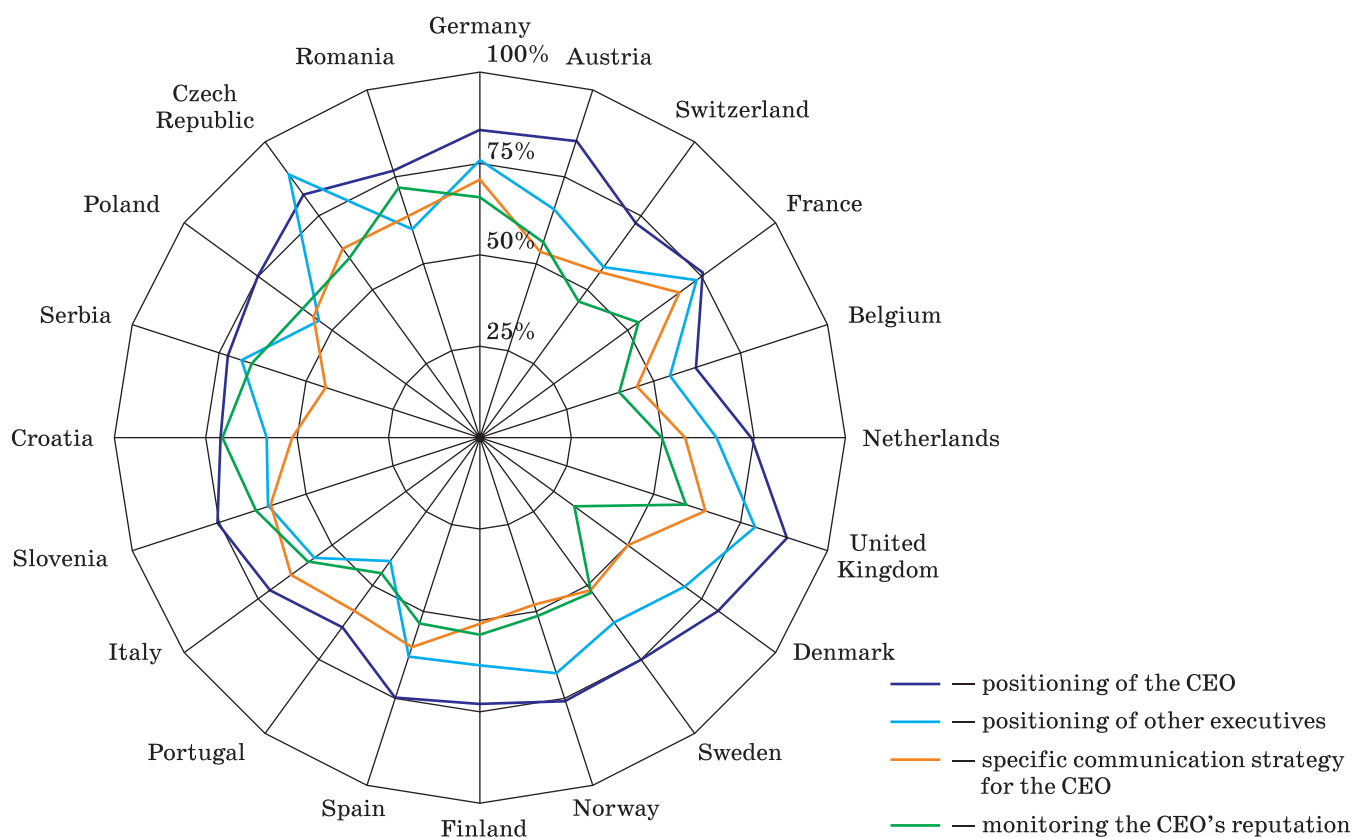


Fig. 1. CEO positioning in communication management in Europe

Source: European Communication Monitor (2013).

that the company was to face the biggest setback in its history”⁴, Tony Hayward had to resign and both the reputation of BP among stakeholders and shareholders was partially damaged. Sukhdev [7] discusses the role and “fault” of Tony Hayward as a CEO, who had broken no law, yet caused significant financial and symbolic loss for the corporation. The Deepwater Horizon Spill caused in consequence a major interest among PR and communication professionals in CEO communication and reputation.

European Communication Monitor, a longitudinal study ran by several respected academics among PR and communication professionals in more than 40 countries, focused in its latest run also on the questions concerning positioning and reputation management of CEOs among European companies and institutions. “The ECM 2013 clearly identifies the importance of the CEO’s communicative capabilities to deliver key messages on behalf of the organisation” (ECM, 2013). However, despite the communication managers almost fully agree that communicative assets of CEO and top executives are key to successful and trustworthy communication with stakeholders, only every second organisation does regular monitoring and evaluation of CEO communication.

CEO Positioning in Europe: Cultural Aspects

CEO in contemporary communication management thus has to serve as a trustworthy source of information. Phillips [8] explored by using grounded theory how the moral capital of CEO can be constructed and built a capital

⁴ Winnett B. J. S. and R. (2010, June 5). BP chief Tony Hayward sold shares weeks before oil spill. <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/7804922/BP-chief-Tony-Hayward-sold-shares-weeks-before-oil-spill.html>.

structural model. However, defining the ideal role model and values that should be represented by CEO does not only depend on the field of expertise and entrepreneurship — e.g. Steve Jobs as a symbol of progressive IT company could be much more peculiar, opinionated and headstrong than a CEO of traditional financial institution — but also on cultural values represented in each country (see e.g. [9–11]). After the Global Financial Crisis in 2008, the trust of CEOs saw the biggest decline in the U.S. while in Central European countries, such as Czech Republic, Slovakia or Austria the trust is still quite high; on the contrary, in the E.U. in general, the level of trust of CEOs reached a historical minimum of 30%. The overall shift from trusting the traditional authorities, such as government, CEOs and official representatives to academics, stakeholders, employees and general “vox populi” is happening globally [12].

As Graph 1 shows, communication managers in different countries are paying a different level of attention. In countries with higher tendency to respect authorities and traditions, such as United Kingdom, Austria or Czech Republic, managers take more care about positioning of CEO and other executives.

When creating a specific communication strategy for CEO, some specific characteristics can be observed. With the rise of “transparency” as a new trend in corporate communications, several moral-bound issues appeared to be related to CEO communication, such as using the moral concept of “anti-corruption” rhetoric among Czech business and political leaders, as the Czech Republic rates No. 1 in Gallup research examining the perceived level of government corruption [13]. The Czech CEOs started to use the buzz-word of “anti-corruption” to enhance their social responsibility image and trustworthy reputation and attract the interest of stakeholders [14].

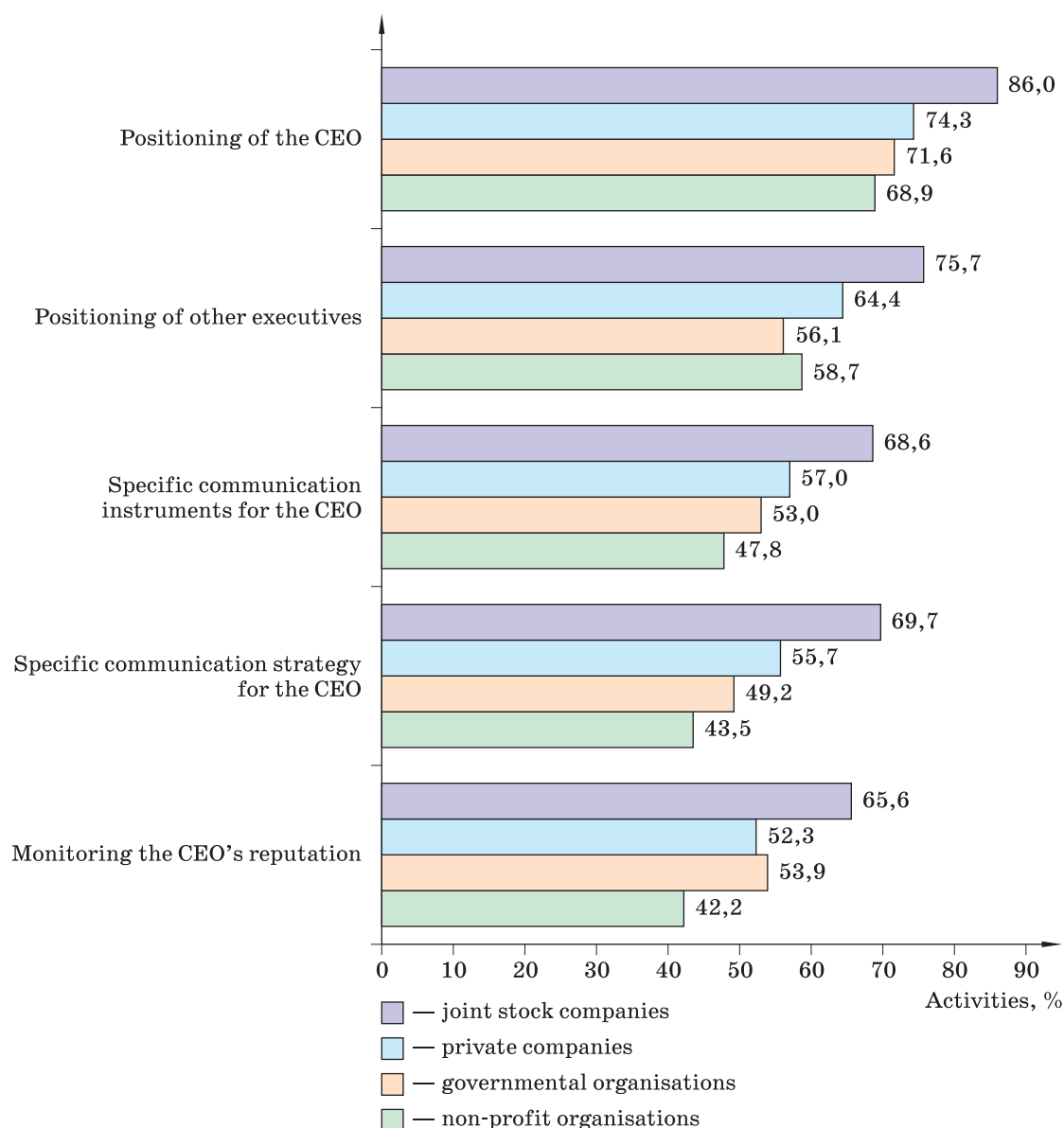


Fig. 2. Positioning and communication activities in different types of organizations

Source: European Communication Monitor, 2013.

Joint-stock companies: Reputation of CEO is crucial

As Graph 2 clearly shows, communication managers are mostly concerned with the CEO image and reputation in joint stock companies (86%), less so in private companies (74%) and governmental organisations (71%). The least interest in positioning of CEO is in NGOs (69%), where the overall values and mission are more important, than individual characteristics. Yet we have to remark that in charity and fundraising the level of trust in ethical behaviour is absolutely essential and if broken, it cannot be easily fixed (e.g. charity activities of Lance Armstrong, a biker who fought cancer, suffered a major loss after he admitted he used doping).

Among most important factors, which influence the CEO reputation, are his/hers communication skills when facing the media and large audiences. But not only communication with journalists or giving big speeches is considered important — an equal number of respondents (92%) values interpersonal and small group communication as very important. The outcomes of this research clearly shows, that there is a slight contradictory to the common understanding of “media training” practice, when CEO’s are trained in front of the camera to say the right soundbites and answer questions for media.

With the changing role of communication in management (see e.g. [12] or [15]) and enhancing the role of stakeholders, 89,7% of communication managers say that it is a CEO’s personal reputation as such what makes a difference. A personal “charisma”, leadership and communication qualities make thus a whole “package” of characteristics and skills which are essential for successful communication.

CEO role model: teacher, preacher, one-of-us or celebrity?

As we mentioned before, the positioning and reputation management of CEO and top executives derives much from the type of organization, cultural values, field of expertise and his/her personal characteristics. According to the Edelman Trust Barometer, a global research focusing on trust management and public relations, people tend to trust differently to other people — for example, as credible spokespeople emerge globally mostly academics or experts (69%), persons like yourself (61%), analysts or NGO representatives (51%) or regular employees (50%). CEOs are trusted globally even less than regular employees (43%, yet this number shifted from 38% in 2012). Least trusted are government officials or regulators (36%).

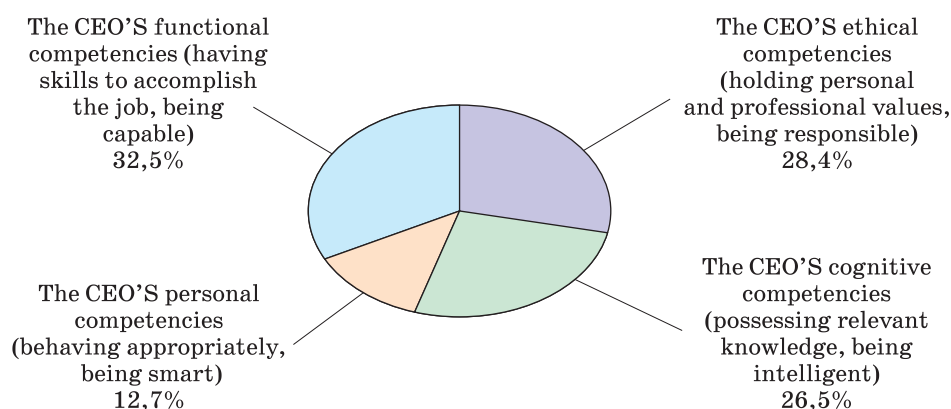


Fig. 3. Four dominant approaches for CEO communication: functional, ethical, personal and cognitive

Source: European Communication Monitor (2013).

Business leaders are trusted less than 50% in 16 of 26 global markets (e.g. 41% in Russia, 27% in Poland, 37% in France or 28% in Germany) (see e.g. [16–18]).

Edelman marked the year 2002 as a crucial point, when the power of so-called “celebrity CEO” fell down and the trust turned from high representatives to peers or “person-like-me”. Yet in 2013, we are experiencing another crisis of leadership [18]. European Communication Monitor thus analysed what are the dominant approaches of communication managers aimed at improving communication and positioning of CEO. These can be divided into four approaches: functional, ethical, cognitive and personal (see Fig. 3).

Communication managers are mostly focusing on the functional competencies and skills to enhance his/her capability (32,5%) and also on cognitive competencies, such as relevant knowledge, information and intelligence (26,5%). These competencies are forming the role model of “teacher” or “enlightened leader” who knows everything in detail and can make relevant decisions.

However, the second most trained competences are ethical (28%) — holding personal and professional values or social responsibility. This can be labelled with hyperbole as a “preacher” model and compared with the Kotler’s latest model of marketing 3.0, in which Kotler says that values and “human spirit” are inevitable in contemporary business — a thesis that can be discussed [19]. Some communication managers build a personalised PR of CEO (12,7%), however, this “celebrity” approach is the least mentioned one. As Forbes5 states: “American public companies have long relied on recruiting top executives in hopes they’ll replicate the success they’ve achieved in the past. Such “celebrity CEOs” have been fun for the media to cover, stock analysts to value, and employees to dish upon. They’ve also almost routinely failed, at least in recent memory”.

As such examples can serve Ron Johnson (Apple, Target etc.) or Marissa Mayer at Yahoo6. Among main reasons to avoid the over-personalization of CEO are 1) unreasonable expectations, which CEO is not able to deliver, and 2) delivering the success repeatedly. How-

⁵ Ron Johnson, Marissa Mayer, and the Risks of Hiring a Celebrity CEO. (n.d.). Forbes. Retrieved November 2, 2013, from <http://www.forbes.com/sites/jonathansalembaskin/2013/04/20/ron-johnson-marissa-mayer-and-the-risks-of-hiring-a-celebrity-ceo/>.

⁶ Ron Johnson, Marissa Mayer, and the Risks of Hiring a Celebrity CEO. (n.d.). Forbes. Retrieved November 2, 2013, from <http://www.forbes.com/sites/jonathansalembaskin/2013/04/20/ron-johnson-marissa-mayer-and-the-risks-of-hiring-a-celebrity-ceo/>.

ever, still a large part of media and brokers do “still buy the premise”7.

Conclusions

As the Edelman Trust Barometer marked the year 2013 as “Crisis of Leadership” we can observe an increasing interest and importance of positioning and communication of the company CEOs or institution representatives. Despite the following trend of personalization in communication (coming from political communication to business), there are certain risks and specifics when creating a “celebrity CEO”. However, for some part of media and investors, still personal charisma and fame is an inevitable part of CEO success.

However, among communication professionals, more attention is being paid to enhance the ethical norms and values, which the CEO and management represent. The social responsibility can thus not just be a part of corporate strategy linked from the headquarters through marketing communication and PR departments, but it must be embodied and carried on personally by the leaders of the company or organisation.

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⁷ Ron Johnson, Marissa Mayer, and the Risks of Hiring a Celebrity CEO. (n.d.). Forbes. Retrieved November 2, 2013, from <http://www.forbes.com/sites/jonathansalembaskin/2013/04/20/ron-johnson-marissa-mayer-and-the-risks-of-hiring-a-celebrity-ceo/>.

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Территориальное освоение потенциала инновационного развития

Harnessing the Russian Federation's Regional-Development Potential

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При формировании стратегии инновационной модернизации регионов необходимо учитывать специфику экономического развития страны как в наличии разрыва в технологическом потенциале, так и в научном от стран с развитой экономикой. В связи с этим в статье предлагается и обосновывается методический подход к исследованию достижения регионом определенной степени инновационного развития на базе построения статистического распределения регионов России по ряду показателей, характеризующих пороги на пути к инновационному типу развития. Авторами устанавливается возможное взаимодействие групп регионов по продвижению научных результатов.

The article opines that the Russian Federation (RF) is gearing up for regional development, with consequent growth of its scientific, technological and economic potential. The regional developments, the critique states, could lead to innovative modernization strategies that overcome the existing gap in technological capabilities, while encouraging scientific and economic advancement. At this stage, the document proposes a methodical approach that would enable RF regions to achieve innovative development (ID). The research report claims a number of statistical indicators point to rapid ID for the national territories. The blueprint, in conclusion, suggests that regional ID would potentially promote interaction between different groups of people, and could also blossom into scientific progress.



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Ключевые слова: пороги, инновационное развитие, статистическое распределение регионов, пространственное расширение инновационной деятельности
Keywords: innovative development, statistical distribution of the regions, spatial expansion of innovation, thresholds

Отставание обновления производственно-технологической базы в России от промышленно развитых стран следует воспринимать как стратегический вызов развитию экономики. В условиях глобализации такая отечественная экономика обречена на проигрыш в конкурентной борьбе в силу структурного несоответствия инновационной экономике стран мира. Увеличивается проблема конкурентоспособности не только по новизне и эффективности продуктов и технологии, но и по стандартам их качества и экологичности жизни и производства. Значит, пока стратегия развития нашей экономики недостаточно обоснована, не ориентирована на глубокую и всестороннюю модернизацию.

Модернизация экономики страны и регионов должна осуществляться по особому пути, учитывающему как отставание в технологическом отношении от стран с развитой модернизацией, так и наличие значительного потенциала фундаментальной науки. Поэтому, с одной стороны, это догоняющая модернизация,