

CEO INFLUENCE ON CORPORATE REPUTATION

Research that will appear later this year in the *Academy of Management Journal* examines the relationship between CEO reputation and the firm's reputation. The paper finds that highly regarded CEOs do in fact enhance the corporate reputation of the firm that they represent. This effect seems to work through the CEO's media coverage and industry awards.

Key Takeaways:

- High reputation CEOs positively affect the firm's reputation.
- Negative press coverage for a CEO damages a firm's reputation.
- A CEO's prominence is insufficient to raise a firm's reputation on its own.

Using data on CEO and firm reputation from 372 large firms that appeared on Fortune magazine's annual "Most Admired Companies" lists during the years 1991 - 1997, researchers found that media tenor regarding the CEO affected her or his firm's corporate reputation. CEO's receiving positive

media attention led to higher corporate reputations for that CEO's firm. Additionally, if a CEO received an award, it also positively affected the corporate reputation of that firm. In contrast, if a CEO received negative media attention, it was associated with a weaker corporate reputation for that CEO's firm.

The research team also examined the simple relationship between the amount of media attention and the firm's reputation and found that not all publicity was good publicity. Specifically, simply receiving a more media attention was not sufficient to positively influence the corporate reputation of the firm; and, instead, on average corporations with CEOs who garnered the most press coverage suffered lower corporate reputations.

Their analysis statistically controlled for aspects of the environment (like historical market returns, recent profitability and market value changes), the firm (like the amount of sales and firm media prominence), and the CEO (like year of CEO succession). The authors suggest that future research is needed to explore the specific processes regarding how these effects occur, how long these effects may last, and how these effects are related to CEO succession.

Source: Love, E. G., Lim, J., & Bednar, M. K., (2016). The face of the firm: The influence of CEOs on corporate reputation. *Academy of Management Journal*, In Press.

