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## CEO BRAND POWER

### THE EVOLUTION OF CORPORATE LEADERSHIP

When the City of Detroit was mired in an \$18 billion bankruptcy, Mayor Mike Duggan received a call from JP Morgan Chase & Co. CEO Jamie Dimon—and didn't believe it was him.<sup>1</sup>

It was, in fact, Dimon on the other end of the line. “Why can't we make Detroit an example of American exceptionalism,” Dimon said of his thinking.<sup>2</sup>

What followed the call was a \$150 million investment. That was in 2014.<sup>3</sup>

Five years later, the nation's largest bank is increasing its investment by \$50 million, for a total investment of \$200 million by the end of 2022. The initial investment focused on four pillars: job and skills training, neighborhood revitalization, small business growth, and financial health.<sup>4</sup> The additional \$50 million targets barriers to opportunity preventing long-term residents from accessing job training, becoming homeowners and developing small businesses.<sup>5</sup>

The practical effect of JP Morgan's and Mr. Dimon's commitment to Detroit has been impactful enough to be profiled on CBS News' *60 Minutes*.<sup>6</sup>

*“Reputation is the new oil.” – Michael Fertik, CEO, reputation.com<sup>7</sup>*

In the last two decades, CEO brands have become the most significant components of a company's corporate reputation and brand.<sup>8</sup> What a CEO does



and says is—most likely—more impactful than the actions of possibly anyone else in a company, according to a recent global study by KRC Research. At root, it is estimated that a significant 60% of a company’s market value is attributed to its reputation, and the CEO plays a key role in shaping that reputation.<sup>9</sup>



### Note the following:

- A full two-thirds (66%) of consumers say that their perceptions of CEOs affect their opinions of company reputations.<sup>10</sup>
- Executives attribute nearly one-half (49%) of a company’s overall reputation to the CEO’s reputation.<sup>11</sup>

What a CEO says and does ripples through his or her company and far beyond. Writing in the May 2009 issue of the Harvard Business Review, former Procter & Gamble Chairman A.G. Lafley says that the CEO’s job boils down to wearing many hats: “communicator, coach, problem solver. While others in your organization can also fill those roles, there’s one critical job only a CEO can do—link the outside world (society, economy, technology, customers) with the inside world (your organization).”<sup>12</sup>

Intuitively, these trends certainly present opportunities for CEOs and executive leadership. Scott Baxter, CEO of Wrangler parent company of Kontoor Brands Inc., said recently, “Our brands have not and will not employ commercial or marketing strategies based on consumers’ political party affiliations, nor do we believe that those affiliations are any of our business.”<sup>13</sup> Rather, Wrangler has donated money for breast cancer research, provided aid to military veterans, and is trying to make its manufacturing process less harmful to the environment.<sup>14</sup>

*“Character is like a tree and reputation like a shadow. The shadow is what we think of it; the tree is the real thing.” – Abraham Lincoln<sup>15</sup>*

Suzanne Bates, in “Discover Your CEO Brand”, states that a successful brand is based on what is real and authentic, in particular regarding a company’s CEO. This gives the CEO enormous influence, and further enhances the reputation of the company. Moreover, Bates stipulates that the first step in discovering your brand is to embrace the idea that you have a brand, that it has power, and that you can harness it for the good of the company.<sup>16</sup>

When marketing experts talk about brand equity, they are referring to a set of attributes that include brand awareness, the perception of quality, brand loyalty, and various other associations, such as individuals who endorse it. These characteristics all create value, particularly when aforementioned individuals feel like they know, in essence, the CEO. Bates further states:

“When (people) know you, believe you represent certain qualities, and resonate with those qualities or attributes, the value of your brand is high. You attract great employees, new clients, opportunities, business partnerships, referral relationships, endorsements, testimonials, and networks of leaders, all of which you will be able to trace to revenue and profitability. The better people know and respect your brand, the more they understand and feel alignment with it, the more these valuable relationships and profitable opportunities come along. Your brand value grows.”<sup>17</sup>

Karen Tiber Leland, in her book *The Brand Mapping Strategy*, confirms this notion when she states, “All CEOs have the daily opportunity (and obligation) to build their personal brand in service of their own and their company’s reputation.”<sup>18</sup> Leland continues, “Far from being a luxury or an exercise in ego, building an executive brand is a requirement in our digital world. Like it or not, today’s CEO has been pre-cast in the role of the company’s chief brand ambassador.”<sup>19</sup>

As the lines between company and CEO reputation blur—or, rather, do they blend—opportunities are presented for companies and CEOs to enhance their brands by having a purpose beyond profit.


On August 19, the Business Roundtable issued an open letter titled “Statement on the Purpose of a Corporation.”<sup>20</sup> The one-page manifesto ended as follows: “Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities, and our country.”<sup>21</sup>

This statement counters the generally-accepted viewpoint espoused by Milton Friedman in his 1970 *New York Times* essay, “The Social Responsibility of Business Is to Increase Its Profits,” that helped catapult decades of “shareholder capitalism.”<sup>22</sup> In Friedman’s worldview, the business of business is business, and the primary focus of the CEO is profit maximization of that business.<sup>23</sup> Rather, the Business Roundtable identifies the following core constituencies:

- Shareholders
- Customers
- Employees
- Suppliers
- Communities

In that sense, the Business Roundtable statement is an explicit articulation of “stakeholder capitalism.”<sup>24</sup>

Business leaders are feeling pressure to rethink the role of business in society for a number of reasons. First, social norms are changing and expectations from employees, customers, and even investors are rising quickly.<sup>25</sup> Second, there is an increasing realization that a focus on one key stakeholder or metric is as flawed as using triglyceride readings as the only measure of one’s



health.<sup>26</sup> Third, investors like Blackrock's CEO, Larry Fink, are pressing companies to focus on their purpose and how they contribute to society.<sup>27</sup>

But fourth, and perhaps most importantly, the world faces enormous, complex challenges that businesses are feeling: climate change, growing inequality (and awareness that these CEOs make hundreds of times more than their employees), water and resource scarcity, soil degradation, loss of biodiversity, and more.<sup>28</sup> These issues necessitate systemic efforts, cooperation, and pricing of "externalities" (like pollution and carbon emissions) that businesses heretofore have been able to push off on society.<sup>29</sup> The shareholder-obsessed system is inadequate for this purpose, and individual profit-maximizing businesses will not be incentivized to tackle shared global challenges.<sup>30</sup>

In summary, the power of the CEO brand and the aforementioned evolving transmogrification of corporate purpose present opportunities for CEOs and their companies which are both remarkable and unique in this country's history.

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<sup>3</sup> Blitchok, Dustin, p. 1

<sup>4</sup> Blitchok, Dustin, p. 1

<sup>5</sup> Blitchok, Dustin, p. 1

<sup>6</sup> Stahl, Lesley, "A Mega-Bank's Data-Driven Investment In Detroit", *cbsnews.com*, p. 1

<sup>7</sup> Shayon, Sheila, "CEO 101: Survey Finds Company Reputation Closely Tied to Its CEO", *brandchannel.com*, p. 1

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<sup>9</sup> Makovsky, Ken, "The Impact of the CEO", *Forbes*, p. 1

<sup>10</sup> Makovsky, Ken, pp. 1-2

<sup>11</sup> Makovsky, Ken, pp. 1-2

<sup>12</sup> Makovsky, Ken, pp. 1-2

<sup>13</sup> Chinni, Dante, and Kapner, Suzanne, "Are Your Jeans Red or Blue? Shopping America's Partisan Divide", *The Wall Street Journal*, p. 6

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<sup>15</sup> Bates, Suzanne, "Discover Your CEO Brand", *Success*, p. 2

<sup>16</sup> Bates, Suzanne, p. 2

<sup>17</sup> Bates, Suzanne, p. 2

<sup>18</sup> Leland, Karen Tiber, *The Brand Mapping Strategy*, reprinted, *Entrepreneur.com*, p. 1

<sup>19</sup> Leland, Karen Tiber, p. 1

<sup>20</sup> Gartenberg, Claudine, and Serafeim, George, "Social Responsibility: 181 Top CEOs Have Realized Companies Need a Purpose Beyond Profit", *Harvard Business Review*, p. 2

<sup>21</sup> Gartenberg, Claudine, and Serafeim, George, p. 2

<sup>22</sup> Gutenberg, Claudine, and Serafeim, George, p. 2

<sup>23</sup> Gutenberg, Claudine, and Serafeim, George, p. 2

<sup>24</sup> Tang, Kelly, and Wartzman, Rick, "The Business Roundtable's Model of Capitalism Does Pay Off", *The Wall Street Journal*, p. 1

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<sup>28</sup> Winston, Andrew, p. 2

<sup>29</sup> Winston, Andrew, p. 2

<sup>30</sup> Winston, Andrew, p. 2