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## **Bolstering Faltering CEO Reputation**

**Experts believe CEO reputation can improve only if CEOs admit their mistakes openly and, communicate more often with stakeholders and employees.**

By Fayazuddin A. Shirazi

A recent poll on former CEO Bruce Karatz, facing charges of backdating stock options at his LA, California based home building firm KB Home, indicated that a jury may not give him a fair shake in his trial. The Hart Research Associates Poll funded by Karatz's attorney's revealed deep bias against corporate bosses among potential jurors and the general public.

Reputation ratings of CEOs in Corporate America are currently showing business leaders facing a severe popularity crisis with scores of opinion polls projecting a similar trend. Asked what they would think if the government charged a CEO with fraud and concealing transactions to increase his compensation – the charges against Karatz – more than two-thirds of prospective jurors in the Hart Research Associates Poll said they would consider the CEO either definitely or probably guilty.

"The vast majority of potential jurors see corporate CEOs as greedy and willing to break the law," the polling firm said in its report.

Another poll by Weber Shandwick, a NY based global PR firm also revealed a similar trend with 66 percent of those surveyed holding CEO reputation as negative, while only 14 percent said it was positive.

Similarly, a Rasmussen survey of American adults also yielded similar results with majority of the poll respondents believing CEOs to be less popular than the members of the Congress. Only 22 percent of the surveyed American adults viewed CEOs favorably, while members of Congress were little more favorable at 26 percent.

Given the poor state of economy, reputation strategists think, unrelenting consistent rise in CEO pay checks apparently led to the public outrage against CEOs.

“When people hear of CEOs earning tens of millions of dollars in compensation, whose companies lose billions and are bailed out by the taxpayers, it understandably doesn’t sit well with the public – especially during these difficult economic times,” Ken Ross, CEO and founder of ExpertCEO, a private online community for CEOs told Chief Executive Online.

“When the defendant has a long list of zeros at the end of his salary and you don’t, it’s hard to set aside your feelings.” Loyola Law School professor Laurie Levenson told an interviewer at the *LA Times* commenting on the Bruce Karatz poll outcome.

Dr. Leslie Gaines-Ross, Chief Reputation Strategist with Weber Shandwick also feels the uprising against spiraling CEO compensation is one of the reasons why CEOs are being held in low esteem. “The public believes CEOs, particularly in the financial sector, should have been much more aware of the risks that befell the economy and that their ignorance cannot be simply accepted,” Dr. Gaines told *Chief Executive Online*.

Additionally, there’s also an increasing perception that a CEO is someone who sits in an ivory tower taking decisions without any apparent understanding of what is going on in the real world.

However, organizational psychologists believe public approval of business depends on emotional reactions to individual acts or behaviors that are inconsistent with people expectations of how a given leader should behave.

“The metric of popularity has a great deal of variability within it and can be influenced by a single act,” they say.

“A perfect example of this is when the CEOs’ for the top three auto companies individually flew in their private jets to ask the taxpayer for a bailout. This type of behavior overshadowed any appropriate reason for support of the bailout in the emotional ‘eyes’ of the general population,” explains Mitch Rosenberg, an organizational psychologist and President & CEO of Workplace Confidential, a Laguna Beach, CA based private workplace challenges consulting firm.

### **Road to Recovery**

Analysts believe road to reputation redemption requires CEOs to publicly own responsibility for any or all sorts of faltering especially when their firms are in crisis. They should be communicating openly and interacting increasingly with their customers, stakeholders and their employees. They should instill a sense of confidence among their workforce, besides reposing increasing faith in them.

“CEOs should be open to hearing bad news, taking the blame when things go wrong and be good communicators especially in tough times,” Dr. Gaines reiterated in an interview to Chief Executive Online.

He believes since CEOs are no politicians, they don’t have to win a popularity contest. Nor do they need to take a \$1 salary to earn respect. Instead according to

him CEOs must focus on running an organization that achieves success by being innovative and openly challenging conventional wisdom.

“A CEO may not always be delivering the message all parties want to hear, but people will appreciate his demeanor when done in an honest and straightforward manner,” says Ken Ross.

### **Essential Qualities**

According to experts a good CEO must essentially be a good listener, have innovative thinking, be a motivating soul and be highly focused on the company’s requirements.

“In order to understand the needs of your customer, it is critical to be in touch with them, and listen to what they are saying,” Ken Ross points out. While Dr. Gaines believes besides being good listeners CEOs should also be attuned to emerging signs of danger, so that they can take right decisions in right times.

Rosenberg believes successful leaders must possess a high level of interpersonal sensitivity which is defined as the ability to anticipate and understand how individuals will respond to your words and actions. Leaders with a low level of interpersonal sensitivity usually witness followers ‘rolling their eyes’ because they feel this executive just doesn’t get it, he says.

Another key attribute of a leader, according to Rosenberg, is the ability to inspire - not just emotional inspiration, but the kind of inspirational leader that “walks the talk,” connects with his/her employees/shareholders and demonstrates an unyielding commitment to the success of the organization and its associates.

Additionally, creating relationships between the company and the community is an excellent way to build respect and admiration feel reputation analysts. “Active participation in corporate social responsibility not only builds employee loyalty, but also instills great sense of pride among, reiterates Ken Ross.

<b>ABC’s of Interaction: Mitch Rosenberg, CEO MM Rosenberg &amp; Associates</b>
<b>Always explain <u>why</u>.</b> Delivering a message on a decision or action without providing the why behind the message creates a significant gap in understanding. Often, leaders have a breakdown in communications resulting from the difference between their intent and the recipient’s perception. The best way to reduce that gap between intent and perception is to make sure everyone understands your “why.”
<b>Be in <u>their</u> shoes.</b> Understand how your organization, customers or constituents feel about your actions/decisions and address those perceptions in a forthright manner.
<b>Connect.</b> Spend time listening to the views of the employees or shareholders your decisions and action will impact and make sure you are addressing the appropriate issues in a way they can understand and appreciate (even if they don’t agree).

