

Chapter 14

Reputational Transfer Between the Leader and His Corporation in Spain: Does the Family Matter?

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ABSTRACT

The main purpose of this chapter is the study of the reputational transfer between the leader and the company he leads, analyzing whether the mentioned process is conditioned by the presence of a family in the ownership and/or management of the company. Using the information published by the Spanish Monitor of Corporate Reputation (MERCOR) for the period between 2001 and 2017, different econometric models have been formulated with panel data that show that the reputation of the leader of the family firms is transferred to the corporate reputation faster than when the company does not have the condition of a family business. In addition, it has been researched if the reputation of the leader is nourished by the corporate reputation, and the results show a link in that sense, without being conditioned by the family nature of the company.

INTRODUCTION

The resource-based view highlights the strategic interest of the different resources that each company has and, especially, the dominant role played by intangible resources (e.g., Barney, 2001). In this last category, corporate reputation is understood as the global estimate of the perceptions that main interest groups have of the company (i.e., stakeholders) as a result of the direct and indirect experiences they have with the organization (e.g., Deephouse & Jaskiewicz, 2013; Dowling, 2016) and in a framework of comparison between rivals (Chun, 2005; Gotsi & Wilson, 2001).

Although it is argued that reputation participates in the characteristic of causal ambiguity (e.g., Barney, 1991; Dierickx & Cool, 1989), different studies have tried to identify its dimensions (e.g., Cravens, Goad & Ramamoorth, 2003; Dollinger, Golden & Saxton, 1997; Fombrun, 2006), all of them agreed on the influence of the manager¹, through his leadership, for his role as a productive asset, as well as for his visibility in public opinion, especially among investors and employees (Helm, 2006). In this context, the term reputational transfer appears to denote the significant influence of the manager reputation on corporate reputation (Cravens et al., 2003; Gaines-Ross, 2003; Men, 2012; Treadway, Adams, Ranft, & Ferris, 2009; Wade, Porac, Pollock, & Graffin, 2008), considering the effect of CEO role in some aspects like corporate financial performance (Weng & Chen, 2017), stock-based performance measures (Karuna, 2006), corporate governance (Karuna, 2009) or corporate reputation crisis (Sohn, Lariscy, & Tinkham, 2009). Moreover, although it is argued that the manager is also benefited by the reputation of the firm he works for (Graffin, Pfarrer, & Hill, 2012), there is little empirical evidence in this regard (e.g., Safón, Mohedano, & Urra, 2011).

In the field of family firms (hereinafter, FF), the reliable identification of the family with the company has led to the study of the relationship between corporate reputation and the level of family participation (Berrone, Cruz, Gómez-Mejía, & Larraza-Quintana, 2010; Miller, Le Breton-Miller, & Scholnick, 2008; Zellweger, Nason, Nordqvist, & Brush, 2013). However, as far as our knowledge is concerned, the reputational transfer between manager and FF is still not analyzed. Therefore, this study seeks to fill the gap by studying the role of the family in the transfer of the leader reputation to the company. Also, it is intended to contrast whether the corporate reputation contributes to the leader reputation, investigating how this relationship is affected by the presence of a family in the management and control of the company. To this end, the rankings published by the Spanish Monitor of Corporate Reputation (MERCO) have been used concerning the most reputable companies and leaders in Spain in the period 2001-2017.

The chapter contributes to reputation research and, especially, to the literature on FF. In this sense, the bidirectional link between the leader reputation and his company is demonstrated empirically, verifying even the existence of causality (in the Granger sense) between both variables. Concerning the FF, the results demonstrate that the leader reputation is transferred to the corporate reputation in a shorter period than in the non-family firms (from now on, NFF). However, the leader reputation, which feeds on the reputation of the company he runs, is not conditioned by the family nature of the company.

The paper has practical implications. It provides empirical results that would be useful especially for reputation management.