CEO BRANDING

Theory and Practice

Edited by Marc Fetscherin

Foreword by Suzanne Bates and Leslie Gaines-Ross

CEO BRANDING

CEO Branding advances our understanding of the importance and impact that CEOs have on companies. In recent years, there has been a growing body of interdisciplinary literature on this powerful aspect of branding, and Fetscherin has invited a leading panel of international scholars and practitioners to contribute original chapters in their area of expertise.

The book introduces the concept of the CEO as a brand, and outlines the '4Ps' of this branding mix – the CEO (person), personality, prestige (reputation), and performance. It discusses the CEO branding process, and demonstrates the many ways in which this 'human brand' affects the company in financial terms (such as performance, profit, and stock returns), as well as non-financial terms (reputation, trust, and firm strategy). The book also includes 'lessons learned' and many examples that illustrate how companies can measure and manage the CEO brand.

This comprehensive, authoritative volume will give students, researchers, marketing and communication managers, and CEOs themselves a thorough understanding of all aspects of the CEO brand. A must-read for any CEO who is serious about developing, managing, and measuring their own brand.

For more information, visit www.ceobranding.org.

Marc Fetscherin is an Associate Professor of International Business and Marketing at Rollins College, USA. Prior to his academic career, he was a consultant at McKinsey & Company and CEO of Bonfort SA, a small Swiss-based luxury goods company. He has published three edited books, multiple book chapters, and numerous journal articles. His most recent book is an edited collection on *Consumer Brand Relationships*, also published by Routledge. For more information, visit www.fetscherin.com.

The book provides a valuable contribution to our understanding and practice of CEO branding. Its structure consists of neat 'packets,' i.e., chapters written by experts who have demonstrated in their own work how to concisely deliver a potentially complex message, such as the CEO as a brand. Using this format, Marc Fetscherin has made this book into a valuable tool for retaining the gems within so they don't get lost, missed or forgotten in our minds.

Suzanne Bates, *executive coach; former award-winning TV news anchor; CEO of Bates Communications, USA; and author of the best-selling books* Speak Like a CEO*,* Motivate Like a CEO*, and* Discover Your CEO Brand

Fetscherin once again brings up an innovative and provocative book, as he did before in his previous works. Readers will find the same methodological rigor combined with a multidisciplinary approach. It provides the basis for new relevant discussions in the field, leading for reflections about some unexplored dimensions regarding the role of CEOs in contemporary organizations. A mandatory reading for managers, and administrative behavior researchers.

Euler Alves Brandão, *President and CEO, Stetik Group, Brazil*

CEO Branding: Theory and Practice is THE definitive book on CEO branding. The world's leading experts on CEO reputation and image share their knowledge. A must-read for all CEOs, aspiring executives, and scholars interested in understanding how CEOs build their brands and shape corporate success.

John Cadogan, *Professor of Marketing, Loughborough University, UK*
Editor-in-Chief, International Marketing Review

Branding, including branding of CEOs, is one of those things that almost all marketers claim to understand, yet almost none have the same definition. Marc Fetscherin's excellent collection, and his 4P structural perspective, do much to standardize the meaning, assessment, and utility of CEO branding.

Paul Conner, *CEO, Emotive Analytics, USA*

Professor Fetscherin has chosen to put together a much-needed overview of the field. This work adds a measure of order to a rapidly expanding subject that has been crying out for systemization and is a major contribution to the study of CEOs as a discipline capable of serious scholarship. The book *CEO Branding* provides a roadmap for those interested in better understanding the complex role of the CEO today and the impact of CEOs on firm performance and destiny.

Leslie Gaines-Ross, *Chief Reputation Strategist at Weber Shandwick, USA*
Author of the best-selling book CEO Capital: A Guide to Building CEO Reputation and Company Success

With the international talent he has attracted for the book, Marc Fetscherin has brought new insights and perceptions to the idea of CEO branding. It should be must reading for any current or future company leader or Board member!

Michael Gleason, *CEO, Consumer Brands, LLC*

A really excellent contribution to the CEO brand literature with cutting edge research on a highly important topic. It is a must-read for CEOs as they play a powerful role in shaping consumers' perceptions and actions. And if CEOs really want to manage that: This is the book. It smartly shows the interaction between the CEOs' perceptions as persons, their personalities, their reputation and their perceived performance – and the impact of that combination on consumers.

Tobias Heilmann, *Ph.D., Founder and CEO of campaignfit Ltd., Switzerland*

CEO branding is becoming a necessity in today's 'digital age' where companies begin to realize the importance of having their face represented on social media and engage with various stakeholders. The book *CEO Branding* provides a useful and invaluable guide for CEOs on how to behave and interact with the different constituencies. It provides the essential toolkit for CEOs wanting to leave a mark in today's entrepreneurial environment.

Daniel Küng, *CEO, Switzerland Global Enterprise, Switzerland*

This is an exciting and innovative volume, full of insight from some of the world's best thinkers on CEO branding. It will be vital for anyone who has an interest in effective branding in this area, including CEOs themselves, but also consultants, educators, and scholars.

Nick Lee, *Professor of Sales and Management Science, Loughborough University, UK Editor-in-Chief,* European Journal of Marketing

CEO Branding brings together the world's best experts and thinkers on how to build, manage, and sustain the human brands that many senior executives have become. It's a comprehensive and invaluable guide for anyone seeking to better understand this important business strategy.

Chris Malone, *Managing Partner and Founder, Fidelum Partners, USA*
Co-author of the best-selling book The HUMAN Brand: How We Relate to People, Products and Companies

CEO Branding features chapters from leading practitioners and academics in this discipline. Fetscherin nicely presents the mnemonic of the 4Ps of CEO Branding which outlines the key elements of the CEO brand. This book is a must-read for academics and researchers, as well as top executives who want to learn about CEO branding and those who want build, measure, and manager the CEO brand.

T.C. Melewar, *Professor of Marketing and Strategy, Middlesex University London, UK, and Emeritus Editor,* Journal of Brand Management

CEO Branding: Theory and Practice is a must-read for CEOs, or those who intend to execute this function in the future, headhunters, board members, and advisors who help finding the right CEO for a particular firm, as well as researchers in general. Fetscherin outlines in a very clear manner the 4Ps of the CEO branding mix, and brings together the finest global experts on this topic by collecting insights from the CEO branding process, reputation, and performance impact.

Daniela Ott, *Former COO Kering Luxury Division, France*

CEO Branding offers a comprehensive, down-to-earth approach to how CEO image and reputation can boost or damage companies. In 15 in-depth chapters, backed by strong empirical evidence and lively examples, all aspects of the CEO branding mix are examined from physical appearance to personality, prestige, and celebrity.

Jean-Claude Usunier, *Emeritus Professor of Marketing,*
University of Lausanne, HEC, Switzerland

CEO branding is an area of increasing interest and limited knowledge. It is refreshing to see a book that is such an excellent and well documented source of information on the topic. This work adds a lot in the branding literature.

Cleopatra Veloutsou, *Senior Lecturer of Marketing,*
University of Glasgow, Scotland, UK, and Co-Editor in Chief,
Journal of Product and Brand Management

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CONTRIBUTORS

The chapter authors are experts from many countries, including Austria, Canada, Finland, Germany, the Netherlands, Portugal, Sweden, Spain, the UK and the US. They come from a number of different fields, including accounting, communication, economics, entrepreneurship, finance, leadership, management, marketing, psychology and strategy, reflecting the interdisciplinary nature of CEO branding.

Our academic experts are faculty members of institutions that include: Universidad de Burgos (Spain), Lehigh University (US), Umeå University (Sweden), Katholische Universität Eichstätt-Ingolstadt (Germany), University of Oulu (Finland), University of Georgia (US), Case Western Reserve University (US), University of Valencia (Spain), Stockholm School of Economics (Sweden), University of Toronto (Canada), Tilburg University (Netherlands), Technical University Bergakademie Freiberg (Germany), Florida Institute of Technology (US), Polytechnic Institute of Viana do Castelo (Portugal), Cardiff University (UK) and Rollins College (US).

In addition to academic faculty experts, we also drew on the expertise of business practitioners. In alphabetical order, they include: Suzanne Bates, an executive coach, former award-winning television news anchor and CEO of Bates Communications (US). She is author of *Speak Like a CEO*, *Motivate Like a CEO* and *Discover Your CEO Brand*, all published by McGraw-Hill; Raoul Davis is CEO and partner at Ascendant Group (US), a firm that focuses on strategic branding for leaders; Charles J. Fombrun (founder and chairman), Fernando Prado and Leonard J. Ponzi all practice at the Reputation Institute (US), the world's leading reputation-based advisory firm. Their most well-known management tool is the RepTrak® model for analyzing the reputations of companies and institutions and used by *Forbes* in publishing the Global RepTrak® 100. Leslie Gaines-Ross is the Chief Reputation Strategist at Weber Shandwick (US), a widely recognized expert on CEO reputation, and author of *CEO Capital: A Guide to Building CEO Reputation and Company Success* and *Corporate Reputation : 12 Steps to Safeguarding and Recovering Reputation*. Andreas Hinterhuber is a partner in Hinterhuber & Partners (Austria), a consultancy specializing in strategy and leadership. His co-author, Stephane Liozu, is the founder of Value Innoruption Advisors, a firm specializing in disruptive approaches in innovation, value and leadership management. Nick Nanton and J.W. Dicks also co-authored a chapter. Nanton is an award winning director, agent, author and three-time Emmy award winner who also won the Telly Award 13 times. He has co-authored several best-selling books and is the founder and CEO of the Dicks + Nanton Celebrity Branding Agency. His co-author, J.W. Dicks, has written over 22 business books, and is the editor and publisher of Celebrity Expert® Insider Newsletter.

Below are brief notes on the editor and the authors featured in this book.

Editor

Marc Fetscherin is an Associate Professor of International Business and Marketing at Rollins College, United States. He also was a Visiting Professor at the East China University of Science and Technology (China), the Copenhagen Business School (Denmark), Jacobs University (Germany), the University of Fribourg (Switzerland) and the Lucerne University of Applied Sciences and Arts (Switzerland). Prior to his academic career, he worked as a consultant for McKinsey & Company and was CEO of Bonfort SA, a small Swiss-based luxury company. He was also an advisor to the Swiss government as a member of the Federal Commission of Consumer Affairs. He has published numerous edited books, book chapters and journal articles. His articles have appeared in *Harvard Business Review*, *International Business Review*, *Journal of Business Research*, *Journal of Global Marketing*, *International Marketing Review*, *European Journal of Marketing*, *Journal of Consumer Marketing*, *Journal of Brand Management*, *Journal of Product and Brand Management* and the *Journal of Business Strategy*, among others. More information can be found at www.fetscherin.com.

Chapter authors

Suzanne Bates is an executive coach, author, Certified Speaking Professional (CSP), former award-winning television news anchor, and CEO of Bates Communications, Inc. The firm offers strategic communications consulting, executive coaching, workshops, and keynote speeches. Clients include Dow Chemical, Raytheon, Fidelity, EMC, Kimberly Clark, State Street and Merck. Suzanne is author of *Speak Like a CEO: Secrets for Commanding Attention and Getting Results*, as well as *Motivate Like a CEO: Communicate Your Strategic Vision and Inspire People to Act!* and *Discover Your CEO Brand: Secrets for Embracing and*

Maximizing Your Unique Value as a Leader, three books published by McGraw-Hill that became business best-sellers on amazon.com. For 20 years, Suzanne was an acclaimed on-air personality with major market television stations WBZ-TV Boston, WCAU-TV Philadelphia and WFLA-TV Tampa-St. Petersburg. She won an AP News Award and over her career has interviewed thousands of political leaders, CEOs, authors and celebrities. Suzanne appeared in hundreds of publications including the *New York Times*, *Forbes Magazine*, *Business Week*, *Investors' Business Daily*, the *New York Post*, *Wall St. Journal* and CNNMoney.com. Suzanne has also appeared as a guest expert on *Fox Business Morning*, *New England Cable News*, *CBS Radio*, and dozens of other television and radio programs.

Virginia Blanco-Mazagatos is Associate Professor at Universidad de Burgos, Spain. Her research interests include family business, governance, and corporate reputation. In particular, she focuses on the challenges of governance and resource structure within the family firm, and the role of corporate reputation to the family firm performance. Dr. Blanco-Mazagatos received her PhD in business administration from Universidad de Burgos. She has published papers in *Family Business Review* and *International Journal of Entrepreneurship and Small Business*, among others.

Professor Paul Brockman holds the Joseph R. and Amy M. Perella Chair of Finance in the Perella Department of Finance at Lehigh University (USA). He has an undergraduate degree in arts and sciences from Ohio State University, an MBA from Nova Southeastern University, and a PhD in Finance from Louisiana State University. His professional qualifications include Financial Risk Manager (FRM), Certified Public Accountant (CPA) and Chartered Global Management Accountant (CGMA). His academic publications have appeared in journals such as the *Journal of Finance*, *Journal of Financial Economics*, *Journal of Financial and Quantitative Finance*, *Journal of International Business Studies*, *Journal of Corporate Finance* and the *Journal of Banking and Finance*.

Raoul Davis specializes in helping companies increase their top-line revenue through a proprietary CEO branding model that helps CEOs increase their visibility with their target audience and industry status. Davis has developed a reputation for effectively setting CEOs and their companies apart from their competitors by "thinking without a box." He has regularly contributed for Forbes.com and provided commentary on small business issues for *Fox Business*, *American Express Open Forum*, *Huffington Post and Inc.* Davis is a partner at Ascendant Strategy a division of Ascendant Group (www.ascendantstrategy.net), a Wilmington, Delaware based company focusing on "strategic branding for leaders" utilizing tools such as PR, speaking engagements, book deals, social media, strategic networking and developing strategic alliances to help CEOs position themselves. Davis has built a private executive client list that includes Fortune 50 executives, midsize company

CEOs at 5–100 million in revenue companies, major media personalities, and *New York Times* best-selling authors. Under his leadership, the company has helped clients generate significant business deals, speak at Ivy League institutions, win recognition from governors, receive invitations for White House sponsored events and secure media in the *New York Times*, ABC's 20/20, the *Steve Harvey Morning Show* and the *Wall Street Journal*.

Juan B. Delgado-García is Associate Professor at Universidad de Burgos, Spain. His research interests center on the role of CEO characteristics on firm outcomes, antecedents and consequences of corporate reputation, and the role of entrepreneurs' characteristics in the entrepreneurial process. Dr. Delgado-García received his PhD in business administration from Universidad de Burgos. He has published papers in the *Strategic Management Journal*, *British Journal of Management*, *Corporate Governance: An International Review*, *Corporate Reputation Review*, *International Business Review* and *Journal of Small Business Management*, among others.

J.W. Dicks, Esq. (@wicks): The nation's foremost expert on personal branding for business development, attorney, best-selling author, entrepreneur and business strategist, J.W. has been called the 'Expert to Experts,' written over 22 business books, and is editor and publisher of Celebrity Expert® Insider Newsletter. He is a director of the National Academy of Best Selling Authors® and has received an Emmy nomination as an executive producer.

Charles J. Fombrun is chairman and founder of the Reputation Institute. He is a graduate of Queen's University (Canada) and Columbia University (New York), and a former Professor of management at The Wharton School (University of Pennsylvania) and at The Stern School (NYU). Dr. Fombrun created the Reputation Institute in 1997 as a private research-based consulting firm devoted to advancing knowledge about corporate reputations and to helping companies build more sophisticated practices for reputation management. He has developed various measurement systems that are widely used by companies and countries and that are regularly featured in prominent media. Most recently, Dr. Fombrun introduced the RepTrak® System, a strategic tool for assessing corporate reputations that the Reputation Institute uses to measure corporate reputations around the world. It is the basis on which the "World's Most Respected Companies" is determined and released by *Forbes* each year. Dr. Fombrun has published over 100 research and professional articles. He has written six books, including the best-selling *Reputation: Realizing Value from the Corporate Image* (Harvard Business School Press, 1996), *The Advice Business: Models and Methods of Management Consulting* (Prentice Hall, 2003), *Fame and Fortune: How Successful Companies Build Winning Reputations* (Pearson-Financial Times, 2004), and *Essentials of Corporate Communication* (Routledge, 2007).

Leslie Gaines-Ross is the Chief Reputation Strategist at Weber Shandwick (USA). She is one of the world's most widely recognized experts on reputation – how reputations are built, enhanced and protected online and offline. She spearheaded the first comprehensive research on CEO reputation and its impact on company reputation and business performance. Leslie is the author of two books, *CEO Capital: A Guide to Building CEO Reputation and Company Success* and *Corporate Reputation: 12 Steps to Safeguarding and Recovering Reputation*. Before joining Weber Shandwick, Leslie was Chief Knowledge & Research Officer Worldwide at Burson-Marsteller and Marketing & Communications Director at *Fortune*. Leslie's work has been widely covered online and in many top-tier global publications including the *Harvard Business Review*, *The Wall Street Journal* and *Financial Times*. Leslie's blog can be found at reputationXchange.com and you can follow her at @ ReputationRx. She can be reached at lgaines-ross@webershandwick.com.

Lars G. Hassel has a doctorate in accounting from Åbo Akademi University in Finland where he has been a Professor since 1999. In 2012 Hassel was appointed Dean of the School of Business and Economics at Umeå University in Sweden. Hassel has been working in the SRI/ESG area since 2006 as a Director of the Sustainable Investment Research Platform (SIRP) (www.sirp.se) funded by Mistra (www.mistra.org) in Sweden. The program wanted to find out how the use of sustainable investment practices can create an added value to investors, and identify barriers for such practices to become mainstream. The SIRP group was recognized with the Globe Award in May 2008 for an outstanding and tangible contribution to research in the field of CSR. SIRP launched a synthesis report of the program in 2012, "Do Sustainable Investments Add Value?" In 2011 Hassel was the chair of the PRI-Mistra academic conference on Dynamics of Responsible Investments in Sigtuna, Sweden.

Andreas Hinterhuber is a Partner of Hinterhuber & Partners (Austria), a consultancy company specialized in strategy, pricing and leadership. He is also a Visiting Professor at USI Lugano, Switzerland and was acting chair and head of the Department of International Management at Katholische Universität Eichstätt-Ingolstadt (Germany). Previously he worked for ten years in global management positions in the chemical and pharmaceutical industry. He has published articles in *Industrial Marketing Management*, *Long Range Planning*, *MIT Sloan Management Review*, *Journal of Strategic Marketing*, and other journals. Together with Stephan Liozu he is co-editor of the book *Innovation in Pricing – Contemporary Theories and Best Practices* (Routledge, 2012) and *The ROI of Pricing – Measuring the Impact and Making the Business Case* (Routledge, 2014).

Juha-Pekka Kallunki is Professor of Financial Accounting at the University of Oulu, Finland, and a Visiting Professor of accounting at the Stockholm School of Economics, Sweden, and at Aalto University, School of Business, Finland. He teaches corporate governance, financial analysis and firm valuation at an advanced level. His research interests include financial reporting, executive compensation and corporate governance. He has published 50 original research articles in such journals as *Journal of Accounting and Economics*, *Contemporary Accounting Research*, *Review of Accounting Studies*, *Corporate Governance: An International Review* and *Journal of Financial Intermediation*, among others. His publication record also includes eight books published in Finland and the United States. At the moment he serves on the editorial boards of *European Accounting Review*, *Journal of International Financial Markets*, *Institutions & Money* and *Journal of Multinational Financial Management*.

Ruthann Weaver Lariscy, PhD, is Professor in the Department of Advertising & Public Relations in the Grady College of Journalism and Mass Communication at the University of Georgia (USA). Dr. Lariscy's PhD is from the University of Missouri, Columbia. Her research and publications are in corporate and political public relations, political advertising and health promotion campaigns. She has authored numerous book chapters, journal articles and conference papers. Her work appears in the *Journal of Advertising*, *Journal of Broadcasting and Electronic Media*, *Current Issues and Research in Advertising*, *Public Relations Research Journal*, *Public Relations Review*, *Journalism and Mass Communication Quarterly*, *Journal of Business Research, Political Communication* and the *Journal of Health Communication*. Dr. Lariscy's research has been written about in popular press publications (*New Scientist*, *Research Reporter*) and covered in broadcast (Italian National Television, Georgia Week in Review and PBS).

Hye Seung (Grace) Lee is an Assistant Professor in the Accounting Department at Lehigh University (USA). Her research interests are mainly centered on the effects of firm-level organizational and economic characteristics on financial reporting outcomes and the effects of financial and tax reporting on capital markets. Her research has been published in the *Journal of Accounting, Auditing, and Finance*. She teaches both financial and managerial accounting at Lehigh. Prior to entering academia, she worked as an economic analyst in Seoul, Korea. She holds a PhD in accounting from the University of Arizona, an MBA degree from Vanderbilt University, and a BS degree in economics from Seoul Women's University in Korea.

Stephan Liozu is Assistant Professor of Management and Strategy at Chatham University (USA). He is also the founder of Value Innoruption Advisors, a firm specializing in disruptive approaches in innovation, value and pricing management. He earned a PhD in Management from Case Western Reserve University, Weatherhead School of Management. His research interest focuses on pricing and value management from an organizational and behavioral perspective. Over the past four years, Mr Liozu has published academic articles in *MIT Sloan Management Review*, the *Journal of Revenue and Pricing Management*, *Industrial*

Marketing Management, *Journal of Business Strategy* as well as in the *Journal of Strategic Marketing*. Mr Liozu has also written several articles on strategic pricing issues for the *Journal of Professional Pricing* and is a regular presenter at Professional Pricing Society conferences in Europe and North America as well as the Strategic Account Management Association conferences. Together with Andreas Hinterhuber he is co-editor of the books *Innovation in Pricing – Contemporary Theories and Best Practices* (Routledge, 2012) and *The ROI of Pricing – Measuring the Impact and Making the Business Case* (Routledge, 2014).

Antonia Mohedano-Suanes has a PhD in economics and is an Associate Professor at the University of Valencia (Spain). Her research focuses on topics related to CEO reputation, firm reputation, strategic alliances, innovation and corporate entrepreneurship. Her contributions have been presented in international and national conferences such as the International Network of Business & Management Journals, International Conference in Organizational, Learning Knowledge and Capabilities, Global Conference on Business and Finance or ACEDE. She has published in international and national journals, including *Dirección y Organización*, *Economía Industrial*, *Revista de Economía Mundial*, *Universia Business Review* and *The Services Industries Journal*. She is currently working on projects that explore the relationship between organizational design and technological and non-technological innovation.

Nick Nanton is a three-time Emmy Award winning director, producer and filmmaker and is known as the Top Agent to Celebrity Experts® around the world for his role in developing and marketing business and professional experts, through personal branding, media, marketing and PR. Nick serves as the CEO of the Dicks + Nanton Celebrity Branding Agency, an international branding and media agency with more than 2,200 clients in 33 countries. Nick has worked with Steve Forbes, Brian Tracy, Jack Canfield, Michael E. Gerber, Tom Hopkins, Dan Kennedy and others. Nick has co-authored 34 best-selling books, including the *Wall Street Journal* best-seller, *StorySelling*™. He has been seen in *USA Today*, the *Wall Street Journal*, *Newsweek*, *BusinessWeek*, *Inc. Magazine*, the *New York Times*, *Entrepreneur® Magazine*, *Forbes*, FastCompany.com and appeared on ABC, NBC, CBS and FOX television affiliates around the country, as well as E!, CNN, FOX News, CNBC, MSNBC and hosts his own series on the Bio! channel, Portraits of Success. Nick is a voting member of the National Academy of Recording Arts & Sciences (home to the Grammys), the National Academy of Television Arts & Sciences (home to the Emmys) and the National Academy of Best-Selling Authors.

Henrik Nilsson joined Stockholm School of Economics (Sweden) in 2010 and is currently Professor of Financial Accounting and Head of the SSE MSc Finance & Accounting master specialization in accounting and financial management. He received his PhD in accounting from Umeå University in 2003 and has also been working at Stockholm University. Henrik teaches accounting and financial statement analysis at undergraduate and graduate levels. He is a member of the Sustainable Investment Research Platform (SIRP) research group that was recognized with the Globe Award in May 2008 for an outstanding and tangible contribution to research in the field of Corporate Social Responsibility. His research has been published in top-tier journals such as the *Journal of Accounting and Economics*, *Review of Accounting Studies* and *Contemporary Accounting Review*.

Leonard J. Ponzi is Managing Partner of Research and Analytics at the Reputation Institute, a research-based consulting firm for which he oversees group operations, product development and global research. Leonard has over 20 years of multi-industry experience and a unique blend of qualitative and analytical research. Prior to joining the Reputation Institute in 2006, Leonard was a senior research director for GfK managing clients interested in improving customer satisfaction and loyalty, entering new markets, developing new products and conducting competitive analyses. He has conducted research in a wide range of industries such as automotive, consumer packaged goods, pharmaceutical, publishing, travel, and hardware and software manufacturing. Leonard earned his MBA at Syracuse University and holds a PhD from Long Island University. He has been an adjunct faculty member for ten years at City of New York University, Baruch College and Pace University where he taught graduate courses in marketing, market research and consumer behavior. He has been a speaker at a number of international conferences and has written various publications on management and statistics.

Fernando Prado is Managing Partner for Spain and Latin America at the Reputation Institute, where he also heads the Place Reputation Group, a unit specializing in the development of place branding strategies for countries, regions and cities. From 1997–2006, he worked for WPP Group in various roles as Director of Strategic Planning for J. Walter Thompson in Madrid, as Brand Strategy Consultant for WPP New York, as Global Coordinator of BRANDZ for Millward Brown in Chicago, and as a member of OgilvyOne in New York and of Bassat Ogilvy & Mather in Madrid. He was Managing Partner at Kantya, a consultancy specializing in corporate positioning that he founded in 2001 where he developed brand positions for many of the largest companies in Spain in financial services, telecommunications, utilities, food and beverage, transportation, and leisure industries. Fernando has developed various award-winning advertising and brand strategies, including a Grand Prix in Spain for work done for BBVA (Grand Prix on brand management – ESADE 2005) and for work done for Viajes Iberia (Grand Prix on advertising effectiveness – AEA 2002). He is a member of the expert advisory group for the ‘Brand Spain’ project. Fernando is a graduate of ICADE (Madrid) and Middlesex University (London), and has an MBA from IESE (Barcelona).

Esther de Quevedo-Puente is an Associate Professor at Universidad de Burgos, Spain. Her research interests focus on the antecedents and consequences of corporate reputation, and the resource structure and corporate governance of family firms. She received her PhD in business administration from Universidad de Burgos. She has published papers in the *British Journal of Management*, *Corporate Governance: An International Review*, *Corporate Reputation Review* and *Family Business Review*, among others.

Daniel Re, PhD, is a postdoctoral fellow in the Social Perception and Cognition Lab in the Department of Psychology at the University of Toronto (Canada), funded by a fellowship from the Social Sciences and Humanities Research Council of Canada (SSHRC). Dr. Re received his PhD at the University of St. Andrews in Scotland in 2013 under the supervision of David I. Perrett and his MSc at McMaster University under the supervision of Dr. David R. Feinberg. His research focuses on the facial cues involved in the perception of leadership ability and its relation to leader selection. He has published widely on this topic and key findings to date include the discovery of physical face dimensions that drive leadership selection. He specializes in the application of computer-based methods for the manipulation of faces to experimentally determine the ways in which precise aspects of facial features can influence how individuals are perceived. His current research examines social attributions made from faces of real-life political and business leaders and how these relate to leadership selection and success.

Luc Renneboog is Professor of Corporate Finance at Tilburg University (Netherlands) and Director of Graduate Studies at the Center for Economic Research; he is also Visiting Professor at Cambridge University. Before joining Tilburg, Renneboog was at the University of Leuven and Oxford University. He was also a Visiting Professor at the London Business School, HEC Paris, Venice University, University Paris-Dauphine, University of Cardiff and European University Institute (Florence). He has graduated from the University of Leuven with an MSc in commercial engineering and with a BA in philosophy, from the University of Chicago with an MBA, and from the London Business School with a PhD in financial economics. He is also a research member of Center for Economic Research, TILEC (Tilburg Law and Economics Center) and ECGI (European Corporate Governance Institute). His research interests are corporate governance, mergers and acquisitions, law and economics, ethical/socially responsible investing, and alternative investments (such as art, diamond markets). On these topics, he has published in the *Journal of Finance*, *Management Science*, *American Economic Review*, *Journal of Financial Intermediation*, *Journal of Law and Economics*, *Journal of Corporate Finance*, *Strategic Management Journal*, *Journal of Banking and Finance*, *Cambridge Journal of Economics*, *Oxford Review of Economic Policy*, and others.

Björn Rosenberger is a management consultant, entrepreneur and researcher with home bases in Europe and Asia. As a management consultant he advises clients in industries such as aviation, retail and consumer goods on strategy and organizational development. His previous consulting career included several years at consulting firm Oliver Wyman. Mr Rosenberger's entrepreneurial ventures include interests in the energy and travel sectors where he serves as a director on the boards of a renewable energy project development company and a travel business process outsourcing company. His academic research interests include strategic leadership, corporate governance and international management. He is a research associate and the Chair of Management, Leadership and Human Resources at the Technical University Bergakademie Freiberg, Germany. Mr Rosenberger holds two master degrees from the University of Saarland, Germany, and Alliant International University, United States.

Nicholas Rule, PhD, is Assistant Professor and Canada Research Chair in Social Perception and Cognition in the Department of Psychology at the Rotman School of Management at the University of Toronto (Canada). Professor Rule is the 2013 recipient of the Early Career Award from the International Social Cognition Network and received an Early Researcher Award from the government of Ontario in 2012. He is well known for his research on the accuracy of judgments from subtle nonverbal cues. His research spans a broad array of methodological approaches, ranging from the use of micro-level measurements of brain activity using functional Magnetic Resonance Imaging, through cognitive and behavioral experimental measures and correlational research, to the examination of cross-cultural differences at the levels of nations and wider aspects of culture. One line within his research program centers on predicting performance outcomes of leaders (such as CEOs) based on minimal cues in appearance and behavior. He has published in leading journals such as *Psychological Science*, *Journal of Experimental Social Psychology*, *Journal of Personality and Social Psychology* and the *Journal of Experimental Psychology*.

Vicente Safón, PhD, is Associate Professor of Management and Strategy at the University of Valencia, Spain. He is also the director of Luis Vives Business School's MBA program. His research interests are in corporate reputation, strategy and management education. He has published on corporate reputation in several academic journals, including *Academy of Management Learning and Education*, *Corporate Reputation Review*, *Management in Education*, *Scientometrics*, *Regional and Sectoral Economic Studies*, *Economía Industrial* and *Revista Venezolana de Gerencia*, and chapters in books on this topic.

Jesus M. Salas is an Assistant Professor of Finance at the Perella Department of Finance at Lehigh University (USA) and currently holds the Francis J. Ingrassia professorship. Professor Salas holds a PhD from the University of Oklahoma, an

MA in economics from Miami of Ohio University and a BS in math from St. Mary's University in Texas. His research on the value of CEOs, governance and privatization has been published in the *Journal of Banking and Finance*, *The Journal of Economics and Finance*, and in the book *Transforming Public Enterprises in Europe and Americas: Networks, Integration, and Transnationalization*. Professor Salas is the president of the *Two Brothers Foundation*, a non-profit organization that creates educational communities in the squatter town of Rocinha in Rio de Janeiro, Brazil.

YJ Sohn, PhD, is Associate Professor in the School of Art and Communication, Florida Institute of Technology (USA). She is most interested in the development of corporate communication strategies to manage a strong and coherent corporate reputation, as well as the organization–public relationship. Her most current research is devoted to exploring the nature of corporate reputation and potential threats to it, as well as strategic resources that a firm can utilize. Her PhD is from the Grady College of Journalism and Mass Communication at the University of Georgia. Prior to her graduate degree, she worked as an associate editor for a business publication in Korea. Before pursuing a journalism career, she also worked as a business consultant in the fields of sales promotions and business development.

João Paulo Torre Vieito is Professor of Finance and Dean of the School of Business Studies at Polytechnic Institute of Viana do Castelo, Portugal. He received his PhD in Business Science, Finance Specialization, from the Faculty of Economics and Management, University of Porto. He also has a MSc in Finance from Portuguese Catholic University, a MBA in Operations Management from Portuguese Catholic University and a degree in Management from ISCTE. Professor João Vieito is the chairman of the World Finance Conference. His research interests, on which he has published several papers in finance and economics journals, are in neurofiance, corporate governance and market efficiency. He has been on the editorial board of journals including the *Annals of Financial Economics*, *Journal of Modern Accounting and Auditing*, *Montenegro Economic Journal* and *Mudra Journal of Finance and Accounting*. He has published in journals including *Corporate Governance: An International Review*, *Journal of Behavioral Finance*, *Applied Economic Letters*, *International Review of Economic and Finance*, *Journal of Economic and Business*, *Journal of Economic and Finance*, *Quarterly Journal of Finance and Economic*s, among several others. He is a program director of the Post-Graduation in Finance and Banking at ESCE-IPVC. He has taught extensively in various MSc and MBAs. He was also presenter, chairman and discussant in numerous sessions in international, national and regional associations' meetings and symposia. Professor Vieito is also a member of the Western Finance Association, Financial Management Association, Midwest Finance Association, Southern Finance Association and Eastern Finance Association.

J. Anastasio Urra-Urbieta holds a PhD from the University of Valencia (Spain) and is now Associate Professor at the Department of Management "Juan José Renau Piqueras". He is also the director of the University of Valencia's Masters in Strategic Consulting program and a member of some of the major national scientific associations of management, and reviewer in different Spanish and international journals. His research focuses on topics related to corporate strategy, organizational cooperation and strategic alliances, and Behavioural Decision Theory, in which he has contributed with conferences both in Spanish and international forums. He has authored and co-authored numerous publications. His contributions have been published in top national journals, such as *Revista Europea de Dirección y Economía de la Empresa or Economía Industrial*, and in different international journals, such as *The Journal of Knowledge Management*, *Revue Sciences de Gestion*, *Revista Venezolana de Gerencia*, among others.

Yang Zhao is a Lecturer at Cardiff Business School at Cardiff University in the UK. He is also a visiting researcher at Shandong University in China. Before joining Cardiff Business School in 2010, Yang Zhao graduated from Tilburg University in the Netherlands with a Bachelor in International Economics and Finance, a Master in Finance and a PhD in Finance. His research has been published in the *Journal of Corporate Finance*. Yang Zhao's research interests include corporate finance, corporate governance, managerial compensation, CEO succession, mergers and acquisitions, insider trading, and director networks.

FOREWORD: MASTERING CEO PRESENCE

By *Suzanne Bates*

How many leaders have walked onto a big stage and stumbled at precisely the moment when they (and we) hoped they would shine? Sadly, far too many is my guess.

When new GM CEO Mary Barra for example appeared before the US Congress in April 2014 to answer for events leading to GM's recall of 1.6 million vehicles with faulty ignitions, her careful, overly scripted testimony resounded across the nation with an unmistakable, unconvincing thud. This was a moment that cried out for Barra to showcase herself as the bright, new leader of a freshly rebooted GM, yet her responses only inspired that week's *Saturday Night Live* opening skit as it lampooned her lack of candor and responsiveness.

Plainly, Ms. Barra missed an opportunity that day but she wasn't the first chief executive to do so and she won't be the last. Daily, top executives find themselves thrust before a spotlight that's poised to illuminate their leadership, presumably brimming with confidence and trust. Then pow! It all goes wrong.

Those few exemplary leaders who make the grade, however, travel a different path. Their calm, confident, caring demeanors express themselves in sincere, reassuring tones, speaking the truth and making only promises they know they can keep. In so doing, they embody the essence of this book's '4Ps of CEO branding' – Person, Personality, Prestige and Performance. They affirm, as well recent research of my own into the nature of 'executive presence,' an often hazy, imprecise concept the bulk of the business world has traditionally found hard to define. The most widespread notion likens executive presence to art, something deeply subjective, as in 'I'll know it when I see it.'

Like the 4Ps, executive presence covers a lot of ground. In a quest to develop a scientific multidimensional model of executive presence, my research team was able to develop a genuinely objective method for assessing a CEO's three prime 'layers,' i.e., Character, Substance and Style. But to get there, we took a deep dive into theory and empirical studies from psychology, communications, social action theory, management, and philosophy and ethics. Without such exploration, identifying true CEO 'excellence' would remain stuck in a frustrating state of professional guesswork.

To establish the validity of the 4P framework, editor Marc Fetscherin has taken a similar step by drawing together management thought leaders from all over the globe, enabling readers to not merely understand the dangers of ignoring CEO branding and executive presence issues but to know as well how to clearly take action. Thus this book can be viewed as an 'action plan' for transforming and extending your leadership effectiveness, today, tomorrow and thereafter.

In terms of such implementation, it will help readers take actions in a comprehensive and coherent way. Unlike other books, it simplifies the planning and management approach by including only the most relevant elements. Therefore, the book provides a valuable contribution to our understanding and practice of CEO branding. Its structure consists of neat 'packets,' i.e., chapters written by experts who have demonstrated in their own work how to concisely deliver a potentially complex message, such as the CEO as a brand. Using this format, Marc Fetscherin has made this book into a valuable tool for retaining the gems within so they don't get lost, missed or forgotten in our minds.

We can all learn to be highly communicative, influential leaders who inspire others to give their best efforts in the face of daunting challenges as we work with our teams in pursuit of a common purpose. The 'secret sauce' is understanding both our strengths and our areas that need development so that we can meet these battles head on by rallying our troops and, ultimately, learning, growing and thriving together. It's the kind of stuff that seems instinctive but, in fact, is often not. Improve your executive presence by applying the 4Ps in these pages and you will surely get there.

GM's Mary Barra, like too many leaders young and old, stumbled badly that April day. But with each new sunrise, opportunities present themselves to make amends. The 4Ps can help us all avoid such stumbles and master our 'CEO presence.' We'll be rewarded with a mantle of leadership that people admire, believe in and eagerly follow.

Suzanne Bates is an executive coach, former award-winning television news anchor and CEO of Bates Communications (US). She is author of *Speak Like a CEO, Motivate Like a CEO* and *Discover Your CEO Brand*.

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communications

FOREWORD: THE CEO PREMIUM

By *Leslie Gaines-Ross*

The demand for information about branding CEOs has grown steadily since the mid-1990s, making it truly gratifying that Professor Fetscherin has chosen to put together a much needed overview of the field such as *CEO Branding*. This work adds a measure of order to a rapidly expanding subject that has been crying out for systemization and is a major contribution to the study of CEOs as a discipline capable of serious scholarship.

I've been lucky enough to work for companies that have given me the opportunity to research CEOs and acquire a long-term perspective on how much CEOs matter. Looking back over at least a dozen surveys on CEOs and their companies, I can confidently say that CEO reputation matters to company valuations and to an ever-increasing set of stakeholders. According to a 2014 survey by Weber Shandwick, global executives attribute nearly half of a company's reputation to the reputation of the chief executive officer. This inextricable link between CEO and corporate reputation is not likely to fade any time soon. Half of the executives around the world expect that CEO reputation will matter even more to company reputation in the future. Moreover, CEO reputation directly affects the bottom line. Executives estimate that 44 percent of a company's market value is attributable to CEO reputation. This extraordinary interdependence between CEO reputation, company reputation and market value demonstrates just how important is a book like *CEO Branding*.

As Professor Fetscherin notes, CEOs are a company's most important intangible asset. The book *CEO Branding* provides a roadmap for those interested in better understanding the complex role of the CEO today and the impact of CEOs on firm performance and destiny. The book provides guidelines on developing the CEO brand and investigates how to do it well so as to benefit the entire company and its stakeholders. No matter where we live and work, the CEO's impact on corporate performance and perceptions affects us all. For these reasons, the issues raised by *CEO Branding* will be read, shared and debated for years to come.

Leslie Gaines-Ross is Chief Reputation Strategist at Weber Shandwick. She is author of the best-selling book *CEO Capital: A Guide to Building CEO Reputation and Company Success*.

10

CEO CHAMPIONING OF PRICING AND FIRM PERFORMANCE IN INDUSTRIAL FIRMS[1]

Stephan Liozu and Andreas Hinterhuber

Pricing is still an under-researched topic in industrial marketing: In a retrospective analysis of the content published in the *Journal of Business-to-Business Marketing*, Dant and Lapuka (2008) find that the topic of pricing accounts for less than 5 percent of all articles published between 1993 and 2006. Similarly, after a comprehensive review of the industrial marketing literature, Reid and Plank (2000, p. 88) conclude: "pricing continues to be an area in need of research."

In the current study we focus on the activities of one particular individual – the chief executive officer (CEO). The literature highlights the role of organizational champions in bringing about organizational change (Howell and Higgins, 1990). In the current study we examine how championing activities of pricing by the CEO influence pricing capabilities and firm profitability in industrial companies. CEOs are, of course, very particular individuals: Within any organization, the "levers of power are uniquely concentrated in the hands of the CEO" (Nadler and Heilpern, 1998, p. 5). As architects of corporate strategy CEOs commit organizations to specific courses of action (Harrison and Pelletier, 1997).

Whereas earlier research suggests that the influence of the CEO on firm outcomes is rather symbolic in nature and thus limited (Pfeffer, 1981), the current literature documents a substantial CEO effect on corporate performance, estimating that between 6 and 29 percent of the variance in corporate profitability is due to the CEO (Mackey, 2008). The marketing literature indicates that CEO attention positively impacts innovation outcomes (Yadav et al., 2007). CEOs thus clearly matter. Do CEO activities in pricing matter as well and, if so, through which mechanisms?

In our study we examine how CEO championing of pricing in industrial firms influences pricing capabilities, collective mindfulness and decision-making rationality and how these factors influence firm profitability. CEOs themselves "will never set a single price. They can, however, give their managers the ability to win price wars, maintain price leadership and hold a competitive edge in pricing" (Dutta et al., 2002, p. 66). CEO activities are magnified throughout the organization, thus resulting in a substantial, leveraged, impact of even small activities throughout the organization (Rosen, 1990). Reports by pricing practitioners suggest that the pricing function is increasingly driven by chief executives or other members of the executive management team (Jacobson, 2007). Empirically, the lack of CEO support is an important obstacle in the implementation of value-based pricing strategies (Hinterhuber, 2008).

In our survey, we poll 358 CEOs from companies around the world by making use of the database maintained by the Young Presidents' Organization. To the best of our knowledge this is the first study in industrial marketing making use of this database. To the best of our knowledge this is also one of the very few global studies in industrial marketing polling only CEOs: Auh and Menguc (2007, 2009), for example, poll 260 Australian CEOs and senior executive, Auh and Menguc (2005) poll 242 national (likely US) CEOs, Aragon-Correa et al. (2007) use 408 Spanish CEOs, and Sluyts et al. (2011) use 235 Belgian CEOs. Other studies have a large share (60 percent) of CEOs among respondents, but also use operating managers (Land et al., 2012). Finally, qualitative research with the CEO as main respondent is quite frequent (Keating and McLoughlin, 2010; Zerbini et al., 2007). In other words, quantitative, global surveys with the CEO as respondent are not very frequent in industrial marketing, but potentially very illuminating given the uniqueness of the position of a CEO within any organization.

Understanding the link between CEO commitment to and involvement in pricing and the design and performance of an organization allows us to further shed light on a specific type of strategic action – championing of the pricing function – through which CEOs can influence firm performance. Our inquiry contributes to the fields of pricing and industrial marketing by linking CEO championing behaviors to three organizational factors – pricing capabilities, collective mindfulness and decision-making rationality – and subsequently to relative firm performance. Most importantly, our data highlight the role of organizational champions and imply that purposeful championing of pricing by CEOs influences organizational design for pricing and firm performance. Our results also underline the role of decision-making rationality in building pricing capabilities. Contrary to expectations, we do not find an effect of decision-making rationality on firm performance. For future research this potentially suggests that, conversely, intuition in pricing decision could positively affect firm performance.

Theoretical Background and Hypotheses

The development of our theoretical model draws from related streams of literature: industrial pricing, the resource-based view of the firm and from

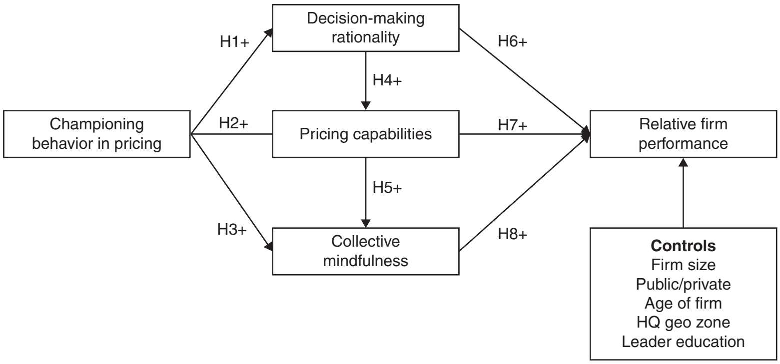

FIGURE 10.1 Hypothesized Research Model

organization theory, particularly the literature on bounded rationality, organizational champions and collective mindfulness. Figure 10.1 describes our hypothesized research model.

Pricing Literature from an Organizational Perspective

Several studies examine pricing practices from the perspective of organizational decision processes but, among them, only a handful link the bodies of knowledge on pricing and organizational behaviors. Cyert and March (1992), who study pricing behaviors in a retail environment, suggest that, over time, simplifying rules of thumb emerge within the firm. They argue that prices are negotiated between various departments of the firm as a way to reach consensus and achieve negotiated objectives. Finally, they propose that cost-based pricing practices are included among these rules of thumb or routines. Lancioni et al. (2005) research the intra-organizational influence on business-to-business pricing strategies and more specifically the importance of interdepartmental rivalry and conflicting interests on the pricing process. The findings show that resistance to progressive pricing strategies emanate from many groups in firms, each of them "having parochial interests and agendas" (Lancioni et al., 2005, p. 130). The most dominant resistance and roadblocks are created by the finance department which is ranked as the most difficult to work with in developing a comprehensive pricing policy. Ingenbleek (2007) conducts a literature review of 53 pricing studies drawn from cost-theory, decision-making theory and marketing strategy: Ingenbleek proposes a conceptual framework and several directions for future research in the field of value-informed pricing. His review of the literature suggests that information sources represent a key resource to be acquired, developed and deployed within the firm. However, the availability of information does not guarantee success in value-informed pricing – the degree to which information is processed, interpreted, communicated and used can influence the implementation of it. Thus the pricing process within the firm can influence the management of information related to customer value perceptions. Ingenbleek (2007) makes the following critical conclusions with regards to pricing literature: (1) it is highly descriptive and lacks statistical significance; (2) research insights on pricing practices are often not cumulative; and (3) theory about how price decisions are made in firms is limited. We build on the scholarly work of Cyert and March, Lancioni, and Ingenbleek by bridging the fields of pricing and organizational behavior.

Organizational Champions

Leaders can influence both functional management commitment and the adoption of innovative technology and practices in firms (March and Simon, 1958, p. 219). Top management support strongly impacts functional management commitment. This type of top management support is needed for complex initiatives such as total cost of ownership calculations in sourcing (Wouters et al., 2005) or value-based pricing (Hinterhuber, 2008), which require strong inter-functional cooperation. Hinterhuber (2008), for example, finds that the lack of support from senior management is an important obstacle in the implementation of value-based pricing strategies. Senior management support for customer-value management processes is a requirement when firms try to implement a 'philosophy' of doing business based on demonstrated value to customers (Anderson et al., 2007, p. 13). Senior management must "take a broader view of persuasively conveying this value merchant mind-set and culture to everyone working in the business and to the customers" (Anderson et al., 2007, p. 123). Hinterhuber (2008, p. 49) finds that "senior management (support) can be obtained through various means, including lobbying, networking, and bargaining. If such support is gained, middle-ranking executives can then implement value-based pricing strategies."

Top management plays a key role in defining and promoting corporate-wide priorities and new strategic programs but also in identifying, allocating and deploying strategic resources to support these programs (Chandler, 1973). Executive experience, overall personality, and risk aversion behaviors help determine the course and rate of structural adaptation and innovation (Chandler, 1973; Jaworski and Kohli, 1993). The influence, skills and drive of upper management are a resource leading to better strategy and greater economic rents by firms (Barney and Clark, 2007). Leadership styles (authoritative versus participative) and backgrounds (legal, finance or marketing) also impact the organization (Chandler, 1973; Simon, 1961).

Organizational champions are charismatic (Nadler and Tushman, 1990), transformational leaders (Bass, 1985; Wang and Huang, 2009) and advocate change (Nadler and Nadler, 1997, p. 98). Champions may exhibit a "constellation of behaviors" (Howell et al., 2005, p. 643) that can be nurtured and learned – including "communicating a clear vision of what innovation could be or do, displaying enthusiasm and demonstrating commitment to it, and involving others in supporting it" (Howell and Higgins, 1990, p. 323). They may increase effort-accomplishment expectancies by reinforcing collective efficacy and increase self-efficacy and collective efficacy by expressing positive evaluations (Tasa et al., 2007) and showing confidence in people to perform effectively and to meet challenges (Nadler and Tushman, 1990). Recent research finds that CEO attention acts as a significant catalyst for organizational outcomes (Yadav et al., 2007). Qualitative research highlights the critical role of the CEO to act as champion to promote the pricing function, to nurture capabilities in pricing and to ensure decision-making rationality (Liozu and Hinterhuber, 2012). We thus hypothesize:

> *H1.* CEO championing activities have a positive impact on the decision-making rationality of the firm.
>
> *H2.* CEO championing activities have a positive impact on pricing capabilities.
>
> *H3.* CEO championing activities have a positive impact on the collective mindfulness of the firm.

Decision-Making Rationality

Simon (1961, p. 93) posits that actual behavior of managers in firms when making decisions or making choices falls short of objective rationality in three ways: (1) the incompleteness of knowledge; (2) the difficulties in anticipation of the consequences that will follow choice; and (3) the choice among all possible alternative behaviors. Managers also suffer from possible "bottleneck of attention" that impacts their ability to deal with more than a few things at a time (Simon, 1961, p. 90). Bounded rationality refers to the notion that rational actors are significantly constrained by limitations of information and calculations (Cyert and March, 1992, p. 214). Behavioral theorists conjecture that managers in organizations simplify the decision-making process by using various behaviors (Cyert and March, 1992, p. 264): satisficing (March, 1978); following rules of thumb (Schwenk, 1988); and defining standard operating procedures and organizational routines (Feldman, 2000; Pentland and Reuter, 1994). Others will define frames of reference (March and Simon, 1958, p. 159) which will be determined "by the limitations of the rational man's knowledge." Experienced managers will draw from their memory, training and experience (Simon, 1961, p. 134). They construct and use "cognitive heuristics" (Brownlie and Spender, 1995, p. 42) or mental models (Porac et al., 1989) to simplify complex strategic issues and engage in intuitive and judgmental responses to decision-demanding situations (Barnard and Andrews, 1968; Oxenfeldt, 1973). The resolution of uncertainty is "to create a rationality, a recipe or an interpretative scheme" (Brownlie and Spender, 1995, p. 43) leading to a choice or a decision. We thus conjecture:

> *H4.* Decision-making rationality is positively related to pricing capabilities.
> *H6.* Decision-making rationality is positively related to firm performance.

Organizational Mindfulness

Mindfulness is a state of alertness and active information processing (Langer, 1989) that includes: creating new categories rather than relying on categories present in our memory; welcoming new information by being open and attending to changed signals; and welcoming more than one view and being aware of multiple interpretations. Fiol and O'Connor (2003, p. 60) observe that "the greater the level of mindfulness of decision makers, the more likely it is they will use decision making mechanisms to expand their search for information." Weick et al. (1999) extend the concept of individual mindfulness (Langer, 1989, 1997) to the collective, describing it as the widespread adoption and diffusion of mindfulness by the organization's members. Mindfulness helps organizations to notice more issues, process them with care, and detect and respond to early signs of trouble (Weick and Sutcliffe, 2007). Weick and Sutcliffe (Weick et al., 1999; Weick and Sutcliffe, 2007) describe five cognitive processes that constitute organizational mindfulness: (1) preoccupation with failure; (2) reluctance to simplify interpretations; (3) sensitivity to operations; (4) commitment to resilience; and (5) deference to expertise. We contend that these characteristics of high reliability organizations can also be applied to the adoption and implementation of pricing strategies in firms.

Firms engaged in the development of modern pricing practices invest in developing pricing capabilities of their front line personnel through pricing training for sales employees in order to equip them with the tools and capabilities to achieve the firm's pricing goals. Sensitivity to operations also entails adjusting pricing programs by taking into account the knowledge of people who actually do the work (Weick and Sutcliffe, 2007). Commitment to resilience is strongly influenced by executive champions' internal development of shared beliefs, courage and resilience when implementing pricing strategies. Finally, firms defer pricing decision expertise and influence to center-led pricing teams. Decision-makers in business units rely on the expertise of these specialized centers of excellence to optimize pricing decisions and firm's performance. Recent qualitative research explores the idea of mindfulness in pricing and suggests that it increases both firm pricing capabilities as well as firm performance (Liozu et al., 2012). We thus hypothesize:

> *H5.* Collective mindfulness is positively related to pricing capabilities.
> *H8.* Collective mindfulness is positively related to firm performance.

Capabilities and Resource-Based View of the Firm

The resource-based view of the firm (Wernerfelt, 1984) sees the firm as a unique bundle of resources and capabilities where the primary task of management is to maximize value (Grant, 1996). These resources include all assets (physical and nonphysical), capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by the firm that enable a firm to conceive and implement strategies that improve its efficiency and effectiveness (Barney, 1991). A specific combination of these tangible and intangibles resources and capabilities is valuable, rare and difficult to imitate or acquire by competitors (Barney and Clark, 2007; Dierickx and Cool, 1989; Hall, 1993) and cannot be captured on a piece of paper (Nadler and Tushman, 1990, p. 18). A positive relationship between firm capabilities and profitability exists also in business markets (Kaleka, 2002; Merrilees et al., 2011; Nath et al., 2010).

Dutta et al. (2003) specifically highlight the role of pricing capabilities as antecedents of firm performance. In contrast to the marketing capability literature, these authors define pricing capabilities as a set of complex routines, skills, systems, know-how, coordination mechanisms and complementary resources. Pricing capability refers to, on the one hand, the price setting capability within the firm (identification of competitor prices, setting pricing strategy, and translation from pricing strategy to price) and, conversely, to the price setting capability vis-à-vis customers (convincing customers on the price change logic, negotiating price changes with major customers). In this and subsequent research settings, pricing capabilities are positively related to company performance (Berggren and Eek, 2007; Hallberg, 2008). In these studies, pricing capabilities are complex, difficult-to-imitate processes which span organizational boundaries. All of these studies use qualitative research. In other words, the link between pricing capabilities as complex routines and skills and organizational performance has not yet been explored in a quantitative survey. We posit:

> *H7.* Pricing capabilities are positively related to firm performance.

Methods

Data Collection and Sampling

Following the total design method (Dillman et al., 2009), we sent a cross-sectional self-administered electronic survey in April, 2011 to 7,897 active members of the Young President Organization International. This organization is a for-profit organization with 18,000 members composed exclusively of CEOs, business owners or presidents in 110 countries. Members' companies comprise B2B as well as B2C companies. Members must meet eligibility criteria, such as age (under 45 years old), title (President, Chief Executive Officer, Chairman

TABLE 10.1 Sample Characteristics

Firm size (number of employees)	*Count*	*%*	*Geography of firm HQ*	*Count*	*%*
Less than 250	183	51%	North America	222	62%
251–500	75	21%	Latin America	24	7%
501–1,000	48	13%	Europe	52	15%
1,001–10,000	42	12%	Asia Pacific	36	10%
More than 10,000	10	3%	Middle East/Africa	24	7%
Age of firm (years)	*Count*		*Leader educational background*	*Count*	*%*
<5	18	5%	Business management	173	48%
5–10	25	7%	Marketing and sales	47	13%
10–25	81	23%	Finance and accounting	61	17%
25–50	101	28%	Technical and engineering	77	22%
> 50	133	37%			
Nature of firm	*Count*	*%*			
Publicly traded	37	10%			
Privately owned	318	89%			
Both	3	1%			

of the Board, Managing Director), enterprise value (minimum \$10 million), number of employees (minimum 50) and annual sales revenues (minimum \$8 million for sales, service and manufacturing corporations, \$160 million for financial institutions and \$6 million for agency-type businesses). To the best of our knowledge, no other empirical study in industrial marketing uses this database.

Consequently, we e-mailed the survey to 7,897 targeted respondents and received 376 e-mails back for reasons of e-mail discrepancies. Of the remaining 7,521 surveys 902 surveys were returned partially or fully completed for a response rate of 12 percent. Our response rate is consistent with surveys of other top executives (Hambrick et al., 1993; Simsek et al., 2010). Since we are not able to select B2B companies *ex ante*, we eliminate all B2C companies from the 557 completed surveys. Our final sample thus consists of 358 B2B companies.

Our sample size contains respondents from all continents, with respondents from North America accounting for the largest share (62 percent); in terms of firm size, CEOs of companies with less than 500 employees account for the largest share of respondents (72 percent), CEOs of companies with more than 10,000 employees account for a small share (3 percent). A typical respondent in this sample is thus a CEO of a North American, privately held company with less than 250 employees. Table 10.1 provides more descriptive information about our sample.

Measure Development and Assessment

We adapted most scales from the current literature and developed a new scale to measure pricing capabilities. We refined the scale through pretests and pilot testing using established item development procedures and guidelines (Churchill, 1979). We determined content and face validity through a comprehensive review of the literature, pre- and pilot tests, and assessment by a panel of practitioners and academics to ensure that measurement items covered the domain of the constructs (Churchill, 1979; Nunnally, 1978). To assess the quality of the survey items, we conducted in-depth, face-to-face interviews with pricing practitioners using Bolton's talk aloud methodology (Bolton, 1993). We pretested all scale items with a small panel of academics and pricing and business practitioners.

We pilot-tested the survey instrument with 150 professionals representing pricing, business and general manager functions from companies in both manufacturing and service industries and received 70 complete responses. We iteratively modified the survey instrument to incorporate all relevant test results. None of the pretest or pilot test participants are included in the final sample. The detailed survey instrument can be requested by contacting the authors.

Behavior of Champion on Pricing

We adapt a six-item scale from Howell et al. (2005) to assess pricing champion behaviors. We measure each item by a seven-point Likert scale anchored at the extremes by 'strongly disagree' to 'strongly agree.'

Pricing Capabilities

Since there is little empirical precedent to measure pricing capabilities (PC), we develop a multiple-item scale in accord with an operational definition (Kerlinger and Lee, 1999), by relying on our fieldwork, and on extant literature. Our scale covers the three critical dimensions of pricing (Hinterhuber, 2004): the customer perspective (measuring and quantifying maximum willingness to pay, price elasticity, and value-in-use), the competitor perspective (knowledge about price levels of competing products, ability to respond to market changes), and the company perspective (availability of pricing tools, existence of price-management processes, availability of training to develop employee skills in pricing). We use 12 items ranging from 1, 'much worse than competitors,' to 7, 'much better than competitors,' to operationalize this scale.

Collective Mindfulness

The 12-item scale used to measure collective mindfulness (CM) is based on adapting existing measures (Knight, 2004) and conceptual definitions in the literature (Weick and Sutcliffe, 2007; Dane, 2011): Collective mindfulness refers to the ability of individuals within organizations to notice a large variety of issues (wide attention breadth), to process these issues with care (high present moment orientation) and to detect and respond to early warning signals. Consequentially, we assess sensitivity to operations (four items), reluctance to simplify (four items) and commitment to resilience (four items) using seven-point, Likert-type scales.

Decision-Making Rationality

We adapt a four-item scale developed by Miller (1987) and relate the construct – measuring concepts of analysis, future orientation and planning, explicitness of the strategy, and systematic scanning of the environment – to pricing decisions. The seven-point scale is anchored with 'does frequently' at the extreme positive end and 'does rarely' at the opposite end of the scale.

Firm Performance

Similar to Morgan et al. (2009), we operationalize firm performance as a second-order construct consisting of three first-order reflective constructs – sales, pricing and profit performance. The measures for sales and profit are adapted from Morgan et al. (2009) and include six items, while the other two measures are from the work of Ingenbleek (2007). The use of subjective performance measures is required for a number of reasons. First, because our sample contained many privately owned firms for which objective accounting data on their performance are not accessible, we follow the convention (Simsek et al., 2005; Simsek, 2007) of asking CEOs to compare their *firms' relative performance* to that of their competitors on eight different dimensions for the past year (e.g., growth in sales, return on investment, return on sales and so forth) using a scale ranging from 1 ('much worse') to 7 ('much better') than competitors (Song et al., 2005). Researchers express strong reservations about the use of objective performance data specifically in research settings involving small- and medium-sized companies, since these data are biased as a result of managerial manipulation for corporate and personal tax reasons (Sapienza et al., 1988). Second, since firms in our sample are of various types and from various geographical zones, a multidimensional measure based on perceptual firm performance facilitates comparisons across firms and contexts, such as across industries, time horizons and economic conditions. Finally, earlier studies show that perceptual performance measures tend to be highly correlated with objective indicators (Dess and Robinson, 1984): more recently Kumar et al. (2011) find a high correlation (.8) between subjective and objective data on firm performance. Subjective performance data are used widely in strategy research (Anderson and Paine, 1975). Taken in the aggregate, subjective or perceptual measures of firm performance can provide a broad indication of a company's health (Quinn et al., 1994).

Firm-Level Control Variables

We control for a number of likely determinants of performance by including demographic characteristics of the firm, such as firm type, age and firm size (Amburgey and Rao, 1996).

Non-Response Bias

A commonly used method for estimating the bias in strategy research (for example see Armstrong and Overton, 1977) is to compare early – those who responded within the first week (74 percent) and late (26 percent) responses among the study variables; a late respondent is considered a proxy for a non-respondent. One-way ANOVA tests, performed at the item level indicates no significant differences in data derived from early versus late responders, except on one of the 26 (1.73 percent) study variables. Consequently, it appears that bias present from the time of response is due to chance.

Common Method Bias

Surveys from a single set of respondents can introduce common method bias (CMB) in the data. Consequently, we take several steps to mitigate, detect and control for a common method bias. We carefully construct all survey items, and wherever possible, used pretested, valid, multidimensional constructs (Huber and Power, 1985). We vary the scale anchors and format in the questionnaire, perform a series of scale-validation processes before distributions, and randomize questions.

Several *post hoc* tests determine the extent to which common method bias is present in our data. First, using Harman's single-factor test, all 26 items are entered into an unrotated principal components factor analysis to determine the number of factors necessary to account for the variance in the variables. Accordingly, if a single factor emerges or a single general factor explains most of the variance between the independent and dependent variables, common method variance may be present (Podsakoff et al., 2003). Our results indicate the presence of six potential factors (all with eigenvalues greater than one), each factor explained roughly equal variance, and explained over 53 percent of the total variance. These results provide initial evidence that response bias does not appear to be a problem in the data (Podsakoff and Organ, 1986).

Second, an unrelated construct, a *marker* variable, determined *ex post* to have no signification correlation with other items in the constructs is added to the measurement model (Lindell and Whitney, 2001). Since we do not measure an unrelated construct *a priori*, we use a modified test in which a weakly related construct – CEO perceptions of pricing – a four-item scale is used (Pavlou and Gefen, 2005). High correlations among any of the items of the study's constructs

TABLE 10.2 EFA Summary Results

Construct	*No. of items*	*Item loadings*	*Cronbach Alpha*
Decision-making rationality	4	.666 / .503 / .726 / .682	.752
Pricing capabilities	8	.577 / .631 / .590 / .605 .677 / .718 / .659 / .614	.845
Championing behaviors	4	.797 / .774 / .625 / .750	.818
Collective mindfulness	7	.694 / .555 / .634 / .688 .790 / .782 / .771	.871
Relative firm performance	3	.874 / .948 / .929	.935

and pricing perception indicate common method bias. Since the highest correlation of pricing perceptions and the constructs is r=.15, there appears to be minimal evidence of common method bias.

Third, we examine multicollinearity and CMB with linear regression analysis on the study constructs and find low variance inflation factors. Further, multicollinearity can be ruled out because no two predictor variables correlated more strongly than .70 (Hair et al., 2010). Finally, we examine the correlation matrix, as shown in Table 10.3, and find no highly correlated factors (highest correlation is r=.566), whereas evidence of common method bias will result in high correlations (r>.90). Based on these tests, multicollinearity is not present and common method bias does not appear to pose a problem with our analysis.

Measurement Models

We conduct an exploratory factor analysis (EFA) on the sample dataset to determine whether each of the items, particularly those for the new scales, reliably measured its intended construct. Factor analysis results confirm the existence of five factors, with each item loading on its respective factor in support of unidimensionality (Anderson and Gerbing 1988). The items generally load well on the factors, but on four out of the 26 items factor loadings are below .6 as shown in Table 10.2. A correlation matrix is proposed in Table 10.3.

We assess the psychometric properties of the six factors derived from the EFA using a confirmatory factor analysis (CFA) to validate the factor structure. Without exception, the composite reliability (CR) for each construct exceeds the commonly used norm for acceptable psychometrics (>.70). As shown in Table 10.5, AVE exceeds the average squared variance (ASV) and maximum squared variance (MSV) in all cases providing further evidence of discriminant validity.

The overall fit for the model meets the conventional standards and is considered acceptable as represented by $\chi^2/d.f.$=1.718, root mean square error of approximation [RMSEA]=.045, normed fit index [NFI]=.932, nonnormed fit index [NNFI]=.895, incremental fit index [IFI]=.953, and comparative fit index [CFI]=.953.

TABLE 10.3 Correlation Matrix and Assessment of Discriminant Validity

Constructs	*Pricing capabilities*	*Decision-making rationality*	*Relative performance*	*Championing behaviors*	*Collective mindfulness*
Pricing capabilities	.402				
Decision-making rationality	.525***	.430			
Relative performance	.475***	.216***	.831		
Championing behaviors	.566***	.411***	.271***	.544	
Collective mindfulness	.288***	.212***	.192***	.345***	.500

Notes

[a] Bolder values on the diagonal are the AVEs.

[b] *p<.1; **p<.05; ***p<.01.

TABLE 10.4 Fit Statistics

Model fit measures	*Threshold*	*CFA model*	*Structural model*	*References*
Chi-Square /Df		488.393/261	28295/17	
p-value	*<.05*	.000	.000	
CMIN/DF	*<2*	1.718	1.664	Tabachnik and Fidell (2007)
PCFI	*>.5*	.829	.304	Hu and Bentler (1999)
CFI	*>.95*	.953	.970	Hu and Bentler (1999)
RMSEA	*<.06*	.045	.043	Hu and Bentler (1999)
Pclose	*>.5*	.89	.63	Jöreskog and Sörbon (1993)

Invariance Test

To establish the model is not significantly affected by the region in which the organization operates, we conduct configural and metric invariance tests (Steenkamp and Baumgartner, 1998) to the measurement model. Due to the unequal sampling from different regions, we are constrained to split the data into two groups: North America (n=222) and Other (n=136), rather than five groups (for each of the five regions); sample sizes in the non-North American regions are too small to support measurement model estimation using a five-group model.

TABLE 10.5 Construct Reliability and Validity Results

Constructs	*Critical Ratio*	*AVE*	*MSV*	*ASV*
Pricing capabilities	.843	.402	.320	.226
Decision-making rationality	.754	.430	.276	.134
Relative performance	.936	.831	.226	.096
Championing behaviors	.825	.544	.320	.170
Collective mindfulness	.874	.500	.119	.071

Using the two-group model, we observe adequate fit for the unconstrained measurement models (cmin/df=1.589; CFI=.925; RMSEA=.041). After constraining the models to be equal, we find the chi-square difference test to be non-significant (pval>.05). Thus our measurement model meets criteria for metric and configural invariance across regions.

Results

We test our hypotheses using structural equation modeling (SEM). SEM is particularly appropriate because it allows estimation of multiple associations, simultaneously incorporates observed and latent constructs in these associations, and accounts for the biasing effects of random measurement error in the latent constructs (Medsker et al., 1994).

The results are in Table 10.6. All hypothesized relationships are significant, except for H6 (Firms' decision-making rationality will be related positively to relative firm performance). The fit indices (Table 10.4) for the final structural model shown in Figure 10.2 indicate this model reaches an acceptable level for goodness of fit ($\chi^2_{(2)}$=28.295; p=.000, χ^2/df =1.664, CFI=.970, IFI=.972; NNFI=.932 and RMSEA=.043).

First, championing behaviors have a positive and significant impact on pricing capabilities (.335, p<.01), on collective mindfulness (.317, p<.01), and on decision-making rationality (.249, p<.01). These findings support H1, H2 and H3. Second, collective mindfulness is both positively and significantly related to the firms' pricing capabilities (.108, p<.05) and firm performance (.086, p<.1), thereby validating H5 and H8. Third, decision-making rationality is significantly and positively related to pricing capabilities (.288, p<.01), providing support for H4. Decision-making rationality (–.035) has no effect on firm performance, thus H6 is not supported. Finally, pricing capabilities have a positive and significant impact on firm performance (.486, p<.01), thereby supporting H7.

We control for company type (public/private), age and size of the firm, geographical zones and leader's main education background. We control for firm size as in previous studies (Morgan et al., 2009) and firm age. No significant effects on performance emerge, as shown in Table 10.7.

TABLE 10.6 Summary of Hypotheses

Hyp	*Hypothesized paths*	*Regression estimates*	*Standardized estimate*	*Critical ratio*	*Hypothesis supported*
H1	Championing behaviors to decision-making rationality	.368	.249***	4.865	Yes
H2	Championing behaviors to pricing capabilities	.300	.335***	6.882	Yes
H3	Championing behaviors to collective mindfulness	.216	.317***	6.319	Yes
H4	Decision-making rationality to pricing capabilities	.175	.288***	6.213	Yes
H5	Collective mindfulness to pricing capabilities	.142	.108**	2.290	Yes
H6	Decision-making rationality to relative firm performance	−.025	−.042 (ns)	−.844	No
H7	Pricing capabilities to relative firm performance	.481	.486***	9.569	Yes
H8	Collective mindfulness to relative firm performance	.113	.086*	1.836	Yes

Notes

[a] **p*<.1; ***p*<.05; ****p*<.01.*

[b] R Square Relative Firm Performance .250

[c] R Square Pricing Capabilities .283

[d] R Square Collective Mindfulness .101.

Discussion and Conclusion

Strategy is "the pattern of activities determinant of the gain in a context of market exchange" (Snehota, 1990, p. 164). In this study we examine the impact of one particular type of strategic activity – CEO championing activities of pricing – on firm performance. We focus on pricing activities since pricing is a frequently overlooked area in industrial marketing (Lancioni, 2005).

Lancioni et al. (2005) identify senior management as the organizational layer presenting the largest number of obstacles to price setting and price planning in industrial firms. This study, conversely, takes a complementary perspective in examining to which extent (active) CEO championing behaviors influence pricing capabilities and firm profitability in industrial companies. Our findings offer four substantive contributions.

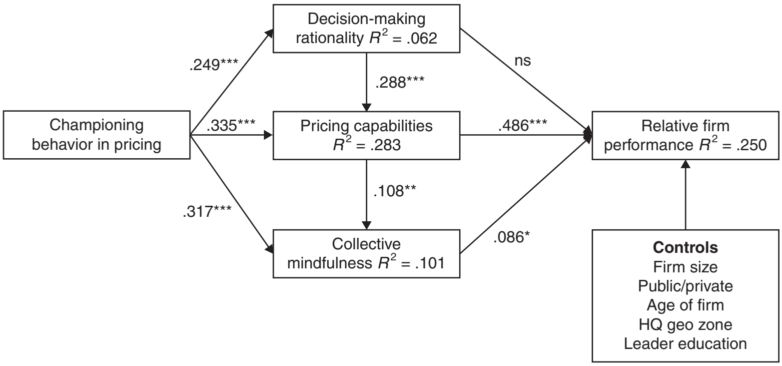

FIGURE 10.2 Structural Model

First, our results support the proposition that a purposeful championing of pricing activities by top executives strongly influences the organizational design to support the pricing process: CEO championing positively and significantly influences pricing capabilities, decision-making rationality and collective mindfulness. By providing evidence of these relationships, we uniquely begin the exploration of organizational drivers of the pricing function. Our conclusions suggest that, once top executives realize the importance of pricing and purposefully decide to champion it, the impact on the organization and its performance is significant. In line with previous studies (Mackey, 2008) we find that CEOs clearly matter and provide support for studies in business markets on the role of senior management in designing and implementing pricing strategies (Lancioni et al., 2005).

Second, our results support resource-based theory that pricing capabilities positively and significantly influence firm performance vis-à-vis competition. Previous studies on marketing capabilities suggest a positive link between pricing capabilities – a subset of marketing capabilities – and firm performance (Morgan et al., 2009; Vorhies and Morgan, 2005). However, these studies measure pricing capabilities as part of a much wider subset of marketing capabilities using a narrow, three-item scale: We develop a new 12-item scale for pricing capabilities to reflect the complex processes and organizational routines which pricing capabilities encompass (Dutta et al., 2003). Our findings show that pricing capabilities are significantly influenced by championing behaviors, decision-making rationality, mindfulness and overall pricing orientation. In turn, these capabilities in pricing positively influence firm performance vis-à-vis competition in industrial companies.

Third, our findings suggest that the CEO is essential for the successful implementation of pricing in industrial firms. Pricing should become a top priority for CEOs. By investing to build pricing capabilities that generate a sustainable and inimitable competitive advantage, champions of pricing forge shared vision, a collective can-do mentality and a sense of resilience in the firm that lead to superior levels of organizational efficacy (Bohn, 2001) and superior outcome. Dutta et al.

TABLE 10.7 Controls

Controls	*Dependent variables*	*Standardized estimates*	*P Value*
Public/private	Relative firm performance	.044	.366
Size – employees	Relative firm performance	.049	.333
Age of firm	Relative firm performance	−.016	.739
HQ geo zone	Relative firm performance	.024	.622
Leader background	Relative firm performance	.017	.718

(2002, p. 66) state that "most CEOs will never set a single price. They can, however, give their managers the ability to win price wars, maintain price leadership and hold a competitive edge in pricing."

Finally, this study finds a positive relationship between decision-making rationality and pricing capabilities, but – contrary to expectations – does not find a relationship between decision-making rationality and firm performance. Decision-making rationality thus contributes to the development of pricing capabilities within firms, but not to firm performance.

The absence of a relationship between decision-making rationality and firm performance points, at least in principle, toward the role of intuition. The role of intuition in decision-making theory is gaining interest as of recent years (Sadler-Smith and Shefy, 2004). Intuitive decision-making is increasingly viewed as a viable and acceptable approach in today's business context (Burke and Miller, 1999). Intuition may be an appropriate decision-making process in certain situations and business scenarios, especially in situations of uncertainty, turbulence (Khatri and Ng, 2000) or novelty. Scholars relate the intuitive skills of managers to the intuitive skills of chess masters or physicians (Simon, 1987). Experienced managers have in memory a large amount of experience, schemas and patterns gained through experience and organized "in terms of recognizable chunks and associated information" (Simon, 1987, p. 61). Managers need to be able to combine both approaches to reach a greater level of decision effectiveness (Dane and Pratt, 2007; Simon, 1987). Intuition can then become a complement to an appropriate pricing decision after a thorough analytical and scientific process. An interesting avenue for future research is thus the exploration of contingencies which favor decision-making rationality versus intuition in industrial pricing. An exploration of the consequences of intuitive decision-making in industrial pricing is warranted.

Limitations

The use of a large sample of CEOs from countries across the globe as sole respondents is a novelty in industrial marketing. This study has, however, four important limitations which offer fruitful avenues for future research. First: causality. Our quantitative survey confirms two key relationships: The relationship between

CEO championing and pricing capabilities and the relationship between pricing capabilities and firm performance. We base these hypothesized relationships on substantial empirical research which suggests that championing influences capabilities (Nadler and Tushman, 1990; Tasa et al., 2007) and that capabilities influence performance (Barney, 1991; Dutta et al., 2003). Qualitative research in industrial pricing provides further support for these two relationships (Liozu and Hinterhuber, 2012). Nevertheless, this survey is cross-sectional and we cannot rule out reverse causality. Our agreement with the Young Presidents' Organization, the members of which we survey, prevents us from re-polling respondents to collect data on, for example, prior performance which could be used to mitigate reverse causality concerns. The guarantee on confidentiality which we have given to potential respondents to solicit participation prevents us from attempting to link individual CEO responses to information on financial performance obtained, for example, from annual reports or from information brokers. A very important avenue for future research is thus the exploration of the relationship between CEO championing activities, firm capabilities and firm performance through longitudinal research. Second: the response rate. The response rate of our survey of 358 CEOs is 12 percent, and low compared to typical response rates in industrial marketing, but fairly consistent with the response rate of CEO surveys (Hambrick et al., 1993; Simsek et al., 2010). This comparatively low response rate may limit the ability to generalize results. Third: common method bias. We collect data from one individual per organization – the CEO. Data from multiple respondents should be used in future studies to reduce common method bias (Burton-Jones, 2009). Finally: factor loadings: the items generally load well on the factors, but on four out of the 26 items we measure factor loadings are below .6.

Directions for future research include: longitudinal studies on the effect of championing behaviors by chief executives on pricing capabilities and firm performance; studies exploring the effect of intuition in (pricing) decisions on firm performance; finally, studies exploring the antecedents of pricing capabilities in industrial firms.

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Notes

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