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Your CEO Affects How Outsiders Perceive Your Brand

Carlotta Benedetti (University of Innsbruck)
Paola Rovelli (Free University of Bozen-Bolzano)
Andrea Fronzetti Colladon (Roma Tre University)
Alfredo De Massis (D'Annunzio University of Chieti-Pescara, IMD Business School and Lancaster University)
Kurt Matzler (University of Innsbruck)

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Family or non-family leader? Your choice depends on the age of the firm, and can ultimately shape how the media and outside stakeholders see you.

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In the last decade, it has become increasingly common for family firms to hire non-family CEOs. But is the choice to professionalize the family firm always the right one? Answering this question matters because the CEO not only manages and runs the firm, but also represents the firm to the public. He or she can become the "face of the firm" by frequently appearing in the press and can achieve almost a celebrity status.

Not surprisingly, the choice of CEO can not only shape organizational outcomes, but also how external stakeholders perceive the family firm, ultimately affecting its reputation. For this reason, we investigated how the CEO's identity, which is his or her family or non-family status, affected media perceptions of the brand of the family firm (meaning, the unique identity that distinguishes the firm from others, including its name, logo, and overall image). Specifically, we focused on the importance that media associate to the family firm's brand in terms of visibility in their news articles, also in connection to a heterogeneous set of topics. In so doing, we also aimed to better understand how media perception allows leaders, as the representatives of the firm, to manage their public image effectively and mitigate potential risks that can ultimately affect the reputation of their firm.

How the Public 'Face' Shapes Opinions of the Company

A psychological concept called endorsement theory proposes that individuals use social cues from trusted or authoritative figures to form opinions and make decisions. Trusted group leaders are especially powerful in shaping perceptions and beliefs. Based on these assumptions, we figured that the identity of a family firm's CEO can significantly shape how the media perceives the firm's brand and the importance that they provide to them in their news articles.

Before undertaking our study, we suspected that the presence of a non-family CEO would lead to a better perception of the company than a family leader would, because of the outside leader's greater expertise, professional capabilities, and accumulated knowledge from other roles outside the family firm. These qualities make non-family CEOs credible "endorsers" of the family firm, enhancing its perceived management quality and trustworthiness in the eyes of external stakeholders. In contrast, we thought that family CEOs would face challenges due to their limited external exposure and conservative decision-making tendencies, which might lead the media to give less importance to the brand.

We also explored how the relationship between CEO identity and brand importance might change with successive generations. Family firm generation is used as a proxy for family firm longevity, and we thought that the generational stage of the family firm would influence whether stakeholders felt the CEO enhanced the firm's established identity. For later-generation firms, CEOs are more deeply aligned with deeply rooted family traditions and values. This was expected to enhance brand importance, potentially counteracting the benefits of appointing a non-family CEO. Conversely, for earlier-generation firms, where traditions and heritage are less entrenched, we thought that non-family CEOs' professional expertise may have a more pronounced positive effect on brand importance.

What We Studied

We analyzed a sample of 63 Italian family firms and 52,555 Italian online news articles published about these firms in 2017. The 63 family firms were selected from those listed in the Forbes' 2018 ranking of the Top 100 Italian entrepreneurial families. We used publicly available databases to gain information about the firms' characteristics and retrieved news articles from the database of Telpress International B.V.

We determined brand importance by using text mining and social network analysis applied to the 52,555 news articles. Specifically, we analyzed the text of these news articles, jointly considering how frequently the brand was mentioned and how many different topics it was associated with: the greater the resulting indicator, the greater the brand importance. The main independent variable was non-family CEO, equal to 1 in the case of an outside leader and 0 in the case of a family member; the moderating variable firm generation measured the family generation in control of the firm. Finally, we controlled for firm size, age, geographic location, and industry.

What We Found

Our study showed that the media was more likely to perceive non-family CEOs as having superior managerial skills and professional knowledge, characteristics that make them credible endorsers of the firm. This explains the greater brand importance of family firms led by a non-family CEO compared to family firms led by a family CEO. But we also saw that the brand benefits of having a non-family CEO depends upon which family generation is in control of the firm. Specifically, these benefits diminish as subsequent generations take control. As family firms progress through generations, a family CEO might be perceived by the media as a more credible family firm endorser, who is able to represent deeply rooted values, traditions, and community ties. As a result, media might attribute greater brand importance to later-generation family firms led by family CEOs, making the professional expertise of non-family CEOs less important.

This last finding surprised us. It appears that for later-generation firms, the alignment of a family CEO with the firm's established traditions can outweigh the perceived professional advantages of a non-family CEO. This suggests a nuanced interplay between professionalization and heritage that challenges conventional wisdom about leadership in family firms.

Takeaways

Our research provides valuable suggestions for family business owners, managers, and advisers, emphasizing the critical role of the CEO in representing the firm to the public. Our findings suggest that appointing a non-family CEO can enhance the family firm's brand image, particularly in early-generation family firms, where professionalization is often a priority and traditions are not yet deeply rooted. Non-family CEOs are perceived as bringing managerial expertise and innovation, qualities that resonate with the media and contribute to stronger brand recognition.

However, in later-generation family firms, where traditions and community ties are more established, family CEOs are better suited to uphold the firm's legacy and values. Their leadership aligns with the firm's long-term connection to its cultural and regional roots, making them more credible in the eyes of the media and fostering a sense of continuity and responsibility. This nuanced understanding encourages family firms to align CEO selection with their generational stage and strategic goals to maximize brand importance.

The most surprising finding for family businesses, however, might be the extent to which generational dynamics affect media perceptions. While professionalization through a non-family CEO is beneficial in the firm's early stages, the media values the alignment of a family CEO with a later-generation firm's heritage and community ties. This highlights the need for family firms to carefully assess not only their internal leadership needs but also the external narrative they wish to convey.

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Implementing targeted strategies for CEO appointments and public relations can significantly enhance their brand image. For example, early-generation firms might focus on showcasing the professional credentials of their non-family CEOs, while later-generation firms could emphasize the family CEO's role as a steward of traditions and values. By understanding these dynamics, family firms can better navigate leadership transitions and media engagement, ensuring their brand reflects their unique strengths at each stage of their evolution.

Our research also offers important implications for media outlets and consumers regarding their perceptions of family firms. For media, the findings emphasize the need to adopt a more nuanced approach when portraying family and non-family CEOs. Media outlets should recognize and explain the distinct strengths of both leadership types. Furthermore, media should consider the generational stage of the family firm when framing their reports, as this context significantly shapes the alignment between the CEO's identity and the firm's brand image. Balanced reporting that highlights these nuances would provide a more comprehensive understanding of family firms to the public and other stakeholders.

Consumers should understand the broader context of a family firm, including its generational stage, heritage, and strategic priorities, before forming opinions about its brand or leadership. Recognizing the interplay between CEO identity and brand perception can help consumers make more informed purchasing decisions and develop a deeper appreciation for the complexities of family businesses.

Explore the Research

CEO identity and media perception: The influence on family firms' brand importance (https://www.sciencedirect.com/science/article/pii/S187785852400041X?via%3Dihub) , *Journal of Family Business Strategy*, March 2025

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