Original Article

Satisfaction, corporate credibility, CEO reputation and leadership effects on public relationships

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ABSTRACT The purpose of this study is to examine the effects that negative and positive news stories about corporate activities have on customer relationships with those companies. To test the proposed hypotheses, a 2 by 2 (positive versus negative news story; high versus low customer satisfaction) factorial design was implemented. The dependent variables are corporate credibility, CEO reputation for leadership and customer perceptions of the quality of customer-company relationships. The study confirms the impact of negative news stories on relationship building. The experiment that was run to collect data provides a better understanding of how differently slanted news stories, when combined with customer satisfaction levels, affect customer-corporate relationships. The study also provides information about the role that intangible assets play in relationship building. The findings indicate that negative media coverage of corporations has the potential to damage the image of a corporation and its CEO.

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INTRODUCTION

Reflecting heightened sensitivity to recent high-profile cases of corporate wrongdoing, nearly half of the nation's business executives identify unethical behavior and media criticism as the highest threats to a company's reputation.¹

Much of what the public knows about corporations comes from public relations efforts that result in news stories in newspapers and magazines, on television and over the Internet. This study posits that individuals react to negative and positive news stories about an organization based on their prior attitudes toward that organization's CEO, and that such reactions will affect the quality of corporate-customer relationships. The authors argue that a

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corporation's reputation is closely associated with its CEO's image and that this can alter the outcome of an organization's success in establishing effective relationships with its publics.

Intangible assets such as corporate and CEO reputation and credibility, and customer relationships affect customer satisfaction and loyalty. Many company managers have recognized the significance of these factors in attempting to attract and retain customers in long-term relationships.² CEO and corporate reputation, leadership, relationships and communication are inextricably related because they contribute to a CEO's ability to direct and responsibly control desired outcomes. Customer satisfaction and corporate credibility play important roles when creating good relationships and maintaining customer loyalty to a company as well as public faith.³

Public relations is often defined as the management function that establishes and maintains mutually beneficial relationships between an organization and the publics on whom its success depends (p. 2).⁴ It is only in the past decade that the relationship paradigm (introduced by Ferguson), with its emphasis on developing relationships above other outcomes, has become a focus of scholarship. On the basis of this paradigm, public relations scholars should strive to identify and understand variables that influence the development and maintenance of good relationships, such as trust, credibility and openness.

The purpose of the current study is to assess the moderating effect that intangible assets, such as customer satisfaction, corporate credibility and a CEO's reputation as a leader, have on an organization's capability for developing customer relationships when members of its publics are exposed to positive and negative news stories about that organization and its CEO.

THEORETICAL AND EMPIRICAL BACKGROUNDS

During the past decade, researchers and practitioners who study public relations have been attempting to understand how public

relations activities contribute to organizational effectiveness. This has become a central topic in the theory and practice of public relations.⁵ Many scholars emphasize that the importance of the relationship between an organization and its publics has been confirmed substantively in public relations research and practice.^{5,6} Center and Jackson emphasize the central role of relationships in public relations management: 'The proper term for the desired outcomes of public relations practice is public relationships. And also an organization with effective public relations will attain positive public relationships' (p. 2).⁷

We next review the literature that focuses on opinions that are influential in business regarding CEO image, reputation, leadership, corporate credibility and relationship building.

Literature review: CEO image and reputation

Coombs indicates that the terms image and reputation have been used synonymously in the public relations literature.⁸ Cheney characterized images as 'the border impressions that are projected by organizations, and the perceptions held by the various publics' (p. 174).⁹ Reputation is said to be a composite of attributed values (for example, corporate authenticity, responsibility and integrity) that are evoked by a person's image of a corporation.¹⁰ Iyer and Reckers found that CEO reputation is an important element in assessing the risk of material misstatement by auditors.¹¹ A public that has a negative image of a corporation can influence dependent variables such as financial statements and misstatements.

In the literature, the importance of the CEO in communications and image making with the public has long been acknowledged by practitioners and academics. The CEO's image and a corporation's reputation both play significant roles in determining a company's success in building relationships with various publics, which is why media coverage of any CEO or corporate activity is considered important and has the potential to alter the relationship-building process.

The effect of media negativity on public relations

The general goal of public relations is to represent an organization's ongoing activities in a positive way and to enhance and maintain the organization's public image by producing a strongly positive media image. The phrase 'media publicity' is widely used in public relations and political advertising. For the purpose of our study, the content of media publicity can be distinguished by valence, tenor and sentiment, because media publicity can be extended to printed news stories and information.

Negative publicity about companies and their products can influence other aspects of their operations, such as human resources or reputation, as well as the markets that sell the company's products.¹² Ahluwalia *et al* note that people who are exposed to negative information exhibit greater attitude changes and stronger attitude ambivalence (p. 211).¹³ Negative information is considered to exercise greater influence than positive information does,^{14,15} unfavorably affecting a company's image.^{12,16} Henard argues similarly that negative media coverage of an organization relates to difficulties in building public relationships and contributes to triggering corporate crises.¹⁷ The negative impact of such coverage makes marketing communications a critical issue. Thus, this study analyzes how negative media coverage of a corporation affects corporate and CEO reputation and customer satisfaction, as the status of a corporation's public relations reflects consumer attitudes and ensures customer satisfaction.¹⁸

Ultimately, customers react in distinguishable ways when they encounter positive or negative information about a company or product. Publicity is considered a relatively credible source of information and therefore is more influential than other forms of market-driven communications.¹³ Ho *et al* pointed out that establishing a relationship with a customer can help an enterprise increase future cash flow and provide the enterprise with a point of reference in its efforts to achieve continuous improvement. At the same time, the enterprise

could plot future marketing strategies by assessing the value of its customer relationships.¹⁹

In the next section of the literature review, we emphasize the importance of intangible assets such as corporate and CEO reputation, credibility and customer relationships regarding customer satisfaction and loyalty.

The effect of customer satisfaction on customer relationships

As a company serves multiple publics, its reputation reflects multiple attributes as perceived by diverse stakeholders including employees, consumers, investors, suppliers and local communities.^{10,20–22} Fombrun and Van Reil point out that the role of corporate reputation in customer-relationship management performance has been widely acknowledged.²³ Building a positive corporate reputation is a strategic factor that can be employed to earn above-average profits.^{24–26} Wang *et al* indicate that corporate reputation plays an important role in generating continuing purchasing behavior, word-of-mouth recommendations and increased buying behaviors.²

Trust plays an important role in building and maintaining loyalty between businesses and their publics.^{27,28} The public relations literature suggests many variables that are presumed to be necessary to sustaining favorable organizational-public relationships, such as customer satisfaction, credibility, reputation and leadership.^{29–34} Although these factors are thought to be critical to developing and maintaining good relationships, information pertaining to CEO and corporate image may prove beneficial in influencing customers' cognitive formation.

Corporate credibility and building good relationships

Keller defines corporate credibility as the extent to which consumers believe that a firm can design and deliver products and services that satisfy customer needs and wants (p. 426).³⁵ Harmon and Coney, and Wu and Shaffer point out that the scope of a company's expertise and trustworthiness – indicating the range of products or services it does well and reliably – is

an important component of credibility that is influential in persuading consumers to patronize it.^{36,37} Thus, corporate credibility is one important aspect of a corporation's reputation. Fombrun finds that companies with positive reputations are in a better position to change consumers' attitudes than are those with negative reputations, and that a company's perceived credibility is closely related to its sales record.²¹ In general, expertise involves the extent to which a speaker is perceived to be capable of making correct assertions, and trustworthiness is the degree to which an audience perceives the assertions made by a communicator to be valid.³⁸ These dimensions help to influence consumer attitudes and persuade them to purchase a company's products or services. Thus, the consensus in the literature is that trust in a corporation, a CEO or a brand is a critical ingredient in achieving effective public relations and improving a corporation or CEO's image.

The effects of CEO reputation for leadership on customer relationships

Public relations researchers and practitioners have observed the association between a CEO's positive reputation and the success of a company. Reputation is credited with playing a major role in generating market capitalization for a company, and many argue that it should be treated as its most important long-term asset.³⁹ Such intangible assets, including established relationships with customers, brand reputation, human capital, marketing savvy and company know-how, are often keys to a company's success.³⁹

Management and leadership, although both are important, are profoundly different. To manage means to bring about outcomes, to accomplish something, to take charge of or responsibility for, to supervise transactions. Leading involves influencing people to modify their behavior by providing direction, charting a course, stimulating action or altering opinion. Leaders can shape and elevate the motives and goals of followers. Leadership creates empowerment whereas management induces compliance. Moreover, leadership is causative, meaning that leadership

can devise and create institutions or practices that can empower employees to achieve a leader's objectives.⁴⁰

Bossink identified several leadership roles such as inventor, champion, entrepreneur, gatekeeper and sponsor.⁴¹ Given the implications of all these terms that are associated with leadership, it can be argued that effective leadership should be closely related to successful organizational outcomes and that successful organizations focus on leadership factors and understand the need to provide employees with the necessary skills, networking opportunities and training to prepare them to address economic challenges. Furthermore, it can be assumed that a strong and capable leader will contribute in a very positive way to the future configuration of an organization.⁴²

Some suggest that leadership, communication, motivation and relationships are inextricably related because each is also closely linked to a CEO's ability to direct and responsibly control desired outcomes. For example, Kaplan and Norton argue that leadership – particularly leadership that manages the transformational changes that generate traits that leaders should exhibit and that contribute to superior performance – is a core requirement for the creation of a strategy-focused organization.⁴³

Hypotheses

As discussed earlier, research pertaining to the effects of negative news or information about an organization or its leader shows that negative information can be a powerful factor in image formation,⁴⁴ and, according to Dean, negative publicity has the potential to damage corporate image.⁴⁵ It is widely acknowledged that companies are more likely to receive negative press than positive press simply because bad news is more likely to be reported than good news is. Thus, negative media portrayals of corporations and their CEOs have a very powerful effect on the public. In addition, negative information also alters a public's response to a company's relationship-building attempts.

Negative publicity may also to some extent influence a prospective customer's behavior as

well as the behavior of formally loyal customers.¹⁷ Customers who pay careful attention to negative news stories and to how an organization handles a crisis situation might respond negatively to the company's products. Negative news coverage of companies and their products might lead to widespread negative public perceptions.⁴⁶ In other words, this study assumes that customer loyalty is closely related to media portrayals of organizations and CEOs, and thus credibility and communication factors should be considered when attempting to build a favorable reputation.⁴⁷

In addition, building trust is a powerful way of minimizing customer perception of risk and reducing threats to solid customer relationships. This study assumes that the best way to foster effective public relationships is enhancing credibility, improving communications and building trust, outcomes that are more likely to follow positive news stories than negative stories. Considering the abovementioned research, we formulated the following hypothesis:

Hypothesis 1: All other things being equal, subjects who are exposed to a positive news story are more likely than are those exposed to a negative new story to:

- (a) form positive perceptions of the corporation's credibility;
- (b) exhibit favorable attitudes toward the CEO's reputation for leadership; and
- (c) form favorable relationships with the company.

Consumers often choose to use the same services or buy the same products repeatedly because they feel comfortable with the services or products. Such loyalty represents a long-term, committed and emotional response, resulting in a positive view of the actions and activities of an organization.^{32,33,48} Furthermore, the public's decision-making process includes emotional inclination, advertising schemes and attitudinal preferences.³⁴

Because customer loyalty is based on satisfaction with a product and the company that sells it, customer satisfaction measures should be

carefully analyzed to minimize customer turnover and facilitate the growth of key accounts.⁴⁹ Such analysis can be used to interpret customer satisfaction in occurrent market conditions, which is an important factor as customer satisfaction is closely associated with company reputation and customer relationships. Furthermore, the measurement of customer satisfaction with an organization can provide that company with an advantage in the marketplace.⁴⁹ Richins and Bloch found that satisfaction levels were closely associated with the degree of customer involvement with a product or service. They also noted that high-involvement customers tend to express higher levels of satisfaction immediately after purchase. Studies suggest that the degree of customer satisfaction with a given product could affect attitudes toward the company as a whole and thus play a role in relationship building.⁵⁰ Furthermore, customer satisfaction creates an emotional bond between the customer and a product or service.⁵¹

On the basis of extant research, then, this study provides public relations researchers and practitioners with insights into how customer satisfaction levels influence company reputation and customer relationships, generating the following hypothesis:

Hypothesis 2: All other things being equal, subjects who experience high levels of service satisfaction when compared with those who experience low levels of service satisfaction are more likely to:

- (a) exhibit positive attitudes toward corporate credibility;
- (b) exhibit favorable attitudes toward a CEO's reputational leadership; and
- (c) form favorable relationships with the company.

In formulating Hypothesis 3, it is assumed that customer satisfaction can moderate the effects of differently slanted news stories on customer relationships. As noted in the extant literature, the level of customer satisfaction with a product is highly correlated with dependent variables such as corporate credibility, CEO reputation for

leadership and customer relationships. Therefore, the following hypothesis is posited:

Hypothesis 3: A two-way interaction between differently slanted news stories and the level of customer satisfaction exists and will affect corporate credibility, CEO reputation for leadership and customer relationships. In other words, differently slanted news stories will interact with established customer satisfaction levels to influence corporate credibility, the perceived reputation for leadership of a CEO and the development of customer relationships.

RESEARCH METHODOLOGY

The research involved experiments with human subjects that were designed to validate much of the hypothesized model and to suggest additional implications. To test the proposed hypotheses, a 2 by 2 (positive versus negative news story; high versus low customer satisfaction) factorial design was implemented. The experimental design determined how a positive news story (about social donations and contributions) and a negative news story (about illegal market conduct) interacted with established levels of customer satisfaction to affect corporate credibility, CEO reputation and leadership, and customer relationships. The dependent variables are corporate credibility, CEO reputation for leadership and customers' perceptions of the quality of their relationships with a company.

Stimuli and independent variables

This experiment was conducted to understand how news stories affect public opinion (and thus might be used to manipulate public opinion). The news stories that were studied feature images and content that subjects who read at a normal pace should be able to read within 2 min.

A pretest of the study was conducted to ensure that the directions and questions were clear and unambiguous, and to check the validity of the independent and dependent variables. The pretest was administered to 30 undergraduate students enrolled in an undergraduate public relations

research class. They were asked to read two news stories and evaluate them using a 7-point Likert scale running from 1 for entirely negative to 7 for entirely positive. Microsoft (MS) was selected as the target company, because students were likely to be familiar with it and because MS's products were likely to represent variations in customer satisfaction.

Each news story consisted of a headline, body text and a picture, and included descriptions of MS and its CEO's activities. The news stories were edited and formatted to fit a standard sheet of paper (8.5×11 inches). The news stories for the experimental group were culled from actual news articles about MS and Bill Gates, the founder of MS, that appeared in major newspapers and national newscasts (for example, CBS News).

The positive news story noted the social contributions, donations and innovations of MS and its former-CEO, Bill Gates, both of which were described in a positive tone in the headline MS Commits US\$3.5 million to Tsunami Relief Efforts. The negative news story contained information pertaining to the company described in a pejorative tone with statements such as MS abusively wielded its Windows software monopoly and locked competitors out of the market. The story was entitled Microsoft Loses EU Appeal. The pretest result revealed that the positive story had a mean of 3.9 on the Likert scale, ($SD = 0.70$), whereas the mean for the negative story was 1.3 ($SD = 0.48$). These results lead to the interpretation that the participants reacted differently to the positive and negative news stories.

Customer satisfaction was a within-subjects independent variable in this experiment, in which subjects responded to nine questions, using a 7-point scale to express their degree of satisfaction with the perceived quality of products and services.^{49,52,53} Seven measurement items were selected from items used in previous studies.

Procedure

Two hundred and six undergraduate students who were enrolled in journalism and communication and business courses at a major

university participated in the experiment for extra course credits. Upon arrival at the scheduled time, subjects were given a packet entitled 'Microsoft Study' and told that they would be participating in a study involving responses to news stories. Subjects were instructed when to begin, when to stop and when to turn the page. Subjects were also asked to read and sign an informed consent form. Subjects were divided into two equal groups by systematically distributing questionnaires with either the positive or negative news story about MS and Bill Gates, the founder of MS.

Participants expressed their satisfaction with MS products and services by rating them on the aforementioned scale. They were given either the positive story (308 words) or the negative story (373 words), which featured the company's logo and the source of the news story on the first page, and were instructed to read the news stories carefully but at a normal pace. To ensure that subjects read the news stories, they were told that they would be asked questions about the stories and were given 2 min to read them.

After the 2 min elapsed, the proctor asked participants to turn the page. Next, the subjects were given 20 min to fill in a self-administered questionnaire for the three dependent variables: corporate credibility, CEO reputation for leadership and relationship with the company. Figure 1 illustrates a hypothesized model of relationship building that the study used to establish the causal relationship and base measurements of how various factors affected

relationship building. A CEO's reputation for leadership was treated as a single factor that might affect relationship building.

Regarding measurement, Bromley distinguishes between primary reputations, which are achieved through direct experience, and secondary reputations, gained through word-of-mouth channels, media coverage and other indirect sources.²⁰ Formbrun and Shanley argue that publics construct reputations from available information about firm activities, which could come both directly from the firms themselves and indirectly through the media.²² In order to measure CEO reputation for leadership and credibility, student participants rated the CEO's leadership on the basis of both rational and emotional characteristics, as well as on the provided news information and their experience with and knowledge of MS.

Dependent variables

This research used previously developed scales, modified when necessary, to measure the following dependent variables: corporate credibility, CEO reputation for leadership and relationship building.

Corporate credibility

Keller and Aaker developed the corporate credibility measurement tool that we use.⁵⁴ Subjects' perceptions of the company were assessed using six semantic differential scales. Three items measured expertise and three items measured trustworthiness.

Figure 1: Hypothesized model of relationship building.

CEO reputation for leadership

Kaplan and Norton contend that a leadership measurement should include communication or relations with employees, customers, and constituents to achieve the organization's goals and personal standards.⁴³ CEO leadership measurement tools suggested by Christine, Gaines-Ross, and Kaplan and Norton were used.^{39,42,43}

In this study, CEO reputation and leadership were not measured separately because they are closely related to a CEO's personality. Thus, the concept of CEO reputation is parallel to that of leadership. Reputation for leadership should be the focus in effectively measuring aspects of a CEO's personality, such as image and management ability. To evaluate the CEO's reputation for leadership, subjects were asked to 'Please indicate how much you agree or disagree with how clearly the phrase represents your view of the CEO's strategy and characteristics as a leader.' Accordingly, it was measured by nine items: personality, management ability, characteristics as a leader, also using a 7-point Likert scale running from 1 (strongly disagree) to 7 (strongly agree).

Relationship measurement

The relationship measures used in this study are similar to those used by Hon and Grunig, and Jo and Kim.^{55,56} Seven suitable measurement items were selected from items used in previous studies, which were measured on a 7-point Likert scale running from 1 (strongly disagree) to 7 (strongly agree).

EXPERIMENTAL RESULTS

The inter-item total-correlation coefficient value among the nine items for customer satisfaction ranged from 0.37 to 0.79 ($P < 0.5$). Cronbach's α was 0.90 for customer satisfaction.

The high versus low customer satisfaction rating was based on a median split of scores on the nine-item customer satisfaction index scale. For the valence of customer satisfaction, independent sample t -tests were performed. The participants perceived the difference between high and low levels of customer satisfaction with

the products ($\text{Mean}_{\text{high}} = 1.96$, $\text{Mean}_{\text{low}} = 0.57$, $t = 16.8$, $P < 0.5$). It can be said that the two groups were successfully divided.

Subjects were asked to evaluate two differently slanted news stories after reading them. Investigators asked participants to circle the number that best represented their thoughts about the news stories, beginning with 'I think the news story I read was primarily ...' This item was anchored by ratings of 1 (negative) and 5 (positive). To check manipulation of the positive news story against that of the negative news story, independent sample t -tests were performed and the difference between the positive and negative conditions was significant ($\text{Mean}_{\text{positive}} = 0.50$, $\text{Mean}_{\text{negative}} = -1.56$, $t = 9.34$, $P < 0.5$).

Dependent variables

The internal consistency of the construct measures was evaluated using Cronbach's α and all met the cutoff of 0.70, with corporate credibility at 0.89, CEO reputation for leadership at 0.89 and relationship building at 0.92. Box's test was used to check the assumption of the equality of covariance matrices. For these data $P = 0.09$; thus the homogeneity assumption is violated, but only marginally.

Factor analysis was conducted for CEO reputation for leadership. One item on the CEO reputation-for-leadership index (communality = 0.44, based on the question, 'How much do you like his social contributions?') was dropped from the analysis. Although two factors – 'I think that he makes a good speech' and 'I think that Bill Gates tries to maintain good relationships with customers' – merged in factor analysis, they displayed substantial double loading and were therefore eliminated from the analysis. Thus, the seven items used were optimal for this study.

Data was analyzed using a MANOVA for the three dependent variables: corporate credibility, CEO reputation for leadership and relationship building. A 2 by 2 (positive versus negative news story; high versus low satisfaction) between-subjects factorial design was also used. Tables 1, 2, and 3 illustrate the results, means, standard deviations and Wilk's λ .

Table 1: Means and standard deviations by types of news stories

<i>Treatment</i>		<i>Mean (SD/N)</i>		
<i>Types of news stories</i>	<i>Levels of satisfaction</i>	<i>Corporate credibility</i>	<i>CEO reputation for leadership</i>	<i>Relationship</i>
Positive	High	4.1 (0.75/53)	1.9 (0.76/53)	1.1 (1.1/53)
	Low	3.8 (0.60/50)	1.2 (0.94/50)	0.20 (0.96/50)
	Total	4.0 (0.70/103)	1.5 (0.92/103)	0.67 (1.1/103)
Negative	High	4.1 (0.74/107)	1.6 (0.81/54)	0.92 (0.91/54)
	Low	3.3 (0.76/49)	0.86 (0.96/59)	-0.02 (1.0/49)
	Total	3.7 (0.83/103)	1.2 (0.95/103)	0.47 (1.1/103)
Total	High	4.1 (0.74/99)	1.7 (0.80/107)	1.0 (1.0/107)
	Low	3.6 (0.72/107)	1.0 (0.96/99)	0.89 (0.96/99)
	Total	3.8 (0.78/206)	1.4 (0.94/206)	0.57 (1.1/206)

Note: Scales for mean scores are from -3 to +3 with +3 being most positive. For corporate credibility, the scales are for mean scores from 1 to 5 with 5 being most positive. $n=206$.

Table 2: MANOVA results

<i>Treatments</i>		<i>Wilk's λ</i>	<i>F</i>	<i>DF</i>	<i>P</i>
Types of news stories	Dependent variables	0.953	3.27	(1.206)	0.022
Satisfaction		0.773	19.6		0.000
Types of news stories $\times$ satisfaction ^a		0.979	1.42		0.238

^aNews story (positive versus negative) $\times$ levels of satisfaction (high versus low).

Scales for mean scores are from -3 to +3 with +3 being most positive. For corporate credibility, the scales are for mean scores from 1 to 5 with 5 being most positive. $n=206$.

Table 3: Results of between-subjects

<i>Independent variables</i>	<i>Dependent variables</i>	<i>MS</i>	<i>DF</i>	<i>F</i>	<i>P</i>
Types of news stories	Corporate credibility	3.6	1	7.07	0.008
	CEO reputation for leadership	4.4	1	5.78	0.017
	Relationship	2.3	1	2.27	0.133
Levels of satisfactions	Corporate credibility	5.2	1	29.7	0.000
	CEO reputation for leadership	25.4	1	33.6	0.000
	Relationship	44.3	1	44.3	0.000
Types of news stories $\times$ satisfaction ^a	Corporate credibility	2.0	1	3.81	0.052
	CEO reputation for leadership	0.003	1	0.004	0.950
	Relationship	0.003	1	0.003	0.959

^aNews story (positive versus negative) $\times$ levels of satisfaction (high versus low).

Note: Scales for mean scores are from -3 to +3 with +3 being most positive. For corporate credibility, the scales are for mean scores from 1 to 5 with 5 being most positive. $n=206$.

Hypotheses 1a, 1b and 1c predicted that subjects who were exposed to the positive news story were likely to have a more positive perception of corporate credibility (Hypothesis 1a), a more favorable attitude toward the CEO's reputation for leadership (Hypothesis 1b), and more favorable perceptions of their relationship with the company (Hypothesis 1c) than were

those exposed to the negative news story. As shown in Table 2, subjects who were exposed to the positive news story evaluated corporate credibility more positively than did those who were exposed to the negative news story ($F(1206)=7.07$, $P<0.05$). This holds true at a statistically significant level for subject perceptions of the CEO's reputation for leadership ($F(1206)=$

5.78, $P < 0.05$), and at a marginally significant level for subject perceptions of positive relationships with the company ($F(1206) = 2.27$, $P = 0.133$).

Hypotheses 2a, 2b, 2c and 2d predicted that subjects with a higher level of product satisfaction would be more likely to have positive attitudes toward corporate credibility (Hypothesis 2a), more favorable attitudes toward the CEO's reputation for leadership (Hypothesis 2b) and more favorable perceptions of their relationship with the company (Hypothesis 2c) than were those with lower levels of product satisfaction.

As shown in Table 2, higher levels of product satisfaction are associated with more favorable perceptions of corporate credibility ($F(1206) = 29.7$, $P < 0.5$), more positive views of a CEO's reputation for leadership ($F(1206) = 33.6$, $P < 0.5$) and more favorable perceptions of their relationship with the company ($F(1206) = 44.3$, $P < 0.5$).

Hypothesis 3 predicted that negative news stories would have a greater impact on corporate credibility when accompanied by low customer satisfaction levels than when accompanied by high customer satisfaction levels. However, a two-way interaction between news stories and customer satisfaction did not influence CEO reputation for leadership or customer relationships. As shown in Tables 1 and 2, there is a marginally significant two-way interaction between news stories and customer satisfaction that influences corporate credibility ($F(1206) = 3.81$, $P = 0.052$). However, this study did not produce two-way interaction between the news story and customer satisfaction that affected CEO reputation for leadership ($F(1206) = 0.003$, $P = 0.950$) or customer relationships ($F(1206) = 0.003$, $P = 0.959$).

DISCUSSION AND CONCLUSIONS

One of this study's objectives was to provide information about how differently slanted news stories and varying levels of customer satisfaction influence corporate credibility, a CEO's reputation for leadership and relationship building. Participants in this experiment were employed in an attempt to validate much of the hypothesized model and suggest additional implications.

This study also examined the influence of customer satisfaction, corporate credibility and a CEO's reputation for leadership on relationship building when customers are aware of news stories – one positively slanted, the other negatively slanted – about the firm and its CEO. Although a sample consisting entirely of students was used in this study, it nevertheless provides information on the role these intangible assets play in relationship building.

In the analysis of the main effects, hypotheses concerning the impact of a news story combined with level of customer satisfaction with the company's products on relationship building were supported. The results suggest that information presented in the media about a corporation and a CEO's activities affect customer loyalty. The results correlate with the results of previous studies on the impact of negative publicity.^{17,45} Essentially, negative media coverage has the potential to damage corporate and CEO image. Thus, corporate and CEO image as presented in the media influences the development of customer loyalty.

The study failed, however, to confirm that there is two-way interaction between news stories and customer satisfaction regarding either a CEO's reputation for leadership or customer relationships. Such two-way interaction did, however, yield a marginally significant effect on corporate credibility. Thus, we can assume that information about a CEO and his or her company when combined with customer satisfaction with a product or service may be closely related to corporate credibility. These findings are consistent with Ferguson's argument, which suggests that effective relationship building is based on customer trust.⁶ To develop and maintain solid customer relationships effectively, factors such as trust, credibility and openness should be considered. The findings also imply that individuals who are exposed to positive new stories about an organization are more likely to favor that organization. News stories about corporations and CEOs may influence customer relationships as strongly as customers' initial perceptions of the corporation.

Furthermore, the results of the analysis suggest that corporate managers and public relations employees should implement their strategies by acknowledging customer satisfaction and the impact of news stories. This study adds weight to the view that intangible assets are critical to improving public perceptions of a company or product, thus helping practitioners develop fruitful customer relations strategies.

Consequently, corporate credibility is likely to generate a good corporate image and lead to success. In other words, corporate credibility and a CEO's reputation for leadership can be reinforced by customer satisfaction with a product or service.

In terms of public relations, this study attempts to offer insight to public relations researchers and practitioners about how corporate credibility and a CEO's reputation for leadership are major influences on a company's overall reputation and its ability to develop effective relationships. Implications from this study suggest that variables like corporate credibility and reputation for leadership can play an important role in relationship building. Another implication is that building a strong media image enhances an organization's public image and is associated with the organization's success.

In terms of relationship marketing, the results suggest that customer satisfaction and the improvement of processes that ensure customer satisfaction are necessary when developing good corporate-customer relations. In addition, the results suggest that long-term programs meant to influence customer satisfaction by fostering a sense of goodwill between a company and its consumers could bolster customer relationships as well as brand recognition and satisfaction. Understanding how customer satisfaction influences corporate credibility, CEO reputation for leadership and customer relationships can guide practitioners in making important decisions regarding the development of a management team's credibility and reputation.

This study contributes to the literature on the value of CEOs from the public's perspective and provides empirical evidence that public perceptions of a CEO can and do have a

substantial impact on a firm's capacity for relationship building with its publics. Considering that CEOs and leaders increasingly occupy the celebrity spotlight, these findings are of particular merit and suggest some practical implications for corporate public relations practitioners. Sohn *et al* point out that the old adage that 'no news is good news' may be true for CEO publicity.⁵⁷ In addition, this study highlights the importance of proactive management of a CEO's image or reputation. Considering the visible impact of negative publicity, proactive management of publicity about not only a company and its services but also about the CEO should be an important priority of public relations practitioners.

This study may help researchers and practitioners develop the concept of organization-public relationships to a more advanced theoretical and operational level. This study also contributes to the development of public relations theory by introducing a new measure of public relationship building and clarifying how public relations contributes to organizational effectiveness.

FUTURE RESEARCH AND LIMITATIONS

The study is subject to several limitations. For instance, respondent segmentation may be of limited value because the sample used in this study comprised only college students, who might exhibit different perceptions of companies and CEOs from those of other respondent segments. Moreover, the self-evident problem in using a student sample is that the study results are not likely to provide a strong evidential base for practitioners; nevertheless, the findings may have contributed some information of value to relationship building and the concept of organization-public relationships. Still, future studies should replicate the current study but with a larger and more representative sample.

To overcome concerns about external validity, future studies should consider public sectors for a given organization. Thus, a stratified sample could be utilized in future studies. Second, the use of a CEO's reputation for leadership as a measurement tool may not be generalizable because the items were randomly selected from

previous studies. The measurement tool of a CEO's reputation for leadership used in this study was adopted from previous public relations research, which means that several measurement items were randomly selected by the authors, creating another limitation on the study's method. However, the items were selected only after we conducted a pretest, which included a factor analysis and a reliability test. Generally speaking, random selection is a process in which sample members are drawn from a population regarding which each member of the population has an equal chance of being selected, and in which the selection of one person has no influence on anyone else's chance of being selected.⁵⁸ Given relevant statistical theory, the method for the selected item is logistically weak. Therefore, the scale developed would be more concrete after checking for validity, reliability and testing the theory. The reputation-for-leadership items used in this study might prove to be limited when evaluating CEO reputation for leadership because of the limited information about CEOs that is available. A future study should consider items that focus on the CEO's personality and ability to deal with crisis situations to avoid this shortcoming.

Another possible limitation of the study concerns the choice of MS as the firm because, although Bill Gates is identified as the MS CEO, Steve Ballmer became the CEO of MS in 2000. This study may therefore have been biased insofar as Gates is far better known as a public figure than Ballmer is. However, in the sense in which Gaines-Ross mentions 'SuperCEOs' or a 'super class of executive heroes' (p. 100),³⁹ we expected that study participants would still regard Gates, the founder and former CEO of MS, as its leader. It was important that study participants would be likely to have some opinions about the reputation or leadership of the individual identified as the CEO of the company being studied, so that Gates was no longer CEO of MS was irrelevant.

Another possible limitation of the study is that the positive and negative news stories used for the study were 308 words and 373 words long, respectively. This means that the negative story

was 21 per cent longer in word count than was the positive story. Experimental stimulus did not overcome the bias of the balance of news stories based on word count.

This study focused on the content of news stories portrayed through mass media and could therefore not account for the degree of a news story's credibility. For instance, negative information conveyed by a credible source is assumed to create greater damage than negative news conveyed by a less credible source.⁵⁹ Thus, this study did not demonstrate the effect of news coverage from non-credible sources on customer relationships.

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