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# Does Corporate Political or Social Activism Pay Off?

Institute for Enterprise Ethics  
Governance & Leadership Executive Breakfast

Corporate Political or Social Activism



**DANIELS**  
COLLEGE OF BUSINESS  
UNIVERSITY of DENVER



A

Creation of Chick-Fil-A Foundation, creating scholarships for underprivileged youth

B

Chick-Fil-A's CEO expresses anti-gay marriage statements, company funds anti-LGBTQ groups

C

Chick-Fil-A opens outlet in new Atlanta NFL stadium but declines to open it on Sunday in keeping with company tradition

Corporate Political or Social Activism



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# Corporate Political or Social Activism

- “When a company acts in response to controversial political or social topics”
  - Differs from Corporate Social Responsibility (CSR)
  - Differs from traditional Corporate Political Activity



# What are the Potential Benefits of Political or Social Activism?

- Financial performance payoff
- External reputational payoff
- Internal morale payoff
- Political payoff
- Fulfill moral responsibility



# What are the Potential Costs of Political or Social Activism?

- Financial costs
- External reputational/ideological costs
- Internal morale cost
- Political costs
- Violate fiduciary duty to shareholders



# What's Changed in Recent Decades?

- Increased transparency/visibility
  - 24 hour cable news cycle
  - Technology/social media
- Generational shift in expectations
  - From consumers, employees, investors
  - Increased diversity in business world
- CEOs as celebrities
  - Cook, Dimon, Schultz, Mackey, Zuckerberg, etc.
  - Personal image vs. corporate image
- Gridlock, hyper-partisanship in U.S. government



# Historical Examples of Corporate Activism

- 1960 - Woolworth stores desegregate in response to North Carolina sit-in
- 1970s – Mobil Oil CEO Rawleigh Warner's advocacy advertising
- 1980s – GM, Pepsi pull out of South Africa due to apartheid regime
- 1990s – Apple, Disney, Xerox provide health care benefits to partners of gay/lesbian employees
- 2004 – Carlson Companies CEO Marilyn Nelson speaks out about human trafficking



# Recent Examples of Corporate Activism

- Corporate response to social legislation in Indiana, North Carolina
- Hobby Lobby Supreme Court challenge of obligation to provide birth control coverage
- Starbucks under Howard Schultz attempting to start dialogue on race relations
- 84 Lumber Super Bowl commercial
- Under Armour, Intel, Merck CEOs quitting Trump council on manufacturing
- Chipotle contributing funds to Denver affordable housing initiatives





# “Innovations” in Corporate Activism

- Social media as public forum
- Astroturfing, paid public deliberators
- Collaboration with activist groups
- Social intrapreneurs within corporations



# What Does the Research Say?

- CEOs jeopardize their personal wealth by pursuing stakeholder-related initiatives (Coombs & Gilley 2005)
- Firms that construct stronger sociopolitical reputations will be granted greater access in the public policy-making process (Werner 2015)

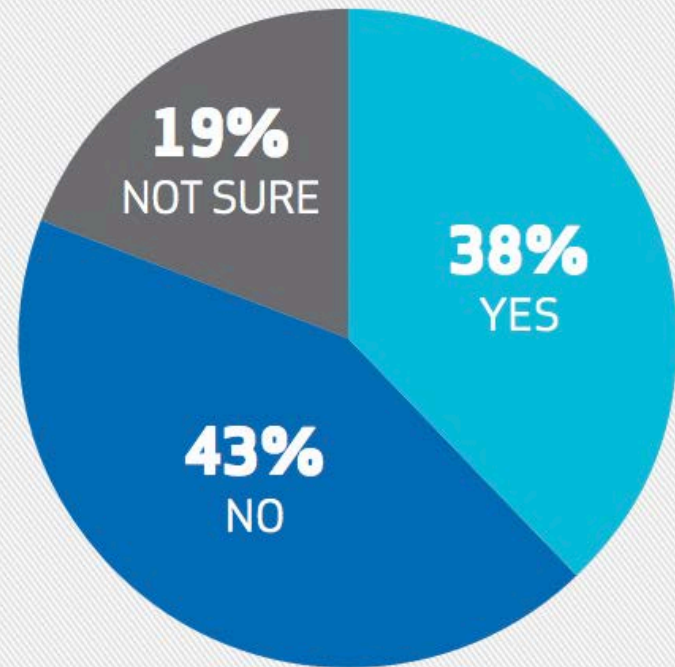
# What Does the Research Say?

- Corporate-sponsored activism is used by companies that are chronically targeted and losing ground to activists, results in decrease in activist challenges in future (McDonnell 2015)
- CEO activism can sway public opinion and increase consumers' intentions to purchase products from CEO's company. But depends on alignment between CEO activist's message and individuals' preexisting policy preferences (Chatterjee Toffel 2017)



# What Does Public Say? Do CEOs have responsibility to speak up about issues that are important to society?

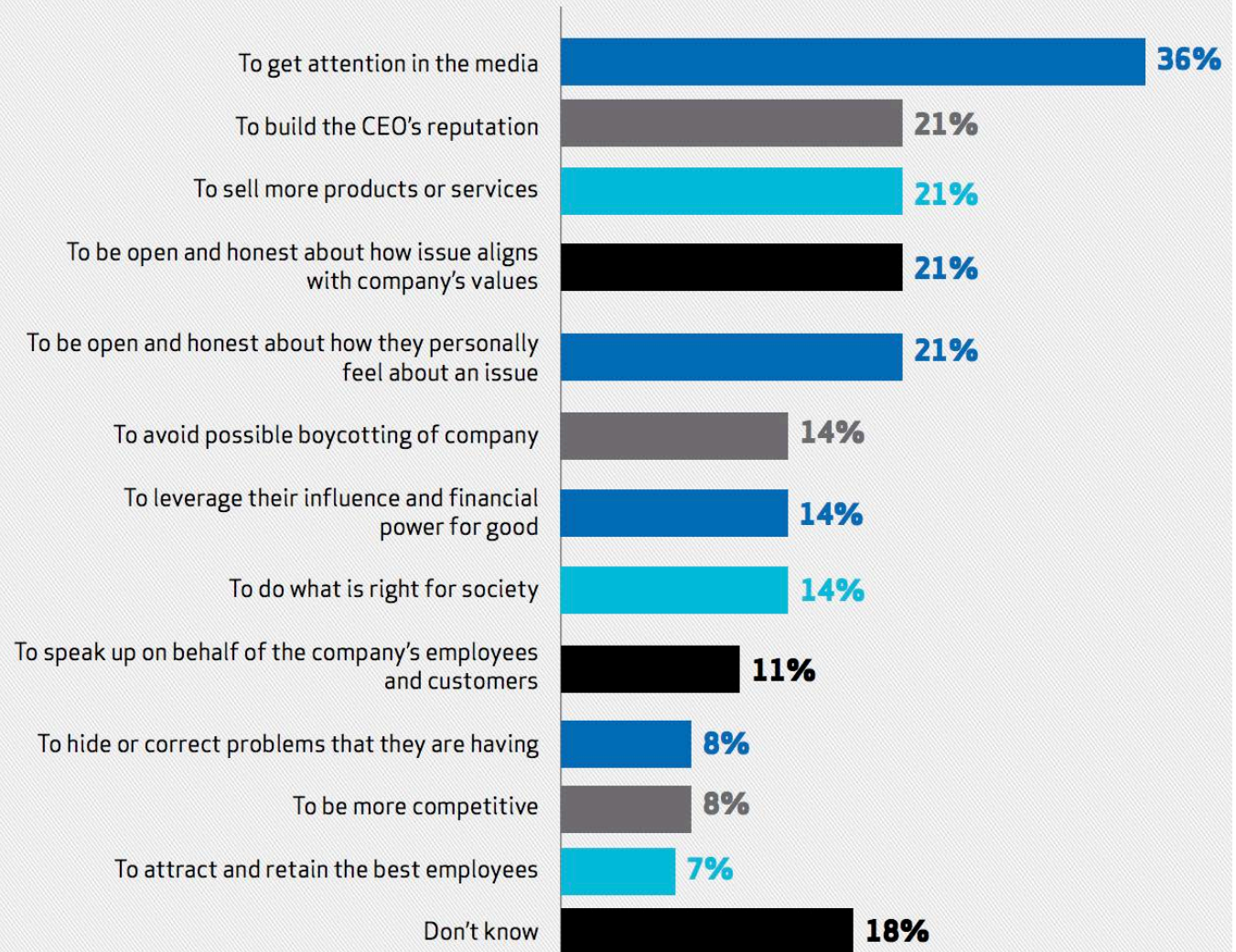
**CEOs have responsibility to speak up about issues that are important to society**  
(% Total Americans)



From "The Dawn of CEO Activism,  
KRC Research/ Weber Shandwick"

# What Does Public Say? Reasons CEOs take public positions on hotly debated current issues?

Reasons CEOs take public positions on hotly debated current issues  
(% Total Americans)



From "The Dawn of CEO Activism, KRC Research/Weber Shandwick"

# Tenets of CEO Activism



From "The Dawn of CEO Activism, KRC Research/Weber Shandwick"

# Other considerations for Firms and CEOs

- Which stakeholders are most salient and what power do they possess?
  - B2C or B2B, internal or external, local or global
- Level of disagreement/agreement amongst stakeholders and potential coalitions?
- Potential benefits and costs of activist stance?
  - For firm and for the CEO

"I have a fiduciary responsibility beyond my own political views. But I do believe that the rules of engagement for a public company have changed, and there's an opportunity for businesses to demonstrate a role in society that's beyond profitability and shareholder value. We yield on the side of making our people proud. It galvanizes our organization."



Howard Schultz  
Starbucks CEO



# Open Questions for Discussion

- Do CEOs have a moral responsibility to engage in political and social activism?
- Under what conditions is firm or CEO activism appropriate or essential?
- Are there specific issues where it is inappropriate for CEOs and firms to engage?
- Best/worst examples of corporate activism?