



20 MAY 2019 RESEARCH & IDEAS

Activist CEOs Are Rising Up—and Their Customers Are Listening

by Michael Blanding

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Are product sales affected by the CEO's stance on political and social issues? **Michael Toffel** and **Aaron Chatterji** study how consumers react to vocal chief executives.



When former Starbucks CEO Howard Schultz announced earlier this year he was thinking about running for president of the United States, it wasn't a new idea. Past CEOs seeking the White House have included Carly Fiorina, Ross Perot, Herman Cain, Steve Forbes, Mitt Romney, and, of course, Donald J. Trump.

However, there was one key difference separating his potential candidacy from the others: brand awareness. Because of the public's close identification of him with Starbucks, Schultz's run could lead to blowback to the coffee retailer in the explosive environment that is American politics. As the *Washington Post* headlined, If Howard Schultz runs for president, Starbucks will be on the ballot, too.

Schultz's political ambitions mark a growing wave of business leaders speaking out on social issues—termed “CEO activism” by Michael Toffel of Harvard Business School and Aaron Chatterji of Duke's Fuqua School of Business. Toffel is the Senator John Heinz Professor of Environmental Management at HBS.

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Whether it is Unilever CEO Paul Polman advocating on climate change; Merck CEO Ken Frazier protesting President Trump's response to a white nationalist rally in Charlottesville; or Chick-fil-A CEO Dan Cathy speaking out against gay marriage, the current trend of CEO activism seems to come from a

deep-seated personal conviction on the part of the individual, Toffel says. But it also signals the values and culture of the company the CEO heads.

“If one of your company’s core values is equality, some CEOs believe they can’t be silent when a proposed government policy might lead some of their employees to be subjected to inequality or harassment,” says Toffel. “Speaking out can reinforce those values inside the organization and telegraph them to prospective employees as well.”

A new type of advocacy

It’s a different form of business advocacy than when companies such as Patagonia put their brand on the line to advocate for a position. Now, “it’s the CEO, not the company, weighing in on the issues,” says Toffel, who is also Faculty Chair of the HBS Business and Environment Initiative. “Second, it’s conducted in public—it’s not related to backroom dealing, lobbying, or campaign contributions.”

Business leader activism is also a significant trend because of our CEO-as-celebrity culture. “CEOs have the opportunity to get their words associated with those policies because when they engage in this type of activism, it is front-page news,” says Toffel. More so than say a political speech by a mayor, which is expected and therefore not as newsworthy.

Which leads to the next question: Does a CEO’s soapbox proclamations on issues unrelated to the company influence public opinion or change consumer behavior?

Studying the issue since 2016, Toffel and Chatterji have begun to piece together answers to those questions, which are addressed in the May 2019 paper *Assessing the Impact of CEO Activism* (pdf), published in the journal *Organization & Environment*. Toffel’s case study *CEO Activism* is taught to HBS MBA students.

The Tim Cook experiments

To gauge the effects, the researchers ran two experiments. The first was designed to determine whether Apple CEO Tim Cook’s vocal opposition to Indiana’s Religious Freedom Restoration Act (RFRA) of 2015, which he saw as discriminatory against LGBTQ individuals, would influence public opinion on the new law. First, survey respondents were asked whether they support RFRA. In doing so, researchers randomized conditions to sometimes also mention the legislation was opposed by Cook, or by another CEO, a politician, or just by “some people.”

When simply asked whether they supported the law, there was a 50/50 split among the 2,176 respondents. When mentioning Cook’s opposition, however, support for the bill fell to 40 percent—about the same amount of decline following a politician’s opposition. This was somewhat eye-opening. Although one might expect policy to be influenced on political issues by political leaders, “it seems CEOs have just as much sway,” says Toffel.

The researchers also learned that, in some cases, Cook’s activism could potentially lead to increased product sales, although that was not the intent of his opposition. “The people in the group exposed to Cook’s activism, we found, expressed significantly higher intent to buy Apple products in the near future than those in the other two groups,” wrote Toffel and Chatterji in a recent article in *Harvard Business Review*.

They also looked to see whether reactions differed depending on whether they supported same-sex marriage—and thus more likely agreed with Cook’s discrimination concerns—or opposed it. “Learning about Cook’s activism increased intent to purchase among supporters of same-sex marriage but did not erode intent among its opponents,” Toffel says.

Climate change doesn't move perceptions

In the other experiment, Toffel and Chatterji looked at climate change, examining whether respondents thought the government was doing too much, not enough, or just the right amount to fight it. In this case, opinions stayed the same whether they told participants that CEOs supported climate change efforts or not.

“We really found no effect regardless of whether the CEO referred to climate change as a threat to the economy, the country, or the next generation,” Toffel says. “It may be that the issue has been so politicized that CEOs seem unable to shift anyone’s views.”

The mixed results of the two studies suggest that CEOs might be able to sway public opinion on some issues but not others. While the results of the Cook study show that high-profile executives might sometimes be able to do so without any negative backlash toward their companies, that's not always the case.

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In highly publicized incidents, consumers boycotted Chick-fil-A based on statements of its CEO against gay marriage, and Under Armour over the chief executive’s criticisms of President Trump. On controversial issues such as gay marriage or climate change, CEOs runs the risk of alienating employees and potential recruits who don’t hold the same beliefs. Activism can present an even more significant risk in terms of how customers will respond.

Lessons for managers

The results suggest that CEOs must proceed thoughtfully, weighing whether the political makeup of their consumers and the nature of their products might lead to unintended consequences.

“You have to consider these cases on an individual basis, but we hope to do more research to figure out when CEO activism will be convincing, and when it will trigger a backlash,” Toffel says.

In future research, Toffel and Chatterji plan to look at how the media cover CEO activism, how CEOs engage with their boards on their activism, and how activist comments by executives change actual purchase behavior, rather than just claimed intentions to purchase.

“It’s such a new phenomenon that there are many questions still to be answered,” Toffel says. “Right now, it’s still early days as CEOs think through the potential opportunities and risks.”

About the Author

Michael Blanding is a writer based in the Boston area.

[Image: FangXiaNuo]

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Active CEOs would make good politicians as they will bring to bear their management expertise from the private sector into the public settings in resource allocation.

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These CEOs usually speak too soon, and also do so based on reporting from solely the main stream media. By definition this means they are getting one side of an argument, the progressive/liberal side. Like college campuses today (including Harvard) conservative viewpoints are actively excluded. I'd wager that a survey of Ivy League professors and administrators would reveal that they have almost no friends who voted for Donald Trump, yet half the country did. They don't understand half of America, and neither do these CEOs. I have a long list of companies that I no longer patronize based on their political activism. There are many people doing this. I suppose in the Trump booming economy, all boats are rising and these companies won't see the impact of the customers that they have lost. They may even think their activism led to rising sales - and again, they would be mistaken. It would have been higher! Send your thank-you notes to the White House - and secretly hope that Trump gets re-elected, as any of the Democrat candidates getting in will lead to the largest collapse of the stock market and overall economy we've ever seen.

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