



## THE INFORMATION CENTER

### CEO Activism: Trend Brief

**What Is CEO Activism?** Senior leaders speaking out on social issues that are not directly related to their company's bottom-line but are often part of managing corporate reputation as well as positive public, employee, and other stakeholders' impressions.<sup>1</sup>

#### CEO Activism Is a Growing Trend

Corporations and their CEOs have a long history of attempting to influence government policies and legislation on taxation and other issues to affect the marketplace and increase profits. They have also taken stands on social issues by filing amicus briefs in appellate court cases in which they have a strong interest (for example, supporting affirmative action in the 1980s). These efforts have generally been directly aligned with business goals and strategy.<sup>2</sup>

Recently, many CEOs have become more vocal in speaking out on social issues that are unrelated to their core business<sup>3</sup> but that are important to their organizational values or their organizational reputation. Current events such as race-based violence, school shootings, and the #MeToo movement have employees looking to workplace leadership and organizational values for answers. US CEOs are at the forefront of this trend, but there are also examples of CEO activists in Australia, Canada, Europe, and Japan.<sup>4</sup>

**Research findings indicate that people around the world believe that CEOs should express an opinion or take action on social issues including race, gender, and immigration.**<sup>5</sup> Because of their public standing and power, CEOs are well-positioned to start conversations that can have a real impact on public opinion and lawmakers in their communities.<sup>6</sup> In one study, consumers reported that companies should take a stand on controversial issues in the following countries:<sup>7</sup>

- 33% in the UK
- 65% in India

- 45% in Italy
- 61% in Brazil

## Employees Are Driving the New Activism

**There is a growing expectation that business leaders should make a positive impact on the world.**<sup>8</sup> Despite that, a 2020 global pulse survey found that less than half of millennials (41%) and Gen Z (43%) think that businesses around the world are having a positive impact on society—with companies in general rating more positively than the CEOs who lead them.<sup>9</sup> In the US, 71% of employees think they have the power to make positive change in society, with younger workers feeling they can be significantly more impactful than their cohorts feel they can be.<sup>10</sup>

### Employees Are a New Reputational Stakeholder

After a year of unprecedented global change, millennials and Gen Z still place high importance on large, societal problems, and the pandemic, in particular, has increased their empathy and desire to make a positive impact in their communities.<sup>11</sup> A recent study found that **potential employees are more likely to pursue employment with a company whose CEO has spoken out in support of social issues** rather than at a company whose CEO either opposed popular social issues or remained neutral.<sup>12</sup> Increasingly, a company’s “social value proposition” is now a key element to recruitment, retention, and even product loyalty.<sup>13</sup> Over **40% of Millennials said they would be more loyal to a job at a company where the CEO had taken a stand on a social issue.**<sup>14</sup> When a CEO recently announced he wanted to create an “apolitical” workplace and ban social discussions at work, 5% of his employees quit.<sup>15</sup> This approach of silencing difference seems to run counter to the many forward-thinking organizations that are working to build inclusive cultures and acknowledge that employees are impacted personally by events in the news or in their communities.

Another study found that **almost half of Millennials reported that a company’s CEO has a responsibility to speak out on important issues**, and more than half believe that their obligation is greater now than it used to be.<sup>16</sup>

*Other interesting findings include:*

- A global survey found that **64% of people of all age groups expect CEOs to take the lead on effecting social change** when the government is not and for those CEOs that remain quiet on important issues, 56% reported they did not respect that CEO.<sup>17</sup>
- A US study found that overall two-thirds (65%) of the public favor CEO activism, there are generational differences in approval of CEO activism:
  - 71% of Millennials
  - 63% of Generation X
  - 46% of Baby Boomers.<sup>18</sup>

- Each generation is more likely to purchase products from a business whose CEO is outspoken about social issues they agree with.<sup>19</sup>

## Questions to Consider

Organizations working to build an inclusive workplace for women, LGBTQ+, and other diverse employees see improvements in their reputations and their bottom line.<sup>20</sup> Logically, it makes sense to continue this work by advocating for the inclusion of these same groups in the community outside of the workplace. Research has found that CEOs who have taken a clear stand on such issues didn't cause a drop in company sales by alienating those who disagreed with them; in fact, consumers were more likely to buy their company's products.<sup>21</sup> Sometimes advocacy is clearly tied to a marketing campaign for the brand. CEOs may speak out on issues in order to build corporate reputations and may support this type of brand strategy as long as the **messaging clearly and authentically aligns with the company's mission and values.**<sup>22</sup>

Taking a stand may feel bold, but it can be done thoughtfully. When your organization or leadership claims a position, consider the following questions:

- **Credibility:** What is the link between your company's values and your public activism?<sup>23</sup>
- **Authenticity:** How does your activism connect to your organization's unique positioning and values? Don't try to be who you are not.<sup>24</sup>
- **Backlash:** While speaking out may increase loyalty and recruitment, how will you address employees and other stakeholders who may feel excluded by the messaging? But remember, you cannot be all things to all people.<sup>25</sup> Lead with your values.<sup>26</sup>
- **The Risk of Silence:** Consider, does not speaking out incur risk in the form of assumed complicity, which can lead to boycotts and a decline in sales?<sup>27</sup> **Remember that saying nothing can be seen as a tacit endorsement.**

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## CEO Workplace Pledges

- [Catalyst CEO Champions For Change](#) Catalyst CEO Champions For Change is a group of 50+ CEOs pledging to advance more women into all levels of leadership.
- [Equality Is Our Business](#) Business leaders support LGBTQ+ rights through the Human Rights Campaign.
- [Open to All](#) More than "200 national and state public education organizations and elected officials" and more than "1,500 businesses and nonprofit service

providers” pledge not to discriminate against employees or customers based on race or sexual orientation.

- [Oslo Climate Leadership Declaration](#) Signers of this declaration commit “to setting and implementing science-based targets in my business, in alignment with the Paris Agreement, and to ensuring a just transition for communities and workers affected by the move to a low carbon world.”
- [Paradigm for Parity](#)<sup>®</sup> The Paradigm for Parity<sup>®</sup> movement is an alliance of CEOs, senior executives, founders, board members, and business academics dedicated to achieving “full gender parity by 2030, with a near-term goal of women holding at least 30% of senior roles.”

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<sup>1</sup> Chatterji, A. & Toffel, M.W. (2017). *Assessing the impact of CEO activism*. Harvard Business School Technology & Operations Mgt. Unit Working Paper; Brien, D. (2020, November 24). [10 lessons from CEOs on how to manage corporate reputation in a new era of activism](#). *Fast Company*.

<sup>2</sup> Chatterji, A. & Toffel, M.W. (2017). *Assessing the impact of CEO activism*. Harvard Business School Technology & Operations Mgt. Unit Working Paper.

<sup>3</sup> Chatterji, A. & Toffel, M.W. (2017). *Assessing the impact of CEO activism*. Harvard Business School Technology & Operations Mgt. Unit Working Paper.

<sup>4</sup> Skroupa, C.P. (2018, August 16). CEO activism: Corporate executives take a stand on critical social issues. *Forbes*; Flauger, J. & Stratmann, K.. (2017, July 12). [German CEOs get political](#). *Handelsblatt Today*; Murakami, Y. (2018, February 1). [Will CEO activism take hold in Japan?](#) *The Japan Times*; Nilsson, P. (2018, June 12). [Delta, Qantas and the rise of CEO activism](#). *Financial Times*.

<sup>5</sup> *CEO activism in 2017: High noon in the c-suite*. (2017). Weber Shandwick and KRC Research, p. 17.

<sup>6</sup> Nickish, C. [Why CEOs are taking a stand](#) [Podcast]. (2018, March 27). Harvard Business Review IdeaCast; Aiello, C. [Social change is part of business, Ben & Jerry’s CEO says](#). (2018, August 17).

*CNBC*; Bersin, J. [Yes, CEOs, you do need to speak on social issues](#). (2018, September 5). *Forbes*.

<sup>7</sup> Weber Shandwick and KRC Research; *CEO activism in 2017: High noon in the c-suite*. (2017). Weber Shandwick and KRC Research, p. 17.

<sup>8</sup> Buffett, H.W. & Eimicke, W. B. [How companies, governments, and nonprofits can create social change together](#). (2018, May 31). *Harvard Business Review*.

<sup>9</sup> *The Deloitte global millennial survey 2020: Resilient generations hold the key to creating a “better normal”*. (2020). Deloitte.

<sup>10</sup> [Employee activism in the age of purpose: Employees \(up\)rising](#). (2019). Weber Shandwick, unitedminds, and KRC Research.

<sup>11</sup> *The Deloitte global millennial survey 2020: Resilient generations hold the key to creating a “better normal”*. (2020). Deloitte.

<sup>12</sup> Voegtlin, C., Crane, A. & Noval, L. [When CEO sociopolitical activism attracts new talents: Exploring the conditions under which CEO activism increases job pursuit intentions](#). (2019, June 28). SSRN.

<sup>13</sup> Davis, J. [How corporate CEOs found their political voice](#). (2017, August 30). *The Conversation*.

<sup>14</sup> *CEO activism in 2017: High noon in the c-suite*. (2017). Weber Shandwick and KRC Research, p. 17.

<sup>15</sup> MacLellan, L. (2020, October 9). [Five percent of Coinbase staff rejected its “apolitical” future](#). *Quartz at Work*.

<sup>16</sup> *CEO activism in 2017: High noon in the c-suite*. (2017). Weber Shandwick and KRC Research, p. 17.

<sup>17</sup> [Edelman trust barometer: Expectations for CEOs](#). (2018). Edelman.

<sup>18</sup> Larcker, D. F. & Tayan, B. [2018 CEO activism survey](#). (2018). Stanford Graduate School of Business and the Rock Center for Corporate Governance.

<sup>19</sup> Larcker, D. F. & Tayan, B. [2018 CEO activism survey](#). (2018). Stanford Graduate School of Business and the Rock Center for Corporate Governance.

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- <sup>20</sup> [Why diversity and inclusion matter: Quick Take](#). (2020). Catalyst.
- <sup>21</sup> Chatterji, A. & Toffel, M.W. (2017). [Assessing the impact of CEO activism](#). Harvard Business School Technology & Operations Mgt. Unit Working Paper.
- <sup>22</sup> Nickish, C. [Why CEOs are taking a stand \[Podcast\]](#). (2018, March 27). Harvard Business Review IdeaCast.
- <sup>23</sup> Chatterji, A. W. & Toffel, M. W. [The new CEO activists](#). (2018, January/February). *Harvard Business Review*.
- <sup>24</sup> McGirt, E. (2021, January 15). [Corporate America, we need to talk about activism](#). *Fortune*.
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- <sup>27</sup> [CEO activism in 2017: High noon in the c-suite](#). (2017). Weber Shandwick and KRC Research, p. 17.