



THE INFORMATION CENTER

## Trend Brief: CEO Activism

**What Is CEO Activism?** It's when senior leaders speak out on social issues that are not directly related to their company's bottom-line.<sup>1</sup>

### CEO Activism Is a Growing Trend

***“Society is demanding that companies, both public and private, serve a social purpose.”<sup>2</sup>***

—Larry Fink, Chairman and CEO, BlackRock

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>3</sup>

Recently, many CEOs have become more vocal in speaking out on issues that are unrelated to their core business<sup>4</sup> but that are important to their personal or organizational values. This activism is led by CEOs in the United States who believe they can serve their communities by adding their voice to important global conversations about topics such as climate change, immigration, and LGBTQ+ rights.<sup>5</sup> US CEOs are at the forefront of this trend, but there are also examples of CEO activists in Australia, Canada, Europe, and Japan.<sup>6</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>7</sup>** In one study, 33% of consumers in the UK, 65% in India, 45% in Italy, and 61% in Brazil reported they thought companies should take a stand on controversial issues.<sup>8</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>9</sup>

## Employees and Consumers Are Driving the New Activism

***“Society gives each of us a license to operate. It’s a question of whether society trusts you or not.”<sup>10</sup>***

—Ginni Rometty, Chairman, President, and CEO, IBM

Current events such as race-based violence, school shootings, and the #MeToo movement have employees looking to their leadership and organizational values for answers. Research shows that employees—as well as customers—are asking corporate leaders to demonstrate support for social issues outside of the workplace, for example by advocating for immigrants’ rights, LGBTQ+ rights, Black Lives Matter, and women’s equality.<sup>11</sup>

**There is a growing expectation that business leaders should make a positive impact on the world.**<sup>12</sup> CEOs have said that Millennials want them to be champions of social purpose both inside and outside of the organization.<sup>13</sup> Increasingly, a company’s “social value proposition” is now a key element to recruitment, retention, and even product loyalty.<sup>14</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 company whose CEO either opposed popular social issues or remained neutral.<sup>15</sup> CEOs are responding by expanding their role beyond the workplace, especially around diversity and inclusion and other controversial social issues.<sup>16</sup>

Some authors state the desire for social activism coincides with Millennials’ growing disillusionment with corporate America. A 2018 survey of Millennials found that they are losing faith in the business world’s motivations and ethics, and three-quarters believe corporations focus too much on their own agenda without considering the greater societal good.<sup>17</sup> 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>18</sup> Additionally, the study found that over **40% of Millennials surveyed said they would be more loyal to a job at a company where the CEO had taken a stand on a social issue.**<sup>19</sup>

*Other interesting findings include:*

- **Increased Moral Obligation**
  - 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>20</sup>

- A US study found that overall two-thirds (65%) of the public favor CEO activism, there are generational differences: 71% of Millennials and 63% of Generation X approve of CEO activism compared to 46% of Baby Boomers.<sup>21</sup>
- **Buying Decisions**
  - A global study found that a majority of all generations are now belief-driven buyers.<sup>22</sup> While younger employees are leading belief-driven purchasing with 69% of those aged 18-34 years old buying or boycotting products based on its position on important societal issues, those aged 35-54 years old are right behind at 67% (a 14 percentage point increase since 2017) and those aged 55+ who are belief-driven buyers has increased 18 percentage points since 2017 (from 38% to 56% in 2018).<sup>23</sup>
  - A US survey found that **CEO activism is increasingly a positive influencer of buying decisions**, with over half of Millennials more likely to buy from a company led by a CEO who speaks out on issues that are important to them.<sup>24</sup>
  - And another US study found that 76% of Millennials, 69% of Generation X and 60% of Baby Boomers are more likely to purchase products from a business whose CEO is outspoken about social issues they agree with.<sup>25</sup>
- **Global Augmented Intelligence**
  - Consumers around the world are twice as likely as not to believe that companies should express opinions on social issues (41% vs. 20%).<sup>26</sup>

## Questions to Consider

***“How can the ‘business community’ do more to improve diversity and inclusion inside and outside of the workplace?”***<sup>27</sup>

—Timothy F. Ryan, US Chairman and Senior Partner, PwC

Organizations working to build an inclusive workplace for women, LGBTQ+, and other diverse employees see improvements in their reputations and their bottom line.<sup>28</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>29</sup> Sometimes advocacy is clearly tied to a marketing campaign for the brand. Employees should understand that 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>30</sup>

With any bold move there are both benefits and risks. Before your organization takes a stand, consider the following questions:

- **Credibility:** What is the link between your company's values and your public activism?<sup>31</sup>
- **Employees:** While speaking out may increase loyalty and recruitment, how will you address employees who may feel excluded by the messaging?<sup>32</sup>
- **The Board:** When nominating new board directors, are you considering nontraditional picks such as HR Leaders, Chief Diversity Officers, and CSR leaders who are equipped to respond quickly and assess risk?<sup>33</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>34</sup>
- **Prepare for Pushback:** You can't please everybody all of the time. CEO activists will garner support and admiration, but are you ready for pushback and boycotts too?<sup>35</sup>

---

## 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.”
- [Statement on the Purpose of a Corporation](#) In August of 2019, Business Roundtable (BRT) changed their mission statement, marking a major shift from a primarily profit and shareholder-driven focus to one of shared societal responsibilities.

- 
- <sup>1</sup> Aaron Chatterji and Michael W. Toffel, "[Assessing the Impact of CEO Activism](#)," *Harvard Business School Technology & Operations Mgt. Unit Working Paper* (December 19, 2017).
- <sup>2</sup> Larry Fink, "[Annual Letter to CEOs: A Sense of Purpose](#)," (BlackRock, 2018).
- <sup>3</sup> Aaron Chatterji and Michael W. Toffel, "[Assessing the Impact of CEO Activism](#)," *Harvard Business School Technology & Operations Mgt. Unit Working Paper* (December 19, 2017). Source is for all information and statistics in the paragraph.
- <sup>4</sup> Aaron Chatterji and Michael W. Toffel, "[Assessing the Impact of CEO Activism](#)," *Harvard Business School Technology & Operations Mgt. Unit Working Paper* (December 19, 2017).
- <sup>5</sup> Aaron K. Chatterji and Michael W. Toffel, "[The New CEO Activists](#)," *Harvard Business Review* (2018); Leslie Gaines-Ross, "[The Risks and Rewards of CEO Activism](#)," *Communication World Magazine*, May 1, 2018.
- <sup>6</sup> Christopher P. Skroupa, "[CEO Activism: Corporate Executives Take a Stand on Critical Social Issues](#)," *Forbes*, August 16, 2018; Jürgen Flauger, Klaus Stratmann and Brian Hanrahan, "[German CEOs Get Political](#)," *Handelsblatt*, July 12, 2017; Yumiko Murakami, "[Will CEO Activism Take Hold in Japan?](#)," *The Japan Times*, February 1, 2018; Patricia Nilsson, "[Delta, Qantas and the Rise of CEO Activism](#)," *Financial Times*, June 12, 2018.
- <sup>7</sup> Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017): p. 17.
- <sup>8</sup> Weber Shandwick and KRC Research, [The Company Behind the Brand II: In Goodness We Trust](#) (2017); Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017): p. 17.
- <sup>9</sup> Curt Nickish, "[Interview With Michael Toffel and Ronnie Chatterji: Why CEOs Are Taking a Stand](#)," *Harvard Business Review IdeaCast*, podcast audio, March 27, 2018; Chloe Aiello, "[Social Change is Part of Business, Ben & Jerry's CEO Says](#)," *CNBC*, August 17, 2018; Josh Bersin, "[Yes, CEOs, You Do Need to Speak on Social Issues](#)," *Forbes*, September 5, 2018.
- <sup>10</sup> Alan Murray, "[America's CEOs Seek a New Purpose for the Corporation](#)," *Fortune*, August 19, 2019.
- <sup>11</sup> David F. Larcker and Brian Tayan, [2018 CEO Activism Survey](#) (Stanford Graduate School of Business and the Rock Center for Corporate Governance, 2018); Gabriel Perna, "[CEO Activism Will Only Get More Ubiquitous](#)," *Chief Executive*, July 6, 2018.
- <sup>12</sup> Howard W. Buffett and William B. Eimicke, "[How Companies, Governments, and Nonprofits Can Create Social Change Together](#)," *Harvard Business Review*, May 31, 2018.
- <sup>13</sup> Curt Nickish, "[Interview With Michael Toffel and Ronnie Chatterji: Why CEOs Are Taking a Stand](#)," *Harvard Business Review IdeaCast*, podcast audio, March 27, 2018.
- <sup>14</sup> Jerry Davis, "[How Corporate CEOs Found Their Political Voice](#)," *The Conversation*, August 30, 2017.
- <sup>15</sup> Christian Voegtlin, Andrew Crane, and Laura Noval, "[When CEO Sociopolitical Activism Attracts New Talents: Exploring the Conditions Under Which CEO Activism Increases Job Pursuit Intentions](#)," (SSRN, June 28, 2019).
- <sup>16</sup> Timothy F. Ryan, "[No More Business as Usual: Why CEOs Have to do More for Diversity and Inclusion](#)," *LinkedIn* (June 12, 2017).
- <sup>17</sup> Deloitte, [2018 Deloitte Millennial Survey: Millennials Disappointed in Business, Unprepared for Industry 4.0](#) (2018).
- <sup>18</sup> Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017).
- <sup>19</sup> Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017).
- <sup>20</sup> Edelman, [Edelman Trust Barometer: Expectations for CEOs](#) (2018).
- <sup>21</sup> David F. Larcker and Brian Tayan, [2018 CEO Activism Survey](#) (Stanford Graduate School of Business and the Rock Center for Corporate Governance, 2018).
- <sup>22</sup> Edelman, [Edelman Earned Brand Global Report](#) (2018).
- <sup>23</sup> Edelman, [Edelman Earned Brand Global Report](#) (2018).
- <sup>24</sup> Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017).
- <sup>25</sup> David F. Larcker and Brian Tayan, [2018 CEO Activism Survey](#) (Stanford Graduate School of Business and the Rock Center for Corporate Governance, 2018).
- <sup>26</sup> Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017).
- <sup>27</sup> Timothy F. Ryan, "[No More Business as Usual: Why CEOs Have to do More for Diversity and Inclusion](#)," *LinkedIn*, June 12, 2017.
- <sup>28</sup> Catalyst, [Quick Take: Why Diversity and Inclusion Matter](#) (August 1, 2018).

- 
- <sup>29</sup> Aaron Chatterji and Michael W. Toffel, "[Assessing the Impact of CEO Activism](#)," *Harvard Business School Technology & Operations Mgt. Unit Working Paper* (December 19, 2017).
- <sup>30</sup> Curt Nickish, "[Interview With Michael Toffel and Ronnie Chatterji: Why CEOs Are Taking a Stand](#)," *Harvard Business Review IdeaCast*, podcast audio, March 27, 2018.
- <sup>31</sup> Aaron K. Chatterji and Michael W. Toffel, "[The New CEO Activists](#)," *Harvard Business Review*, January/February 2018.
- <sup>32</sup> Aaron K. Chatterji and Michael W. Toffel, "[The New CEO Activists](#)," *Harvard Business Review*, January/February 2018; David F. Larcker and Brian Tayan, [2018 CEO Activism Survey](#) (Stanford Graduate School of Business and the Rock Center for Corporate Governance, 2018).
- <sup>33</sup> Catalyst, [8 Actions to Diversify Your Board](#) (September 8, 2017).
- <sup>34</sup> Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017).
- <sup>35</sup> Aaron Chatterji and Michael W. Toffel, "[Assessing the Impact of CEO Activism](#)," *Harvard Business School Technology & Operations Mgt. Unit Working Paper* (December 19, 2017); Weber Shandwick and KRC Research, [CEO Activism in 2017: High Noon in the C-Suite](#) (2017).