



CEO Activism

The benefits and risks of CEOs taking stands on public issues

- ▶ It is no coincidence that the number of CEOs who have spoken up on social, political and environmental issues has increased in recent years. In today's uncertain world, where society is increasingly divided and extreme positions are gaining ground, the public accepts and even expects CEOs and their companies to participate in public debates.
- ▶ There is a lot to gain, but also a lot to lose when taking stances. CEOs have to balance the benefits and risks to make their own decisions. If they decide to speak up, CEOs should think about their strategy and objectives and evaluate their reputation.
- ▶ With this Communication Snapshot, we want to look into the (emerging) scientific research on this topic. We have gathered the latest facts and figures on CEO activism and compiled the most interesting research findings.

What is CEO activism?

CEO activism is not a new phenomenon. However, these days CEO activism has become easier and more visible. For example, Siemens CEO Joe Kaeser caused a huge controversial discussion when he issued a Twitter post denouncing the German right-wing party AfD. The reactions ranged from hero to zero. Via social media channels, CEOs and their corporations can take a stand on a controversial topic at any time and address a wider range of stakeholder groups without relying on a middle man.

Professors A. Chatterji and M. Toffel from Harvard Business School see **three major characteristics** that differentiate CEO activism from lobbying:

- 1 The focus is the individual not the corporation.
- 2 CEO activism is always public.
- 3 The audience for CEO activism is not only regulators and politicians, but also employees, consumers, and the public at large.

In this manner, CEO activism is aimed at communicating the CEO's values to important stakeholders. In doing so, the CEO may use public forums like social media, editorials, interviews, or a public meeting with politicians to make his/her views known.



Public expectations of CEOs and the impact of their activism

The trend of corporate leaders taking a public stand on issues that are not directly related to their business is relatively new, so there is little empirical evidence of its impact. A few recent studies provide clues about how society perceives CEO activism:

- ▶ The expectations that CEOs act as advocates for change are at a record high according to the 2019 Edelman Trust Barometer. The survey is based on 33,000 respondents in 27 markets.

76% say that **CEOs should take the lead on change** instead of waiting for governments to act, which is 11% more than the year before. People believe that CEOs in particular can make changes in areas such as equal pay, discrimination, environmental issues or data security. Furthermore, 71% of employees say it is critical for "my CEO" to respond to challenging times.

- ▶ Speaking up can have a long-lasting positive impact on reputation. A study by Weber Shandwick and KRC Research (2019)¹ found that **67%** of communications and marketing executives in the US, the UK and China whose CEOs have spoken up on hotly debated current issues believe that **CEO activism generates reputational rewards**; in three out of four cases it even generated a positive long-term benefit. Only 7% of those whose CEOs have spoken out say that the impact was negative.

- ▶ A previous study by Weber Shandwick and KRC Research² found that **CEO activism can positively influence purchasing decisions**:

46% of consumers would be more likely to buy from a company led by a CEO who speaks out on issue they agree with. Only 10% would be less likely to buy. This rate of positive purchasing behavior has risen from 38% to 46% since 2017.

Strategies for speaking up

Reasons | When CEOs decide to speak up, they usually do so for one of the following reasons:

- **Personal profiling/personal conviction:** Often CEOs seek to enhance their personal reputation, position themselves as leaders and express their personal points of view.
- **Supporting the company:** Taking stances proves the company's values and demonstrates a more positive sense of the corporation that can help improve its reputation.

¹ CEO Activism—Inside Comms and Marketing, 2019 | ² The Purposeful CEO, 2018

» I think we are cowards if we don't take a position occasionally on those things that are really consistent with what our mission is and where our people stand.«

Jeff Immelt, former CEO of General Electric

- **Demonstrating advocacy** on a certain topic: The CEO wants to bring his/her expert view or knowledge into the public debate and potentially influence it in his/her own way. This approach is only credible if the CEO truly owns the topic and is perceived as knowledgeable.

Objectives | For the most part, public statements by the CEO aim to **raise awareness** and **support social movements**—either through news coverage or social media exposure. Some of the more powerful cases of CEO activism tried to put pressure on politicians to reject or overturn legislation.

Tactics | In terms of timing, CEOs can choose to be a **first mover** and set the agenda. This strategy always carries a higher risk but can earn the CEO much more attention than those who follow with similar statements.

Furthermore, the CEO needs to decide whether to make his/her statement **alone or in coalition**. Joining forces might be slower and less effective in raising awareness for the particular CEO or company, but it is also less risky.

Moreover, the CEO needs to choose the most **suitable channel**. Social media is probably the easiest way to speak up as it is available 24/7 and reaches a vast audience. However, many CEOs still do not have a personal social media account. In Germany for example, the vast majority of DAX-30 CEOs are neither active on Twitter nor on LinkedIn. Other options could be media interviews, paid content or conferences.

Success factors | In order to be successful, speaking up needs to be **credible and authentic**. If the topic has nothing to do with the CEO and the company nor its area of expertise, the commentary is easily perceived as implausible or even presumptuous.

Furthermore, there should be a **compelling narrative** as to why this issue matters to the CEO. He/she really needs to understand the overall discussion and underlying details in order to have a say.

It is also important to keep in mind that CEOs cannot just express their personal point of view, but are always associated with the company. It is therefore essential to **align the CEO perspective with internal stakeholders** such as corporate communications—or are at least that they are aware of it ahead of time.

Measuring CEO reputation on social media

The perception of the CEO can account for up to 70% of the corporate reputation. Thus it is certainly advisable to keep a close eye on the CEO reputation as well. Researchers at the University of Duisburg-Essen developed a model for measuring the CEO reputation on social media after analyzing 8,600 tweets from leading IT companies and their CEOs.



Dimensions of CEO Reputation on Social Media (M. Mirbabaie, J. Marx, & S. Stieglitz, University of Duisburg-Essen, 2019)

Whereas corporate social media channels focused primarily on promoting products and services, CEOs talked more about their vision and leadership, the company's social and environmental responsibility or personal issues. Perhaps it comes as no surprise that with their strategy on personal and social topics the CEOs were more successful.

Risks and criticism

Despite the trend towards CEO activism, there may be good reasons for CEOs to hold back. A recent study by the University of Southern California found that of 210 CEOs surveyed in the US, 60% declared that they would probably not position themselves publicly on social or political issues in 2019.

CEOs should also keep in mind that reactions to their statements might not be exclusively positive. Customers might turn their backs on the company, activists might start a controversy on social media, or employees might feel offended, especially if they are expected to follow the company's political or social line.

For society, corporations that exert too much influence on political decisions can also be a major drawback. E.g., corporations might raise their voice to weaken data protection laws or stricter regulations for environmental issues.



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