

The Dawn of CEO Activism



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Introduction

In 2004, Marilyn Carlson Nelson, CEO of the global travel and hospitality company, Carlson Companies, spoke out against human trafficking. Business colleagues cautioned her against this stand because Carlson Companies was “in the happiness business.” Nelson, however, persisted. She argued that Carlson’s resources should be used to fight against child sex trafficking and that the “conspiracy of silence” had to be broken. Businesses, she argued, have to be responsible even on matters that don’t directly affect the company’s line of work.

Carlson, it seems, was earlier than most. More and more CEOs are now taking a stand on social issues. In 2013, Starbucks CEO Howard Schultz requested gun owners to refrain from bringing firearms into Starbucks stores. Two years later, Apple CEO Tim Cook publicly criticized his home state of Alabama over lack of LGBT rights. In March 2016, more than 100 major CEOs and business leaders signed an open letter to the governor of North Carolina urging the repeal of a bill requiring that use of restrooms in state buildings be determined by biological sex, not gender identity. Other issues upon which CEOs have recently publicly expounded include climate change, income fairness, same-sex marriage, immigration, and racial discrimination.

These are just a few examples of corporate leaders weighing in on issues that were once exclusively the domain of politicians, NGOs and advocacy groups. Such involvement by corporate leaders with social issues, many of which do not directly affect company business, is a fast-growing corporate and reputational dynamic that may well be the vanguard of a significant movement. As Salesforce CEO Marc Benioff said, “One thing that you’re seeing is that there is a third [political] party emerging in this country, which is the party of CEOs.” In short, we are at the dawn of a new era of “CEO activism.”

CEO activism has at times been very effective. CEOs from many Fortune 500 companies recently pressured the governor of Georgia to veto a “religious liberty” bill that triggered a wave of criticism from gay rights groups and business leaders, claiming the bill would have allowed certain

businesses and groups to discriminate against same-sex couples. Likewise, in Indiana in 2015, public opposition from Apple CEO Tim Cook and other corporate chieftains caused that state’s governor to revise its position on its Religious Freedom Restoration Act, which they saw as discriminatory against gays and lesbians. Cook’s op-ed in *The Washington Post* made the business case that “America’s business community recognized a long time ago that discrimination, in all its forms, is bad for business.”

This op-ed and several other examples of executives speaking out over the last year inspired leading global communications and engagement firm Weber Shandwick to commission research to explore the consequences of this new wave of CEO engagement. The research concluded that while CEO activism may be gaining momentum, it is still in its early stages and companies need to proceed with a healthy dose of caution, especially if engagement is not carefully considered and planned.

*“Our new study with KRC Research, *The Dawn of CEO Activism*, establishes guidelines for CEO activism. At a time when the world is growing more complex, polarized and politically charged, the research provides an early roadmap by which CEOs may chart the costs and benefits of speaking up on contentious societal issues. Weber Shandwick wanted to take the pulse on where Americans stand on this evolutionary shift in attitudes towards business involvement in social issues. With this baseline understanding, we counsel clients on how to engage in the public sphere while protecting their company reputations.”*

LESLIE GAINES-ROSS
CHIEF REPUTATION STRATEGIST, WEBER SHANDWICK

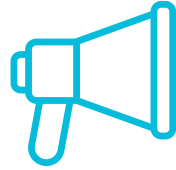


How We Did the Research

In May 2016, Weber Shandwick partnered with KRC Research to conduct an online survey of 1,027 U.S. adults, 18 years of age and older, representing the general population of America. The survey gauged this population's awareness of CEOs speaking out on important societal issues, their attitudes toward CEOs who speak out, and their willingness to buy from and work for companies with CEOs who take activist stands.

5 Tenets of CEO Activism

Weber Shandwick distilled five key tenets that reflect the risks and rewards faced by CEO activism.



1. CEO Activism Has Support but Does Not Always Drive Favorability



2. CEO Activism Influences Purchase Intent



3. CEO Activism Tests Company Loyalty



4. Americans Are Unsure of the Motivations Behind CEO Activism



5. Millennials Are More Likely to Give a Thumbs Up to CEO Activism

“We didn’t know we were going to get into this hybrid social-business program. So we’re all learning, and we’re seeing some best-practices forming...I didn’t know we’d be so inspiring to other business leaders, I was just emailing CEOs I have dinner with once a month, saying that they needed to pay attention to this. Some knew about it, others didn’t. But it took.”

MARC BENIOFF, SALESFORCE CHAIRMAN AND 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.”

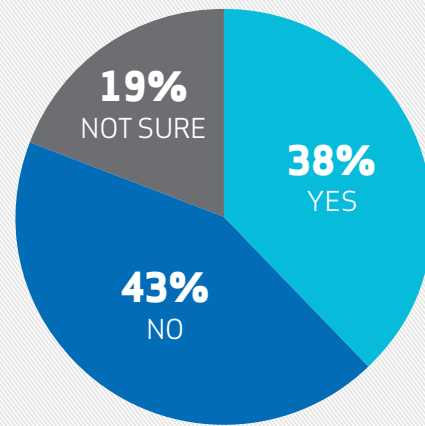
HOWARD SCHULTZ, STARBUCKS CHAIRMAN AND CEO



1. CEO Activism Has Support but Does Not Always Drive Favorability

A sizeable segment of Americans (38%) believe CEOs have a responsibility to speak out on hotly debated issues. The belief that CEOs carry such a responsibility is most likely to translate to favorable opinion toward CEOs who speak out. When respondents are asked their opinion of CEOs who take public positions on hot-button issues, the scales tip in favor of the CEO (31% more favorable vs. 22% less favorable). Yet, when the issues are not directly linked to the company's business, the reverse is true and Americans feel less favorable (32% less favorable vs. 20% more favorable). Favorability is thus dependent on how strongly the issue's link is to the bottom line. A closer link to business may be necessary for Americans to better understand why CEOs are speaking up on societal issues.

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



Opinion of CEOs taking public positions on hotly debated current issues (% Total Americans)

A reversal of fortunes: Favorability depends on how strongly an issue is linked to the bottom line.

IN GENERAL

More favorable
31%

Less favorable
22%

Makes no difference
34%

Don't know
13%

WHEN ISSUE IS **NOT** TIED TO COMPANY BUSINESS

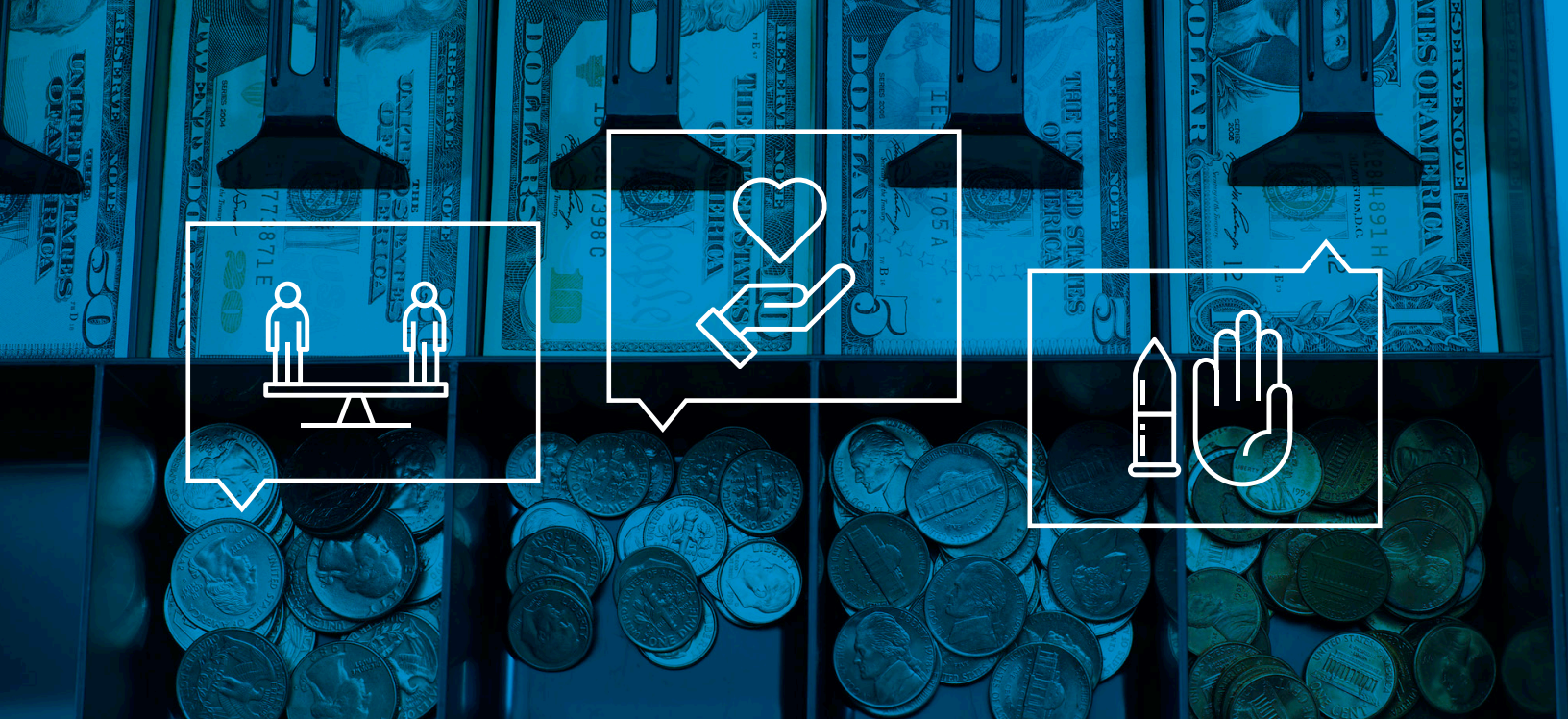
More favorable
20%

Less favorable
32%

Makes no difference
32%

Don't know
16%

For nearly one out of two Americans, CEO activism either makes no difference to them (34%) or they are simply undecided (13%), suggesting this newly emerging trend is still working its way through the mindset of the mainstream, raising more questions than answers.



2. CEO Activism Influences Purchase Intent

A CEO's public stance may work for or against his or her company when it comes to sales. Four in 10 Americans (40%) say they are more likely to buy from a company when they agree with the CEO, while a comparable number (45%) say they are less likely to buy if they disagree with the CEO's position. The finding that consumers tend to think positively about a company's products when they agree with the CEO's position confirms what professors' Aaron Chatterji, an associate professor at the Fuqua School of Business at Duke, and Michael Toffel, a professor at Harvard Business School, found in their research on the topic of CEO activism. In their paper, "Do CEO Activists Make a Difference? Evidence from a Field Experiment," Chatterji and Toffel summarize: "We provide the first evidence that such 'CEO activism' can influence public opinion and consumer attitudes. Our field experiment examines the impact of Apple CEO Tim Cook's public statements opposing a pending religious freedom law that critics warned would allow discrimination against same-sex couples. Our results confirm the influence of issue framing on public opinion and suggest that CEOs can

sway public opinion, and potentially to the same extent as prominent politicians. Moreover, Cook's CEO activism increased consumer intentions to purchase Apple products, especially among proponents of same-sex marriage."

Once again, the nature of the issue affects how a CEO's stand is received. If many consumers disagree, such disagreement may well be reflected in diminishing sales, or even worse, a boycott if the issue is a compelling one. For example, The American Family Association called for a boycott of Target after the discount retailer said it would allow transgender customers to use the restroom and dressing room of the gender they identify with. In addition, Starbucks' "Race Together" initiative was widely criticized online and eventually abandoned in part because people thought that baristas were put in an awkward position of having to initiate a conversation about race relations every time they sold a cup of coffee.

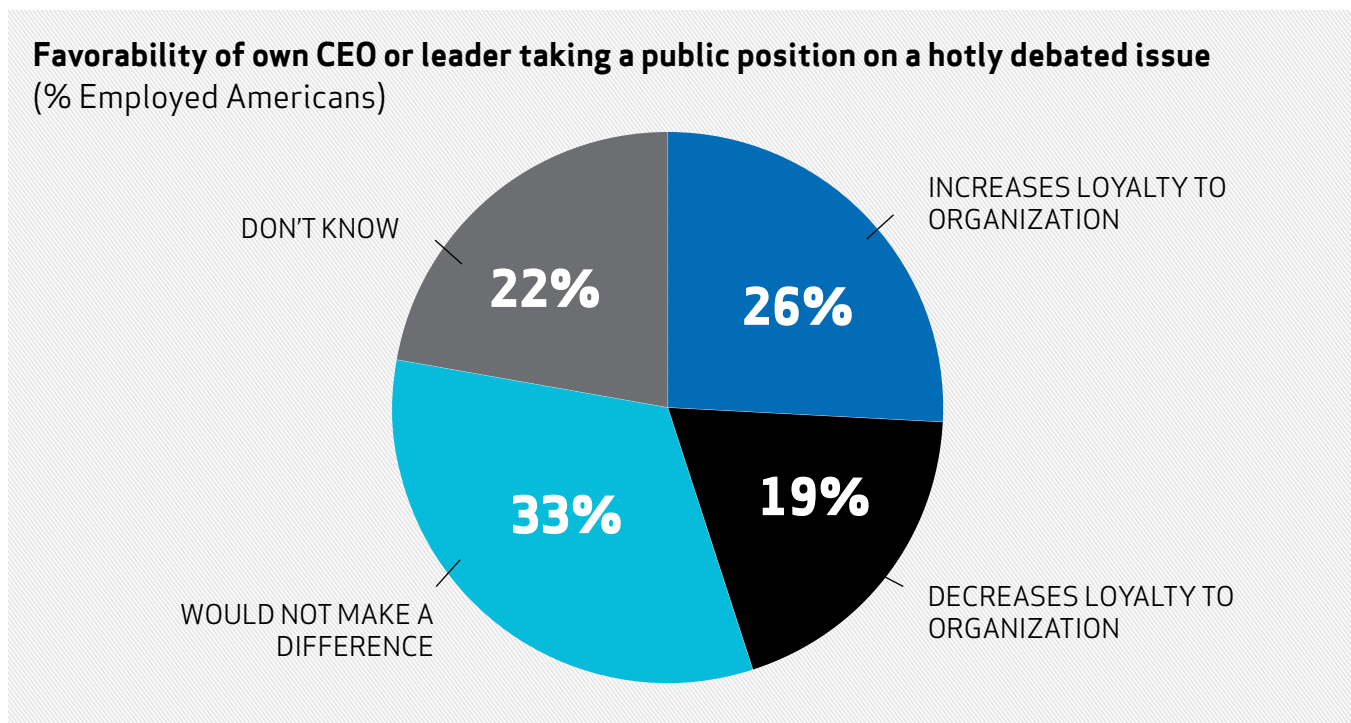


3. CEO Activism Tests Company Loyalty

As in the case of customers, the effect of CEO activism on employees' loyalty has to be considered. While approximately one in four employed Americans (26%) say that they'd feel more loyal if their own CEO took an activist stance, nearly one in five (19%) say their loyalty would erode. Moreover, a fairly large segment of employees — 55% — report being ambivalent, with one-third (33%) reporting they would not be affected and nearly one-quarter (22%) remaining undecided. Such uncertainty might reflect discomfort with taking sides

that could pit one employee against another or a lack of employer engagement.

In any event, CEO activism appears to bind employees but can risk the loyalty or potentially sow dissension within a segment of company employees. Tapping into the pulse of the workforce prior to taking a stand on societal issues is recommended.



“This new strain of activism affects not only the reputations of both CEOs and their enterprises, but also the willingness of people to buy from and work for a company.”

MICHO SPRING, GLOBAL CORPORATE PRACTICE CHAIR, WEBER SHANDWICK





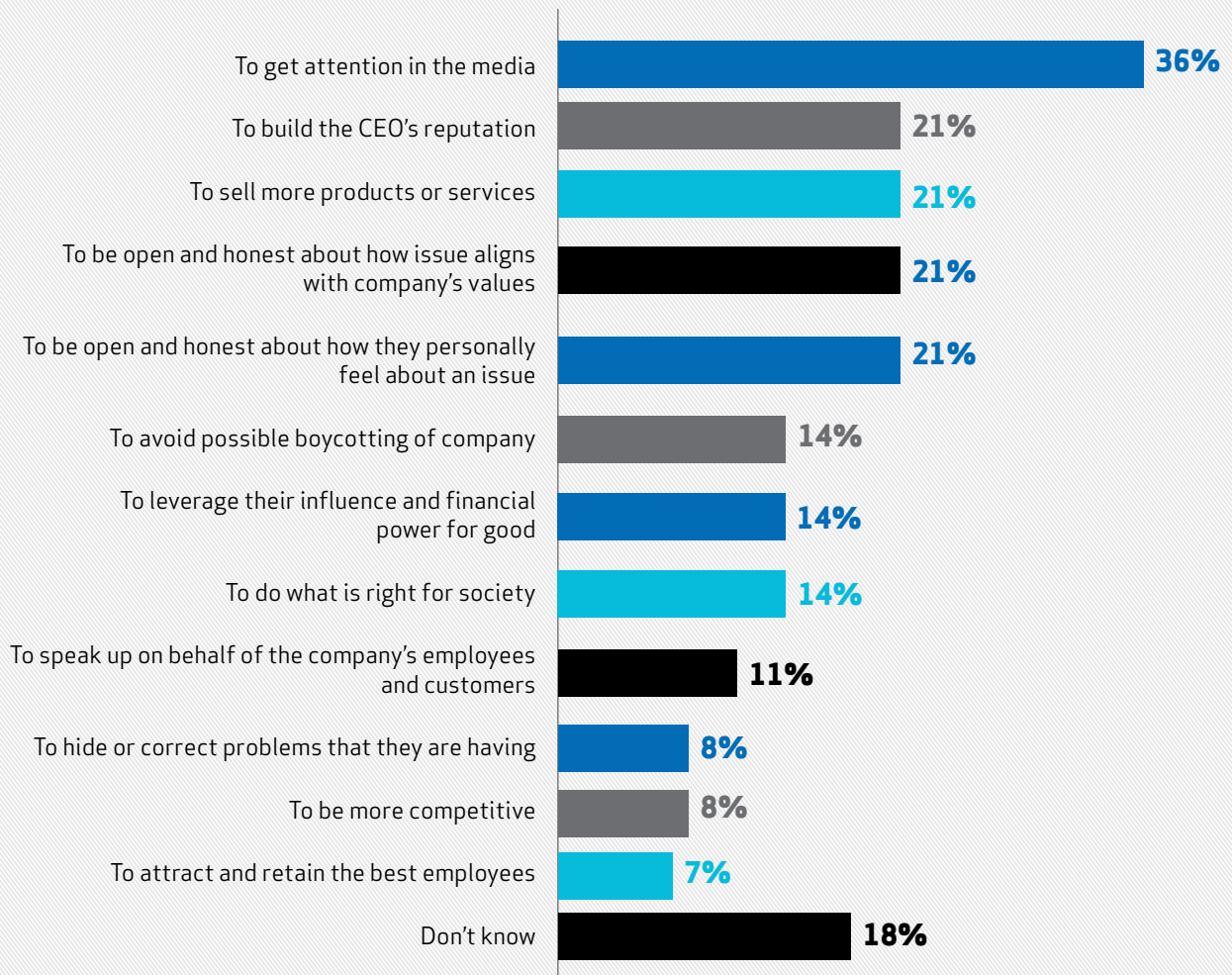
4. Americans Are Unsure of the Motivations Behind CEO Activism

The public does not credit CEOs' altruism for taking public positions on hotly debated issues. Perhaps anti-CEO and anti-big business sentiment in this country flows from the "anti-establishment" views of the electorate so frequently touted by media pundits.

Whatever the reason, the public appears to be in an anti-CEO, anti-business mood when it comes to CEO motivations. The study shows as much. Americans believe the top reason for CEO activism is "to get media attention" (36%). The second

most common reason is "to build a CEO's reputation" (21%). Only 14% cite "to do what is right for society" and slightly fewer — 11% — cite "to speak up on behalf of the company's employees and customers." At the bottom of the list is "to attract and retain the best employees" (7%). Clearly, if CEOs want to signal that employee well-being is at the heart of their activism, their message is not resonating. Interestingly, a fairly large segment of Americans — nearly one in five (18%) — report not entirely understanding why CEOs are voicing their opinions in the first place.

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



This cynical view as to why CEOs speak out is surprising given the explanations offered by some CEOs for why they feel compelled to take a public stand on certain issues. The point is, even if a CEO speaks out from the heart, the public is not likely to acknowledge his or her good intentions without a demonstrable strength of conviction. One such appeal that effectively made clear the view of a CEO came from Internet media company BuzzFeed's Jonah Peretti. He made the bold decision to reject over one million dollars in advertising revenue from the Republican National Committee because of presumptive Republican Presidential nominee, Donald Trump. Peretti's specific argument was that Trump's policies would be bad for his employees and, in turn, his company. In this case,

Peretti made clear the link between his business decision and his personal convictions as a reason to act.

Media attention, the most often cited motivation, may of course not necessarily be a total negative since activist CEOs are after all attempting to bring attention to an issue that they wish to influence. Nevertheless, many Americans think that CEOs speak up out of self-interest, whether it be seeking media attention or building personal reputations. At the very least, CEOs need to make their rationale for participation in this type of public dialogue crystal clear in an attempt to overcome public cynicism. CEO communications must be repeatable, memorable and understandable.

Hello BuzzFeeders,

I wanted to share with you a business decision we have made regarding the Trump for President campaign and why we made it.

In April, the Republican National Committee signed an agreement with BuzzFeed to spend a significant amount on political advertisements slated to run during the Fall election cycle. As you know, we accept advertisements from both republican and democratic candidates and we were pleased to accept this advertising order from the RNC.

Since signing this advertising deal, Donald Trump, as you know, has become the presumptive nominee of his party. The tone and substance of his campaign are unique in the history of modern US politics. Trump advocates banning Muslims from traveling to the United States, he's threatened to limit the free press, and made offensive statements toward women, immigrants, descendants of immigrants, and foreign nationals.

Earlier today BuzzFeed informed the RNC that we would not accept Trump for President ads and that we would be terminating our agreement with them. The Trump campaign is directly opposed to the freedoms of our employees in the United States and around the world and in some cases, such as his proposed ban on international travel for Muslims, would make it impossible for our employees to do their jobs.

We don't need to and do not expect to agree with the positions or values of all our advertisers. And as you know, there is a wall between our business and editorial operations. This decision to cancel this ad buy will have no influence on our continuing coverage of the campaign.

We certainly don't like to turn away revenue that funds all the important work we do across the company. However, in some cases we must make business exceptions: we don't run cigarette ads because they are hazardous to our health, and we won't accept Trump ads for the exact same reason.

Thanks,

Jonah



5. Millennials Are More Likely to Give a Thumbs Up to CEO Activism

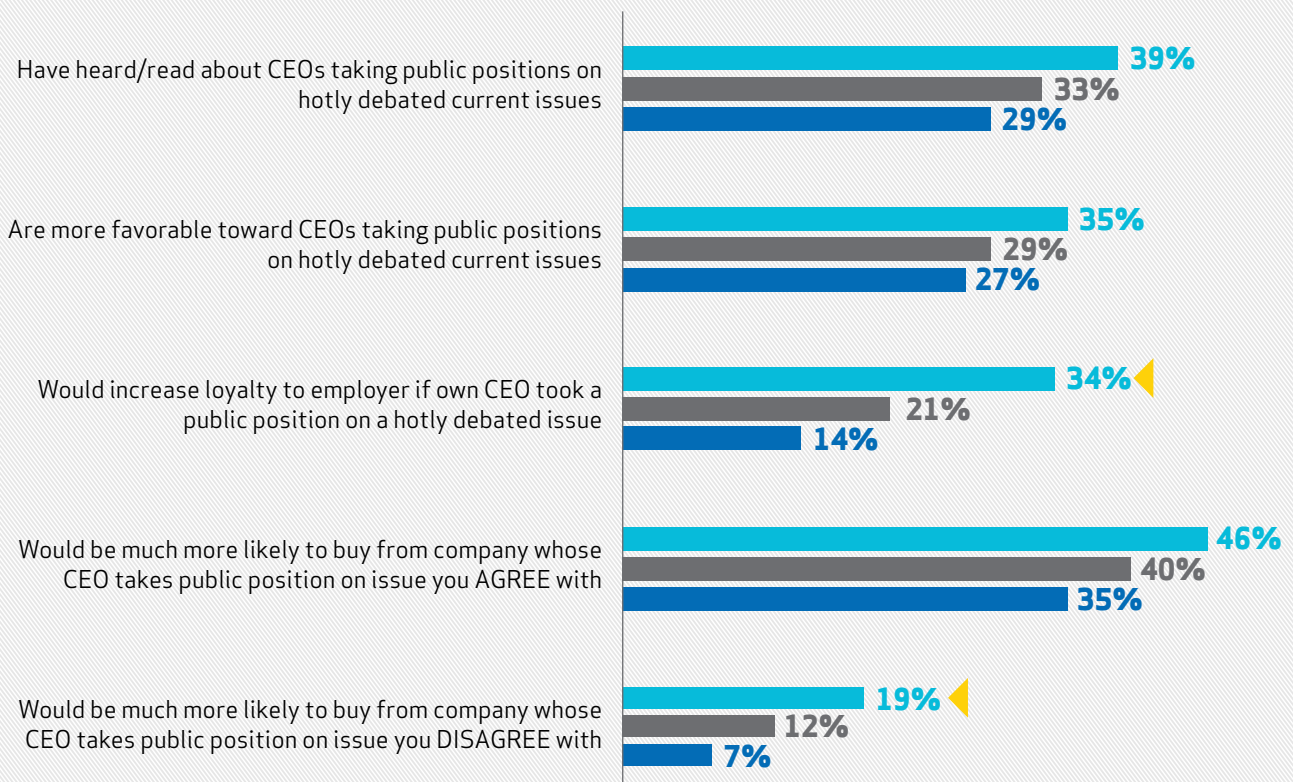
Millennials (18-35 year-olds) are the generation most inclined to favor CEO activism. They are more likely than other Americans to be aware of CEOs having taken public positions on controversial issues, to feel favorably toward CEOs who speak out, to profess loyalty to their companies if their CEOs speak out, and to say that they will buy from companies whose CEOs take a public position.

The position taken by a CEO, however, once again matters. Millennials are more than twice as likely to buy from

companies whose CEOs take positions they agree with than from companies with CEO positions they disagree with (46% vs. 19%, respectively). Even so, Millennials nevertheless seem in favor of CEOs standing up for something, whether it aligns with their own point of view or not. Perhaps Millennials, who grew up with and are intrinsically connected to social media, are used to wearing their opinions on their sleeves (or online) and are more comfortable with leaders who do the same.

Generational attitudes toward CEO activism

■ MILLENNIALS (18-35) ■ GEN XERS (36-51) ■ BOOMERS (52-70) ◀ SIGNIFICANTLY HIGHER THAN OTHER GENERATIONS



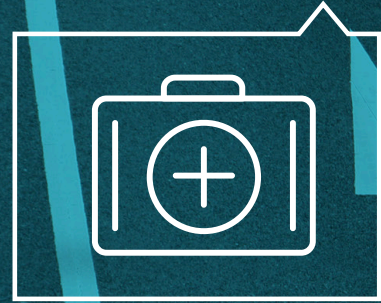
Our finding that Millennials are more accepting of CEO activism than other generations is a justification for heightened CEO activism, especially if a company wishes to focus upon this particular generation to attract as employees or to market to. If a company has other generations to seriously consider, CEO activism must be handled carefully.

A Word of Millennial Caution: Millennials may favor CEO activism but they are just as cynical as other generations regarding a CEO's underlying motivations. All generations cite somewhat unflattering reasons as to why CEOs speak out on controversial issues.

These findings reinforce the need for better communications from CEOs and their companies regarding their commitment to the issues they choose to speak up about.

Top 3 reasons CEOs take public positions, by generation

	MILLENNIALS (18-35)	GEN XERS (36-51)	BOOMERS (52-70)
#1	To get attention in the media (34%)	To get attention in the media (40%)	To get attention in the media (37%)
#2	To sell more products or services (24%)	To sell more products or services (23%)	To be open and honest about how they personally feel about an issue (23%) To be open and honest about how an issue aligns with their company's values (23%)
#3	To build the CEO's reputation (21%) To be open and honest about how they personally feel about an issue (21%)	To build the CEO's reputation (18%) To be open and honest about how an issue aligns with their company's values (18%) To do what is right for society (18%)	To build the CEO's reputation (22%)



12 Guiding Principles for CEO Activists

When a CEO speaks out on a controversial issue, there are potential advantages and disadvantages. Companies need to have a firm understanding of the attitudes of their key stakeholders, both internal and external, on hotly debated issues before engaging in CEO activism. Companies and their leaders need to deliberate about speaking out on controversial issues of the day, carefully select those to be addressed and strategically plan how to address them. Weber Shandwick suggests that leaders and their companies first consider the following rules of the road:


- 1. CEO activism is just getting started.** Recognize that CEO activism is an emerging trend that is only going to increase.
- 2. Establish a link between the issue and the company's values and business.** For a CEO's activism to enjoy credibility and rally support, it is important to over-articulate why this issue is related to the company's mission and values.
- 3. Consider employees.** Assess how employees will be impacted by the CEO's stance and gauge their support. If some employees disagree with the CEO's position, will they feel excluded, less productive, less loyal? Make sure there is a plan for employees who might want to opt out of aligning with the CEO's position.
- 4. Ensure market intelligence is up-to-date.** Taking a public position on a hot-button issue may not be fully understood or endorsed by all stakeholders, such as investors, customers, alumni, suppliers, etc. A vulnerability audit and polling among key stakeholders is highly recommended.
- 5. Discuss the pros and cons with the board.** Boards do not like surprises.


- 6. Conduct a risk-benefit analysis on the effects on company reputation.** Dan Cathy, CEO of restaurant chain Chick-fil-A, provides a cautionary tale. The CEO publicly voiced his personal opposition to same-sex marriage, stating that gay marriage was inviting “God’s judgment on our nation.” Although speaking out on personal grounds, Chick-fil-A restaurants became a lightning rod for activists on both sides of the issue. Since CEOs are inextricably tied to their organization’s reputation, it is next to impossible today for a CEO to take a personal stand that does not impact a company’s reputation.
- 7. Fully commit the time and resources.** Big issues require long-term, bold and focused dedication. Expect CEO activism to take up valuable executive time, a CEO’s most competitive asset. Expect it to come with a price tag.
- 8. Look in the mirror.** Make sure there are no skeletons in the closet related to the issue that the CEO is speaking up about. If your company needs to make improvements, say so before your critics do.
- 9. Find partners to gather momentum.** Consider engaging other business leaders or experts in the cause. Marilyn Carlson Nelson worked to encourage other travel industry leaders to adopt anti-trafficking standards through her activism. In 1999, she helped found the World Childhood Foundation with Queen Sylvia of Sweden to defend the rights of children around the world. And in 2004, Nelson led Carlson Companies to be the first U.S. travel company to sign the travel industry’s Code of Conduct to protect children from sexual exploitation in travel and tourism. There are now 40 U.S. companies who have signed on.
- 10. Consider the channels, messages and tone of voice used.** Ensure that the reasons behind the CEO’s public stance are clearly and transparently articulated and voiced over time, not just one time when the issue first appears in the news. It can never be communicated often enough. Test out where customers will be listening and use a human voice.
- 11. Have a crisis preparedness plan for a potential social media firestorm.** Social media and the 24/7 news cycle require companies to operate at lightning speed. Media inquiries, Facebook and Twitter activity, social flash protests, employee questions and NGO backlash are all but guaranteed when CEOs bump up against politically charged issues. CEOs should expect that their social media teams will be fully overloaded and need to be prepared and supported.
- 12. Develop a thick skin. Expect the pitchforks to come out.** As much as there will be genuine support and admiration for a CEO’s activism, the criticism can be stinging as well. Learning how to not flinch will be critical.


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Other Resources on CEO Activism:

[Starbucks' "Race Together" Campaign and the Upside of CEO Activism](#), *Harvard Business Review*, March 24, 2015

[When CEOs Become Activists](#), Harvard Business School, April 20, 2016

[The CEO Reputation Premium: Gaining Advantage in the Engagement Era](#), Weber Shandwick & KRC Research, 2015