



Kelley Institute for Corporate Governance Public Lecture Series

November 9th, 2023





CEO Activism

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Eller College of Management – University of Arizona



Presentation Outline

- What is CEO activism?
- Examples of CEO activism
- Review of the existing literature
- Employee Responses to CEO Activism (Mkrtchyan, Sandvik, & Xu, WP)
- Open questions for brilliant minds
- Q&A

What is CEO Activism?

- The practice of CEOs taking public positions on environmental, social, and political issues not directly related to their business (Larcker, Miles, Tayan, & Wright-Violich, 2018; Chatterji & Toffel, 2019).
- Firms express public support for or in opposition to one side of a partisan (possibly divisive) sociopolitical issue, a phenomenon called “corporate sociopolitical activism/involvement” (Nalick, Josefy, Zardkoohi, & Bierman, 2016; Bhagwat, Warren, Beck, & Watson, 2020; Burbano, 2021).
- The practice of corporate leaders to sometimes take public stances on issues such as race relations, gender equality, or climate change (Hambrick & Wowak, 2021; Melloni, Pataconi, & Vikander, 2023).
- The practice of CEOs taking public stances on social, environmental, and political issues that are often unrelated to their core business operations and that may (or may not) be accompanied by actions (Mkrtchyan, Sandvik, & Zhu, 2023).



What is CEO Activism? – Examples



[OUR WORK](#) [RESOURCES](#) [GET INVOLVED](#) [ABOUT](#)

[IN YOUR AREA](#)

[← PRESS RELEASES](#)

The Washington Post
Democracy Dies in Darkness

ON LEADERSHIP

Chick-fil-A CEO Dan Cathy steps into gay-marriage debate

The Washington Post
Democracy Dies in Darkness

Opinion | Tim Cook: Pro-discrimination 'religious freedom' laws are dangerous

By Tim Cook

March 29, 2015 at 8:21 p.m. EDT



What is CEO Activism? – Examples

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LEADERSHIP · LEADERSHIP NEXT

Levi's CEO on why it's important to take a stand as a business leader

BY MCKENNA MOORE

September 1, 2020 at 2:30 AM MST



LEVI STRAUSS & CO.

Who We Are Sustainability in Action Living Our Values News Investors

Work With Us



Values

The Facts Behind Our Gun Violence Prevention Efforts

Unzipped Staff

June 5, 2019

Levi Strauss & Co.

Share



As we get ready to [wear orange](#) on June 7 to mark National Gun Violence Awareness Day, we wanted to share an update on our own commitment to help end the gun violence epidemic in America.



What is CEO Activism? – Examples

The image shows a screenshot of three tweets from 2017, illustrating CEO activism. The top tweet is from Chuck Robbins (@ChuckRobbins), a Cisco executive, who expresses pride in Cisco's Dreamforce event and calls for the US Congress to address the DACA situation. The middle tweet is from Bank of America News (@BofA_News), featuring a quote from Brian Moynihan, CEO, who states that individuals covered by DACA contribute to communities and encourages Congress to resolve the issue. The bottom tweet is from Lloyd Blankfein (@lloydblankfein), CEO of Goldman Sachs, who states that immigration is a complex issue that must be addressed and mentions the #DACA hashtag. The tweets are displayed in a grid-like fashion, with some overlapping. The Bank of America tweet includes a portrait of Brian Moynihan and a quote in red text. The bottom of the tweets shows engagement metrics like hearts, replies, and copy link options.

Chuck Robbins (@ChuckRobbins) · Follow
So proud of @Cisco #Dreamforce we need the US Congress to address the situation....
8:37 AM · Sep 5, 2017

Robert Iger (@RobertIger) · Follow
Rescinding DACA is cruel and does not contribute to our economy and we must act fast to protect them!
1:52 PM · Sep 5, 2017

Lloyd Blankfein (@lloydblankfein) · Follow
Immigration is a complex issue that must be addressed. #DACA
1:47 PM · Sep 5, 2017
3.6K hearts, Reply, Copy link, Read 179 replies

Bank of America News (@BofA_News) · Follow
Brian Moynihan: Individuals covered by #DACA live in and contribute to communities BofA serves. We encourage Congress to resolve.
2:47 PM · Sep 5, 2017
139 hearts, Reply, Copy link, Read 5 replies

*"The individuals covered by the terms of the DACA program live in and contribute to the neighborhoods and communities across our country that we serve every day. We encourage Congress to resolve this issue in a manner that allows those contributions to continue and our communities to thrive."
-Brian Moynihan, Chief Executive Officer*



What is CEO Activism? – Examples

☰ **CNN** politics SCOTUS Congress Facts First 2024 Elections

Walmart, Amazon, Sears, eBay to stop selling Confederate flag merchandise



the #ChKing 🍔 says LGBTQ+ rights!

during #pride 🏳️🌈 month (even on Sundays 🙄) your chicken sandwich craving can do good! we are making a donation* to @HRC for every Ch'King sold 🏳️🌈

9:02 PM · Jun 3, 2021 · Twitter for iPhone

Utah Sen. Mike Lee says Delta, Coca-Cola should apologize for criticizing new GOP Georgia election law



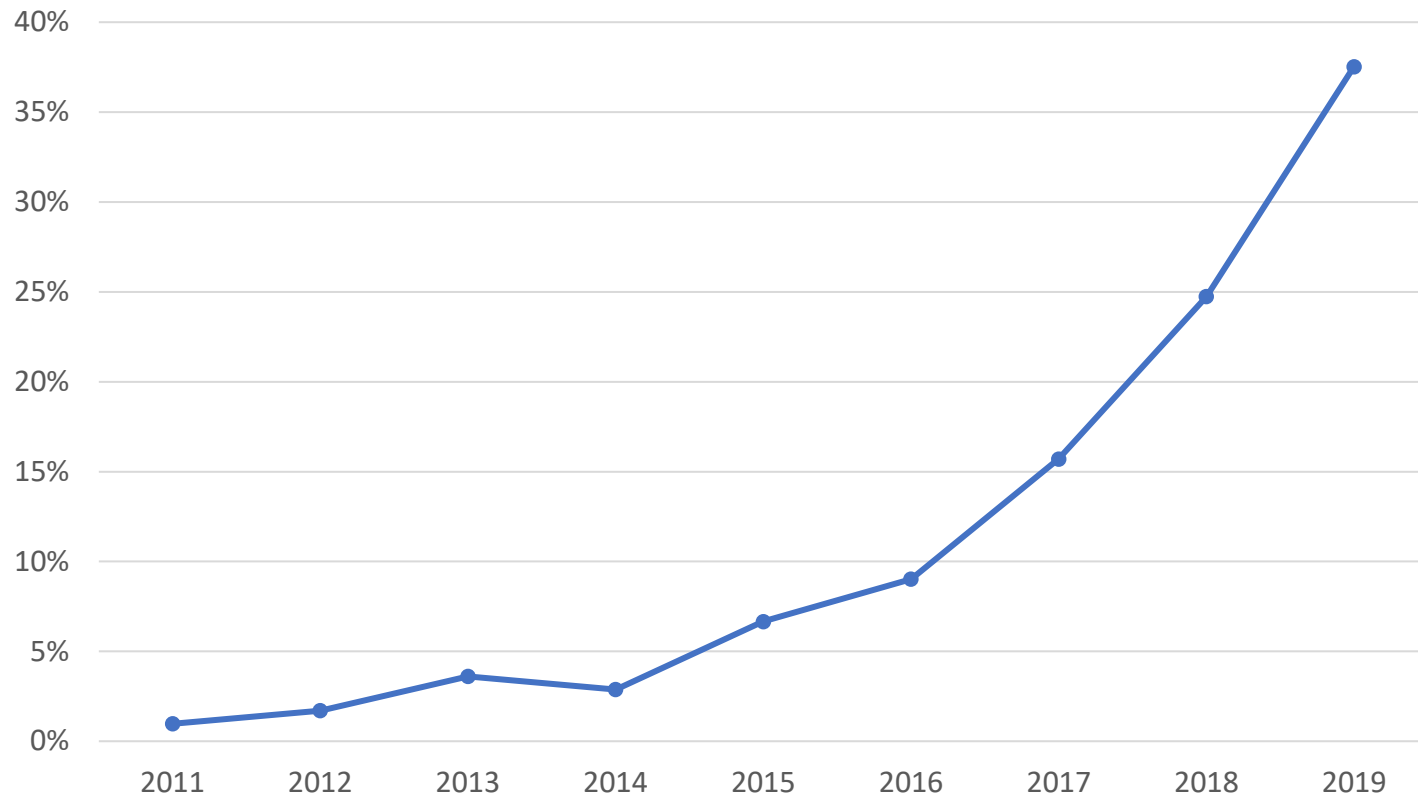
What is CEO Activism? – Examples

Target becomes latest company to suffer backlash for LGBTQ+ support, pulls some Pride month clothing



Trends in CEO Activism

Fraction of S&P 500 Firms that Engage in CEO Activism at Least Once in a Given Year



(Mkrtchyan, Sandvik, & Zhu, 2023)



Research on CEO (Corporate) Activism

Predictors of Activism

- Chatterji & Toffel (2018, HBR)
- Larcker, Miles, Tayan, & Wright-Violich (2018, RCGC)
- Hambrick & Wowak (2021, AMR)
- Mkrtchyan, Sandvik, & Zhu (2023, MS - forth.)

Investor Reactions

- Bhagwat, Warren, Beck, & Watson (2020, JM)
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How CEOs respond: three types of tactics

Traditional	Nonconfrontational Lobby behind the scenes Contribute to campaigns Communicate internally with employees Do nothing
Activism	Raising awareness Issue a statement or tweet Write an op-ed Seek to spur public action via trade associations Exerting economic influence Relocate business activities Pause business expansion Fund political and activist groups

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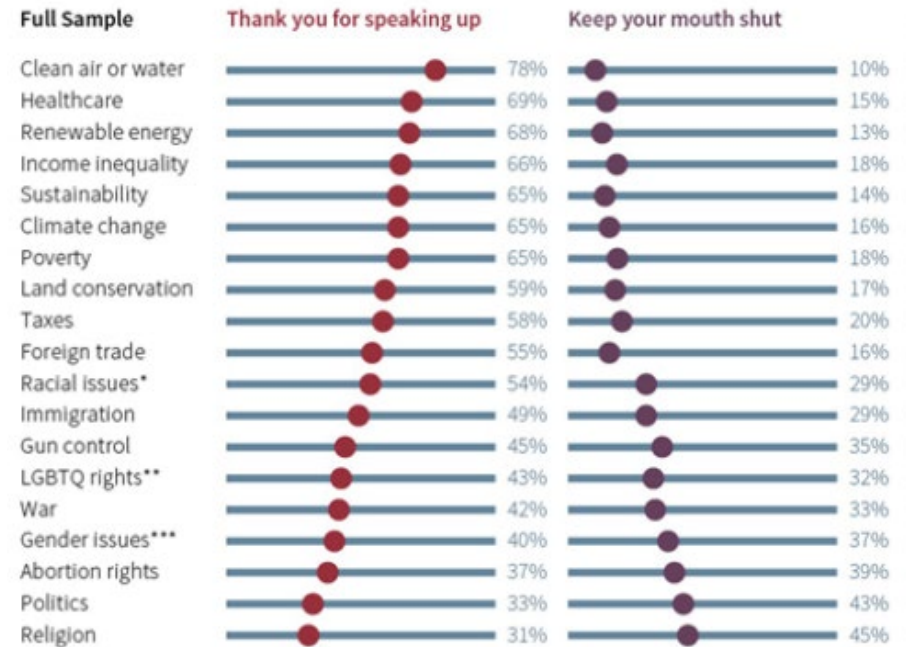
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In general, what is your reaction to CEOs who are publicly vocal about the following issues?
(Sorted by favorability)



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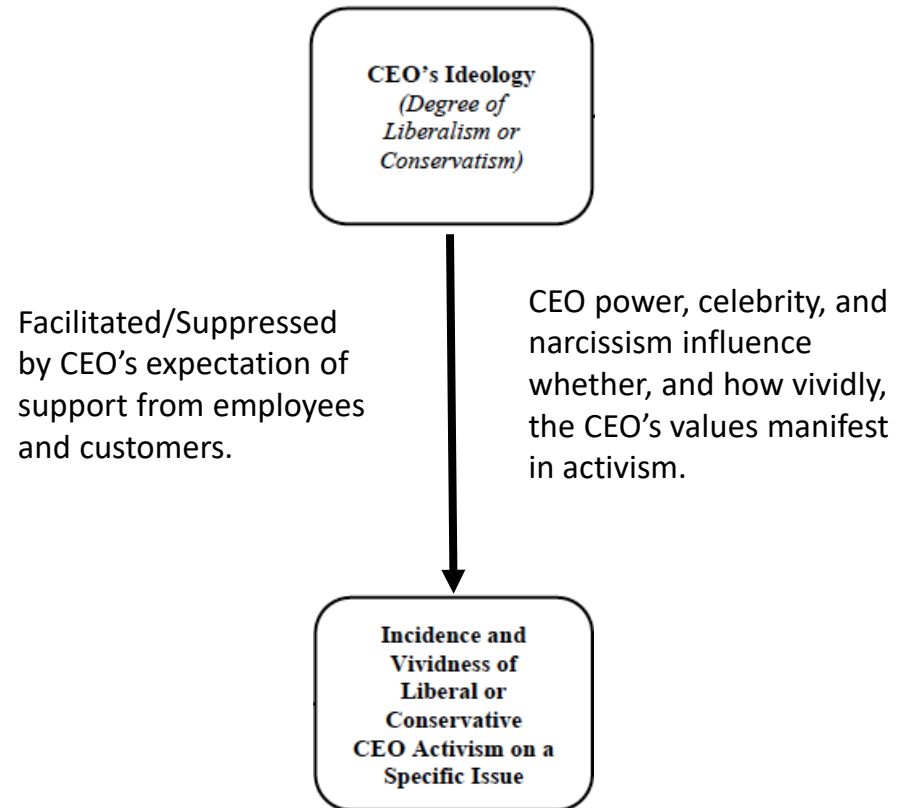
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Stakeholder Alignment Model



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	=1 if liberal activism		
	Full (1)	CEO (2)	Firm (3)
<i>Democratic leaning & alignment</i>			
CEO democratic leaning	0.425** (1.99)	1.515*** (3.58)	0.432** (1.96)
Employee democratic leaning	0.308 (0.62)	1.021 (0.92)	0.171 (0.33)
Customer democratic leaning	1.343* (1.75)	-1.320 (-0.93)	1.476* (1.85)
Investor democratic leaning	-2.430 (-1.06)	16.446* (1.91)	-3.576 (-1.55)

	=1 if activism	
	Full (4)	Full (5)
Democratic leaning alignment	0.119** (2.00)	
Strong alignment		0.284** (2.37)

CEO celebrity status and CEO power also appear to be strong predictors of activism likelihood.

Also, firms with younger CEOs, those that are larger, and those with higher CSR scores.



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Variables

N = 293

	Hypotheses	
CSA–Customer Deviation	H _{2a}	–
CSA–Employee Deviation	H _{2b}	–
CSA–Government Deviation	H _{2c}	–
CSA–Brand Deviation	H ₃	
Action	H ₄	–
CEO Announcement	H ₅	–
Business Communication	H ₆	+
Coalition Size	H ₇	+



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- Conduct an event study around **CEOs resigning from President Trump's advisory council (26)**.
- **Shareholders react negatively** to the decision to resign.
 - Consistent with a fear of weakening their firm's political influence.
- Resignation decision seems to be **driven more by a CEO's personal political ideology** than the firm's CSR initiatives.
- Managers are more likely to resign when they are protected via the firm's corporate governance rules.

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Ln (Quarterly
Sales Revenues)

(1)

CEO Actitivism _{q-1}	0.016***
	(0.003)
CEO Actitivism _{q-2}	0.015***
	(0.005)
CEO Actitivism _{q-3}	0.007*
	(0.004)



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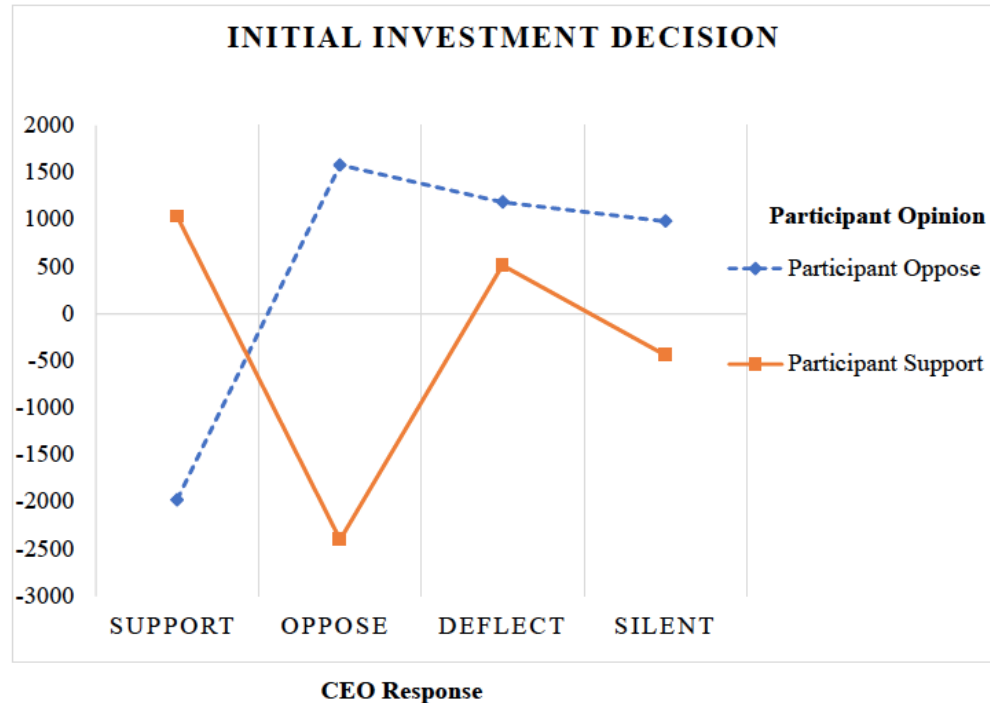
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Panel D. CEO activism vs firm activism

	CEO tweets vs news & firm tweets	Pro-active vs Reactive	Unrelated vs related
	(1)	(2)	(3)
<i>CEO activism</i>	N=216	N=436	N=885
CAR [0]	0.11%*	0.08%	0.05%*
CAR [0:1]	0.24%**	0.23%**	0.12%**
CAR [0:2]	0.42%***	0.23%**	0.16%***
<i>Firm activism</i>	N=1,186	N=966	N=517
CAR [0]	0.06%**	0.07%**	0.08%**
CAR [0:1]	0.10%***	0.09%**	0.16%**
CAR [0:2]	0.14%***	0.14%***	0.20%**
<i>Difference</i>			
CAR [0]	0.05%	0.01%	-0.03%
CAR [0:1]	0.14%	0.14%	-0.04%
CAR [0:2]	0.28%	0.08%	-0.04%



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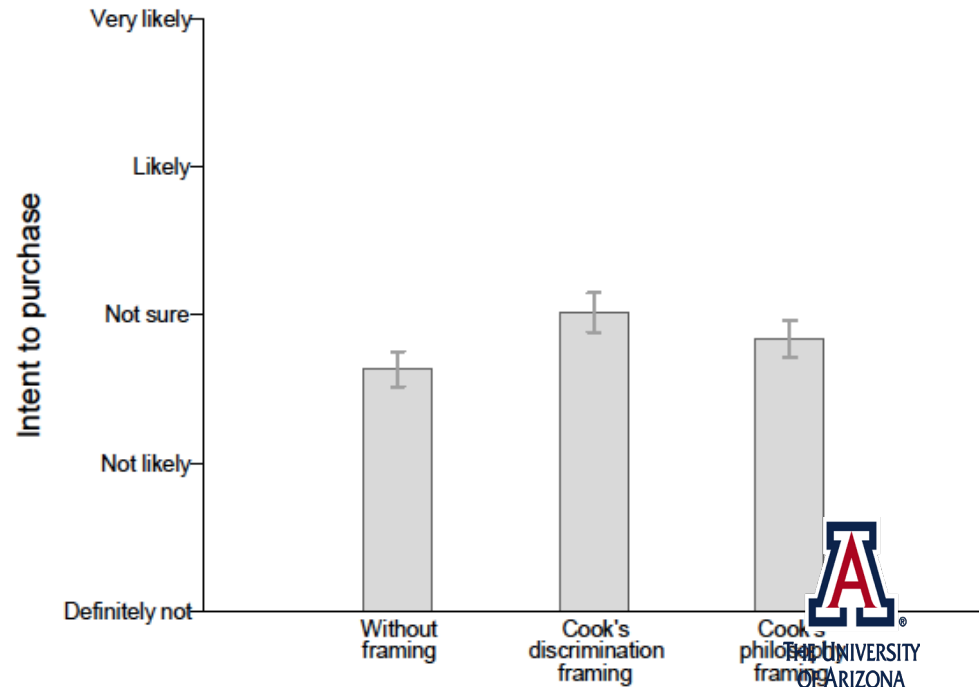
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Intention to purchase question with no framing (unframed condition)	How likely are you to buy Apple products in the near future?
Intention to purchase question with Cook discrimination framing	Apple CEO Tim Cook recently expressed his concern about Indiana's new law about religious freedom because he believes the law may allow discrimination against gays and lesbians in that state. How likely are you to buy Apple products in the near future?
Intention to purchase question with Cook business-philosophy framing	Apple CEO Tim Cook recently said his management philosophy was to focus on people, strategy, and execution. How likely are you to buy Apple products in the near future?

Figure 2. Intent to purchase after three alternative framing conditions



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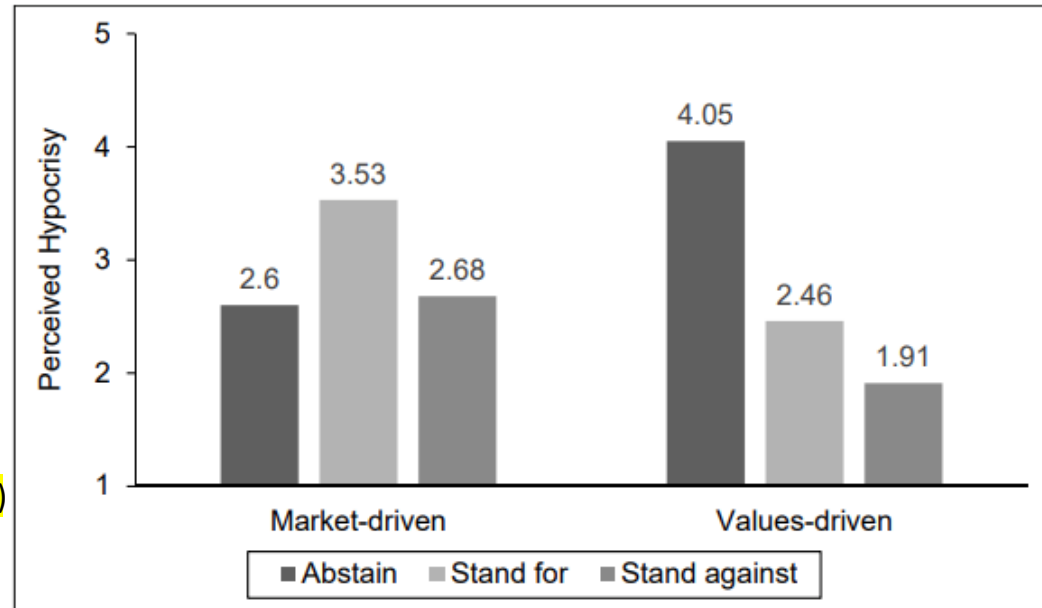
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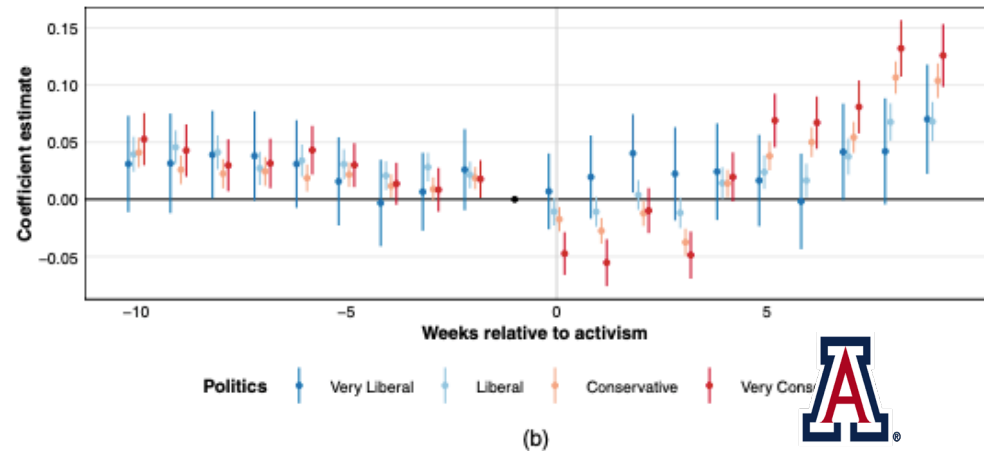
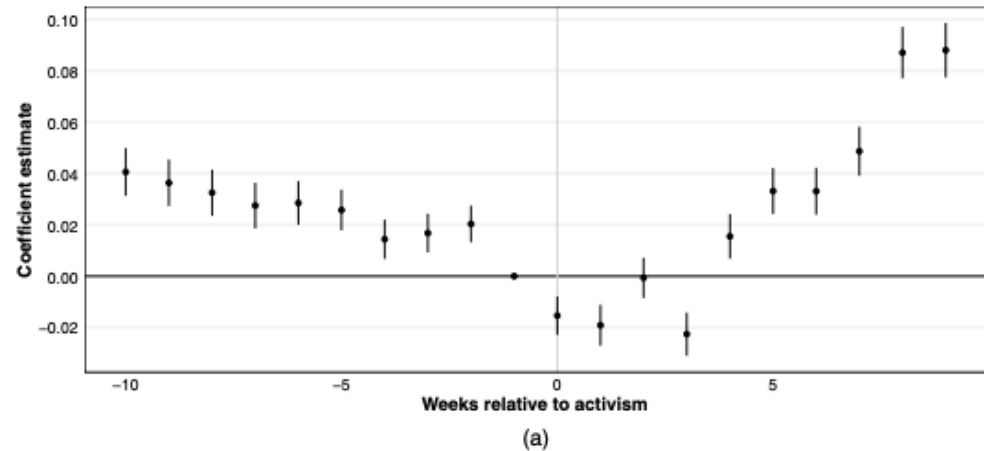


FIGURE 4 Effects of CEO activism by week. (a) Pooled analysis and (b) Effects by country affiliation



THE UNIVERSITY
OF ARIZONA

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TABLE 1 Main features of the CEO activism equilibrium.

1. Credible CEO activism creates firm value	If a CEO was unable to communicate her sociopolitical views, firm profits would be π_{LC} . CEO activism increases firm profits to π_C
2. But wokewashing destroys some of the potential value	If wokewashing was impossible, a liberal CEO type would earn π_L , and a conservative CEO type would earn π_C . With wokewashing, both types earn π_C (which is less than π_L)
3. Clear stances are rewarded, ambiguity is not	The profitability of remaining silent, π_{LC} , is lower than the profitability of either activist stance
4. Most activist CEOs take liberal stances	More CEOs tend to take liberal stances than conservative stances, because of wokewashing. As a result, most activist companies appear to be “woke”
5. However, returns from different activist stances are similar	If one activist stance was more profitable than another, some CEOs would have an incentive to misrepresent their type. Wokewashing tends to equalize the returns from different activist stances
6. CEO activist stances convey information, but only asymmetrically so	In a CEO activism equilibrium, a liberal CEO type is more likely to use liberal messaging than a conservative CEO type, and a conservative CEO type is more likely to use conservative messaging than a liberal type. However, conservative messaging perfectly reveals that a CEO is conservative. The same is not true for liberal messaging, because of wokewashing
7. Close link between CEO communications and product market strategy	When the CEO sends a liberal message, the firm serves only a niche market of (engaged) liberal consumers. When the CEO sends a conservative message, the firm serves only a niche market of (engaged) conservative consumers. When the CEO remains silent, the firm serves a mass market of (relatively disengaged) liberal and conservative consumers

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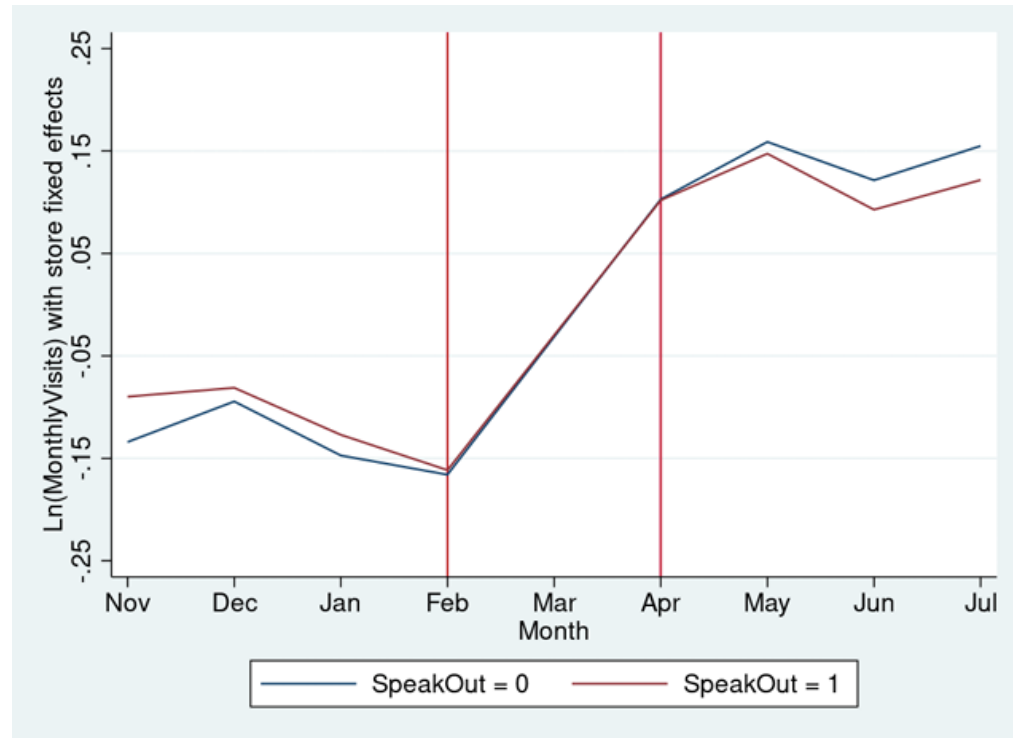
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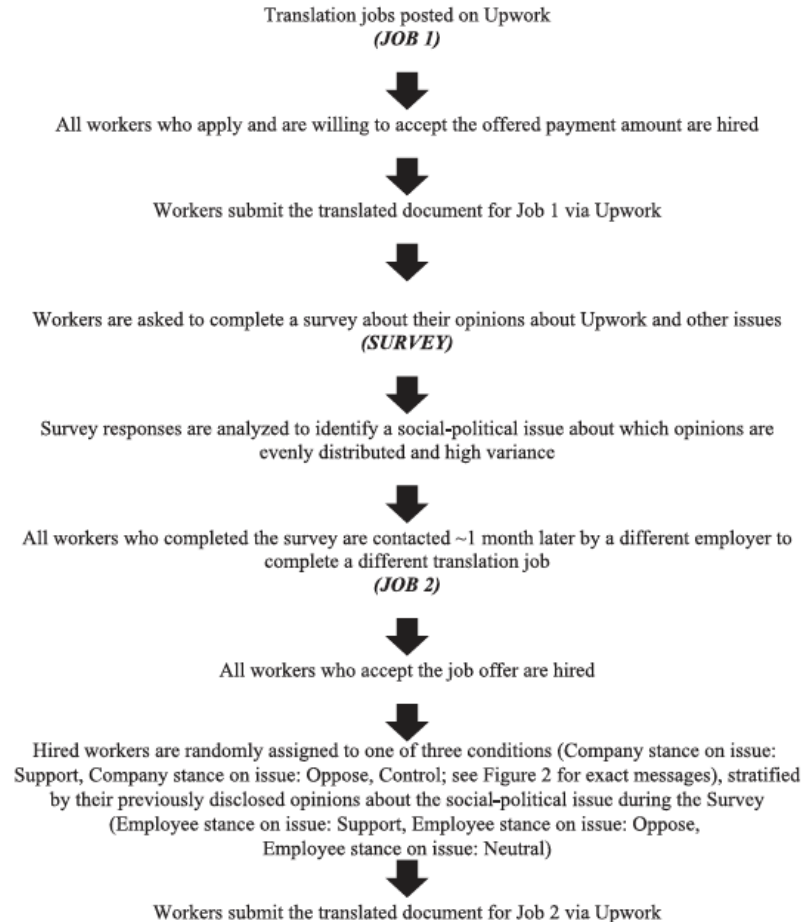
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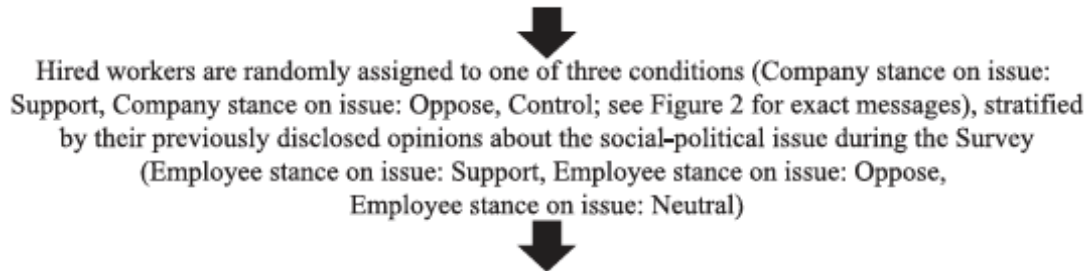
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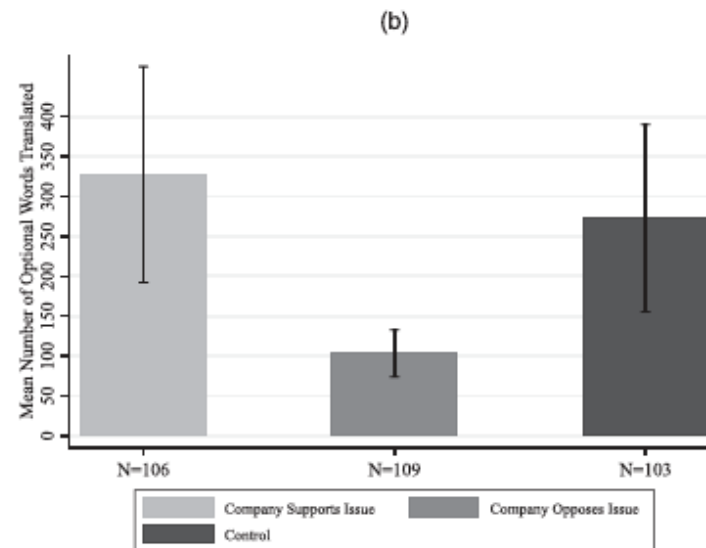
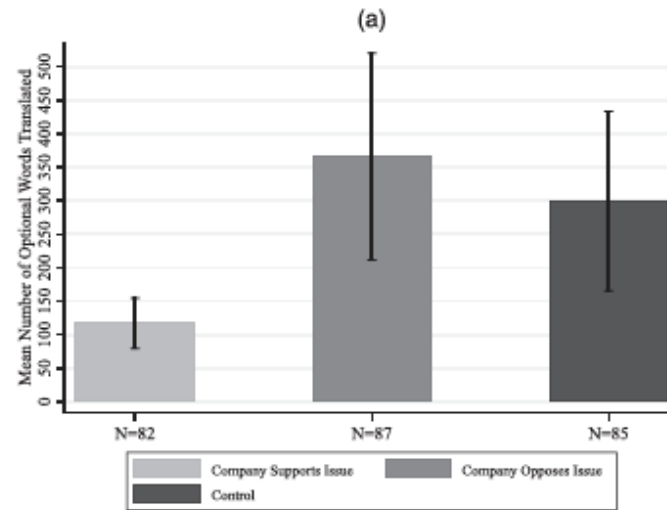
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	(III) Organizational Commitment		(IV) Support for Liberalism	
	Coefficient	p-value	Coefficient	p-value
Primary independent variables				
CEO signed	-0.644	0.000	-5.589	0.047
Organizational liberalism	-0.200	0.344	2.936	0.445
Signed × Org. liberalism	1.086	0.000	8.142	0.027



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“Employee Responses to CEO Activism”

Theoretical Link

- Melloni et al. (2023)
 - Employees may incur non-pecuniary benefits (costs) from working for leaders whose ideological leanings align (don't align) with their own.
- Hambrick and Wowak (2021)
 - CEO activism may drive the attraction-selection-attrition process.
 - CEO activism may “sharpen” the firm’s culture (e.g., cultural values/norms)

Anecdotal Evidence

- “... consumers and employees alike want their ... CEOs to take a stand on issues that are important to them because they feel these “brand stands” have true societal purpose and impacts (Carufel, 2018).”
- Chip Bergh received hate mail and threats from his own employees in response to his stance against gun violence (Noguchi, 2018).



Sample of CEO Activism Events

- S&P 500 firms from 2011–2019
- Scrape Google News and Twitter; 1,402 activism events
 - RAs classified many details of each event
- Four broad categories of event topics:
 - 32% – diversity; 35% – environment; 7% – politics; and 26% – other
 - 74% have a liberal leaning; 25% – neutral, and 1% – conservative

Category	Keywords
Diversity	discrimination, ethnicity, glass ceiling, harassment, inclusion, racial, religion, gay marriage, homosexual, lesbian, LGBT, same-sex
Environment	clean air, clean water, environment, pollution, renewable, carbon tax, climate change, global warming, land conservation, Paris accord
Politics	debt ceiling, Democrat, fiscal cliff, government shutdown, Republican, tariffs, taxes, Brexit, Clinton, Obama, travel ban, Trump
Other	dreamers, equal pay, healthcare, human rights, indigenous people, Nazi, pay gap, poverty, prison, violence, war, abortion, gun, immigration, Obamacare, refugee, supremacists, #keepfamilies together.



Summary of the Results

1. Glassdoor Reviews (overall rating, top management, culture)
 - Positive relation between CEO activism and employee sentiment
 - Driven by activism that's workplace-relevant
2. Inventor Relocations (using patent filing data)
 - Greater inflows of inventors relative to outflows
 - Incoming inventors are more productive than departing inventors
3. Activist Stances Align with Subsequent Corporate Practices
 - Hire more underrepresented inventors and executives
 - Smaller gender pay-gaps among executives
4. Indirect Effect on Firm Value



1. Glassdoor Reviews

	Overall rating	Top management	Culture
	(1)	(2)	(3)
# of activism events (t – 1)	0.015*** (3.18)	0.019*** (3.73)	0.024*** (4.30)
Year and industry fixed effects	Yes	Yes	Yes
Number of observations	3,148	3,144	2,801
Adjusted R-squared	0.283	0.181	0.246

Controls: ln/assets, stock return, ROA, asset tangibility, leverage, R&D/sales, stock volatility, HHI, CSR index, Fortune's 100 best, negative event dummy, SG&A/employees, high-paying firm, corporate culture, CEO-employee alignment, CEO celebrity status, CEO narcissism, CEO/Chair duality, CEO tenure, CEO age, CEO gender, CEO democratic leaning

Robust when including: (i) state fixed effects; ii) interaction of industry and year fixed effects; iii) restricting employee reviews only to those that mention at least one of our keywords; iv) inclusion of the Corporate Equity Index scores given to each firm by the HRC.

The effect is stronger when:

more directly related to workplace (diversity, pay-gap)

hierarchically closer to CEO (managers vs. rank-and-file)

Also find evidence of a reduction in ratings dispersion.



1. Glassdoor Reviews – Endogeneity

	Overall rating	Overall rating	1 st stage: # of activisms	2 nd stage: Overall rating
	(1)	(2)	(3)	(4)
# of activism events	0.013** (2.02)	0.012*** (2.71)		0.144** (2.45)
Ever activism		0.101*** (3.26)		
Board activism exposure			0.342*** (3.23)	
Other firm and CEO controls	Yes	Yes	Yes	Yes
Industry and year fixed effects	Yes	Yes	Yes	Yes
Entropy balanced sample	Yes	No	No	No
Number of observations	3,148	3,148	3,148	3,148
Adjusted R-squared	0.371	0.289	-	0.180



2. Inventor Relocations

	New Hires	Leavers	Net Hires	New Hires	Leavers	Net Hires
	(1)	(2)	(3)	(4)	(5)	(6)
# of activism events	0.503*** (3.18)	0.304* (1.92)	0.199* (1.75)	1.276*** (3.69)	0.595* (1.78)	0.681** (2.06)
Other firm and CEO controls	Yes	Yes	Yes	Yes	Yes	Yes
Year and industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Gao and Zhang (2017)	No	No	No	Yes	Yes	Yes
Number of observations	3,570	3,570	3,570	3,570	3,570	3,570
Adjusted R-squared	0.295	0.305	0.057	0.346	0.310	0.089

- Incoming inventors appear to be more productive than departing inventors (# of patents, citations, generality).
- Firm-level innovation outcomes increase in the wake of CEO activism.



3. Credibility of CEO Activism

	Newly Hired Underrepresented Workers			
	Inventors	Executives	Inventors	Executives
	(1)	(2)	(3)	(4)
# of activism events	0.011** (2.29)	0.020*** (3.44)		
# of activism events–diversity			0.037** (2.44)	0.095** (2.02)
Other firm and CEO controls	Yes	Yes	Yes	Yes
Year and industry fixed effects	Yes	Yes	Yes	Yes
Number of observations	3,570	3,312	3,570	3,312
Adjusted R-squared	0.295	0.027	0.296	0.027

	Ln (1+TDC1)	
	(1)	(2)
# of activism events	-0.044 (-1.23)	
# of activism events × Female dummy	0.035 (1.09)	
# of activism events–pay gap		-1.067*** (-3.20)
# of activism events–pay gap × Female dummy		0.559** (2.34)
Female dummy	-0.196*** (-3.66)	-0.176*** (-3.36)
Other firm and CEO controls	Yes	Yes
Executive characteristics and board controls	Yes	Yes
Year and industry fixed effects	Yes	Yes
Number of observations	1,065	1,065
Adjusted R-squared	0.467	0.482



4. Implications for Firm Value – Path Analysis

	Path= Satisfaction	Path= Innovation
	(1)	(2)
Total Effect		
r (# of activism events, Tobin's Q)	0.058*** (3.04)	0.058*** (3.04)
Direct Path		
p (# of activism events, Tobin's Q)	0.047** (2.42)	0.047** (2.42)
Percentage	81.0%	81.0%
Mediated Path		
p (# of activism events, Path)	0.016*** (3.45)	0.118** (2.35)
p (Path, Tobin's Q)	0.253*** (3.79)	0.059*** (2.64)
p (# of activism events, Path) × p (Path, Tobin's Q)	0.004** (2.54)	0.007* (1.66)
Percentage	6.9%	12.1%
Controls	Yes	Yes
Number of observations	3,538	
Akaike's information criterion (AIC)	26,113	

Main Takeaways

- Employees respond positively to CEO activism in aggregate.
 - These positive effects seem to be driven by workplace-related activism.
- Firms with more instances of CEO activism have:
 - Higher Glassdoor ratings
 - Higher net inflows of more productive inventors
 - Higher levels of innovation
- No evidence of “activism washing”
 - Hiring behaviors and pay-gaps align with the stances that CEOs take
 - CEOs that “talk the talk” seem to “walk the walk”
- Improvements in employee satisfaction and innovative output due to CEO activism appear to contribute to increased firm value.



Open Questions for Brilliant Minds

- CEO activism is a new phenomenon, and the behavior is still evolving.
- CEO activism is never randomly assigned to firms (self-selection issue).
 - So many early studies have conducted experiments



Open Questions for Brilliant Minds

- CEO activism is a new phenomenon, and the behavior is still evolving.
- CEO activism is never randomly assigned to firms (self-selection issue).
 - So, many early studies have conducted experiments.
 - But another source of variation to exploit—how much attention do certain CEO activism events receive (might be a bit more random).
 - e.g., explosion of attention that Anheuser-Busch received
- BUD stock price dropped, but we don't yet know the long-run effects.
 - Are there long-run benefits to being a first mover on social issues?
 - Maybe not if salience is low, but maybe if long-term salience is high?
- Credibility: Behind the scenes donations/lobbying vs. public proclamations



Open Questions for Brilliant Minds

- Rainbow-washing (woke-washing more broadly)
 - Only supporting LGBT causes during June?
 - Contacted Pride organizations at the beginning of this project.
 - Some interest, but May of 2020 (lost traction)
 - Some Pride organizations vet prospective corporate sponsors to ensure genuineness.
 - In the time-series, when do corporations determine it is the right time to begin showing support?
- How much of the activism that we observe is a CEO's personal stance vs. a corporate PR/marketing strategy?
- Given the wide range of stakeholders impacted by these issues, can a case be made that these are (nearly) all business issues?
 - If keeping employees/customers content is a "business issue," then maybe CEO activism is highly business-relevant.





Thank you!

Q/A.

Please contact me with any questions or comments:
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