When Silence is Golden: The Risks of Corporate Activism for Employee and Consumer Response

Executive Summary written by: Kate Lee
Original Research by: Margaret Gorlin, Nirajana Mishra, Jennie Liu and Nathan Novemsky
April 2024

y✳SIM

Increasingly consumers and employees have said that they want companies to take action on social issues.[1] However, recent cases involving major corporations like Disney, Hallmark, and AB InBev reveal that corporate activism - publicly supporting a socio-political stance - can provoke significant backlash, increase polarization, and affect employee and consumer engagement. Companies are under mounting pressure to engage in social issues but often lack data-driven insights to understand when activism supports or hinders organizational goals.

Research Objectives and Key Questions

Our research, conducted in the Spring of 2024, investigated three critical questions to guide leaders navigating corporate activism:

1. How do consumers and employees respond to companies taking a stance on divisive social issues?
2. How do these reactions change when companies remain silent?
3. What effect, if any, does providing a justification for stances have on stakeholder reactions?

Study Overview and Methodology

Through five studies involving over 9,500 participants (four employee-focused and one consumer-focused), we examined stakeholder responses for samples of mostly separate but equal-sized groups of liberal (Democrat) and conservative (Republican) participants. The studies explored six issues, with three generally supported by liberals (LGBTQ representation, transgender athletes' rights, climate change action) and three generally supported by conservatives (gun rights, enforcement of legal immigration, and binary gender definition). Each study used only a subset of issues, and all scenarios and reactions were hypothetical, with the scenarios crafted to mimic recent announcements. Student participants were asked to imagine they were employees responding to these crafted announcements.

Key Insights

Key insights emerged from this research. First, the data consistently showed that corporate activism on polarizing issues leads to a stronger negative reaction from opponents than the positive reaction it generates from supporters, resulting in a net negative impact. For instance, when participants were told to imagine they were employees and read a hypothetical announcement from a company supporting transgender athletes' rights, liberals interest in continuing to work for the company increased by 26 percentage points (from 34% for the top two boxes in the silent condition to 60% for the top two boxes in the announcement condition), while conservatives' interest dropped by 55 percentage points (from 69% for the top two boxes in the silent condition to 14% for the top two boxes in the announcement condition), creating a "net harm" of 29 percentage points. Similarly, when

---

[1] Weber Shandwick / KRC Research / Powell Tate / United Minds. " 'Speak Up,' Americans Demand of Corporate Leaders," https://webershandwick.com/news/speak-up-americans-demand-of-corporate-leaders?tpcc=NL_Marketing. Accessed January 11, 2024.

_y_✳SIM   Yale SCHOOL OF MANAGEMENT

participants considered a company's announcement supporting climate change initiatives, conservatives' interest in continuing to work for the company decreased by 78 percentage points, while liberals' interest declined by only 11 percentage points. A similar asymmetry of response was also observed for issues related to LGBTQ representation, climate change, and gun rights. This further illustrates the potential for net harm when a company's stance on polarizing issues elicits a significantly stronger negative response from opponents than the positive response it generates from supporters.

The Value of Silence and Consistency

Overall, we generally saw a net benefit to company silence for the issues we studied. However, silence often negatively impacted stakeholder interest when companies had a previous history of activism. For instance, when a company with an activist history remained silent on a liberal issue, liberal employee interest dropped from 18% to 11% when a company with an activist history remained silent. For a conservative issue like gun rights, conservative interest dropped by 10 percentage points (from 58% to 48%) when the company opted for silence despite past activism. This pattern underscores the importance of historical consistency in corporate activism: when a company deviates from its previous stance---whether by speaking out or remaining silent - stakeholders may interpret it as a break in authenticity, affecting overall engagement.

Limited Impact of Justifications

Our studies also tested various justifications for corporate stances tailored to appeal to stakeholders (customers, employees, investors, and society). Across these studies, justifications generally did not substantially reduce negative reactions from opponents, indicating potential challenges and limitations in using justifications to soften negative responses.

These findings shed light on the complexities of corporate activism and its risks, especially for companies with ideologically diverse stakeholders. For organizations with polarized stakeholder bases, the asymmetry in reactions suggests a need to weigh potential drawbacks carefully against expected benefits. Not all firms may have such a polarized consumer or employee base, and those with a more lopsided base may have greater permission to speak out without harm.

Recommendations for Corporate Leaders

Our research suggests distinct recommendations based on stakeholder composition. Companies with ideologically aligned audiences face potentially lower risks in taking a stance and may engage in activism with greater latitude. For organizations with diverse stakeholder bases, tracking issue polarity over time is essential, as evolving social sentiments can impact optimal timing for announcements. These companies should maintain consistency with past patterns of activism or silence while keeping in mind stakeholder composition when taking a stand. The broader social context and sentiment around issues should also factor into decision-making. Those choosing to remain silent should be particularly mindful of their activism history, as deviations from established patterns can significantly impact stakeholder engagement.

Further research is recommended to expand our understanding of corporate activism and explore the generality of these results. For example, future studies could systematically explore the polarity of

𝒚✳SIM

Yale SCHOOL OF MANAGEMENT

various issues and how this impacts response patterns. Additionally, examining how shifting social sentiments influence stakeholder reactions and investigating various ways of framing announcements to reduce perceived polarity could have interesting implications for how corporations might continue to engage in social activism while mitigating net harm.