Risky business: Taking a stand on social issues

Laurence G. Weinzimmer a,*, Candace A. Esken b

a Foster College of Business, Bradley University, 1501 West Bradley Ave., Peoria, IL 61625, U.S.A.
b E.J. Ourso College of Business, Louisiana State University, 2700 Business Education Complex, Baton Rouge, LA 70803, U.S.A.

KEYWORDS
Corporate social responsibility; Consumer behavior; Social issues; Barilla; Boycotts; Brand reputation

Abstract When company executives take a stand on social issues, the repercussions can be significant. Not only does the company run the risk of alienating employees, but taking a stand on a controversial issue can impact the company’s image and ultimately consumer purchasing behaviors. However, research on corporate social responsibility generally supports the notion that when companies get involved in societal issues, it can positively influence bottom-line financial performance. This article evaluates the advantages and disadvantages of taking a corporate stand on sensitive social issues and suggests guidelines that leaders should consider to increase the probability of success. Specifically, we found that oftentimes it is not the stand a leader takes but rather how that leader takes that stand. Moreover, we encourage business leaders to consider the delicate balance between fiduciary responsibility and social activism, to use a strategic approach, and to understand the legal repercussions before taking a stand on a social issue.

© 2016 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

1. Risky business: Taking a stand on social issues

Howard Schultz, CEO of Starbucks, walks a very fine line between his fiduciary responsibility to his stakeholders and his social advocacy role in fostering discussions regarding race relations, education, same-sex marriage, and gun control. Steve Cook, CEO of Apple Computers walks the same fine line between his CEO role and his opposition to religious objection bills. While it is now commonplace for CEOs to publically take positions on controversial social issues (Dodd & Supa, 2014), oftentimes the CEO and social activist roles do not mesh particularly well.

Historically, certain select business leaders have taken stands on social issues. For example, in the late 18th century, industrialist Josiah Wedgewood played a key role in the abolitionist movement by taking a stand against the slave trade (Guyatt, 2000). In the early 20th century, Henry Ford took a stand and supported the Women’s Suffrage Movement by allowing regional meetings to be held in his home (Curcio, 2013). In the 1940s, businessman Branch Rickey took a stand against racial inequality
by signing Jackie Robinson to play for the Brooklyn Dodgers. He put major league baseball in the center of the civil rights movement (Lowenfish, 2009).

However, until recently, most business leaders have avoided becoming deeply involved in social issues, as this type of behavior has been viewed as distracting from a company’s primary purpose. But in the past few years, there has been a shift as business leaders have been experiencing mounting pressure to weigh in on social issues, a pressure that is coming not only from employees but also from the consuming public. The Global Strategy Group (2012) surveyed 806 consumers and found that 72% believe it is appropriate for companies to take a stand on social and political issues. Using a sample of 4,875 respondents, the Edelman Trust Barometer (2010) found that 76% of consumers believe that companies should take an active role in influencing socio-political issues. Whether a company uses a planned strategy to take a stand on a social issue or a company leader makes a spontaneous remark, the result is the same—the company may be put in the middle of a highly publicized debate and the corporate image and reputation can be affected (Dodd & Supa, 2014). Business leaders have brought their organizations not only into the news but also into potential political debate when their companies decide to take positions on social topics.

1.1. An illustrative example of taking a stand

Recently, there have been numerous examples illustrating the prevalence of corporate involvement in socio-political debates. Marriage equality is a particularly salient example due to the attention it receives in the media and its elevation to international dialogue. When issues such as this one become influential and prevalent, many organizations and their leaders choose to participate in the debate. What we find is that the different consequences for organizations are dependent upon whether the organization decides to take a position and the actual position it takes and upon whether the organization holds firm to its position when challenged by stakeholder groups.

Consider what transpired in the pasta industry in September of 2013. Barilla Group, the world’s largest producer of pasta, made public remarks regarding same-sex marriage. When asked in an interview whether Barilla would include a same-sex couple in its advertisements, Guido Barilla, the chairman of the international pasta company, stated that Barilla would “never do (a commercial) with a homosexual family” because their company supports the idea of “a classic family where the woman plays a fundamental role” (Heller, 2013, p. 1). Both consumers and, interestingly, competitors were quick with their responses to the public stand taken by Barilla. The very same day of the interview, activists and politicians launched a boycott of Barilla products, and by mid-afternoon the hashtag #boicottabarilla (boycottbarilla) was trending on Twitter (Lettore, 2013).

The next day, three of Barilla’s largest competitors took to the media to express their support of same-sex marriage. Buitoni posted an image on Facebook of tortellini used as the male and female gender symbols (♂ and ♀) to depict both opposite- and same-sex couples with text that translates to “Pasta for all” (St. Amand, 2013, p. 1). Garofalo released an advertisement that depicted penne and bowtie pasta arranged in various coupleings with the caption, “To us, it doesn’t matter with whom you do it, it only matters that you do it al dente” (Ford, 2013, p. 1). Finally, Bertolli Germany posted imagery on its social media pages pushing the slogan, “Love and pasta for all!” (McVeigh, 2013, p. 1). A spokesman for Bertolli’s social media agency claimed that the company wanted to “welcome everyone, especially those with an empty stomach.” The most interesting aspect of competitors’ reactions to Barilla’s public remarks on same-sex marriage is that all three did not directly mention Barilla or the incident that occurred the day before. Rather, they all focused on a legitimate business issue, the inclusivity of customers, rather than on exclusively taking a stand on same-sex marriage. Consequently, the responses of Barilla’s competitors were highly effective and received a great deal of support from consumers, who praised the inclusive imagery while simultaneously proclaiming their intentions to boycott Barilla products.

When consumers boycott a company, they are threatening the company’s public image and reputation, which can ultimately hurt the bottom line. Guido Barilla quickly became aware of the negative impact his words had on the public and issued several apologies. One was posted the same day as the interview. The other was in the form of a video posted on the website of the family-owned pasta giant. In his message, Barilla states that he has seen the reactions to his interview and was depressed and saddened by the feedback. Further, Barilla promised to educate himself on the evolution of the family and reflect that in his organization (Grindle, 2013).

The quick recovery made by Barilla prevented the company from experiencing potentially severe negative consequences. In fact, Barilla’s aggressive campaigns in the year following the interview put the company in a favorable light because the
company chose to act on the grievances. Had Barilla not disassociated itself from the exclusionary statements made, the company may have seen a significant drop in revenues resulting from a decrease in customer support.

This recent incident in the pasta industry is particularly illustrative of the impact organizations can have when taking a stand on social issues and highlights several important points. First, it is unlikely that Barilla would have received negative feedback from consumers or competitors if Guido Barilla had refrained from making comments regarding same-sex marriage. Before the interview and taking a stand on marriage, Barilla Group held the position as the world’s largest pasta producer. It therefore seems as though there are times when it is appropriate to refrain from taking a position on social issues. However, the statements made by Barilla in the interview served as a catalyst for the quick responses of consumers, activists, and competitors. This highlights the second major point: once an organization takes a stand on a social issue, it increases the likelihood that others may follow by taking a stand on that same topic. In this case, Barilla’s competitors wasted no time capitalizing on consumers’ negative reactions by sharing their own positive, inclusive views on marriage equality. Therefore, when taking a stand on social issues, one organization’s misstep may become a competing organization’s chance to improve its competitive position.

The third and final point highlighted in this example is how organizations manage the consequences of taking a stand on a social issue. Barilla could have chosen to own its position and accept the possibility of losing the support of some consumers while simultaneously gaining support from stakeholders who held similar views. However, this is a risky move, and there is no guarantee the advantages will outweigh the disadvantages. Barilla could have tarnished its reputation permanently and, over time, felt the impact on its bottom line. As it is, this example illustrates how an organization can turn a mistake into an opportunity.

From this example, it is evident how an organization like Barilla may unintentionally include itself in dialogues on social issues. Further, we see how competitors (e.g., Buitoni, Garofalo, Bertolli) may purposefully elect to express their political opinions on a potentially controversial social topic to leverage opportunities to gain market share. Therefore, how a company takes a stand may influence outcomes. Barilla directly focused on a social issue, while its competitors focused indirectly on the same issue but framed their position in a consumer context.

2. The role of cause-related marketing

The overarching concepts of corporate ethics and corporate social responsibility (CSR) have been widely studied and debated (Maon, Lindgreen, & Swaen, 2009). Research attempting to determine the effect of CSR on firms’ financial performance has been conducted (e.g., Tsoutsoura, 2004), including a meta-analysis that produced evidence showing the strong positive effect of CSR on the financial performance of organizations (Orlitzky, Schmidt, & Rynes, 2003). Others have been able to show the positive influence of CSR on organizations’ share prices (Cochran & Wood, 1984) and market values (Mackey, Mackey, & Barney, 2007). With all the mounting evidence showing the positive impact of CSR on the financial performance of organizations, the question is not whether firms should be concerned with CSR anymore but rather how they should participate in CSR initiatives.

Interestingly, while CSR has received considerable attention, its focus on organizations taking stands on social issues is still somewhat limited. Business organizations have increased their involvement in politics and political movements for various reasons (Schuler & Rehbein, 1997). Mohr (1996) argues that organizations sometimes express opinions on social issues to obtain political and business advantages. By gaining such advantages, an organization can be better positioned to compete in the market. This rationale, however, is contingent upon a firm having socially responsible practices for purposes beyond achieving short-term gain. Husted and Allen (2000) underscore this reason when they explain that organizations allocate resources to obtain long-term social objectives and to produce a competitive advantage through their use of CSR programs dealing with political involvement. Dodd and Supa (2014) argue that corporate social advocacy, defined as instances when a business leader takes a stand on a socio-political issue, is unequivocally a form of CSR.

Drumwright and Murphy (2001) take a slightly different view about why business leaders take positions on social topics. This alternate theory states that organizations can utilize their CSR initiatives as a marketing tool, a practice referred to as cause-related marketing (CRM). Ptacek and Salazar (1997) define CRM as an organization leveraging its financial resources to support a charity or utilizing its resources to promote a social cause. Varandarajan and Menon (1988) describe these CRM strategies as CSR initiatives that “do better by doing good.” Consumers have been found to respond very positively to CRM, sometimes without even knowing it (Nan & Heo, 2007). When CRM is
used properly to communicate an organization’s position on a social topic, it can lead to a long-term competitive advantage (Collins, 1993).

2.1. Impact on reputation

Regardless of the reasons, organizations that practice CRM, specifically expressing opinions on social topics, ultimately impact their brand reputation (Bronn & Vrioni, 2001; Brown & Dacin, 1997; Creyer, 1997). Corporate reputation has been widely studied in the marketing literature (Page & Fearn, 2005), and it has been found that an organization’s brand reputation is derived from its ability to successfully fulfill multiple stakeholders’ expectations (Freeman, 1984). Stakeholder’s expectations, as discussed above, are not simply based on traditional business functions, such as providing a product or service. According to Branco and Rodrigues (2006), an organization’s CSR initiatives may have a pivotal impact on brand reputation with nearly every single stakeholder. Therefore, the effect of CSR, as communicated through CRM, can be a key factor in determining corporate reputation (Worcester, 2009). Indeed, we see from the earlier example the negative impact on corporate reputation when Barilla made comments that did not support the inclusion of same-sex married couples in its branding. Competitors were able to use the opportunity to stake their own reputations as organizations that support different types of families.

2.2. Reputation and purchasing behavior

The link between reputation and consumer behavior is well researched and has demonstrated that an organization with a positive reputation is more likely to be supported by consumers (Brown & Dacin, 1997; Creyer, 1997; Ross, Stutts, & Patterson, 2011). Ross and his colleagues (2011) examined the relationship between general corporate reputation and participation in CRM as a way to communicate an organization’s involvement in CSR. In their study, 49% of consumers stated they would purchase products from a particular organization because the organization supports a specific cause. In a study of CRM effectiveness, Robinson, Irmak, and Jayachandran (2012) found that when consumers were given the opportunity to support a specific social issue through the purchase of a product, it increased the likelihood of the purchase.

Related research also provides supportive findings. In a study investigating the financial repercussions of taking a stand on social issues, Dodd and Supa (2014) used a sample of 519 respondents to empirically demonstrate that 80% of a person’s variance in intention to purchase from a company was attributed to the company’s stand on social issues. Using our own sample of 349 respondents, we found that 57% indicated their purchasing decisions were significantly impacted when a company took a political position on a social topic.

Although organizations are taking a risk when declaring their position on social issues—that is, they simultaneously risk losing and gaining consumer support—our results indicate that consumers are more likely to choose a socially responsible organization over an organization that is not socially responsible. Therefore, in the long run it may be more beneficial for an organization to take a stand on social issues. This perspective contends that consumers’ purchasing decisions are in fact shaped not just by product or service attributes but also by the reputation an organization creates based on its CSR initiatives (Boulstridge & Carrigan, 2000).

3. Creating purpose to take a stand on social issues

Given the increasing empirical evidence illustrating how taking a stand on social issues can have a significant impact on an organization, it becomes evident that oftentimes it is not actually what a business leader’s stand is on a social topic that is important as much as how the stand is taken. If an organization takes a stand on a social issue and can purposefully and strategically align the issue with relevant business concerns, consumers tend to be more supportive. Conversely, when a business leader takes a position for the sake of taking a position, the consequences can be detrimental.

When purposefully taking a position on a social issue, business leaders need to consider three key concepts. First, they must align their fiduciary responsibility role with doing the right thing by framing the social issue in a business-specific context. Second, they must consider taking a position on a social issue as a strategic issue. Finally, when taking a position on a social issue, they must perform due diligence to ensure the position does not contradict the law.

3.1. Recognizing fiduciary responsibility to create purpose

There is an ongoing debate about whether a business leader’s primary goal is solely to improve financial performance. Or is it also appropriate for a business leader to contribute to the betterment of society (Dodd & Supa, 2014)? John Hammergren, the CEO of
McKesson Corporation, provides an interesting perspective regarding whether it is acceptable for a CEO to use his/her power to influence social issues. In an interview published by the Committee Encouraging Corporate Philanthropy (2010), Hammargren states that leaders have a fiduciary responsibility to their owners/investors, and if taking a position on a social issue helps a company benefit investors, then it is appropriate. However, he also states the situation becomes much more difficult when taking a social position does not support this primary fiduciary responsibility. For example, when Howard Schultz, CEO of Starbucks, took a stand supporting marriage equality, a large boycott was announced in response. Subsequently, there was significant back- lash at the 2013 annual shareholders meeting in Seattle (Stuart, 2013).

3.2. Balancing fiduciary responsibility

In order to balance fiduciary responsibility with taking a stand on social issues, the research suggests that the issue must somehow be connected to the success of the company. The Global Strategy Group (2012) reveals that while consumers are supportive of firms taking a position on social issues, 56% of consumers also believe it is inappropriate and even irresponsible to take positions on social issues that have nothing to do with the business. Even though there are times when the link between a social issue and company success may be difficult to see, as long as a connection is made, consumers are more accepting. Consider Nordstrom’s CEO, Blake Nordstrom. He was successful in publically advocating for the same rights and protections to be afforded to the LGBT community as are afforded to others. Rather than taking a general stand on the topic, he declared his position by offering life-partner benefits to gay employees and their families. Stated differently, rather than simply taking an outright position on a social issue, he took a stand by specifically connecting that issue to the company.

One indicator that leaders have lost the balance between fiduciary responsibility and supporting social issues is when they speak on behalf of all their employees or even require their employees to individually support a social position. For example, when Tim Cook, CEO of Apple Computers, wrote a 550-word article in the Washington Post condemning the religious objection bills, he specifically stated that these were not only his personal views but that he was speaking on behalf of the company. This resulted in a perceived conflict between fiduciary responsibility and trying to improve society (Chang, 2015).

When Howard Schultz took a stand to improve race relations, not only did he insert Starbucks into the center of a sensitive debate but he put his employees in the mix as well. Schultz asked his baristas to engage with customers on the topic and to write slogans and place stickers on cups of coffee (Kesmodel & Brat, 2015). This can be a risky approach, as the general consuming public overwhelmingly disagrees with this tactic. According to the Global Strategy Group (2012), 89% of consumers believe it is inappropriate for a company to require employees to take a stand on a social issue.

3.3. Using a strategic approach to create purpose

Similar to any other strategic initiative, it is important to assess markets and firm competencies to justify the appropriateness of taking a stand. As with most strategic initiatives, it is first necessary to understand what is going on in the market. However, rather than collecting data on consumer perceptions of a product or a brand, in this scenario, it can be beneficial to assess consumers’ perceptions of the social issue. As discussed earlier, knowing how consumers will react to taking a stand on a social issue may provide important insights into how to balance fiduciary responsibility with improving society. Developing an understanding of key stakeholders’ preferences regarding a social issue may be the way to proactively avoid detrimental consequences for a company when consumers disagree with its position on a social issue.

In addition to understanding consumers’ perceptions, it is also important to understand how the demographics of a target market may influence consumer reactions. For example, one of the most studied demographic differences in terms of the impact of CSR is that between women and men. Much of this discussion is derived from the long held psychological belief that men and woman play different social roles when it comes to consumption patterns and social consciousness (Roberts, 1993). The supporting research infers that women tend to respond more to CSR and an organization’s reputation than men when making purchasing decisions. In fact, studies have even shown that women believe organizations should invest more resources to benefit society rather than just to earn profit (Arlow, 1991). Women have also been found to be more receptive to CSR and CRM than men (Ross et al., 2011).

3.4. Legal ramifications

A final consideration for business leaders before taking a stand on social issues is whether that position will be in conflict with the law. When an organization’s leaders take a position that is in
opposition to the law, it may expose the company to possible liability issues. Similar to balancing fiduciary responsibility, when taking a stand on a social issue that contradicts the law, the position needs to be framed in a business-specific context rather than openly opposing the law. For example, over the last few years, concealed carry laws have changed dramatically. While Starbucks cannot legally refuse to serve customers in many states if they are carrying a concealed weapon, in an effort to support gun-control laws, Starbucks has asked customers to leave their guns at the door when entering a Starbucks’s cafe. Starbucks’ decision to declare guns unwelcome rather than banning them altogether may upset some pro-gun consumers (Jargon, 2013), but it also creates an environment that feels safer and more inviting for other consumers. Moreover, Starbucks is taking a stand on gun control laws without exposing the organization to detrimental legal repercussions.

4. Conclusion

Numerous studies have contended that taking a stand on a social issue may lead to long-term competitive advantages. Therefore, when firms decide to support or oppose specific social issues, they should be aware that their positions may have an impact on business outcomes. Even though there is an overall benefit to firms in terms of perceptions and support when taking a political position, previous research shows that there is a strong effect with regard to whether consumers agree or disagree with the position of the organization.

Insights from this article can be used to assist decision makers in organizations when contemplating taking a stand on a social issue. Organizational leaders should proceed cautiously and consider the potential benefits and risks associated with such an undertaking. An organization may experience increased support from consumers who agree with the political position taken by the organization, but it may simultaneously experience decreased support from those consumers who disagree.

The evidence presented in this article shows that consumers are more likely to support a socially responsible organization over one that is not socially responsible. That is, organizations that participate in CSR initiatives may experience more consumer support in terms of purchasing behavior and positive perceptions compared to organizations that strictly focus on operations. Therefore, while organizations should still weigh the costs, there may be long-term advantages to taking a stand on social issues rather than refraining from any political involvement.

Paying attention to how a company takes a stand as opposed to focusing only on what the stand actually is may help leaders create purposeful and strategic tactics that simultaneously support fiduciary responsibility and address societal problems. Too often, taking a stand on a social issue is driven more by a leader’s personal beliefs rather than his/her fiduciary role in an organization. However, these two perspectives are not mutually exclusive. The better leaders become at aligning their personal beliefs with the best interests of the companies they represent, the more effective taking a position on a social issue will be in improving society and business performance.

References


Risky business: Taking a stand on social issues


