

Social media activism is driving corporate agendas

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Close to half the world's population lives in countries without press freedom, where governments restrict civil activism and individuals have less capacity to exercise their public voice.

The rise of digital media allows social activists to address this challenge, providing new mechanisms to influence public policy. There is also evidence that social media activists are influencing corporate agendas.

In "Mobilization in the Internet Age: Internet Activism and Corporate Response", to be published in a forthcoming issue of the *Academy of Management Journal*, Xiaowei Rose Luo, Associate Professor of Entrepreneurship and Family Enterprise at INSEAD, finds that online activists can elicit corporate responses by threatening a firm's public image.

The authors propose that a particularly potent tactic of Internet activists is triggering and intensifying social comparison, defined as the comparison of firms made by Internet users to evaluate firm behavior.

In a study of 613 large publicly-listed Chinese firms in the aftermath of the deadly Sichuan earthquake in 2008, the authors found the use of tactics which highlighted social comparisons - such as online rankings and articles on corporate donations - was a key mechanism to pressure for corporate response. Companies with greater image vulnerability, such as [real estate](#) firms and those with high social and political standing, were more sensitive and willing to respond by making donations to relief

efforts.

"Powerful and privileged businesses were unable to escape scrutiny. In fact, the lofty standing of companies with politically affiliated executives and high reputation - those typically associated with resources and power - meant they were particularly vulnerable to a threat to their corporate image, drawing instant comparison and higher expectations from [internet users](#)," said Luo.

The Sichuan disaster, which left nearly 70,000 dead and 4.6 million people homeless, triggered a pervasive activist campaign against large corporations and was a turning point in China in terms of corporate philanthropy.

Wang Shi, chairman of Vanke, China's largest real estate development firm, initially pledged two million yuan (US\$290,000) towards the Sichuan disaster relief. When social media noted the difference between Vanke's miserly offering and the more substantial donations pledged by other local and international corporations, the reaction of the community and stakeholders was immediate and negative, affecting both Vanke's public image and its share price; Wang promptly responded, apologizing and offering an additional 100 million yuan (US\$14.3 million) in aid.

The overall results of the study showed:

- Firms that compare unfavourably in online rankings by Internet activists make donations faster than other firms. The Internet coverage of corporate donations has a stronger effect on the speed of firm donations than the coverage of corporate donations by traditional media.
- The speed of firm response to Internet activism through donations is positively related to the amount of Internet coverage on corporate donation.

- The speed of response by firms in the real estate industry is faster than that of firms in other industries. In the aftermath of the earthquake, the entire real estate industry was under scrutiny as buildings collapsed because of substandard materials used. Real estate firms—even those which had not built in the area—donated significantly faster than firms in consumer industries.
- High-reputation firms respond more quickly than firms without a high reputation. These firms have an 88% higher likelihood of donation in a given time interval than firms without such a reputation.
- The response by firms whose top executives hold high-level political appointments is faster than that of firms whose top executives do not hold such political appointments. Firms where the chair held national-level political positions have a 27% higher likelihood of donation in a given time interval than those without such positions.

The interaction between corporate vulnerability characteristics and social comparison stemming from online rankings suggests that these [firms'](#) vulnerability was enhanced when compared unfavourably and hence they further hastened their donations.

"In countries with significant government control of traditional media, the power of the [internet](#) and cyber activism is intensified by the increased influence it has over the community. In these societies, where news from traditional outlets is screened and not considered by people to be particularly trustworthy or valuable, individuals are more attentive to information released on digital media and Internet activism is more likely to elicit corporate responses," Luo concluded.

More information: X. R. Luo et al, Mobilization in the Internet Age: Internet Activism and Corporate Response, *Academy of Management*

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