

Study examines 'bathroom bill' to reveal implications of CEO sociopolitical activism

February 22 2022



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Business leaders have traditionally avoided wading into sensitive social and political debates. Yet, increasingly, CEOs are taking visible public stands on hotly contested issues, engaging in what has come to be called

CEO sociopolitical activism.

New research from the University of Notre Dame examined reactions to North Carolina's controversial 2016 "bathroom bill" to shed light on how CEO [activism](#) influences their employees' attitudes and behaviors.

CEO activism can be a net positive for firms, but only when a majority of employees are in agreement with the CEO, according to "How do employees react when their CEO speaks out? Intra- and extra-firm implications of CEO sociopolitical activism," forthcoming in *Administrative Science Quarterly* from lead author Adam Wowak and John Busenbark, management professors in Notre Dame's Mendoza College of Business, along with Donald Hambrick from Penn State University.

The study shows that employees' reactions to activism hinge on the alignment between their own ideological values and the CEO's public stance. When they agree, employees respond positively, strengthening their commitment to the firm and support for the CEO's ideological position. When the stance runs counter to employees' values, they pull away, experiencing diminished commitment and support for the CEO's cause.

The study focused on North Carolina's "bathroom bill," which was signed into law in 2016 and rolled back existing anti-discrimination protections for LGBTQ individuals, including the ability to use public restrooms that corresponded with their gender identity. The bill was the subject of intense debate among politicians, journalists and activist groups, but also attracted the attention of a group that traditionally avoided wading into societal debates—CEOs of publicly traded corporations. Nearly 100 public company CEOs signed a highly publicized letter opposing the bill, in doing so signaling their support for the liberal position on the issue.

The team examined the effects of CEO activism by comparing the companies whose CEOs signed the opposition letter and those whose CEOs were invited to sign, but declined. Their sample included 74 "signer firms" and 251 "non-signer firms."

The researchers measured employees' organizational commitment by assessing the change in companies' Glassdoor ratings in the pre- to post-letter time periods, and support for liberalism by assessing the change in employees' political donations to Democratic recipients in the pre- to post-letter time periods.

"Our results suggest that speaking out on controversial societal topics can result in benefits for the CEO's firm, but only when most employees are on the CEO's side in the first place," Wowak said. "Until a few years ago, CEOs rarely took sides in societal debates. The [conventional wisdom](#) has been to avoid such behaviors, as they run the risk of alienating stakeholders who disagree with the CEO. But until now, the real-world consequences of doing were unknown."

The team's central prediction was that more liberal (on average) [employee](#) populations would respond positively to CEO liberal activism, while more conservative employee populations would respond less favorably. They also considered the effects of CEO activism on employee support for the underlying ideology, which they measured by examining employees' political donations to Democratic recipients. In both cases, the results supported the team's theories.

For CEOs, Wowak says, the implications are clear.

"Employees notice and respond to CEO activism," he said. "It's thus important to have a reasonably accurate gauge of where your employees stand on the ideological spectrum, as taking a position that goes against the prevailing view will not go over well internally."

Wowak says the results also can have corporate governance and societal impacts.

"Boards would benefit from a better understanding of the pros and cons of CEO activism," he said. "While it's true that picking sides in public debates can backfire when a majority of employees disagree with the CEO, our results suggest that activism can cause employees to feel more strongly connected to the firm when the CEO takes a stance that they agree with. And perhaps even more intriguingly, our results indicate that CEO activism can have an effect on employees' behaviors outside the workplace. CEOs, it seems, are in positions to influence their employees' personal levels of political engagement."

More information: Adam J. Wowak et al, How Do Employees React When Their CEO Speaks Out? Intra- and Extra-Firm Implications of CEO Sociopolitical Activism, *Administrative Science Quarterly* (2022). [DOI: 10.1177/00018392221078584](https://doi.org/10.1177/00018392221078584)

Provided by University of Notre Dame

Citation: Study examines 'bathroom bill' to reveal implications of CEO sociopolitical activism (2022, February 22) retrieved 18 July 2024 from <https://phys.org/news/2022-02-bathroom-bill-reveal-implications-ceo.html>

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