

# **Wokewashing undermines the credibility of CEO sociopolitical communications: Study**

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CEOs are increasingly participating in sociopolitical debates. However, their efforts can be ineffective, or even backfire, if consumers view the statements as unauthentic, according to a new international study.

Will it create value for a company to fly the rainbow flag? A [new study](#) titled "Cashing in on the culture wars? CEO activism, wokewashing, and firm value" published in the *Strategic Management Journal* has used a game-theoretical model to shed light on when CEO and corporate activism resonates with customers.

"The credibility of CEO activism cannot be taken for granted," explains Nick Vikander, Associate Professor at the Department of Economics at the University of Copenhagen.

Skepticism about the sincerity of CEO communication naturally arises, given that companies sometimes take actions inconsistent with their stated ideals.

For instance, many CEOs and companies in the United States have taken strong stances on access to abortion, while also financing the very politicians who work to restrict these rights.

"It can be hard to know for sure whether a CEO is just telling customers what they want to hear. Our analysis identifies circumstances where such false statements are most likely and shows what this implies for both the amount and the credibility of CEO activism," says Nick Vikander.

## **The temptation to pander can become too great**

The researchers' game-theoretic model assumes that liberal and conservative consumers prefer to buy from companies whose

management's views are similar to their own. Consumers do not initially know the management's views, but they can potentially learn about them from CEO communication.

Crucially, there is no guarantee that CEO communication is sincere.

"If a company considers liberal customers to be more important to the business than conservative customers, a CEO may be tempted to please liberals by pretending to support their views. We call this 'wokewashing,'" explains Nick Vikander.

The results suggest that wokewashing tends to occur when most consumers agree on the right position in a debate. In Denmark this could be, for example, statements in favor of LGBTQ+ rights or the green transition.

"The incentive to pander to customers is simply too great in such cases for CEO activism to create value. If [business leaders](#) all pay lip service to the importance of being 'green,' regardless of their personal beliefs, then rational consumers will disregard these statements and CEO activism will be neither credible nor effective," says Nick Vikander.

## 'The power of Pepsi'

As an example of a failed commercial intervention in a societal debate, the researchers cite a Pepsi advert from 2017. In the advert, reality star Kendall Jenner joins a bland protest, with [young people](#) holding "Peace" and "Join the Conversation" signs. To calm tensions, Jenner offers a can of Pepsi to a [police officer](#) as the crowd erupts in cheers.

The Pepsi advert was criticized for trivializing the demonstrations. For example, Bernice King, daughter of Martin Luther King, tweeted a picture of her father being confronted by a police officer, accompanied

by the text: "If only Daddy would have known about the power of Pepsi."

## **Controversy can strengthen a brand**

Effective CEO activism tends to take place in areas of society where both sides of the debate have many committed supporters. In Denmark, this could be the current discussions about the abortion limit and euthanasia.

Taking a stance in a polarized debate can benefit the company by attract engaged consumers who share the brand's ideology, but also cost the company by pushing away consumers with opposing views.

"It is this cost of CEO activism that can convince consumers of its sincerity. Controversy is not a mistake, but rather an integral part of credible [activism](#), because sociopolitical communication is simply not credible without a certain cost," emphasizes Nick Vikander.

## **'Republicans buy sneakers too'**

That being said, if the cost associated with controversy is too high, CEOs may be better off not engaging in societal debates.

"Staying silent on controversial issues can be a good strategy when profits margins are high, because then alienating some of your customers is very costly," explains Nick Vikander.

"As Michael Jordan once said while partnered with Nike, 'Republicans buy sneakers too.'"

In a similar spirit, biotech-giant Chr. Hansen recently chose to drop



[public support](#) for LGBTQ+ people, citing potential lost earnings in the United States.

"Given that such support can generate significant controversy in segments of the US market, it may pay off for companies with a strong presence there to keep a low profile," concludes Nick Vikander.

## 'Believe in something'

A successful and more daring contribution to a social debate was a Nike campaign in 2018, where American footballer Colin Kaepernick directly embraced civil rights and the Black Lives Matter movement.

The advert featured a portrait of Colin Kaepernick with the message: "Believe in something, even if it means sacrificing everything." The advert was highly controversial: "For supporters, Kaepernick showed respect for the victims of racial injustice; for critics, he showed disrespect for the American anthem, the flag and the troops" (Financial Times, 2018).

Most observers agreed that Nike's risky communication strategy paid off. Apex Marketing calculated that the Nike advert generated a value of more than \$163 million.

**More information:** Gaia Melloni et al, Cashing in on the culture wars? CEO activism, wokewashing, and firm value, *Strategic Management Journal* (2023). [DOI: 10.1002/smj.3542](https://doi.org/10.1002/smj.3542)

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