

Signing to Signal: Examining Factors behind Proactive Corporate Activism

Political involvement by organizations is not a new or ground-breaking phenomena. However, the number and variety of cases seen as of late indicates that something different is burgeoning in the world of corporate activism. Often we see corporate activism as a response to direct pressures and threats from the social movements themselves (King, 2008; McDonnell, 2016), rather than independent and proactive behavior by the organization. In fact, most studies focus on corporations as a target of activism, which spurs the organization getting involved in activism as a defensive tactic (Briscoe and Safford, 2008; Briscoe et al., 2014; Briscoe et al., 2015; Hiatt et al., 2015; King, 2008; McDonnell and King, 2013; McDonnell et al., 2015; McDonnell, 2016; McDonnell and Werner, 2016). However, within the last few years we have seen a variety of instances of organizations proactively taking social and political stands (e.g., Friedman, 2017; Katz and Eckholm, 2016; McGregor, 2016; Walker, 2014), and we are just beginning to explore why and how this pattern is emerging.

It appears that companies are now calling out on others (e.g., the government) to take action, rather than being the ones called upon. In this paper, I examine four corporate letter-signing campaigns surrounding social and political issues in the United States: (1) one opposing HB 2 in North Carolina (LGBT), (2) another urging for support for the Paris Climate Agreement (environmental), (3) another opposing the executive order travel ban (refugees, immigration), and (4) another surrounding the DREAM Act (immigration).

By tapping into three different areas of organization theory, I establish hypotheses surrounding why companies would participate in letter-signing campaigns. First, by focusing on organizational identity, I suggest that organizations are participating in activism as a way to signal and enact organizational values. Second, I use literature on reputation management to hypothesize that organizations may be signing letters to maintain and protect their reputation. Finally, I pull from institutional theory to suggest that the pattern of participating of letter-signing campaigns is a sign of mimetic isomorphism, and corporations sign if industry peers are also signing.

To test my hypotheses, I compiled a dataset with information on companies' policy design and implementation, industry, performance, and employees. I use this dataset to compare the companies that participated in letter-signing campaigns to those that did not. Using logistic regression, I test each hypothesis on each individual letter, and also on an aggregate measure of whether or not a company signed a letter. My hypotheses are partially and fully supported at a p-value of 0.05 or lower.

My findings suggest, first, that proactive corporate activism is impacted by peer behavior—no matter the cause, sentiment, or subject of the letter campaign. Across the board, each letter showed strong industry effects, indicating that participating in a letter campaign is significantly influenced by whether or not other firms in the industry are signing. This could be due to the expectations or culture of that particular industry, but confirming that requires more granular examination. However, certain industries are known to reflect specific political leanings (Briscoe et al., 2014; Kiersz and Walker, 2014), and thus the pattern shown in these cases could be indicative of liberal-leaning industries. A deeper examination of this could add to Gupta et al.'s (2017) findings regarding “organizational ideology” and its impact on corporate social responsibility.

Another point of interest is that most of the industries with signers are consumer-facing. Some of these companies that are consumer-facing might be categorized in an industry that is not typically consumer facing. For instance, companies like Apple, Nike, General Motors, Coca-Cola,

and Campbell Soup Company all fall under “Manufacturing.” This could suggest that organizations are signing and participating in such a public way in an attempt to signal to consumers.

This study contributes to better understanding the drivers behind organizations choosing to proactively get involved in social and political activism. In the cases examined in this paper, it appears that activism serves as a strategy to fit in with peers and bolster company brand in the public eye. Rather than responding to a threat, we see corporations beginning to view activism as an opportunity.

Theoretically, the connection between industry patterns and participation supports the literature on mimetic isomorphism (DiMaggio and Powell, 1983; Martínez-Ferrero and García-Sánchez, 2017). However, if McGregor (2016) was correct in asserting that expectations have been established, we would expect to see a transition from mimetic to coercive isomorphism, which “stems from political influence” and “cultural expectations in the society within which the organizations function” (DiMaggio and Powell, 1983, p. 150).

The strength of a company’s reputation, along with the need to protect it, also proved significant, reinforcing this idea that the opinion of consumers and the public –i.e., a company’s reputation – is a key factor in signing. As seen in previous literature, results suggest that involvement in previous controversy play some part in a company participating in activism. Conversely, results from this analysis also indicate it could be that because firms have a high brand value they feel they can take the risky move of signing. My prediction would be that companies with a strong image (e.g., high brand value) and high power are the companies we would find as the forerunners in proactive corporate activism, while those responding to controversy are lower in value and status.

Results also show an interesting difference between the socially-oriented letters and the Low Carbon letter, which was the only letter to have a significant correlation with internal policy and behavior. I believe the nature and content of the Low Carbon letter provides insight as to why this might be the case. Part of the letter was a pledge of the signatories to “do [their] part ... to realize the Paris Agreement’s commitment” (see Appendix A). In the socially-oriented letters, corporations were standing up against the law, with not much they could do aside from protest. However, in the Low Carbon letter, measures can be taken to contribute to the goal, and it appears that companies that signed are those who have already been taking those steps. This finding, if anything, could be an indicator that an organization’s participation varies according to the (1) subject matter of a cause, and (2) a firm’s ability in, and routes to, enacting change.

While it is clear that the conditions of the Low Carbon letter are not requisite for an organization to proactively participate in activism, it does prod us to question the role of activism if internal policies need not align with the cause at hand. It is also worth questioning the role of keeping up appearances and expectations in participation in activism; along with the extent of the power of a firm and its industry in the setting of those expectations, and the resulting impact on society and policy.

Not only would I appreciate feedback on the paper as it stands, but I am also at the end of preparing additional data that could be added into this paper. This data includes topic models from the companies’ online value statements, along with a case study of an ideal type of company that would match all predicted drivers for participating in a letter signing campaign. I think this Sustainability Academy would be a great place for guidance on how to fold in this data to strengthen the project.